

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 13 – DEBT**Short-term debt instruments and liquidity**

On December 31, 2003, King County has two short-term debt instruments outstanding. On October 1, 2003, King County completed the sale of \$80.0 million in limited tax general obligation bond anticipation notes, 2003 Series A, with a maturity date of October 1, 2004, and 2003 Series B, in the amount of \$28.8 million with a maturity date of November 1, 2003. The proceeds of the notes were used to pay and retire the 2002 Note in the amount of \$85.0 million that matured on October 1, 2003. Also, a portion of the note proceeds were used to provide interim financing for the seismic retrofit of the County Courthouse, the North Rehabilitation Facility project, the integrated security and jail health project, and the Kent Pullen Regional Communications and Emergency Coordination Center.

The 2003 Series B Note was paid and retired on November 1, 2003, with proceeds from the issuance of \$27.605 million in limited tax general obligation bonds, 2003 Series A. The County intends to finance the repayment of the 2003 Series A Note by issuing replacement bond anticipation notes and limited tax general obligation bonds when the note matures on October 1, 2004.

The County has \$100.0 million of commercial paper outstanding in the Water Quality Enterprise Fund. The commercial paper has maturities ranging from 30 to 154 days. The balance of the commercial paper was \$93.3 million until July 7, 2003, when it was increased to \$100.0 million by issuance of additional debt. At the time of initial issuance the proceeds of the commercial paper were transferred to the construction fund for use in the capital activities of the enterprise. Repayment of the debt will be made from operating revenues.

A summary of changes in short-term debt as of December 31, 2003 is provided by the following schedule:

**CHANGES IN SHORT-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Balance</u> <u>01/01/03</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/03</u>
Governmental activities:				
Limited tax GO bond anticipation notes	\$ 85,000,000	\$ 108,800,000	\$ (113,800,000)	\$ 80,000,000
Unamortized premium bonds sold	627,937	562,800	(627,937)	562,800
Governmental activity short-term debt	<u>\$ 85,627,937</u>	<u>\$ 109,362,800</u>	<u>\$ (114,427,937)</u>	<u>\$ 80,562,800</u>
Business-type activities:				
Commercial paper	\$ 93,300,000	\$ 6,700,000	\$ -	\$ 100,000,000
Business-type activity short-term debt	<u>\$ 93,300,000</u>	<u>\$ 6,700,000</u>	<u>\$ -0-</u>	<u>\$ 100,000,000</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003****NOTE 13 – CONTINUED****Long-term debt**

King County has long-term debt included with both governmental and business-type activities. Governmental activities long-term debt consists of general obligation bonds, general obligation capital leases, and special assessment bonds with governmental commitment. Special assessment bonds are guaranteed for payment from resources of the Road Improvement Guaranty Fund if a road improvement district fails to pay.

Business-type activities long-term debt consists of limited general obligation bonds accounted for in the King County International Airport, Solid Waste, Public Transportation, and Water Quality Enterprise Funds; revenue capital leases are accounted for in the Public Transportation Fund; and State of Washington revolving fund loans and revenue bonds are accounted for in the Water Quality Enterprise.

Three schedules in this note are reported on a basis that is different from the government-wide Statement of Net Assets. The Schedule of Long-term Debt, the Debt Service Requirements to Maturity, and the Computation of Legal Debt Margin are reported on a legal basis, which is different from Generally Accepted Accounting Principles (GAAP), in order to demonstrate legal compliance. These schedules consider all of King County's debt as of December 31, 2003, which includes a portion of the debt reported on the government-wide Statement of Net Assets as Component Unit debt as of June 30, 2003, for Harborview Medical Center and Cultural Development Authority of King County as of December 31, 2003, in accordance with GAAP.

**KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 13 – CONTINUED

**SCHEDULE OF LONG-TERM DEBT
(Page 1 of 3)**

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Outstanding</u>
I. Governmental Activities - Long-Term Debt				
IA. GOVERNMENTAL ACTIVITIES - GENERAL OBLIGATIONS				
LIMITED GENERAL OBLIGATION BONDS				
Payable from Limited G.O. Bond Redemption Fund				
1993 Various Purpose Series B (Partial)	12/01/93	5.35% to 6.70%	\$ 109,435,833	\$ 44,890,000
1996 Various Purpose Series A (Partial)	02/01/96	5.00% to 5.25%	105,268,054	70,240,000
1996 Refunding Series B	03/01/96	4.10% to 4.60%	10,348,276	6,290,754
1997 Baseball Stadium Parking Facilities(Taxable) Series C	04/01/97	7.06% to 7.79%	25,000,000	23,065,000
1997 Baseball Stadium Series D	04/17/97	4.60% to 5.75%	150,000,000	122,530,000
1997 Kingdome Debt Service Reimburse (Taxable) Series E	12/01/97	6.25% to 6.88%	6,595,000	6,410,000
1997 Kingdome Debt Refunding Series F	12/01/97	5.00% to 5.20%	51,525,000	51,245,000
1997 Various Purpose Series G (Partial)	12/01/97	4.50% to 5.00%	72,080,000	44,355,000
1999 Various Purpose Series A (Partial)	05/01/99	4.00% to 5.25%	85,694,670	48,450,463
2001 Various Purpose (Partial)	11/15/01	3.00% to 5.00%	26,925,000	23,900,000
2002 Refunding Series (Baseball Stadium)	05/20/02	4.00% to 5.50%	124,575,000	104,440,000
2002 Various Purpose (Road CIP)	09/30/02	2.00% to 5.00%	38,340,000	36,330,000
2003 Limited Tax G.O. (BAN 2003B payoff) Series A	10/30/03	2.00% to 5.25%	27,605,000	27,605,000
2003 Refunding Various Purpose Series B (Partial)	10/30/03	2.00% to 5.25%	27,890,000	27,890,000
Total payable from limited G.O Redemption Fund			<u>861,281,833</u>	<u>637,641,217</u>
Payable from Internal Service Funds				
1996 Various Purpose A (Partial)	02/01/96	5.00% to 5.25%	9,969,883	2,555,000
1997 Various Purpose G (Partial)	12/01/97	4.50% to 5.00%	1,270,000	585,000
1999 Limited Tax G.O. Various Purpose Series A	05/01/99	4.00% to 5.25%	525,000	330,000
2001 Limited Tax G.O. Various Purpose (Partial)	11/15/01	3.00% to 5.00%	1,050,000	875,000
Total payable from Internal Service Funds			<u>12,814,883</u>	<u>4,345,000</u>
Limited G.O. capital leases				
Payable from General Fund	Various	Various	5,900,000	5,255,000
Payable from Public Health	Various	Various	601,361	165,509
Payable from Various Funds - King Street Center's Tenants	06/01/97	4.50% to 5.13%	78,275,000	76,230,000
Payable from Surface Water Management fund	Various	Various	437,958	26,584
Total limited G.O. capital leases			<u>85,214,319</u>	<u>81,677,093</u>
TOTAL GOVERNMENTAL ACTIVITIES - LIMITED GENERAL OBLIGATION DEBT			<u>\$ 959,311,035</u>	<u>\$ 723,663,310</u>

**KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 13 – CONTINUED

**SCHEDULE OF LONG-TERM DEBT
(Page 2 of 3)**

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Outstanding</u>
IA. GOVERNMENTAL ACTIVITIES - GENERAL OBLIGATIONS (continued)				
UNLIMITED GENERAL OBLIGATION BONDS				
Payable from Unlimited G.O. Redemption Fund				
2000 Refunding Bonds	10/01/00	5.00% to 5.50%	\$ 102,740,000	\$ 79,730,000
2001 Harborview Medical Center	01/22/01	4.00% to 5.00%	29,130,000	27,130,000
2003 Refunding Bonds	04/23/03	2.00% to 5.25%	208,795,000	106,435,000
Total payable from Unlimited General Obligation Bond Redemption Fund			<u>340,665,000</u>	<u>213,295,000</u>
Payable from Stadium G.O. Bond Redemption Fund				
2000 Refunding Bonds	10/01/00	5.00% to 5.50%	<u>18,880,000</u>	<u>14,990,000</u>
TOTAL UNLIMITED GENERAL OBLIGATION BONDS			<u>359,545,000</u>	<u>228,285,000</u>
IB. SPECIAL ASSESSMENT GENERAL LONG-TERM DEBT				
Special assessment bonds with governmental commitment - bonds payable from Road Improvement Districts S.A. Bond Redemption Fund				
RID 2 Consolidated	07/01/86	7.88% to 8.25%	<u>286,192</u>	<u>135,000</u>
TOTAL SPECIAL ASSESSMENT GENERAL LONG-TERM DEBT			<u>286,192</u>	<u>135,000</u>
Total Governmental Activities - Long-Term Debt			<u>\$ 1,319,142,227</u>	<u>\$ 952,083,310</u>
II. Business-Type Activities - Long-Term Debt				
IIA. BUSINESS-TYPE ACTIVITIES - GENERAL OBLIGATIONS				
LIMITED GENERAL OBLIGATION BONDS				
Payable from Enterprise Funds				
1994 Limited Tax (Water Quality) Series A	04/01/94	5.80% to 6.40%	170,000,000	2,145,000
1995 Limited Tax (Water Quality) Series A	05/01/95	5.50% to 5.88%	90,000,000	620,000
1996 Limited Tax Refunding Series B (Partial)	03/01/96	4.10% to 4.75%	12,631,724	9,119,246
1996 Limited Tax G.O. Refunding (Revenue Bonds) Series C	12/15/96	5.00% to 6.25%	130,965,000	101,725,000

**KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 13 – CONTINUED

**SCHEDULE OF LONG-TERM DEBT
(Page 3 of 3)**

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Outstanding</u>
IIA. BUSINESS-TYPE ACTIVITIES - GENERAL OBLIGATIONS (continued)				
LIMITED GENERAL OBLIGATION BONDS				
Payable from Enterprise Funds				
1998 LTGO (Public Transport. Sales Tax) Refunding Series A	05/15/98	4.50% to 5.00%	\$ 85,715,000	\$ 65,550,000
1998 Limited Tax G.O. Refunding(WG-LTGO & REV.) Series B	09/15/98	4.75% to 5.25%	261,625,000	258,520,000
1999 Limited Tax G.O. (Refunding part) Series A	05/01/99	4.00% to 5.25%	8,720,330	8,499,537
2001 Limited Tax G.O. Various Purpose (Partial)	11/15/01	3.00% to 5.00%	8,580,000	8,075,000
2002 LTGO (Public Transportation Sales Tax) Refunding Bonds	10/21/02	3.00% to 5.50%	64,285,000	61,975,000
2003 LTGO Refunding 93A Bonds Series B (Partial)	10/30/03	2.00% to 5.25%	12,545,000	12,545,000
Total payable from Enterprise Funds			<u>845,067,054</u>	<u>528,773,783</u>
BUSINESS-TYPE ACTIVITIES - REVENUE BONDS, CAPITAL LEASES AND LOANS				
Payable from Enterprise Funds				
Sewer and Drainage Bond Issue 472 Special	05/01/75	-0- -0-	500	500
1999 Sewer Revenue Bonds Series 1	06/01/99	5.25% to 5.50%	80,000,000	80,000,000
1999 Sewer Revenue Bonds Series 2	11/01/99	5.00% to 6.25%	60,000,000	60,000,000
2001 Sewer Revenue Bonds Junior Lien Series A	08/06/01	Variable Rate ^(a)	50,000,000	50,000,000
2001 Sewer Revenue Bonds Junior Lien Series B	08/06/01	Variable Rate ^(a)	50,000,000	50,000,000
2001 Sewer Revenue and Refunding Bonds	11/13/01	3.00% to 5.25%	270,060,000	258,080,000
2002 Sewer Revenue Bonds Series A	08/14/02	5.00% to 5.50%	100,000,000	100,000,000
2002 Sewer Revenue Refunding Bonds Series B	10/03/02	3.00% to 5.50%	346,130,000	343,505,000
2003 Sewer Revenue Refunding Bonds Series A	04/24/03	2.00% to 5.25%	96,470,000	96,470,000
2000-2003 State of Washington Loans	Various	0.50% to 1.50%	39,795,279	86,391,087
1996 Public Transportation Revenue Capital Leases	Various	5.32%	89,301,567	25,326,301
2000 Public Transportation Revenue Park & Ride Capital Leases	03/30/00	5.00%	4,721,840	3,820,383
Total business-type activities revenue bonds, capital leases, and loans			<u>1,186,479,186</u>	<u>1,153,593,271</u>
Total Business-Type Activities - Long-Term Debt			<u>2,031,546,240</u>	<u>1,682,367,054</u>
Total Long-Term Debt (Excluding G.O. Long-term Liabilities)			<u>\$ 3,350,688,467</u>	<u>\$ 2,634,450,364</u>

