

*In the opinion of Gilmore & Bell, P.C., St. Louis, Missouri, Special Tax Counsel to the District, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (1) the Interest Portion of Basic Rent paid by the District under the Lease and distributed to the Owners of the Series 2016 Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporation, (2) the Interest Portion of Basic Rent paid by the District under the Lease and distributed to the Owners of the Series 2016 Certificates (including any original issue discount properly allocable to an owner thereof) is exempt from Missouri income taxation by the State of Missouri, and (3) the District's obligation to pay Basic Rent under the Lease is not a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" in this Official Statement.*



**\$79,445,000**  
**CERTIFICATES OF PARTICIPATION**  
**(ST. LOUIS COUNTY LIBRARY DISTRICT, LESSEE)**  
**SERIES 2016**

**Dated: Date of Delivery**

**Due: As shown on inside cover page**

The Series 2016 Certificates, representing undivided, proportionate interests in Basic Rent to be paid by the St. Louis County Library District (the "**District**"), are being delivered pursuant to a Declaration of Trust dated as of April 1, 2013, as amended and supplemented (collectively, the "**Declaration of Trust**"), executed by BOKF, N.A., Kansas City, Missouri, as trustee (the "**Trustee**"). The Basic Rent is payable by the District under an annually-renewable Lease Purchase Agreement dated as of April 1, 2013, as amended and supplemented (collectively, the "**Lease**") between the District and the Trustee.

The Series 2016 Certificates will be delivered in fully-registered form in the denomination of \$5,000 or any integral multiple thereof. Principal will be payable annually on April 1, beginning on April 1, 2017. Interest will be payable semiannually on April 1 and October 1, beginning on April 1, 2017, by check, draft or electronic transfer as described herein to the persons who are the registered owners of the Series 2016 Certificates as of the close of business on the 15th day of the month preceding the applicable interest payment date.

The Series 2016 Certificates will be payable solely from the Basic Rent under the Lease and certain money held by the Trustee under the Declaration of Trust. See the caption "**SECURITY FOR THE CERTIFICATES**" herein. The District will agree to pay the total Basic Rent due under the Lease for each fiscal year, but only if the District's Board of Trustees annually appropriates sufficient money specifically designated to pay the Basic Rent coming due during each succeeding fiscal year. **The obligation to make payments will not create a general obligation or other indebtedness of the District within the meaning of any constitutional or statutory debt limitation or restriction. The delivery of the Series 2016 Certificates will not obligate the District to levy any form of taxation therefor or to make any appropriation for their payment in any year subsequent to a year in which the Lease is in effect.**

The Series 2016 Certificates are subject to prepayment prior to their stated payment dates under certain conditions. See the caption "**THE SERIES 2016 CERTIFICATES - Prepayment Provisions**" herein.

The Series 2016 Certificates are subject to certain risks. See "**RISK FACTORS AND INVESTMENT CONSIDERATIONS**" herein.

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**Maturities, Principal Portions, Interest Rates, Prices and CUSIP Numbers**  
**are shown on the inside cover page**

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*The Series 2016 Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval of legality by Gilmore & Bell, P.C., St. Louis, Missouri, Special Tax Counsel to the District, and certain other conditions. Certain legal matters related to this Official Statement will be passed upon by Gilmore & Bell, P.C., St. Louis, Missouri. Certain legal matters will be passed upon for the District by Lashly & Baer, P.C., St. Louis, Missouri. Piper Jaffray & Co., St. Louis, Missouri, serves as Financial Advisor to the District. It is expected that the Series 2016 Certificates will be available for delivery through The Depository Trust Company in New York, New York, on or about September 29, 2016.*

The date of this Official Statement is September 19, 2016.

**\$79,445,000**  
**CERTIFICATES OF PARTICIPATION**  
**(ST. LOUIS COUNTY LIBRARY DISTRICT, LESSEE)**  
**SERIES 2016**

**MATURITY SCHEDULE**  
**Base CUSIP: 79152Q**

**Serial Certificates**

<u>Maturity Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Portion</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u>
2018	\$ 975,000	2.000%	101.641%	BA9
2019	1,025,000	2.000	102.468	BB7
2020	1,075,000	2.000	103.086	BC5
2021	1,130,000	5.000	116.379	BD3
2022	1,190,000	5.000	119.011	BE1
2023	1,255,000	5.000	121.271	BF8
2024	1,315,000	5.000	123.557	BG6
2025	1,385,000	5.000	125.580	BH4
2026	1,455,000	5.000	127.341	BJ0
2027	1,530,000	4.000	117.235	BK7
2028	1,610,000	4.000	115.363	BL5
2029	1,680,000	2.250	98.387	BM3
2030	1,720,000	2.500	98.867	BN1
2031	1,760,000	2.500	97.612	BP6
2032	1,805,000	2.625	97.810	BQ4
2033	1,855,000	2.750	98.690	BR2
2034	1,910,000	2.750	97.952	BS0
****				
2039	5,225,000	3.000	99.351	BX9
2040	5,385,000	3.000	98.999	BY7
2041	5,550,000	3.000	98.800	BZ4

