OFFICIAL STATEMENT DATED JANUARY 27, 2009

NEW ISSUE – Book-Entry Only	**Fitch Ratings:**	**AAA**
	Moody's Investors Service:	**Aaa**
	Standard & Poor's Ratings Services:	**AAA**
	See "Ratings"	

In the opinion of Bond Counsel, (i) under existing law, interest on the Bonds, assuming continuing compliance by the Commission with certain covenants described more fully under "Tax Exemption" herein, is excludable from gross income for purposes of federal income taxation, and (ii) the Bonds are exempt under existing statutes from taxation by the State of Maryland and by the counties and municipalities thereof, but no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon. As described under "Tax Exemption" herein, interest income from the Bonds is not includable in corporate or individual alternative minimum taxable income as a separate enumerated item of tax preference or other specific adjustment, but may be included as part of a tax preference item subject to the federal corporate alternative minimum tax and may also be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

$165,000,000

WASHINGTON SUBURBAN SANITARY DISTRICT, MARYLAND

(MONTGOMERY AND PRINCE GEORGE'S COUNTIES, MARYLAND)

CONSOLIDATED PUBLIC IMPROVEMENT BONDS OF 2009

Dated: January 15, 2009 **Due: June 1, as shown herein**

The Bonds are payable from unlimited ad valorem taxes upon all the assessable property within the District.

Principal is payable annually, on June 1, beginning as set forth on the inside front cover hereof to the registered owner upon presentation and surrender to The Bank of New York Mellon Trust Company, N. A., as Bond Registrar and Paying Agent, at its corporate trust office in Pittsburgh, Pennsylvania. Interest is payable from January 15, 2009 semiannually, on June 1 and December 1, first interest payable on June 1, 2009 (four and one-half months) by check or draft mailed to the registered owner. The Bonds shall be fully registered bonds, in the denomination of $5,000 or any integral multiple thereof. The Bonds initially will be issued in book-entry only form and registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York. Payments of principal and interest shall be made as the same shall respectively become due and payable in the manner and as otherwise stated herein.

The Bonds maturing on or after June 1, 2019 are subject to redemption prior to their respective maturities, as more fully described herein.

FOR MATURITY SCHEDULE SEE INSIDE FRONT COVER

The Bonds are offered when, as and if issued and subject to the unqualified approving opinions of Venable LLP, Baltimore, Maryland and McKenzie & Associates, Washington, DC, Co-Bond Counsel. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company, New York, New York, on or about February 12, 2009.

MATURITY SCHEDULE

$165,000,000 CONSOLIDATED PUBLIC IMPROVEMENT BONDS OF 2009

Maturity June 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP Number**	Maturity June 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP Number**
2009	$8,360,000	2.000%	0.550%	940157 PS3	2019	$8,225,000	3.000%	3.070%	940157 QC7
2010	8,000,000	4.000	1.000	940157 PT1	2020	8,255,000	3.250	3.430	940157 QD5
2011	8,020,000	4.000	1.300	940157 PU8	2021	8,290,000	3.750	3.730	940157 QE3
2012	8,040,000	4.000	1.410	940157 PV6	2022	8,320,000	4.000	4.000	940157 QF0
2013	8,065,000	5.000	1.650	940157 PW4	2023	8,355,000	4.125	4.130	940157 QG8
2014	8,090,000	5.000	1.910	940157 PX2	2024	8,395,000	4.250	4.370	940157 QH6
2015	8,115,000	5.000	2.130	940157 PY0	2025	8,430,000	4.500	4.510	940157 QJ2
2016	8,140,000	5.000	2.360	940157 PZ7	2026	8,470,000	4.500	4.620	940157 QK9
2017	8,170,000	5.000	2.590	940157 QA1	2027	8,510,000	4.500	4.700	940157 QL7
2018	8,195,000	5.000	2.750	940157 QB9	2028	8,555,000	4.750	4.820	940157 QM5

* The rates shown above are the rates payable by the District resulting from the successful bid for the Bonds on January 27, 2009 by a group of banks and investment banking firms. The successful bidders have furnished to the Commission the initial public offering prices or yields shown above. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidders and not from the Commission.

WASHINGTON SUBURBAN SANITARY COMMISSION

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BOND COUNSEL

Venable LLP
McKenzie & Associates

FINANCIAL ADVISOR

Public Advisory Consultants, Inc.

Additional copies of this Official Statement for the Consolidated Public Improvement Bonds of 2009 can be obtained from J.D. Noell, Disbursements Group Leader, Washington Suburban Sanitary Commission, 14501 Sweitzer Lane, Laurel, Maryland 20707 (301-206-7069), or from Public Advisory Consultants, Inc., 25 Crossroads Drive, Suite 402, Owings Mills, Maryland 21117 (410-581-4820). Copies of the latest Official Statements of Montgomery County and Prince George's County are available at the offices of the respective counties.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Washington Suburban Sanitary Commission and Montgomery County and Prince George's County, Maryland. No dealer, broker, sales agent, financial consultant or any other person has been authorized by the Washington Suburban Sanitary Commission, Montgomery County, or Prince George's County to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The Washington Suburban Sanitary Commission believes that the information contained in this Official Statement is correct and complete and has no knowledge of any inaccuracy or incompleteness as to any of the information herein contained. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Washington Suburban Sanitary Commission or Montgomery County or Prince George's County, Maryland, from the date hereof.

All references in this Official Statement to the Commission's Internet home page are provided for convenience only. The information on the Commission's Internet home page is ***NOT*** *incorporated herein, by reference or otherwise.*

TABLE OF CONTENTS

OFFICIAL STATEMENT

$165,000,000

WASHINGTON SUBURBAN SANITARY DISTRICT, MARYLAND
(Montgomery and Prince George's Counties, Maryland)

Consolidated Public Improvement Bonds 0f 2009

INTRODUCTORY STATEMENT

The purpose of this Official Statement, including the cover page, inside front cover, and appendices hereto, is to set forth certain information concerning the $165,000,000 Consolidated Public Improvement Bonds of 2009 (the "Bonds"), to be issued by the Washington Suburban Sanitary District (the "District"). The Bonds will provide funding for the water supply facilities and construction, or reconstruction, of major water supply lines and transmission mains, for sewage disposal facilities and large collection mains, and for Commission-built water/sewer pipes in subdivisions. The Bonds may also be issued to replace short-term bond anticipation notes.

The District is a sanitary district incorporated under Chapter 122 of the Acts of the General Assembly of 1918, as amended. It is governed by and is under the jurisdiction of a commission of six members constituting a statutory body corporate under the name of the Washington Suburban Sanitary Commission (the "Commission").

The Bonds are being issued under the Constitution and laws of the State of Maryland, particularly Article 29 of the Annotated Code of Maryland, as amended ("Article 29").

The Bonds, including principal, premium, if any, and interest, are payable from unlimited ad valorem taxes upon all the assessable property within the District, but it is estimated that revenues other than tax revenues will be available to pay such Bonds in full. See "Security" herein.

Amounts herein relating to tax collections, front foot benefit charges, water and sewer charges and the District's financial position have been taken from official records of the Commission. All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts.

SECURITY

Levy of Taxes to Pay Bonds and Notes

For the purpose of paying the principal of and interest on bonds and notes of the District (except as otherwise hereinbelow mentioned respecting storm water drainage bonds), including the Bonds, Article 29 provides for the levy, annually, against all the assessable property within the District by the County Council of Montgomery County and the County Council of Prince George's County of ad valorem taxes sufficient to pay such principal and interest when due and payable. After receiving from the County Executive of each County the assessed valuations of the taxable property in the District, the Commission determines the amount necessary to be raised, taking into account the amount available from other sources, by the levy of taxes for the then ensuing year for the payment of interest on all outstanding bonds and notes due and payable in such year. The Commission shall determine the number of cents per $100 valuation necessary to raise such amount and shall so certify to the two County Councils. Each of the County Councils in its next annual levy is required to levy and to collect such tax as county taxes are levied and collected. The tax so levied and collected shall be remitted to the Commission. Taxes for paying the storm water drainage bonds are similarly levied by Prince George's County.

Bonds and Notes are Substantially Paid from Revenues Other Than Taxes

Substantially all of the debt service on bonds and notes of the District is being paid from revenues derived by the District from fees, charges, rates and assessments and other available funds. Only the debt service on storm water drainage bonds is paid from revenues derived from certain ad valorem taxes as described herein. The balance of the total debt service is paid from revenues derived from fees, charges, rates, assessments and other available funds. However, the underlying security for all bonds and notes of the District is the levy of ad valorem taxes on the assessable property as stated in the preceding paragraph. See “SUMMARY OF DISTRICT AD VALOREM TAXES, WATER, SEWER AND OTHER CHARGES AND REVENUES THEREFROM” herein.

The Bonds

The Bonds constitute general obligations of the District, all the assessable property within which is subject to the levy of an ad valorem tax, without limitation of rate or amount, to pay said bonds and the interest thereon. In addition, the Commission fixes and collects the following charges and assessments:

Water Consumption Charge: The Commission fixes and collects a water consumption charge, which is based upon metered water use on all properties connected to the water supply system of the District. The proceeds of the water consumption charges are applied to the payment of principal of and interest on the water supply bonds of the District (including that portion of the Bonds allocable to water supply projects), and to the payment of the cost of operating and maintaining the water supply system.

Sewer Usage Charge: The Commission fixes and collects a sewer usage charge, which is based on metered water use on all properties connected to the sewage disposal system of the District. Sewer only customers are billed a flat rate on a quarterly basis. The proceeds of the sewer usage charges are applied to the payment of the principal of and the interest on all sewage disposal bonds and notes of the District (including that portion of the Bonds allocable to sewage disposal projects), and to the payment of the costs of operating and maintaining the sewage disposal system.

Front Foot Benefit Charge. The Commission assesses, on certain property benefiting from water mains or sewers, front foot benefit charges in amounts sufficient to pay debt service on said bonds as such debt service becomes due. The front foot benefit charges are payable in annual installments during the term of the respective bonds issued for the particular improvements (including that portion of the Bonds allocable to such improvements). Proceeds of such front foot benefit charges are applied to the payment of the principal of and the interest on the general construction bonds of the District, including that portion of the Bonds allocable to such improvements.

USE OF PROCEEDS OF THE BONDS

The Bonds will provide funding for the water supply facilities and construction, or reconstruction, of major water supply lines and transmission mains, for sewage disposal facilities and large collection mains, and for Commission-built water/sewer pipes in subdivisions. The Bonds may also be issued to replace short-term bond anticipation notes.

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DESCRIPTION OF THE BONDS

The Bonds will be dated January 15, 2009 and will bear interest at the rates and mature in the amounts and at the times set forth on the inside front cover page hereof.

The Bonds shall be fully registered bonds in the denomination of $5,000 or any integral multiple thereof. The Bond Registrar and Paying Agent shall be The Bank of New York Mellon Trust Company, N. A., having a corporate trust office in Pittsburgh, Pennsylvania, which shall register the Bonds and the transfer of Bonds on the District's bond registration books. The payment of interest on each Bond shall be made by the Bond Registrar and Paying Agent on each interest payment date to the person appearing on the bond registration books as the registered owner of such Bond (or the previous bond or bonds evidencing the same debt as that evidenced by such Bond) at the close of business on the record date for such interest, which shall be the 15th day of the calendar month next preceding such interest payment date, by check or draft mailed to such person at his address as it appears on the registration books. The payment of principal shall be made to the owner registered on the bond registration books upon presentation and surrender thereof to The Bank of New York Mellon Trust Company, N. A. at the office of its affiliate, The Bank of New York Mellon, in New York, New York or Dallas, Texas. The Bonds may be transferred or exchanged subject to the requirements prescribed by the respective resolutions authorizing their issuance, including provisions that the Bond Registrar shall not be required to exchange or register the transfer of any bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Bonds or any portion thereof and ending at the close of business on the day of such mailing or of any Bond called for redemption in whole or in part pursuant to the resolutions.

Redemption Provisions

The Bonds which mature on or after June 1, 2019, are callable for redemption prior to their respective maturities, at the option of the Commission, from any moneys that may be made available for such purpose. Any such redemption may be made on not fewer than 30 days notice by mail, either in whole on any date not earlier than June 1, 2018, or in part on any interest payment date not earlier than June 1, 2018, at the principal amount of the Bonds to be redeemed, with interest thereon accrued to the date fixed for redemption, without premium. If less than all of the Bonds of any one maturity shall be called for redemption, the particular bonds of such maturity to be redeemed shall be selected by lot. In selecting Bonds for redemption, the Bond Registrar shall treat each bond of a denomination higher than $5,000 as representing that number of bonds which is equal to the principal amount of such bond divided by $5,000.

Book-Entry System

General. The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds in principal amount equal to the aggregate principal amount of the Bonds of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of

Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commission or the Registrar and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC, DTC's nominee, the Registrar and Paying Agent or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or its Registrar and Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Book-Entry Only System — Miscellaneous. The information in the Section "Book-Entry Only System — General" has been obtained from DTC. The Commission takes no responsibility for the accuracy or completeness thereof. The Commission will have no responsibility or obligations to DTC Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice to the DTC Participants, or the Indirect Participants, or Beneficial Owners. The Commission cannot and does not give any assurance that DTC Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

Discontinuation of Book-Entry Only System DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Commission. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Commission may also decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the Book-Entry Only System is discontinued, the Bonds in fully certificated form will be issued as fully registered Bonds without coupons in the denomination of $5,000 each or any integral multiple thereof. Such Bonds will be transferable only upon the registration books kept at the principal office of the Registrar and Paying Agent, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Registrar and Paying Agent, and duly executed by the registered owner or a duly authorized attorney. Within a reasonable time of such surrender, the Commission shall cause to be issued in the name of the transferee a new registered Bond or Bonds of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond surrendered and maturing on the same date and bearing interest at the same rate. The new Bond or Bonds shall be delivered to the transferee only after due authentication by an authorized officer of the Registrar and Paying Agent. The Commission may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes.

In the event that the Book-Entry Only System is discontinued, the Bonds may be transferred or exchanged at the principal office of the Registrar and Paying Agent. Upon any such transfer or exchange, the Commission shall execute and the Registrar and Paying Agent shall authenticate and deliver a new registered Bond or Bonds without coupons of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond exchanged or transferred, and maturing on the same date and bearing interest at the same rate. In each case, the Registrar and Paying Agent may require payment by any holder of Bonds requesting exchange or transfer of Bonds of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to the holder of Bonds for such exchange or transfer.

The Registrar and Paying Agent shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or portion thereof for redemption as previously described; provided, however, that the foregoing limitation shall not apply to that portion of a Bond in excess of $5,000 which is not being called for redemption.

NEITHER THE COMMISSION NOR THE REGISTRAR AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO 1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; 2) THE PAYMENT BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; 3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; 4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR 5) THE SELECTION BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

WASHINGTON SUBURBAN SANITARY DISTRICT

Establishment, Powers and Service Area

The District was created in 1918 and operates as a public corporation of the State of Maryland under Article 29. Through its governing body, the Commission, it provides, as authorized, water and sewerage systems, including water supply and sewage disposal facilities for Montgomery and Prince George’s counties, Maryland. The area initially incorporated in the District has been expanded by legislative enactments to its present boundaries encompassing over 950 square miles within Montgomery and Prince George’s counties.

The populations of Montgomery and Prince George's counties are shown below:

	1980	1990	2000
Montgomery County	579,053	757,027	855,000
Prince George's County	665,071	729,553	781,781
Total	1,244,124	1,486,580	1,636,781

Source: U.S. Census of Counties.

Commission

The District is under the jurisdiction of, and its governing body is, the Commission, a body corporate consisting of six members who are required to be residents of the District. Three Commissioners are required to be from, and are appointed by the County Executive of, Montgomery County, subject to their confirmation by the County Council thereof, and three Commissioners are required to be from, and are appointed by the County Executive of, Prince George's County, subject to their confirmation by the County Council thereof. No more than two commissioners from Montgomery County may be of the same political party. The term of office for the Commissioners is four years, with termination dates on a staggered year basis. The Chair and the Vice-Chair of the Commission are elected by the members and may not be from the same county. These two offices rotate annually between the two counties unless waived, as provided by law.

The County Executive of each of the two counties may, with the approval of the majority of the members of the County Council of the respective county, remove any Commissioner appointed from such county from such Commissioner's current term of office prior to the completion of such term. In addition, a majority of the Montgomery County Council, by resolution, may, unless the Montgomery County Executive disapproves the resolution in writing within 30 days of its adoption, remove any Commissioner appointed from Montgomery County prior to the completion of his term. In either event, a public hearing must be held thereon unless waived in writing by the Commissioner sought to be removed.

Powers and Responsibilities of the Commission

The powers and responsibilities of the Commission as set forth in Article 29 include, among others:

(i) providing for construction, reconstruction, operation and maintenance of water supply and sanitary sewerage facilities in the District area in Montgomery and Prince George's counties;

(ii) establishing water rates, sewer usage rates, connection charges, front foot benefit charges and permit fees, and causing ad valorem taxes to be levied;

(iii) issuing bonds and notes of the District, including refunding bonds and bond anticipation notes;

(iv) exercising the power of eminent domain;

(v) providing for construction, reconstruction, operation and maintenance of water and sewer house connection lines from the Commission's mains to abutting property lines;

(vi) approving the location of, and issuing permits for, all utilities to be installed in public ways;

(vii) reviewing preliminary subdivision plans as to suitability of water and sewer design and reviewing street grades for those streets in which there are Commission facilities;

(viii) formulating regulations governing all plumbing and gas fitting installations;

(ix) issuing permits for the installation of and inspection of all plumbing and gas fitting connections; and

(x) licensing master and journeyman plumbers and gas fitters.

Commission Membership

Joyce Starks: Ms. Starks was appointed to the Commission from Prince George's County in February 2004, and was elected Chair of the Commission in July 2008. She has previously served as Chair and Vice Chair of the Commission. Ms. Starks is a business Manager for Administration and Budget in the Office of Administration for the National Institutes of Health (NIH). Ms. Starks also was selected to participate in the reengineering of training programs at the Department of Treasury and Internal Revenue Service. She was one of the founders of the Parent Advisory Council for a foster care program, serving as Chair on two occasions, and was recognized with several awards. A Lanham resident, Ms. Starks volunteers at Sarah's House, a homeless shelter for women. She also served as the PTA Vice President for Thomas Johnson Middle School. She is a member of the Association of Government Accountants, and is active with her church and community. Ms. Starks' term expired in June 2007; pursuant to the provisions of Article 29, she will continue to serve until her successor is appointed and qualifies.

Gene W. Counihan: Mr. Counihan was appointed to the Commission from Montgomery County in October 2007, and was elected Vice Chair of the Commission in July 2008. Mr. Counihan has lived and worked in Montgomery County since 1963. His career includes elected and appointed positions in state, regional and county government and 29 years as a teacher and administrator in the Montgomery County Public Schools. Commissioner Counihan was elected to and served three, four-year terms in the Maryland House of Delegates. After leaving the legislature in January 1995 Mr. Counihan worked as a special assistant to Governor Parris Glendening before becoming the Maryland Government Relations Officer for the Washington Metropolitan Area Transit Authority (WMATA). In this capacity he worked with Montgomery and Prince George's county officials and the state legislature to secure funding to build, operate and maintain public transit services in the Suburban Maryland Region. His numerous community leadership activities include serving as Chair of the Montgomery County Chamber of Commerce, the Montgomery College Board of Trustees, the Committee for Montgomery, the Board of Advisors at the Universities at Shady Grove, and the Olney Theatre Center Board. Mr. Counihan is a graduate of Leadership Maryland and Leadership Montgomery and was named the 2005 Montgomery County Leader of the Year by Leadership Montgomery. Mr. Counihan holds a bachelor's degree in Mathematics Education from Frostburg State College and a master's degree in Educational Administration from American University. His term expires in May 2011.

Prem P. Agarwal: Mr. Agarwal was appointed to the Commission from Prince George's County in July 2003. He has previously served as Chair and Vice Chair of the Commission. He is president and owner of G.E. Frisco Company, Inc., an Upper Marlboro-based lumber and building material manufacturer serving the mid-Atlantic region. Mr. Agarwal's career began in 1968 as a systems engineer at Safeway Stores, Inc., in Oakland, California, where he helped improve efficiency by designing computer-based industrial engineering systems for stores and manufacturing plants. Following that, he became president and owner of Iceco Corporation, an ice manufacturing facility in Capitol Heights. The Mitchellville resident holds a bachelor's degree in science and math from Agra University in Agra, India and a mechanical engineering degree from the Indian Institute of Technology in Roorkee, India. He also holds a master's degree in industrial engineering from the University of California, Berkeley, and is a member of the American Institute of Industrial Engineers. His term expired in June 2007; pursuant to the provisions of Article 29, he will continue to serve until his successor is appointed and qualifies.

Adrienne A. Mandel: The Honorable Adrienne A. Mandel was appointed to the Commission from Montgomery County in October 2007. She has previously served as Chair of the Commission. She retired from the Maryland Legislature in 2007, after serving three four-year terms as a State Delegate from Montgomery County Legislative District 19. Ms. Mandel authored landmark legislation in the areas of highway deaths and injuries, regulation and oversight of WSSC, services and programs for the elderly and expanded access to quality, affordable health care. For seven years, she was Delegation Chair of the Bi-County Committee with jurisdiction over the WSSC. Ms. Mandel was elected president of the 64-member Women Legislators of Maryland and served on the Executive Board of the National Foundation for Women Legislators. Ms. Mandel retired in 1997 from an 18-year career with Montgomery County Government during which time she opened the Holiday Park Multi-Service Senior Center, served as a Special Projects Coordinator with the Department of Health and Human Services, and for 10 years was a lobbyist to the State Legislature for the County's Office of Intergovernmental Relations. Prior to her service in local government, she was a staff member in the offices of a U.S. senator and congressman. Currently a member of the Board of Advisors of The Center on Global Aging for Catholic University of America, Ms. Mandel also is a member of the friends Advisory Board of the Montgomery County Conservation Corps. She is a member of the League of Women Voters, Congregation Har Shalom, the Women's Suburban Democratic Club and District 19 Democratic Club. Ms. Mandel has a bachelor's degree in Political Science from Rutgers University, a master's degree in Legislative Policy from George Washington University and completed an Executive Program at Harvard University's John F. Kennedy School of Government. Her term expires in May 2009.

Dr. Juanita D. Miller: Dr. Miller was appointed to the Commission from Prince George's County in October 2005. She is a Special Education administrator with the Prince George's County School system. Dr. Miller previously served as a Commissioner from Prince George's County in 1996 until 2002 when her term expired. She taught at Bowie State University and served on the Board of Visitors for the University of Maryland, College Park Afro-American Studies Department; the Advisory Board for the Prince George's County Family Crisis Center; the Interagency for Children with Disabilities (Prince George's County) and the Advisory Board for the Girl Scouts of America. Dr. Miller served as an administrator in the District of Columbia Public School system until her retirement in 1998. In 1986, Dr. Miller was elected to the Maryland General Assembly, representing the 25th Legislative District of Prince George's County where she served four years. Dr. Miller was a Congressional lobbyist and consultant, was elected to the National Democratic Committee and also served as chairman of the Women's Legislative Committee of the Maryland General Assembly's Women's Caucus. Active as a civic and community leader, Dr. Miller served on executive committees of her civic and homeowners' associations, was president of her condominium Board of Directors, was appointed by the Prince George's County Executive to serve on the Commission for Children and Youth, and was appointed by the Governor of Maryland to serve on the Prince George's County Foster Care Review Board. A graduate of the District of Columbia Teacher's College, Dr. Miller earned a bachelor's degree in education and psychology. She also has a master's degree in special education and a doctorate in leadership and policy management from the George Washington University. In addition, Dr. Miller has pursued post-graduate studies at American University, the University of Maryland, College Park and Trinity University. Dr. Miller, a Clinton resident, has received Outstanding Service Awards from the public school system and the State Legislature, and has been a keynote speaker at professional forums, conferences and commencements. Dr. Miller is a member of the Full Gospel AME Zion Church and of the Alpha Kappa Alpha Sorority, Inc. Her term expires in June 2009.

Dr. Roscoe M. Moore, Jr.: Dr. Moore was appointed to the Commission from Montgomery County in June 2008 to fill the unexpired term of Montgomery County Commissioner Norman E. Pruitt who resigned in March. He is an internationally recognized Doctor of Veterinary Medicine with extensive experience and credentials in epidemiology. Recently retired from the U.S. Public Health Service with the rank of Rear Admiral, Dr. Moore has been focused on the prevention, treatment and control of infectious diseases worldwide for more than 37 years. He is currently the founder and president of PH RockWood Corporation, where he is dedicated to continuing this work with an emphasis on the continents of Africa, Asia, Europe and North America. Dr. Moore is trained as an Epidemic Intelligence Service (EIS) Officer with the U.S. Centers for Disease Control and Prevention (CDC) and was a Senior Epidemiologist with the National Institute for Occupational Safety and Health of the CDC. His career also includes service as the Chief Epidemiologist with the FDA's Center for Devices and Radiological Health. Dr. Moore serves on numerous Boards of Directors, including the Maryland Health Care Commission, the George Washington University Africa Center for Health and Human Security, Greater Silver Spring Chamber of Commerce, the National Philharmonic Orchestra and Chorale of Montgomery County, and Montgomery General Hospital. Born and raised in Richmond, Va., he is a graduate of Tuskegee Institute, where he also earned his Doctor of Veterinary Medicine degree. Dr. Moore obtained a Master of Public Health in Epidemiology from the University of Michigan and his PhD in Epidemiology from The Johns Hopkins University. A Fellow with the American College of Epidemiology, he was awarded the honorary Doctor of Science in Recognition of Public Health Career by Tuskegee University. Dr. Moore has resided in Rockville for more than 32 years, and is married to Patricia Haywood Moore. They have two sons. His term expires in May 2011.

Management and Operations

The daily operation of the Commission is supervised by the General Manager.

Senior Staff

A brief resume of the Commission's senior staff is shown below:

Teresa D. Daniell, Interim General Manager: Ms. Daniell was named the Interim General Manager of the Commission effective February 29, 2008. Ms. Daniell was hired as Deputy General Manager in November 2007. Prior to joining WSSC, she completed a full career with the United States Air Force, where she specialized as an administrator and operations manager. During her career, she served at the Pentagon leading day-to-day work production for the Assistant Vice Chief of Staff of the United States Air Force. She also served as a senior analyst on a joint military staff at the Pentagon, developing strategies to source manpower for newly assigned missions. She managed a multi-million dollar formal training program and developed policy for a performance management program in southern Virginia; both programs served multiple installations. She also led a consolidated mission support operation in Mississippi, where she oversaw personnel programs, education and training programs, leadership courses, family readiness programs, and all information management functions. Ms. Daniell was most recently with Laughlin Air Force Base, Texas, where she led over 950 employees managing infrastructure, business processes, and internal support, including Civil Engineering, Information Technology, Acquisition, Human Resources, Equal Employment Opportunity, Security, Supply, and Fleet Transportation functions. Ms. Daniell holds a master's degree in Strategic Studies, a master's degree in English, and a bachelor's degree in Journalism. The Commission is actively engaged in the succession process for the General Manager position. She will serve as Interim General Manager until a new General Manager is hired.

Rudolph S. Chow, P.E., Interim Deputy General Manager: Mr. Chow was named the Interim Deputy General Manager of the Commission effective February 29, 2008. He began his career at the Commission as a civil engineer in July 1984 in the Wastewater Operations Division. During Mr. Chow's more that 23 years, he has amassed a variety of experiences managing in the Commission's diverse operational areas which include: maintenance, engineering and construction, operations – now known as production, and customer services. He has served in the capacities of Plant Engineer, Senior Plant Engineer, Section Head and Group Leader. In May 2006, Mr. Chow was appointed to the position of Chief of Customer Care Team, the Commission's largest department. Mr. Chow holds a master's degree in Environmental and Water Resources Engineering, and a bachelor's degree in Civil Engineering. He is a registered Professional Engineer with the State of Maryland. He will serve as Interim Deputy General Manager until a new General Manager is hired.

Charlett Bundy, Corporate Secretary: Ms. Bundy is the Commission's Corporate Secretary, the statutory agent for the Commission and the custodian of the Commission's official files and records, including public records that must be maintained in accordance with Maryland's Open Meetings Act. She acts as the parliamentarian at Commission meetings. Ms. Bundy has a J.D. from Case Western Reserve University, Cleveland, Ohio and a B.A. from the University of Maryland, College Park, Maryland. She is admitted to practice in the state courts of Ohio and the U.S. District Court of Northern Ohio, Eastern Division. Prior to joining the staff of the Commission in June 2005, Ms. Bundy served as an assistant attorney general for the State of Ohio for nearly 12 years. She acquired extensive appellate litigation experience in administrative law that resulted in over 50 appearances before state appellate courts arguing issues of employment law and labor relations.

Thomas C. Traber, C.P.A., Chief Financial Officer and Treasurer: Mr. Traber joined the Commission in October 1979 and has since held the positions of Accounting Supervisor and Accounting Division Manager. He was promoted to Chief Financial Officer and Treasurer in March 2000. Prior to joining the Commission, Mr. Traber was a controller with a real estate development company and a senior auditor with a national CPA firm. He is a graduate of the University of Maryland and is a member of the American Institute of Certified Public Accountants, the Maryland Association of Certified Public Accountants, the Government Finance Officers Association, and the Maryland Government Finance Officers Association.

Jerome K. Blask, General Counsel: Mr. Blask was appointed General Counsel on October 24, 2005. He is a 1973 graduate of Dickinson College (B.A.) and received a J.D. from Georgetown University Law Center in 1979. Mr. Blask has practiced law for over 25 years, during which time he served as an Assistant Consumer Advocate in the Pennsylvania Office of Consumer Advocate, and was one of the founding partners of the law firm Gurman, Blask and Freedman. He is admitted to practice in Maryland, the District of Columbia and in the Commonwealth of Pennsylvania, and is also admitted to practice before the Supreme Court of the United States, the United States Court of Appeals for the District of Columbia Circuit, United States District Court for the District of Columbia, and the District of Columbia Court of Appeals.