(a) The variable rate bonds initially bear interest at Weekly Rates. The Weekly Rate for each Interest Period in the Weekly Mode is to be determined by the Remarketing Agents. The bonds in the Weekly Mode may be changed to or from the Weekly Mode to or from a Daily Mode, a Commercial Paper Mode, or a Long-term Mode, or to a Fixed Mode, upon satisfaction of the "Change in Modes" conditions.

**KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 13 – CONTINUED

**DEBT SERVICE REQUIREMENTS TO MATURITY AS OF DECEMBER 31, 2003
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GOVERNMENTAL ACTIVITIES**

Year	General Obligation Bonds		General Obligation Capital Leases		Special Assessment Bonds (With Governmental Commitment)		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 64,078,796	\$ 44,033,146	\$ 2,183,210	\$ 4,133,080	\$ -	\$ 11,062	\$ 66,262,006	\$ 48,177,288
2005	67,393,990	40,882,760	2,227,627	4,028,228	-	11,062	69,621,617	44,922,050
2006	71,073,474	37,593,238	2,311,256	3,919,787	-	11,062	73,384,730	41,524,087
2007	74,673,041	34,100,252	2,390,000	3,808,303	-	11,062	77,063,041	37,919,617
2008	66,869,034	30,529,879	2,510,000	3,690,259	135,000	11,062	69,514,034	34,231,200
2009-2013	326,357,882	103,052,740	14,590,000	16,402,315	-	-	340,947,882	119,455,055
2014-2018	154,105,000	27,992,631	18,800,000	12,196,256	-	-	172,905,000	40,188,887
2019-2023	41,845,000	5,464,836	22,290,000	6,782,311	-	-	64,135,000	12,247,147
2024-2028	3,875,000	87,188	14,375,000	1,069,821	-	-	18,250,000	1,157,009
	<u>\$ 870,271,217</u>	<u>\$ 323,736,670</u>	<u>\$ 81,677,093</u>	<u>\$ 56,030,360</u>	<u>\$ 135,000</u>	<u>\$ 55,310</u>	<u>\$ 952,083,310</u>	<u>\$ 379,822,340</u>

KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 13 – CONTINUED

**DEBT SERVICE REQUIREMENTS TO MATURITY AS OF DECEMBER 31, 2003
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BUSINESS-TYPE ACTIVITIES**

