OFFICIAL STATEMENT DATED APRIL 25, 2007

NEW ISSUES – 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.

$70,000,000

WASHINGTON SUBURBAN SANITARY DISTRICT, MARYLAND

(MONTGOMERY AND PRINCE GEORGE'S COUNTIES, MARYLAND)

$50,000,000 WATER SUPPLY BONDS OF 2007
$20,000,000 SEWAGE DISPOSAL BONDS OF 2007

Dated April 15, 2007 **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 Trust Company, N.A., as Bond Registrar and Paying Agent, at its principal corporate trust office in New York, New York. Interest is payable from April 15, 2007 semiannually, on June 1 and December 1, first interest payable on December 1, 2007 (seven 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, 2018 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 McCants & Associates LLC, Silver Spring, Maryland, 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 May 9, 2007.

MATURITY SCHEDULE

$50,000,000 WATER SUPPLY BONDS OF 2007

Maturity June 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP Number**	Maturity June 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP Number**
2008	$2,500,000	4.000%	3.500%	940157 MT4	2018	$2,500,000	4.000%	3.850%	940157 ND8
2009	2,500,000	4.000	3.570	940157 MU1	2019	2,500,000	4.000	3.950	940157 NE6
2010	2,500,000	4.000	3.580	940157 MV9	2020	2,500,000	4.000	4.000	940157 NF3
2011	2,500,000	4.000	3.590	940157 MW7	2021	2,500,000	4.000	4.110	940157 NG1
2012	2,500,000	4.000	3.610	940157 MX5	2022	2,500,000	4.000	4.150	940157 NH9
2013	2,500,000	4.000	3.630	940157 MY3	2023	2,500,000	4.125	4.270	940157 NJ5
2014	2,500,000	4.000	3.670	940157 MZ0	2024	2,500,000	4.200	4.300	940157 NK2
2015	2,500,000	5.000	3.710	940157 NA4	2025	2,500,000	4.200	4.320	940157 NL0
2016	2,500,000	5.000	3.750	940157 NB2	2026	2,500,000	4.250	4.330	940157 NM8
2017	2,500,000	4.000	3.790	940157 NC0	2027	2,500,000	4.250	4.340	940157 NN6

$20,000,000 SEWAGE DISPOSAL BONDS OF 2007

Maturity June 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP Number**	Maturity June 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP Number**
2008	$1,000,000	4.000%	3.500%	940157 NP1	2018	$1,000,000	4.000%	3.850%	940157 NZ9
2009	1,000,000	4.000	3.570	940157 NQ9	2019	1,000,000	4.000	3.950	940157 PA2
2010	1,000,000	4.000	3.580	940157 NR7	2020	1,000,000	4.000	4.000	940157 PB0
2011	1,000,000	4.000	3.590	940157 NS5	2021	1,000,000	4.000	4.110	940157 PC8
2012	1,000,000	4.000	3.610	940157 NT3	2022	1,000,000	4.000	4.150	940157 PD6
2013	1,000,000	4.000	3.630	940157 NU0	2023	1,000,000	4.125	4.270	940157 PE4
2014	1,000,000	4.000	3.670	940157 NV8	2024	1,000,000	4.200	4.300	940157 PF1
2015	1,000,000	5.000	3.710	940157 NW6	2025	1,000,000	4.200	4.320	940157 PG9
2016	1,000,000	5.000	3.750	940157 NX4	2026	1,000,000	4.250	4.330	940157 PH7
2017	1,000,000	4.000	3.790	940157 NY2	2027	1,000,000	4.250	4.340	940157 PJ3

* The rates shown above are the rates payable by the District resulting from the successful bid for the Bonds on April 25, 2007 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.

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WASHINGTON SUBURBAN SANITARY COMMISSION

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301-206-7069
www.wsscwater.com

COMMISSIONERS

Prem P. Agarwal, Chair
Stanley J. Botts, Vice Chair
Sandra A. Allen
Marc P. Lieber
Dr. Juanita D. Miller
Joyce Starks

SENIOR STAFF

Andrew D. Brunhart, General Manager
Charlett Bundy, Corporate Secretary
Thomas C. Traber, Chief Financial Officer and Treasurer
Jerome K. Blask, General Counsel
Sheila S. Cohen, Budget Director

BOND COUNSEL

Venable LLP
McCants & Associates LLC

FINANCIAL ADVISOR

Public Advisory Consultants, Inc.

Additional copies of this Official Statement for the Water Supply Bonds of 2007 and the Sewage Disposal Bonds of 2007 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.*

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OFFICIAL STATEMENT

$70,000,000

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

$50,000,000 Water Supply Bonds of 2007
$20,000,000 Sewage Disposal Bonds of 2007

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 $50,000,000 Water Supply Bonds of 2007 (the "Water Supply Bonds"), and the $20,000,000 Sewage Disposal Bonds of 2007 (the "Sewage Disposal Bonds"), to be issued by the Washington Suburban Sanitary District (the "District"). The Water Supply Bonds and the Sewage Disposal Bonds are sometimes referred to collectively herein as the "Bonds." The Water Supply Bonds are to be issued by the District to provide funds to finance and refinance enlarging, increasing and augmenting the water supply of the District (the "Water Supply Projects"). The Sewage Disposal Bonds are to be issued by the District to finance and refinance the design and construction or reconstruction of trunk sewers, sewage pumping stations and sewage disposal systems of the District (the "Sewage Disposal Projects").

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.

Water Supply Bonds

The Water Supply Bonds (and all other outstanding water supply bonds of the District) 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. 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, and to the payment of the cost of operating and maintaining the water supply system.

Sewage Disposal Bonds

The Sewage Disposal Bonds (and all other outstanding sewage disposal bonds of the District) constitute general obligations of the District, all of 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 notes and the interest thereon. In addition, 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, and to the payment of the costs of operating and maintaining the sewage disposal system.

USE OF PROCEEDS OF THE BONDS

The proceeds of the Water Supply Bonds will be used to finance and refinance the costs of the Water Supply Projects. The proceeds of the Sewage Disposal Bonds will be used to finance and refinance the costs of the Sewage Disposal Projects.

DESCRIPTION OF THE BONDS

The Bonds will be dated April 15, 2007 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 Trust Company, N.A., in the Borough of Manhattan, City and State of New York, 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 Trust Company, N.A. at its principal corporate trust office in New York, New York. 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, 2018, 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, 2017, or in part on any interest payment date not earlier than June 1, 2017, 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

Prem P. Agarwal: Mr. Agarwal was appointed to the Commission from Prince George's County in July 2003. Mr. Agarwal was elected Chair of the Commission on June 21, 2006. He has previously served as 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 expires in June 2007.

Stanley J. Botts: Mr. Botts was appointed to the Commission from Montgomery County in December 2004. Mr. Botts was elected Vice Chair on June 21, 2006. Mr. Botts is a retired Senior Ethics and Compliance Manager from Verizon Communications with more than 30 years of experience in the telecommunications and government sectors. His background and experience at Verizon included expertise in appeals, compliance, employee relations and dispute resolution. During his 22-year career at the telecommunications leader, Mr. Botts facilitated the development of a Business Code of Conduct for more than 200,000 employees; developed training materials for the introduction of a Business Code of Conduct; trained employees on how to conduct business in an ethical manner that complied with laws and corporate standards; and resolved complex ethics and compliance cases. Prior to Verizon, Mr. Botts worked for the federal government's Office of Personnel Management and General Services Administration, and for Washington, D.C. government -- holding positions with increasing levels of responsibility during his decade-long career in public service. The long-time Montgomery County resident has completed numerous professional development workshops, and is an active community leader. He volunteers on the Boards of Impact Silver Spring and Leadership Montgomery. Mr. Botts holds a Bachelor of Science degree in business administration from Central State University, Wilberforce, Ohio. His term expires in June 2007.

Sandra A. Allen: Ms. Allen was appointed to the Commission from Montgomery County in January 2005. She currently manages StrongSuite Consulting, a business consulting and executive coaching firm located in Silver Spring, Maryland. In 1981, Ms. Allen co-founded The KEVRIC Company, Inc., a company also based in Silver Spring, which provides technical and scientific support services to private and public sector clients. Through her strategic leadership and vision, she grew the company's annual revenue to $15 million at the time of sale to IMC in 2003. Ms. Allen's entrepreneurial spirit and communication skills have allowed her to succeed throughout her professional career, including: commercial real property analyst/appraiser for John R. Pinkett, Inc. and Reynolds and Reynolds, Inc., both of Washington, D.C.; Assistant Director of Personnel and Director of Education and Training for Massachusetts General Hospital in Boston; and Personnel Recruiter for Allstate Insurance Company in Hudson, Ohio. The long-time Silver Spring resident serves as a member of the American Medical Informatics Association, American Association for the Advancement of Science, National Contract Management Association, TechCouncil of Maryland, and is a Senior Member of the American Society of Appraisers. Ms. Allen is a past member of the Montgomery County Executive's Economic Advisory Council and the Silver Spring Chamber of Commerce. Ms. Allen holds a Bachelor's Degree in Biology and a Master's Degree in Education, both from Case Western Reserve University in Cleveland, Ohio. Outside of her professional affiliations, Ms. Allen has volunteered her time, talent and energy in the communities in which she has lived, accepting responsibilities such as: Junior Achievement Corporate Volunteer: Girl Scout leader; Cub Scout den mother; Meals on Wheels volunteer; and PTA board member. She is an active member of the People's Community Baptist Church. Her term expires in June 2007.

Marc P. Lieber: Mr. Lieber was appointed to the Commission from Montgomery County in December 2004 and reappointed in May 2005. He has previously served as Chair of the Commission. He is the President of ProFicient Technologies, a management consulting firm based in Rockville, specializing in project management consulting for corporations and strategic proposal management for federal contractors. In 1998, Mr. Lieber was appointed as a business representative by Governor Glendening to the Patuxent River Commission, a state-chartered body that protects the environmental health of the longest river within Maryland's borders. The Patuxent River is the location of many Commission facilities, including two reservoirs, two dams, a water filtration plant, and two wastewater treatment plants. Mr. Lieber worked with the Commission to address environmental challenges to protect the Patuxent and the Chesapeake Bay, and to prevent oil spills in Commission-operated areas. Elected by his fellow Patuxent River Commission commissioners, Mr. Lieber served from July 2002 until December 2004 as Chair of the Patuxent River Commission, and served as Vice Chair from 1999 to 2002. He participated in development of the statewide Tributary Strategies to protect the Chesapeake Bay, and advocated for economically efficient Bay cleanup approaches for both wastewater and control of urban "non-point" sources of water pollution. Mr. Lieber worked as a management consultant for ICF Kaiser Engineers from 1981 to 1994, specializing in environmental management, and serving as a Project Manager and consultant on projects involving hazardous waste site assessment, cost estimation, schedule control, procurement, and engineering management. Mr. Lieber served as a corporate-level officer of this publicly-traded company. He participated in the successful Kaiser-Hill joint venture win for one of the largest environmental procurements ever awarded, the $3 billion cleanup of the US Department of Energy's Rocky Flats plant in Colorado. Mr. Lieber serves on the board of Kol Shalom congregation in Bethesda. He served on the board of the Montgomery Workforce Development Corporation, and was a founder of MOVE, a citizens group advocating for improved transportation solutions in Montgomery County. He is a member of the Technology Council of Maryland, the Montgomery County Chamber of Commerce, and the Society for Human Resource Management. Mr. Lieber earned bachelors and masters degrees from the University of California Berkeley and its Graduate School of Public Policy. His term expires in June 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.

Joyce Starks: Ms. Starks was appointed to the Commission from Prince George's County in February 2004. She served as Commission Chair from June 2004 to June 2005. 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 expires in June 2007.

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:

Andrew D. Brunhart, General Manager: Mr. Brunhart was appointed General Manager of the Commission in February 2005. Prior to joining the Commission, Mr. Brunhart served for 30 years with the U.S. Navy where he specialized in developing and managing infrastructure including utilities and facilities operations and maintenance, as well as capital construction. During his career Mr. Brunhart led the Production Team for the Public Works Center, Pearl Harbor, Hawaii; led the start-up of the Public Works Center in Jacksonville, Florida; and, was Chief Executive of the Public Works Center in San Diego, California. These public works centers provide utilities and facilities operations and maintenance, engineering/construction, transportation, and environmental services to a multitude of geographically dispersed installations and customers on a fee-for-service (rate) basis. More recently, he was instrumental in creating and operating the Navy's first region providing full scope city/county services to installations in a tri-state area. Mr. Brunhart has led Engineer Programs for the Naval Facilities Engineering Headquarters, where he guided strategic business operations for the nine Navy Public Works Centers throughout the world. He also served at the Pentagon leading day-to-day work production for the Assistant Secretary of the Navy for Installations and Environment, who oversees worldwide management of Navy real estate, installations, public works, construction and environmental programs. Mr. Brunhart is a licensed professional engineer and a registered financial consultant. He holds a Bachelor of Science Degree in Electrical Engineering from Marquette University, Milwaukee, Wisconsin and a Masters of Science Degree in Electrical Engineering from the University of Illinois, Urbana-Champaign, Illinois. He also successfully completed the Advanced Executive Program at the Kellogg Graduate School of

Management at Northwestern University, Evanston, Illinois. Mr. Brunhart has been a member of the Board of Directors of the National Conflict Resolution Center.

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 December 31, 2006 the Commission had 1,405 full time employees of whom approximately 423 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 years 2005 and 2006, the amounts funded exceeded the pension costs charged to operating and utility plants by $2,704,000 and $1,591,000 respectively. Such excesses were used to reduce the accrued liability. The cumulative liability so recorded will be paid, with interest (approximately $3,083,000 fiscal year 2005 and approximately $2,965,000 for fiscal year 2006) over a twenty-nine year period from fiscal year 1981.

For additional information concerning the Plan, see Appendix A, "Notes to Financial Statements," Note K, 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 2006, the Commission obtained an actuarial report (the "OPEB Report") addressing the extent of its liability to its retirees for other post employment benefits as of June 30, 2005. 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 2007 annual required contribution for its retirees for OPEB would have ranged from a low of approximately $19.1 million (assuming pre-funding and an 8% return on invested assets) to a high of approximately $27.8 million (assuming no pre-funding and a 4% return on invested assets). As of June 30, 2005, the total actuarial accrued liability ranged from a low of approximately $199.5 million (assuming pre-funding) to a high of approximately $402.0 million (assuming no pre-funding). To date, the Commission has not pre-funded any OPEB costs. The Commission's proposed fiscal year 2008 budget incorporates pre-funding $2.0 million of OPEB costs as the initial installment of a five-year phase-in of the required pre-funding level. The Commission is in the early stages of obtaining an updated OPEB actuarial valuation for its 2008 budget.