Sheila S. Cohen, C.P.A., Budget Director: Ms. Cohen has been Budget Director since July 2000. Ms. Cohen joined the Commission as an Internal Auditor in May 1980, and has since held several positions dealing with Internal Audit and budget formulation and administration. Ms. Cohen is a member of the American Institute of Certified Public Accountants, Maryland Association of Certified Public Accountants, Government Finance Officers Association, Maryland Government Finance Officers Association and is a member of the Board of Directors of the Maryland/D.C. Utilities Association. Ms. Cohen received a Bachelor of Science degree from the University of Maryland in 1980, and is a Certified Public Accountant.

Budget

Article 29 requires the Commission, prior to January 15 preceding the respective fiscal year, to prepare operating and capital budgets (the “Budget”) for the ensuing fiscal year.

The Budget is prepared to reflect the total funding and staffing requirements of the Commission as well as its individual programs and organizational components. The Budget is divided into two major sections, the Operating Budget and the Capital Budget. The Operating Budget reflects the Commission’s resource requirements to operate and maintain its completed plants and other installations. The Operating Budget consists of three separate funds: Water Operating, Sewer Operating, and Interest and Sinking. The Capital Budget reflects the Commission’s plan to receive and expend funds for capital projects involved in the first year of its Six Year Capital Improvements Program (see “CAPITAL IMPROVEMENTS PROGRAM — Six Year Capital Program”). The Capital Budget consists of three separate funds: Water Supply Bond, Sewage Disposal Bond and General Construction Bond funds.

The Budget process begins with submission of requests by all organizational units. The Budget Director compiles and presents the budget to the General Manager for review. After review the General Manager submits this Budget with his recommendations to the Commissioners. The Commissioners review the Budget and make changes they deem necessary in order to arrive at the Commission’s Proposed Budget.

Article 29 requires that the Proposed Budget be published by January 15. Copies of the Proposed Budget are available to the public. The Commission holds a public hearing on the Proposed Budget prior to February 15 after providing 21 days’ notice of such hearing by publication in at least two newspapers published and generally circulated in Montgomery County and two newspapers published and generally circulated in Prince George’s County.

The Commission is required to transmit the Proposed Budget by March 1 to the County Executives of Prince George’s and Montgomery Counties. The County Executives make recommendations on the Proposed Budget by March 15 to their respective County Councils. The County Councils may hold public hearings and conduct work sessions with Commission personnel during the months of April and May. Each County Council may add to, delete from, increase or decrease any item of the Proposed Budget and shall transmit by May 15 any proposed changes to the other County Council for review and concurrence. Each of the two County Councils must approve all changes to the Proposed Budget and, prior to June 1, the Commission’s Proposed Budget.

In the event both County Councils fail to concur on a change with respect to any item in such Proposed Budget by June 1, that failure shall constitute approval of the item submitted by the Commission.

Finally, upon receipt of the joint resolutions of the two County Councils, the Commission adopts the Budget and the water and sewer rates, other charges and fees, and ad valorem tax rates required to fund the approved expenditure levels.

Contracting Initiative

Legislation enacted by the Maryland General Assembly in its 2001 session authorizes the Commission to form joint ventures with private entities to provide water and wastewater operations and management and related services. Such legislation further authorizes the Commission to issue non-recourse revenue bonds to finance the capital costs associated with any such joint venture. Pursuant to the terms of the legislation, all activities financed with revenue bonds must be conducted through single-purpose limited liability entities. Commission management has pursued various business opportunities, primarily the operation and management of water and wastewater systems on United States government property. Commission management cannot predict with any certainty whether the Commission will be successful in obtaining or exploiting its target business opportunities in the future.

Labor Relations

On September 30, 2008 the Commission had 1,420 full time employees of whom approximately 426 are represented by the American Federation of State, County and Municipal Employees ("AFSCME"). The Commission considers its labor relations to be satisfactory.

Employees' Retirement Plan

Substantially all Commission employees participate in either the closed or open version of the contributory Washington Suburban Sanitary Commission Employees' Retirement Plan (the "Plan"). The closed version of the Plan is applicable only to participants as of June 30, 1978 who did not elect to change to the open version. The open version of the Plan is mandatory for all employees who commenced employment on or after July 1, 1978, and all other employees who elected to change to the open version.

The Plan, including the books and records thereof, is an entity distinct from the Washington Suburban Sanitary Commission. Its assets are managed by an independent board of trustees comprised of two Commissioners, five Commission employees or retirees, and four members of the business community. The Plan's valuation is prepared annually by an independent actuarial firm.

Since fiscal year 1980, the Commission's policy has been to fund costs on a level percentage of payroll ("LPOP") funding method and to accrue a liability for the difference between the amount determined in accordance with the LPOP method and the amount determined in accordance with generally accepted accounting principles as required by APB 8. For fiscal year 2007 the amount funded exceeded the pension costs charged to operating and utility plants by $1,591,000; in fiscal year 2008 pension costs charged exceeded amounts funded by $2,135,000. Such excesses were used to adjust the accrued liability. The cumulative liability so recorded will be paid, with interest (approximately $2,927,000 fiscal year 2007 and approximately $3,085,000 for fiscal year 2008) over a twenty-nine year period from fiscal year 1981.

For additional information concerning the Plan, see Appendix A, "Notes to Financial Statements," Note L, Retirement Plan.

Other Post Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45") which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 do not require governments to fund their OPEB plans. GASB 45 establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time.

In 2007, the Commission obtained an actuarial report (the "OPEB Report") addressing the extent of its projected liability to its retirees for other post employment benefits as of June 30, 2008. The OPEB Report was prepared in accordance with the standards set forth in GASB Statement 45. The OPEB Report is subject to a number of actuarial and economic assumptions; these assumptions were generally similar to the assumptions used in evaluating the Commission's pension fund liabilities.

Based on the assumptions and qualifications stated therein, the OPEB Report concluded that the Commission's 2008 annual required contribution for its retirees for OPEB was $22.5 million (assuming pre-funding and a 7.5% return on invested assets). As of June 30, 2007, the total actuarial accrued liability was $249.4 million. Through June 30, 2008 the Commission pre-funded $2 million as the initial installment of a five-year phase-in of the required pre-funding level. OPEB costs in this initial fiscal year 2008 exceeded amounts funded by $9,504,000, and a liability was established. The cumulative liability will be adjusted and paid with interest over a twenty-nine year period from fiscal year 2008. For additional information concerning the OPEB Plan, see Appendix A, "Notes to Financial Statements," Note M, Other Post Employment Benefits.

Leases and Agreements

During fiscal year 1985, the Commission entered into an agreement with a partnership for the provision and operation of a concrete water storage tank. Associated with this transaction, the Commission is obligated to paying certain fees and charges over the life of the agreement. These fees were $384,000 for fiscal year 2008.

The Commission is party to certain agreements to provide water service to Howard County, Maryland on an as-available basis and sewage service to the City of Rockville, Maryland. The Commission considers its present capacity to be adequate to continue providing water and sewerage services under these contracts and is of the opinion at the present time that no new capital expenditures will be required of the Commission to fulfill these obligations.

Refunding Bonds and Bonds Refunded

From time to time, refunding bonds of the District have been issued pursuant to the terms of Article 29 in order to yield savings to the Commission in debt service payments. The proceeds of such refunding bonds have been used to purchase United States government obligations, which have been deposited with escrow agents. The principal of and interest on such government obligations held by the respective escrow agents will provide sufficient money to pay, when due, all of the principal of, redemption premium and interest on, the refunded bonds up to and including their retirement.

The following chart sets forth the refunding bonds of the District as of September 30, 2008:

Refunding Bonds	**Date of Refunding Issue**	**Escrow Agent**	**Amount of Refunded Bonds Outstanding as of Sept. 30, 2008**
Refunding Bonds of 2005 …………………………………………	03/15/05	Bank of New York	$ 36,530,000
Refunding Bonds of 2006 …………………………………………	10/15/06	Bank of New York	80,360,000
			$116,890,000

The outstanding refunding bonds of the District, including refunding bonds issued to refund water supply bonds of the District, are required by Article 29 to be included in the debt limitation mentioned under the heading "BONDED INDEBTEDNESS OF THE DISTRICT — Borrowing Limitation" below. The outstanding refunded bonds are not required to be included within such debt limitation.

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BONDED INDEBTEDNESS OF THE DISTRICT

Record of No Default

The Commission has never defaulted on any bonded indebtedness.

Washington Suburban Sanitary Commission Debt Statement

	Bonds Outstanding Sept. 30, 2008
Bonds Outstanding(1)(2):	
General Construction Bonds (self-supporting)(3)	$ 502,135,000
Water Supply Bonds (self-supporting)(4)	304,650,000
Sewage Disposal Bonds (self-supporting)(5)	225,875,000
Administration Building Construction Bonds (self-supporting)(6)	3,435,000
Maryland Water Quality Loan Fund (self-supporting)(5)	89,795,311
Storm Water Drainage Bonds — Prince George's County(7)	1,420,000
Total Bonds Outstanding	1,127,310,311
Less:	
Self-supporting Bonds	1,125,890,311
Bonds Outstanding Exclusive of Self-supporting Bonds	$ 1,420,000
Assessed Valuation (September 30, 2008), All Property within District	$ 241,141,690,666
Ratios of Bonds Outstanding Exclusive of Self-supporting Bonds to Assessed Valuation of all Property within District	0.001%
Per Capita: (Population estimated at 1,719,464)	
Bonds Outstanding Total	$ 656
Bonds Outstanding Exclusive of Self-supporting Bonds	$ 1

(1) Excludes $116,890,000 principal amount of bonds outstanding as of September 30, 2008 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."
(2) Excludes $209,100,000 principal amount of bond anticipation notes outstanding as of September 30, 2008. See "Short-Term Financing Program" below.
(3) Front foot benefit charges are levied sufficient to pay debt service.
(4) Water consumption charges are fixed sufficient to pay all operating expenses and debt service.
(5) Sewage usage charges are fixed sufficient to pay all operating expenses and debt service.
(6) Water and sewer charges are levied sufficient to pay debt service.
(7) Payable from ad valorem taxes levied in Prince George's County only.

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Bonded Debt Outstanding and Changes from June 30, 2008 to September 30, 2008(1)(2)

	Bonds Outstanding June 30, 2008	Issued	Defeased	Redeemed	Bonds Outstanding Sept. 30, 2008
General Construction Bonds ……	$ 502,135,000				$ 502,135,000
Administration Building Construction Bonds …………	3,435,000				3,435,000
Water Supply Bonds ……………	304,650,000				304,650,000
Sewage Disposal Bonds …………	225,875,000				225,875,000
Maryland Water Quality Loan Fund…………………………	89,795,311				89,795,311
Storm Water Drainage Bonds Prince George's County ………	1,420,000				1,420,000
Total ……………………	$1,127,310,311	$-0-	$-0-	$-0-	$1,127,310,311

(1) Excludes $116,890,000 principal amount of bonds outstanding as of September 30, 2008 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."

(2) Excludes $209,100,000 principal amount of bond anticipation notes outstanding as of September 30, 2008. See "Short-Term Financing Program" below.

Adjusted Debt Service

The following table shows principal, interest, and total debt service on the District's outstanding bonds.

Outstanding Bonds
September 30, 2008 (1)(2)

Fiscal Year	Principal	Interest	Total
2009 ……………………	$139,154,993	$48,177,102	$187,332,095
2010 ……………………	135,066,362	42,286,937	177,353,299
2011 ……………………	116,452,801	35,982,773	152,435,574
2012 ……………………	102,254,311	30,585,503	132,839,814
2013 ……………………	91,920,984	26,186,754	118,107,738
2014 ……………………	85,017,020	22,304,485	107,321,505
2015 ……………………	70,345,382	18,819,171	89,164,553
2016 ……………………	60,827,183	15,822,091	76,649,274
2017 ……………………	51,434,059	13,204,017	64,638,076
2018 ……………………	49,351,011	11,068,333	60,419,344
2019 ……………………	42,958,039	9,044,021	52,002,060
2020 ……………………	39,575,144	7,266,326	46,841,470
2021 ……………………	35,642,328	5,695,905	41,338,233
2022 ……………………	28,196,741	4,296,391	32,493,132
2023 ……………………	22,969,083	3,164,738	26,133,821
2024 ……………………	20,544,232	2,260,275	22,804,507
2025 ……………………	18,400,638	1,446,356	19,846,994
2026 ……………………	9,825,000	725,979	10,550,979
2027 ……………………	4,890,000	318,677	5,208,677
2028 ……………………	1,460,000	115,417	1,575,417
2029 ……………………	1,025,000	46,979	1,071,979
Total	$1,127,310,311	$298,818,230	$1,426,128,541

(1) Excludes $116,890,000 principal amount of bonds outstanding as of September 30, 2008 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."

(2) Excludes $209,100,000 principal amount of bond anticipation notes outstanding as of September 30, 2008. See "Short-Term Financing Program" below.

Summary of Outstanding Debt Service as of September 30, 2008(1)(2)

	Principal	Interest To Maturity	Total Debt Service
General Construction Bonds……………………………………	$ 502,135,000	$ 133,103,616	$ 635,238,616
Administration Building Construction Bonds …………………	3,435,000	248,444	3,683,444
Water Supply Bonds……………………………………………	304,650,000	87,464,089	392,114,089
Sewage Disposal Bonds ………………………………………	225,875,000	69,314,607	295,189,607
Maryland Water Quality Loan Fund …………………………	89,795,311	8,603,874	98,399,185
Storm Water Drainage Bonds Prince George's County ………	1,420,000	83,600	1,503,600
Total …………………………………………………	$1,127,310,311	$ 298,818,230	$ 1,426,128,541

(1) Excludes $116,890,000 principal amount of bonds outstanding as of September 30, 2008 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."

(2) Excludes $209,100,000 principal amount of bond anticipation notes outstanding as of September 30, 2008. See "Short-Term Financing Program" below.

Authorization of Debt

Bonds of the District are issued upon the basis of authorizations, under Article 29 and other applicable law, by the Commission through the adoption of resolutions or orders.

Borrowing Limitation

Article 29 limits the amount of bonds and notes issued by the District that may be outstanding at any time. The aggregate principal amount of bonds and notes of the District (excluding refunded bonds and certain short-term instruments) outstanding at any time may not exceed the sum of (i) 3.8% of the total assessable tax base of all real property assessed for county tax purposes within the District and (ii) 7.0% of the total assessable personal property and operating real property assessed for county tax purposes within the District (or such respective percentages of such tax bases as of July 1, 1997 if larger).

Shown below are the latest certified assessed valuations of those portions of the counties that lie within the District, and the ratio of debt to permitted debt.

As of	Total Assessed Valuation (000)	Total Debt Outstanding (000)	Maximum Debt Permitted (000)	Ratio of Debt Outstanding to Debt Permitted
September 30, 2008…………………	$241,141,691	$1,336,410	$9,209,199	14.5%
June 30, 2008 ………………………	217,330,637	1,336,410	8,327,826	16.0
June 30, 2007 ………………………	191,362,247	1,342,044	7,339,550	18.3
June 30, 2006 ………………………	167,670,776	1,425,377	6,436,574	22.1
June 30, 2005 ………………………	148,923,353	1,454,125	5,724,920	25.4

Short-Term Financing Program

On June 24, 2003, the Commission established a short-term borrowing facility whereby it may issue and redeem its General Obligation Multi-Modal Bond Anticipation Notes (the "BANs") from time to time. The BANs are tax-exempt variable rate demand notes, the interest rates on which are reset weekly. The BANs are subject to optional redemption by the Commission at par on not less than fifteen days' notice to the holders thereof. Interest on the BANs is paid out of user fees for water and sewer service. The principal of the BANs is payable from the proceeds of the long-term water supply bonds and sewage disposal bonds of the District and other available funds.

The Commission has issued $421,000,000 aggregate principal amount of BANs since the short-term borrowing facility was established on June 24, 2003. Of that amount, $211,900,000 has been redeemed, leaving a balance of $209,100,000 aggregate principal amount of BANs outstanding as of September 30, 2008. The proceeds of the BANs are used to provide interim financing for the water and sewer projects comprising a portion of the Commission's capital program.

DISTRICT FINANCIAL DATA

The District's financial records are maintained on the debt service method of accounting to conform to its annual budget. The District maintains a fund accounting system to separately account for its construction functions and operating functions. Each operating fund is credited with its share of the interest earned from the investments. The Commission continuously reviews its procedures to ascertain if it is necessary to update them due to new developments and other changes. Revenue available for debt service and operating expenses for the three months ended September 30, 2008 and the four most recent complete fiscal years ended June 30 are shown in summary form as follows:

Summary of Operating Revenues, Expenses and Net Revenues (Loss) (Dollars in Thousands)

	For the three months ended Sept. 30, 2008	Fiscal Year Ended 30, 2008	2007	2006	2005
Gross Revenues Available for Debt Service ………	$ 141,188	$ 503,336	$ 484,131	$ 477,154	$ 455,581
Debt Service:					
Bonds Redeemed and Sinking Fund Contributions …………………………	37,390	152,185	155,331	149,845	134,462
Interest on Bonds and Notes Payable ………	13,851	60,178	63,477	65,574	62,600
Total …………………………………	51,241	212,363	218,808	215,419	197,062
Net Revenues Available for Operations……………	89,947	290,973	265,323	261,735	258,519
Operating Expense Exclusive of Depreciation and Amortization …………………………………	63,079	285,956	268,090	281,140	243,855
Net Revenue (Loss) ………………………………	$ 26,868	$ 5,017	$ (2,767)	$ (19,405)	$ 14,664
Composed of:					
Water Operating (1) …………………………	$ 14,377	$ (7,215)	$ (9,824)	$ (7,885)	$ 861
Sewer Operating (1)…………………………	14,336	00000,512	8,619	(14,256)	396
Other Operating Funds………………………	(1,845)	(8,280)	(1,562)	2,736	13,407
Total ………………………………………………	$ 26,868	$ 5,017	$ (2,767)	$ (19,405)	$ 14,664

(1) Operating losses were planned uses of existing prior year surpluses within the operating funds accomplished by restraining rate increases in the respective year.

The Commission's operating revenues derived from water and sewer charges vary from year to year, as water usage fluctuates in response to a variety of factors (such as changing weather patterns and economic conditions, for example). The Commission's policy is to maintain a reserve in the amount of 5% of budgeted water and sewer operating revenues to offset any shortfall in such revenues. In those years in which water or sewer operating revenues exceed budgeted amounts, the Commission generally accrues the resulting surplus in the respective Operating Fund(s) to be applied against future capital costs on a pay-as-you-go basis. In those years in which water or sewer operating revenues do not reach budgeted amounts, the Commission adjusts its then-current budget by reducing expenditures and by drawing upon the 5% reserve, if necessary. In the event that the 5% reserve is inadequate to cover such shortfall, the Commission may implement a mid-year rate increase after notifying the respective County Councils. The Commission did not draw upon the 5% reserve during fiscal year 2007 and fiscal year 2008. The Commission is increasing the reserve by $1.5 million per year, with a goal of achieving a reserve of 10% in the future. At September 30, 2008 the reserve amounted to $25 million, which is approximately 6.2% of budgeted water and sewer rate revenue.

The Commission's audited financial statements (Appendix A) are prepared in accordance with generally accepted accounting principles. Comparison of the audited financial statements to the debt service method statements requires adjustments for several differences, including depreciation, bond principal redemption, capitalized interest and unfunded pension costs.

SUMMARY OF DISTRICT AD VALOREM TAXES, WATER, SEWER AND OTHER CHARGES AND REVENUES THEREFROM

Ad Valorem Tax Rate

At present, no ad valorem taxes are levied pursuant to Commission certification.

Storm Water Drainage Bonds

As of September 30, 2008 there was a total of $1,420,000 of outstanding storm water drainage bonds, guaranteed as to their payment by Prince George's County. In the District portion of Prince George's County, an ad valorem tax is levied by Prince George's County pursuant to such County's own taxing authority for the purpose of paying the debt service on storm water drainage bonds issued by the Commission and operating costs for storm water drainage, surface drainage and systems, including the cost of planning, engineering, surveys and other lawful activities. Funds collected for debt service are transferred to the Commission.

Front Foot Benefit Charges and Historic Collections

No levy of an ad valorem tax for debt service on the general construction bonds of the District is necessary or projected. For meeting debt service on its outstanding $502,135,000 of general construction bonds as of September 30, 2008, there have been assessed front foot benefit charges in amounts sufficient, taking delinquencies in account, to pay debt service on the general construction bonds as such debt service becomes due. Front foot benefit charges are payable in annual or semi-annual installments. There are no operations, repair or maintenance costs paid from front foot benefit charges.

Front foot benefit charges for water and sewer lines placed in service during 2007 and 2006, as shown in the table below, became effective January 1, 2008 and 2007, respectively. The charges are payable over a 23-year period from the assessment date.

	Annual Rates per linear front foot*			
	Effective January 1, 2008		Effective January 1, 2007	
	Water	Sewer	Water	Sewer
Subdivision	$4.00	$6.00	$4.00	$6.00
Business (First 200 feet)	5.32	7.98	5.32	7.98
Small Acreage (First 150 feet)	4.00	6.00	4.00	6.00
Multi-Unit Residential Apartment	4.00	6.00	4.00	6.00
Townhouse	4.00	6.00	4.00	6.00
Agricultural (First 150 feet)	4.00	6.00	4.00	6.00

* The total amount of assessment can be redeemed at any time by the property owner.

Front foot benefit charges and deferred house connection charges are levied on a calendar year basis prior to July 1 of each year. Charges can be paid in two installments, the first due prior to October 1 and the second due prior to January 1. Levies, and collections for the five calendar years through 2008 as supplied by the counties, are shown in the following table:

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Calendar Year Ended(2)	Montgomery County Amount Levied	Total Collections	Percent Collected(1)	Prince George's County Amount Levied	Total Collections	Percent Collected(1)
2008 …………	35,807,061	19,338,913	54.00	36,021,187	20,008,185	55.55
2007 …………	39,390,279	39,322,029	99.83	37,076,768	36,983,203	99.75
2006 …………	41,827,145	41,762,065	99.84	37,887,127	37,865,728	99.94
2005 …………	44,169,079	44,084,142	99.81	38,095,923	38,086,102	99.97
2004 …………	44,104,688	44,083,302	99.95	38,989,793	38,981,196	99.98

(1) Collections are applied to their respective levy years regardless of the year of collection.
(2) Original levies adjusted by subsequent additions, deletions and collections as of October 1, 2008. Calendar year represents the year of construction. Levies are assessed in the subsequent year.

Water and Sewer Charges

Water consumption charges are collected to pay the operation, repair and maintenance costs of, and the debt service on bonds and notes issued for, water supply projects. Sewer usage charges are collected to pay the operation, repair and maintenance costs of, and the debt service on bonds and notes issued for, sewerage projects. Ad valorem taxes are not presently levied for such purposes.

Under Article 29, the Commission imposes a 5% late payment charge on any water/sewer bill outstanding after 30 days for residential customers and 20 days for commercial customers. If payment is not made within an additional 15 days, a termination notice is forwarded to a delinquent property owner advising that service will be discontinued by a specified date without further notice. Should this fail, and if any bill shall remain unpaid for 60 days from the date fixed for payment, it is collectible against the owner of the property served. Historically the bad debt write-off has been negligible.

The Commission employs a conservation oriented multi-rate structure for both water and sewer usage. The structure applies a sliding schedule of rates per thousand gallons of use with a level of charges determined by the customer's average daily consumption (ADC) during each billing period. The rates as of July 1, 2008 range from $1.97 to $4.22 per thousand gallons for water consumption and $2.77 to $6.33 per thousand gallons for sewer usage. The schedule starts at a base consumption level of 1-49 gallons a day where the lowest water and sewer rates apply and moves up in sixteen increments to a top ADC threshold at 9,000 gallons or more where the highest water/sewer rates apply to the total consumption by the customer unit. Sewer-only customers are charged a flat rate. In addition, all customers are assessed a service charge, based on meter size, in amounts ranging from $11.00 to $458.00 per quarter.

Other Charges

The Commission collects other charges and fees, namely, house connection fees, plumbing and gas connection inspection fees and system development charges, as mentioned below.

Sub-district Charges

In order to expedite ahead of schedule the construction of water and/or sewer facilities to serve certain sub-districts within the District, the Commission established individual sub-district charges in the Olney, Mattawoman, Green Branch, Mill Branch and Clopper Road Sub-districts to help defray the cost of capital construction therein. The Commission has suspended the collection of sub-district charges, because system development charges provide sufficient growth-related cost recovery. See "System Development Charges" below.

House Connection Fees

On January 1, 2005, to reflect the construction cost differential, the Commission's pricing of house connections for residential customers changed to one in which unimproved and improved connections receive different rates for each different sized connection. Beginning January 1, 2008, the rate for a standard one-inch residential water connection in an unimproved area is $2,000, whereas a standard one-inch residential water connection in an improved area is $6,750. A standard residential sewer connection in an unimproved area is $3,250, whereas a standard residential sewer connection in an improved area is $10,250. Commercial customers are charged different rates for larger sized improved and unimproved area connections to reflect the construction cost differential for these two types of connections.

Plumbing and Gas Connection Inspection Fees

The Commission inspects the installation of all plumbing and gas facilities throughout the bi-county area. This affords standardization of materials and methods for plumbing and gas systems in the District. The Commission charges certain fees for such inspections.

System Development Charge

The Commission is authorized by Article 29 to impose a system development charge at the time of filing of each plumbing permit application. The charge is applicable to each first-time connection to the water or sewer systems of the District, and to each additional connection or increase in water meter size due to a change in property use or an increase in demand at a property already connected to the system. The amount of the charge is established and annually revised by the Montgomery County Council and the Prince George's County Council. The charge is applied based on the number of plumbing fixtures at the subject property. The rate schedule in effect as of July 1, 2008 imposes charges of between $22 and $264,000 for 71 categories of non-residential fixtures, and between $44 and $880 for 20 categories of residential fixtures. The system development charge is capped at $2,036 per apartment unit, $3,054 for dwellings with one or two toilets, $5,090 for dwellings with three or four toilets, and $7,126 for dwellings with five toilets. The Commission may apply the proceeds of the system development charge only to pay for new treatment, transmission and collection facilities, the need for which is directly attributable to the addition of new service, or to amortize bonds issued in connection with the construction of such facilities.

CAPITAL IMPROVEMENTS PROGRAM

Ten Year Plan

The State of Maryland requires that every county in the State have a ten-year water and sewerage plan. The Commission, as the political entity representing Prince George's and Montgomery Counties in these matters, has been assisting in the preparation of the ten-year plans for these Counties since 1971. The ten-year plan serves as an overall guide for necessary projects. These projects are the major water filtration plants, pumping stations, transmission lines and storage facilities and sewage treatment plants, pumping stations, force mains and interceptor sewers and related facilities. Local water distribution and sewage collection systems are approved by Commission authority consistent with service policies in the ten-year plans. Projects are added to or dropped from the ten-year plan as priorities are changed.

Six Year Capital Program

Each year as the budget is prepared, the Commission prepares a six-year projection of capital expenditures for major water and sanitary sewerage facilities constituting its Capital Improvements Program ("CIP"). In addition, six-year projections are made for water and sewer systems reconstruction activities, a planned program for rehabilitating the older or defective portions of these systems.

The Commission has approved water and sewer CIP, Engineering Support and Energy Performance Program projects with a value of over $1.2 billion for fiscal years 2009-2014, and $599.7 million for water and sewer system reconstruction during the same period. Of this amount, $1.1 billion is anticipated to be funded through the sale of

District bonds. The remaining amount is expected from federal and state funding, operating funds, and contributions from various sources.

The following table shows the approximate funding schedule (subject to adjustment for inflation) for approved projects and system reconstruction projects (dollars in thousands).

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	6-Yr. Total
Water CIP/ESP/EPP……	$ 127,564	$ 128,301	$ 95,610	$ 59,537	$ 14,606	$ 8,363	$ 433,981
Sewer CIP/ESP/EPP……	118,920	158,545	127,715	118,905	145,561	94,992	764,638
System Reconstruction…	78,015	98,017	97,262	110,883	105,872	109,680	599,729
Total……………………	$ 324,499	$ 384,863	$ 320,587	$ 289,325	$ 266,039	$ 213,035	$1,798,348

The funds necessary to finance general construction projects are not included in the above six year projections. In accordance with amendments to Article 29 enacted in 1998, general construction projects begun after June 30, 2001 will generally be financed by private developers rather than the Commission.

Federal and State Grants for Wastewater Treatment

Many major wastewater projects previously undertaken by the Commission were eligible for Federal and State grants. Grant collections for the fiscal years 2004 through 2008 and for the three months ended September 30, 2008 are as follows:

	Collections(1)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	For three months Ended. Sept. 30, 2008
Federal	$ -0-	$ -0-	$ -0-	$ -0-	$ 819,400	$ -0-
State	-0-	803,521	-0-	2,379,202	250,000	-0-
Total……	$ -0-	$803,521	$ -0-	$ 2,379,202	$1,069,400	$ -0-

1) These amounts are used only for capital improvements.

WATER AND SEWERAGE FACILITIES, SERVICE CENTERS AND STATISTICS

The Commission currently operates water filtration plants, raw water reservoirs, wastewater treatment plants (in addition to sharing the use of regional facilities) and maintenance service centers.

Water Sources and Filtration Facilities

The Commission has multiple sources of raw water available for processing and delivery to its customers. These sources are supplemented by a number of reservoirs containing an aggregate of 17 billion gallons of raw water storage, and up to an additional 17 billion gallons of water for river quality and flow. The water filtration facilities, which have a combined production capacity of approximately 300 million gallons of water per day (mgd) peak, are strategically located to meet all of the needs of the Commission’s customers. The water system is designed with a focus on sufficient redundancy to ensure adequate overlapping coverage for the Commission’s service area.

The Commission maintains a water distribution network containing more than 5,500 miles of mains. There are filtered water storage structures located at strategic points along this network to assist in meeting peak customer demands and fire protection requirements. These structures have a combined gross storage capacity of more than 200 million gallons.