**Term Certificates**

<u>Maturity Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Portion</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u>
2036	\$ 3,985,000	3.000%	100.000%	BU5
2038	4,235,000	3.000	99.685	BW1
****				
2043	11,615,000	3.000	98.500	CB6
2046	18,775,000	3.000	98.000	CE0

**ST. LOUIS COUNTY LIBRARY DISTRICT**

1640 South Lindbergh Boulevard  
St. Louis, Missouri 63131

**BOARD OF TRUSTEES**

Lynn Beckwith, Jr., President  
Edith Cunnane, Vice President  
Chingling Tai, Secretary  
Elena Garcia Kenyon, Treasurer  
Michael Mulligan, Member

**DISTRICT ADMINISTRATION**

Kristen L. Sorth, *Director*  
Kris Mooney, *Assistant Director, Administration*  
Eric Button, *Assistant Director, Branch Services*  
Gilbert Van Cleve, *Assistant Director, Information Technology Services*  
Barbara Turkington, *Assistant Director, Advancement*  
Steve Hunter, *Manager, Construction & Facilities*  
Mary Arnhart, *Manager, Human Resources*

**DISTRICT'S COUNSEL**

Lashly & Baer, P.C.  
St. Louis, Missouri

**FINANCIAL ADVISOR**

Piper Jaffray & Co.  
St. Louis, Missouri

**SPECIAL TAX COUNSEL**

Gilmore & Bell, P.C.  
St. Louis, Missouri

**TRUSTEE**

BOKF, N.A.  
Kansas City, Missouri

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**THE SERIES 2016 CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE DECLARATION OF TRUST BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.**

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized by the District, the Financial Advisor or the Underwriter to give any information or to make any representation with respect to the Series 2016 Certificates offered hereby 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. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series 2016 Certificates offered hereby 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 obtained from the District and from other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. 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 will, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

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**CAUTIONARY STATEMENTS REGARDING FORWARD-  
LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

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Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “anticipate,” “projected,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THESE FUTURE RISKS AND UNCERTAINTIES INCLUDE THOSE DISCUSSED IN THIS OFFICIAL STATEMENT UNDER THE CAPTION “RISK FACTORS AND INVESTMENT CONSIDERATIONS.” NEITHER THE DISTRICT NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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## OFFICIAL STATEMENT

**\$79,445,000**  
**CERTIFICATES OF PARTICIPATION**  
**(ST. LOUIS COUNTY LIBRARY DISTRICT, LESSEE)**  
**SERIES 2016**

### INTRODUCTION

*This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to the more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.*

#### General

The purpose of this Official Statement is to furnish information in connection with the execution and delivery of Certificates of Participation (St. Louis County Library District, Lessee), Series 2016, in the aggregate principal amount of \$79,445,000 (the **“Series 2016 Certificates”**). The Series 2016 Certificates represent undivided interests in Basic Rent to be paid by the St. Louis County Library District (the **“District”**) pursuant to an annually-renewable Lease Purchase Agreement dated as of April 1, 2013 (the **“Original Lease”**), as amended and supplemented by the First Supplemental Lease Purchase Agreement dated as of February 1, 2014 (the **“First Supplemental Lease”**), the Second Supplemental Lease Purchase Agreement dated as of August 1, 2014 (the **“Second Supplemental Lease”**) and the Third Supplemental Lease Purchase Agreement dated as of September 1, 2016 (the **“Third Supplemental Lease”** and, together with the Original Lease, the First Supplemental Lease and the Second Supplemental Lease, the **“Lease”**), between BOKF, N.A., as trustee (the **“Trustee”**), as lessor, and the District, as lessee. The Trustee has agreed to execute and deliver the Series 2016 Certificates pursuant to a Declaration of Trust dated as of April 1, 2013 (the **“Original Declaration of Trust”**), as amended and supplemented by the First Supplemental Declaration of Trust dated as of February 1, 2014 (the **“First Supplemental Declaration of Trust”**), the Second Supplemental Declaration of Trust dated as of August 1, 2014 (the **“Second Supplemental Declaration of Trust”**) and the Third Supplemental Declaration of Trust dated as of September 1, 2016 (the **“Third Supplemental Declaration of Trust”** and, together with the Original Declaration of Trust, the First Supplemental Declaration of Trust and the Second Supplemental Declaration of Trust, the **“Declaration of Trust”**). The Basic Rent constitutes rent for use of the Leased Property (as defined herein) pursuant to the Lease.

#### Plan of Financing

Proceeds from the sale of the Series 2016 Certificates will be used to (a) acquire, construct, reconstruct, furnish and equip the District’s library facilities (the **“2016 Project”** and, together with the hereinafter-defined 2013 Project, the **“Project”**), as more fully described under the caption **“PLAN OF FINANCING – The Facilities Master Plan and the Project”** and (b) pay the costs of executing and delivering the Series 2016 Certificates.