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 $381,000 for fiscal year 2006.

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 December 31, 2006:

Refunding Bonds	Date of Refunding Issue	Escrow Agent	Amount of Refunded Bonds Outstanding as of Dec. 31 , 2006
Refunding Bonds of 2004 ………………………………………	02/01/04	Bank of New York	$ 64,460,000
Refunding Bonds of 2005 ………………………………………	03/15/05	Bank of New York	63,980,000
Refunding Bonds of 2006 ………………………………………	10/15/06	Bank of New York	80,360,000
			$208,800,000

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 December 31, 2006
Bonds Outstanding(1)(2):		
General Construction Bonds (self-supporting)(3)	$	628,345,000
Water Supply Bonds (self-supporting)(4)		330,955,000
Sewage Disposal Bonds (self-supporting)(5)		270,735,000
Administration Building Construction Bonds (self-supporting)(6)		7,780,000
Maryland Water Quality Loan Fund (self-supporting)(5)		88,303,721
Storm Water Drainage Bonds — Prince George's County(7)		2,655,000
Total Bonds Outstanding		1,328,773,721
Less:		
Self-supporting Bonds		1,326,118,721
Bonds Outstanding Exclusive of Self-supporting Bonds	$	2,655,000
Assessed Valuation (December 31, 2006), All Property within District	$	190,668,305,118
Ratios of Bonds Outstanding Exclusive of Self-supporting Bonds to Assessed Valuation of all Property within District		0.001%
Per Capita: (Population estimated at 1,724,668)		
Bonds Outstanding Total	$	770
Bonds Outstanding Exclusive of Self-supporting Bonds	$	2

(1) Excludes $208,800,000 principal amount of bonds outstanding as of December 31, 2006 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."
(2) Excludes $98,600,000 principal amount of bond anticipation notes outstanding as of December 31, 2006. 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.

The Commission has committed to borrow an additional $18,026,598 from the state revolving funds administered by the Maryland Water Quality Financing Administration. Such loans will constitute general obligations of the District, payable from unlimited ad valorem taxes upon all the assessable property within the District; however, such loans are expected to be paid from water and sewer usage charges.

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Bonded Debt Outstanding and Changes from June 30, 2006 to December 31, 2006(1)(2)

	Bonds Outstanding June 30, 2006	Issued	Defeased	Redeemed	Bonds Outstanding December 31, 2006
General Construction Bonds ……	$ 626,560,000	$41,490,000	$39,705,000		$ 628,345,000
Administration Building Construction Bonds …………	7,780,000				7,780,000
Water Supply Bonds ……………	330,845,000	31,040,000	30,930,000		330,955,000
Sewage Disposal Bonds …………	270,705,000	9,755,000	9,725,000		270,735,000
Maryland Water Quality Loan Fund…………………………	88,231,842	72,879		1,000	88,303,721
Storm Water Drainage Bonds Prince George's County ………	2,655,000				2,655,000
Total ……………………	$1,326,776,842	$82,357,879	$80,360,000	$1,000	$1,328,773,721

(1) Excludes $208,800,000 principal amount of bonds outstanding as of December 31, 2006 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."

(2) Excludes $98,600,000 principal amount of bond anticipation notes outstanding as of December 31, 2006. 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
December 31, 2006(1)(2)

Fiscal Year	Principal	Interest	Total
2007 ……………………	$ 146,229,834	$ 29,713,346	$175,943,180
2008 ……………………	139,240,596	52,627,672	191,868,268
2009 ……………………	135,611,422	46,035,827	181,647,249
2010 ……………………	131,522,312	39,480,832	171,003,144
2011 ……………………	112,908,267	33,317,155	146,225,422
2012 ……………………	98,709,287	28,060,378	126,769,665
2013 ……………………	88,375,464	23,802,126	112,177,590
2014 ……………………	81,471,000	20,060,360	101,531,360
2015 ……………………	66,798,854	16,718,471	83,517,325
2016 ……………………	57,280,143	13,896,905	71,177,048
2017 ……………………	47,617,172	11,452,669	59,069,841
2018 ……………………	45,212,082	9,461,947	54,674,029
2019 ……………………	38,812,082	7,584,696	46,396,778
2020 ……………………	33,785,846	5,961,638	39,747,484
2021 ……………………	29,297,850	4,558,944	33,856,794
2022 ……………………	21,845,000	3,330,752	25,175,752
2023 ……………………	16,336,510	2,372,120	18,708,630
2024 ……………………	14,400,000	1,644,471	16,044,471
2025 ……………………	13,120,000	1,002,680	14,122,680
2026 ……………………	6,325,000	440,875	6,765,875
2027 ……………………	1,390,000	182,323	1,572,323
2028 ……………………	1,460,000	115,417	1,575,417
2029 ……………………	1,025,000	46,979	1,071,979
Total	$1,328,773,721	$351,868,583	$1,680,642,304

(1) Excludes $208,800,000 principal amount of bonds outstanding as of December 31, 2006 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."

(2) Excludes $98,600,000 principal amount of bond anticipation notes outstanding as of December 31, 2006. See Short-Term Financing Program" below.

Summary of Outstanding Debt Service as of December 31, 2006(1)(2)

	Principal	Interest To Maturity	Total Debt Service
General Construction Bonds	$ 628,345,000	$ 174,686,024	$ 803,031,024
Administration Building Construction Bonds	7,780,000	710,747	8,490,747
Water Supply Bonds	330,955,000	88,893,455	419,848,455
Sewage Disposal Bonds	270,735,000	78,529,244	349,264,244
Maryland Water Quality Loan Fund	88,303,721	8,781,988	97,085,709
Storm Water Drainage Bonds Prince George's County	2,655,000	267,125	2,922,125
Total	$1,328,773,721	$ 351,868,583	$ 1,680,642,304

(1) Excludes $208,800,000 principal amount of bonds outstanding as of December 31, 2006 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."

(2) Excludes $98,600,000 principal amount of bond anticipation notes outstanding as of December 31, 2006. 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
Dec. 31, 2006	$190,668,305	$1,427,374	$7,312,399	19.5%
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
June 30, 2004	133,837,711	1,465,115	5,151,881	28.4
June 30, 2003	125,969,843	1,481,675	4,856,322	30.5

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 $231,100,000 aggregate principal amount of BANs since the short-term borrowing facility was established on June 24, 2003. Of that amount, $132,500,000 has been redeemed, leaving a balance of $98,600,000 aggregate principal amount of BANs outstanding as of December 31, 2006. 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 six months ended December 31, 2006 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 six months ended Dec. 31, 2006(1)	Fiscal Year Ended June 30, 2006	2005	2004	2003
Gross Revenues Available for Debt Service ………	$ 244,291	$ 477,154	$ 455,581	$ 447,973	$ 457,186
Debt Service:					
Bonds Redeemed and Sinking Fund Contributions …………………………	75,191	149,845	134,462	122,367	126,601
Interest on Bonds and Notes Payable ………	31,803	65,574	62,600	64,461	72,576
Total …………………………………	106,994	215,419	197,062	186,828	199,177
Net Revenues Available for Operations…………	137,297	261,735	258,519	261,145	258,009
Operating Expense Exclusive of Depreciation and Amortization …………………………………	117,634	281,140	243,855	221,967	243,344
Net Revenue (Loss) ………………………………	$ 19,663	$ (19,405)	$ 14,664	$ 39,178	$ 14,665
Composed of:					
Water Operating (2)…………………………	$ 4,251	$ (7,885)	$ 861	$ 14,496	$ (9,307)
Sewer Operating (2)…………………………	16,917	(14,256)	396	10,524	20,023
Other Operating Funds………………………	(1,505)	2,736	13,407	14,158	3,949
Total ………………………………………………	$ 19,663	$ (19,405)	$ 14,664	$ 39,178	$ 14,665

(1) Unaudited.
(2) 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 2006 and as of the date hereof, has not drawn on the reserve during fiscal year 2007. 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 December 31, 2006 the reserve amounted to $20.5 million, which is approximately 6% 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 December 31 2006, there was a total of $2,655,000 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 $628,345,000 of general construction bonds as of December 31, 2006, 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 2006 and 2005, as shown in the table below, became effective January 1, 2007 and 2006, respectively. The charges are payable over a 23-year period from the assessment date.

	Annual Rates per linear front foot*			
	Effective January 1, 2007		Effective January 1, 2006	
	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 2004 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)
2005(3) ………	$41,980,815	$26,003,494	61.94%	$37,806,287	$23,016,698	60.88%
2004 …………	44,281,197	44,054,067	99.49	39,038,802	38,972,104	99.83
2003 …………	44,111,231	44,078,627	99.93	38,990,571	38,961,640	99.93
2002 …………	43,990,800	43,934,041	99.87	38,930,628	38,917,335	99.97
2001 …………	44,090,799	44,036,650	99.88	38,880,916	38,871,433	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 July 1, 2006. Calendar year represents the year of construction. Levies are assessed in the subsequent year.
(3) As of December 31, 2006.

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, 2006 range from $1.67 to $3.84 per thousand gallons for water consumption and $2.45 to $6.22 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, 2007, 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 $5,900. 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, 2007 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 $812 million for fiscal years 2007-2012, and $326 million for water and sewer system reconstruction during the same period. Of this amount, $705 million 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 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	6-Yr. Total
Water CIP/ESP/EPP……	$ 86,370	$ 114,655	$118,834	$ 64,310	$ 9,470	$ 5,808	$ 399,447
Sewer CIP/ESP/EPP……	93,903	94,276	115,927	72,561	29,904	5,687	412,258
System Reconstruction…	54,300	54,300	54,300	54,200	54,200	54,200	325,500
Total……………………	$ 234,573	$ 263,231	$ 289,061	$ 191,071	$ 93,574	$ 65,695	$1,137,205

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 2002 through fiscal year 2006 are as follows:

	Collections(1)				
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Federal ………………………………	$ 5,978,390	$ -0-	$ -0-	$ -0-	$ -0-
State …………………………………	6,223,099	-0-	803,521	-0-	2,379,202
Total …………………………………	$12,201,489	$ -0-	$803,521	$ -0-	$ -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 5,300 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:

Damascus Plant	Piscataway Plant
Seneca Plant	Western Branch Plant
Parkway Plant	Hyattstown 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)

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 20 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 2006, the Blue Plains Plant received 46.2 billion gallons (bg) of sewage from the Commission system, while the following flows were handled during the year at Commission-operated facilities: Piscataway Plant, 7.3 bg; Western Branch Plant, 6.5 bg.; Parkway Plant, 2.1 bg; Seneca Plant, 5.3 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 5,100 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
2006	1,625,000	5,332	429,664	61,138	167.5	5,172	409,273
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
2002	1,557,000	5,162	410,192	59,609	163.3	5,022	390,317
2001	1,539,000	5,123	405,149	60,288	165.2	4,976	385,492

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 or invest in investment pools. 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 April 15, 2007, 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, 2008, 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 McCants & Associates LLC, 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, 2006 and 2005 and for the years then ended, included in Appendix A, have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing herein.

WASHINGTON SUBURBAN SANITARY COMMISSION

By: /s/ PREM P. AGARWAL
Chair

By: /s/ ANDREW D. BRUNHART
General Manager

ERNST & YOUNG

Ernst & Young LLP
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McLean, VA 22102

Phone: (703) -747-1000
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Report of Independent Auditors

To the Commissioners
Of the Washington Suburban Sanitary Commission:

We have audited the accompanying balance sheets of the Washington Suburban Sanitary Commission as of June 30, 2006 and 2005, 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 the Company'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Suburban Sanitary Commission as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis and schedule of historical pension information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

Ernst + Young LLP

August 25, 2006

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, 2006 and 2005. Please read it in conjunction with WSSC's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2006

- WSSC maintained AAA bond ratings from FitchRatings, Moody's Investor Services, and Standard & Poors.
- Combined water and sewer rates increased in fiscal year 2006.
- A Consent Decree with the Environmental Protection Agency, the Department of Justice, the State of Maryland, and four environmental groups commenced on December 7, 2005. 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 fiscal year 2007 are included in WSSC's budget and capital improvements program.
- Operating revenues increased 3.6%, or $15.9 million. The volume of water delivered to the system rose 1.1% during the fiscal year, and average rates billed to water and sewer customers increased approximately 2.5%.
- 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. All of those employees are eligible to receive a severance package. Total costs of this IT restructure will be paid over 70 weeks beginning in August 2006, and are projected to be $2.7 million.
- Operating expenses decreased $19.6 million during fiscal year 2006. In fiscal year 2005, a $37.5 million loss was recognized for the impairment in value of a biosolids composting facility that was placed in service in 1983. WSSC continues to pursue disposal of this facility. No corresponding loss was recognized in fiscal year 2006. An increase of $4.1 million in expenses can be attributed to rising energy costs. Intermunicipal agency sewage disposal expenses increased $5.1 million as a result of the reconciliation of WSSC's share of estimated and actual expenses, and increased operating costs. Salaries and wages, and related fringe benefits charged to operations increased $5.6 million during the fiscal year. In addition, costs accrued for the IT restructure as of the end of 2006 totaled $2.7 million.
- Capital assets (water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities), net of accumulated depreciation, increased by $144.1 million, while overall debt decreased by $27.1 million.
- The increase in net assets during the year included operating income, net of non-operating expenses, of $95.4 million, and capital contributions of $98.9 million.

Fiscal Year 2005

- WSSC maintained AAA bond ratings from FitchRatings, Moody's Investor Services, and Standard & Poors.
- Combined water and sewer rates increased in fiscal year 2005. This increase followed six consecutive years of stable rates.
- Remedial measures to eliminate and/or reduce Sanitary Sewer Overflows were undertaken pursuant to a proposed Consent Decree, which was executed in July 2005 with the Environmental Protection Agency, the Department of Justice, the State of Maryland, and four environmental

groups. Costs of these remedial measures are estimated at $365 million and are projected to be expended over 12 years. The costs for fiscal year 2006 were included in WSSC's budget and capital improvements program.

