WASHINGTON ELECTRIC MEMBERSHIP CORPORATION
SANDERSVILLE, GEORGIA

FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2017 AND 2016 AND
INDEPENDENT AUDITOR'S REPORT

WASHINGTON ELECTRIC MEMBERSHIP CORPORATION

CONTENTS

Independent Auditor's Report..1

Balance Sheets 3

Statements of Operations 5

Statements of Changes in Members' Equity..6

Statements of Cash Flows 7

Notes to Financial Statements..8

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*...18

Independent Auditor's Report on Compliance with Aspects of Contractual
Agreements and Regulatory Requirements for Electric Borrowers...20

Matters to be Communicated with the Board of Directors 23

McNair, McLemore, Middlebrooks & Co., LLC
CERTIFIED PUBLIC ACCOUNTANTS
389 Mulberry Street • Post Office Box One • Macon, GA 31202
Telephone (478) 746-6277 • Facsimile (478) 741-1129
mmmcpa.com

March 29, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Washington Electric Membership Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of **Washington Electric Membership Corporation** (the Corporation), which comprise the balance sheets as of December 31, 2017 and 2016 and the related statements of operations, changes in members' equity 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 audits 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 Corporation'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 Corporation'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 Washington Electric Membership Corporation as of December 31, 2017 and 2016 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018 on our consideration of Washington Electric Membership Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Washington Electric Membership Corporation's 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 Washington Electric Membership Corporation's internal control over financial reporting and compliance.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

WASHINGTON ELECTRIC MEMBERSHIP CORPORATION
BALANCE SHEETS
DECEMBER 31

ASSETS

	2017	2016
Utility Plant		
Electric Plant in Service - At Cost	**$ 86,360,068**	$ 83,762,112
Construction Work in Progress	**563,875**	321,857
Gross Utility Plant	**86,923,943**	84,083,969
Accumulated Provision for Depreciation	**(28,041,536)**	(27,142,237)
	58,882,407	56,941,732
Other Property and Investments		
Investments in Associated Organizations	**16,391,557**	15,834,794
Other Investments	**270,215**	268,116
	16,661,772	16,102,910
Current Assets		
Cash and Cash Equivalents	**3,406,169**	2,450,621
Accounts Receivable (Net of Accumulated Provision for Uncollectibles of $279,183 in 2017 and $300,349 in 2016)	**3,989,112**	3,442,349
Materials and Supplies	**480,940**	527,183
Other	**107,247**	178,032
	7,983,468	6,598,185
Deferred Debits	**-**	1,044,313
Total Assets	**$ 83,527,647**	$ 80,687,140

See accompanying notes which are an integral part of these financial statements.

WASHINGTON ELECTRIC MEMBERSHIP CORPORATION
BALANCE SHEETS
DECEMBER 31

MEMBERS' EQUITY AND LIABILITIES

	2017	2016
Members' Equity		
Membership Fees	$ **64,618**	$ 64,053
Patronage Capital	**37,524,114**	36,544,203
Other Equities	**5,953,994**	5,948,465
	43,542,726	42,556,721
Long-Term Debt	**33,323,450**	31,773,340
Current Liabilities		
Current Maturities of Long-Term Debt	**1,490,000**	1,375,000
Accounts Payable	**2,213,725**	2,313,853
Consumer Deposits	**1,300,133**	1,258,043
Accrued and Withheld Taxes	**178,732**	167,690
Other Current and Accrued Liabilities	**1,478,881**	1,242,493
	6,661,471	6,357,079
Total Members' Equity and Liabilities	$ **83,527,647**	$ 80,687,140

See accompanying notes which are an integral part of these financial statements.

WASHINGTON ELECTRIC MEMBERSHIP CORPORATION
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31

	2017	2016
Operating Revenues	**$ 37,385,577**	$ 37,915,744
Operating Expenses		
Cost of Power	**23,075,614**	23,368,992
Distribution Operations	**2,834,654**	2,781,310
Distribution Maintenance	**2,928,857**	2,664,948
Consumer Accounts, Information and Sales	**1,717,381**	1,476,432
Administrative and General	**2,234,627**	2,027,138
Depreciation	**2,467,265**	2,374,522
Total Operating Expenses	**35,258,398**	34,693,342
Operating Margins Before Interest Expense	**2,127,179**	3,222,402
Interest Expense	**1,382,384**	1,312,766
Operating Margins After Interest Expense	**744,795**	1,909,636
Nonoperating Margins	**457,060**	96,404
Generation and Transmission Cooperative Capital Credits	**460,267**	490,760
Other Capital Credits and Patronage Capital Allocations	**278,893**	195,863
Net Margins	**$ 1,941,015**	$ 2,692,663

See accompanying notes which are an integral part of these financial statements.