Simultaneously with the delivery of the Series 2016 Certificates, pursuant to a Base Lease dated as of April 1, 2013 (the **“Original Base Lease”**), as amended and supplemented by the First Supplemental Base Lease dated as of February 1, 2014 (the **“First Supplemental Base Lease”**), the Second Supplemental Base Lease dated as of August 1, 2014 (the **“Second Supplemental Base Lease”**), and the Third Supplemental Base Lease dated as of September 1, 2016 (the **“Third Supplemental Base Lease”** and collectively, with the Original Base Lease, the First Supplemental Base Lease, the Second Supplemental Base Lease **“the Base Lease”**), the District will lease to the Trustee the land on which 15 of the District’s 20 library facilities are located (collectively, the **“Leased Property”**). In addition to making improvements on the Leased Property,

the District intends to spend a portion of the proceeds of the Series 2016 Certificates to finance capital improvements at other District facilities that are not currently part of the Leased Property. The Declaration of Trust provides that before the Trustee disburses Series 2016 Certificate proceeds to pay costs in excess of \$1 million on any single site or facility not included in the Leased Property, the Base Lease and the Lease will be revised to include such site as part of the Leased Property. See **“PLAN OF FINANCING – The Leased Property”** herein for a more detailed description of the Leased Property and the conditions for disbursement of Series 2016 Certificate proceeds.

Under the Lease, the Trustee leases its interest in the Leased Property to the District for a series of one-year terms, with a final renewal term commencing January 1, 2046 and ending April 2, 2046 (each a **“Renewal Term”** and collectively, the **“Renewal Terms”**). Each Renewal Term is subject to annual appropriation by the Board of Trustees of the District.

The District intends to satisfy its obligation to make the payments of Basic Rent under the Lease from surplus revenues generated from a 6-cent property tax increase (the **“Operating Levy Increase”**) approved by a majority of the voters in the District voting on the question at an election held on November 6, 2012. None of the Operating Levy Increase, the existing property tax levy or other funds of the District are, or can be, pledged to the payment of the Series 2016 Certificates. The Lease does not require the District to use proceeds of the Operating Levy Increase to make Basic Rent Payments.

Neither the Series 2016 Certificates nor the Lease will constitute a debt or liability of the District or of the State of Missouri (the **“State”**) or any political subdivision thereof, nor will they constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The execution and delivery of the Lease will not obligate the District to levy any form of taxation for the payments required thereunder or to make any appropriation for such payments in any fiscal year subsequent to a fiscal year in which the Lease is in effect.

### **Limited Obligations**

Under the Lease, the District has agreed to pay rental payments (the **“Basic Rent”**), consisting of a principal portion (the **“Principal Portion”**) and an interest portion (the **“Interest Portion”**), but only if and to the extent that the Board of Trustees of the District annually appropriates sufficient money to pay the Basic Rent coming due during each succeeding Renewal Term. The Series 2016 Certificates represent undivided, proportionate interests in the Basic Rent.

None of the Series 2016 Certificates, the Lease or any payments required under the Lease will (a) constitute a mandatory payment obligation of the District in any year beyond the year during which the District is a lessee under the Lease, or (b) give rise to a general obligation or other indebtedness of the District. The District is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year or any subsequent fiscal year in which the Lease is in effect, and there can be no assurance that the District will appropriate funds to make Basic Rent or renew the Lease after the Initial Term or any Renewal Term. The District may terminate its obligations under the Lease on an annual basis. The District has the option to purchase the Trustee’s interest in the Leased Property at the times and upon the conditions described under the caption **“DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS - SUMMARY OF THE LEASE - Option to Purchase the Trustee’s Interest in the Leased Property”** in *Appendix C* hereto.

### **Risk Factors**

Payment of the Principal Portions and Interest Portions represented by the Series 2016 Certificates is subject to certain risks. See the caption **“RISK FACTORS AND INVESTMENT CONSIDERATIONS.”**

## **Parity Obligations**

The Series 2016 Certificates will be secured on a parity basis with the District's Certificates of Participation (St. Louis County Library District, Lessee), Series 2013, outstanding in the aggregate principal amount of \$46,975,000 (the "**Series 2013 Certificates**"). The Declaration of Trust provides for the future delivery of Additional Certificates which, if delivered, would be secured on a parity with the Series 2013 Certificates, the Series 2016 Certificates and any other Additional Certificates then Outstanding under the Declaration of Trust. The Series 2013 Certificates, the Series 2016 Certificates and any Additional Certificates are collectively referred to herein as the "**Certificates.**" Following the delivery of the Series 2016 Certificates, the District will have certificates of participation outstanding in the aggregate principal amount of \$126,420,000.

See "**DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS - SUMMARY OF THE DECLARATION OF TRUST - Additional Certificates**" in *Appendix C* hereto.

## **Continuing Disclosure Information**

The District has covenanted in an Omnibus Continuing Disclosure Agreement dated as of April 1, 2013, which will be made applicable to the Series 2016 Certificates through an Adoption Agreement dated as of September 1, 2016, to provide certain financial information, operating data, and notices of material events to the Municipal Securities Rulemaking Board (the "**MSRB**"), in compliance with Rule 15c2-12 (the "**Rule**") promulgated by the Securities and Exchange Commission. A summary of the Continuing Disclosure Agreement is included in *Appendix C* hereto.

The District believes it has materially complied with its prior continuing disclosure obligations under the Rule during the past 5 years.