- A fiscal year 2005 bond refunding will reduce WSSC's total debt service payments over the next 20 years by $2.2 million.
- Operating revenues increased $5.4 million. The volume of water delivered to the system rose slightly during the fiscal year, and average rates billed to water and sewer customers increased approximately 2.7%.
- Operating expenses increased $53.0 million during fiscal year 2005. An increase of $4.2 million in expenses can be attributed to rising energy costs. Intermunicipal agency sewage disposal expenses increased $2.2 million primarily as a result of the reconciliation of WSSC's share of estimated and actual expenses. An additional $8.0 million was expended to address remedial maintenance measures relating to Sanitary Sewer Overflows in anticipation of the signing of the Consent Decree. Also, WSSC agreed to pay penalties of $1.1 million related to this agreement and these costs were accrued in fiscal year 2005. During the fiscal year, a $37.5 million loss was recognized for the impairment in value of one of WSSC's capital assets. This capital asset, a composting facility for biosolids handling was placed in service in 1983. Total costs to construct this facility and acquire the land were $68.7 million. Contributions to aid in the construction were provided by Federal and State governments in the form of grants and totaled $29.0 million. Additional funding of $19.8 million was received from our regional partners. Operations of the composting facility ceased in 1999. In fiscal year 2005, WSSC took steps to commence disposal of this facility. An impairment loss was recorded to reduce this asset's carrying amount to its estimated fair value.
- Capital assets (water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities), net of accumulated depreciation, increased by $87.8 million, while overall debt increased by $8.7 million.
- The increase in net assets during the year included operating income, net of non-operating expenses, of $49.0 million, and capital contributions of $92.5 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

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 2006

WSSC's net assets increased 7.1% to $2,930.6 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 3.7% to $4,054.9 million. Unused bond proceeds at the end of the year increased to $63.1 million. Investments are restricted for unused bond proceeds and classified as non-current assets. During fiscal year 2006, developers constructed $59.0 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 1.8% to $1,444.7 million. Capital contributions of $98.9 million and operating revenues of $5.0 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 2005

WSSC's net assets increased 5.5% to $2,736.3 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 2.3% to $3,910.8 million. Unused bond proceeds at the end of the year increased to $53.4 million. Investments were restricted for unused bond proceeds and classified as non-current assets. During fiscal year 2005, developers constructed $45.2 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, increased .6% to $1,471.8 million. Capital contributions of $92.5 million and operating revenues of $7.0 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 Note H of the financial statements.

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

	FY 2006	FY 2005	FY 2004	FY 2006 % Change	FY 2005 % Change
Current and other assets	$ 499.6	$ 486.4	$ 420.5	2.7	15.7
Capital assets, net of accumulated depreciation	4,054.9	3,910.8	3,823.0	3.7	2.3
Total assets	4,554.5	4,397.2	4,243.5	3.6	3.6
Current and other liabilities	422.7	427.3	483.7	(1.1)	(11.7)
Bonds and notes payable, net of current maturities	1,201.2	1,233.6	1,165.0	(2.6)	5.9
Total liabilities	1,623.9	1,660.9	1,648.7	(2.2)	0.7
Net assets:					
Invested in capital assets, net of related debt	2,673.3	2,492.5	2,390.2	7.3	4.3
Restricted for growth construction	105.9	91.9	73.7	15.2	24.7
Unrestricted	151.4	151.9	130.9	(0.3)	16.0
Total net assets	$ 2,930.6	$ 2,736.3	$ 2,594.8	7.1	5.5

Changes in Net Assets

Fiscal Year 2006

WSSC's operating revenues increased $15.9 million (See Table A-2). The amount of water delivered to the system rose 1.1% during the fiscal year, and average rates billed to water and sewer customers increased approximately 2.5%. Operating expenses decreased by 5.4% to $346.7 million. In fiscal year 2005, a $37.5 million loss was recognized for the impairment in value of a biosolids composting facility that was placed in service in 1983. WSSC continues to pursue disposal of this facility. No corresponding loss was recognized in fiscal year 2006. An increase of $4.1 million in expenses can be attributed to rising energy costs. Intermunicipal agency sewage disposal expenses increased $5.1 million as a result of the reconciliation of WSSC's share of estimated and actual expenses, and increased operating costs. Salaries and wages, and related fringe benefits charged to operations increased $5.3 million during the fiscal year. In addition, costs accrued for the IT restructure as of the end of 2006 totaled $2.7 million.

The net result of an increase in revenues and a decrease in expenses, primarily the impairment loss, during the year resulted in a 94.7% increase in income before contributions to $95.4 million. Capital contributions increased by 6.9% to $98.9 million.

Fiscal Year 2005

WSSC's operating revenues increased $5.4 million (See Table A-2). The amount of water delivered to the system rose slightly during the fiscal year, and average rates billed to water and sewer customers increased approximately 2.7%. Operating expenses increased by 16.9% to $366.3 million. An increase of $4.2 million in expenses was attributed to rising energy costs. Intermunicipal agency sewage disposal expenses increased $2.2 million primarily as a result of the reconciliation of WSSC's share of estimated and actual expenses. An additional $8.0 million was expended to address remedial maintenance issues related to Sanitary Sewer Overflows in anticipation of the signing of the Consent Decree. Also, WSSC agreed to pay penalties of $1.1 million related to this agreement and these costs were accrued in fiscal year 2005. During the fiscal year, a $37.5 million loss was recognized for the impairment in value of one of WSSC's capital assets. This capital asset, a composting facility for biosolids handling, was placed in service in 1983. Total costs to construct this facility and acquire the land were $68.7 million. Contributions to aid in the construction were provided by Federal and State governments in the form of grants and totaled $29.0 million. Additional funding of $19.8 million was received from our regional partners. Operations of the composting facility ceased in 1999. In fiscal year 2005, WSSC took steps to commence disposal of this facility. An impairment loss was recorded to reduce this asset's carrying amount to its estimated fair value.

The net result of increases in revenues and expenses during the year resulted in a 46.4% decline in income before contributions to $49.0 million. Capital contributions increased by 34.6% to $92.5 million. Total footage of water and sewer mains constructed and donated by developers in 2005 increased 91% in comparison to 2004. Total units of water and sewer house connections constructed by developers in 2005 increased 54% in comparison to 2004.

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

	FY 2006	FY 2005	FY 2004	FY 2006 % Change	FY 2005 % Change
Operating revenues	$ 458.6	$ 442.7	$ 437.3	3.6	1.2
Operating expenses	(346.7)	(366.3)	(313.3)	5.4	(16.9)
Non-operating revenues (expenses)	(16.5)	(27.4)	(32.5)	39.8	15.7
Income before contributions	95.4	49.0	91.5	94.7	(46.4)
Capital contributions	98.9	92.5	68.7	6.9	34.6
Changes in net assets	$ 194.3	$ 141.5	$ 160.2	37.3	(11.7)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Fiscal Year 2006

As of June 30, 2006, WSSC had invested $4,054.9 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 $144.1 million, or 3.7%, over fiscal year 2005.

Fiscal Year 2005

As of June 30, 2005, WSSC had invested $3,910.8 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 represented a net increase of $87.8 million, or 2.3%, over fiscal year 2004. A $37.5 million loss was recorded for the impairment in value of a composting facility, and Sewage Disposal capital assets were reduced accordingly and presented in Table A-3.

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

	FY 2006	FY 2005	FY 2004	FY 2006 % Change	FY 2005 % Change
Land and rights of way	$ 80.9	$ 80.5	$ 80.9	0.5	(0.5)
Construction in progress	720.2	626.4	526.6	15.0	19.0
Water supply	937.5	920.1	916.3	1.9	0.4
Sewage disposal	1,008.4	1,021.1	1,065.4	(1.2)	(4.2)
General construction	1,292.5	1,249.0	1,221.6	3.5	2.2
Other	15.4	13.7	12.2	12.4	12.3
Total capital assets	$ 4,054.9	$ 3,910.8	$ 3,823.0	3.7	2.3

Capital assets completed and placed in service increased $23.9 million or 20%, in comparison to fiscal year 2005. Major additions to capital assets being depreciated during fiscal years 2006 and 2005 are illustrated in Tables A-4 and A-5, respectively.

TABLE A-4
WSSC's Additions to Capital Assets Being Depreciated
Fiscal Year 2006
(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	$ 4.1	$ 1.3	
Water and sewer mains	37.8	4.7	$10.0
Water meters			2.3
House connections			11.7
Water filtration facilities	1.1		
Wastewater treatment facilities		2.4	
Pumping stations		0.1	
Joint-use facilities		8.3	
Constructed and contributed by developers:			
House connections			7.3
Wastewater pumping stations			
Water and sewer mains			51.8
Total fiscal year 2006 additions to capital assets being depreciated	$43.0	$16.8	$83.1

TABLE A-5
WSSC's Additions to Capital Assets Being Depreciated
Fiscal Year 2005
(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	$16.8	$ 2.6	
Water and sewer mains	2.4	14.8	$ 8.9
Water meters			2.4
House connections			10.8
Water filtration facilities	9.7		
Wastewater treatment facilities		3.9	
Pumping stations		1.5	
Constructed and contributed by developers:			
House connections			7.5
Wastewater pumping stations		1.2	
Water and sewer mains	0.1		36.4
Total fiscal year 2005 additions to capital assets being depreciated	$29.0	$24.0	$66.0

Bonds and Notes Payable

Fiscal Year 2006

At the end of fiscal year 2006, bonds and notes outstanding totaled $1,444.7 million. This is a 1.8% decrease from the previous fiscal year.

Fiscal Year 2005

At the end of fiscal year 2005, bonds and notes outstanding totaled $1,471.8 million. This is an .6% increase from the previous fiscal year. A bond refunding during the year will reduce WSSC's total debt service payments over the next 20 years by $2.2 million. A more detailed description of WSSC's bond refundings can be found in Notes I and J of the financial statements.

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 2006	FY 2005	FY 2004	FY 2006 % Change	FY 2005 % Change
Water supply	$ 375.2	$ 365.7	$ 347.6	2.6	5.2
Sewage disposal	414.1	399.7	378.8	3.6	5.5
General construction	652.7	703.2	732.2	(7.2)	(4.0)
Storm water drainage	2.7	3.2	4.5	(15.6)	(28.9)
Total	1,444.7	1,471.8	1,463.1	(1.8)	0.6
Current maturities	243.5	238.2	297.6	2.2	(20.0)
Long-term portion	1,201.2	1,233.6	1,165.5	(2.6)	5.8
Total bonds and notes payable	$ 1,444.7	$ 1,471.8	$ 1,463.1	(1.8)	0.6

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 in fiscal years 2005 and 2006. 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, 2006 and 2005, the calculated limits were $6,436.6 million and $5,724.9 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, 2006 AND 2005
(in thousands)

	2006	2005
ASSETS		
Current assets:		
Cash (Note B)	$ 11,226	$ 371
Short-term investments (Note B)	299,591	311,700
Receivables, net (Note C)	100,494	103,373
Prepaid expenses	287	324
Materials and supplies, at average cost	8,831	8,784
Total current assets	420,429	424,552
Non-current assets:		
Capital assets, net of accumulated depreciation (Note E)	4,054,939	3,910,784
Long-term investments (Note B)	71,069	53,435
Federal and State grants receivable	2,895	2,658
Deferred charges and other assets (Note D)	5,173	5,815
Total non-current assets	4,134,076	3,972,692
Total assets	$4,554,505	$ 4,397,244
LIABILITIES		
Current liabilities:		
Bonds and notes payable, current maturities (Note I)	$ 243,563	$ 238,196
Accounts payable and accrued expenses	88,057	94,866
Accrued bond and note interest payable	14,930	15,594
Deposits and deferred credits (Note H)	2,862	4,082
Total current liabilities	349,412	352,738
Non-current liabilities:		
Bonds and notes payable, net of current maturities (Notes I and J)	1,201,167	1,233,572
Long-term pension liability (Note K)	40,033	41,624
Deposits, deferred credits and other long-term liabilities (Note H)	33,247	32,996
Total non-current liabilities	1,274,447	1,308,192
Total liabilities	1,623,859	1,660,930
COMMITMENTS AND CONTINGENCIES (Note M)		
NET ASSETS		
Invested in capital assets, net of related debt	2,673,278	2,492,451
Restricted for growth construction	105,886	91,906
Unrestricted	151,482	151,957
Total net assets	2,930,646	2,736,314
Total liabilities and net assets	$4,554,505	$4,397,244

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, 2006 AND 2005
(in thousands)

	2006	2005
OPERATING REVENUES:		
Water consumption, sewer use and service charges	$ 362,542	$ 346,052
Front foot benefit assessments	66,497	68,549
House connection charges	11,689	11,123
Other	17,904	16,955
Total operating revenues	458,632	442,679
OPERATING EXPENSES:		
Operations	68,915	60,420
Maintenance	80,605	79,025
Intermunicipal agency sewage disposal	46,542	41,555
Administrative and general	56,482	53,843
Depreciation and amortization	94,112	93,961
Impairment of capital asset (Note E)	–	37,473
Total operating expenses	346,656	366,277
Net operating revenue	111,976	76,402
NON-OPERATING REVENUES (EXPENSES):		
Interest on bonds and notes payable	(69,460)	(63,611)
Capitalized interest	28,375	19,577
Prince George's County storm drain debt service reimbursement	771	1,549
Interest income on investments	17,791	8,415
Other interest income	5,994	6,653
Net non-operating expenses	(16,529)	(27,417)
Income before capital contributions	95,447	48,985
Capital contributions	98,885	92,499
Changes in net assets	194,332	141,484
Net assets, beginning of year	2,736,314	2,594,830
Net assets, end of year	$2,930,646	$2,736,314

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, 2006 AND 2005
(in thousands)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from water and sewer customers	$ 362,066	$ 348,780
Receipts from front foot benefit assessments	67,975	67,702
Receipts from house connection charges	11,689	11,123
Receipts from other customers and miscellaneous	37,925	25,253
Payments to employees	(110,323)	(109,414)
Payments to District of Columbia Water & Sewer Authority	(39,732)	(35,564)
Payments to suppliers and others	(112,116)	(90,526)
Net cash provided by operating activities	217,484	217,354
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from bonds and notes	181,148	287,298
Proceeds from sale of capital asset	–	1,029
Capital contributions	40,035	48,462
Prince George's County storm drain debt service reimbursement	771	1,549
Bond redemptions and note repayments	(209,953)	(293,042)
Interest payments, premiums and discounts on bonds and notes	(62,632)	(46,036)
Capital asset construction	(168,263)	(159,009)
Net cash used in capital and related financing activities	(218,894)	(159,749)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of investments	2,354,334	2,074,010
Purchases of investments	(2,358,668)	(2,139,032)
Interest income received	16,599	7,700
Net cash provided (used) by investing activities	12,265	(57,322)
Net increase in cash	10,855	283
Cash, beginning of year	371	88
Cash, end of year	$ 11,226	$ 371
Cash flows from operating activities:		
Net operating revenue	$ 111,976	$ 76,402
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation and amortization	97,869	97,882
Impairment of capital asset	–	37,473
Changes in assets and liabilities:		
Decrease (increase) in receivables, net	2,879	(1,271)
(Increase) decrease in materials and supplies	(46)	62
Decrease in deferred charges and other assets	37	55
Increase in accounts payable and accrued liabilities	7,485	7,181
(Decrease) increase in deferred credits	(1,422)	1,765
Decrease in long-term pension liability	(1,294)	(2,195)
Net cash provided by operating activities	$ 217,484	$ 217,354

Noncash capital financing activities:

Capital assets of $59,066 and $46,165 were acquired through contributions from developers in 2006 and 2005, 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.

