

**CITY OF KNOXVILLE, TENNESSEE**

**Notes to Financial Statements**

**June 30, 2004**

(amounts expressed in thousands)

**NOTE 9 - LONG-TERM DEBT (continued)**

Under the terms of a promissory note between the Metropolitan Knoxville Airport Authority and the Knoxville Airport Hotel Company, note principal and interest payments consist of the amount necessary to make the principal and interest payments on the bonds. Under a forbearance agreement dated May 24, 1990, the Developer agreed to pay the bondholder the sum of the principal currently due on all of the bonds, plus thirty days accrued interest on the bonds held by the bondholder, plus accrued interest on the bonds held by the Developer. On each note payment date thereafter, the Developer will pay all payments due on the note, other than interest on and attributable to the bonds held by the Developer. Interest on and attributable to bonds held by the Developer, together with all previously deferred interest payments, has been irrevocably waived and forgiven.

The Authority has no liability for repayment of these bonds and, accordingly, the bonds are not reported in the Authority's financial statements. The note payments and property are the only security for the bondholders.

**NOTE 10 – LEASES**

**Primary government**

The City was committed to semiannual payments to the Public Building Authority for rental of the City-County Building. The lease expired during 2001 and the City is renting the space on a month-to month basis until a new lease is established. Total rental payments for the year ending June 30, 2004 were \$992.

**Component units**

The Knoxville Utilities Board leases computer hardware under a capital lease arrangement. The lease arrangements were entered into during 2003 and 2004 and will expire during 2005 and 2006. Computer equipment totaling \$1,459, less related accumulated depreciation of \$1,018, are included in capital assets at June 30, 2004.

The Knoxville Utilities Board also has non-cancelable operating lease commitments for office equipment that expire in various years through June 30, 2007.

Future minimum lease payments under leases having initial or remaining noncancelable terms in excess of one year as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
2005	\$ 396	\$ 110,445
2006	33	15,865
2007	-	1,951
Total capital minimum lease payments	429	\$ 128,261
Less amount representing interest	9	
Obligations under capital leases	420	
Obligations due within one year	420	
Long-term obligations under capital leases	\$ -	