Year	General Obligation Bonds		Revenue Bonds Capital Leases and Loans		Total Business-Type Activities		Total Long-Term Debt (Excluding General Obligation Long-Term Liabilities)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 17,531,204	\$ 26,511,141	\$ 38,080,501	\$ 49,926,338	\$ 55,611,705	\$ 76,437,479	\$ 121,873,711	\$ 124,614,767
2005	19,036,010	25,636,791	31,818,697	47,726,523	50,854,707	73,363,314	120,476,324	118,285,364
2006	17,796,528	24,764,693	27,105,235	47,377,671	44,901,763	72,142,364	118,286,493	113,666,451
2007	18,156,959	23,904,906	28,917,115	46,178,398	47,074,074	70,083,304	124,137,115	108,002,921
2008	15,455,966	23,106,320	29,982,484	44,874,960	45,438,450	67,981,280	114,952,484	102,212,480
2009-2013	83,302,116	103,787,226	171,901,684	201,792,084	255,203,800	305,579,310	596,151,682	425,034,365
2014-2018	91,075,000	82,826,956	177,255,053	156,195,224	268,330,053	239,022,180	441,235,053	279,211,067
2019-2023	73,710,000	59,334,938	131,363,067	122,564,436	205,073,067	181,899,374	269,208,067	194,146,521
2024-2028	76,360,000	41,392,838	146,171,998	88,819,386	222,531,998	130,212,224	240,781,998	131,369,233
2029-2033	107,060,000	17,545,569	283,806,937	46,814,739	390,866,937	64,360,308	390,866,937	64,360,308
2034-2038	9,290,000	243,863	87,190,500	4,520,178	96,480,500	4,764,041	96,480,500	4,764,041
TOTAL	\$ 528,773,783	\$ 429,055,241	\$ 1,153,593,271	\$ 856,789,937	\$ 1,682,367,054	\$ 1,285,845,178	\$ 2,634,450,364	\$ 1,665,667,518

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 13 – CONTINUED

Long-term liability activity for the year ended December 31, 2003, was as follows:

**CHANGES IN LONG-TERM LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Balance 01/01/03	Increases	Decreases	Balance 12/31/03	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 900,122,245	\$ 164,290,000	\$ (210,013,294)	\$ 854,398,951	\$ 62,938,417
Special assessment bonds with governmental commitment	137,000	-	(2,000)	135,000	-
Unamortized premium bonds sold	10,244,328	12,067,686	(2,904,187)	19,407,827	3,547,412
Less deferred amounts:					
For issuance cost/underwriters' discounts	-	(3,386,836)	345,128	(3,041,708)	(471,211)
For refunding losses	(10,686,375)	(2,956,907)	1,783,300	(11,859,982)	(1,823,357)
Total bonds payable	<u>899,817,198</u>	<u>170,013,943</u>	<u>(210,791,053)</u>	<u>859,040,088</u>	<u>64,191,261</u>
Claims and judgments payable	-	24,614,304	-	24,614,304	24,614,304
Limited G.O. capital leases	83,770,342	47,662	(2,140,911)	81,677,093	2,183,210
Compensated absences liability	63,718,859	12,286,072	(2,986,752)	73,018,179	3,356,928
Unemployment compensated liabilities	1,531,615	3,484,358	(2,740,973)	2,275,000	2,275,000
Rebatable arbitrage	3,314,776	-	(2,146,777)	1,167,999	1,167,999
Estimated claims settlements and other liabilities	70,478,192	117,129,756	(115,810,572)	71,797,376	64,977,814
Governmental activities Long-term liabilities	<u>\$ 1,122,630,982</u>	<u>\$ 327,576,095</u>	<u>\$ (336,617,038)</u>	<u>\$ 1,113,590,039</u>	<u>\$ 162,766,516</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 633,267,770	\$ 12,545,000	\$ (117,038,987)	\$ 528,773,783	\$ 17,531,204
Revenue bonds	952,420,500	96,470,000	(10,835,000)	1,038,055,500	20,700,500
Less deferred amounts:					
Deferred bond discounts/ refundng losses	(60,378,228)	(12,829,358)	9,930,411	(63,277,175)	(3,022,951)
Total bonds payable	<u>1,525,310,042</u>	<u>96,185,642</u>	<u>(117,943,576)</u>	<u>1,503,552,108</u>	<u>35,208,753</u>
Claims and judgments payable	9,527,935	3,179,597	(865,893)	11,841,639	11,841,639
Public transportation - capital leases	34,883,480	4,994,941	(10,731,737)	29,146,684	15,301,314
State revolving loans	38,195,831	49,555,626	(1,360,370)	86,391,087	2,079,187
Compensated absences liability	45,329,376	6,634,408	(2,895,046)	49,068,738	3,655,423
Landfill closure and post-closure care liability	95,295,642	5,556,769	(5,584,446)	95,267,965	5,555,155
Other liabilities	369,985	804,433	-	1,174,418	-
Business-type activities Long-term liabilities	<u>\$ 1,748,912,291</u>	<u>\$ 166,911,416</u>	<u>\$ (139,381,068)</u>	<u>\$ 1,776,442,639</u>	<u>\$ 73,641,471</u>