## **Definitions and Descriptions; Inspection of Documents**

All capitalized terms used in this Official Statement not defined in the text hereof are defined under the caption "**DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS - Definitions of Words and Terms**" set forth in *Appendix C* hereto. Brief descriptions of the Certificates, the Base Lease, the Lease and the Declaration of Trust and certain other matters are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Base Lease, the Lease and the Declaration of Trust are qualified in their entirety by reference to such documents, copies of which may be viewed at the offices of Piper Jaffray & Co., 8235 Forsyth Boulevard, Suite 600, Clayton, Missouri 63105, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2016 Certificates are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Base Lease, the Lease and the Declaration of Trust.

## **PLAN OF FINANCING**

### **The Facilities Master Plan and the Project**

In 2011, the District engaged Aaron Cohen Associates Ltd., Croton-on-Hudson, New York ("**ACA**"), to examine the District's existing facilities and projected needs, and based on that information, to make recommendations regarding improvements to District facilities. In 2012, ACA completed a Facilities Master Plan, which recommended system-wide improvements to the District's library spaces.

Based on the Facilities Master Plan, the District decided to renovate, replace or improve 19 of the District's 20 facilities. The District expects to complete the work in two phases. The District financed the first phase of the project with the proceeds of the Series 2013 Certificates (the "**2013 Project**"), consisting of the following:

1. ***Grant's View Branch (9700 Musick Road, St. Louis).*** The District acquired a new site upon which it constructed, furnished and equipped an approximately 40,000 square foot building. This branch opened in December 2015 and features a two-story glass atrium with natural light and comfortable seating, a large children's area with program and crafts center, four quiet study rooms, a quiet reading room, two meeting rooms, a computer lab, a teen space, café area with vending and a community garden. One of the meeting rooms can seat over 300 people. The Grant's View Branch replaced a 27,775 square foot facility located in south St. Louis County.
2. ***Lewis and Clark Branch (9909 Lewis-Clark Blvd., Moline Acres).*** The new Lewis and Clark Branch opened in October 2015. The prior 16,000 square foot facility was demolished and replaced with a new facility with approximately 20,000 square feet. The facility features a discovery-themed children's area including the Big and Little Dipper made out of LED lights, a business center with office machines, three areas with new computers, a large community meeting room, three private study rooms, and a colorful teen area.
3. ***Rock Road Branch (10267 St. Charles Rock Road, St. Ann).*** The renovations and expansion of the Rock Road Branch was completed in January 2016. The work included a new entrance and an additional 4,000 square feet. This branch features a new, glass façade that allows natural light to flow into the branch. Other improvements include a colorful children's area, a teen area, two private study rooms, two community meeting rooms, dedicated program area, more public computers, a laptop bar, a vending area, a family restroom, and a business center.
4. ***Jamestown Bluffs Branch (4153 North Highway 67, Florissant).*** The Jamestown Bluff Branch was renovated in 2015 and features a colorful expanded children's area, a business center with fax, copy and scanning machines, two community meeting rooms, a café area with vending machines and tables, two private study rooms, a quiet reading area, and an expanded teen area.
5. ***Indian Trails Branch (8400 Delport Dr., Sycamore Hills).*** The District extensively renovated the existing 15,500 square foot, one-story brick/masonry building in November 2015. The renovations included adding an expanded colorful children's area, a business center with office machines, a large community meeting room, a café area with vending machines and tables, two private study rooms, a quiet reading area, and a teen area.
6. ***Cliff Cave Branch (5430 Telegraph Road, St. Louis).*** The District recently completed the renovations to the Cliff Cave Branch and reopened it to the public on September 21, 2016. The renovations included relocating the main entrance, expanding the children's area and adding a quiet reading room, more public computers, two private study rooms, a family restroom, a vending area, new shelving, furniture and comfortable seating.
7. ***Natural Bridge Branch (7606 Natural Bridge Road, St. Louis).*** The District is currently renovating the Natural Bridge Branch. The renovations include expanding the children's area and adding a quiet reading room, an after-hours computer lab, three private study rooms, a family restroom, two community meeting rooms, a vending area, new shelving, furniture and comfortable seating. The District will be opening the branch to the public on September 14, 2016.

8. ***Oak Bend Branch (842 S. Holmes Ave., St. Louis).*** The District recently completed renovating the Oak Bend Branch, which was opened to the public on August 17, 2016. The renovations include expanding the children's area and adding a quiet reading room, new public computers, a laptop bar, two private study rooms, a family restroom, a vending area, new shelving, furniture and comfortable seating.
9. ***Prairie Commons Branch (915 Utz Lane, Hazelwood).*** The District recently completed the renovations to the branch and reopened it to the public on September 28, 2016. The renovations included expanding the children's area and adding a quiet reading room, new public computers, a laptop bar, two private study rooms, a family restroom, a vending area, new shelving, furniture and comfortable seating.
10. ***Samuel C. Sachs Branch (16400 Burkhardt Place, Chesterfield).*** The District completed the renovation of the Samuel C. Sachs Branch on July 27, 2016. The renovations include expanding the children's area and adding a quiet reading room, new public computers, a laptop bar, three private study rooms, a family restroom, a vending area, new shelving, furniture and comfortable seating.
11. ***Weber Road Branch (4444 Weber Road, St. Louis).*** The District completed the renovation of the Weber Road Branch in December 2015. The renovation includes a new café area with tables, a laptop bar and vending machines, a glass enclosed computer lab, an expanded children's area, a new teen space, a business center with fax, copy and scanning machines, a large community meeting room, and two private study rooms.