WASHINGTON ELECTRIC MEMBERSHIP CORPORATION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Total Members' Equity	Membership Fees	Patronage Capital	Other Equities
Balance, December 31, 2015	$ 40,816,300	$ 63,238	$ 34,804,597	$ 5,948,465
Net Margins	2,692,663		2,692,663	
Membership Fees	815	815		
Retirement of Patronage Capital	(953,057)		(953,057)	
Balance, December 31, 2016	42,556,721	64,053	36,544,203	5,948,465
Net Margins	1,941,015		1,941,015	
Membership Fees	565	565		
Retirement of Patronage Capital	(961,104)		(961,104)	
Other Equities	5,529			5,529
Balance, December 31, 2017	**$ 43,542,726**	**$ 64,618**	**$ 37,524,114**	**$ 5,953,994**

See accompanying notes which are an integral part of these financial statements.

WASHINGTON ELECTRIC MEMBERSHIP CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2017	2016
Cash Flows from Operating Activities		
Net Margins	**$ 1,941,015**	$ 2,692,663
Adjustments to Reconcile Net Margins to Net		
Cash Provided by Operating Activities		
Depreciation and Amortization	**2,467,265**	2,493,924
Patronage Capital from Associated Organizations	**(736,516)**	(691,216)
Change In		
Accounts Receivable	**(546,763)**	(16,787)
Other Current Assets	**70,785**	(8,544)
Accounts Payable and Other Accrued Liabilities	**147,302**	418,454
Consumer Deposits	**42,090**	30,470
	3,385,178	4,918,964
Cash Flows from Investing Activities		
Extension and Replacement of Plant	**(2,576,508)**	(5,034,213)
Return of Equity from Associated Organizations	**192,253**	173,012
Capital Contributions to Associated Organizations	**(12,500)**	-
Other Investments	**(2,099)**	4,662
Deferred Debits	**(787,119)**	(270,132)
Materials and Supplies	**46,243**	331,073
	(3,139,730)	(4,795,598)
Cash Flows from Financing Activities		
Advances from Long-Term Debt	**3,464,408**	2,690,343
Principal Reduction of Long-Term Debt	**(1,417,293)**	(1,368,263)
Advanced Payments on Long-Term Debt Unapplied	**(382,005)**	(267,292)
Lines-of-Credit	**-**	(30,254)
Membership Fees	**565**	815
Other Equities	**5,529**	-
Retirement of Patronage Capital	**(961,104)**	(953,057)
	710,100	72,292
Net Increase in Cash and Cash Equivalents	**955,548**	195,658
Cash and Cash Equivalents - Beginning	**2,450,621**	2,254,963
Cash and Cash Equivalents - Ending	**$ 3,406,169**	$ 2,450,621

See accompanying notes which are an integral part of these financial statements.

(1) Summary of Significant Accounting Policies

Accounting policies of Washington Electric Membership Corporation (the Corporation) reflect practices appropriate to the electric utility industry and generally accepted accounting principles of the United States of America (U.S. GAAP). The records of the Corporation are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission as modified and adopted by the Rural Utilities Service (RUS). The following describes the more significant of those policies.

Nature of Operations

The Corporation is a member-owned, not-for-profit corporation whose purpose is to provide electric service to its members. The Corporation operates as a cooperative whereby all monies in excess of cost of providing electric service are capital, at the moment of receipt, and are credited to each member's capital account.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 reporting period. Actual results could differ from those estimates.

Long-Lived Assets

The Corporation evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on either a specific regulatory disallowance or an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value. For assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment provision is required. Until the assets are disposed of, their estimated fair value is reevaluated when circumstances or events change.

U.S. GAAP requires the present value of the ultimate cost for an asset's future retirement be recorded in the period in which the liability is incurred. The cost should be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. The Corporation has no legal retirement obligations related to its distribution facilities; therefore, a liability for the removal of these assets will not be recorded. Management believes the actual cost of removal, even though not a legal obligation, will be recovered through rates over the life of the distribution assets.