Governmental activities long-term liabilities, other than debt, are primarily estimated claims settlements liquidated by internal service funds. At year-end, internal service funds estimated claims settlements of \$71,678,211 are included in the above amount. For the governmental activities, compensated absences are liquidated by the governmental fund in which an employee receiving the payment is budgeted, including most notably the General Fund, the Public Health Fund, and the County Road Fund.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 13 – CONTINUED**Computation of Legal Debt Margin**

Under Washington state law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2½ percent of the assessed value of all taxable property within the county. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people; any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last state general election and, of those voting, 60 percent must be in the affirmative. The County Council may by resolution authorize the issuance of limited tax general obligation debt in an amount up to 1½ percent of assessed value of property within the County for general county purposes and ¾ percent for metropolitan functions, but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1½ percent of assessed value. No combination of limited and unlimited tax debt, for general county purposes, and no combination of limited and unlimited tax debt, for metropolitan functions, may exceed 2½ percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected within the \$1.80 per \$1,000 of assessed value operating levy.

**COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED DECEMBER 31, 2003**

2003 ASSESSED VALUE	\$ 235,834,254,423
Debt limit of limited tax (LT) general obligations for metropolitan functions	
3/4 % of assessed value	\$ 1,768,756,908
Less: Net LT general obligation indebtedness for metropolitan functions	(518,046,521)
LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 1,250,710,387</u>
Debt limit of LT general obligations for general county purposes and metropolitan functions - 1½ % of assessed value	\$ 3,537,513,816
Less: Net LT general obligation indebtedness for general county purposes	(888,269,816)
Net LT general obligation indebtedness for metropolitan functions	(518,046,521)
Net total LT general obligation indebtedness for general county purposes and metropolitan functions	<u>(1,406,316,337)</u>
LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	<u>\$ 2,131,197,479</u>
Debt limit of total general obligations for metropolitan functions	
2½ % of assessed value	\$ 5,895,856,361
Less: Net total general obligation indebtedness for metropolitan functions	(518,046,521)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 5,377,809,840</u>
Debt limit of total general obligations for general county purposes	
2½ % of assessed value	\$ 5,895,856,361
Less: Net unlimited tax general obligation indebtedness for general county purposes	(219,867,226)
Net LT general obligation indebtedness for general county purposes	(888,269,816)
Net total general obligation indebtedness for general county purposes	<u>(1,108,137,042)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	<u>\$ 4,787,719,319</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003****NOTE 13 – CONTINUED****Refunding and Defeasing General Obligation Bond Issues – 2003**

Limited Tax General Obligation and Refunding Bonds, 2003 Series B – On October 30, 2003, the County issued \$31,900,000 in Limited Tax General Obligation Bonds with an average interest rate of 2.74 percent to advance refund \$33,460,000 of outstanding various purpose Limited Tax General Obligation Bonds – 1993A and 1993B (2005-2011 maturities) Serial Bonds with an average interest rate of 4.97 percent. The net proceeds were used to purchase US government securities which were deposited with an escrow agent to provide for all future debt service payments on the 1993A bonds & 1993B (2005-2011 maturities) bonds. As a result, the 1993A and 1993B (2005 – 2011 maturities) Series bonds are considered to be defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$432,326. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is shorter than that of the old debt. This advance refunding was undertaken to reduce total debt service payments over the life of the bonds by \$2,377,354 and resulted in an economic gain of \$2,216,253.