Wastewater Treatment Facilities

The Commission's wastewater plants are as follows:

Seneca Plant	Piscataway Plant
Damascus Plant	Western Branch Plant
Hyattstown Plant	Parkway Plant
	Marlboro Meadows Plant

Blue Plains Plant (developed and operated by the District of Columbia Water and Sewer Authority; capacity is shared by the Commission under regional agreements)

Mattawoman Plant (developed and operated by Charles County, Maryland; the Commission has purchased one-fifth of the plant's capacity under a regional agreement)

Poolesville Plant (owned and operated by the Town of Poolesville, Maryland; the Commission has purchased 20,000 gpd capacity at the plant under an agreement with the Town)

In recent years, in response to efforts to improve water quality in the Chesapeake Bay, emphasis has been placed on the expansion and improvement of wastewater treatment facilities to serve current and future needs of the Commission's bi-county service area. Every plant receiving wastewater from the Commission's system is equipped to provide advanced treatment. In 2004 the State of Maryland passed the Bay Restoration Fund into law to provide funding to remove additional nitrogen at wastewater treatment plants statewide to achieve Enhanced Nutrient Removal (ENR). The state had previously provided funds on a 50% cost share basis to upgrade plants statewide to Biological Nutrient Removal (BNR). Negotiations continue to obtain ENR funding to upgrade Commission facilities to the ENR technology. The Commission has previously constructed nitrogen removal capability at the Piscataway, Western Branch, Parkway and Damascus Plants. Expansion of the Seneca Plant to 26 mgd to include nitrogen removal capability was completed in 2003. Each of the prior nitrogen removal projects allowed the Commission plants to meet or exceed the BNR technology and produce effluents of < 8 mg/l nitrogen. The additional ENR upgrades being pursued by the Commission are expected to further reduce nitrogen in the effluent to approximately 3 mg/l which is considered the limit of technology.

Most of the District's sewage flow travels through the regional system in Maryland and the District of Columbia to the Blue Plains Plant in Washington, D.C. The Blue Plains Plant is an advanced wastewater treatment plant with treatment capacity of 370 mgd. Blue Plains completed the addition of nitrogen removal facilities in 2000. The Commission has contributed approximately $170 million, net of federal and State grants, to the capital cost of this shared-use plant. This project continues to receive some grant funding annually from previously-appropriated federal (EPA) and State pollution control grant programs. During fiscal year 2008, the Blue Plains Plant received 42.2 billion gallons (bg) of sewage from the Commission system, while the following flows were handled during the year at Commission-operated facilities: Piscataway Plant, 7.6 bg; Western Branch Plant, 7.3 bg.; Parkway Plant, 2.1 bg; Seneca Plant, 5.5 bg; and Damascus Plant, 0.3 bg. In addition, the Mattawoman Plant received 0.1 bg of sewage from the Commission system.

Wastewater is conveyed through the Commission pipeline system, which contains more than 5,300 miles of sewers.

Service Centers

From the following strategically placed service centers, maintenance, construction and supply activities are conducted by zones:

Anacostia Service Center
Gaithersburg Service Center
Lyttonsville Service Center
Temple Hills Service Center

Historical Water and Sewage Service Statistics

Fiscal Year Ended June 30,	Estimated Population Served	Miles of Water Mains	Water Connections	Water Delivered (000,000 gal.)	Average mgd.	Miles of Sewer Mains	Sewer Connections
2008	1,706,000	5,390	438,639	61,854	169.0	5,298	417,303
2007	1,692,000	5,365	432,716	61,795	169.8	5,250	410,923
2006	1,678,000	5,300	427,639	62,228	170.5	5,188	406,303
2005	1,612,000	5,260	422,451	61,566	168.7	5,136	401,580
2004	1,593,000	5,215	417,664	61,089	166.9	5,090	397,073
2003	1,575,000	5,194	414,076	60,737	166.4	5,061	393,898

INSURANCE

The Commission maintains insurance on its property (structures, contents, boilers and machinery, etc.) for physical damages. The Commission also maintains Employee Dishonesty and Terrorism insurance.

The Commission is self-insured for all liability except fiduciary liability insurance which the Commission maintains in connection with its Employees Retirement Plan. Each year the Commission budgets funds to pay for expected claims, based on past loss experience. However, should the actual claims be significantly higher than budgeted, or should a catastrophic loss occur, then funds to pay for such loss or losses would have to be obtained from ad valorem taxation or other sources of revenue, since a self-insurance fund has not been established.

The Commission is self-insured for Workers' Compensation benefits per the applicable statutory requirements of the State of Maryland.

The Commission's insurance policies contain varying self-insured retention levels. All such policies are subject to their terms, conditions, exclusions, definitions and limitations.

INVESTMENT OF OPERATING AND CAPITAL FUNDS

Commission funds held for operating and capital purposes are invested by the Commission Treasurer's Office in accordance with the Commission's investment policy, which conforms to State of Maryland law on the investment of public funds. The Commission does not leverage its investment portfolio, buy reverse repurchase agreements, invest in investment pools or enter into interest rate swaps or other derivatives. It does no borrowing or lending of securities. The Commission invests primarily in obligations of the United States government, its agencies or instrumentalities, repurchase agreements, and bankers' acceptances. The repurchase agreements into which the Commission enters are collateralized by United States government treasury obligations and obligations of agencies and instrumentalities of the United States government, held by an independent third party custodian and marked to market daily.

RATINGS

Fitch Inc., Moody's Investors Service, Inc. and Standard & Poor's Rating Group have given the Bonds the respective ratings indicated on the cover page of this Official Statement. No application was made to any other rating agency for the purpose of obtaining a rating on the Bonds. Any explanation of the significance of such ratings may be obtained from the respective rating agency that gave the rating. The Commission furnished to such rating agencies certain information and materials respecting the Bonds, the District, the Commission, Prince George's County and Montgomery County. Generally, rating agencies base their ratings on investigations, studies and assumptions that they made, in addition to the information and materials provided by the issuer. Such ratings express only the views of the respective rating agencies. There is no assurance that the ratings mentioned above will remain in force for any given period of time or that the ratings may not be lowered or withdrawn by the rating agencies or any of them. Any such lowering or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

LITIGATION

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued.

There are miscellaneous claims now pending against the Commission, including claims currently in litigation. Reference is made to the notes to the audited financial statements included as Appendix A hereto for a description of certain of such claims. In the opinion of the General Counsel to the Commission, none of such claims will materially adversely affect the ability of the Commission to perform its obligations to the holders of the bonds of the District.

TAX EXEMPTION

Federal Income Taxation

In the opinion of Bond Counsel, (i) under existing law, assuming continuing compliance by the Commission with its covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended, as more fully described below, interest on the Bonds is excludable from gross income for purposes of federal income taxation, and (ii) under Article 29, the Bonds are exempt from taxation by the State of Maryland and by the counties and municipalities thereof, but no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

The provisions of the Internal Revenue Code of 1986, as amended (the “Code”), include several restrictions that must be met simultaneously with or subsequent to the delivery or issuance of the Bonds, some of which must be complied with throughout the term of the Bonds. The Commission has adopted resolutions and will execute and deliver a Tax Certificate and Compliance Agreement on the date of delivery of the Bonds, in which it covenants and agrees to comply with these requirements in order to maintain the exemption of interest on the Bonds from federal income taxation. In the opinion of Bond Counsel, the covenants of the Commission are sufficient to meet the requirements (to the extent applicable to the Bonds) of Section 103 and Sections 141 through 150 of the Code. However, Bond Counsel assumes no responsibility for, and will not monitor, compliance with the covenants and agreements of the Commission. In the event of noncompliance with such covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes retroactively to the date of issue.

Interest on the Bonds is not included in corporate or individual alternative minimum taxable income as a separate enumerated item of tax preference or other specific adjustment. However, for purposes of computing the corporate alternative minimum tax contained in the Code, a corporation will generally be required to increase its alternative minimum taxable income by 75% of the amount by which its “adjusted current earnings” (a modified definition of “earning and profits”) exceeds its alternative minimum taxable income (computed without regard to this adjusted current earnings adjustment). For such purpose, “adjusted current earnings” will include, among other items, tax-exempt interest income from the Bonds. Interest income on the Bonds may also be included with the “dividend equivalent amount” for purposes of determining the branch profits tax imposed by the Code on certain foreign corporations conducting a trade or business in the United States. Other Federal income tax consequences may arise from ownership of the Bonds, and in connection therewith, attention is directed to the following provisions of the Code: (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder’s interest expense allocated to interest on the Bonds, (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (c) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as the Bonds, and (d) for S corporations having subchapter C earnings and profits, the receipt of certain amounts of passive investment income, which includes interest on the Bonds, may result in the imposition of income tax on such passive investment income and, in some cases, loss of S corporation status. The foregoing is only a general summary of certain provisions of the Code and does not purport to be complete; prospective purchasers and holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

The initial public offering price of some of the Bonds may be less than the amount payable on those Bonds at maturity. The excess, if any, of the amount payable at maturity of a Bond over the initial public offering price (plus accrued interest from January 15, 2009, to the date of initial delivery of the Bond) at which a substantial amount of the same maturity of the Bonds was sold constitutes original issue discount for Federal income tax purposes ("OID"). The full amount of OID will accrue over the term of a Bond in accordance with a constant yield method (using semi-annual compounding) which allocates smaller portions of OID to earlier semi-annual compounding periods and larger portions of OID to later semi-annual compounding periods. In the case of an original or a subsequent holder of a Bond, the amount of OID which is treated as having accrued with respect to such Bond during the period that the holder has held it (a) is not included in the gross income of the holder for Federal income tax purposes, and (b) is included in the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). Holders of Bonds should consult their tax advisors with respect to the determination, for Federal income tax purposes, of OID accrued upon the sale, redemption or payment at maturity of such Bonds.

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in the Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). The holder will be required to reduce his tax basis in the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during the period of ownership. The amount of the amortizable bond premium offsets and reduces the amount of tax-exempt interest on the Bonds. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds. Holders of Bonds should consult with their tax advisors with respect to the determination and treatment of premium for Federal income tax purposes.

Prospective purchasers of the Bonds should consider possible state and local, excise, or franchise tax consequences arising from OID on the Bonds. In addition, prospective corporate purchasers of the Bonds should consider possible Federal income tax consequences arising from OID on the Bonds under the alternative minimum tax and the branch profits tax described above.

The Internal Revenue Service (the "Service") has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for Federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the Commission as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

Interest paid on tax exempt obligations after December 1, 2005 is subject to information reporting for federal income tax purposes in a manner similar to taxable obligations. This reporting requirement does not in and of itself affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequences of purchasing, holding or selling tax-exempt obligations.

Legislative proposals presently before Congress or that are introduced after issuance and delivery of the Bonds, if enacted, could alter or amend one or more of the Federal tax matters referred to above and/or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted, and there can be no assurance that any such proposal would not apply to obligations issued prior to the enactment of such proposal. Accordingly, prospective purchasers of the Bonds should consult with their tax advisors as to the status and potential effect of such proposals.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete; holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

Maryland State and Local Income Tax

In the opinion of Bond Counsel, under existing law of the State of Maryland, the Bonds are exempt from income taxation by the State of Maryland and by the counties and municipalities thereof, but no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the income therefrom.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Prospective purchasers of the Bonds should consult their tax advisors regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, the General Manager and the Chief Financial Officer of the Commission will certify that, to the best of their knowledge, the Official Statement did not as of its date, and does not as of the date of delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading in any material respect.

FINANCIAL ADVISOR

Public Advisory Consultants, Inc. or its managing directors or employees may from time to time hold, own or dispose of bonds and notes of the District.

CONTINUING DISCLOSURE

The Commission will execute a Continuing Disclosure Certificate (the “Disclosure Certificate”) prior to or simultaneously with the issuance of the Bonds. In the Disclosure Certificate, the Commission will covenant for the benefit of the Beneficial Owners from time to time of the Bonds to provide certain financial information and operating data relating to the Commission (the “Annual Report”) by not later than March 31 each year, commencing March 31, 2009, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Commission with each Nationally Recognized Municipal Securities Information Repository and the State Information Depository (if any). The notices of material events, if any, will be filed by the Commission with the Municipal Securities Rulemaking Board and the State Information Depository (if any). The Commission has made these covenants in order to assist the underwriters of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”).

The Commission has never failed to provide financial information or notice of any material event as required by any undertaking pursuant to the Rule.

The form of the Disclosure Certificate is set forth in Appendix C.

APPROVAL OF LEGAL PROCEEDINGS

The legality of the Bonds, based upon the documents and proceedings relative to the authorization, issuance and delivery thereof, is subject to the approval of Venable LLP and McKenzie & Associates, Co-Bond Counsel, whose unqualified approving legal opinions will be delivered with the Bonds. The proposed forms of bond counsel opinions are set forth in Appendix D.

FINANCIAL STATEMENTS

The financial statements of the Commission as of June 30, 2007 and 2008 and for the years then ended, included in Appendix A, have been audited by Thompson, Cobb, Bazilio & Cobb, independent auditors, as stated in their report appearing herein.

WASHINGTON SUBURBAN SANITARY COMMISSION

By: /s/ Joyce Starks
Chair

By: /s/ Teresa D. Daniell
Interim General Manager

THOMPSON, COBB, BAZILIO & ASSOCIATES, P.C.
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Independent Auditor's Report

To The Commissioners
of the Washington Suburban Sanitary Commission:

We have audited the accompanying balance sheet of the Washington Suburban Sanitary Commission (WSSC) as of June 30, 2008 and June 30, 2007 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of WSSC'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. Those standards require that we plan and perform the audit 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 WSSC as of June 30, 2008 and June 30, 2007, 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 of America.

The Management's Discussion and Analysis on pages two through eight and schedules of historical pension and other post-employment benefits information (Schedule A and Schedule B) on pages thirty-three and thirty-four are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Washington, DC
August 29, 2008

Thompson, Cobb, Bazilio & Associates, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION

This section of the Washington Suburban Sanitary Commission (WSSC) annual financial report presents our discussion and analysis of WSSC's financial performance during the fiscal years that ended June 30, 2008 and 2007. Please read it in conjunction with WSSC's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2008

- WSSC maintained AAA bond ratings from FitchRatings, Moody's Investors Service, and Standard & Poor's.
- WSSC did not issue or refund any bonds in fiscal year 2008, but did issue $130 million of variable rate Bond Anticipation Notes.
- Combined water and sewer rates increased 6.5% in fiscal 2008.
- A Consent Decree with the Environmental Protection Agency, the Department of Justice, the State of Maryland, and four environmental groups entered its third year. The Consent Decree formally identifies the remedial measures to eliminate and/or reduce Sanitary Sewer Overflows. Costs of these remedial measures are estimated at $435 million and are projected to be expended over 12 years, $400 million of which are expected to be incurred after fiscal year 2008. The costs for each fiscal year are, or will be included in WSSC's budget and capital improvements program.
- In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). To comply with GASB No. 45, WSSC recorded a liability of $9.5 million and related expenses for certain postemployment benefits. In addition, WSSC contributed $2.0 million to commence funding of the OPEB plan in fiscal year 2008. Full disclosure of the financial impact of this pronouncement is disclosed in Note M of the financial statements.
- Operating revenues increased $24.3 million. The volume of water delivered to the system declined slightly during the fiscal year, and average rates billed to water and sewer customers increased approximately 6.5%.
- Operating expenses increased $33.8 million during fiscal year 2008. Changes in salaries and wages of $2.8 million and related fringe benefits of $16.7 million comprise more than half of this increase. Operating expenses of $9.3 million can be attributed to the establishment of an OPEB liability and corresponding contributions to the OPEB plan. The remaining balance of the fringe benefit cost increase is retirement costs, $5.3 million of which represents a payoff of benefits to the State of Maryland for former WSSC employees participating in the State Retirement System. Rising energy and fuel costs triggered escalations in other expenses such as chemicals and materials, the impact of which totaled $4.5 million. Outlays to perform sewer inspections, pipe cleaning and Sanitary Sewer Evaluation Surveys, which are mandated under the Consent Decree, grew $4.2 million. Contract and restoration costs increased $3.5 million as a result of water and sewer main breaks. General liability claims increased $1.6 million mostly as a result of sewer backups. IT expended an additional $2.0 million this year to maintain and operate the Commission's hardware and software. $245.6 million of capital assets were placed in service in fiscal 2007 resulting in an additional $4.5 million in depreciation this year. Intermunicipal agency sewage disposal expenses decreased $7.7 million primarily as a result of the settlement and adjustment of WSSC's share of actual expenses.
- Capital assets (water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities), net of accumulated depreciation, increased by $167.2 million, while overall debt was comparable to the previous fiscal year.
- The increase in net assets during the year included operating income, net of non-operating expenses, of $86.1 million, and capital contributions of $81.5 million.

Fiscal Year 2007

- WSSC maintained AAA bond ratings from FitchRatings, Moody's Investors Service, and Standard & Poor's.
- Combined water and sewer rates increased 3.1% in fiscal year 2007.
- A Consent Decree with the Environmental Protection Agency, the Department of Justice, the State of Maryland, and four environmental groups entered its second year. The Consent Decree formally identifies the remedial measures to eliminate and/or reduce Sanitary Sewer Overflows. Costs of these remedial measures are estimated at $389 million and are projected to be expended over 12 years. The costs for each fiscal year are, or will be included in WSSC's budget and capital improvements program.
- During fiscal year 2006, WSSC entered into an agreement with a private utility company to purchase the water and sewer systems of a residential community, located in Maryland. WSSC purchased these systems in December 2006 for $12 million.
- Operating revenues increased $5.8 million. The volume of water delivered to the system declined slightly during the fiscal year, and average rates billed to water and sewer customers increased approximately 3.1%.
- The Information Technology (IT) team restructure costs of $2.3 million were paid in fiscal 2007. These costs were accrued in fiscal 2006.
- Operating expenses increased $16.2 million during fiscal year 2007. An increase of $2.0 million in expenses can be attributed to street repairs made in 2007. Intermunicipal agency sewage disposal expenses increased $1.3 million as a result of the reconciliation of WSSC's share of estimated and actual expenses, and increased operating costs. Expenses incurred for IT operations which include professional fees, contract costs and salaries and fringes for IT staff, increased $4.1 million in comparison to the prior year. Other salaries and wages, and related fringe benefits charged to operations increased $3.8 million during the fiscal year. Rising energy and chemical costs contributed another increase of $1.0 million each.
- Capital assets (water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities), net of accumulated depreciation, increased by $166.7 million, while overall debt decreased by $85.1 million.
- The increase in net assets during the year included operating income, net of non-operating expenses, of $95.6 million, and capital contributions of $115.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - management's discussion and analysis and the required financial statements. The required financial statements consist of:

- Balance sheets
- Statements of revenues, expenses, and changes in net assets
- Statements of cash flows
- Notes to the financial statements

The balance sheets provide a snapshot of WSSC's financial position at June 30, the end of the fiscal year. Figures on the balance sheets are cumulative from inception. WSSC's balance sheets present current and long-term assets and liabilities as well as net assets.

WSSC's statements of revenues, expenses and changes in net assets reflect activity for the fiscal year. These statements measure operating revenues and expenses as well as non-operating revenues and expenses. The statements also present capital contributions as well as changes in net assets.

The statements of cash flows present WSSC's inflow and outflow of cash. Cash flows from operating activities, capital and related financing activities, and investment activities are all shown separately. Cash provided by operating activities is reconciled to operating income. WSSC uses the direct method for presenting the cash flow statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

WSSC operates as an enterprise fund, which is one type of proprietary fund. Enterprise funds operate similarly to private businesses in that charges for services to customers are expected to cover expenses. WSSC's financial statements are presented using the accrual basis of accounting and the economic resources measurement focus. All assets and liabilities are included in the financial statements. Revenue is recognized when water or other services are delivered. Expenses are recognized when goods and services are received. All revenues and expenses are recognized regardless of when cash is received or paid.

FINANCIAL ANALYSIS

Net Assets

Fiscal Year 2008

WSSC's net assets increased 5.3% to $3,309.1 million (See Table A-1). The majority of this increase is attributable to the change in net assets invested in capital assets, net of related debt. Capital assets, net of accumulated depreciation, increased 4.0% to $4,388.9 million. Unused bond proceeds at the end of the year were $37.5 million. Investments of unused bond proceeds are restricted and classified as non-current assets. During fiscal year 2008, developers constructed $48.1 million of capital assets and donated them to WSSC. Additional information is presented in the Capital Asset and Debt Administration section of this discussion.

Total debt, including current maturities of $1,352.6 million was comparable to the previous fiscal year. Capital contributions of $81.5 million were available to finance capital projects during the year. These funding sources reduced the amount of bonds WSSC needed to sell for construction of water and sewer projects. A more detailed description of WSSC's debt can be found in Notes I and J of the financial statements.

Fiscal Year 2007

WSSC's net assets increased 7.2% to $3,141.4 million (See Table A-1). The majority of this increase is attributable to the change in net assets invested in capital assets, net of related debt. Capital assets, net of accumulated depreciation, increased 4.1% to $4,221.6 million. Unused bond proceeds at the end of the year were $25.8 million. Investments of unused bond proceeds are restricted and classified as non-current assets. During fiscal year 2007, developers constructed $66.7 million of capital assets and donated them to WSSC. Additional information is presented in the Capital Asset and Debt Administration section of this discussion.

Total debt, including current maturities, decreased 5.9% to $1,359.6 million. Capital contributions of $115.2 million and operating revenues of $1.5 million were available to finance capital projects during the year. These funding sources reduced the amount of bonds WSSC needed to sell for construction of water and sewer projects. A more detailed description of WSSC's debt can be found in Notes I and J of the financial statements.

TABLE A-1
WSSC's Net Assets
(in millions of dollars)

	FY 2008	FY 2007	FY 2006	FY 2008 % Change	FY 2007 % Change
Current and other assets	$ 485.8	$ 467.2	$ 499.6	4.0	(6.5)
Capital assets, net of accumulated depreciation	4,388.9	4,221.6	4,054.9	4.0	4.1
Total assets	4,874.7	4,688.8	4,554.5	4.0	2.9
Current and other liabilities	561.3	420.1	422.7	33.6	(0.1)
Bonds and notes payable, net of current maturities	1,004.3	1,127.3	1,201.2	(10.9)	(6.2)
Total liabilities	1,565.6	1,547.4	1,623.9	1.2	(4.7)
Net assets:					
Invested in capital assets, net of related debt	3,067.3	2,887.8	2,673.3	6.2	8.0
Restricted for growth construction	135.5	124.8	105.9	8.6	17.8
Unrestricted	106.3	128.8	151.4	(17.5)	(14.9)
Total net assets	$ 3,309.1	$ 3,141.4	$ 2,930.6	5.3	7.2

Changes in Net Assets

Fiscal Year 2008

WSSC's operating revenues increased $24.3 million (See Table A-2). The amount of water delivered to the system declined slightly during the fiscal year, and average rates billed to water and sewer customers increased approximately 6.5%. Operating expenses increased 9.3% to $396.7 million. Operating expenses increased $33.8 million during fiscal year 2008. Changes in salaries and wages of $2.8 million and related fringe benefits of $16.7 million comprise more than half of this increase. Operating expenses of $9.3 million can be attributed to the establishment of an OPEB liability and corresponding contributions to the OPEB plan. The remaining balance of the fringe benefit cost increase is retirement costs, $5.3 million of which represents a payoff of benefits to the State of Maryland for former WSSC employees participating in the State Retirement System. Rising energy and fuel costs triggered escalations in other expenses such as chemicals and materials, the impact of which totaled $4.5 million. Outlays to perform sewer inspections, pipe cleaning and Sanitary Sewer Evaluation Surveys, which are mandated under the Consent Decree, grew $4.2 million. Contract and restoration costs increased $3.5 million as a result of water and sewer main breaks. More general liability claims of $1.6 million were reported, mostly as a result of sewer backups. IT expended an additional $2.0 million this year to maintain and operate the Commission's hardware and software. $245.6 million of capital assets were placed in service in fiscal 2007 resulting in an additional $4.5 million in depreciation this year. Intermunicipal agency sewage disposal expenses decreased $7.7 million primarily as a result of the settlement and adjustment of WSSC's share of actual expenses.

The net of increases in both revenues and expenses during the year resulted in a 9.9% decline in income before contributions to $86.1 million. Capital contributions decreased by 29.3% to $81.5 million. A decline in new construction triggered reductions in developer fees and capital assets constructed by developers (donated assets).

Fiscal Year 2007

WSSC's operating revenues increased $5.8 million (See Table A-2). The amount of water delivered to the system declined slightly during the fiscal year, and average rates billed to water and sewer customers increased approximately 3.1%. Operating expenses increased 4.7% to $362.9 million. An increase of $2.0 million in expenses can be attributed to street repairs made in 2007. Intermunicipal agency sewage disposal expenses increased $1.3 million as a result of the reconciliation of WSSC's share of estimated and actual expenses, and increased operating costs. Expenses incurred for IT operations which include professional fees, contract costs and salaries and fringes for IT staff, increased $4.1 million in comparison to the prior year. Other salaries and wages, and related fringe benefits charged to operations increased $3.8 million during the fiscal year. Rising energy and chemical costs contributed another increase of $1.0 million each.

The net of increases in both revenues and expenses during the year resulted in a 0.2% increase in income before contributions to $95.6 million. Capital contributions increased by 16.5% to $115.2 million.

TABLE A-2
WSSC's Changes in Net Assets
(in millions of dollars)

	FY 2008	FY 2007	FY 2006	FY 2008 % Change	FY 2007 % Change
Operating revenues	$488.7	$ 464.4	$ 458.6	5.2	1.3
Operating expenses	(396.7)	(362.9)	(346.7)	(9.3)	(4.7)
Non-operating revenues (expenses)	(5.9)	(5.9)	(16.5)	0.0	64.2
Income before contributions	86.1	95.6	95.4	(9.9)	0.2
Capital contributions	81.5	115.2	98.9	(29.3)	16.5
Changes in net assets	$167.6	$ 210.8	$ 194.3	(20.4)	8.5

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Fiscal Year 2008

As of June 30, 2008, WSSC had invested $4,388.9 million in a broad range of capital assets including water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities. This amount represents a net increase of $167.3 million, or 4.0%, over fiscal year 2007.

Fiscal Year 2007

As of June 30, 2007, WSSC had invested $4,221.6 million in a broad range of capital assets including water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities. This amount represents a net increase of $166.7 million, or 4.1%, over fiscal year 2006.

TABLE A-3
WSSC's Capital Assets
(net of depreciation and impairment losses, in millions of dollars)

	FY 2008	FY 2007	FY 2006	FY 2008 % Change	FY 2007 % Change
Land and rights of way	$ 80.4	$ 80.9	$ 80.9	(0.1)	0.0
Construction in progress	852.8	735.5	720.2	15.9	2.1
Water supply	993.9	994.9	937.5	0.0	6.1
Sewage disposal	1,077.8	1,057.6	1,008.4	1.9	4.9
General construction	1,360.1	1,333.1	1,292.5	2.0	3.1
Other	23.9	19.6	15.4	21.9	27.3
Total capital assets	$ 4,388.9	$ 4,221.6	$ 4,054.9	4.0	4.1

Capital assets completed and placed in service decreased $98.3 million or 40%, in comparison to fiscal year 2007. Major additions to capital assets being depreciated during fiscal years 2008 and 2007 are illustrated in Tables A-4 and A-5, respectively.

TABLE A-4
WSSC's Additions to Capital Assets Being Depreciated
Fiscal Year 2008
(in millions of dollars)

	Water Supply	**Sewage Disposal**	**General Construction**
Financed from proceeds of bonds, notes, operating revenues or capital contributions:			
Water and sewer mains	$24.2	$ 5.3	$ 7.3
Water meters			1.5
House connections			11.2
Water storage facilities	.4		
Water filtration facilities	2.2		
Wastewater treatment facilities		18.7	
Joint-use facilities		28.5	
Constructed and contributed by developers:			
House connections			5.9
Water and sewer mains			42.1
Total fiscal year 2008 additions to capital assets being depreciated	$26.8	$52.5	$68.0

TABLE A-5
WSSC's Additions to Capital Assets Being Depreciated
Fiscal Year 2007
(in millions of dollars)

	Water Supply	**Sewage Disposal**	**General Construction**
Financed from proceeds of bonds, notes, operating revenues or capital contributions:			
Water and sewer main rehabilitation	$ 3.2	$ 5.2	
Water and sewer mains	30.1	8.0	$ 6.1
Water meters			1.3
House connections			11.2
Water storage facilities	7.9		
Water filtration facilities	39.7		
Wastewater treatment facilities		25.1	
Pumping stations	0.9	1.1	
Joint-use facilities	0.4	36.6	
Dams	1.9		0.2
Constructed and contributed by developers:			
House connections			9.0
Wastewater pumping stations		4.0	
Water and sewer mains			53.7
Total fiscal year 2007 additions to capital assets being depreciated	$84.1	$80.0	$81.5

Bonds and Notes Payable

Fiscal Year 2008

At the end of fiscal year 2008, bonds and notes outstanding totaled $1,359.1 million, which is comparable to the previous fiscal year.

Fiscal Year 2007

At the end of fiscal year 2007, bonds and notes outstanding totaled $1,359.6 million. This is a 5.9% decrease from the previous fiscal year.

The primary sources of revenue utilized for repayment of debt are water consumption and sewer use charges and front foot benefit assessments. In addition, WSSC obtains funds from other sources to reduce the amount of bonds it needs to sell to construct water and sewer projects. These other sources include payments from applicants for new service, payments from other jurisdictions for projects that specifically benefit them, and state and federal grants. A more detailed description of WSSC's bonds and notes payable can be found in Notes J and I of the financial statements.

TABLE A-6
WSSC's Bonds and Notes Payable
(in millions of dollars)

	FY 2008	FY 2007	FY 2006	FY 2008 % Change	FY 2007 % Change
Water supply	$ 410.5	$ 382.9	$ 375.2	7.2	2.1
Sewage disposal	405.0	386.7	414.1	4.7	(6.6)
General construction	542.2	587.9	652.7	(7.8)	(9.9)
Storm water drainage	1.4	2.1	2.7	(33.3)	(22.2)
Total	1,359.1	1,359.6	1,444.7	(0.0)	(5.9)
Current maturities	354.8	232.3	243.5	52.7	(4.6)
Long-term portion	1,004.3	1,127.3	1,201.2	(10.9)	(6.2)
Total bonds and notes payable	$ 1,359.1	$ 1,359.6	$ 1,444.7	(0.0)	(5.9)

Bond Ratings

FitchRatings, Moody's Investors Service, and Standard & Poor's assigned ratings of 'AAA', 'Aaa', and 'AAA', respectively, on WSSC's outstanding water supply, sewage disposal and general construction general obligation bonds. WSSC's superior credit was attributed in large part, to strong fiscal practices, streamlined operations, and management's commitment to keeping the utility competitive.