(1) Summary of Significant Accounting Policies (Continued)

Utility Plant

Utility plant is capitalized at cost less related contributions in aid of construction. In general, utility plant is capitalized at the time it becomes part of an operating unit and has been energized. However, certain items of plant referred to as special equipment items (meters, transformers, oil circuit reclosers, etc.) are capitalized at the time of purchase along with related estimated cost of installation.

Depreciation and Maintenance

Depreciation of capitalized cost is provided using composite straight-line rates. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its capitalized cost and its cost of removal less salvage are charged to the accumulated provision for depreciation.

Provision has been made for depreciation of distribution plant at a straight-line composite rate of 2.95 percent per annum.

Depreciation of general plant is provided on a straight-line basis over the estimated useful lives of the various assets. The rates range from 2.26 to 18 percent per annum.

The costs of maintenance, repairs and replacements of minor items of property are charged to maintenance expense accounts.

Cash Equivalents

Cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable and Credit Policies

Accounts receivable are stated at the amount billed to the consumer. Once an electric consumer's service is shut off and the account is considered uncollectible, the Corporation writes off the associated accounts receivable. An allowance is made for doubtful accounts based on experience and other circumstances which may affect the ability of consumers to meet their obligations. Accounts considered uncollectible are charged against the allowance. Receivables are reported on the balance sheets net of such accumulated allowance.

Materials and Supplies

Materials and supplies are generally used for construction and for operation and maintenance work, and are not for resale. Cost is determined by the moving average method of inventory valuation. Materials and supplies are charged to construction or operations at moving average cost when used.

(1) Summary of Significant Accounting Policies (Continued)

Equities and Margins

The Corporation is organized and operates under the cooperative form of organization. As such, patronage capital or margins are allocated to patrons on the basis of individual consumption of electric energy.

Under provisions of the long-term debt agreements, until the total equities and margins equal or exceed 30 percent of the total assets of the Corporation, the return to patrons of capital contributed by them is limited. As of December 31, 2017 and 2016, the total equities approximate 52.1 and 52.7 percent of total assets, respectively.

Operating Revenues

Electric revenues include patronage capital and are billed monthly to consumers on a cycle basis. Electric rates for the Corporation include provisions to permit the board of directors to adjust billings for fluctuations in fuel costs, purchased power costs and certain other costs. Electricity which had been used by the members of the Corporation but had not been billed to the members was not recorded. The components of this unbilled revenue can fluctuate based on factors including rate structure, weather, period of use, cost of purchased power and other factors. As a result, the overall estimate of unbilled revenues could be significantly affected, which could have a material impact on the Corporation's results of operations if recorded in the financial statements. Unbilled electric revenue was estimated to be $1,641,000 and $1,648,000 as of December 31, 2017 and 2016, respectively.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board released Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 is designed to create greater comparability for financial statement users across industries and jurisdictions through a more principles-based approach than companies in the United States are used to following. The standard would require companies to recognize revenue through a five-step process: (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction type, (4) allocate the transaction price to the separate performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The standard, as deferred one year by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018 and interim reporting periods within annual reporting periods beginning after December 15, 2019. The standard will require the Corporation to accrue unbilled electric revenue using either a full retrospective or retrospective with cumulative effect transition method and will require a change in accounting principle in the period adopted. The Corporation has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the financial statements.

Patronage Capital

Patronage capital represents the Corporation's accumulated retained excess of revenues over expenses that has been allocated annually to its members. Distributions to members are made at the discretion of the board of directors in accordance with the bylaws, subject to the restrictions contained in the long-term debt agreements.

(1) Summary of Significant Accounting Policies (Continued)

Sales Tax

Certain portions of the Corporation's sales are subject to sales tax imposed by jurisdictions. When required, the Corporation collects sales tax from customers and remits it to the applicable jurisdiction. The Corporation's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

Cost of Purchased Power

Cost of power is expensed as consumed.

Investments in Associated Organizations

Investments in associated organizations primarily include investments in other cooperative organizations. Investments in other cooperative organizations represent capital investments made primarily to obtain an economical source of supply, financing, product or service. Investments in other cooperative organizations are carried at cost plus allocated equities in accordance with guidance issued in *Accounting Standards Codification 905-325-30*. Capital credit allocations from associated organizations are included on the statements of operations as "generation and transmission cooperative capital credits" and "other capital credits and patronage capital allocations."

Income Taxes

The Corporation is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code which provides, in part, that the Corporation derive at least 85 percent of its annual gross income from members to retain the exemption. The Corporation expects to meet the requirement for the tax year ended December 31, 2017. Accordingly, no provision for income taxes has been made in the financial statements. The Corporation has not yet filed its federal information return for 2017 which has an initial due date of May 15, 2018.