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 2006 or 2005.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 years in fiscal 2006 and 2005.

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

Reclassifications

The 2005 financial statements reflect certain reclassifications to conform with the 2006 presentation.

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 J).

Contributions of Capital Assets

WSSC follows Governmental Accounting Standards Board Statements 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).

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2006, and 2005, unspent bond proceeds totaled $63,069,000, and $53,435,000, 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. GASB No. 45 will require WSSC to record a liability for certain postemployment benefits. WSSC has not determined the impact of this pronouncement on the financial statements at this time. For WSSC, GASB No. 45 will not be effective until the year ending June 30, 2008.

B. CASH AND INVESTMENTS

At June 30, 2006 and 2005, cash per WSSC's records amounted to $11,226,000 and $371,000, respectively, and per reported bank balances was $11,998,000 and $1,514,000, respectively. Funds previously maintained in an account which was swept each night for investment in overnight repurchase agreements, were transferred to an interest-bearing checking account during the year. The balance of this account was $11,079,000 at June 30, 2006. All collected bank balance funds were secured by Federal depository insurance or by collateral held in WSSC's name by the Federal Reserve Bank.

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 on the following page. 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.

B. CASH AND INVESTMENTS (continued)

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 to have a market value of at least 102 percent of the principal of the investment plus accrued interest. At June 30, 2006 and 2005, 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, 2006 and 2005, 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, 2006 and 2005 are presented on the following page for each investment type.

B. CASH AND INVESTMENTS (continued)

Investments at June 30, 2006 (in thousands):

Investment Type	Credit Rating	Remaining Maturity	Cost	Fair Value
Federal agency securities	Aaa	1 year or less	$ 184,251	$ 184,329
Commercial paper	P-1	1 year or less	14,911	15,000
Repurchase agreements	Aaa	1 year or less	171,498	171,498
Total investments (includes $71,069 restricted for capital projects, classified as non-current)			$ 370,660	$ 370,827

Investments at June 30, 2005 (in thousands):

Investment Type	Credit Rating	Remaining Maturity	Cost	Fair Value
Federal agency securities	Aaa	1 year or less	$ 219,524	$ 219,582
Commercial paper	P-1	1 year or less	14,965	15,000
Repurchase agreements	Aaa	1 year or less	130,646	130,646
Total investments (includes $53,435 restricted for capital projects, classified as non-current)			$ 365,135	$ 365,228

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, 2006 (in thousands)
FHLB	Federal agency securities	$19,767
FNMA	Federal agency securities	79,419
FHLMC	Federal agency securities	79,139
FNMA	Collateral securities for repurchase agreements	89,561
FHLMC	Collateral securities for repurchase agreements	60,439

B. CASH AND INVESTMENTS (continued)

Issuer	Investment Type	Reported Amount at June 30, 2005 (in thousands)
FHLB	Federal agency securities	$59,614
FNMA	Federal agency securities	74,588
FHLMC	Federal agency securities	84,569
FNMA	Collateral securities for repurchase agreements	50,343
FHLMC	Collateral securities for repurchase agreements	29,657

C. RECEIVABLES

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

	2006	2005
Front foot benefit assessments accrued and billed	$ 40,328	$ 42,196
Water and sewer services unbilled	34,149	33,574
Water and sewer services billed	25,504	27,220
Services billed to others and miscellaneous	4,773	4,480
	104,754	107,470
Less allowance for doubtful accounts	(4,260)	(4,097)
Total receivables, net	$100,494	$103,373

D. DEFERRED CHARGES AND OTHER ASSETS

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

	2006	2005
Net deferred cost of storm water drainage property transferred to Prince George's County	$2,663	$3,264
Unamortized issuance cost of refunding bonds	2,510	2,551
Total	$5,173	$5,815

E. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and rights of way	$ 80,541	$ 347	$ (2)	$ 80,886
Construction in progress	626,356	171,475	(77,646)	720,185
Total capital assets not being depreciated	706,897	171,822	(77,648)	801,071
Capital assets being depreciated:				
Water supply	1,260,609	42,991	(357)	1,303,243
Sewage disposal	1,578,122	16,802	(211)	1,594,713
General construction	1,950,627	83,108	(2,098)	2,031,637
Other	72,947	5,553	(3,046)	75,454
Total capital assets being depreciated	4,862,305	148,454	(5,712)	5,005,047
Less accumulated depreciation for:				
Water supply	(340,534)	(25,205)	3	(365,736)
Sewage disposal	(519,527)	(29,285)	-	(548,812)
General construction	(701,609)	(39,551)	2,033	(739,127)
Other	(59,276)	(3,757)	3,001	(60,032)
Total accumulated depreciation	(1,620,946)	(97,798)	5,037	(1,713,707)
Capital assets being depreciated, net	3,241,359	50,656	(675)	3,291,340
Reserve for impairment in value	(37,472)	-	-	(37,472)
Total capital assets, net	$3,910,784	$222,478	$ (78,323)	$ 4,054,939

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

E. CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2005 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and rights of way	$ 80,938	$ 77	$ (474)	$ 80,541
Construction in progress	526,626	155,644	(55,914)	626,356
Total capital assets not being depreciated	607,564	155,721	(56,388)	706,897
Capital assets being depreciated:				
Water supply	1,232,010	28,983	(384)	1,260,609
Sewage disposal	1,554,363	23,992	(233)	1,578,122
General construction	1,897,190	66,090	(12,653)	1,950,627
Other	71,132	5,483	(3,668)	72,947
Total capital assets being depreciated	4,754,695	124,548	(16,938)	4,862,305
Less accumulated depreciation for:				
Water supply	(315,696)	(24,838)	-	(340,534)
Sewage disposal	(488,933)	(30,595)	1	(519,527)
General construction	(675,566)	(38,615)	12,572	(701,609)
Other	(58,977)	(3,921)	3,622	(59,276)
Total accumulated depreciation	(1,539,172)	(97,969)	16,195	(1,620,946)
Capital assets being depreciated, net	3,215,523	26,579	(743)	3,241,359
Reserve for impairment in value	-	-	(37,472)	(37,472)
Total capital assets, net	$ 3,823,087	$182,300	$ (94,603)	$ 3,910,784

A $37.5 million loss was recorded for the impairment in value of one of WSSC's capital assets. This capital asset, a composting facility for biosolids handling was placed in service in 1983. Total costs to construct this facility and acquire the land were $68.7 million. Contributions to aid in the construction were provided by Federal and State governments in the form of grants and totaled $29.0 million. Additional funding of $19.8 million was received from our regional partners. Operations of the composting facility ceased in 1999. In fiscal 2005, WSSC took steps to commence disposal of this facility. An impairment loss was recorded to reduce this asset's carrying amount to its estimated fair value.

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, $3,757,000 in fiscal 2006 and $3,921,000 in fiscal 2005, 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 is effective for the year ending June 30, 2006, and it 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 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, will be paid over 70 weeks beginning in August 2006, and are projected to be $2,665,000.

G. CAPITAL CONTRIBUTIONS

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

	2006	2005
System development charges	$31,676	$36,629
Developer fees	7,906	10,549
Federal and State water pollution control grants	237	156
Donated assets:		
House connections	7,279	7,528
Other construction projects	51,787	37,637
Total	$98,885	$92,499

H. 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):

	2006	2005
Deferred revenue for house connections	$20,091	$20,003
Deferred front foot benefit revenue	4,441	4,873
Construction deposits	5,222	4,789
House connection deposits	2,990	3,058
Other	503	273
Total	$33,247	$32,996

I. BONDS AND NOTES PAYABLE

Bonds and notes payable activity for the year ended June 30, 2006 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Bonds and notes payable:					
Water supply	$ 359,330	$ 65,000	$ (55,678)	$ 368,652	$ 59,554
Sewage disposal	391,763	106,148	(91,939)	405,972	108,625
General construction	705,033	10,000	(61,746)	653,287	74,784
Storm water drainage	3,245	—	(590)	2,655	600
	1,459,371	181,148	(209,953)	1,430,566	243,563
Plus deferred amount	12,397	2,368	(601)	14,164	—
Total bonds and notes payable	$1,471,768	$ 183,516	$(210,554)	$1,444,730	$243,563

Bonds and notes payable activity for the year ended June 30, 2005 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Bonds and notes payable:					
Water supply	$ 345,382	$ 97,320	$ (83,372)	$ 359,330	$ 62,328
Sewage disposal	377,312	138,915	(124,464)	391,763	113,531
General construction	737,881	51,117	(83,965)	705,033	61,747
Storm water drainage	4,540	—	(1,295)	3,245	590
	1,465,115	287,352	(293,096)	1,459,371	238,196
Plus deferred amount	(1,975)	(13,533)	27,905	12,397	—
Total bonds and notes payable	$1,463,140	$ 273,819	$(265,191)	$1,471,768	$238,196

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 7.0%, with an effective interest rate of 4.57% at June 30, 2006. All bonds payable at June 30, 2006, exclusive of refunded bonds, are due serially through the year 2029. Generally, the bonds are callable at a premium after a specified number of years.

I. BONDS AND NOTES PAYABLE (continued)

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
2007	$243,563	$63,589
2008	139,197	56,657
2009	135,563	51,437
2010	131,474	44,584
2011	112,860	38,122

Bond and note maturities and interest thereon in five-year increments for fiscal years after 2011are as follows (in thousands):

Years ended June 30	Principal Maturities	Interest Requirements
2012- 2016	$392,592	$122,558
2017- 2021	195,371	49,992
2022 - 2026	73,252	11,859
2027- 2031	5,222	1,114
2032- 2035	1,472	220

During fiscal 2006 and 2005, WSSC issued $10.0 million and $30.0 million, respectively, of weekly maturing Bond Anticipation Notes (the Notes) to fund current construction. The Notes were remarketed weekly by WSSC's remarketing agent at prevailing weekly tax-exempt interest rates. Interest rates on the Notes ranged from 2.03% to 3.87% during fiscal 2006, and from .99% to 3.00% during fiscal 2005. 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. The maximum amount available under the line of credit, which expires in June 2015, and is subject to certain conditions, is $215 million.

I. BONDS AND NOTES PAYABLE (continued)

During fiscal 2005, WSSC issued $173.2 million of bonds, of which $94.6 million was used to redeem certain Notes outstanding as of June 30, 2004. WSSC utilized $18.5 million in available cash to redeem a portion of the Notes in fiscal 2005. At June 30, 2006 and 2005, $98.6 million and $99.0 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 $98.6 million has been included in current maturities (fiscal 2006 principal maturities), and an estimated $3.5 million has been included in the fiscal 2006 interest requirements. Additional estimated interest requirements at prevailing rates through 2026 on these Notes, assuming future redemption from proceeds of bonds, would total $42.8 million.

During fiscal 2006 and 2005, WSSC issued $100.0 million and $78.6 million, respectively, of bonds to fund new construction.

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, 2006, WSSC had borrowed $81.3 million from the program.

WSSC is in compliance with all terms of its debt agreements at June 30, 2006.

J. BOND REFUNDINGS

In March 2005, WSSC sold $62,510,000 of refunding bonds with interest rates of 5.0% to advance refund $63,980,000 of outstanding callable water supply, sewage disposal and general construction bonds with interest rates ranging from 4.3% to 5.25%. The net proceeds of $66,860,000 (including a premium of $4,713,000 and after payment of $96,000 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 March 2005 refunding reduced WSSC's total debt service payments over the next 20 years by $2,201,000 and provided an economic gain of $2,348,000.

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

J. BOND REFUNDINGS (continued)

In prior years, WSSC sold refunding bonds totalling $3,056,375,000 for the purpose of refunding and defeasing $2,934,115,000 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 2022 using the proportionate-to-stated interest method. Amortization totaling $10,429,000 and $11,595,000, in fiscal 2006 and 2005, respectively, was recorded as interest on bonds and notes payable in the accompanying statements of revenues, expenses and changes in net assets.

J. 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
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, 2006 and 2005, which amounted to $128,440,000 and $159,640,000, respectively, are considered to be defeased and are not reflected in the accompanying financial statements.

K. 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 Statements 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 $545,000.

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, 2005 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	Group Annuity - 1983 tables adjusted.
Retirement age assumptions	Ranging from age 45 to 69.

K. 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 $89,386,000, and the total actual payroll was $91,080,000. 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 2006 and fiscal 2005 are (in thousands):

	2006	2005
Annual required contribution	$11,171	$ 9,021
Interest on long-term pension liability	2,965	3,083
Annual pension cost	14,136	12,104
Contributions made	(15,727)	(14,808)
Decrease in long-term pension liability	(1,591)	(2,704)
Long-term pension liability – beginning of year	41,624	44,328
Long-term pension liability – end of year	$40,033	$41,624

The difference between the amount contributed and the amount charged to operating expenses and capital assets is recorded as a reduction 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, 2005 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 2006 and 2005, the Restoration Plan paid benefits totaling $33,000 and $33,000, respectively.

K. RETIREMENT PLAN (continued)

Post Retirement Benefits

In addition to providing pension benefits, WSSC provides certain health care and life insurance benefits for retired employees.