Limitations on Debt

Maryland law limits the amount of bonds and notes WSSC may have outstanding at any time. This limitation is generally based on legislated percentages of the real property assessable tax base and personal property and operating real property assessments within the Washington Suburban Sanitary District. As of June 30, 2008 and 2007, the calculated limits were $8,327.8 million and $7,339.6 million, respectively. WSSC's outstanding debt was significantly below those limits.

BUDGET

WSSC's operating and capital budgets are prepared annually utilizing the debt service method of accounting. These financial statements are presented in accordance with accounting principles generally accepted in the United States. Because different methods of accounting are utilized, comparisons of budgeted and actual revenues and expenses have not been presented.

WASHINGTON SUBURBAN SANITARY COMMISSION
BALANCE SHEETS
AS OF JUNE 30, 2008 AND 2007
(in thousands)

	2008	2007
ASSETS		
Current assets:		
Cash (Note B)	$ 4,278	$ 12,608
Short-term investments (Note B)	317,139	297,852
Receivables, net (Note C)	108,734	110,985
Prepaid expenses	320	284
Materials and supplies, at average cost	10,828	9,140
Total current assets	441,299	430,869
Non-current assets:		
Capital assets, net of accumulated depreciation (Note E)	4,388,856	4,221,613
Long-term investments (Note B)	37,548	31,786
Federal and State grants receivable	3,443	—
Deferred charges and other assets (Note D)	3,565	4,592
Total non-current assets	4,433,412	4,257,991
Total assets	$4,874,711	$ 4,688,860
LIABILITIES		
Current liabilities:		
Bonds and notes payable, current maturities (Notes J and K)	$ 354,819	$ 232,308
Accounts payable and accrued expenses	105,278	96,312
Accrued bond and note interest payable	12,073	13,292
Deposits and deferred credits (Note I)	3,121	3,541
Total current liabilities	475,291	345,453
Non-current liabilities:		
Bonds and notes payable, net of current maturities (Notes J and K)	1,004,274	1,127,251
Long-term pension liability (Note L)	41,655	39,520
Other postemployment benefits (OPEB) liability (Note M)	9,504	—
Deposits, deferred credits and other long-term liabilities (Note I)	34,916	35,211
Total non-current liabilities	1,090,349	1,201,982
Total liabilities	1,565,640	1,547,435
COMMITMENTS AND CONTINGENCIES (Note O)		
NET ASSETS		
Invested in capital assets, net of related debt	3,067,311	2,887,840
Restricted for growth construction	135,522	124,784
Unrestricted	106,238	128,801
Total net assets	3,309,071	3,141,425
Total liabilities and net assets	$4,874,711	$ 4,688,860

The accompanying notes are an integral part of these financial statements.

WASHINGTON SUBURBAN SANITARY COMMISSION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(in thousands)

	2008	2007
OPERATING REVENUES:		
Water consumption, sewer use and service charges	$ 394,125	$ 369,589
Front foot benefit assessments	60,530	63,792
House connection charges	12,612	11,597
Other	21,435	19,386
Total operating revenues	488,702	464,364
OPERATING EXPENSES:		
Operations	83,846	73,543
Maintenance	103,948	88,933
Intermunicipal agency sewage disposal	40,300	47,399
Administrative and general	66,972	55,888
Depreciation and amortization	101,646	97,152
Total operating expenses	396,712	362,915
Net operating revenues	91,990	101,449
NON-OPERATING REVENUES (EXPENSES):		
Interest on bonds and notes payable	(57,928)	(62,513)
Capitalized interest	30,028	32,155
Prince George's County storm drain debt service reimbursement, net of refund	749	(2,252)
Interest income on investments	16,570	21,423
Other interest income	4,709	5,344
Net non-operating expenses	(5,872)	(5,843)
Income before capital contributions	86,118	95,606
Capital contributions (Note G)	81,528	115,173
Changes in net assets	167,646	210,779
Net assets, beginning of year	3,141,425	2,930,646
Net assets, end of year	$ 3,309,071	$ 3,141,425

The accompanying notes are an integral part of these financial statements.

WASHINGTON SUBURBAN SANITARY COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(in thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from water and sewer customers	$ 393,695	$ 362,485
Receipts from front foot benefit assessments	62,065	65,043
Receipts from house connection charges	12,612	12,825
Receipts from other customers and miscellaneous	39,587	38,072
Payments to employees	(126,015)	(120,582)
Payments to District of Columbia Water & Sewer Authority	(39,960)	(41,629)
Payments to suppliers and others	(137,906)	(117,416)
Net cash provided by operating activities	204,078	198,798
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from bonds and notes	150,550	152,358
Capital contributions	32,104	48,447
Prince George's County storm drain debt service reimbursement, net of refund	749	(2,252)
Bond redemptions and note repayments	(149,757)	(235,752)
Interest payments, premiums and discounts on bonds and notes	(55,682)	(60,996)
Capital asset construction	(181,894)	(161,665)
Net cash used in capital and related financing activities	(203,930)	(259,860)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of investments	983,859	1,385,414
Purchases of investments	(1,011,003)	(1,342,743)
Interest income received	18,666	19,773
Net cash (used in) provided by investing activities	(8,478)	62,444
Net (decrease) increase in cash	(8,330)	1,382
Cash, beginning of year	12,608	11,226
Cash, end of year	$ 4,278	$ 12,608
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net operating revenue	$ 91,990	$ 101,449
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation and amortization	106,862	100,768
Changes in assets and liabilities:		
Decrease (increase) in receivables, net	634	(7,637)
Increase in materials and supplies	(1,688)	(310)
(Increase) decrease in deferred charges and other assets	(35)	3
(Decrease) increase in accounts payable and accrued liabilities	(1,911)	2,250
(Decrease) increase in deferred credits	(1,191)	2,694
Increase (decrease) in long-term pension liability	1,727	(419)
Increase in long-term OPEB liability	7,690	—
Net cash provided by operating activities	$ 204,078	$ 198,798

Noncash capital financing activities:
Capital assets of $48,073 and $66,715 were acquired through contributions from developers in 2008 and 2007, respectively.

The accompanying notes are an integral part of these financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washington Suburban Sanitary Commission (WSSC) is a bi-county political subdivision of the State of Maryland, created to provide water supply and sewage disposal services for Montgomery and Prince George's Counties. The financial statements are presented using the accrual basis of accounting and the economic resources measurement focus. Significant accounting policies are summarized below.

Operating and Non-operating Revenues and Expenses

Revenues and expenses derived from financing and investment activities are classified as non-operating revenues and expenses. All other revenues and expenses are classified as operating.

Water and sewer service rates are established to provide sufficient funds to recover operating costs and debt service relating to the water supply and sanitary sewer systems. Water and sewer revenues are recognized as water is delivered to the system.

Estimated intermunicipal agency sewage disposal expenses are paid quarterly. Adjustments resulting from audits and/or reconciliations of WSSC's share of estimated and actual expenses are recognized in the year of settlement.

Front foot benefit and house connection assessments levied on properties where water and/or sanitary sewer service is available are the principal source of funds to service general construction bond debt. Front foot benefit assessments are recorded as operating revenue ratably over the levy year; house connection assessments and fees are deferred and amortized to operating revenue over the life of the bonds issued to finance the house connections.

Recovery of the Prince George's County portion of the cost of storm water drainage debt service is made through annual reimbursement from the County and is recorded as non-operating revenue. If necessary, ad valorem taxes may be levied to cover debt service of storm water drainage bonds and other bonds and notes. No ad valorem taxes were levied in fiscal 2008 or 2007. In 2007, excess debt service reimbursements of $3,000,000 were refunded to the County and returned to WSSC as a contribution toward the acquisition of a water and sewer system of a residential community located in Maryland.

Capital Contributions

In July 1993, a system development charge (SDC) was established to help finance the cost of expanding water and sewage systems to accommodate growth in the Washington Suburban Sanitary District. System development charges are recorded as capital contributions when received.

Developer fees and charges are established to recover costs related to services provided to outside developers for the construction of capital assets. These fees are recorded as capital contributions when received.

Federal and State water pollution grants are recognized as capital contributions when related capital costs are incurred.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated assets consist principally of capital assets constructed by developers and subsequently donated to WSSC. They are recorded at estimated fair value using developers' estimated costs to construct the assets or WSSC's estimated costs to construct similar assets. The capital assets, and related capital contributions, are recognized upon completion of construction.

A small portion of capital assets is related to donated assets acquired or constructed under a Department of Defense (DOD) contract executed during fiscal 2005 to operate and maintain the water and sewer systems at Bolling Air Force Base. Costs incurred by WSSC to acquire or enhance these systems are reimbursed by DOD and, consequently, recognized as capital assets and capital contributions.

WSSC follows Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions (GASB No. 33). GASB No. 33 requires recognition of all contributions of capital assets, including donated assets, as revenues (capital contributions in the Statement of Revenues, Expenses and Changes in Net Assets).

Capital Assets

Capital assets are stated at original construction cost, which includes related payroll, payroll taxes, fringe benefits, administrative costs and interest capitalized during construction.

Depreciation and Amortization

Capital assets are depreciated using the straight-line method over the estimated service lives of the property, which averaged 49 and 50 years in fiscal 2008 and 2007, respectively.

Inventory

Inventory is recorded at the lower of weighted average cost or market value.

Bond Refunding Costs

The issuance costs of refunding bonds are amortized to operations using a proportionate-to-stated interest method (see Note D). The reacquisition price of the refunded bonds in excess of carrying value is also deferred and amortized to operations (see Note K).

Annual Leave

Employees earn annual leave based on length of service. Accumulated annual leave in excess of 360 hours at the end of each year is transferred to sick leave. At termination, employees will be paid for unused annual leave but will not receive any pay or time off for unused sick leave. At retirement, an employee may convert unused annual leave to sick leave. Unused sick leave at retirement may be credited to an employee's total service time for retirement benefit purposes. Annual leave earned but unused is accrued as a liability.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

statements and the reported amounts of revenues and expenses. Actual results may differ from these estimates.

Net Assets

GASB No. 34 establishes financial reporting standards for state and local governments regarding the required financial statements, presentation of management's discussion and analysis and classification of net assets. GASB No. 34 requires that net assets restricted for particular purposes, and net assets invested in capital assets, net of related debt, be presented separately on the balance sheets.

Net assets associated with unspent SDC proceeds are restricted for growth construction.

Net assets associated with unspent bond proceeds are restricted for capital projects. As of June 30, 2008, and 2007, unspent bond proceeds totaled $37,548,000, and $25,786,000, respectively. However, cash and investments net of the related debt resulted in a zero net asset balance.

Accounting Guidelines

In accordance with the provisions of Statement No. 20 of the Governmental Accounting Standards Board (GASB), Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, issued in September 1993, WSSC has elected to apply all applicable GASB pronouncements and not to follow Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

Recent Accounting Pronouncements

In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. To comply with GASB No. 45, WSSC recorded a liability of $9.5 million and related expenses for certain postemployment benefits in fiscal year 2008. In addition, WSSC contributed $2.0 million to commence funding of the OPEB plan.

The GASB recently issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This standard requires entities to record a liability for certain pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution. WSSC has determined that this pronouncement should have no impact on the financial statements at this time.

B. CASH AND INVESTMENTS

At June 30, 2008 and 2007, cash per WSSC's records amounted to $4,278,000 and $12,608,000, respectively, and per reported bank balances was $10,027,000 and $13,751,000, respectively. All collected bank balance funds were secured by Federal depository insurance or by collateral held in WSSC's name by the Federal Reserve Bank.

B. CASH AND INVESTMENTS (continued)

WSSC's investment policy conforms to Maryland laws on the investment of public monies. Consequently, WSSC is authorized to invest in the investment types identified in the table below. The table also identifies certain provisions of the Maryland law or WSSC investment policy, which address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Government securities	1 year	None	None
Federal agency securities	1 year	None	None
Bankers' acceptances	6 months	None	20%
Collateralized repurchase agreements	1 year	None	20%
Commercial paper	1 year	5%	None
Certificates of deposit	1 year	None	20%

Any investment with a maturity in excess of 1 year must be approved by the Treasurer and will be limited to U.S. Government and Federal agency securities. The aggregated value of investments with any one bank or broker will not exceed 20% of the total investment portfolio at the time of investment, unless approved by the Investment Manager or Treasurer.

Custodial credit risk is the risk that, in the event of a failure of a financial institution, WSSC would not be able to recover deposits, the value of its investments, or collateral securities that are in the possession of an outside party. Maryland State law requires that collateral shall be maintained for all deposits and certificates of deposit with amounts in excess of Federal insurance coverage. State law also requires the securities collateralizing repurchase agreements have a market value of at least 102 percent of the principal of the investment plus accrued interest. At June 30, 2008 and 2007, all WSSC investments, or the collateral securities for such investments, were held by various Trust Companies in WSSC's name. None of these investments required securities to be held by a broker's or dealer's trust department or agent in WSSC's name.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2008 and 2007, all of WSSC's investments had remaining maturities of 1 year or less.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. WSSC may invest in bankers' acceptances and commercial paper having a short-term rating of the highest letter and numerical rating issued by at least one nationally recognized statistical rating organization. WSSC does not have a formal policy for other investment types; however virtually all remaining investments are in, or collateralized by, Federal agency securities. Actual ratings as of June 30, 2008 and 2007 are presented on the following page for each investment type.

B. CASH AND INVESTMENTS (continued)

Investments at June 30, 2008 (in thousands):

Investment Type	Credit Rating	Remaining Maturity	Cost	Fair Value
Repurchase Agreements	Aaa	1 year or less	$ 56,713	$ 56,375
Federal agency securities	Aaa	1 year or less	297,974	297,717
Total investments (includes $37,548 restricted for capital projects, classified as non-current)			$354,687	$354,092

Investments at June 30, 2007 (in thousands):

Investment Type	Credit Rating	Remaining Maturity	Cost	Fair Value
Repurchase agreements	Aaa	1 year or less	$165,841	$164,161
Commercial Paper	P-1	1 year or less	14,820	15,000
Federal agency securities	Aaa	1 year or less	148,977	149,082
Total investments (includes $31,786 restricted for capital projects, classified as non-current)			$329,638	$328,243

WSSC records short-term investments in money market instruments such as repurchase agreements and U.S. Government securities with original maturities at acquisition of less than 1 year at cost, which approximates fair value. Non-current investments are recorded at market.

Concentration of credit risk is the risk of loss due to the magnitude of WSSC's investment in the securities of any single issuer. The investment policy of WSSC contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of total investments are as follows:

Issuer	Investment Type	Reported Amount at June 30, 2008 (in thousands)
FHLB	Federal agency securities	$ 69,350
FHLMC	Federal agency securities	34,588
FNMA	Federal agency securities	187,566
FNMA	Collateral securities for repurchase agreements	22,000
FHLMC	Collateral securities for repurchase agreements	13,000

B. CASH AND INVESTMENTS (continued)

Issuer	Investment Type	Reported Amount at June 30, 2007 (in thousands)
FNMA	Federal agency securities	$102,938
FHLMC	Federal agency securities	43,907
FNMA	Collateral securities for repurchase agreements	111,350
FHLMC	Collateral securities for repurchase agreements	38,650

C. RECEIVABLES

Receivables consisted of the following at June 30 (in thousands):

	2008	2007
Front foot benefit assessments accrued and billed	$ 36,550	$ 38,511
Water and sewer services unbilled	38,197	36,452
Water and sewer services billed	30,385	30,521
Services billed to others and miscellaneous	8,454	9,550
	113,586	115,034
Less allowance for doubtful accounts	(4,852)	(4,049)
Total receivables, net	$108,734	$110,985

D. DEFERRED CHARGES AND OTHER ASSETS

Deferred charges and other assets consisted of the following at June 30 (in thousands):

	2008	2007
Net deferred cost of storm water drainage property transferred to Prince George's County	$ 1,405	$ 2,053
Unamortized issuance cost of refunding bonds	2,160	2,539
Total	$ 3,565	$ 4,592

E. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and rights of way	$ 80,900	$ –	$ (480)	$ 80,420
Construction in progress	735,507	195,088	(77,837)	852,758
Total capital assets not being depreciated	816,407	195,088	(78,317)	933,178
Capital assets being depreciated:				
Water supply	1,386,945	26,794	(391)	1,413,348
Sewage disposal	1,674,507	52,535	(61)	1,726,981
General construction	2,110,621	68,013	(713)	2,177,921
Other	82,246	9,669	(3,608)	88,307
Total capital assets being depreciated	5,254,319	157,011	(4,773)	5,406,557
Less accumulated depreciation for:				
Water supply	(392,023)	(27,401)	1	(419,423)
Sewage disposal	(579,461)	(32,259)	9	(611,711)
General construction	(777,489)	(41,857)	1,461	(817,885)
Other	(62,668)	(5,216)	3,496	(64,388)
Total accumulated depreciation	(1,811,641)	(106,733)	4,967	(1,913,407)
Capital assets being depreciated, net	3,442,678	50,278	194	3,493,150
Reserve for impairment in value	(37,472)	–	–	(37,472)
Total capital assets, net	$4,221,613	$245,366	$(78,123)	$4,388,856

E. CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2007 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and rights of way	$ 80,886	$ 14	$ –	$ 80,900
Construction in progress	720,185	156,493	(141,171)	735,507
Total capital assets not being depreciated	801,071	156,507	(141,171)	816,407
Capital assets being depreciated:				
Water supply	1,303,243	84,154	(452)	1,386,945
Sewage disposal	1,594,713	79,971	(177)	1,674,507
General construction	2,031,637	81,567	(2,583)	2,110,621
Other	75,454	7,783	(991)	82,246
Total capital assets being depreciated	5,005,047	253,475	(4,203)	5,254,319
Less accumulated depreciation for:				
Water supply	(365,736)	(26,336)	49	(392,023)
Sewage disposal	(548,812)	(30,649)	–	(579,461)
General construction	(739,127)	(40,031)	1,669	(777,489)
Other	(60,032)	(3,615)	979	(62,668)
Total accumulated depreciation	(1,713,707)	(100,631)	2,697	(1,811,641)
Capital assets being depreciated, net	3,291,340	152,844	(1,506)	3,442,678
Reserve for impairment in value	(37,472)	–	–	(37,472)
Total capital assets, net	$4,054,939	$309,351	$ (142,677)	$4,221,613

A reserve for impairment in value was established in 2005 for a biosolids composting facility which was placed in service in 1983.

The amount shown in the statements of revenues, expenses and changes in net assets for depreciation and amortization does not include depreciation of vehicles and equipment. Depreciation of these assets, $5,216,000 in fiscal 2008 and $3,615,000 in fiscal 2007, is classified with other related operating and maintenance costs.

F. ACCOUNTING FOR TERMINATION BENEFITS

In June 2005, the GASB issued Statement No. 47, Accounting for Termination Benefits. This pronouncement was effective for the year ended June 30, 2006, and requires accrual of termination of benefits if an offer for voluntary termination benefits is accepted or a plan for involuntary termination has been approved. This pronouncement did not change WSSC's accounting for such benefits.

On March 2, 2006, WSSC announced its plan to restructure the Information Technology (IT) team by abolishing all merit positions and creating new non-merit, or contractual, positions with comparable benefits. Employees holding merit jobs at the time of this announcement were provided an opportunity to compete for the new contractual positions. As of the end of July 2006, the IT restructure was substantially complete and 30 employees were involuntary terminated with a severance package. Severance pay is based on the employee's gross salary and is calculated at the rate of two weeks pay for each completed year and portion of a year of creditable service. Eligibility for life insurance, health care, and Employee Assistance Program benefits continue throughout the severance period. Estimated costs of these termination benefits are based on unadjusted premiums or expenses, net of any payments by the employee. Contributions to the WSSC Employees' Retirement Plan are deducted, and credited service continues for purposes of the WSSC Employees' Retirement Plan until the end of the severance period. Total costs of this IT restructure, which were accrued at June 30, 2006, were to be disbursed over 70 weeks beginning in August 2006, and were projected to be $2,665,000. Of this amount, $2,345,000 was paid in fiscal 2007 and the remainder was paid in fiscal 2008.

On July 18, 2007, WSSC announced its plan to restructure the Human Resources (HR) team. Most HR positions were revised and new classifications and job descriptions were established; however, all positions except the Director of Human Resources remained in the merit system. An outside expert was contracted to provide a comparative analysis of the new and existing job descriptions. Based on the results, all but three HR employees were mapped to new positions. In April 2008, these three employees were involuntarily terminated with a severance package, the terms of which are identical to those detailed above for IT personnel. Total costs for this HR restructure were $150,000 which were accrued at June 30, 2008.

G. CAPITAL CONTRIBUTIONS

Capital contributions consisted of the following at June 30 (in thousands):

	2008	2007
System development charges	$23,892	$ 36,523
Developer fees	4,648	6,451
Federal and State water pollution control grants	4,915	(516)
County contributions toward the acquisition and enhancement of water and sewer systems	—	6,000
Donated assets:		
House connections	5,866	9,024
Other construction projects	42,207	57,691
Total	$81,528	$115,173

H. COMPENSATED ABSENCE LIABILITY

Compensated absence liability activity consisted of the following at June 30 (in thousands):

	2008	2007
Compensated absence liability - beginning of year	$ 9,322	$ 9,270
Increases (incurred)	8,613	7,357
Decreases	(7,933)	(7,305)
Compensated absence liability - end of year	$ 10,022	$ 9,322

This liability is included in accounts payable and accrued expenses on the balance sheet.

I. DEPOSITS, DEFERRED CREDITS AND OTHER LONG-TERM LIABILITIES

Deposits, deferred credits and other long-term liabilities consisted of the following at June 30 (in thousands):

	2008	2007
Deferred revenue for house connections	$ 21,612	$ 22,577
Deferred front foot benefit revenue	3,491	3,873
Construction deposits	5,647	5,171
House connection deposits	3,203	2,858
Other	963	732
Total	$ 34,916	$ 35,211

J. BONDS AND NOTES PAYABLE

Bonds and notes payable activity for the year ended June 30, 2008 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Bonds and notes payable:					
Water supply	$ 376,648	$ 73,184	$ (44,589)	$ 405,243	$125,109
Sewage disposal	379,429	60,170	(40,798)	398,801	135,166
General construction	589,039	20,689	(67,229)	542,499	93,869
Storm water drainage	2,055	—	(635)	1,420	675
	1,347,171	154,043	(153,251)	1,347,963	354,819
Plus deferred amount	12,388	—	(1,258)	11,130	—
Total bonds and notes payable	$1,359,559	$154,043	$(154,509)	$1,359,093	$354,819

J. BONDS AND NOTES PAYABLE (continued)

Bonds and notes payable activity for the year ended June 30, 2007 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Bonds and notes payable:					
Water supply	$ 368,652	$ 81,040	$ (73,044)	$ 376,648	$ 57,890
Sewage disposal	405,972	29,828	(56,371)	379,429	98,056
General construction	653,287	41,490	(105,738)	589,039	75,727
Storm water drainage	2,655	–	(600)	2,055	635
	1,430,566	152,358	(235,753)	1,347,171	232,308
Plus deferred amount	14,164	(789)	(987)	12,388	–
Total bonds and notes payable	$1,444,730	$151,569	$(236,740)	$1,359,559	$232,308

The deferred amounts represent deferred interest on bond refundings and premiums on outstanding debt issuances.

Bonds payable accrue interest at rates ranging from 1.1% to 6.0%, with an effective interest rate of 4.40% at June 30, 2008. All bonds payable at June 30, 2008, exclusive of refunded bonds, are due serially through the year 2028. Generally, the bonds are callable at a premium after a specified number of years.

Bond and note maturities and interest thereon for the next five years are as follows (in thousands):

Year ended June 30	Principal Maturities	Interest Requirements
2009	$ 354,819	$ 58,744
2010	135,143	51,508
2011	116,535	44,662
2012	102,342	42,192
2013	92,015	37,013

Bond and note maturities and interest thereon in five-year increments for fiscal years after 2013 are as follows (in thousands):

Year ended June 30	Principal Maturities	Interest Requirements
2014 - 2018	$ 317,557	$ 123,636
2019 - 2023	170,168	52,304
2024 - 2028	56,291	11,076
2029 - 2033	2,686	502
2034 - 2035	407	16

J. BONDS AND NOTES PAYABLE (continued)

Bond Anticipation Notes (the Notes) are remarketed weekly by WSSC's remarketing agent at prevailing weekly tax-exempt interest rates. Interest rates on the Notes ranged from 1.00% to 4.05% during fiscal 2008, and from 3.25% to 3.92% during fiscal 2007. Any or all buyers of the Notes may demand payment from WSSC's remarketing agent upon seven days notice. WSSC's remarketing agent is prepared to remarket the Notes in such eventuality. The Notes were originally sold in two separate Series (A and B) under bank line of credit agreements which act as guarantees of liquidity for the Notes in the event that the Notes cannot be remarketed. In June 2006, Series B Notes were replaced with Series A Notes in the Amount of $59.9 million and the contract with the liquidity provider for Series B Notes was terminated. In 2008, WSSC issued $130 million in Bond Anticipation Notes. The maximum amount available under the line of credit, which expires in June 2015, and is subject to certain conditions, is $215 million.

At June 30, 2008 and 2007, $209.1 million and $89.5 million respectively, of the Notes were outstanding. WSSC expects to redeem these Notes with proceeds of future bond issues or annual amortization. The Notes are treated as bonds, and as such, are expected to be amortized over a 20-year term. However, because these Notes are callable, the entire $209.1 million has been included in current maturities (fiscal 2008 principal maturities), and an estimated $9.4 million has been included in the fiscal 2009 interest requirements. Additional estimated interest requirements at prevailing rates through 2026 on these Notes, assuming future redemption from proceeds of bonds, would total $106.7 million.

During fiscal 2007, WSSC issued $70.0 million of bonds to fund new construction. No bonds were issued in fiscal 2008.

On July 15, 2005, WSSC commenced work on a utility service contract with the U.S. Department of Defense to operate and maintain the Bolling Air Force Base water distribution and wastewater collection systems. Under the terms of this contract, WSSC acquired the existing water and sewer systems for $1.0 million and $4.3 million, respectively. Corresponding notes payable accrue interest at 7.0% over a 30-year term.

WSSC borrowed $28.9 million from the 1990 and 1991 State of Maryland Water Quality Revolving Loan Program to fund the construction of certain sewage treatment facilities.

During fiscal 2000, WSSC entered into a Master Loan Agreement with the State of Maryland Water Quality Revolving Loan Program to borrow $107.5 million. This loan is to be used to fund the construction of a consolidated laboratory facility, a water filtration plant solids handling facility, certain sewage treatment facilities and other sewage and energy performance projects. As of June 30, 2008, WSSC had borrowed $89.8 million from the program.

When WSSC created its Employees' Retirement Plan in 1967, some employees remained in the State of Maryland Retirement System. For the period from this separation to 1983, the State utilized a pay-as-you-go approach. In 1984, their funding method changed to an actuarial basis, which resulted in an unfunded liability of approximately $5.2 million. The State developed a payment schedule over a 35 year period, with the initial payment equal to 47% of the outstanding balance. Subsequent annual payments would increase by 57% until the balance was paid in full. The outstanding balance at June 30, 2008 of $6.5 million was paid in July 2008, and is included in current maturities.

WSSC is in compliance with all terms of its debt agreements at June 30, 2008.

K. BOND REFUNDINGS

In October 2006, WSSC sold $82,285,000 of refunding bonds with interest rates ranging from 4.00% to 4.25% to advance refund $80,360,000 of outstanding callable water supply, sewage disposal and general construction bonds with interest rates ranging from 4.25% to 5.00%. The net proceeds of $83,006,000 (including a premium of $1,078,000 and after payment of $170,000 of issuance costs) were used to purchase U.S. Government securities. Those securities were deposited with an escrow agent to provide for all future debt service payments and the early redemption of callable bonds. The October 2006 refunding reduced WSSC's total debt service payments over the next 19 years by $3,619,000 and provided an economic gain of 3,733,000. No refunding bonds were sold in fiscal year 2008.

As a result of the refundings, the refunded bonds are considered to be defeased and the liability is not reflected in the financial statements.

In prior years, WSSC sold refunding bonds totalling $3,138,660,000 for the purpose of refunding and defeasing $3,014,475,000 of outstanding bonds. The purpose of these refundings was to reduce total debt service payments over the remaining life of the refunded bonds and to obtain an economic gain (difference between the present value of the old and new debt service payments) from the transactions.

Prior to fiscal 1994, these refundings were accounted for in accordance with Statement of Financial Accounting Standards No. 76, Extinguishment of Debt. At the time of the respective refundings, WSSC recognized extraordinary losses aggregating approximately $89,726,000 resulting from the issuance of additional principal. However, interest savings over the remaining terms of the refunded bonds are estimated to aggregate approximately $191,863,000.

Effective July 1, 1993, WSSC adopted GASB Statement No. 23, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities (GASB No. 23). GASB No. 23 requires deferral of the difference between the reacquisition price and the carrying amount of the old debt. The difference is reported in the accompanying financial statements as a deduction from bonds payable and is being amortized to interest on bonds and notes through the year 2025 using the proportionate-to-stated interest method. Amortization totaling $7,423,000 and $8,970,000, in fiscal 2008 and 2007, respectively, was recorded as interest on bonds and notes payable in the accompanying statements of revenues, expenses and changes in net assets.