The District is issuing the 2016 Certificates to finance the 2016 Project. The primary components of the second phase are expected to be as follows:

1. ***Thornhill Branch (12863 Willowick Dr., St. Louis).*** The District will demolish the existing facility and construct an approximately 20,000 square foot building on the existing site.
2. ***Meramec Valley Branch (625 New Smizer Mill Road, Fenton).*** The District plans to acquire a new site on which to construct, furnish and equip an approximately 15,000 square foot building. This will replace the current 2,700 square foot facility located at 625 New Smizer Mill Road in Fenton.
3. ***Mid County Branch (7821 Maryland Ave., Clayton).*** The existing building is a multi-story brick/masonry building, with approximately 16,000 square feet of space. The District plans to either purchase a site on which to construct a new facility, or renovate the existing facility.
4. ***Daniel Boone Branch (300 Clarkson Rd., Ellisville).*** The District plans to renovate the existing 34,000 square foot, two-story brick/masonry building by constructing, furnishing and equipping an approximately 10,000 square foot addition and reorganizing the current facility. The Daniel Boone Branch will close for renovations on November 5, 2016.
5. ***Bridgeton Trails Branch (3455 McKelvey Road, Bridgeton).*** The District plans to update the existing 17,500 square foot, one-story brick/masonry building by renovating the existing facility to include enhancements to the children's area and teen area, additional seating throughout the facility, and improved collaborative spaces. The Bridgeton Trails Branch will close for renovations on October 22, 2016.
6. ***Florissant Valley Branch (195 New Florissant Road, South, Florissant).*** The District plans to renovate the existing 38,000 square foot, two-story brick/lime-stone facility by creating new community meeting spaces, comfortable public areas, and a children's learning area,

among many other upgrades. The Florissant Valley Branch will close for renovations on October 29, 2016.

7. ***Grand Glaize Branch (1010 Meramec Station Road, Manchester).*** The District plans to renovate the existing 20,000 square foot, one-story brick/masonry building by constructing, furnishing and equipping an approximately 5,000 square foot addition and making various improvements to the existing facility.
8. ***Operations Facility (1640 South Lindbergh Boulevard).*** The District is in the initial planning stages regarding the addition and improvement of an operations facility to be on the same real estate as Headquarters. Various options are being considered and the District may acquire a new site on which to construct a new facility.
9. ***Other Capital Improvements.*** The District may undertake such other capital improvements as the Board of Trustees determines appropriate for the benefit of the District.

If for any reason the District is delayed in initiating any one or more of the improvements identified above, the District may use proceeds of the Series 2016 Certificates for any other capital improvements.

The District has engaged Landmark Contract Management, Inc. of Fenton, Missouri (“**Landmark**”), to serve as Facilities Master Plan Administrator. Landmark is providing leadership, direction, and assistance to the District and its staff in all aspects of the Master Plan from final development of the Master Plan to performance, completion, and necessary post-closeout matters.

### **The Leased Property**

Upon delivery of the Series 2016 Certificates, the Leased Property will include all of the land and currently existing and future improvements on which the following components of the Project are or will be constructed: Lewis and Clark Branch; Rock Road Branch; Jamestown Bluffs Branch; Daniel Boone Branch; Indian Trails Branch; Grant’s View Branch; Prairie Commons Branch; Oak Bend Branch; Samuel C. Sachs Branch; Weber Road Branch; Clive Cave Branch; Natural Bridge Branch; Bridgeton Trails Branch; Florissant Valley Branch; and Grand Glaize Branch.

As part of the process for requesting a disbursement of Series 2016 Certificate proceeds, the Declaration of Trust requires that the District advise the Trustee in the draw request whether an amount of Series 2016 Certificate proceeds in excess of \$1 million is for costs of improvements to a District facility not included as part of the Leased Property. If so, the Declaration of Trust prohibits the Trustee from disbursing funds associated with such site until the District and the Trustee amend the Base Lease and the Lease to incorporate such facility as part of the Leased Property.

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## Sources and Uses of Funds

The following table itemizes the estimated sources of funds, including the proceeds from the execution and delivery of the Series 2016 Certificates (excluding accrued interest) and how such funds are expected to be used:

<i>Sources of Funds:</i>	
Principal Amount of the Series 2016 Certificates	\$79,445,000.00
Plus: Net Original Issue Premium	<u>1,416,603.85</u>
Total	<u>\$80,861,603.85</u>
 <i>Uses of Funds:</i>	
Deposit to Project Fund	\$79,000,000.00
Costs of Delivery <sup>(1)</sup>	<u>1,861,603.85</u>
Total	<u>\$80,861,603.85</u>

<sup>(1)</sup> Includes the Underwriter's discount.