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 2006, substantially all of the 1,455 retired employees (or beneficiaries) are eligible for those benefits. WSSC contributes from 78% to 80% of the amount of health care insurance costs for eligible retired employees and their families. Health care benefits are expensed as insurance costs are incurred, rather than over the service life of the employee. During fiscal 2006 and 2005, WSSC expensed approximately $10,779,000 and $9,562,000, respectively, for post retirement benefits. If such costs were accrued over the lives of employees, the amount expensed on an annual basis would be substantially greater and a liability for amounts to be funded in the future for services rendered to date would need to be recorded.

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. During fiscal 2006, WSSC paid premiums of $56,000 for 1,035 retirees, and, during fiscal 2005, paid $53,000 for 1,013 retirees. The cost of these benefits are expensed when the premiums are paid, rather than over the service life of the employee.

L. 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.

M. COMMITMENTS AND CONTINGENCIES

Construction expenditures for fiscal 2007 are not expected to exceed $255 million, a portion of which will be funded by capital contributions. Commitments in connection with this construction program approximated $29 million at June 30, 2006.

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

M. COMMITMENTS AND CONTINGENCIES (continued)

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 $389 million and are to be expended over 12 years. 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 has committed to purchase these systems for $12 million. The closing date for this acquisition is scheduled to occur in fiscal 2007.

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.

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.

During fiscal 2006 and 2005, WSSC leased various equipment with annual rental payments of approximately $557,000 and $278,000, respectively. There are no annual commitments under long term non-cancelable operating leases as of June 30, 2006.

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
2003	$530,071	$579,970	$49,899	91.4%	$86,048	58.0%
2004	549,682	596,274	46,592	92.2	89,386	52.1
2005	572,870	616,371	43,501	92.9	88,934	48.9

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Long-Term Pension Liability
2004	$11,858	125%	$ 44,328
2005	12,104	122	41,624
2006	14,136	111	40,033

SELECTED INFORMATION RESPECTING MONTGOMERY COUNTY AND PRINCE GEORGE'S 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%
2006…………………………	351,000	953,000	8.5
2005…………………………	348,100	942,000	7.2
2004…………………………	346,200	921,631	4.9
2003…………………………	341,300	916,073	4.3
2002…………………………	334,500	906,863	3.2
2001…………………………	329,000	893,927	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 2004 from the Bureau of Economic Analysis, U.S. Department of Commerce. Data for households for 2001 to 2006 from *Sales and Marketing Management* issues of "Survey of Buying Power." Estimates and forecasts for households and population in 2005, 2006 and 2010 derived from the Demographic Forecast Model from M-NCPPC (Round 7.0).

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 17 percent in 2005. The service sector (trade, information services, financial activities, professional services, education and health, and hospitality) employed 73.1 percent of the total workforce in 2005, the latest available annual data. The following tables present the County's employment by industrial sector.

Payroll Employment

	1990	2000	2005
TOTAL PRIVATE SECTOR …………	307,490	365,022	380,722
PUBLIC SECTOR EMPLOYMENT:…			
Federal ………………………………	42,713	39,615	39,968
State …………………………………	1,634	1,100	1,043
Local …………………………………	27,011	33,084	36,935
TOTAL PUBLIC SECTOR ……………	71,358	73,799	77,946
GRAND TOTAL ………………………	378,848	438,821	458,668

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	2005
TOTAL PRIVATE SECTOR …………	81.2%	83.2%	83.0%
PUBLIC SECTOR EMPLOYMENT:			
Federal ………………………………	11.3	9.0	8.7
State …………………………………	0.4	0.3	0.2
Local …………………………………	7.1	7.5	8.1
TOTAL PUBLIC SECTOR ……………	18.8	16.8	17.0
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 2004 and 2005 based on the new classification system.

Payroll Employment
(NAICS Series)*

	2004**	2005	Difference	Percent Change
TOTAL PRIVATE SECTOR……………	370,954	380,722	9,768	2.6%
GOODS-PRODUCING …………………	45,262	44,867	(395)	-0.9%
Natural Resources and Mining…………	682	709	27	4.0%
Construction……………………………	29,117	29,444	327	1.1%
Manufacturing …………………………	15,463	14,714	(749)	-4.8%
SERVICE PROVIDING ………………	325,046	335,237	10,191	3.1%
Trade, Transportation, and Utilities …	64,367	64,990	623	1.0%
Information ……………………………	14,832	15,105	273	1.8%
Financial Activities ……………………	34,598	36,127	1,529	4.4%
Professional and Business Services……	96,406	101,111	4,705	4.9%
Education and Health Services ………	55,205	56,698	1,493	2.7%
Leisure and Hospitality ………………	38,331	39,505	1,174	3.1%
Other Services …………………………	21,307	21,701	394	1.8%
UNCLASSIFIED ………………………	646	618	(28)	-4.3%
PUBLIC SECTOR EMPLOYMENT …	77,828	77,946	118	0.2%
Federal Government …………………	40,661	39,968	(693)	-1.7%
State Government ……………………	1,062	1,043	(19)	-1.8%
Local Government ……………………	36,105	36,935	830	2.3%
GRAND TOTAL ………………………	448,782	458,668	9,886	2.2%

* North American Industrial Classification System.
** Data for 2004 revised by the Maryland Department of Labor, Licensing and Regulation.

During first nine months of 2006, the County's unemployment rate averaged 2.6 percent. The following table presents the County's labor force, employment and unemployment for the calendar years 1997 through 2005, and for the first nine months of 2006.

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Montgomery County's Resident Labor Force
Employment & Unemployment*

	Labor Force	Employment	Unemployment	Unemployment Rate
2006**………	521,715	507,331	14,384	2.8%
2005…………	507,644	491,801	15,843	3.1
2004…………	497,616	481,647	15,969	3.2
2003…………	497,410	480,802	16,608	3.3
2002…………	495,669	478,377	17,292	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 nine months of 2005 and 2006.

Federal Government Employment

The County is home to 23 Federal agencies in which nearly 64,000 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 2005.

Department of Health and Human Services …………………………	39,000
National Institutes of Health ………………………………………	
Food and Drug Administration ……………………………………	
Other ………………………………………………………………	
Department of Defense………………………………………………	13,670
David Taylor Research Center ……………………………………	
Naval Medical Command …………………………………………	
Defense Mapping Agency …………………………………………	
Army Laboratory Center …………………………………………	
Walter Reed Army Medical Center/Institute of Research …………	
Other ………………………………………………………………	
Department of Commerce …………………………………………	6,678
National Institute of Standards & Technology ……………………	
National Oceanic & Atmospheric Administration…………………	
Department of Energy ………………………………………………	2,200
Nuclear Regulatory Commission……………………………………	2,100
Consumer Product Safety Commission ……………………………	329

Source: M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center (2005 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*	6,951
Giant Food Corporation	4,900
Chevy Chase Bank	4,700
Lockheed Martin	3,900
Marriott International, Inc. (Headquarters)	3,500
Hughes Network Systems	3,200
IBM	3,400
Sodexho Marriott Services	3,000
Holy Cross Health	2,900
Red Coats, Inc.	2,700
Westat	2,170
Discovery Communications, Inc.	2,000
BAE Systems	1,820
Montgomery General Hospital	1,750
Safeway Stores, Inc.	1,700
Government Employees Insurance Company (GEICO)	1,650
Kaiser Foundation Health Plan	1,622
Aspen Systems	1,600
Bureau of National Affairs	1,600
Suburban Hospital	1,550
National Association of Securities Dealers	1,330
Mid-Atlantic Medical Services, Inc.	1,200
MedImmune	1,000
Miller & Long	1,000
Human Genome Sciences	1,000

*Includes Shady Grove and Washington Adventist Hospitals

Note: The employee numbers listed are best estimates taken during the 4th quarter of 2005 from various sources, including first-hand research by the County's Department of Economic Development, the Montgomery County Department of Park and Planning Research and Technology Center, CoStar Tenant, and company websites.

Personal Income

Actual personal income of County residents approached $52.2 billion in calendar year 2004 and is estimated to total approximately $58.6 billion in 2006. Income in 2004 experienced strong growth of 7 percent, slightly higher than the nation's growth rate of 6.2 percent, but below the State's rate at 7.2 percent. By contrast, growth in 2005 is estimated to decelerate slightly to 6.7 percent, which is significantly above the nine-year annual average growth rate of 5.8 percent, and then moderate to 5.7 percent in 2006. Strong private-sector employment from 2004 to the first nine months of 2006, the latest date for which data are available, is the primary reason for the pickup in personal income growth.

The County, which accounts for just over 16 percent of the State's population, accounted for 23.6 percent of the State's total personal income in 2004, 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
2006 (est.) ……	$58,900	$250,248	$10,745,422	23.5%
2005 (est.) ……	55,700	235,196	10,224,761	23.7
2004 …………	52,221	221,284	9,717,173	23.6
2003 …………	48,790	206,370	9,150,908	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
1997 …………	33,418	147,843	6,907,332	22.6

Notes: Actual data from U.S. Department of Commerce, Bureau of Economic Analysis, revised May 2006 (County).
Estimates for Montgomery County (2005-2006) by Montgomery County Department of Finance.
Estimates for Maryland (2005-2006) and the United States (2006) 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 is estimated to reach $58.9 billion in calendar year 2006, up from $52.2 billion in 2004, and per capita income is expected to reach $61,800 in 2006, up from $56,212 in 2004. Average household income is estimated to increase from $150,841 in 2004 to $167,800 in 2006.

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Per Capita and Average Household Income, 2004

County	Per Capita Income	County	Average Household Income
Marin, CA	$69,115	Fairfield, CT	$169,701
Fairfield, CT	62,979	Westchester, NY	162,574
Westchester,NY	58,952	Morris, NJ	159,986
Morris, NJ	58,817	Nassau, NY	159,329
Arlington, VA	58,310	Marin, CA	159,035
Fairfax, VA	58,266	Fairfax, VA	157,522
Somerset, NJ	57,033	Somerset, NJ	153,671
Montgomery, MD	**56,212**	**Montgomery, MD**	**150,841**
San Mateo, CA	54,807	San Mateo, CA	147,953
Bergen, NJ	53,131	Santa Clara, CA	144,100
Nassau, NY	52,899	Bergen, NJ	142,908
Norfolk, MA	51,627	Lake, IL	141,852
Montgomery, PA	51,207	Chester, PA	136,687
Oakland, MI	50,991	Norfolk, MA	134,370
Middlesex, MA	50,692	Rockland, NY	134,317
Chester, PA	49,743	Howard, MD	133,045
Howard, MD	49,186	Arlington, VA	132,967
Santa Clara, CA	49,132	Contra Costa, CA	130,077
Lake, IL	47,417	Middlesex, MA	129,531
DuPage, IL	47,254	Montgomery, PA	129,148

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 2006, 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 2004, 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. Property tax bills issued after September 30 must be paid within 30 days without interest or penalty. 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 physically inspected and reassessed each year. Any increase in full cash value arising from such reassessment is phased in over the ensuing three taxable years in equal annual installments, although a decline in assessed valuation becomes fully effective in the first year.

Because of growth in new construction through 2005, and improved value of properties, the real property taxable base increased 49.1 percent over the last five years, measured through 2006. Due to a sluggish business investment in personal property the past three fiscal years and an adjustment by the SDAT to assessments of individual personal property, the personal property base decreased at an average annual rate of 3.3 percent in the last three years. 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 property value increased at an average annual rate of 7.6 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
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
2002…	77,574,947,550	4,201,344,590	81,776,292,140	4.57	92.48

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

Tax-exempt properties are excluded from the above figures. In FY06, such exemptions for real property owned by Federal, State, County, and other governmental units, and certain non-profit organizations totaled $11.5 billion. Tax-exempt real property constitutes 8.8 percent of the total assessable base, with 74.8 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
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
2002…	650,352,383	646,920,262	99.47	2,843,239	649,763,501	99.91	21,377,781	3.29

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Tax Rates and Tax Levies, by Purpose

Fiscal	General County (including Education)		Transit		State		Total	
Year	Rate	Levy	Rate	Levy	Rate	Levy	Rate	Levy
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
2002……	0.741	650,352,383	.050	43,984,425	.084	65,703,036	0.875	760,039,844

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 $1.698 in FY06, $1.835 in FY05, $1.878 in FY04, $1.885 in FY03, and $1.852 in FY02; the personal property rate for Transit was $.105 in FY06, $.110 in FY05, $.110 in FY04, $.095 in FY03, and $.125 in FY02 (the State does not tax personal property).

Ten Highest Commercial Property Taxpayers' Assessable Base
As of June 30, 2006

Taxpayer	Total	Real Property	Personal Property	Ratio: Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.……………	$ 725,549,880	$ 6,582,100	$ 718,967,780	0.63%
Verizon…………………………………	638,664,976	31,447,466	607,217,510	0.56
Westfield Shoppingtown Montgomery…	272,112,660	271,420,100	692,560	0.24
Washington Gas Light Co………………	222,128,000	--	222,128,000	0.19
Mirant Mid-Atlantic LLC ………………	199,484,536	72,347,066	127,137,470	0.17
7501 Wisconsin Ave. LLC ……………	182,805,833	182,805,833	--	0.16
Bryant F. Foulger, Trustee ……………	167,030,698	167,030,698	--	0.15
Westfield Shoppingtown Wheaton ……	165,827,404	165,301,244	526,160	0.15
Camalier, Anne D et al, Trustee ………	145,656,253	145,656,253	--	0.13
Democracy Associates…………………	139,800,000	139,800,000	--	0.12
Total	$ 2,859,060,240	$1,182,390,760	$1,676,669,480	2.50%
Assessable Base (June 30, 2006)	$114,360,878,346			

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 FY06. In fact, two entirely different patterns occurred. The number of projects declined steadily at an annual average rate of 27.8 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, but declined 7.6 percent in FY06. While each category within the tax base exhibited volatility from year to year, such volatility did not affect the overall value of new construction, which increased each year although at a lower annual rate than the one experienced during the FY98-FY02 period.

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

Fiscal Year	Construction Starts	Residential	Apartments	Condominiums	Commercial/ Industrial	All Other	Total
2006……………………….	1,582	$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
1997……………………….	2,826	725.9	7.9	56.0	182.9	6.0	978.7
10-Year Summary		$8,642.8	$382.3	$991.9	$3,790.1	$82.0	$13,889.1
Categories as Percent of Total		62.2%	2.8%	7.1%	27.3%	0.6%	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 2005 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. Encompassing approximately 671 acres in an unincorporated area of Montgomery County, the district consists of two residential developments, which provide for the construction of 1,291 single-family and 102 multi-family units. A second district, Kingsview Village Center, was created on July 28, 1998. This district consists of a 112,000 square foot retail shopping center, and 236 multi-family housing units.