Reclassifications

Certain reclassifications have been made within the 2016 financial statements to conform to the 2017 presentation.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 29, 2018, the date the financial statements were available to be issued.

(2) Utility Plant

Listed below are the major classes of the utility plant as of December 31:

		2017		2016
Distribution	$	71,885,038	$	71,142,920
General		14,474,776		12,618,938
Intangible		254		254
Electric Plant in Service		86,360,068		83,762,112
Construction Work in Progress		563,875		321,857
	$	86,923,943	$	84,083,969

(3) Investments in Associated Organizations

Investments in associated organizations are comprised of the following as of December 31:

	2017	2016
National Rural Utilities Cooperative Finance Corporation		
Membership Fee	**$ 1,000**	$ 1,000
Capital Term Certificates	**744,850**	752,982
Capital Credits	**241,141**	236,679
Oglethorpe Power Corporation		
Capital Credits	**11,087,930**	10,718,530
GRESCO Utility Supply, Inc.		
Capital Credits	**619,141**	612,316
National Rural Telecommunications Cooperative, Inc.		
Capital Credits	**231,529**	194,332
Georgia Electric Membership Corporation Workers' Compensation Fund		
Capital Credits	**-**	13,318
Southeastern Data Cooperative, Inc.		
Capital Credits	**142,846**	134,389
Georgia Transmission Corporation		
Contributed Capital	**811,579**	811,579
Capital Credits	**1,802,221**	1,711,416
Georgia System Operations Corporation		
Capital Credits	**2,595**	2,620
CoBank		
Capital Credits	**106,450**	71,970
Smarr EMC		
Contributed Capital	**19,328**	19,328
Capital Credits	**365,708**	365,708
Cooperative Response Center		
Contributed Capital	**12,500**	-
Federated Rural Electric Insurance Exchange		
Capital Credits	**198,669**	182,931
Green Power EMC		
Contributed Capital	**-**	1,739
Capital Credits	**4,070**	3,957
	$ 16,391,557	$ 15,834,794

(4) Patronage Capital

	2017	2016
Assignable	**$ 1,941,015**	$ 2,692,663
Assigned	**51,499,920**	48,807,257
	53,440,935	51,499,920
Cumulative Retirements	**(15,916,821)**	(14,955,717)
	$ 37,524,114	$ 36,544,203

(5) Other Equities

	2017	2016
Capital Gains and Losses	**$ 5,945,851**	$ 5,945,851
Donated Capital - Estate Refunds	**5,527**	-
Donated Capital	**2,616**	2,614
	$ 5,953,994	$ 5,948,465

(6) Debt

Long-term debt consists of mortgage notes payable to the United States of America acting through RUS, Federal Financing Bank (FFB), the National Rural Utilities Cooperative Finance Corporation (NRUCFC) and CoBank. The notes are secured by a mortgage agreement among the Corporation, RUS, NRUCFC, FFB and CoBank. Substantially all of the assets of the Corporation are pledged as security for long-term debt of the Corporation. The notes generally have 35-year maturity periods and are payable on an installment basis. The notes contain certain affirmative and negative covenants, including maintenance of certain financial ratios as defined in the agreement. At December 31, 2017 and 2016, the Corporation was in compliance with the covenants.

Holder of Note	**Interest Rate at December 31, 2017**	**2017**	2016
RUS	1.23% to 4.65%	**$ 8,099,299**	$ 8,341,427
FFB	0.98% to 3.15%	**18,459,168**	15,335,377
NRUCFC	3.60% to 5.50%	**2,032,936**	2,312,011
CoBank	3.53% to 4.00%	**12,953,293**	13,511,580
		41,544,696	39,500,395
RUS Cushion-of-Credit		**(6,731,246)**	(6,352,055)
Maturities Due Within One Year		**(1,490,000)**	(1,375,000)
		$ 33,323,450	$ 31,773,340

(6) Debt (Continued)

Approximate principal maturities of long-term debt for each of the next five years are as follows:

Year	Amount
2018	$ 1,490,000
2019	1,488,000
2020	1,486,000
2021	1,481,000
2022	1,601,000
Thereafter	33,998,696
	$ 41,544,696

The Corporation has made unapplied advance payments to the RUS Cushion-of-Credit program. Under this program the Corporation may make voluntary deposits into a special cushion-of-credit account. The cushion-of-credit account balance accrues interest to the Corporation at a rate of 5 percent per annum. The use of the cushion-of-credit account is restricted to funding the future debt service payments that the Corporation is obligated to pay against its outstanding indebtedness to RUS and FFB.