## THE SERIES 2016 CERTIFICATES

### Description

The Series 2016 Certificates are dated the date of delivery and payment thereof. The Principal Portion of Basic Rent represented by each Series 2016 Certificate will bear interest at specified rates as set forth on the inside cover page hereof. The Interest Portion of Basic Rent represented by the Series 2016 Certificates will be payable semiannually on April 1 and October 1 of each year (the "**Payment Dates**") beginning on April 1, 2017. The Principal Portion of Basic Rent represented by the Series 2016 Certificates is payable on April 1 of the years and in the principal amounts set forth on the inside cover page of this Official Statement.

The Interest Portion represented by the Series 2016 Certificates is payable (a) by check or draft mailed by the Trustee to the address of the Owners shown on the registration books for the Series 2016 Certificates (the "**Register**"), or (b) in the case of an interest payment to (1) the Securities Depository or (2) by electronic transfer to an Owner upon written notice given to the Trustee by such Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the name of the bank, the bank's ABA routing number and the account number to which such Owner wishes to have such transfer directed and an acknowledgement that an electronic transfer fee is payable. The Principal Portion of Basic Rent and prepayment premium, if any, represented by the Series 2016 Certificates is payable upon presentation and surrender thereof at the corporate trust office of the Trustee in Kansas City, Missouri or at such other office as is designated by the Trustee.

### Prepayment Provisions

**Optional Prepayment.** The Series 2016 Certificates maturing on April 1, 2027 and thereafter are subject to optional prepayment, as a whole or in part at any time, on or after April 1, 2026, at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented by the Series 2016 Certificates being prepaid, plus the Interest Portion of Basic Rent accrued to the Prepayment Date, from amounts paid by the District upon the exercise of its option to purchase the Trustee's interest in the Leased Property or partially prepay Basic Rent Payments pursuant to the terms of the Lease.

**Mandatory Prepayment.** The Series 2016 Certificates maturing on April 1, 2036, 2038, 2043 and 2046 (collectively, the "**Term Certificates**") are subject to mandatory prepayment in part prior to their stated payment date on each April 1 at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented thereby plus the Interest Portion of Basic Rent accrued thereon to the payment date, without

premium. The Trustee shall prepay on each April 1 the following amounts of the Principal Portion of Basic Rent represented by such Term Certificates:

**Term Certificates Maturing April 1, 2036**

<u>Prepayment Date</u>	<u>Principal Portion</u>
2035	\$1,965,000
2036 <sup>+</sup>	2,020,000
<hr/>	
<sup>+</sup> Final Maturity	

**Term Certificates Maturing April 1, 2038**

<u>Prepayment Date</u>	<u>Principal Portion</u>
2037	\$2,085,000
2038 <sup>+</sup>	2,150,000
<hr/>	
<sup>+</sup> Final Maturity	

**Term Certificates Maturing April 1, 2043**

<u>Prepayment Date</u>	<u>Principal Portion</u>
2042	\$5,720,000
2043 <sup>+</sup>	5,895,000
<hr/>	
<sup>+</sup> Final Maturity	

**Term Certificates Maturing April 1, 2046**

<u>Prepayment Date</u>	<u>Principal Portion</u>
2044	\$6,070,000
2045	6,255,000
2046 <sup>+</sup>	6,450,000
<hr/>	
<sup>+</sup> Final Maturity	

At its option, to be exercised on or before the 45th day next preceding any mandatory Prepayment Date, the District may: (1) deliver to the Trustee for cancellation Term Certificates in any aggregate principal amount desired, (2) furnish the Trustee funds, together with appropriate instructions, for the purpose of purchasing any of said Certificates from any Owner thereof, whereupon the Trustee shall expend such funds for such purpose to such extent as may be practical or (3) receive a credit with respect to the mandatory prepayment obligation of the Trustee under this subsection for any Term Certificate which prior to such date has been prepaid (other than through the operation of the requirements of this subsection) and cancelled by the Trustee and not theretofore applied as a credit against any prepayment obligation under this subsection. Each Term Certificate so delivered or previously purchased or prepaid shall be credited at 100% of the principal



amount thereof on the obligation of the Trustee to prepay Term Certificates of the same series and maturity on such Prepayment Date, and any excess of such amount shall be credited on future mandatory prepayment obligations for Term Certificates of the same series and maturity in chronological order, and the principal amount of Term Certificates of the same series and maturity to be prepaid by operation of the requirements of this subsection shall be accordingly reduced. If the District intends to exercise any option granted by the provisions of clauses (1), (2) or (3) above, the District will, on or before the 45th day next preceding each mandatory Prepayment Date, furnish the Trustee a certificate signed by the Authorized Representative indicating to what extent the provisions of said clauses (1), (2) and (3) are to be complied with in respect to such mandatory prepayment payment.

***Extraordinary Optional Prepayment.*** The Series 2016 Certificates are subject to optional prepayment, as a whole but not in part, at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented thereby plus the Interest Portion of Basic Rent accrued to the Prepayment Date, in the event of substantial damage to or destruction or condemnation (other than by the District or any entity controlled by or otherwise affiliated with the District) of, or loss of title to, substantially all of the Leased Property, or as a result of changes in the constitution of the State or legislative or administrative action by the State or the United States, the Base Lease or the Lease becomes unenforceable, and the District purchases the Trustee's interest in the Leased Property pursuant to the Lease.