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. Upon completion of the three districts in Clarksburg, the most recent development plan consists of approximately 5,100 residential units and 195,000 square feet of retail space.

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, 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, is in engineering and will begin 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 will begin 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 in engineering. This expanded gateway to downtown Silver Spring should start construction in the spring of 2007.

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 Arts & Entertainment District by the State in December 2005. This, along with the Council's enactment in July 2006 of legislation amending the Wheaton Retail Preservation Overlay Zone, provides an opportunity to attract transit-oriented "smart growth" development to downtown Wheaton, with an emphasis on retaining small storefront businesses and attracting more arts-related entities at street level. The County hopes to retain the "Wheaton Marketplace" ambience at street level and to encourage more mixed-use developments to enhance the urban character of the area.

The HOC/Bozzuto air rights residential development is under construction and will include 175 multi-family housing units over the existing Wheaton Transit Station Kiss-and-Ride lot. Approximately 30 percent of the dwelling units proposed will be affordable housing. Construction is expected to take about two years and will also include street-level retail space fronting Georgia Avenue.

In July 2006, the Latino Economic Development Corporation (LEDC) opened a new office at the Gilchrist Center in Wheaton. Established in 1991 as a private, non-profit 501(c)3 entity to help small businesses through micro-loans, business training and technical assistance, they "re-branded" their identity for Montgomery County and are now known as Leading Economic Development in the Community (LEDC), and offer their programs and services to any small business in need of help. In addition, the County continues to work to develop strategies and plans for further assisting existing small businesses in downtown Wheaton, with the goal of helping these businesses stay competitive and successful through enhanced business practices as redevelopment continues.

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 welcomed 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 the near future Nederlander World Wide is expected to transform 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 opened, creating 1,500 new housing units in downtown Bethesda. More 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, a 112,000 square foot project facing Wisconsin Avenue, was developed and is 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 Coop 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, leased in its entirety by the The Mills Corporation. In 2006, Mills relocated its headquarters from Arlington, Virginia to Friendship Heights, bringing over 100 jobs to Montgomery County.

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 7, 2006, Montgomery County has over 133 million square feet of commercial real estate space (office, flex, R&D, industrial, retail). The weighted vacancy rate for the County dropped since November 2005 from 6.7 to 5 percent.

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 Submarket
As of November 7, 2006

Montgomery County Office Market	Total Inventory (Square Feet)	Direct Vacant (Square Feet)	Direct Vacancy Rate	Vacancy Rate w/ Sublet
Bethesda/Chevy Chase ………………	14,421,653	849,344	5.89%	6.85%
Gaithersburg …………………………	22,352,142	1,129,508	5.05%	6.11%
Germantown …………………………	9,138,405	457,597	5.01%	5.33%
Kensington/Wheaton…………………	9,122,490	99,513	1.09%	1.14%
North Bethesda/Potomac ……………	16,431,105	1,142,933	6.96%	8.08%
North Rockville………………………	20,467,804	1,490,821	7.28%	8.72%
North Silver Spring/Rt 29 ……………	11,431,089	264,280	2.31%	2.75%
Rockville ……………………………	17,195,777	902,094	5.25%	5.69%
Silver Spring …………………………	13,184,688	340,827	2.59%	3.24%
Total County	133,745,153	6,676,917	4.99%	5.82%

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 $251 million to the local economy. Over $84 million comes from the County's thriving equine industry, about $125 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). Over 68,000 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 also supports retail 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 2006, 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 Wheaton Business Innovation Center and the groundbreaking of the Rockville Innovation Center (scheduled to open in 2007). 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 2006. 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 Republic Properties Corporation. 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. Republic Properties of Washington, D.C. was selected by the County to serve as the County's private development partner in the project. Republic is 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. Republic's preliminary plan calls for 800,000 square feet of development, including laboratory and biotech manufacturing facilities, a technology business incubator, a higher education facility, a telecommuter building, built-to-suit sites, and a daycare center. The County is currently finalizing the land transfer and development agreements with both WSSC and Republic. While these agreements are being finalized, Republic started on a number of pre-development tasks such as traffic studies and environmental assessments of the ECCST site. Once the final development agreements are in place, it is estimated that groundbreaking on the site will take place in 2007. The entire project is likely to take 10 years to reach full build-out.

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 early 2007.

Downtown Silver Spring/Silver Triangle

The 22-acre downtown Silver Spring redevelopment is nearing completion as of the end of 2006. Discovery Communications' 550,000 square foot corporate headquarters, which houses over 2,000 employees, opened in late 2002. Downtown Silver Spring is also home to the AFI Silver Theater, and a new 20-screen Majestic movie theater. New office construction continues in the area as well, including the 150,000 square foot building at 8515 Georgia Avenue, which opened in 2005 and is home to the American Nurses Association and Worldspace.

Rockville Town Center

The first phase of the $352 million redevelopment of downtown Rockville broke ground in 2004. The 15-acre site is becoming 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. When the project is completed it will consist of approximately 630 residences, 175,000 square feet of retail and restaurants, three public parking garages, the new Rockville library, and several new office buildings. As of the end of 2006, most of the retail space was leased to tenants such as Starbucks, Austin Grill, and Gold's Gym. Rockville Town Center will also be home to the Rockville Innovation Center (RIC) which is the latest addition to the County's Business Incubator Network. The RIC is scheduled to open in the Spring of 2007.

Montgomery County Incubator Network

The Montgomery Incubator program successfully assisted start-up technology 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 40 companies graduated from the County's incubators to lease nearly 400,000 square feet of private office space and create over 1,000 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 is scheduled to open in early 2007 (described below). Two others are proposed for the ECCST 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 10,000 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 the County is in negotiations to expand the facility by leasing additional adjacent space in the building.

Rockville Innovation Center (RIC)

The County will be opening the RIC in the first quarter of 2007 in the newly re-developed downtown Rockville. The facility will be approximately 27,000 square feet of office condominium space that is to be purchased by Montgomery County. The purchase is to be 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 2006

Chevy Chase Center (5425 Wisconsin Avenue, Chevy Chase)

Chevy Chase Center is the latest building to be constructed in Montgomery County. Completed in June 2006, Chevy Chase Center is a 412,000 square foot mix of retail and office space located adjacent to the Friendship Heights Metro station. As of November 2006, the building is nearly 80% leased to tenants such as Choice Hotels, CapitalSource, and Giant Food.

1040 Spring Street (United Therapeutics)

United Therapeutics expanded their downtown Silver Spring headquarters by building this 50,000 square foot, $15 million ovarian cancer research lab and drug manufacturing facility on a site across the street from the headquarters building. The lab facility opened in June 2006.

9841 Washingtonian Blvd (Lakefront at Washingtonian), Gaithersburg

Washingtonian Lakefront broke ground in 2005 and delivered in September 2006. The building consists of 108,000 square feet of Class A office and first floor retail. This building is the final piece of the development plans for the Washingtonian Center project, which includes a mix of office, retail, restaurants, and theaters. Sigma Tau Pharmaceuticals is the first tenant to sign a lease in this building.

Seneca Meadows Corporate Center, Germantown

In the fourth quarter of 2006 the latest addition to the 156-acre Seneca Meadows Corporate Center delivered. The first phase of this building consists of a 92,000 square foot flex and laboratory building with a 15,000 square foot addition scheduled to open in early 2007.

Molecular Drive, Rockville

Building 1 and Building 2 at Molecular Drive, consisting of nearly 100,000 square feet of office space for lease and condo offices for sale, delivered in late 2006. 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.

Office Projects Started in 2006

805 King Farm Blvd, Rockville

This 220,000 square foot Class A office building is scheduled for delivery in May 2007. This building will be the fourth office building in the 90-acre Irvington Centre office park with the 430-acre King Farm mixed use community.

2000 Tower Oaks Blvd., Rockville

This 200,000 square foot LEED (Leadership in Energy and Environmental Design) office building is scheduled for a January 2008 delivery. The building will be the latest addition to the 192-acre Tower Oaks mixed use community which will ultimately include up to two million square feet of office, two hotels, restaurants, and 275 residential units.

6720 Rockledge Drive, Bethesda (Opus Center)

6720 Rockledge Drive will be the first phase of Opus Center, a new office complex within Rock Spring Park in North Bethesda. This 187,000 square foot office building is scheduled for a January 2007 delivery.

655 Watkins Mill Road, Gaithersburg

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

New Business Additions and Expansions

Montgomery County's Department of Economic Development worked with over 300 companies in 2006 that were interested in expanding in or relocating to the County. The companies that signed commitments to locate or expand in Montgomery County in 2006 are projected to create nearly 4,000 jobs, lease or construct over one million square feet of office space, and generate nearly $250 million in capital investment over the next three to five years. Some highlights of the Department's efforts in 2006 include:

Worldspace

In 2005, Worldspace relocated its headquarters facility from Washington, D.C. to downtown Silver Spring when it signed a lease for 50,000 square feet at 8515 Georgia Avenue. Early in 2006, this satellite radio provider that broadcasts to markets in Asia and Africa increased its occupancy at 8515 Georgia Avenue by over 20,000 square feet, bringing its total occupied space in the building to 70,662 square feet. The company initially brought over 100 jobs to downtown Silver Spring, with further expansion promised over the next three to five years.

Aggregate Industries, Inc.

Aggregate Industries leased 31,841 square feet at 7529 Standish Place in Rockville, MD in early 2006, moving its corporate headquarters from Prince George's County. Aggregate is a producer of high quality construction materials and the relocation of its headquarters brought over 100 jobs to the Rockville office. The company also has offices in the United Kingdom, and the new Rockville location is its sixth location within the U.S.

Vanda Pharmaceuticals

Vanda Pharmaceuticals, a biotechnology company that develops drugs for psychiatric and sleep disorders, expanded its presence in Montgomery County significantly in 2006. Fueled by two drugs in late-stage development and

$47 million raised from a team of investors, Vanda now occupies 21,000 square feet of new lab and office space at 9605 Medical Center Drive, a newly constructed building that is part of The Johns Hopkins University Montgomery County Campus in Rockville. Vanda employs over 30 individuals at this location and spent nearly $4 million in capital investment to build out the lab space in its new facility.

American Speech-Language Hearing Association (ASHA)

ASHA broke ground on its new headquarters facility at Research Blvd. and Gude Drive in Rockville in April 2006. The facility will be nearly 170,000 square feet, 130,000 of which will be occupied by ASHA, and will house nearly 250 ASHA employees. ASHA is the professional, scientific, and credentialing association for more than 120,000 members and affiliates who are audiologists, speech-language pathologists, and speech, language, and hearing scientists.

Development Alternatives, Inc. (DAI)

DAI, one of the 100 largest private companies in the D.C. metropolitan area, grew even larger in 2006. In July, DAI nearly doubled its size in Bethesda by moving into 90,000 square feet at 7600 Wisconsin Avenue. The company's work for the U.S. Agency for International Development and other clients focuses on advancing human prosperity and institutional effectiveness in some of the world's most challenging environments. DAI's worldwide employees number over 2,300, with several hundred located in Bethesda.

Cardiocore Labs

CardioCore Labs, a biotech company that performs testing and clinical trials, tripled its size in Montgomery County in 2006. The company moved into 20,000 square feet of office and lab space in 2006, employing 25 individuals. The company plans to add an additional 35 employees by the end of 2007.

Fidelis Security Systems

Fidelis Security Systems, a Bethesda software developer, nearly doubled its size in 2006. Fidelis Security Systems is a fast-growing, venture-backed software company that produces the only network security solution that prevents the unauthorized network transfer of sensitive information on gigabit-speed networks. The company employs 24 individuals in 14,000 square feet in Bethesda with plans to add an additional 25 employees by the end of 2008.

Wilcoxon

Wilcoxon moved into 33,000 square feet of expanded space in Germantown in 2006. The company employs 68 individuals with plans to add an additional 73 in the next three to five years. Wilcoxon manufactures vibration instrumentation equipment and houses a wide variety of modern manufacturing, assembly and test facilities, suitable for production runs of standard items as well as the development of custom designed products.

AEPCO, Inc.

In April 2006, Advanced Engineering & Planning Corp. Inc. (AEPCO), an engineering and research firm providing quality technology for government and private sector clients, relocated its headquarters from 15800 Crabbs Branch Way in Rockville to 555 Quince Orchard Road in Gaithersburg. AEPCO moved due to the firm's expansion of operations and committed to a 10-year lease agreement of 20,699 square feet on the fourth floor. AEPCO employs 130 individuals in Montgomery County.

HMS Host

1HMS Host, recognized as a leader in retail, food and beverage concessions in travel venues, expanded its Bethesda corporate headquarters facility in 2006. The company employs over 500 people in Montgomery County.