The Corporation has unadvanced loan funds through FFB for $5,520,249 and $8,984,657 for the years ended December 31, 2017 and 2016, respectively.

The Corporation has two lines-of credit, $4,000,000 at 2.50 percent with NRUCFC and $2,000,000 at 2.90 percent with CoBank. There was no outstanding balance as of December 31, 2017 and 2016.

Interest payments totaled $1,387,642 and $1,325,220 for the years ended December 31, 2017 and 2016, respectively.

(7) Pension Plan

Pension Plan (Defined Benefit)

Pension benefits for substantially all employees of the Corporation are provided through participation in the NRECA Retirement Security Plan (RS Plan), a defined benefit plan qualified under Section 401 and tax-exempt under 501(a) of the Internal Revenue Code. The plan sponsor's employer identification number is 53-0116145 and the plan number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Corporation's annual contributions to the program represented less than 5 percent of total contributions made to the plan by all participating employers and are equal to the amounts recorded for pension cost. Contributions were $879,836 and $843,173 for the years ended December 31, 2017 and 2016, respectively.

(7) Pension Plan (Continued)

Pension Plan (Defined Benefit) (Continued)

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was greater than 80 percent funded at January 1, 2018 and 2017 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

Pension Plan (Defined Contribution Plan)

The Corporation also provides additional employee benefits to substantially all employees through the NRECA sponsored defined contribution Savings Plan (401-k). In this defined contribution plan, the Corporation's contributory portion of costs of this plan totaled $110,980 and $147,793 for the years ended December 31, 2017 and 2016, respectively.

(8) Deferred Debits

	2017	2016
Workplan	**$ -**	$ 13,012
Clearing Accounts	**-**	932
Metering Project	**-**	1,030,369
	$ -	$ 1,044,313

(9) Nonoperating Margins

	2017	2016
Revenues from Merchandising	**$ 653,923**	$ 1,984,726
Cost of Merchandising	**(590,716)**	(2,149,216)
Net Gain (Loss) from Merchandising	**63,207**	(164,490)
Interest Income	**393,633**	342,694
Miscellaneous Income (Expense)	**220**	(81,800)
	$ 457,060	$ 96,404

(10) Commitments

The Corporation has entered into various long-term contracts to meet the power supply demands of its consumers. The Corporation has a commitment to pay for its assignment of fixed costs through the term of these contracts, as well as any variable costs incurred above the allocated fixed cost amounts. The Corporation is a member of a generation cooperative known as Oglethorpe Power Corporation (OPC) and has contracted with OPC based on a percentage of fixed or designated costs to purchase power supply from various facilities owned by OPC. The Corporation has multiple contracts with various expiration terms through 2050. Related fixed costs under these contracts were $10,295,174 in 2017 and are expected to remain relatively constant in the immediate future.

The Corporation is a member of a transmission cooperative known as Georgia Transmission Corporation and, as such, has a Member Transmission Service Agreement (MTSA) executed in 1996 and amended in 2005. The MTSA requires the Corporation to take transmission-related service through 2060 and allows for a reduction in service at prescribed periods. Transmission service under the MTSA was $2,013,400 in 2017 and is expected to remain relatively constant in the immediate future. Transmission service is recorded as a component of cost of power.

The Corporation entered into a Member Power Purchase and Sales and Scheduling Agreement with Cooperative Energy Incorporated (CEI) in 2014. Without written notice of termination by the corporation, the agreement will renew for a five-year term on January of each year. Under the contract, the Corporation sells to CEI, at cost, all capacity and energy which the Corporation is entitled to receive under contracts with OPC and other power suppliers. CEI provides, at cost, all electricity required to serve the load of the Corporation. Also under this agreement, to reduce cost to the Corporation, CEI, by itself or through agents, enters into transactions with third parties to meet the electrical load requirement of the Corporation.

Under current law, the Corporation has the ability to recover these costs from its members; however, any change to existing laws could adversely affect the ability to recover these costs.