K. BOND REFUNDINGS (continued)

Details of the current year and prior years' refundings are as follows (in thousands):

Date of Refunding	Amount of Refunded Bonds	Remaining Term at Refunding Date	Amount of Refunding Bonds	Estimated Interest Savings	Extraordinary Loss Previously Recognized	Deferred Loss
10-15-06	$ 80,360	19 years	$ 82,285	$ 5,544		$ 1,989
03-15-05	63,980	20 years	62,510	731		2,880
02-01-04	271,815	19 years	266,395	10,059		14,941
10-28-03	14,500	11 years	15,780	3,107		1,103
09-15-03	70,485	11 years	70,590	5,435		2,352
03-01-03	454,905	17 years	428,945	22,269		23,612
04-15-02	43,610	10 years	43,705	4,483		904
12-01-01	100,150	14 years	100,095	9,672		(110)
11-15-97	42,400	14 years	45,265	4,967		2,712
01-01-97	74,375	23 years	79,600	7,467		4,595
01-15-94	437,695	22 years	435,675	84,556		42,761
11-01-93	243,835	22 years	278,730	38,845		28,155
03-01-93	127,975	21 years	139,705	12,908	$ 7,730	—
06-01-92	50,475	20 years	54,775	4,896	4,200	—
11-15-91	88,355	24 years	95,435	8,083	5,580	—
05-15-91	229,775	23 years	248,865	22,276	10,944	—
03-01-90	48,395	21 years	53,885	6,700	4,216	—
10-15-86	64,160	22 years	74,680	15,000	9,182	—
05-15-86	149,055	29 years	172,490	27,000	18,542	—
07-15-85	111,750	23 years	118,015	18,000	11,002	—
04-01-84	24,765	23 years	29,210	8,000	3,797	—
09-01-77	221,660	23 years	242,025	69,000	14,533	—

The refunded bonds continue to be general obligations of WSSC until redeemed or called. However, the net proceeds of the refunding bonds were applied toward the purchase of U.S. Government obligations (held in escrow) with maturities and interest sufficient to meet debt service and call premiums, if any, on the refunded bonds. The holders of the refunded bonds have first lien on all assets held in escrow. Refunded bonds outstanding at June 30, 2008 and 2007, which amounted to $116,890,000 and $144,340,000, respectively, are considered to be defeased and are not reflected in the accompanying financial statements.

L. RETIREMENT PLAN

Plan Description

Substantially all WSSC employees participate in the Washington Suburban Sanitary Commission Employees' Retirement Plan (the Plan), which is administered by WSSC. The Plan, established in 1967, is a single-employer contributory defined benefit retirement plan. The Commission has been designated as the Plan sponsor and amendments to the Plan must be approved by the Commission. Effective July 1, 1978, WSSC approved a new version of the Plan (Open Version). Members of the Plan as of June 30, 1978 had an option through December 31, 1978 to be included in the Open Version or to continue participation in the original version of the Plan (Closed Version). The Open Version is mandatory for all new employees. It generally provides for reduced employee contributions and benefits.

The Plan requires employees under the Closed Version to contribute 6% of gross wages and employees under the Open Version to contribute 3% of gross wages as a condition of employment. Upon withdrawal from the Plan, participants are refunded their contributions plus 5% interest thereon.

The Plan provides for 100% vesting of retirement benefits after five years of credited service. Generally, the normal retirement benefits payable to an eligible participant are equal to the sum of 2.1% of the participant's final average monthly compensation times Closed Version credited service, if applicable, plus 1.4% of final average monthly compensation, as defined, times Open Version credited service.

GASB Statement No. 47, Accounting for Termination Benefits, requires disclosure of changes in the actuarial accrued liability for the Plan attributable to termination benefits. The increased present value liability for excess benefits related to involuntary terminations is estimated at $547,000.

Actuarial Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Significant actuarial assumptions used in the most recent valuation, as of June 30, 2007 are as follows:

Actuarial method	Frozen initial liability modification of the entry age normal method.
Rate of return on investments	8.0%
Yearly increase in cost of living	3.5%
Yearly increase in salary scale	5.0%
Yearly increase in total payroll	5.0%
Annual rates of severance prior to retirement	Severance due to withdrawal is based on WSSC experience. Severance due to mortality or disability is based on published rates adjusted to reflect actual experience.
Mortality rates after retirement	Retirement Plan -2000 Healthy Annuitant tables for non-disability pensioners. Group Annuity - 1983 tables adjusted for disability retirement pensioner.
Retirement age assumptions	Ranging from age 45 to 69.

L. RETIREMENT PLAN (continued)

Actuarially Determined Contribution Requirements
And Contribution Made

WSSC's retirement plan funding policy provides for actuarially determined yearly contributions calculated on a level percentage of payroll costs basis. The covered payroll used by the actuary in determining the contribution was $89,509,798, and the total actual payroll was $101,363,000. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those previously described.

WSSC's annual pension cost and long-term pension liability for fiscal 2008 and fiscal 2007 are (in thousands):

	2008	2007
Annual required contribution	$14,798	$12,287
Interest on long-term pension liability	3,085	2,927
Annual pension cost	17,883	15,214
Contributions made	(15,748)	(15,727)
Increase (decrease) in long-term pension liability	2,135	(513)
Long-term pension liability – beginning of year	39,520	40,033
Long-term pension liability – end of year	$41,655	$39,520

The difference between the amount contributed and the amount charged to operating expenses and capital assets is recorded as a change to the long-term pension liability. The annual required contribution for the current year was determined as part of an annual actuarial valuation.

Historical Trend Information

The historical trend information designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is presented in Schedule A.

Six-year historical trend information showing the Plan's progress is presented in the Plan's December 31, 2007 comprehensive annual financial report, which can be requested from WSSC's offices.

Retirement Restoration Plan

Effective July 1, 1995, WSSC established the Washington Suburban Sanitary Commission Employees' Retirement Restoration Plan (the Restoration Plan), a non-qualified plan. The purpose of the Restoration Plan is to restore most of the benefits foregone by participants in the WSSC Employees' Retirement Plan when such benefits are limited by the maximum benefit provisions of Section 415 of the Internal Revenue Code. During fiscal years 2008 and 2007, the Restoration Plan paid benefits totaling $61,000 and $52,000, respectively.

M. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

WSSC provides healthcare, prescription drug, dental and life insurance benefits to retirees and their dependents, and pays a portion of the related costs. All full time active employees who retire or are disabled directly from WSSC and meet the eligibility criteria can participate. Retiree medical benefit and life insurance plans are collectively referred to as the Washington Suburban Sanitary Commission Other Postemployment Benefits (OPEB) Plan. The OPEB Plan is a single-employer plan administered by WSSC. The Commission has been designated as the OPEB Plan sponsor and amendments to the OPEB Plan must be approved by the Commission.

Eligibility for post retirement health care benefits requires a minimum of two years participation in a WSSC sponsored plan immediately prior to retirement. At the end of fiscal 2008, substantially all of WSSC's retired employees (or beneficiaries) are eligible for those benefits. WSSC contributes up to 80% of the amount of health care insurance costs for eligible retired employees and their families.

Employees who retired in 1982 and after are eligible for post retirement life insurance benefits. The amount of retiree life insurance begins at 85% of the employee's salary as of the day immediately prior to retirement, and decreases over a four-year period, until coverage equals either 25% of that salary or $5,000, whichever is greater.

Funding Policy

The required contribution is based on projected pay-as-you-go obligations, with an additional amount to prefund benefits as determined annually by WSSC. For fiscal year 2008, WSSC contributed $12.9 million to the OPEB Plan, including $10.9 million for current claims and/or premiums (approximately 79 percent of total claims and/or premiums) and an additional $2.0 million to fund benefits. OPEB Plan members receiving benefits contributed $2.9 million or approximately 21% of the total claims and/or premiums, through their required contributions.

Annual OPEB Cost and Net OPEB Obligation

WSSC's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The net OPEB obligation is estimated based on existing WSSC policies regarding retiree healthcare benefits. This level of coverage is not guaranteed in the future. The obligation will be periodically re-evaluated.

M. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The following table shows the components of the WSSC's annual OPEB cost for the year, the amount actually contributed to the OPEB Plan, and changes in the net OPEB obligation to WSSC (in thousands):

	2008
Annual required contribution	$22,467
Interest on net OPEB obligation	–
Adjustment to annual required contribution	–
Annual OPEB cost	22,467
Phase-in funding	(2,000)
Benefits paid	(10,963)
Increase in net OPEB obligation	9,504
Net OPEB obligation – beginning of year	–
Net OPEB obligation – end of year	$ 9,504

WSSC's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2008 were (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$22,466	57.7%	$ 9,504

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $232.3 million, and with no assets as of this initial valuation, the resulting unfunded actuarial liability (UAAL) was $232.3 million. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was $97.3 million, and the ratio of the UAAL to the covered payroll was 239%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements in schedule B. In future years, this schedule will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

M. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the last valuation, the company had 1,354 retired employees and 1,363 active employees who participated in health plans, excluding spouses and dependents. Life insurance plan participation is 1,396 and 1,363 for retirees and active employees, respectively. The average age is 67.63 and 47.52 for retirees and active employees, respectively.

Actuarial assumptions used in the most recent valuation, as of June 30, 2007 are as follows:

Actuarial cost method	Projected unit credit cost method.
Rate of return on investments	7.5% assumes WSSC phases into fully funding the ARC over 5 years. The first year pre-funding amount is the pay-as-you-go amount plus 20% of the difference between that amount and the ARC. The pre-funding will decrease 20% for each of the following 4 years.
Yearly increase in medical/prescription costs	Commences at 11% in fiscal year 2008 and declines annually to 5.5% in 2013 and later.
Mortality rates after retirement	1983 Group Annuity Mortality Tables set forward 1 year for non-disability retirees and 10 years for disability retirees.
Retirement age assumptions	Ranging from 45 to 69.
Coverage	100% of current retirees are covered and 100% of current active employees will elect coverage at least two years prior to retirement age under the medical and life insurance plans.
Amortization method	30 years amortization of the unfunded Actuarial Accrued Liability as a level dollar.

N. DEFERRED COMPENSATION PLAN

WSSC offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All of the assets of the deferred compensation plan are held in a trust for the exclusive benefit of participants and beneficiaries. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant.

O. COMMITMENTS AND CONTINGENCIES

Construction expenditures for fiscal 2009 are not expected to exceed $361 million, a portion of which will be funded by capital contributions. Commitments in connection with this construction program approximated $143 million at June 30, 2008.

Intermunicipal agency sewage disposal expenses are accrued as incurred, based on estimates. These expenses are subject to audit by WSSC and others.

WSSC administers several state grants. The grant funds expended are subject to compliance audits by the grantors.

The United States Department of Justice, the United States Environmental Protection Agency and the Maryland Department of the Environment (collectively "the Regulators") alleged, in previous years, that sanitary sewer overflows ("SSOs") from WSSC's sanitary sewer collection system were violations of the Federal Clean Water Act and analogous State law. Federal agencies have pursued similar enforcement actions nationally against public wastewater treatment system owners. WSSC contested this action and the initial remedial measures proposed by the Regulators. Negotiations to resolve the enforcement action through the entry of a mutually agreeable Consent Decree began in March 2002. In July 2005, a proposed Consent Decree was executed between WSSC, the Regulators and four environmental groups in which WSSC agreed to undertake certain remedial measures to eliminate and/or reduce SSO occurrences. The proposed Consent Decree was approved by the U.S. District Court with an official start date of December 7, 2005. Costs of these remedial measures are estimated at $435 million and are to be expended over 12 years, $400 million of which are expected to be incurred after fiscal year 2008. The costs are included in WSSC's budget and capital improvements program. WSSC also agreed to pay civil penalties totaling $1.1 million and these costs were accrued in fiscal 2005, and paid in fiscal 2006.

During fiscal year 2006, WSSC entered into an agreement with a private utility company to purchase the water and sewer systems of a residential community, located in Maryland. WSSC purchased these systems in December 2006 for $12 million.

WSSC is involved in judicial, condemnation and administrative proceedings. These actions include personal injury, property damage and personnel claims and various claims filed by contractors against WSSC for cost overruns on construction contracts. While the outcomes of these matters are uncertain, it is the opinion of management and WSSC's General Counsel that resolution of all claims outstanding will not have a material adverse effect on the financial position or changes in net assets of WSSC.

O. COMMITMENTS AND CONTINGENCIES (continued)

WSSC purchases insurance on its property (structures, contents, boiler and machinery, etc.) for physical damages where it has been determined that a reasonable amount of exposure exists. In addition, WSSC is self-insured for workers' compensation in accordance with the statutory requirements of the State of Maryland. The workers' compensation accrued liability includes an estimate for claims incurred but not yet reported to the claims administrator. WSSC also maintains crime and terrorism insurance and fiduciary liability policies having various self-insured retention levels.

WSSC is self-insured for all public liability. Each year, funds are budgeted for normal claims. However, should the past loss experience change, or should a catastrophic loss occur in excess of applicable insurance coverage, funds for such loss or losses would have to be obtained from ad valorem taxation or other sources of revenue since a self-insurance fund has not been established.

General liability and workers' compensation claim activity consisted of the following at June 30 (in thousands):

	2008	2007
Claim liability - beginning of year	$12,956	$12,090
Current year claims and changes in estimates	3,653	3,608
Claim payments	(3,263)	(2,742)
Claim liability - end of year	$13,346	$12,956

This liability is included in accounts payable and accrued expenses on the balance sheet.

During fiscal 2008 and 2007, WSSC leased a variety of equipment with annual rental payments of approximately $405,000 and $418,000 respectively. There are no annual commitments under long term non-cancelable operating leases as of June 30, 2008.

SCHEDULE A

WASHINGTON SUBURBAN SANITARY COMMISSION
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF HISTORICAL PENSION INFORMATION
Unaudited
(In thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2005	$572,870	$616,371	$43,501	92.9%	$88,934	48.9%
2006	601,159	642,652	41,493	93.5	89,510	46.4
2007	689,681	730,211	40,530	94.4	97,977	41.4

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Long-Term Pension Liability
2006	$14,136	111%	$40,033
2007	15,214	103	39,520
2008	17,883	88	41,655

SCHEDULE B

WASHINGTON SUBURBAN SANITARY COMMISSION
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF HISTORICAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) INFORMATION
Unaudited
(In thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2007	–	$232,274	$232,274	0%	$97,977	239%

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of APC Contributed	Net OPEB Obligation
2008	$22,467	57.7%	$9,504

SELECTED INFORMATION RESPECTING MONTGOMERY COUNTY AND PRINCE GEORGE'S COUNTY

MONTGOMERY COUNTY

General

The information contained under the heading "Montgomery County" has been provided by Montgomery County.

Montgomery County is located adjacent to the nation's capital, Washington, D.C., and includes 497 square miles of land area. The topography is rolling with small hills. Elevations range from 52 feet above sea level at the junction of the Potomac River and the District Line, to 850 feet in the northern portion of the County near Damascus. Bordering the County are Howard County to the northeast, Prince George's County to the southeast, Frederick County to the northwest, the District of Columbia to the south, and Virginia to the southwest.

Government

The County Council is comprised of nine members, four of whom are elected by the qualified voters of the entire County. Each of the five other members of the Council must, at the time of their election, reside in a different one of five Councilmanic districts of the County and each of these five members shall be nominated and elected by the qualified voters in their respective districts. Populations of the Councilmanic districts are substantially equal.

The County Executive, who must be a qualified voter of the County for the five years preceding his or her election and who may not be less than thirty years of age, is elected by the qualified voters of the entire County at the same time as the Council. Both the County Executive and the County Council members serve a four-year term.

Population

The population of the County, according to the 2000 Census, was 878,545, an increase of 15.7 percent since the 1990 Census. The Maryland-National Capital Park and Planning Commission (M-NCPPC) population estimate shows 1,000,000 for the County by July 1, 2010.

Households and Population

	Households	Population	Population Percent Change from Prior Census
2010 …………………………	370,000	1,000,000	13.8%
2007 …………………………	356,000	947,000	7.8
2006 …………………………	351,000	937,000	6.7
2005 …………………………	348,100	927,405	5.6
2004 …………………………	346,200	921,264	4.9
2003 …………………………	341,300	916,198	4.3
2002 …………………………	334,500	907,926	3.2
2001 …………………………	329,000	894,575	1.8
2000 (U.S. Census) …………	324,565	878,545	15.7
1990 (U.S. Census) …………	283,400	759,600	31.2
1980 (U.S. Census) …………	207,195	579,053	10.8
1970 (U.S. Census) …………	156,674	522,809	53.3
1960 (U.S. Census) …………	92,433	340,928	107.4
1950 (U.S. Census) …………	45,264	164,401	--

Note: Data for total population for 2001 to 2005 from the Bureau of Economic Analysis, U.S. Department of Commerce. Data for 2006-2010 from the Maryland-National Capital Park and Planning Commission, Research and Technology Center, Preliminary Round 7.1 Cooperative Estimates (July 2007). Data for households for 2001 to 2004 from *Sales and Marketing Management* issues of "Survey of Buying Power." Estimates and forecasts for households and population in 2005, 2006, 2007, and 2010 derived from the Demographic Forecast Model from M-NCPPC (Preliminary Round 7.1).

Median Age

	1950	1960	1970	1980	1990	2000
Median Age………	29.5	28.1	27.9	32.1	33.9	36.8

Sources: U.S. Bureau of the Census and M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center, revised May 2001.

Employment

The County's economic structure reveals a diversified economy with a strong service sector and an increasing reliance on the private sector. For example, the share of public-sector employment declined from 18.8 percent in 1990 to 16.8 percent in 2006. The service sector (trade, information services, financial activities, professional services, education and health, and hospitality) employed 73.2 percent of the total workforce in 2006, the latest available annual data. The following tables present the County's employment by industrial sector.

Payroll Employment

	1990	2000	2006
TOTAL PRIVATE SECTOR …………	307,490	365,022	386,583
PUBLIC SECTOR EMPLOYMENT: …			
Federal ………………………………	42,713	39,615	39,785
State …………………………………	1,634	1,100	1,068
Local …………………………………	27,011	33,084	37,397
TOTAL PUBLIC SECTOR ……………	71,358	73,799	78,250
GRAND TOTAL ………………………	378,848	438,821	464,833

Notes: The following groups are excluded from the payroll count: federal military, self-employed, railroad workers, and domestic employees.

Payroll employment represents the total number of jobs covered by the Maryland unemployment insurance program.

The Bureau of Labor Statistics, U.S. Department of Labor converted the industrial classification schedule from the Standard Industrial Classification (SIC) system to the North American Industrial Classification System (NAICS) in 2001. As a result, there is no breakout of the private sector because such data are not comparable for 2000 and 2005.

Source: State of Maryland, Department of Labor, Licensing and Regulation.

Payroll Employment Shares by Industry

.	1990	2000	2006
TOTAL PRIVATE SECTOR………	81.2%	83.2%	83.2%
PUBLIC SECTOR EMPLOYMENT:			
Federal……………………………	11.3	9.0	8.6
State………………………………	0.4	0.3	0.2
Local ……………………………	7.1	7.5	8.0
TOTAL PUBLIC SECTOR ………	18.8	16.8	16.8
GRAND TOTAL …………………	100.0%	100.0%	100.0%

Source: State of Maryland, Department of Labor, Licensing and Regulation.

Due to reclassification by the Bureau of Labor Statistics, U.S. Department of Commerce, of private-sector industrial categories from the U.S. Standard Industrial Classification (SIC) system to the North American Industrial Classification System (NAICS) beginning with the 2001 employment statistics, there is no longer a historical comparison available within the private sector employment categories for years prior to 2001. The table below provides a comparison of the payroll employment data for 2005 and 2006 based on the new classification system.

Payroll Employment
(NAICS Series)*

	2005	2006	Difference	Percent Change
TOTAL PRIVATE SECTOR……………	380,722	386,583	5,861	1.5%
GOODS-PRODUCING…………………	44,867	45,939	1,072	2.4
Natural Resources and Mining………..	709	745	36	5.1
Construction……………………………	29,444	30,891	1,447	4.9
Manufacturing …………………………	14,714	14,303	(411)	-2.8
SERVICE PROVIDING ………………	335,237	340,036	4,799	1.4
Trade, Transportation, and Utilities …	64,990	64,349	(641)	-1.0
Information ……………………………	15,105	15,208	103	0.7
Financial Activities ……………………	36,127	35,797	(330)	-0.9
Professional and Business Services……	101,111	106,477	5,366	5.3
Education and Health Services ………	56,698	58,365	1,667	2.9
Leisure and Hospitality ………………	39,505	37,878	(1,627)	-4.1
Other Services …………………………	21,701	21,962	261	1.2
UNCLASSIFIED ………………………	618	608	(10)	-1.6
PUBLIC SECTOR EMPLOYMENT …	77,946	78,250	304	0.4
Federal Government …………………	39,968	39,785	(183)	-0.5
State Government ……………………	1,043	1,068	25	2.4
Local Government ……………………	36,935	37,397	462	1.3
GRAND TOTAL ………………………	458,668	464,833	6,165	1.3

* North American Industrial Classification System.

During first ten months of 2007, the County's unemployment rate averaged 2.9 percent. The following table presents the County's labor force, employment and unemployment for the calendar years 1997 through 2006, and for the first ten months of 2007.

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Montgomery County's Resident Labor Force
Employment & Unemployment*

	Labor Force	Employment	Unemployment	Unemployment Rate
2007**…………	521,745	506,789	14,956	2.9%
2006……………	519,688	504,751	14,937	2.9
2005……………	507,566	491,643	15,923	3.1
2004……………	498,237	482,131	16,106	3.2
2003……………	497,820	481,200	16,620	3.3
2002……………	496,101	478,782	17,319	3.5
2001……………	490,213	475,049	15,164	3.1
2000……………	489,050	476,197	12,853	2.6
1999……………	478,946	470,018	8,928	1.9
1998……………	472,944	462,620	10,324	2.2
1997……………	466,600	455,285	11,315	2.4

Source: State of Maryland, Department of Labor, Licensing and Regulation (DLLR) and the Bureau of Labor Statistics (BLS).

* Data for 2000 through 2005 were revised by DLLR and BLS to incorporate intercensal population controls for 2000.
** Based on the rate of change in the averages of the first ten months of 2006 and 2007.

Federal Government Employment

The County is home to 23 Federal agencies in which nearly 68,000 civilians are employed, including a significant number of non-Federal employees working as consultants or researchers. The National Institutes of Health in Bethesda (part of the Department of Health and Human Services) is one of the nation's centers of medical research. The following is a partial list of Federal agencies in the County and their estimated employment in 2007.

Department of Health and Human Services ………………………	41,250
National Institutes of Health ………………………………………	
Food and Drug Administration ……………………………………	
Other ………………………………………………………………	
Department of Defense ……………………………………………	14,709
Naval Medical Command …………………………………………	
National Geospatial Intelligence Agency ………………………	
Walter Reed Army Medical Center/Institute of Research ………	
Naval Surface Warfare Center ……………………………………	
Army Laboratory Center …………………………………………	
Other ………………………………………………………………	
Department of Commerce …………………………………………	6,721
National Oceanic & Atmospheric Administration…………………	
National Institute of Standards & Technology ……………………	
Nuclear Regulatory Commission……………………………………	2,712
Department of Energy ………………………………………………	2,070
Consumer Product Safety Commission ……………………………	324

Source: M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center (2007 data).

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Private Sector Employment

There are several thousand private sector employers in Montgomery County. Below is a listing of some of the County's largest employers.

Name of Firm	Est. No. of Employees
Adventist Healthcare*	8,134
Giant Food Corporation	3,896
Lockheed Martin	3,832
Marriott International, Inc. (Headquarters)	3,000
Holy Cross Hospital	2,580
Global Exchange Services, Inc.	2,360
International Business Machines (IBM)	2,099
Chevy Chase Bank	2,027
Discovery Communications, Inc.	2,000
Home Depot USA, Inc.	1,890
Government Employees Insurance Company (GEICO)	1,734
BAE Systems	1,700
General Conference Corporation	1,550
Suburban Hospital	1,550
Hughes Network Systems	1,500
Westat, Inc.	1,500
Human Genome Sciences	1,475
Kaiser Foundation Health Plan	1,445
Montgomery General Hospital	1,273
JDA Software Group, Inc.	1,150
Federated Retail Holding, Inc.	1,070
MedImmune/Astra Zeneca	1,060
Aspen Systems	1,000
Hebrew Home of Greater Washington	1,000
Ritz-Carlton Hotel Co. LLC	1,000

*Includes Shady Grove and Washington Adventist Hospitals

Note: The employee numbers listed are best estimates taken during the Spring of 2007 from various sources, including first-hand research by the County's Department of Economic Development, and Dun & Bradstreet's online database.

Personal Income

Actual personal income of County residents reached $55.6 billion in calendar year 2005 and is estimated to total approximately $62.7 billion in 2007. Income in 2005 experienced strong growth of 6.5 percent, higher than the nation's growth rate of 5.9 percent, and higher than the State's rate at 5.7 percent. By contrast, growth in 2006 is estimated to increase 6.7 percent then decelerate to 5.7 percent in 2007, which is below the seven-year (1999-2005) annual average growth rate of 6 percent. The slowdown in resident employment (0.6% increase) for the first nine months of 2007, the latest date for which data are available, compared to the same period in 2006 is the primary reason for the estimated deceleration in personal income growth.

The County, which accounts for just over 16 percent of the State's population, accounted for nearly 24 percent of the State's total personal income in 2005, a share that remained virtually unchanged the past ten years.

Total Personal Income
($ millions)

Calendar Year	Montgomery County	Maryland	U.S.	Montgomery County as Percent of Maryland
2007 (est.)………	$62,700	$261,062	$11,667,206	24.0%
2006 (est.)………	59,300	245,821	10,966,808	24.1
2005 ……………	55,600	232,457	10,284,378	23.9
2004……………	52,215	219,937	9,711,271	23.7
2003……………	48,534	205,737	9,150,320	23.6
2002……………	47,042	198,823	8,872,521	23.7
2001……………	45,538	191,657	8,718,165	23.8
2000……………	43,575	181,957	8,422,074	23.9
1999……………	39,050	167,075	7,796,137	23.4
1998……………	36,587	157,784	7,415,709	23.2

Notes: Actual data from U.S. Department of Commerce, Bureau of Economic Analysis, revised May 2007 (County).
Estimates for Montgomery County (2006-2007) by Montgomery County Department of Finance.
Estimates for Maryland (2006-2007) and the United States (2007) by State of Maryland, Bureau of Revenue Estimates and Montgomery Department of Finance.

Average Household and Per Capita Personal Income

The County's total personal income reached $55.6 billion in calendar year 2005, up from $52.2 billion in 2004, and per capita income is expected to reach nearly $65,500 in 2007, up from $59,953 in 2005. Average household income is expected to increase from $160,011 in 2005 to slightly over $176,000 in 2007.

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Per Capita and Average Household Income, 2005

County	Per Capita Income	County	Average Household Income
Marin, CA ……………………………	$75,844	Fairfield, CT ……………………………	$181,626
Fairfield, CT ………………………	67,269	Marin, CA ……………………………	180,603
Morris, NJ ……………………………	62,583	Morris, NJ ……………………………	173,980
Westchester. NY …………………	62,045	Somerset, NJ …………………………	171,520
Somerset, NJ ……………………	61,039	Westchester, NY …………………	170,624
Fairfax, VA ………………………	60,289	Fairfax, VA …………………………	166,398
Montgomery,MD ………………	**59,953**	San Mateo, CA ………………………	164,611
Arlington, VA ……………………	59,389	Nassau, NY …………………………	163,724
San Mateo, CA ……………………	59,213	**Montgomery, MD** …………………	**160,011**
Bergen, NJ…………………………	56,725	Bergen, NJ …………………………	152,024
Nassau, NY ………………………	54,941	Santa Clara, CA ……………………	148,225
Montgomery,PA …………………	54,293	Lake, IL ……………………………	145,741
Norfolk, MA………………………	53,278	Rockland, NY ………………………	144,166
Howard, MD………………………	52,580	Howard, MD…………………………	143,016
Oakland, MI ………………………	52,274	Rockland, NY ………………………	134,317
Middlesex, MA ……………………	51,869	Contra Costa, CA ……………………	136,615
Santa Clara, CA……………………	51,112	Arlington, VA ………………………	136,595
Chester, PA ………………………	50,787	Montgomery, PA …………………	136,275
Palm Beach, FL …………………	50,371	Chester, PA …………………………	136,110
Collier, FL…………………………	49,492	Orange, CA …………………………	135,582

Notes: A major affluent suburban county is defined as a county in either a Metropolitan Statistical Area (MSA) or a Primary Metropolitan Statistical Area (PMSA) with a population of at least 175,000 where income levels are considerably higher than in the central city and other jurisdictions in the area. These counties are primarily suburban in nature; no city or town accounts for 40 percent or more of the total population.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, "Survey of Current Business", May 2007, for total personal income and per capita data; the Department of Finance used data from the U.S. Department of Commerce, Bureau of the Census, American Community Survey for 2006, to derive the number of persons per household and divided the population figures in the BEA data by that result to determine the number of households in each county.

Property Tax Information

The County levies real and personal property taxes on all taxable property within its boundaries. Annual payments of taxes are due in full on July 1 and become delinquent on the following October 1. Semi-annual payments are the standard in Maryland for residential property owners only, with payments due September 30 and December 31. Tax sales to recover delinquent real property taxes are held on the second Monday in June in the fiscal year that taxes are due and payable. Legal action may be taken to enforce payment of both real and personal property taxes.

Property Tax Assessments

The assessment of all real and tangible personal property for purposes of property taxation by State and local governmental units is the responsibility of the State Department of Assessments and Taxation (SDAT). Assessment rolls are maintained in each county seat and in Baltimore City. Real property is valued at market value (full cash value) and assessed in each year at a percentage of market value. One-third of the real property base is reassessed each year. An increase in full cash value arising from such reassessment is phased in over the ensuing three tax years in equal annual amounts. A decline in assessed valuation becomes fully effective in the first year.

Because of growth in new construction of $1.6 billion per year over the past five years and improved value of properties, the real property taxable base increased at an average annual rate of 9.7 percent over the last five years, measured through FY07. Due to a sluggish business investment in personal property from FY02 to FY06 and an adjustment by the SDAT to assessments of individual personal property, the personal property base decreased at an average annual rate of 2.3 percent during four fiscal years (FY03-FY06), but increased 3.1 during FY07. However, because of the dramatic growth in the real property assessable base attributed to real estate price appreciation from the exceptionally strong housing market, the total assessed values increased at an average annual rate of 9.2 percent during the five-year period.