General Obligation Bonded Debt Ratios
1997 – 2006

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
1997……	1.47%	10.22%	$ 1,277	3.14%	71.39%
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	1,473	3.11	72.06
2001……	1.57	8.72	1,473	2.97	71.83
2002……	1.55	8.32	1,516	3.03	71.32
2003……	1.45	8.47	1,541	2.90	71.10
2004……	1.45	7.98	1,591	2.88	70.94
2005……	1.30	7.74	1,504	2.61	70.20
2006……	1.30	7.77	1,672	2.71	69.75

* 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 June 30, 2006

Direct Debt:		
General Obligation Bonds Outstanding	$1,393,888,054	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper Outstanding	100,000,000	
Revenue Bonds Outstanding	70,620,000	
Total Direct Debt		$1,664,508,054
Overlapping Debt:		
Gross Debt:		
Washington Suburban Sanitary Commission Applicable to Montgomery County	1,000,742,544	
Housing Opportunities Commission	632,182,259	
Montgomery County Revenue Authority	97,505,088	
Maryland-National Capital Park and Planning Commission Applicable to Montgomery County	49,658,042	
Kingsview Village Center Development District	2,260,000	
West Germantown Development District	15,600,000	
Towns, Cities and Villages within Montgomery County	50,900,127	
Total Overlapping Debt		1,848,848,060
Total Direct and Overlapping Debt		3,513,356,114
Less Self-Supporting Debt:		
County Government Revenue Bonds	70,620,000	
Washington Suburban Sanitary Commission Applicable to Montgomery County	1,000,742,544	
Housing Opportunities Commission	632,182,259	
Montgomery County Revenue Authority	97,505,088	
Maryland-National Capital Park and Planning Commission Applicable to Montgomery County	11,546,299	
Total Self-Supporting Debt		(1,812,596,190)
Net Direct and Overlapping Debt		$1,700,759,924
Ratio of Debt to June 30, 2006 Assessed Valuation of (100% Assessment):		$114,360,878,346
Direct Debt		1.46%
Net Direct Debt *		1.39%
Direct and Overlapping Debt		3.07%
Net Direct and Overlapping Debt		1.49%
Ratio of Debt to June 30, 2006 Market Value of		$122,425,244,161
Direct Debt		1.36%
Net Direct Debt *		1.30%
Direct and Overlapping Debt		2.87%
Net Direct and Overlapping Debt		1.39%

*Net Direct Debt of $1,593,888,054 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 2005 population of 846,123, 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 2005, the County's population increased 27.2%, compared to a 32.8% increase for the State of Maryland and a 30.9% increase for the United States. The population growth in the County has been gradual as is shown in the following table:

Population Growth

1980 - 2005

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)	801,515	5,296,486	281,421,906
2001	817,271	5,379,591	285,107,923
2002	827,704	5,442,268	287,984,799
2003	836,369	5,512,477	290,850,005
2004	842,967	5,561,332	293,656,842
2005	846,123	5,600,388	296,410,404
Percent Change (1980-2005)	27.2%	32.8%	30.9%

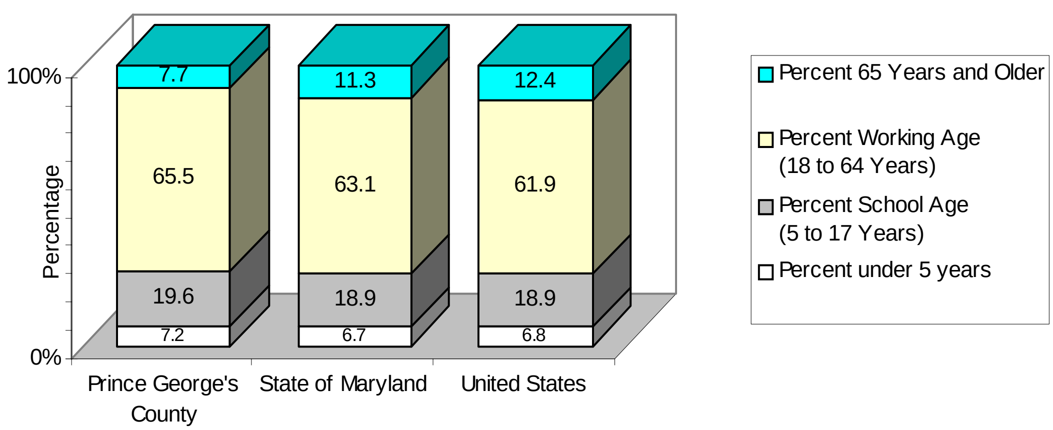
*In November 1995, the Prince George's County, Maryland portion of Takoma Park (a municipality which straddled the Prince George's - Montgomery County line) voted to become part of Montgomery County effective July 1, 1997. This departure resulted in a decrease in the County population by about 5,600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

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

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



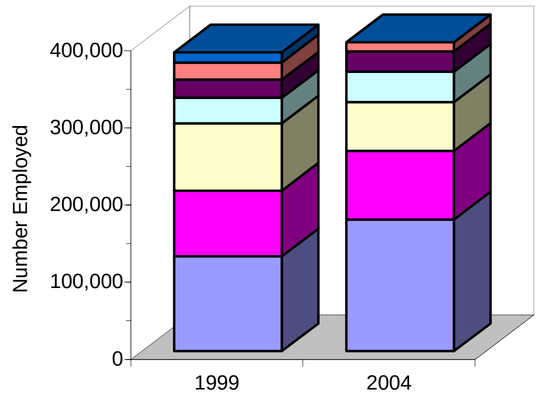
Source: 2000 Census, Bureau of the Census, Department of Commerce.

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 30,880 jobs between years 1999 and 2004 as shown in the following table. Two-thirds of this job growth was attributable to increases in services and other employment. One-third of this job growth was attributable to increases in construction and government. Finance, insurance and real estate were also contributors. Public sector employment increased by 3,834 jobs between years 1999 and 2004.

The County's Employment Profile 1999 and 2004

(Non-Agricultural)

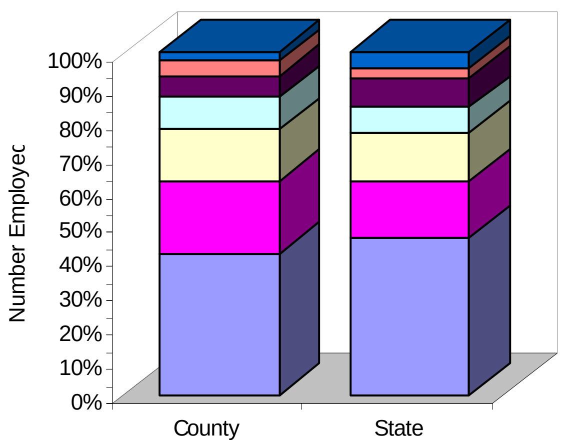


	1999	2004
Manufacturing	13,205	12,211
Trans., Utilities & Warehousing	22,325	17,396
Finance, Insurance and Real Estate	23,371	26,344
Mining and Construction	33,263	39,319
Trade	86,953	63,208
Government	85,187	89,021
Services and Other	122,754	170,439
Total Employment	387,058	417,938

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 2004 Distributions of Non-Agricultural Employment



	County	Maryland State
Manufacturing	3%	5%
Trans., Utilities & Warehousing	4%	3%
Finance, Insurance and Real Estate	6%	9%
Mining and Construction	9%	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 of the 10 largest private and 10 largest public sector employers in the County.

Prince George's County Principal Employers

October 1, 2006

Employer	Product or Service	Number of Employees
LARGEST PRIVATE SECTOR EMPLOYERS		
Giant Food, Inc.	Retail Grocery Chain	5,394
Shoppers Food Warehouse	Retail Grocery Chain (National Headquarters)	3,700
Dimensions Health Corp.	Health Services/Nursing Homes	3,000
Verizon	Communications Services	2,700
Safeway Stores, Inc.	Retail Grocery Chain (Regional Headquarters)	2,400
United Parcel Service	Package Delivery (Regional Headquarters)	2,300
Raytheon Systems Company	Information Technology	1,300
Computer Sciences Corp.	Computer and Information Services	1,200
Honeywell Technology Solutions	Engineering/Aerospace	900
Digex, Inc.	Information Technology	700
LARGEST PUBLIC SECTOR EMPLOYERS		
Andrews Air Force Base	Defense Installation (civilian and military employees)	17,289
Prince George's County Public Schools	Education	16,000
University of Maryland, College Park	State University (Flagship Campus), Higher Education/Research	11,730
Prince George's County	Local Government	5,435
United States Postal Service	Mail Delivery	4,220
United States Bureau of the Census	Demographic and Economic Surveys	4,158
NASA/Goddard Space Flight Center	Space Satellite Design and Tracking	4,000
Internal Revenue Service	Revenue Collection/Data Processing	3,840
Prince George's Community College	Education	1,863
National Agriculture Research Center/National Agricultural Library	USDA Library/Agricultural Research	1,700

Source: Prince George's County Economic Development Corporation.

Between years 1996 and 2006 (December), as indicated in the following table, the County's resident employment rose by 13,395 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
1996 - 2006 (December)

Year	County Residents: Civilian Labor Force	County Residents: Resident Employment	Percent Unemployed: Prince George's County	Percent Unemployed: State of Maryland	Percent Unemployed: United States
1996	451,529	430,291	4.8%	4.9	5.4
1997	448,569	426,060	4.7	4.7	4.9
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 (December)	462,030	443,686	4.0	3.9	4.5

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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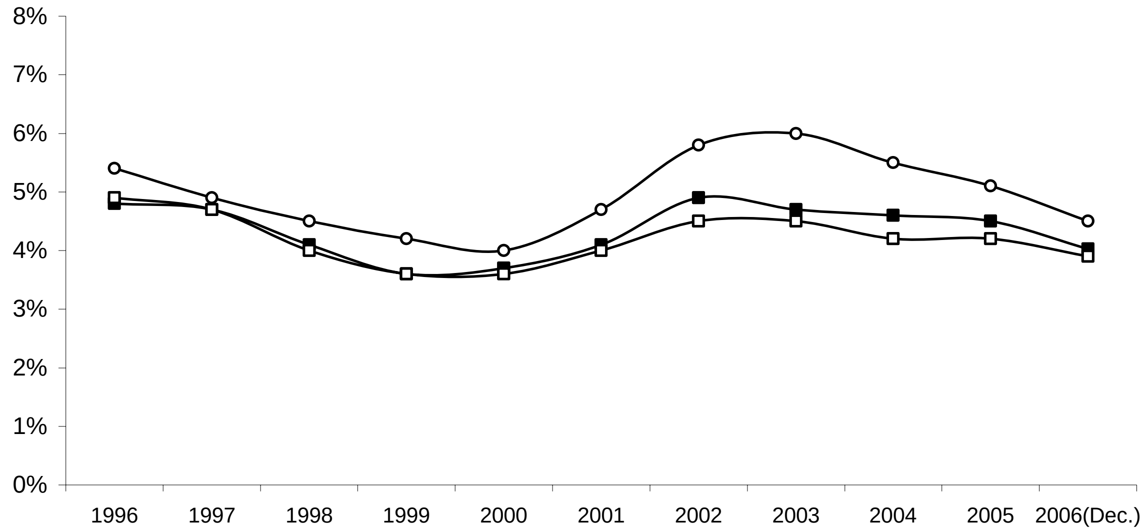
Comparative Unemployment Rates

1996 - 2006 (December)



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 2004, the County's personal per capita income was estimated to be $33,461. Personal per capita income of County residents increased 35.8% between 1998 and 2004, with average annual increases of 4.6%. 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

1998 - 2004

Calendar Year	Prince George's County Total Personal Income ($ Millions)	Per Capita Income		
		Prince George's County	State of Maryland	United States
2005	N/A	N/A	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
1998	20,731	26,274	30,317	26,883
Percentage Increase (1998-2004)	35.8%	27.4%	30.7%	22.9%

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

In 2004, the County’s per capita EBI was estimated at $19,723 compared with $18,439 in 1999, an increase of 7.0% in the 5-year period. The County’s Median Household EBI was estimated at $47,784 in 2004 compared with $47,234 in 1999, an increase of 1.2% in the 5-year period. Certain comparative amounts are presented in the following table:

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 1997 and 2006, the value of new residential construction within the County has averaged approximately $431 million annually. Non-residential construction has averaged approximately $210 million per year. The value of new residential construction within the County in 2006 was $700 million as compared to $637 million in 2005. The value of new non-residential construction within the County in 2006 was $179 million as compared to $161 million in 2005.

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)
1997	2,788	$283,991	$102	103	$160,558	$1,559	2,891	$444,549
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	165	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
Total	32,919	$4,314,978	$131	1,706	$2,099,757	$1,231	34,625	$6,414,735
Annual Average	3,292	431,498	131	171	209,976	1,231	3,462	641,473
2007 (Jan.)	176	$38,048	$216	1	$2,000	$1,284	177	$404,048

(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 2004, approximately 4.8 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 2000 through 2004 is shown below:

Commercial Non-Residential Construction Started, by Type

Area in Square Feet

Structure Type	2001	2002	2003	2004	2005
Office	1,610,087	226,360	818,926	1,667,550	317,500
Mixed Use	989,213	583,325	1,658,927	2,319,753	2,959,567
Retail	462,534	546,099	1,031,051	317,175	144,178
Educational/Medical	932,150	648,855	452,705	514,292	142,300
Research & Development	20,000	120,768	73,000	-	308,800
Total Square Footage	4,013,984	2,125,407	4,034,609	4,818,770	3,872,345
Percent of Washington Metropolitan Area	12.5	6.3	13.0	17.4	15.9

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 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 103-mile subway system in its 28th 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 Southern Maryland Electric Co-operative, Inc. serve the County.

Gas

Natural gas is supplied by BGE and Washington Gas.

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.

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Principal Taxpayers

December 30, 2006

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 Company	2,805,082	407,894,180	410,699,262
Verizon - Maryland	-	386,977,640	386,977,640
Washington Gas Light Company	3,176,188	195,996,130	199,172,318
JKC Stadium, Inc.	181,825,166	-	181,825,166
Baltimore Gas and Electric Co.	3,300	127,901,190	127,904,490
Silver Oaks Campus LLC	115,463,500	-	115,463,500
Summerfield Housing Ltd. Partnership	101,661,399	-	101,661,399
Zell Samuel Terrace	95,763,900	-	95,763,900
Greenbelt Homes, Incorporated	91,519,960	-	91,519,960
Safeway Inc.	74,193,764	13,628,370	87,822,134
GB Mall Limited Partnership	76,562,200	-	76,562,200
Revenue Authority PG Co (Leased)	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
Oakcrest Towers LLC	58,043,631	-	58,043,631
Bowie Mall Company LLC	56,933,498	-	56,933,498
Verbal Corporation	54,882,962	-	54,882,962
Vingarden Associates Limited Partnership	52,468,029	-	52,468,029
Pacific Realty Associates LP	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 State law the County's Operating Budget for fiscal 2007 provides an adjusted nominal real property tax rate of $0.96 per $100 of assessed value of real property. The County's Operating Budget for fiscal 2007 also provides the nominal personal property tax rate of $2.40 per $100 assessed value of personal property. The total General Fund tax levy included in the County’s Operating Budget for fiscal 2007 is $535.7 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
2006	$52,277.3	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
2003	43,832.2	0.960	452,232,808	445,833,590	98.6	98.6
2002	42,190.7	0.960	436,162,804	429,681,942	98.5	98.5

Source: Office of Finance.

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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
2007(Est.)	$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
2003	0.960	0.054	0.002	0.026	0.084	0.244

Source: Office of Finance.