***Partial Prepayment of Certificates.*** If less than all of the Outstanding Certificates of a series are called for prepayment, (a) Certificates shall be prepaid in such order of stated payment dates as is determined by the District and (b) within a stated payment date the Trustee shall select the Certificates or any given portion thereof to be prepaid by lot or such other equitable manner as the Trustee determines in principal amounts of \$5,000 or integral multiples thereof. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of the same series and stated payment date, equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered.

***Notice of Prepayment.*** Unless otherwise provided in the Declaration of Trust, notice of prepayment will be given by the Trustee, not more than 60 days and not less than 30 days prior to the Prepayment Date, to the District and the Owner of each Series 2016 Certificate affected at the address shown on the registration books of the Registrar on the date such notice is mailed. Each notice of prepayment will state (a) the Prepayment Date, (b) the place of prepayment, (c) the Prepayment Price, (d) if less than all, the identification of the Series 2016 Certificates to be prepaid and (e) if a Series 2016 Certificate is being prepaid in part, the portion thereof being prepaid. Such notice will also state that the Interest Portion of the Basic Rent represented by the Series 2016 Certificates designated for prepayment will cease to accrue from and after such Prepayment Date and that on said date the Prepayment Price will become due and payable on each of said Series 2016 Certificates. The failure of the Owner of any Series 2016 Certificate to be so prepaid to receive notice of prepayment mailed as herein described or any defect therein will not affect or invalidate the validity of any proceedings for the prepayment of such Series 2016 Certificate.

The Trustee is also directed to comply with any mandatory standards then in effect for processing redemptions of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards will not affect or invalidate the prepayment of any Series 2016 Certificate to be prepaid.

The Trustee, as long as a book-entry system is used for the Series 2016 Certificates, will send notices of prepayment only to the Securities Depository, as the Owner of the Series 2016 Certificates. Any failure of the Securities Depository to advise any of the Participants, or of any participant or any nominee to notify any Beneficial Owner of the Series 2016 Certificates, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Series 2016 Certificates called for prepayment.

**Effect of Prepayment.** Notice of prepayment having been duly given as aforesaid, and upon funds for payment of the Prepayment Price of such Series 2016 Certificates (or portions thereof) being held by the Trustee, on the Prepayment Date designated in such notice, the Series 2016 Certificates (or portions thereof) so called for prepayment will become due and payable at the Prepayment Price specified in such notice and the Interest Portion of Basic Rent represented by the Series 2016 Certificates so called for prepayment will cease to accrue, said Series 2016 Certificates (or portions thereof) will cease to be entitled to any benefit or security under the Declaration of Trust, and the Owners of such Series 2016 Certificates will have no rights in respect thereof except to receive payment of the Prepayment Price. All Series 2016 Certificates prepaid pursuant to the provisions of the Declaration of Trust will be cancelled upon surrender thereof and destroyed by the Trustee.

## **BOOK-ENTRY ONLY SYSTEM**

### **Book-Entry Only System**

**General.** The Series 2016 Certificates are available in book-entry only form. Purchasers of the Series 2016 Certificates will not receive certificated securities representing their interests in the Series 2016 Certificates. Ownership interests in the Series 2016 Certificates will be available to purchasers only through a book-entry system (the “**Book-Entry System**”) maintained by The Depository Trust Company (“**DTC**”), New York, New York.

**The following information concerning DTC and DTC’s book-entry system has been obtained from DTC. The District takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.**

DTC will act as securities depository for the Series 2016 Certificates. The Series 2016 Certificates 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 Series 2016 Certificate will be issued for each maturity of the Series 2016 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

**DTC and its Participants.** DTC, the world’s largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor’s rating of AA+. 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](http://www.dtcc.com).

***Purchases of Ownership Interests.*** Purchases of the Series 2016 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Certificate ("**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 Series 2016 Certificates 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 the Series 2016 Certificates, except in the event that use of the book-entry system for the Series 2016 Certificates is discontinued.

***Transfers.*** To facilitate subsequent transfers, all Series 2016 Certificates 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 the Series 2016 Certificates 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 Series 2016 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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.

***Notices.*** 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. Beneficial Owners of the Series 2016 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Series 2016 Certificate documents. For example, Beneficial Owners of the Series 2016 Certificates may wish to ascertain that the nominee holding the Series 2016 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices will be sent to DTC. If less than all of the Series 2016 Certificates within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

***Voting.*** Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Series 2016 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

***Payments of Principal, Prepayment Price and Interest.*** Prepayment proceeds, distributions, and dividend payments on the Series 2016 Certificates 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 District or the Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by 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 Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividends to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

***Discontinuation of Book-Entry System.*** DTC may discontinue providing its services as depository with respect to the Series 2016 Certificates at any time by giving reasonable notice to the District and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2016 Certificates are required to be printed and delivered. Participants holding a majority position in the outstanding Series 2016 Certificates may decide to discontinue use of the system of book-entry transfer through DTC (or a successor securities depository). In that event, the Series 2016 Certificates will be printed and delivered.