Assessed Value of All Taxable Property
by Class and Fiscal Year

Fiscal Year	Real Property	Personal Property	Total Assessed Value	Percent Change From Prior Year	Ratio of Assessment to Full Market Value
2007…	$125,710,776,118	$3,948,949,550	$129,659,725,668	13.38%	95.63
2006…	110,529,249,116	3,831,629,230	114,360,878,346	11.92	93.41
2005…	98,281,724,723	3,902,612,110	102,184,336,833	9.61	93.54
2004…	89,263,005,267	3,963,801,610	93,226,806,877	7.61	91.35
2003…	82,407,337,831	4,227,854,400	86,635,192,231	5.94	88.71

Sources: Montgomery County Department of Finance, Comprehensive Annual Financial Reports.

Tax-exempt properties are excluded from the above figures. In FY07, such exemptions for real property owned by Federal, State, County, and other governmental units, and certain non-profit organizations totaled $12.2 billion. Tax-exempt real property constitutes 8.9 percent of the total assessable base, with 74.7 percent of the tax-exempt property in the combined Federal, State, local government sectors. The SDAT grants exemptions from property taxes, pursuant to State law. The ratio of total assessed value to total full market value is based on studies conducted by the SDAT.

Tax Levies and Revenue

Fiscal Year	General County Tax Levy (including Education)	Revenue From Current Year Assessment	Ratio of Current Yr. Revenue to Tax Levy	Revenue From Prior Year Assessment	Total Revenue	Ratio of Total Revenue to Tax Levy	Accumulated Delinquent Taxes	Ratio of Accumulated Delinquent Taxes to Current Year Tax Levy
2007…	$808,175,965	$801,178,612	99.13%	$(8,146,428)	$793,032,184	98.13%	$14,118,766	1.75%
2006…	784,435,018	788,440,342	100.51	1,053,372	789,493,714	100.64	16,757,606	2.14
2005…	793,578,688	797,622,605	100.51	(2,576,941)	795,045,664	100.18	31,022,367	3.91
2004…	738,731,341	738,902,755	100.02	(4,201,792)	734,700,963	99.45	32,220,479	4.36
2003…	697,317,162	695,293,144	99.71	(3,999,325)	691,293,819	99.14	29,698,063	4.26

Tax Rates and Tax Levies, by Purpose

Fiscal	General County (including Education)		Transit		State		Total	
Year	Rate	Levy	Rate	Levy	Rate	Levy	Rate	Levy
2007……	$0.624	$808,175,965	$.053	$68,439,347	$.112	$141,503,123	$0.789	$1,018,118,435
2006……	0.679	784,435,018	.042	50,359,821	.132	146,071,317	0.853	980,866,156
2005……	0.734	793,578,688	.044	47,407,995	.132	130,281,662	0.910	971,268,345
2004……	0.751	738,731,341	.044	43,265,229	.132	117,987,242	0.927	899,983,812
2003……	0.754	697,317,162	.038	35,124,792	.084	69,531,736	0.876	801,973,690

Note: Rates are per $100 of assessed value. Tax rates shown are for real property only, and tax levies are based upon a 100% of full cash value assessment. The personal property rate for General County was $1.560 in FY07, $1.698 in FY06, $1.835 in FY05, $1.878 in FY04, and $1.885 in FY03; the personal property rate for Transit was $.133 in FY07, $.105 in FY06, $.110 in FY05, $.110 in FY04, and $.095 in FY03 (the State does not tax personal property).

Ten Highest Commercial Property Taxpayers' Assessable Base
As of June 30, 2007

Taxpayer	Total	Real Property	Personal Property	Ratio: Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.……………	$ 705,060,996	$ 6,931,466	$ 698,129,530	0.54%
Verizon…………………………………	670,608,660	30,345,000	640,263,660	0.52
Westfield Shoppingtown Montgomery…	335,367,236	334,691,666	675,570	0.26
Washington Gas Light Co. ……………	229,028,830	--	229,028,830	0.18
Chevy Chase Land Co.…………………	213,530,560	213,530,560	--	0.16
Mirant Mid-Atlantic LLC………………	198,571,702	75,319,332	123,252,370	0.15
7501 Wisconsin Ave. LLC ……………	198,508,332	198,508,332	--	0.15
Westfield Shoppingtown Wheaton ……	174,942,430	173,759,100	1,183,330	0.13
Bryant F. Foulger, Trustee ……………	174,503,400	174,503,400	--	0.13
Camalier, Anne D et al, Trustee ………	172,456,415	172,456,415	--	0.13
Total……………………………………	$ 3,072,578,561	$1,380,045,271	$1,692,533,290	2.35%
Assessable Base (June 30, 2007)	$129,659,725,668			

Sources: State of Maryland, Department of Assessments and Taxation, and Montgomery County Department of Finance, Division of Treasury.

New Construction

Between FY98 and FY02, the number of new construction projects increased each year at an average annual rate of 14.7 percent. At the same time, the value of new construction added to the real property tax base increased at an average of 6.7 percent per year. However, such increases in new construction were not sustained from FY02 to FY07. In fact, two entirely different patterns occurred. The number of projects declined steadily at an annual average rate of 32.4 percent. Conversely, the value of new construction between FY02 and FY05 increased from $1.5 billion in FY02 to nearly $1.7 billion in FY05, an annual average increase of 3.4 percent. Since that time, the value of new construction declined from $1.7 billion in FY05 to slightly over $1.6 billion in FY07, an average annual decrease of 1.9 percent. While each category within the tax base exhibited volatility from year to year, such volatility did not affect the growth in new construction between FY98-FY05. However, because of the steady decline in the construction of apartments and commercial/industrial properties in FY06 and FY07, the total values of all new construction during those fiscal years were at their lowest levels since FY02.

New Construction Added to Real Property Tax Base
Montgomery County
($ millions)

Fiscal Year	Construction Starts	Residential	Apartments	Condominiums	Commercial/ Industrial	All Other	Total
2007………………………	952	$1,040.1	$22.9	$211.4	$312.6	$ 19.5	$1,605.5
2006………………………	1,580	978.3	41.2	132.9	384.6	4.8	1,541.8
2005………………………	2,077	874.2	82.5	121.2	588.4	1.7	1,668.0
2004………………………	2,758	892.4	21.0	176.4	559.1	3.0	1,651.9
2003………………………	4,062	1,023.5	49.9	133.2	426.9	1.2	1,634.7
2002………………………	4,807	896.1	19.4	70.8	520.7	1.3	1,508.3
2001………………………	4,555	878.5	53.7	88.2	276.0	4.4	1,300.8
2000………………………	4,038	843.4	93.8	108.4	233.6	7.5	1,286.7
1999………………………	3,329	787.4	11.0	55.9	287.1	24.5	1,165.9
1998………………………	2,675	743.1	1.9	48.9	330.8	27.6	1,152.3
10-Year Summary		$8,957.0	$397.3	$1,147.3	$3,919.8	$95.5	$14,516.9
Categories as Percent of Total		61.7%	2.7%	7.9%	27.0%	0.7%	100.0%

Notes: Property assessed at full cash value effective in FY2002 with prior years adjusted to full cash value.
Construction starts for fiscal year 2006 are revised.
Source: Dodge Analytics, McGraw-Hill Construction, and Maryland State Department of Assessments and Taxation.

Development Districts

In 1994, the County Council enacted the Development District Act, which allows the County to create development districts and to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County of high priority for new development or redevelopment. Special assessments and/or special taxes may be levied to fund the issuance of bonds or other obligations created from the construction or acquisition of infrastructure improvements. The proceeds of development district bonds are used to fund certain road, park, and sewer infrastructure improvements supporting development within the districts.

As a result of a petition by property owners and the subsequent review and analysis of the feasibility of the proposed development district, the County Council, in January 1998, created the County's first development district, West Germantown. A second district, Kingsview Village Center, was created on July 28, 1998.

In separate actions in September 2000 and October 2001, the County Council approved resolutions initiating evaluation of three proposed new development districts located in Clarksburg: Clarksburg Town Center, Clarksburg Village and Clarksburg Skylark. The Clarksburg Town Center development district was created on March 4, 2003. Bonds have not yet been issued for Town Center.

Economic Development Initiatives

In an effort to stimulate employment growth and new investment, the County initiates programs and promotes the strengths of each of its local employment centers.

Technology Corridors

The I-270 Technology Corridor is an internationally recognized life sciences and advanced technology center. It is home to over 500 biotechnology and advanced technology companies, including Human Genome Sciences, Lockheed Martin, MedImmune/Astra-Zeneca, IBM, and Hughes Network Systems. The corridor continues to grow with over 30 million square feet of additional commercial and industrial development in the pipeline.

The U.S. Route 29 Corridor in eastern Montgomery County continues its steady transformation into the County's other major technology and business center, with more than 100 major employers and counting. The $900 million FDA Headquarters Consolidation project is well underway, occupying 130 acres of the 660-acre Federal Research Center in White Oak. The new FDA campus will include over 2.1 million square feet of office, lab and support facilities. There are already over 2,800 FDA employees located on the campus, which will house some 7,700 total employees by project completion in 2010.

Recognizing the economic importance of such a large Federal user like the FDA, the County is planning a new Science and Technology Center on a 115-acre site just northeast of the FDA campus. The East County Center for Science and Technology will feature 800,000 square feet of development, including laboratory and biotech manufacturing facilities, a technology business incubator, a higher education facility, a telecommuter facility, and several build-to-suit sites.

Central Business Districts

The County is committed to promoting new investment in its Central Business Districts (CBD). The County's four CBDs are Silver Spring, Wheaton, Bethesda, and Friendship Heights, and are served by the region's longest extensions of the Metrorail system. The CBDs are centers for major business activity and medium- to high-density residential development in close proximity to the Metro stations.

Downtown Silver Spring

Since 1998, the State and Montgomery County invested a total of over $186 million for the redevelopment of downtown Silver Spring. Downtown Silver Spring transformed into a vibrant business, retail and entertainment hub with the American Film Institute (AFI) and Discovery Communications leading the way.

The redevelopment project includes 500,000 square feet of retail, restaurant and entertainment space, some 240,000 square feet of office space, a hotel, a community facility, and two new parking garages. The first phase was completed in 2000, and features some 100,000 square feet of retail space, including Fresh Fields Whole Foods Market, Strosniders Hardware, and a Sprint PCS Store. In 2001, the project was expanded to include Baja Fresh, Hollywood Video, Next Day Blinds, MotoPhoto, Interior Accents, Adega Wine Cellars, and Family Dry Cleaners.

Since the beginning of 2004, an array of new restaurants and shops were added, including Red Lobster, Panera Bread, Austin Grill, Macaroni Grill, Pier 1, Men's Wearhouse, Ann Taylor Loft, Starbucks, Washington Sports Club, and Borders Books and Music, among many others. The Majestic 20 movie theater with its 20 screens and 4,500 seats is, along with AFI, making downtown Silver Spring a significant entertainment destination.

Elsewhere in downtown Silver Spring, the Takoma Park campus of Montgomery College is in the midst of an $88 million expansion that will extend the campus into the heart of south Silver Spring. Two of the three expansion phases are completed. Construction on Phase I, the 98,000 square foot Health Sciences Center, began in the fall of 2002 and was completed in 2004. Phase II, the Student Life Center and Pedestrian Bridge, began construction in 2004, and opened in time for the fall 2006 semester. Phase III, the Cultural Arts Center began construction in 2007 with completion expected by 2009. The 180,000 square foot Giant bakery building was acquired in 2002 for future expansion. Construction started in 2005 to house an expanded Art department and art studios to be named the Morris and Gwendolyn Cafritz Foundation Art Center. Construction of a new Civic Building and Veterans Plaza with ice skating rink began in 2007.

A new $193.6 million Transit Center mixed-use development project, including retail, residential, hotel, and restaurants alongside an inter-modal transportation hub linking bus, rail, and other transportation services, is currently under construction. This expanded gateway to downtown Silver Spring is scheduled to be completed in 2009.

The new $5.2 million Innovation Center, a business incubator facility, and the new $18.4 million District Courthouse opened in 2005; the new $13.3 million fire station, including a satellite police station and Urban District office, opened in 2006; and the acquisition of land for a new $13.6 million public library began in 2006.

New investment in downtown Silver Spring will top over $2.0 billion with more than 60 percent of the projects already completed or under construction. More than 75 percent of this new investment is privately funded. About 1,250 new units of residential development were recently completed or are under construction, adding to the existing base of 5,000 existing residential units in downtown. An additional 3,000 residential units are in various stages of planning.

Wheaton

Wheaton was designated as an Enterprise Zone in December 1998 and an Arts & Entertainment District in December 2005 by the State. In July 2006, the Montgomery County Council enacted legislation amending the Wheaton Retail Preservation Overlay Zone. These elements provide opportunity to promote new transit-oriented "smart growth" development in downtown Wheaton. Such development will enhance Wheaton's strong retail base, which includes a newly renovated regional shopping mall (Westfield Wheaton), and over 300 locally owned and operated small businesses, including more than 80 restaurants. By capitalizing on the "Wheaton Marketplace", improving it further by attracting more arts-related entities, and encouraging more mixed-use development, the County seeks to enhance the urban character of the area.

Bozzuto Development Corp. and the Housing Opportunities Commission are partnering to construct Metro-Pointe, a mixed-use residential/retail project over the existing Wheaton Transit Station Kiss-and-Ride lot. Approximately 30 percent of the 173 residential units in this project are designated as affordable housing. Project completion is estimated in August 2008. Centex Homes and Avalon Bay Communities, with additional residential and mixed-use projects under construction or approval, will bring almost 500 more dwelling units and add 75,000 square feet of retail space to downtown Wheaton. The first phase of Georgia Crossing, scheduled for occupancy in Spring 2008, will add 40,000 additional square feet of retail space as well. Bozutto Development, with partner Spaulding & Slye Investments, also plans to develop Metro Square at Wheaton Plaza, 500,000 square feet of Class A office and mixed use-space, situated above the Wheaton Metro station.

Bethesda

Downtown Bethesda is one of the County's major urban business and entertainment centers with nearly 200 restaurants along with the density of both high-rise office and residential buildings. Downtown Bethesda is a thriving, 24/7 destination offering residents, visitors and its workforce alike multi-cultural dining, live theater, cinema, unique shops and numerous special events and festivals. Bethesda has a workforce of over 44,000, and includes employees who work for some of the region's largest and most notable employers, including Chevy Chase Bank, Clark Construction Group, CoStar Group, and U.S. Bureau of Primary Health Care.

In the past several years, Bethesda opened Round House Theatre, Imagination Stage and Bethesda Row Landmark Theatre as marquee entertainment organizations that highlight classical plays, children's theatre, and independent and foreign films. Also, in October 2007 Nederlander World Wide re-opened the landmark Art Deco Bethesda Theater into a showcase venue for Broadway-caliber productions.

Several new luxury apartment buildings including The Palisades, The Whitney, and the Residence at Rosedale Park recently opened, creating 1,500 new housing units in downtown Bethesda. Other recent luxury condominium projects include Adagio on Wisconsin Avenue, Lionsgate at Woodmont Corner, and the Trillium Condo project at Wisconsin Avenue and Battery Lane.

Other development projects include Arlington East, the last component of redevelopment by Federal Reality Investment Trust in downtown Bethesda, which is a 180-unit apartment building with first floor retail. The project will include some 25 units of affordable housing and conceal an existing parking garage.

The County awarded development rights for Parking Garage 31 to PN Hoffman/Stonebridge joint venture firms. PN Hoffman/Stonebridge will construct two mixed-use buildings providing for 357,000 square feet of retail space. The project will provide 1,300 underground parking spaces.

Friendship Heights

The Friendship Heights CBD is located at the Montgomery County-Washington, D.C. border with the Metrorail station at Wisconsin and Western Avenues at its center. Comprising or adjacent to the Friendship Heights CBD are multiple smaller jurisdictions and developments, including the Village of Friendship Heights special taxing district, the Town of Somerset, the Brookdale neighborhood, and the Somerset House complex.

The Friendship Heights area now boasts the first top-tier luxury shopping center on the east coast outside of New York City. The Collection at Chevy Chase, part of the Chevy Chase Center mixed-used development, is a 112,000 square foot project facing Wisconsin Avenue developed and managed by The Chevy Chase Land Company of Montgomery County, Maryland. The Collection brought retailers such as Christian Dior, Jimmy Choo and Barney's New York Co-op to this area for the first time. Tiffany & Company, Georgette Klinger and Cartier have been in Chevy Chase for many years and moved down the street to join Collection tenants such as Bulgari, Ralph Lauren, Gucci, Max Mara and Louis Vuitton. The second component of Chevy Chase Center is 100,000 square feet of neighborhood-oriented retail, anchored by Giant Food and Pharmacy, which was an original tenant of the Center when it was first developed in the 1950s. Other tenants include Clyde's Restaurant, Sushi Ko Restaurant, Lacoste, Potomac Pizza, Giffords Ice Cream and many other familiar area and national retailers. The third component of the project is the 200,000 square foot office tower, which was originally leased in its entirety by The Mills Corporation in 2006. Mills subsequently filed for bankruptcy and put the entire building on the market for sublease, and the space was backfilled by such tenants as American Capital Strategies, Choice Hotels, Columbia Partners, New Enterprise Associates, and The Travel Channel (occupying in January 2008).

The latest project approved and under construction in Friendship Heights is Wisconsin Place, a one million square foot mixed-used development on Wisconsin Avenue. Wisconsin Place will consist of 305,000 square feet of retail, 400,000 square feet of residential, and 285,000 square feet of office. Capital Source has pre-leased 161,000 square feet in the office component of Wisconsin Place and will occupy the building when it delivers in May 2009. The approval of Wisconsin Place will account for a significant portion of the development allowed in Friendship Heights under the Friendship Heights Sector Plan. This Plan concentrates new growth in the Metro-served area while preserving the surrounding neighborhoods. The Plan originally allowed for a total of over 1.4 million additional square feet of office and retail space and housing opportunities for an estimated 635 dwelling units on the former Hecht's and adjacent Geico properties. One of the first major projects constructed in this Plan was the Chase Tower, a 240,000 square foot retail and office building that was delivered in November 2001. This luxury Class A tower is now home to the new corporate headquarters for Ritz Carlton. Other tenants in this building include Capital Trust, Capital Source, and the JBG Companies.

Existing Office/R&D/Commercial Space

As of November 6, 2007, Montgomery County has about 120 million square feet of commercial real estate space (office, flex, R&D, industrial, retail). The weighted vacancy rate for the County rose since November 2006 from 5 to 6.5%.

Most of Montgomery County's office space is located along two "Technology Corridors", the I-270 corridor and the Route 29 corridor. The I-270 corridor includes the Bethesda, Rockville, Gaithersburg, and Germantown markets and features over 87 million square feet of commercial space. Notable buildings along the I-270 corridor include the 700,000 square foot Chevy Chase Bank headquarters in Bethesda, and the 260,000 square foot Tower Building in Rockville. The Route 29 corridor connects Silver Spring to Burtonsville and includes nearly 25 million square feet of commercial space. Discovery Communications' 550,000 square foot corporate headquarters in downtown Silver Spring is the signature building in the corridor. Also featured along Route 29 is the Westech Business Park, which includes over three million square feet of office, R&D, light industrial, and retail development.

Office/Flex/Industrial/Commercial Space Availability by Major Submarkets
As of November 6, 2007

Montgomery County Office Market	Total Inventory (Square Feet)	Direct Vacant (Square Feet)	Direct Vacancy Rate	Vacancy Rate w/ Sublet
Bethesda/Chevy Chase………………	14,359,605	641,869	4.47%	6.09%
Gaithersburg…………………………	20,027,451	1,587,893	7.93%	9.39%
Germantown…………………………	6,677,585	521,299	7.81%	9.75%
Kensington/Wheaton ………………	6,840,531	90,397	1.32%	1.37%
North Bethesda/Potomac ……………	15,920,421	1,178,091	7.40%	8.31%
North Rockville ……………………	20,124,098	1,669,831	8.30%	9.55%
North Silver Spring/Rt 29……………	7,648,130	334,994	4.38%	5.26%
Rockville ……………………………	16,143,994	1,164,589	7.21%	7.73%
Silver Spring…………………………	10,910,343	533,409	4.89%	5.66%
Total County…………………………	118,652,158	7,722,372	6.51%	7.60%

Note: These figures are provided by CoStar Property, the County's source for commercial real estate information.

Agriculture

Agriculture in Montgomery County is a diverse industry that occupies about one-quarter of the County land area. The County's agriculture industry contributes over $252 million to the local economy. Over $84 million comes from the County's thriving equine industry, about $126 million from horticulture, and $42 million from traditional agriculture. There are more than 577 farms and 350 horticultural enterprises in the County. The majority of farms are family-run operations, most having been in the same family for several generations. The industry as a whole employs more than 10,000 residents. While the total market value of Maryland agricultural products sold has fallen since the last USDA Census, Montgomery's market value increased more than that of any other county in the State, rising more than 40 percent from 1997 to 2002.

Preservation of rural land for agricultural use is a high priority in the County. Farmland preservation efforts consist of a variety of strategic programs offered by the County and State. The County received a total of $19.3 million in Rural Legacy Program grant awards over the past five years.

Since its creation in 1980, the 93,000 acre Agricultural Reserve controlled farmland development in the County. There are approximately 70,000 acres of farmland in the Reserve, and another 20,000 acres within the Reserve are publicly owned (parkland) or previously developed land (rural villages). Currently, 68,752 acres of farmland, more acreage than in any other county in the nation, are protected through easements.

Farmers and landowners can choose from seven separate agricultural land preservation programs. Each of these programs places an easement on the property that prevents future commercial, residential or industrial development of the land. These programs include:

Montgomery County Agricultural Easement Program (AEP)
Maryland Agricultural Land Preservation Foundation (MALPF)
Maryland Environmental Trust (MET), and other private trust organizations
Montgomery County Transferable Development Rights Program (TDR)
Montgomery County Rural Legacy Program (RLP)
Montgomery County Legacy Open Space (LOS)
Conservation Reserve Enhancement Program (CREP)

The Department of Economic Development also supports retail and wholesale agricultural marketing programs, such as the County-sponsored farmer's markets and annual farm tour, and promotion of wholesale and cooperative marketing.

Office/Industrial Projects

Summary

Throughout 2007, Montgomery County continued to make significant progress developing two strategic Science and Technology Centers. The County had continued success with its Incubator program, resulting in the opening of the new Rockville Innovation Center. Additionally, the County made significant progress on new "Town Center" projects in downtown Rockville and Silver Spring, and several private new office buildings and development projects were completed or started in 2007. Details on all of these projects appear below.

Public/Private Projects

East County Center for Science and Technology (ECCST)

The East County Center for Science and Technology (ECCST) is a public-private partnership among Montgomery County, the Washington Suburban Sanitary Commission (WSSC) and a private developer to be selected by the County in early 2008. Under the proposed arrangement, a 115-acre site owned by WSSC and located off Route 29 in eastern Montgomery County will be conveyed to the County, with the goal of developing and constructing a science and technology park modeled after the County-owned Shady Grove Life Sciences Center in Rockville. The private development partner that will be selected will be charged with developing a plan that focuses on eastern Montgomery County's needs for biotechnology and high technology development, along with public amenity needs in the area. The County's vision for the ECCST includes laboratory and biotech manufacturing facilities, a technology business incubator, a higher education facility, a telecommuter building, built-to-suit sites, and a daycare center. As of November 2007 the County was in the process of finalizing the land transfer agreement with WSSC and issuing a Request For Proposal (RFP) to solicit bids from private developers.

Montgomery College-Germantown Science and Technology Park

In early 2003, Montgomery College settled on the purchase of a 20-acre site adjacent to the College's Germantown campus. This property will be combined with 20 acres of existing undeveloped land on the campus to form a 40-acre site on which a one million square foot science and technology center will be constructed. The purchase of the 20-acre site was made possible by a total of $6.1 million in funding appropriations to the College from the State and County. The preliminary plan for the science and technology center calls for primarily high technology research and development space, with a focus on the life sciences, which will complement the biotechnology programs and curriculum already offered at the Germantown campus. The plan also calls for facilities for incubator "graduates" as well as space for mature biotech and high technology companies. Once built out, the center could be home to nearly 4,000 employees. In early 2004, the College received several proposals for development plans and ultimately selected Foulger Pratt as its development partner. The project is scheduled to break ground in 2008.

Downtown Silver Spring/Silver Triangle

The 22-acre downtown Silver Spring redevelopment continued to thrive at the end of 2007. Previously completed projects include Discovery Communications' 550,000 square foot corporate headquarters, which opened in late 2005 and houses over 2,000 employees. In addition, downtown Silver Spring is home to the AFI Silver Theater, and a new 20-screen Majestic movie theater. New office construction includes the 150,000 square foot building at 8515 Georgia Avenue, which opened in 2005 and is home to the American Nurses Association and Worldspace. New projects beginning in 2007 include the new Transit Center which will significantly expand subway, train, and bus service at the Silver Spring Metro/MARC station while adding 40,000 square feet of public open space, 20,000 square feet of retail, 450 apartments and condominiums in two residential towers, plus a 200-room hotel in the "air rights" above the expanded transportation hub. Two new office projects commenced in 2007 as well – a 48,000- square foot research building being constructed at Spring and Cameron Streets by United Therapeutics, and a 152,000-square foot office building to be constructed on a private parking lot on the east side of Georgia Avenue in the 8700 block.

Rockville Town Center

The first phase of the $352 million redevelopment of downtown Rockville opened throughout 2007. The 15-acre site is now a mix of retail, restaurant, cultural, entertainment, residential and office space. The first phase of the residential component and the County's new $26.3 million public library opened at the end of 2006. The project consists of approximately 630 residences, 175,000 square feet of retail and restaurants, three public parking garages, the new library, and the Rockville Visual Arts Center. The retail space in the Town Center is 100% leased to tenants such as Starbucks, Austin Grill, Gordon Biersch Brew Pub, Greystone Grill, Gifford's Ice Cream, and Gold's Gym. Rockville Town Center is also the home to the Rockville Innovation Center (RIC) which is the latest addition to the County's Business Incubator Network. The RIC opened in the Spring of 2007 and, as of the end of 2007, is about 60 percent leased.

Montgomery County Incubator Network

The Montgomery Incubator program successfully assisted start-up technology and professional services companies grow and expand in the County since the first facility, The Maryland Technology Development Center (MTDC), opened its doors in 1998. To date nearly 50 companies graduated from the County's incubators to lease nearly 600,000 square feet of private office space and create over 2,000 jobs in the County. The County opened a second incubator in 2004 in downtown Silver Spring called the Silver Spring Innovation Center (SSIC). The SSIC is fully leased to start-up information technology facilities. The success and demand for the incubator program spurred the County to develop five additional incubators. One new incubator in downtown Wheaton opened in 2006 and another one in downtown Rockville opened in 2007 (described below). Two others are proposed for the East County Center and Montgomery College – Germantown projects described above. The location and specific details for the fifth new incubator are currently being discussed by County officials.

Wheaton Business Innovation Center (WBIC)

The County opened the WBIC, its third business incubator, in the first quarter of 2006. The facility is located in nearly 15,000 square feet of leased office space in Wheaton. As of November 2006, the WBIC was 100% leased by over 20 small and start-up service-based businesses. Because of the quick success of the WBIC, in 2007 the County leased additional adjacent space in the building to expand the WBIC.

Rockville Innovation Center (RIC)

The County opened the RIC in the Spring of 2007, in the newly re-developed downtown Rockville. The facility is approximately 27,000 square feet of office condominium space purchased by Montgomery County. The purchase was subsidized by a $1 million grant from the Maryland Technology Development Corporation. The project will provide office space for businesses in the medical information technology sector as well as international companies seeking to establish a U.S. subsidiary in the region.

Private Real Estate Projects Delivered in 2007

21 Church Street, Rockville

21 Church Street is the latest office building to deliver in the Rockville Town Center area. Directly adjacent to the Rockville Metro Station and across the street from the new Rockville Town Center restaurant and retail center, this building features 90,000 square feet of Class A office space. The first tenant to lease space in 21 Church Street is Insurance Associates.

805 King Farm Blvd, Rockville

This 220,000 square foot Class A office building delivered in July 2007. This building is the fourth office building in the 90-acre Irvington Centre office park within the 430-acre King Farm mixed use community.

10110 Molecular Drive, Rockville

Building 2 at Molecular Drive, consisting of nearly 62,000 square feet of office space for lease and condo offices for sale, delivered in February 2007. This facility is within walking distance of the Traville Gateway Center and the Travilah Square Shopping Center, and all are directly adjacent to the 600,000 square foot Human Genome Science corporate headquarters building. Caspian Holdings and Intervise have leased space in this building.

6720 Rockledge Drive, Bethesda (Opus Center)

6720 Rockledge Drive is the first phase of Opus Center, a new office complex within Rock Spring Park in North Bethesda. This 187,000 square foot office building delivered in July 2007.

Seneca Meadows Corporate Center, Germantown

The 92,000 square foot flex and laboratory building at 20320 Seneca Meadows Parkway was expanded by 15,000 square feet in 2007. Xceleron leased all of this new expansion space in the building.

655 Watkins Mill Road, Gaithersburg

655 Watkins Mill Road is the first building within the three-building, 33-acre Monument Corporate Center in Gaithersburg. This 200,000 square foot building delivered in October 2007. All of the buildings in the campus will be LEED certified and will include Interstate 270 frontage.

Office Projects Started in 2007

Twinbrook Place, Rockville

This project will provide 150,000 square feet of Class A office space adjacent to the Twinbrook Metro Station. Scheduled delivery is December 2008.

Twinbrook Commons, Rockville

This 350,000 square foot Class A office buiding will be part of the JBG Companies mixed-use development that will contain a mix of office, retail, restaurants, and residential within walking distance of the Twinbrook Metro Station. This office building is scheduled to deliver in January 2009.

Redland Center, Phase I and II, Rockville

These two new buildings will total approximately 350,000 square feet when they deliver in September 2009.

Milestone Center, Germantown

Building Three in the 36.5 acre Milestone Business Park commercial park is scheduled to deliver in November 2008. This building will be 155,000 square feet. Milestone Business Park is master planned to contain over 800,000 square feet of office space.

Burtonsville Office Park, Burtonsville

This 27,000 square foot office building located off Route 29 in Burtonsville is scheduled for January 2008 delivery.