Property Tax Levies

($ thousands)

	Prince George's County			Overlapping Taxing Entities		
Fiscal Year	General	Stormwater Management	Pre-Section 812	WSTC	Maryland State	M-NCPPC
2007(Est.)	$614,623	31,130	--	17,053	67,091	174,323
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
2003	452,233	23,069	937	12,533	34,412	112,003
2002	436,163	22,415	905	12,097	32,983	107,977

Source: Office of Finance.

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Assessed and Estimated Actual Value of Taxable Property

($ millions)

	Real Property		Other Property		Total	
Fiscal Year	Assessed Value	Estimated Actual Value	Business Personal Property (1)	Public Utilities	Assessed Value	Estimated Actual Value
2007(Est.)	$59,584.8	67,490.5	1,680.0	1,167.3	62,432.1	70,337.8
2006	52,277.3	58,874.9	1,645.7	1,177.8	55,100.8	61,698.3
2005	46,612.6	49,379.4	1,653.1	1,175.3	49,441.0	52,207.8
2004	43,066.7	45,195.2	1,740.6	1,215.5	46,022.8	48,151.3
2003	40,794.4	42,546.3	1,772.1	1,265.7	43,832.2	45,584.1
2002	39,091.4	39,326.3	1,844.9	1,254.4	42,190.7	42,425.6

Annual Growth Rate

Fiscal Year	Assessed Value	Estimated Actual Value
2007(Est.)	13.3 %	14.0 %
2006	11.4	18.2
2005	7.4	8.4
2004	5.0	5.6
2003	3.9	7.4
2002	3.0	2.3
Six-Year Average	7.3	9.3

(1) Effective fiscal year 2003, "Unincorporated Personal Property" has been combined with "Incorporated Ordinary Business" and is reported as "Business Personal Property" on estimates prepared for the County Assessable Base by the Maryland State Department of Assessments and Taxation.

Source: Maryland State Department of Assessments and Taxation.

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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

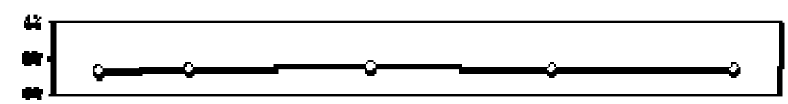
June 30, 2006

County General Obligation Bonds	$998,337,681
Maryland Development Debt	307,109
Maryland CDA Infrastructure Financing Bonds	903,600
County Solid Waste Revenue Bonds	25,584,333
Total Debt of the County	$1,025,132,723
Less: Portion of Debt Excludable by State Law:	
County General Obligation Bonds for:	
Mass Transit Facilities	33,451,312
Stormwater Facilities	42,611,102
Solid Waste Projects	32,615,000
School Facilities Surcharge-Supported	188,661,411
Maryland Development Debt	307,109
Maryland CDA Infrastructure Financing Bonds	903,600
County Solid Waste Revenue Bonds	25,584,333
Total Excludable Debt	324,133,867
County Debt Subject to Statutory Debt Limitation	$700,998,849
Assessable Base of Real Property Taxation	$52,277,304,574
Assessable Base of Personal Property and Operating Real Property Taxation	2,823,368,612
Debt Limit (a total of 6% of Real Property Assessable Base and 15% of Assessable Base of Personal Property)	3,560,143,566
Less: County Debt Subject to Debt Limitation	(700,998,849)
County Debt Margin	$2,859,243,717

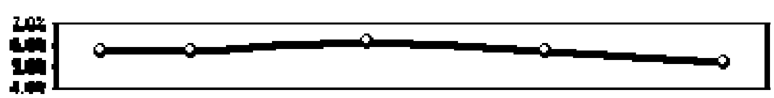
Source: Office of Finance.

Debt Amounts and Debt Ratios

	Fiscal Year Ended June 30				
	2002	2003	2004	2005	2006
Net Tax-Supported General Fund Debt:					
Net Direct ($ millions)	$513.0	551.7	661.1	618.8	709.8
Overlapping ($ millions)	37.9	36.4	55.9	54.0	52.2
Net Direct & Overlapping ($ millions)	550.9	588.1	717.0	672.8	762.0
Gross Direct Debt ($ millions)	710.1	766.7	912.7	856.7	1,034.0
Population (thousands)	817.3	827.7	836.4	843.0	846.1
Per Capita Income	$31,068.0	31,936.0	30,608.0	N/A	N/A
Assessed Valuation ($ millions)	42,190.7	43,832.2	46,022.8	49,441.0	52,277.3
Estimated Market Value ($ millions)	42,425.6	45,584.1	48,151.3	52,207.8	58,874.9
County General Fund:					
Revenues ($ millions)	$1,012.6	1,092.7	1,160.0	1,281.6	1,424.0
Expenditures ($ millions)	1,000.8	1,078.3	1,049.1	1,112.8	1,266.4
County General Fund Annual Debt Service ($ millions)	$57.4	61.8	65.5	63.3	66.1
Gross Direct Debt:					
As a Percent of Assessed Value	1.7%	1.7	2.0	1.7	2.0
As a Percent of Estimated Actual Value	1.7	1.7	1.9	1.6	1.7
Per Capita	$869	926	1,091	1,016	1,222
Per Capita Debt as Percent of Per Capita Income	2.8%	2.9	3.6	N/A	N/A



Net Direct Debt:					
As a Percent of Assessed Value	1.2%	1.3%	1.4%	1.3%	1.3%
As a Percent of Estimated Actual Value	1.2	1.2	1.4	1.2	1.2
Per Capita	$628	667	790	734	839
Per Capita Debt as Percent of Per Capita Income	2.0%	2.1	2.6	N/A	N/A
Net Direct and Overlapping Debt:					
As a Percent of Assessed Value	1.3%	1.3	1.6	1.4	1.4
As a Percent of Estimated Actual Value	1.3	1.3	1.5	1.3	1.3
Per Capita	$674	711	857	798	900
Per Capita Debt as Percent of Per Capita Income	2.2%	2.2	2.8	N/A	N/A
County General Fund Annual Debt Service as a Percent of:					
Revenue	5.7%	5.7	5.6	4.9	4.6



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

Source: Office of Finance.

APPENDIX C

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated as of April 15, 2007 (the "Disclosure Certificate"), is executed and delivered by the Washington Suburban Sanitary Commission (the "Commission") in connection with the issuance of $50,000,000 Washington Suburban Sanitary District Water Supply Bonds of 2007 and $20,000,000 Washington Suburban Sanitary District Sewage Disposal Bonds of 2007, (collectively, 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, New Jersey 08558
(609) 279-3225 (phone)
(609) 279-5962 (fax)
E-mail: MUNIS@Bloomberg.com

DPC DATA, INC.
One Executive Drive
Fort Lee, NJ 07024
(201) 346-0701 (phone)
(201) 947-0107 (fax)
E-mail: nrmsir@dpcdata.com

FT INTERACTIVE DATA
Attn: NRMSIR
100 Williams Street
New York, NY 10038
(212) 771-6999 (phone)
(212) 771-7390 (fax)
E-mail: nrmsir@FTID.com

STANDARD & POOR'S J.J. KENNY REPOSITORY
55 Water Street
45th Floor
New York, NY 10041
(212) 438-4595 (phone)
(212) 438-3975 (fax)
E-mail: nrmsir_repository@sandp.com

"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, 2007, 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 $50,000,000 Washington Suburban Sanitary District, Maryland Water Supply Bonds of 2007, dated April 15, 2007, 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 December 1, 2007 (seven and one-half months), as follows:

$50,000,000 Water Supply Bonds of 2007

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2008	$2,500,000	4.000%	2018	$2,500,000	4.000%
2009	2,500,000	4.000	2019	2,500,000	4.000
2010	2,500,000	4.000	2020	2,500,000	4.000
2011	2,500,000	4.000	2021	2,500,000	4.000
2012	2,500,000	4.000	2022	2,500,000	4.000
2013	2,500,000	4.000	2023	2,500,000	4.125
2014	2,500,000	4.000	2024	2,500,000	4.200
2015	2,500,000	5.000	2025	2,500,000	4.200
2016	2,500,000	5.000	2026	2,500,000	4.250
2017	2,500,000	4.000	2027	2,500,000	4.250

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 "McCants & Associates LLC"]

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 $20,000,000 Washington Suburban Sanitary District, Maryland Sewage Disposal Bonds of 2007, dated April 15, 2007, 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 December 1, 2007 (seven and one-half months), as follows:

$20,000,000 Sewage Disposal Bonds of 2007

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2008	$1,000,000	4.000%	2018	$1,000,000	4.000%
2009	1,000,000	4.000	2019	1,000,000	4.000
2010	1,000,000	4.000	2020	1,000,000	4.000
2011	1,000,000	4.000	2021	1,000,000	4.000
2012	1,000,000	4.000	2022	1,000,000	4.000
2013	1,000,000	4.000	2023	1,000,000	4.125
2014	1,000,000	4.000	2024	1,000,000	4.200
2015	1,000,000	5.000	2025	1,000,000	4.200
2016	1,000,000	5.000	2026	1,000,000	4.250
2017	1,000,000	4.000	2027	1,000,000	4.250

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 "McCants & Associates LLC"]

APPENDIX E

NOTICE OF SALE

WASHINGTON SUBURBAN SANITARY DISTRICT, MARYLAND

BOND SALE

$50,000,000 WATER SUPPLY BONDS OF 2007
$20,000,000 SEWAGE DISPOSAL BONDS OF 2007

Sealed bids or electronic bids will be received until 11:00 A.M. prevailing Eastern time, on April 25, 2007, 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 April 15, 2007. The Bonds will mature serially June 1, in the following years and principal amounts:

$50,000,000 WATER SUPPLY BONDS OF 2007

Maturity June 1	Principal Amount	Maturity June 1	Principal Amount
2008	$2,500,000	2018	$2,500,000
2009	2,500,000	2019	2,500,000
2010	2,500,000	2020	2,500,000
2011	2,500,000	2021	2,500,000
2012	2,500,000	2022	2,500,000
2013	2,500,000	2023	2,500,000
2014	2,500,000	2024	2,500,000
2015	2,500,000	2025	2,500,000
2016	2,500,000	2026	2,500,000
2017	2,500,000	2027	2,500,000

$20,000,000 SEWAGE DISPOSAL BONDS OF 2007

Maturity June 1	Principal Amount	Maturity June 1	Principal Amount
2008	$1,000,000	2018	$1,000,000
2009	1,000,000	2019	1,000,000
2010	1,000,000	2020	1,000,000
2011	1,000,000	2021	1,000,000
2012	1,000,000	2022	1,000,000
2013	1,000,000	2023	1,000,000
2014	1,000,000	2024	1,000,000
2015	1,000,000	2025	1,000,000
2016	1,000,000	2026	1,000,000
2017	1,000,000	2027	1,000,000

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 April 16, 2007. 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 (June 1 and December 1, beginning December 1, 2007 (seven and one-half months), shall be made by the Bond Registrar, The Bank of New York Trust Company, N.A., New York, New York, 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, Principal Corporate Trust Office, 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, 2018, 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, 2017, or in part on any interest payment date not earlier than June 1, 2017, 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 April 15, 2007 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 April 25, 2007. 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 2018 through 2029, 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 2017). The Bonds of the two series maturing on the same date must bear interest at the same rate. 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 April 15, 2007 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 April 25, 2007.

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 ***PARITY*** at Dalcomp 212- 404-8102.

Disclaimer

Each prospective electronic bidder shall be solely responsible to submit its bid via ***PARITY*** as described above. Each 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 provide or assure access to ***PARITY*** to any prospective bidder, and neither the Commission nor ***PARITY*** shall be responsible 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*** at Dalcomp 212-404-8102 and 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 Wednesday, April 25, 2007. Prior to that time, a prospective bidder may (1) submit 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

Each bid must be accompanied by a certified or bank cashier's or treasurer's check drawn upon an incorporated bank or trust company, or be accompanied by a Financial Surety Bond, for Seven Hundred Thousand Dollars ($700,000). If a check is used, it must be payable unconditionally to the order of the Washington Suburban Sanitary Commission. If a Financial Surety Bond is used, it must be from an insurance company acceptable to the Commission and licensed to issue such a bond in the State of Maryland, and such Financial Surety Bond must be submitted to the Commission or its financial advisor prior to the opening of the bids and must be in form and substance satisfactory to the Commission. The Financial Surety Bond must identify the bidder whose good faith deposit is guaranteed by such Financial Surety Bond. Award or rejection of bids will be made on the date above stated for receipt of bids, and the checks of unsuccessful bidders will be returned immediately. If the successful bidder submitted a check, it will be cashed and at the closing the principal amount of such check will be applied as partial payment for the Bonds. If the successful bidder submitted a Financial Surety Bond, then such bidder is required to submit its good faith deposit to the Commission in the form of a wire transfer not later than 12:00 p.m. prevailing Eastern time on the next business day following the award. If such good faith deposit is not received by that time, the Commission may draw upon the Financial Surety Bond to satisfy the good faith deposit requirement. 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 proceeds of such check or Financial Surety Bond may be retained as and for full liquidated damages.

Approving Legal Opinion; Closing Papers

The approving legal opinions of Venable LLP, Baltimore, Maryland and McCants & Associates LLC, Silver Spring, Maryland, 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 April 16, 2007 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 April 16, 2007.

Delivery

The Bonds will be delivered on or about May 9, 2007, 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. Separate CUSIP numbers will be used for the Water Supply Bonds and the Sewage Disposal 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

April 25, 2007

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 $50,000,000 Water Supply Bonds of 2007 and $20,000,000 Sewage Disposal Bonds of 2007 (collectively, the "Bonds"), 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**
2008	_______%	2018	_______%
2009	_______	2019	_______
2010	_______	2020	_______
2011	_______	2021	_______
2012	_______	2022	_______
2013	_______	2023	_______
2014	_______	2024	_______
2015	_______	2025	_______
2016	_______	2026	_______
2017	_______	2027	_______

We will pay an amount equal to the par value
of the Bonds $70,000,000.00
plus a premium in the amount of +$____________
making a total of $____________
and also accrued interest from April 15, 2007, to the date of delivery of the Bonds.

We enclose herewith a certified or bank cashier's or treasurer's check for $700,000 payable to the order of the Washington Suburban Sanitary Commission, or a Financial Surety bond in the amount of $700,000 to be applied in accordance with said Notice of Sale.

____

____
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	_______%

The above good faith check has been returned and receipt thereof is fully acknowledged.

____

____
Bidder

By: ______________________________

Title:____________________________