Unlimited Tax General Obligation Refunding Bonds, 2003 – On April 23, 2003, the County issued \$108,795,000 in Unlimited Tax General Obligation Bonds with an average interest rate of 3.01 percent to advance refund \$114,580,000 of outstanding Unlimited Tax General Obligation Refunding Bonds – 1993C Serial Bonds with an average interest rate of 4.71 percent. The net proceeds were used to purchase US government securities which were deposited with an escrow agent to provide for all future debt service payments on the 1993C bonds. As a result, the 1993C bonds are considered to be defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,588,830. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is shorter than that of the old debt. This advance refunding was undertaken to reduce total debt service payments over the life of the bonds by \$10,063,526 and resulted in an economic gain of \$7,974,689.

Partial Defeasance of Limited Tax General Obligation (Baseball Stadium) Refunding Bonds, 2003 – On December 04, 2003, the County completed a partial defeasance of \$5 million of Limited Tax General Obligation (Baseball Stadium) Refunding bonds, 2002 using the excess proceeds from special taxes and revenues. The advance defeasance resulted in the recognition of an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$324,679 for the year ended December 31, 2003.

Sewer Revenue Refunding Bonds, 2003A – On April 23, 2003, the County issued \$96,470,000 in Sewer Revenue Bonds Series 2003A with an average interest rate of 4.88 percent to advance refund \$87,460,000 of outstanding Water Quality Limited Tax General Obligation Serial Bonds (payable from sewer revenue) – 1995 (2006 – 2035 maturities) with an average interest rate of 6.10 percent. The net proceeds were used to purchase US government securities which were deposited with an escrow agent to provide for all future debt service payments on the 1995 (2006 – 2035 maturities) series bonds. As a result, the 1995 bonds are considered to be defeased and the liability for those bonds has been removed from the business-type column of the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$10,217,787. This amount is being netted against the new debt and amortized over the new debt's life, which is

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 13 – CONTINUED

shorter than the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 30 years by \$10,241,386 and to obtain an economic gain (difference between the present values of the old and new debt service payment) of \$5,309,450.

Refunded Bonds

King County has a total of 12 outstanding refunded and defeased bond issues of limited and unlimited tax general obligation bonds that were originally reported in the governmental and business-type activities of the statement of net assets. The payment of principal and interest on these bond issues is the responsibility of the escrow agent, the US Bank of Washington.

The following is a schedule of refunded bonds outstanding as of December 31, 2003.

	Governmental Activities	Business-type Activities
Limited Tax G.O. Refunded Bonds	\$ 198,820,000	\$ 239,450,000
Unlimited Tax G.O. Refunded Bonds	40,335,000	-
Totals	<u>\$ 239,155,000</u>	<u>\$ 239,450,000</u>

Future Borrowing Plans

During the first half of 2004 the County completed the sale of \$185,000,000 of Sewer Revenue bonds to provide funding for the Wastewater capital program and \$61,760,000 of Sewer Revenue Refunding bonds to refund 1999-2 bond issues. Also, it sold \$110,000,000 of unlimited tax general obligation bonds to provide funding for seismic improvements to the Harborview Medical Center, and \$49,695,000 of limited tax general obligation (public transportation sales tax) bonds to finance Transit Division's capital improvement program.

The County has identified the need to issue approximately \$250 million of new limited tax general obligation bonds over the period of 2004 through 2008. The proceeds of these bonds are expected to provide funds to finance the Transit Division's capital improvement program (\$50 million), the seismic retrofit of the King County Courthouse (\$80 million), open space acquisitions (\$25 million), the integrated security and jail health projects (\$20 million), roads improvements (\$20 million), improvements at the Harborview Medical Center (\$50 million), and various other purposes. The \$50 million of bonds expected to be issued on behalf of the Transit Division's improvement program will be additionally secured by the sales tax revenues dedicated to the Transit Division.

Later in 2004 the County plans to issue the remaining \$54 million of the \$193 million of unlimited tax general obligation bonds that were approved by voters to provide funding for the seismic improvements to the Harborview Medical Center.

For much of the balance of the decade the County will need to issue approximately \$250 million of new debt annually to provide continuing funding for its Wastewater Treatment Division's capital improvement program. While most of this debt will be in the form of Sewer Revenue bonds, a portion may be comprised of limited tax general obligation bonds that are additionally secured by a pledge of the revenues of the Wastewater Treatment Division.