10001 New Hampshire Blvd., Silver Spring

This 52,000 square foot office building in North Silver Spring is scheduled for an October 2008 delivery.

Park Potomac, Rockville

The first office building in the 50-acre mixed-use project in Rockville is scheduled to deliver in July 2009. This building will be 174,000 square feet with 65,000 square feet being pre-leased to the law firm Shulman, Rodgers, Gandal, Pordy, & Ecker.

The Preserve at Tower Oaks, Rockville

A new 183,000 square foot office building at 1 Preserve Parkway in the 84-acre Tower Oaks mixed-used community will deliver in March 2008.

Fallsgrove Research Center, Rockville

The Fallsgrove mixed-use community in Rockville consists of 252 acres of residential, retail, restaurants, and office space. The next office building to deliver will be at 2200 Research Boulevard, and will consist of 140,000 square feet when it is completed in January 2008.

Opus Center, Phase II, North Bethesda

In January 2008, 240,000 square feet of Class A office space within the Rock Spring Park business park in North Bethesda will deliver.

Watkins Mill Town Center, Gaithersburg

Watkins Mill Town Center will be a 200-acre mixed-use community located adjacent to I-270 in Gaithersburg. The first office component will consist of 137,000 square feet of Class A space scheduled to deliver in September 2009.

Wisconsin Place, Chevy Chase

Capital Source pre-leased 161,000 square feet in the 300,000 square foot Class A office building that is scheduled to deliver in May 2009. This office building will be part of the one million square foot mixed-use project located near the Washington, DC border and adjacent to the Friendship Heights Metro station.

New Business Additions and Expansions

Montgomery County's Department of Economic Development worked with over 300 companies in 2007 that were interested in expanding in or relocating to the County. The companies that signed commitments to locate or expand in Montgomery County in 2007 are projected to retain and create over 3,500 jobs, lease or construct nearly 750,000 square feet of office space, and generate over $130 million in capital investment over the next three to five years. Some highlights of the Department's efforts in 2007 include:

Xceleron

In November 2007, the UK-based Xceleron moved into 15,000 square feet of lab and R&D space at the Seneca Meadows campus in Germantown. The Germantown facility is the North American headquarters for the drug development firm. Xceleron expects to have about 100 employees in Germantown in the next three to five years.

American Capital Strategies

American Capital Strategies is one of the largest financial services firms in downtown Bethesda, employing over 400 people in multiple Bethesda locations. The firm occupies over 200,000 square feet in Bethesda and will be expanding its presence by 50,000 square feet in 2008.

Global Environment Fund

Global Environment Fund (GEF) moved its headquarters from Washington, DC to Chevy Chase in September 2007. GEF currently employs 30 people with plans to expand to 80 in the next three years. GEF invests in businesses around the world that provide cost-effective solutions to environmental and energy challenges.

Sanaria

In November 2007, Sanaria held a ribbon cutting ceremony for its new facility in the Shady Grove Life Sciences Center in Rockville. Sanaria's lease in this facility is for nearly 18,000 square feet and will ultimately be the home for over 50 employees. Sanaria is a biotech company developing cutting edge malaria vaccines.

U.S. Pharmacopeia (USP)

USP built a new $75 million, 125,000 square foot facility in 2007. This Rockville facility was selected as a winner in Mid–Atlantic Construction magazine's Best of 2007 awards program. USP is the official public standards-setting authority for all prescription and over-the-counter medicines, dietary supplements, and other healthcare products manufactured and sold in the United States.

Johnson, Bassin, & Shaw, Inc. (JBS)

Silver Spring consulting firm JBS expanded by 15 employees in 2007. JBS now employs 200 people and occupies 55,000 square feet.

Metropolitan Regional Information Systems, Inc. (MRIS)

Groundbreaking was held in April 2007 for the new corporate headquarters facility for MRIS. The building is being constructed on the Danac/Stiles Corporate Campus in North Rockville. MRIS will employ 150 people in the new building. MRIS is the premiere online real estate information service for over 60,000 real estate professionals in Maryland, Washington DC, Northern Virginia, and parts of West Virginia and Pennsylvania.

New Enterprise Associates (NEA)

NEA moved into 30,000 square feet in Chevy Chase in April 2007, consolidating and relocating various regional facilities including ones located in Baltimore and Reston. The financial services firm now employs 40 people in Montgomery County.

Novavax

Vaccine developer Novavax relocated its corporate headquarters to Rockville from Malvern, PA in January 2007. Novavax now operates out of a 52,000 square foot facility in the Belward Research Campus located near the Shady Grove Life Sciences Center. Novavax employs 100 people in Rockville.

Hewlett Packard (HP)

In September 2007 HP consolidated several regional facilities into 90,000 square feet of space in North Bethesda. Over 700 people will be employed at the Montgomery County location.

TIG Global

TIG Global, which is a full-service Internet marketing firm that provides turnkey web-presence management for the travel industry, moved its headquarters from Washington, DC to Chevy Chase in March 2007. The firm brought 95 employees to Montgomery County and plans to add over 100 new workers in the next few years.

United Communications Group (UCG)

Publishing company UCG signed a lease in June 2007 to backfill office space in Gaithersburg vacated when Hewlett Packard decided to consolidate regional facilities and move to North Bethesda. UCG relocated from North Bethesda, expanding into 70,000 square feet and employing over 300 people in their new facility located in the Washingtonian mixed-use community.

General Obligation Bonded Debt Ratios
1998 – 2007

Fiscal Year	Net Direct Debt to Market Value	GO Bond Debt Service to General Fund Expenditures	Net Direct Debt Per Capita*	Net Direct Debt Per Capita to Per Capita Income**	GO Bond Payout Ratio
1998……	1.66%	9.71%	$ 1,433	3.32%	72.58%
1999……	1.56	9.66	1,374	3.02	72.33
2000……	1.64	9.17	1,472	3.11	72.06
2001……	1.57	8.72	1,459	2.97	71.83
2002……	1.55	8.32	1,508	3.03	71.32
2003……	1.45	8.47	1,543	2.90	71.10
2004……	1.45	7.98	1,608	2.88	70.94
2005……	1.30	7.74	1,527	2.61	70.20
2006……	1.30	7.77	1,701	2.71	69.75
2007……	1.30	7.83	1,861	2.81	68.92

* Amounts restated due to restatement of population data.
** Figures restated due to restatement of actual income in May 2001.

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Statement of Direct and Overlapping Debt As of May 31, 2008
and Including Proposed Bonds

Direct Debt:		
General Obligation Bonds Outstanding	$1,376,758,054	
Proposed General Obligation Bonds	250,000,000	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper Outstanding*	50,000,000	
Revenue Bonds Outstanding	61,220,000	
Total Direct Debt		$1,837,978,054
Overlapping Debt (as of June 30, 2007):		
Gross Debt:		
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	932,498,266	
Housing Opportunities Commission	687,978,793	
Montgomery County Revenue Authority	93,043,622	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	48,317,376	
Kingsview Village Center Development District	2,205,000	
West Germantown Development District	15,450,000	
Towns, Cities and Villages within Montgomery County	47,399,833	
Total Overlapping Debt		1,826,892,890
Total Direct and Overlapping Debt		3,664,870,944
Less Self-Supporting Debt:		
County Government Revenue Bonds	61,220,000	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County (as of June 30, 2007)	932,498,266	
Housing Opportunities Commission (as of June 30, 2007)	687,978,793	
Montgomery County Revenue Authority (as of June 30, 2007)	93,043,622	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County (as of June 30, 2007)	6,742,880	
Total Self-Supporting Debt		(1,781,483,561)
Net Direct and Overlapping Debt		$1,883,387,383
Ratio of Debt to June 30, 2007 Assessed Valuation of (100% Assessment):		$129,659,725,668
Direct Debt		1.42%
Net Direct Debt **		1.37%
Direct and Overlapping Debt		2.83%
Net Direct and Overlapping Debt		1.45%
Ratio of Debt to June 30, 2007 Market Value of:		$135,583,270,092
Direct Debt		1.36%
Net Direct Debt **		1.31%
Direct and Overlapping Debt		2.70%
Net Direct and Overlapping Debt		1.39%

* Net of $250,000,000 refunded with the proceeds of the proposed Bonds.
** Net Direct Debt of $1,776,758,054 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

PRINCE GEORGE'S COUNTY

Overview

The information contained under the heading "Prince George's County" has been obtained from Prince George's County.

Prince George's County, with a 2006 population of 841,315, encompasses an area of 487 square miles and lies between Washington, D.C., and Baltimore, Maryland. Bordering Prince George's County are Howard, Anne Arundel and Calvert Counties to the north and east, Montgomery County and Washington, D.C. to the west and Charles County to the south. Across the Potomac River in Virginia are Arlington and Fairfax Counties. Prince George's County is part of the Washington, D.C. Metropolitan Statistical Area (MSA). The County seat is Upper Marlboro, Maryland.

Prince George's County operates under a "home rule" Charter which was adopted in November 1970. The powers of the County are provided in the County Charter and in the Constitution and the laws of the State of Maryland, including Article 25A of the Annotated Code of Maryland. Under the County Charter, the County is composed of an executive and a legislative branch. The executive branch implements and enforces the laws and administers the day-to-day business of the County. It consists of a County Executive (who is elected by the qualified voters of the entire County) and all other officers, agents, and employees under the County Executive's supervision and authority, including the Chief Administrative Officer, who is responsible for the day-to-day administration of the County. The legislative branch of the County consists of a nine-member County Council (elected from Councilmanic Districts) and its staff. The County Executive and the County Council are elected for the same four-year term by qualified voters of the County and are limited by the County Charter to two consecutive four-year terms in office.

Each member of the County Council has one vote. Five votes generally are required to pass legislation and six votes are needed to enact emergency bills and to override a veto by the County Executive. The County Council customarily elects from among its members a Chair and a Vice-Chair to serve one-year terms.

The court system for the County was established by and is operated under the authority of the State. District and Circuit Court judges are appointed by the Governor, but Circuit Court judges must thereafter run for election. Other State court officials are directly elected for various terms.

There are 27 incorporated municipalities in the County. These municipalities levy taxes on their own authority and are not subject to the limitations as set forth in Sections 812 and 813 of the County Charter. Property in these areas is subject to County taxation and the County provides certain public services to the residents of the incorporated municipalities. County ordinances and regulations also are applicable to them. These municipalities may incur general obligation bonded indebtedness and levy taxes without the prior approval of the County. Bonds issued by these municipalities are the legal responsibility of each municipality and are not guaranteed in any way by the County. Maryland law mandates that the County recognize either through a reduced County tax rate or through a direct grant payment, those governmental services and programs which municipal governments perform in lieu of similar County government services which are funded through the property tax.

The Maryland-National Capital Park and Planning Commission (the "M-NCPPC") is a bi-county agency established by State law. It acquires and develops land and facilities for park or recreational use and provides planning for physical development in Montgomery and Prince George's counties. It also operates the park and recreational systems in Prince George's County. The operations of the M-NCPPC are financed by separate *ad valorem* property taxes levied and collected by each of the two counties on its behalf. Bonds issued by the M-NCPPC for land or improvements located in Prince George's County are guaranteed by the County.

Population

From 1980 to 2006, the County's population increased 26.5%, compared to a 33.2% increase for the State of Maryland and a 32.2% increase for the United States. The population growth in the County has been gradual as is shown in the following table:

Population Growth

1980 – 2006

Year	County	State of Maryland	United States
1980 (Census)	665,071	4,216,000	226,505,000
1990 (Census)	728,553	4,798,000	249,633,000
1994	760,025	5,000,000	260,341,000
1995	767,006	5,042,000	262,213,000
1996	773,810	5,072,000	265,253,000
1997	770,633*	5,094,000	267,636,000
1998	777,811	5,134,000	270,939,000
1999	781,781	5,171,634	273,690,813
2000 (Census)	800,691	5,296,486	281,421,906
2001	815,927	5,379,795	285,226,284
2002	825,815	5,441,349	288,125,973
2003	832,761	5,506,684	290,496,023
2004	837,837	5,553,249	293,638,158
2005	842,764	5,589,599	296,507,061
2006	841,315	5,615,727	299,398,484
Percent Change (1980-2006)	26.5%	33.2%	32.2%

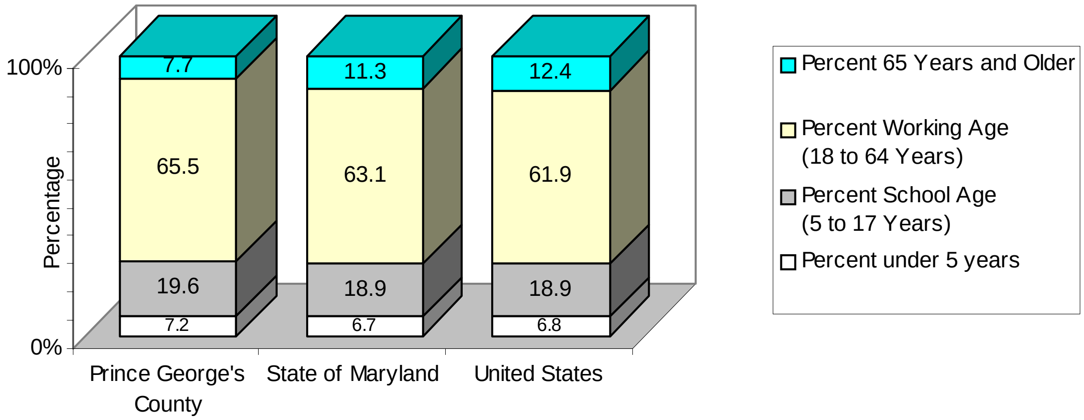
*In November 1995, the Prince George's County, Maryland portion of Takoma Park (a municipality which straddled the Prince George's - Montgomery County line) voted to become part of Montgomery County effective July 1, 1997. This departure resulted in a decrease in the County population by about 5,600 from January 1, 1997 population estimated at 776,267.

Source: Population Division U.S. Census Bureau.

The following chart indicates that 65.5% of the total 2000 population of the County was of working age (18 to 64 years old), which compared favorably to 63.1% of the State of Maryland and 61.9% of the United States. This chart also reflects that the County's senior citizen population percentage was 7.7% compared with 11.3% of the State of Maryland and 12.4% of the United States.

Selected Population Characteristics

2000



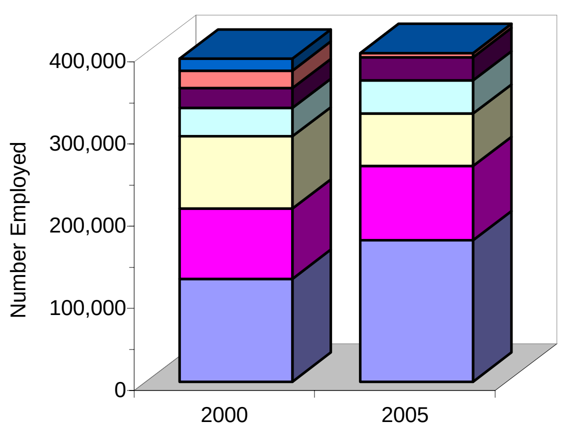
Source: 2000 Census, Bureau of the Census, Department of Commerce.

Employment

Business expansion within the County brought about continuing increases in size and diversity of the economic base. Private and public sector employment rose by 29,641 jobs between years 2000 and 2005 as shown in the following table. While employment in most categories increased, there was a decrease in employment in the trade sector. Most of the job growth was attributable to increases in services and other employment.

The County's Employment Profile 2000 and 2005

(Non-Agricultural)

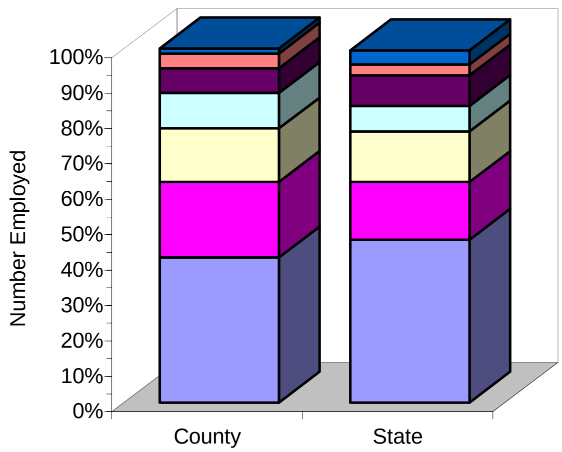


	2000	2005
Manufacturing	14,565	11,893
Trans., Utilities & Warehousing	21,246	16,044
Finance, Insurance and Real Estate	24,096	28,259
Mining and Construction	34,620	40,460
Trade	87,879	63,785
Government	85,515	90,196
Services and Other	125,276	172,201
Total Employment	393,197	422,838

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

A comparison between the employment distribution of the County and the State of Maryland is shown in the following chart.

Comparative 2005 Distributions of Non-Agricultural Employment



	County	Maryland State
Manufacturing	3%	4%
Trans., Utilities & Warehousing	4%	3%
Finance, Insurance and Real Estate	7%	9%
Mining and Construction	10%	7%
Trade	15%	14%
Government	21%	16%
Services and Other	41%	46%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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The County's diversity in employment is shown in the following table reflecting the 10 largest private and 10 largest public sector employers in the County.

Prince George's County Principal Employers

January 1, 2008

Employer	Product or Service	Number of Employees
LARGEST PRIVATE SECTOR EMPLOYERS		
Giant Food, Inc.	Retail Grocery Chain	5,394
United Parcel Service	Package Delivery (Regional Headquarters)	4,220
Dimensions Health Corp.	Health Services/Nursing Homes	2,500
Verizon	Communications Services	2,738
Safeway Stores, Inc.	Retail Grocery Chain (Regional Headquarters)	2,400
Shoppers Food Warehouse	Retail Grocery Chain (National Headquarters)	1,975
Computer Sciences Corp.	Computer and Information Services	1,200
Honeywell Technology Solutions	Engineering/Aerospace	900
SGT, Inc.	Engineering/Aerospace	900
Digex, Inc. (Verizon Business)	Information Technology	700
LARGEST PUBLIC SECTOR EMPLOYERS		
Andrews Air Force Base*	Defense Installation (civilian and military employees)	15,000
Prince George's County Public Schools	Education	16,000
University of Maryland, College Park	State University (Flagship Campus), Higher Ed./Research	12,454
NASA/Goddard Space Flight Center*	Space Satellite Design and Tracking	3,083
Prince George's County	Local Government	5,630
United States Postal Service	Mail Delivery	4,220
United States Bureau of the Census	Demographic and Economic Surveys	4,158
Internal Revenue Service	Revenue Collection/Data Processing	3,840
Prince George's Community College	Education	1,863
USDA Research Center/National Agriculture Library	USDA Library/Agricultural Research	1,700

*Excludes contractors

Source: MD Dept. Business and Economic Development; Prince George's County Economic Development Corporation.

Between years 1998 and 2008 (January), as indicated in the following table, the County's resident employment rose by 10,141 jobs. In addition, the unemployment rate for the County generally remained below that of the United States as shown in the following table and the subsequent chart.

Labor Market Characteristics

1998 - 2008 (January)

	County Residents		Percent Unemployed		
Year	Civilian Labor Force	Resident Employment	Prince George's County	State of Maryland	United States
1998	439,616	420,311	4.1%	4.0%	4.5%
1999	442,243	426,684	3.6	3.6	4.2
2000	447,445	430,293	3.7	3.6	4.0
2001	454,318	436,113	4.1	4.0	4.7
2002	466,983	444,607	4.9	4.5	5.8
2003	469,785	447,517	4.7	4.5	6.0
2004	478,253	457,953	4.6	4.2	5.5
2005	452,185	432,421	4.5	4.2	5.1
2006	454,601	435,788	4.1	3.9	4.6
2007	454,586	436,522	4.0	3.8	4.6
2008 (January)	448,462	430,452	4.0	3.5	4.9

Source: Maryland Department of Labor, Licensing and Regulations; Office of Labor Market Analysis and Information; U.S. Department of Labor, Bureau of Labor Statistics.

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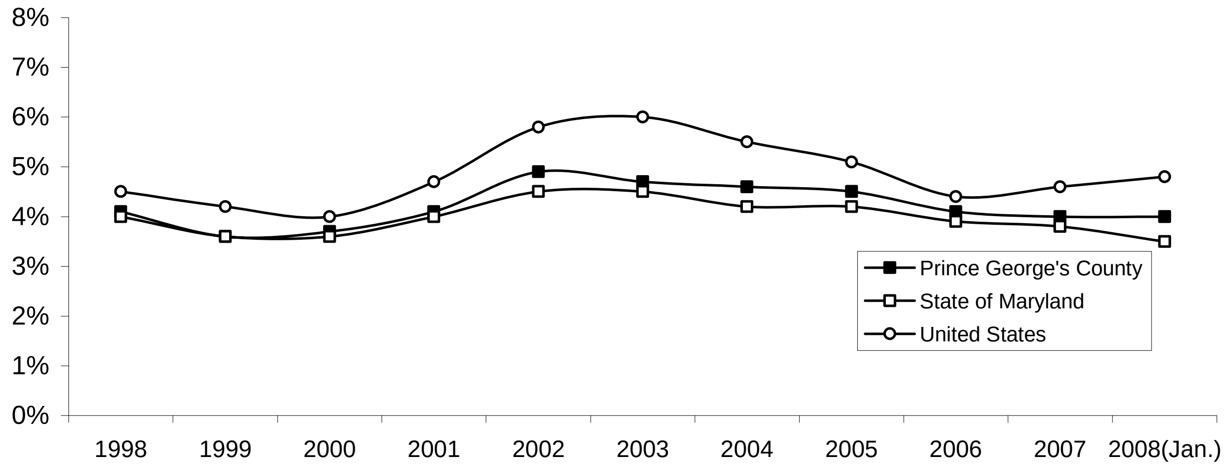
Comparative Unemployment Rates
1998 - 2008 (February)



Source: Maryland Dpartment of Labor, Licensing and Regulation; Office of Labor Market Analysis and Information; U.S. Department of Labor, Bureau of Labor Statistics.

Income

In 2005, the County's personal per capita income was estimated to be $34,912. Personal per capita income of County residents increased 29.2% between 1999 and 2005, with average annual increases of 4.2%. Depicted below is a comparison of personal income per capita of County, State of Maryland and United States residents.

Total Personal and Per Capita Income
1999 - 2005

Calendar Year	Prince George's County Total Personal Income ($ Millions)	Per Capita Income: Prince George's County	Per Capita Income: State of Maryland	Per Capita Income: United States
2005	$29,422	34,912	41,760	34,586
2004	28,162	33,461	39,631	33,050
2003	26,249	31,429	37,423	31,484
2002	25,445	30,783	36,533	30,810
2001	24,414	29,909	35,627	30,574
2000	23,195	28,894	34,257	29,845
1999	21,492	27,033	31,796	27,939
Percentage Increase (1999-2005)	36.9%	29.2%	31.3%	23.8%

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

In 2006, the County's median household income was estimated at $70,250 compared with $61,800 in 2002, an increase of 13.7% in the 5-year period. Certain comparative amounts are presented in the following table:

Median Household Income

2002 and 2006

Metro Jurisdiction	Median Household Income 2002	2006	% Change
State of Maryland	$58,550	66,600	**13.8** %
Washington Metro Area:			
Prince George's County	**$61,800**	**70,250**	**13.7 %**
Calvert County	73,600	87,400	18.8
Charles County	69,500	78,450	12.9
Frederick County	68,500	80,650	17.7
Montgomery County	78,400	87,500	11.6
Baltimore Metro Area:			
Anne Arundel County	70,000	79,950	14.2
Baltimore City	32,350	37,850	17.0
Baltimore County	55,800	63,150	13.2
Carroll County	67,850	75,050	10.6
Harford County	64,100	74,600	16.4
Howard County	81,650	93,050	14.0

Source: Bureau of the Census, U.S. Department of Commerce.

Commercial and Industrial Growth

A summary of building permit activity, including residential as well as commercial and industrial (non-residential) projects, is provided in the following table.

Between 1998 and 2007, the value of new residential construction within the County has averaged approximately $452 million annually. Non-residential construction has averaged approximately $242 million per year. The value of new residential construction within the County in 2007 was $488 million as compared to $700 million in 2006. The value of new non-residential construction within the County in 2007 was $478 million as compared to $179 million in 2006.

Building Permits

	Residential Construction			Non-Residential Construction			Total	
Calendar Year	Permits Issued	Total Valuation(1)	Average Valuation(1)	Permits Issued	Total Valuation(1)	Average Valuation(1)	Permits Issued	Total Valuation(1)
1998	3,635	$354,989	$98	125	$252,144	$2,017	3,760	$607,133
1999	2,060	222,422	108	189	175,909	931	2,249	398,331
2000	3,885	413,468	106	358	279,035	779	4,243	692,503
2001	5,174	490,014	95	209	331,009	1,584	5,383	821,023
2002	3,077	360,484	117	517	185,289	358	3,594	545,773
2003	2,716	450,316	166	55	269,306	4,896	2,771	719,622
2004	2,312	402,355	174	52	106,500	2,048	2,364	508,855
2005	3,647	636,860	175	39	161,359	4,137	3,686	798,219
2006	3,625	700,079	193	59	178,648	3,028	3,684	878,727
2007	2,987	487,868	163	105	477,541	4,548	3,092	965,409
Total	33,118	$4,518,855	$136	8	$2,416,740	$1,415	34,826	$6,935,595
Annual Average	3,312	451,856	136	171	241,674	1,415	3,483	693,560
2008 (Jan.-April)	710	$82,788	$117	13	$33,679	$2,591	723	$116,467

(1) Amounts in thousands of dollars of permit-stated construction costs.

Source: Bureau of the Census, Construction Statistics Division, Building Permits Branch and Prince George's County Department of Environmental Resources.

During 2006, approximately 2.6 million square feet of new commercial space was started. The total square footage of commercial non-residential construction started by structure type during calendar years 2002 through 2006 is shown below:

Commercial Non-Residential Construction Started, by Type

Area in Square Feet

Structure Type	2002	2003	2004	2005	2006
Office	226,360	818,926	1,667,550	317,500	387,250
Mixed Use	583,325	1,658,927	2,319,753	2,959,567	959,046
Retail	546,099	1,031,051	317,175	144,178	518,590
Educational/Medical	648,855	452,705	514,292	142,300	396,368
Research & Development	120,768	73,000	-	308,800	310,726
Total Square Footage	2,125,407	4,034,609	4,818,770	3,872,345	2,571,980
Percent of Washington Metropolitan Area	6.3%	13.0%	17.4%	15.9%	7.6%

Source: Metropolitan Washington Council of Governments (MWCOG), Commercial Construction Indicators.

The "mixed use" category includes warehouses, recreational buildings (both private and school-related), gas stations, churches, funeral homes, hotels, motels, and other miscellaneous non-residential buildings.

Transportation

Highway

Interstate 95 provides access to the nation's eastern seaboard, including the major commercial centers in Baltimore, Philadelphia and New York City. Interstate 495 (the Capital Beltway) circles Washington, D.C. and provides access both to that city and to nearby suburban jurisdictions. Other major highways in the County include the Baltimore-Washington Parkway, U.S. Route 50 (access to Maryland's Eastern Shore) and U.S. Route 3/301 (access to Baltimore and Virginia).

Rail

The County is served by CSX Transportation, Norfolk Southern, Amtrak (including a station at New Carrollton on Amtrak's Northeast Corridor service), and the MARC commuter rail system which has two lines that run through the County, both of which provide service between Baltimore City (and surrounding areas) and Washington, D.C.'s Union Station, with 8 stations in the County.

Metro

The Washington Metropolitan Area Transit Authority (WMATA) Metrorail system is a 106.3-mile subway system in its 32nd year of operation. The system serves Washington, D.C. and nearby suburban areas, including four lines and 15 stations that serve the County.

Truck

More than 90 freight lines serve the County. Most of the County lines lie within the Washington commercial zone as defined by the Interstate Commerce Commission (I.C.C.).

Air

The County is located near three major airports: Baltimore-Washington International Thurgood Marshall Airport, Washington Dulles International Airport and Ronald Reagan Washington National Airport.

Utilities

Electricity

Baltimore Gas & Electric Company (BGE), Potomac Electric Power Company and Allegheny Power serve the County.

Gas

Natural gas is supplied by Washington Gas. However, County residents now have the option of buying natural gas directly from natural gas suppliers.

Water and Sewer

Washington Suburban Sanitary Commission provides the water supply to the entire County and wastewater treatment services for part of the County. The District of Columbia Water and Sewer Authority also provides wastewater treatment services for parts of the County. Storm drainage for the County is provided by the County Department of Environmental Resources.

Principal Taxpayers

March 31, 2008

Taxpayer	Real Property Assessment	Personal Property Assessment	Total Assessment
Mirant Chalk Point LLC	$149,565,700	334,142,900	483,708,600
Potomac Electric Power Co	2,805,082	407,894,180	410,699,262
Verizon-Maryland	-	386,977,640	386,977,640
Washington Gas Light Co	3,176,188	195,996,130	199,172,318
JKC Stadium Inc	181,825,166	-	181,825,166
Greenbelt Homes Inc	3,300	127,901,190	127,904,490
Baltimore Gas & Electric Co	115,463,500	-	115,463,500
Silver Oaks Campus LLC	101,661,399	-	101,661,399
Zell, Samuel TRS	95,763,900	-	95,763,900
GB Mall Limited Partnership	91,519,960	-	91,519,960
Summerfield Housing LTD Partnership	74,193,764	13,628,370	87,822,134
Safeway Inc	76,562,200	-	76,562,200
Revenue Authority PG Co	67,035,400	-	67,035,400
Seven Springs Village LLC	66,635,700	-	66,635,700
University View Partners LLC	60,423,800	1,558,700	61,982,500
Bowie Mall Company LLC	58,043,631	-	58,043,631
Oakcrest Towers LLC	56,933,498	-	56,933,498
UTC Housing I LLC	54,882,962	-	54,882,962
HUB Realty Funding Inc	52,468,029	-	52,468,029
First Baptist Church of Glenarden	51,197,698	-	51,197,698
Totals	$1,360,160,877	1,468,099,110	2,828,259,987
Percentage of Assessable Base	2.6%	52.0%	5.1%

Source: Office of Finance.