(11) Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash. The Corporation maintains interest-bearing and noninterest-bearing transaction accounts at several financial institutions. Although cash balances throughout the year periodically exceed federally insured deposit limits of $250,000, the Corporation believes that its cash is not exposed to any significant risk and the Corporation has not experienced any loss in accounts which exceed federally insured limits. At December 31, 2017, bank balances exceeded federally insured deposit limits by $3,196,932.

Operating revenues from four customers totaled $7,781,329 and $8,293,294 for the years ended December 31, 2017 and 2016, respectively. These amounts represent approximately 21 percent and 22 percent of the Corporation’s operating revenues for the years ended December 31, 2017 and 2016, respectively. Accounts receivable from these customers totaled $671,999 and $688,927, representing 17 percent and 20 percent of accounts receivable as of December 31, 2017 and 2016, respectively.

The Corporation serves consumers in the state of Georgia. The geographic concentration of the Corporation’s consumers results in a concentration of credit risk with respect to the collection of accounts receivable. Credit evaluations are performed on most potential customers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required.

McNair, McLemore, Middlebrooks & Co., LLC
CERTIFIED PUBLIC ACCOUNTANTS
389 Mulberry Street • Post Office Box One • Macon, GA 31202
Telephone (478) 746-6277 • Facsimile (478) 741-1129
mmmcpa.com

March 29, 2018

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Washington Electric Membership Corporation

We have audited, in accordance with the 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, the financial statements of **Washington Electric Membership Corporation** (the Corporation), which comprise the balance sheet as of December 31, 2017 and the related statements of operations, changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by the board of directors.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation’s internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

MCNAIR, MCLEMORE, MIDDLEBROOKS & CO., LLC
CERTIFIED PUBLIC ACCOUNTANTS
389 Mulberry Street • Post Office Box One • Macon, GA 31202
Telephone (478) 746-6277 • Facsimile (478) 741-1129
mmmcpa.com

March 29, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR ELECTRIC BORROWERS

The Board of Directors
Washington Electric Membership Corporation

We have audited, 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, the financial statements of **Washington Electric Membership Corporation** (the Corporation), which comprise the balance sheet as of December 31, 2017 and the related statements of operations, changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2018. In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that the Corporation failed to comply with the terms, covenants, provisions, or conditions of their loan, grant and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Corporation's noncompliance with the above-referenced terms, covenants, provisions or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Corporation's accounting and records to indicate that the Corporation did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material and overhead costs, and the distribution of these costs to construction, retirement and maintenance or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plant accounts;
- Clear construction accounts and accrue depreciation on completed construction;

- Record and properly price the retirement of plant;

- Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material or scrap;

- Maintain adequate control over materials and supplies;

- Prepare accurate and timely Financial and Operating Reports;

- Obtain written RUS approval to enter into any contract for the management, operation or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

- Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

- Comply with the requirements for the detailed schedule of deferred debits and deferred credits which is included in the notes to the financial statements; and

- Comply with the requirements for the detailed schedule of investments which consists of investments in associated organizations and is disclosed in the notes to the financial statements. A detailed schedule of other investments is included as Exhibit A.

This report is intended solely for the information and use of the board of directors, management, RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

EXHIBIT A

WASHINGTON ELECTRIC MEMBERSHIP CORPORATION
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2017

OTHER INVESTMENTS

Name	Type of Organization	Principal Business	Investment
Washington Energy Services	Corporation	Services	$ 11,321

Washington Energy Services (WES) is a wholly-owned subsidiary of the Corporation. WES currently has no operating activities and is accounted for on an equity basis.

Auditor's Responsibility Under Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter, the auditor is responsible for forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles and standards generally accepted in the United States of America. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Planned Scope and Timing of the Audit

The audit was performed according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection of appropriate accounting policies. The significant accounting policies used by Washington Electric Membership Corporation (the Corporation) are outlined in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2017. We noted no transaction entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a period other than when the transaction occurred.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimates may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Allocations for construction work in progress
- Useful lives of utility plant
- Reserve for uncollectible accounts
- Expense accruals

We evaluated the key factors and assumptions used to develop management's estimates in determining that they are reasonable in relation to the financial statements as a whole.

Significant Audit Adjustments and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no audit adjustments for the year ended December 31, 2017. There were no significant uncorrected misstatements, material or immaterial.

Disagreements with Management

Professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 29, 2018.

Consultation with Other Accountants

To our knowledge, management did not consult with other accountants relating to auditing or accounting matters.

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

There were no difficulties encountered in dealing with management related to the performance of the audit.

Restriction of Use

This report is intended solely for the information and use of the board of directors and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.