In compliance with the County Charter and State law, the County's Proposed Operating Budget for fiscal year 2009 provides an adjusted nominal real property tax rate of $0.96 per $100 of assessed value of real property. The County's Proposed Operating Budget for fiscal year 2009 also provides the nominal personal property tax rate of $2.40 per $100 assessed value of personal property. The total General Fund property tax levy included in the County's Proposed Operating Budget for fiscal year 2009 is $653.7 million (adjusted for tax credits, assessment abatements and deletions, allowance for municipal taxes and un-collectable taxes).

Real and Personal Property Taxes

(Levies and Collection)

Fiscal Year	Assessed Value (Millions)	Tax Rate per $100 Assessed Value	Tax Levy Excluding Adjustments	Collected During Fiscal Year	Percent Collected during Fiscal Year	Percent Collected as of June 30
2008(Est.)	$72,970.9	0.960	774,671.956	769,949,523	99.3 %	- %
2007	63,544.3	0.960	660,947,420	656,628,114	99.3	99.3
2006	55,100.8	0.960	578,213,071	574,355,664	99.3	99.3
2005	49,441.0	0.960	524,436,177	521,001,206	99.3	93.3
2004	46,022.8	0.960	469,981,236	454,491,696	96.7	96.7

NOTE: The amounts for Fiscal year 2008 are estimated as of February 28, 2008.

Source: Office of Finance.

The following table provides a breakdown of the property tax rate into its component parts. The "General" rate is the only listed component that is subject to the limitations of Section 812 of the County Charter. Pursuant to Section 812, the County shall not levy "a real property tax which would result in a total collection of real property taxes greater than the amount collected in fiscal year 1979; [except that the County] may levy a real property tax which would result in a total collection of real property taxes greater than the amount collected in fiscal year 1979 if the real property tax rate does not exceed two dollars and forty cents ($2.40) for each One Hundred Dollars ($100.00) of assessed value." Pursuant to Chapter 80 of the Laws of Maryland of 2000, this maximum rate is to be construed as 40% of the stated rate or $0.96 for each $100 of assessed value of real property. The "Stormwater Management" component pays debt service on bonds issued to provide funds for, and other expenses pertaining to, stormwater management facilities. The component identified as "Pre-Section 812" pays for debt service on County bonds issued prior to the effective date of Section 812. The WSTC component pays for the County's contribution to WSTC and other related mass transit costs. The "Maryland State" and the "M-NCPPC" components identify taxes collected by the County on behalf of those entities.

Property Tax Rates

(In Dollars/$100 of Assessed Value)

	Prince George's County			Overlapping Taxing Entities		
Fiscal Year	General	Stormwater Management	Pre-Section 812	WSTC	Maryland State	M-NCPPC
2008	0.960	0.054	--	0.026	0.112	0.279
2007	0.960	0.054	--	0.026	0.112	0.279
2006	0.960	0.054	--	0.026	0.132	0.279
2005	0.960	0.054	--	0.026	0.132	0.279
2004	0.960	0.054	--	0.026	0.132	0.279

Source: Office of Finance.

Property Tax Levies

($ thousands)

	Prince George's County		Overlapping Taxing Entities		
Fiscal Year	General	Stormwater Management	WSTC	Maryland State	M-NCPPC
2008(Est.)	$736,990	37,681	20,479	80,280	209,506
2007	629,096	31,851	17,452	67,276	178,448
2006	550,723	27,491	15,272	68,357	156,005
2005	499,124	25,311	13,836	61,022	141,452
2004	469,981	23,944	13,018	56,554	132,837

Source: Office of Finance.

The following tables set forth both the assessed and estimated actual value and the growth rate of real and personal property in the County.

Assessed and Estimated Actual Value of Taxable Property

($ millions)

	Real Property		Other Property		Total	
Fiscal Year	Assessed Value	Estimated Actual Value	Business Personal Property	Public Utilities	Assessed Value	Estimated Actual Value
2009(Est.)	84,538.1	99,789.6	1,721.1	1,190.1	87,449.3	102,700.8
2008(Est.)	71,564.2	83,475.4	1,704.0	1,185.8	74,454.0	86,365.2
2007	60,716.7	69,468.1	1,721.1	1,172.9	63,645.4	72,396.8
2006	52,277.3	58,848.9	1,608.6	1,177.8	55,100.8	61,672.4
2005	46,612.6	49,379.4	1,604.9	1,175.3	49,441.0	52,207.8
2004	43,066.7	45,195.2	1,655.4	1,215.5	46,022.8	48,151.3

Annual Growth Rate

Fiscal Year	Assessed Value		Estimated Actual Value	
2009(Est.)	17.5	%	18.9	%
2008	17.0		19.3	
2007	16.5		17.4	
2006	11.4		18.1	
2005	7.4		8.4	
2004	5.0		5.6	
Six-Year Average	8.9	%	11.3	%

Source: Maryland State Department of Assessments and Taxation.

Statutory Debt Limit

Pursuant to Section 5 of the Express Powers Act, the statutory debt limit of the County is a total of 6% of the assessable base of real property of the County and 15% of the County's assessable base of personal property and operating real property described in Section 8-109(c) of the Tax-Property Article. State law authorizes certain exclusions. Obligations issued by the Revenue Authority, the Industrial Development Authority and the Local Government Insurance Trust are excluded from the County's statutory limit. The current debt limit of the County is shown in the following table.

Statutory Debt Limit

June 30, 2008

(Includes Series 2008 Bond issue)

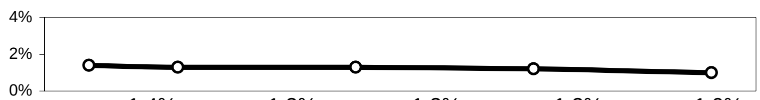
County General Obligation Bonds	$1,122,541,454
Maryland Development Debt	262,719
Maryland CDA Infrastructure Financing Bonds	796,500
County Solid Waste Revenue Bonds	16,747,810
Total Debt of the County	$1,140,348,483
Less: Portion of Debt Excludable by State Law:	
County General Obligation Bonds for:	
Mass Transit Facilities	28,210,890
Stormwater Facilities	49,855,000
Solid Waste Projects	31,190,000
School Facilities Surcharge-Supported	237,033,442
School Facility Supported by Telecommunication Tax	27,690,000
Maryland Development Debt	262,719
Maryland CDA Infrastructure Financing Bonds	796,500
County Solid Waste Revenue Bonds	16,747,810
Total Excludable Debt	$391,786,361
County Debt Subject to Statutory Debt Limitation	748,562,122
Assessable Base of Real Property Taxation	$71,564,200,000
Assessable Base of Personal Property and Operating Real Property Taxation	2,889,800,000
Debt Limit (a total of 6% of Real Property Assessable Base and 15% of Assessable Base of Personal Property)	4,727,142,000
Less: County Debt Subject to Debt Limitation	748,562,122
County Debt Margin	$3,978,579,878

Source: Office of Finance.

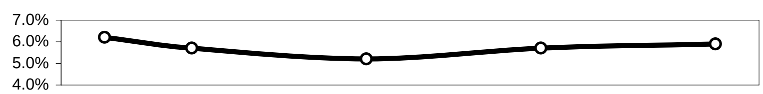
Debt Amounts and Debt Ratios

(Includes Series 2008 Bond Issue)

	Fiscal Year Ended June 30				
	2004	2005	2006	2007	2008(Est.)(1)
Net Tax-Supported General Fund Debt:					
Net Direct ($ millions)	$661.1	618.8	709.8	759.2	755.3
Overlapping ($ millions)	$55.9	54.0	52.1	50.3	48.6
Net Direct & Overlapping ($ millions)	$717.0	672.8	761.9	809.5	803.9
Gross Direct Debt ($ millions)	$912.7	856.7	1034.0	1,103.5	1,147.2
Population (thousands)	832.8	837.8	842.8	841.3	N/A
Per Capita Income	$33,461.0	34,912.0	N/A	N/A	N/A
Assessed Valuation ($ millions)	$46,022.8	49,441.0	55,100.8	63,544.3	74,454.0
Estimated Market Value ($ millions)	$48,151.3	52,207.8	61,698.3	72,327.8	86,365.2
County General Fund:					
Revenues ($ millions)	$1,160.0	1,281.6	1,424.0	1,456.6	1,446.6
Expenditures ($ millions)	$1,049.1	1,112.8	1,266.4	1,362.0	1,449.1
County General Fund Annual Debt Service ($ millions)	$65.5	63.3	66.1	77.1	86.0
Gross Direct Debt:					
As a Percent of Assessed Value	2.0%	1.7%	1.9%	1.7%	1.5%
As a Percent of Estimated Actual Value	1.9%	1.6%	1.7%	1.5%	1.3%
Per Capita	$1,096.0	1,022	1,227	1,313	N/A
Per Capita Debt as Percent of Per Capita Income	3.3%	2.9%	N/A	N/A	N/A
Net Direct Debt:					



As a Percent of Assessed Value	1.4%	1.3%	1.3%	1.2%	1.0%
As a Percent of Estimated Actual Value	1.4%	1.2%	1.2%	1.0%	0.9%
Per Capita	$794	739	842	885	N/A
Per Capita Debt as Percent of Per Capita Income	2.6%	2.1%	N/A	N/A	N/A
Net Direct and Overlapping Debt:					
As a Percent of Assessed Value	1.6%	1.4%	1.4%	1.3%	1.1%
As a Percent of Estimated Actual Value	1.5%	1.3%	1.2%	1.1%	0.9%
Per Capita	$861	803	904	945	N/A
Per Capita Debt as Percent of Per Capita Income	2.8%	2.3%	N/A	N/A	N/A
County General Fund Annual Debt Service as a Percent of:					
Revenue	5.6%	4.9%	4.6%	5.3%	5.9%



Expenditures and Other Uses	6.2%	5.7%	5.2%	5.7%	5.9%

(1) Includes Series 2008 Bond Issue.

Source: Office of Finance.

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated as of February 12, 2009 (the "Disclosure Certificate"), is executed and delivered by the Washington Suburban Sanitary Commission (the "Commission") in connection with the issuance of $165,000,000 Washington Suburban Sanitary District Consolidated Public Improvement Bonds of 2009 (the "Bonds"). The Commission hereby covenants and agrees as follows:

SECTION 1. *Purpose of the Disclosure Certificate.* This Disclosure Certificate is being executed and delivered by the Commission for the benefit of the holders from time to time of the Bonds and the beneficial owners from time to time of the Bonds and in order to assist the Underwriter (defined below) in complying with the Rule (defined below).

SECTION 2. *Definitions.* In addition to the definitions set forth above, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Commission pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

"Disclosure Representative" shall mean the Chief Financial Officer of the Commission or his designee, or such other person as the Commission shall designate from time to time.

"Dissemination Agent" shall mean the Commission or any Dissemination Agent designated in writing by the Commission.

"Listed Events" shall mean any of the events listed in Section 6(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository recognized by the Securities and Exchange Commission for purposes of the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repository

100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/rates/municontacts.html
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.MuniFILINGS.com
Email: nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.

Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: 212-771-6999; 800-689-8466
Fax: 212-771-7390
http://www.interactivedata-prd.com
Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.

55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
http://www.disclosuredirectory.
standardandpoors.com/
Email: nrmsir_repository@sandp.com

Effective July 1, 2009:

Municipal Securities Rulemaking Board (MSRB)

http://emma.msrb.org/

"Repository" shall mean each National Repository and each State Repository. The listing of repositories herein shall be automatically amended from time to time if the Securities and Exchange Commission ("SEC") designates additional or other entities as "Nationally Recognized Municipal Securities Information Repositories" ("NRMSIRs") under the Rule, or if the SEC at any time revokes the designation of an entity as a NRMSIR under the Rule.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Repository.

"Underwriter" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering or sale of the Bonds.

SECTION 3. *Scope of Agreement.*

(a) The disclosure obligations under this Disclosure Certificate relate solely to the Bonds. Such disclosure obligations are not applicable to any other securities issued or to be issued by the Commission.

(b) The Commission is the only "obligated person" with respect to the Bonds within the meaning of the Rule.

SECTION 4. *Provision of Annual Reports.* The Commission shall, not later than March 31 after the end of the Fiscal Year, commencing with the Fiscal Year ending June 30, 2009, provide to each Repository an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate; provided that the audited financial statements of the Commission may be submitted separately from the balance of the Annual Report.

SECTION 5. *Content of Annual Reports.* The Commission's Annual Report shall contain or incorporate by reference the following:

- Comprehensive audited financial statements for the immediately preceding fiscal year, prepared in accordance with generally accepted accounting principles, unless the audited financial statements are not available on or before the date of such filing, in which event said audited financial statements will be promptly provided when and if available and the Commission will provide unaudited financial statements as part of the Annual Report; and

- the information provided in the Official Statement prepared and delivered by the Commission with respect to the bonds, under the headings "Washington Suburban Sanitary District — Employees' Retirement Plan," "— Leases and Agreements," "— Refunding Bonds and Bonds Refunded," "Bonded Indebtedness of the District," "District Financial Data," "Summary of District Ad Valorem Taxes, Water, Sewer and Other

Charges and Revenues Therefrom," "Capital Improvements Program," and "Water and Sewerage Facilities, Service Centers and Statistics," utilizing the same accounting standards as were used in preparing such information for the Official Statement and updated as of a date no earlier than the last day of the immediately-preceding fiscal year.

SECTION 6. *Reporting of Significant Events.*

(a) In a timely manner, the Commission will provide to each Repository and to the Municipal Securities Rulemaking Board, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers or their failure to perform;
- Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- Modifications to rights of Bondholders;
- Bond calls;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds; or
- Ratings changes.

The Commission hereby acknowledges that certain of the above-enumerated events do not, and are not ever expected to, apply to the Bonds. Nevertheless, the Commission intends to provide the Underwriter with complete assistance in complying with the Rule. Therefore, the Commission covenants to provide notice of all of the above-enumerated events should they occur.

(b) In a timely manner, the Commission will give to each Repository, or to the Municipal Securities Rulemaking Board and the State Repository (if any), notice of any failure to comply with the covenants set forth herein.

SECTION 7. *Termination of Reporting Obligation.* The Commission's obligations under this Disclosure Certificate shall terminate when there are no longer any Bonds outstanding.

SECTION 8. *Dissemination Agent.* The Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Certificate, the Commission may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) said amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Commission, or type of business conducted by the Commission;

(b) said provision, as amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the initial offering of the Bonds after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) said amendment or waiver does not materially impair the interests of holders of the Bonds, as determined either by nationally recognized bond counsel or by an approving vote of the holders of 25% of the outstanding aggregate principal amount of the Bonds.

The reasons for any amendment and the impact of the change, if any, in the type of operating data or financial information being provided will be explained in information provided with the Annual Report containing the amended operating data or financial information.

SECTION 10. *Additional Information.* Nothing in this Disclosure Certificate shall be deemed to prevent the Commission from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Commission chooses to include any information in any Annual Report or notice of occurrences of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Commission shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. *Default.* Failure to comply with this Disclosure Certificate shall not be deemed to be a default or an event of default with respect to the Bonds.

SECTION 12. *Beneficiaries.* This Disclosure Certificate shall inure solely to the benefit of the Commission, the Dissemination Agent (if any), the Underwriter, and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

WASHINGTON SUBURBAN SANITARY COMMISSION

By: ________________________________

Thomas C. Traber
Chief Financial Officer

APPENDIX D

WASHINGTON SUBURBAN SANITARY COMMISSION
Laurel, Maryland

Ladies and Gentlemen:

We have examined certified copies of the legal proceedings and other proofs submitted relative to the issuance and sale of $165,000,000 Washington Suburban Sanitary District, Maryland Consolidated Public Improvement Bonds of 2009, dated January 15, 2009, maturing annually on June 1 in the years and amounts and bearing interest, payable semi-annually on June 1 and December 1 in each year, first interest June 1, 2009 (four and one-half months), as follows:

$165,000,000 Consolidated Public Improvement Bonds of 2009

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2009	$8,360,000	2.000%	2019	$8,225,000	3.000%
2010	8,000,000	4.000	2020	8,255,000	3.250
2011	8,020,000	4.000	2021	8,290,000	3.750
2012	8,040,000	4.000	2022	8,320,000	4.000
2013	8,065,000	5.000	2023	8,355,000	4.125
2014	8,090,000	5.000	2024	8,395,000	4.250
2015	8,115,000	5.000	2025	8,430,000	4.500
2016	8,140,000	5.000	2026	8,470,000	4.500
2017	8,170,000	5.000	2027	8,510,000	4.500
2018	8,195,000	5.000	2028	8,555,000	4.750

Said bonds (the "Bonds") are issuable as fully registered bonds (without coupons) in the denomination of $5,000 or any multiple thereof. Payment of the interest on each Bond shall be made by the Bond Registrar on each interest payment date to the person appearing on the bond registration books as the registered owner of such Bond (or the previous Bond or Bonds evidencing the same debt as that evidenced by such Bond) at the close of business on the record date for such interest (the 15th day of the calendar month next preceding such interest payment date) by check or draft mailed to such person at his address as it appears on such registration books. Payment of the principal on all Bonds shall be made to the registered owners upon the presentation and surrender of the Bonds, as the same shall become due and payable, to the Bond Registrar or the paying agent, as provided in the Bonds.

We have examined the law and such certified proceedings and other papers as we deem necessary to render the opinions set forth below.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the Washington Suburban Sanitary Commission (the "Commission") and certifications by public officials.

We do not express any opinion herein regarding any law other than the law of the State of Maryland and the federal law of the United States of America.

With respect to the executed and authenticated bond of the issue of Bonds that we have examined, and bonds similarly executed and authenticated and identical thereto in form, except for numbers, interest rates, denominations and maturities, we are of the opinion that:

1. The Bonds are valid and legally binding general obligations of the Washington Suburban Sanitary District, all the assessable property within which is subject to the levy of an ad valorem tax, without limitation of rate or amount, to pay the Bonds and the interest thereon.

2. Under existing law, the Bonds are exempt from taxation by the State of Maryland and by the counties and municipalities in said State; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

3. Under existing law, the interest on the Bonds (i) is excludable from gross income for Federal income tax purposes, and (ii) is not includable in corporate or individual alternative minimum taxable income as a separate enumerated item of tax preference or other specific adjustment, but may be included as part of a tax preference item subject to the federal corporate alternative minimum tax and may also be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

In rendering the opinion expressed above in this paragraph 3, we have assumed continuing compliance with the covenants and agreements set forth in the Tax Certificate and Compliance Agreement of even date herewith executed and delivered by the Commission (the "Tax Agreement"), which covenants and agreements are designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the income tax regulations issued thereunder (the "Regulations") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal tax purposes. In our opinion, the covenants and agreements in the Tax Agreement are sufficient to meet such requirements (to the extent applicable to the Bonds) of the Code and Regulations. However, we assume no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds.

Other than as set forth in the preceding paragraphs 2 and 3, we express no opinion regarding the federal or state income tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Respectfully submitted,

[to be signed "Venable LLP"]

[to be signed "McKenzie & Associates"]

APPENDIX E

NOTICE OF SALE

WASHINGTON SUBURBAN SANITARY DISTRICT, MARYLAND

BOND SALE

$165,000,000 CONSOLIDATED PUBLIC IMPROVEMENT BONDS OF 2009

Sealed bids or electronic bids will be received until 11:00 A.M. prevailing Eastern time, on January 27, 2009, by the Washington Suburban Sanitary Commission (the "Commission") for the above-referenced bonds (the "Bonds") of the Washington Suburban Sanitary District (the "District").

Terms of the Bonds

The Bonds shall be dated January 15, 2009. The Bonds will mature serially June 1, in the following years and principal amounts:

$165,000,000 CONSOLIDATED PUBLIC IMPROVEMENT BONDS OF 2009

Maturity June 1	Principal Amount	Maturity June 1	Principal Amount
2009	$8,360,000	2019	$8,225,000
2010	8,000,000	2020	8,255,000
2011	8,020,000	2021	8,290,000
2012	8,040,000	2022	8,320,000
2013	8,065,000	2023	8,355,000
2014	8,090,000	2024	8,395,000
2015	8,115,000	2025	8,430,000
2016	8,140,000	2026	8,470,000
2017	8,170,000	2027	8,510,000
2018	8,195,000	2028	8,555,000

The Bonds are to be issued for the purpose of providing funds for certain construction programs of the District, as more fully set forth in the Preliminary Official Statement dated January 16, 2009. All such Bonds are to be issued under and in full compliance with the Constitution and laws of the State of Maryland, including Article 29, Washington Suburban Sanitary District, of the Annotate Code of Maryland, as amended.

The Bonds will be issued in denominations of $5,000 or any integral multiple thereof as fully registered bonds (without coupons). Payment of the semi-annual interest on each Bond shall be made on June 1 and December 1, beginning June 1, 2009 (four and one-half months), and shall be made by the Bond Registrar, The Bank of New York Mellon Trust Company, N. A., Pittsburgh, Pennsylvania, on each interest payment date to the person appearing on the registration books of the District as the registered owner of such Bond at the close of business on the record date of such interest, which shall be the 15th day of the calendar month next preceding such interest payment date, by check or draft mailed to such person; payment of the principal of each Bond shall be made to the registered owner thereof upon the presentation and surrender of such Bond, as the same shall become due and payable, to the Bond Registrar at the office of its affiliate, The Bank of New York Mellon, in New York, New York or Dallas, Texas, and the transfer or exchange of any Bond may be registered upon said books upon surrender of the Bond to the Bond Registrar.

Optional Redemption

The Bonds which mature on or after June 1, 2019, are callable for redemption prior to their respective maturities, at the option of the Commission, from any moneys that may be made available for such purpose, either in whole on any date not earlier than June 1, 2018, or in part on any interest payment date not earlier than June 1, 2018, at the principal amount of the Bonds to be redeemed, with interest thereon accrued to the date fixed for redemption, without premium.

Book-Entry System

One bond representing each maturity of each Series of the Bonds will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds and each such bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates representing each maturity with DTC.

Bid Parameters

No less than 100% of par plus accrued interest from January 15, 2009 to the date of delivery of the Bonds, no oral bid and no bid for less than all of the Bonds described in this Notice, will be considered. The Bonds are expected to be awarded at approximately 4:00 p.m. prevailing Eastern time on January 27, 2009. All proposals shall remain firm until the time of award.

Bidders are requested to name the interest rate or rates in multiples of $^{1}/_{8}$ or $^{1}/_{20}$ of 1% and the highest rate may not exceed the lowest rate by more than 3%. For maturities from 2020 through 2028, inclusive, no interest rate may be bid that is lower than the interest rate in the immediately preceding year (i.e. interest rates must ascend or remain level from a base year of 2019). A zero rate may not be named. No Bond shall bear more than one rate of interest which rate shall be uniform for the life of the Bond.

Basis of Award

The successful bidder will be determined based on the lowest cost to the Commission. The lowest interest cost shall be determined in accordance with the true interest cost (TIC) method by doubling the semi-annual interest rate, compounded semi-annually, necessary to discount the debt service payments from the payment dates to January 15, 2009 and to the price bid, excluding interest accrued to the date of delivery of the Bonds. If two or more bidders offer to purchase the Bonds at the same lowest interest cost, the Bonds may be apportioned between such bidders; provided, that if apportionment is not acceptable to such bidders, the Commission shall have the right to award the Bonds to one of such bidders. There will be no auction.

Procedures for Electronic Bidding or Bidding by Sealed Proposals

Electronic Bids

Electronic bids will be received via ***PARITY***, in the manner described below, until 11:00 a.m., prevailing Eastern time, on January 27, 2009.

Bids may be submitted electronically via ***PARITY*** pursuant to this Notice until 11:00 a.m., prevailing Eastern time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in ***PARITY*** conflict with this Notice, the terms of this Notice shall control. For further information about ***PARITY***, potential bidders may contact the ***PARITY*** Help Desk at 212-404-8102.

Disclaimer

Each prospective electronic bidder shall be solely responsible to register to bid via ***PARITY*** as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access ***PARITY*** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the Commission nor ***PARITY*** shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to ***PARITY*** to any qualified prospective bidder, and neither the Commission nor ***PARITY*** shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by ***PARITY***. The Commission is using ***PARITY*** as a communication mechanism, and not as the Commission's agent, to conduct the electronic bidding for the Bonds. The Commission is not bound by any advice and determination of ***PARITY*** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Parameters" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their submission of bids via ***PARITY*** are the sole responsibility of the bidders; and the Commission is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Bonds, such bidder should telephone ***PARITY*** New Issues Desk at 212-404-8102and notify the Commission's Financial Advisor, Public Advisory Consultants, Inc. by facsimile at 410-581-9808.

Electronic Bidding Procedures

Electronic bids must be submitted for the purchase of the Bonds (all or none) via ***PARITY***. Bids will be communicated electronically to the Commission at 11:00 a.m., prevailing Eastern time, on January 27, 2009. Prior to that time, an eligible prospective bidder may (1) input the proposed terms of its bid via ***PARITY***, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via ***PARITY*** to the Commission, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on ***PARITY*** shall constitute the official time.

Sealed Bid Procedures

In the alternative, bids will also be accepted in written form on the "Bid for Bonds" form. Bids will be received in the Commission Hearing Room, First Floor, 14501 Sweitzer Lane, Laurel, Maryland, 20707. Each bid must be on a form to be furnished by the undersigned, enclosed in a sealed envelope marked "Bid for Bonds."

Good Faith Deposit

After receipt of bids is closed and prior to the award, the apparent successful bidder indicated on PARITY must submit a good faith deposit of $3,300,000 to the Commission by wire transfer as instructed by the Commission or its financial advisor. The award to the apparent successful bidder is contingent upon receipt of the good faith deposit, and the Bonds will not be awarded to such bidder until the Commission has confirmation of receipt of the good faith deposit. No interest will be allowed on any good faith deposit. In the event the successful bidder shall fail to comply with the terms of its bid, the good faith deposit may be retained as and for full liquidated damages.

Approving Legal Opinion; Closing Papers

The approving legal opinions of Venable LLP, Baltimore, Maryland and McKenzie & Associates, Washington, DC, Co-Bond Counsel, will be furnished the purchasers without cost. There will also be furnished the usual closing papers and, in addition, a certificate signed by appropriate officers of the Commission, certifying that there is no litigation pending or, to the knowledge of the signers of such certificate, threatened affecting the validity of the Bonds and that on the date of the Official Statement mentioned below and at the time of delivery of the Bonds the statements and information contained in such Official Statement which are made and provided by the Commission are and will be true, correct and complete in all material respects and the Official Statement does not and will not omit any statement or information which is required to be stated therein or necessary to make the statements and information therein, in the light of the circumstances under which they were made, not misleading or incomplete in any material respect.

Preliminary Official Statement; Continuing Disclosure

The Commission has deemed the Preliminary Official Statement dated January 16, 2009 to be final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except for the omission of certain information permitted to be omitted by said Rule. The Commission agrees to deliver to the successful bidder for its receipt no later than seven business days of the date of sale of the Bonds, such quantities of the final official statement as the successful bidder shall request; provided, that the Commission shall deliver up to 500 copies of such official statement without charge to the successful bidder.

The Commission has made certain covenants for the benefit of the holders from time to time of the Bonds to provide certain continuing disclosure, in order to assist bidders for the Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. Such covenants are described in the Preliminary Official Statement dated January 16, 2009.

Delivery

The Bonds will be delivered on or about February 12, 2009, through the facilities of DTC in the City of New York, New York, against payment therefor in federal or other immediately available funds.

Miscellaneous

As a condition to the award of the Bonds, the successful bidder shall be required to communicate to the Commission the initial offering prices at which a bona fide offering of Bonds has been made to the public and the prices at which a substantial portion of the Bonds have been sold to the public (excluding bond houses, brokers and other intermediaries). Furthermore, as a condition to the delivery of the Bonds, the successful bidder shall be required to certify such initial offering prices by written certificate, such certificate to be in form and substance reasonably satisfactory to the Commission's bond counsel.

It is expected that CUSIP numbers will be printed on the Bonds. However, the validity, sale, delivery or acceptance of the Bonds will not be affected in any manner by any failure to print, or any error in printing, the CUSIP numbers on said Bonds, or any of them.

The right to reject any or all bids is reserved.

Copies of the Official Statement and the Notice of Sale and Bid for Bonds may be obtained from the undersigned at Washington Suburban Sanitary Commission, 14501 Sweitzer Lane, Laurel, Maryland 20707 (tel. (301-206-7069) or Public Advisory Consultants, Inc., Financial Advisor, 25 Crossroads Drive, Suite 402, Owings Mills, Maryland 21117 (410-581-4820).

WASHINGTON SUBURBAN SANITARY COMMISSION

By: THOMAS C. TRABER
Chief Financial Officer

[FOR USE IN SUBMITTING SEALED BIDS]

BID FOR BONDS

January 27, 2009

Washington Suburban Sanitary Commission
Commission Hearing Room
1st Floor
14501 Sweitzer Lane
Laurel, Maryland 20707

Ladies and Gentlemen:

We make the following offer for the bonds of the Washington Suburban Sanitary District, Maryland, indicated below and described in the Notice of Sale of said bonds, which Notice of Sale is hereby made a part of this bid, this offer being for all of said bonds and not for less than all:

For $165,000,000 Consolidated Public Improvement Bonds of 2009 maturing on June 1 in the years and aggregate principal amounts, respectively, as set forth in the Notice of Sale and bearing interest as follows:

Year of Maturity	Interest Rate	Year of Maturity	Interest Rate
2009	_______%	2019	_______%
2010	_______	2020	_______
2011	_______	2021	_______
2012	_______	2022	_______
2013	_______	2023	_______
2014	_______	2024	_______
2015	_______	2025	_______
2016	_______	2026	_______
2017	_______	2027	_______
2018	_______	2028	_______

We will pay an amount equal to the par value
of the Bonds $
plus a premium in the amount of +$____________
making a total of $____________
and also accrued interest from January 15, 2009, to the date of delivery of the Bonds.

____

____
Bidder

By: ______________________________

Title: ____________________________

(No addition or alteration, except as provided above, is to be made to this bid and it must not be detached from the annexed Notice of Sale).

The following is for information only and is not part of this bid:

Aggregate amount of interest from date of Bonds to final maturity	$______
True interest cost	______%