### **Transfer Outside Book-Entry Only System**

If the book-entry only system is discontinued the following provisions would apply. The Series 2016 Certificates are transferable only upon the Register upon presentation and surrender of the Series 2016 Certificates, together with instructions for transfer. The Series 2016 Certificates may be exchanged for other Series 2016 Certificates of any denomination authorized by the Declaration of Trust in the same aggregate principal amount, series, payment date and interest rate, upon presentation to the Trustee, subject to the terms, conditions and limitations and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, exchange or transfer.

## **SECURITY FOR THE CERTIFICATES**

### **Limited Obligations; Sources of Payment**

Each Series 2016 Certificate evidences the undivided, proportionate interest of the Owner thereof in the right to receive Basic Rent Payments to be made by the District under the Lease. The Series 2016 Certificates are payable solely out of the Basic Rent and other money and investments held by the Trustee under the Declaration of Trust.

The District's obligation to make Basic Rent and other payments under the Lease is subject to annual appropriation by the Board of Trustees and will not constitute a debt or liability of the District or of the State or any political subdivision thereof. Neither the Lease nor the Series 2016 Certificates will constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The execution and delivery of the Lease and the Series 2016 Certificates will not obligate the District to levy any form of taxation therefor or to make any appropriation for their payment in any fiscal year subsequent to a fiscal year in which the Lease is in effect.

Under the terms of the Lease, if the District elects to renew the Lease at the end of any Renewal Term, it is obligated to budget, appropriate and set aside a portion of its general revenues derived from property taxes and other sources, which appropriation must be sufficient to make the Basic Rent coming due during the ensuing fiscal year. To provide for the timely payment of Basic Rent, the District has covenanted and agreed in the Lease to pay the Basic Rent to the Trustee for deposit in the Lease Revenue Fund on the fifth Business Day preceding each Basic Rent Payment Date (but only if the District elects to renew the Lease for each Renewal Term). **There can be no assurance that the Board of Trustees will appropriate funds for Basic Rent or renew the Lease for any subsequent Renewal Term. The District is not legally required to budget or appropriate money for any subsequent fiscal year beyond the then-current fiscal year.**

The District intends to satisfy its obligation to make Basic Rent out of revenues generated from the Operating Levy Increase. Neither the Operating Levy Increase, the District's other tax revenues, nor other District funds are, or can be, pledged to the payment of the Series 2016 Certificates. The Lease does not require the District to use proceeds of the Operating Levy Increase to pay Basic Rent Payments.

### **Base Lease**

Simultaneously with the delivery of the Series 2016 Certificates, the District will, pursuant to the Base Lease, lease the Leased Property to the Trustee, as lessee. The Base Lease is for a term ending April 1, 2066 (which is 20 years after the final maturity date of the Series 2016 Certificates), unless sooner terminated if the District makes all payments required by the Lease. If an Event of Default or Event of Nonappropriation occurs under the Declaration of Trust or the Lease, the Trustee has the right to evict the District from the Leased Property for the remainder of the term of the Base Lease. Thereafter, the Trustee may enforce its interest in the Leased Property by either selling or reletting its interest.

### **Parity Obligations**

The Series 2016 Certificates will be secured on a parity basis with the Series 2013 Certificates. Additional Certificates may be issued under and be equally and ratably secured by the Declaration of Trust on a parity with the Series 2013 Certificates, the Series 2016 Certificates and any other Additional Certificates Outstanding, at any time while no Event of Default is continuing under the Declaration of Trust or Event of Nonappropriation has occurred under the Lease, with the written consent of the District, upon compliance with the conditions provided in the Declaration of Trust. See **“DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS - SUMMARY OF THE DECLARATION OF TRUST - Additional Certificates”** in *Appendix C* hereto.

Pursuant to the Declaration of Trust, Additional Certificates may be issued for any one or more of the following purposes: (a) to provide funds to complete the Project or to pay all or any part of the costs of any Additional Project, (b) to provide funds to pay the costs relating to the execution and delivery of the Additional Certificates, (c) to provide funds to pay interest during the estimated period of acquisition and construction of any Additional Project or (d) to provide funds for the purpose of refunding all or a portion of the Certificates of any series then Outstanding, including the payment of any premium thereon and interest to accrue to the designated prepayment date and any expenses in connection with such refunding.

## **RISK FACTORS AND INVESTMENT CONSIDERATIONS**

*The purchase of the Series 2016 Certificates involves certain investment risks that are discussed throughout this Official Statement. Each prospective purchaser of the Series 2016 Certificates should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain risk factors relating to the Series 2016 Certificates are described below. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect payment of the Series 2016 Certificates.*

### **Limited Obligations**

Each Series 2016 Certificate evidences the undivided, proportionate interest of the Owner thereof in the right to receive Basic Rent to be paid by the District under the Lease. The Series 2016 Certificates are payable solely from the Basic Rent and other money and investments held by the Trustee under the Declaration of Trust. The Basic Rent constitute currently budgeted expenditures of the District, payable only if the Board of Trustees appropriates sufficient money to extend the term of the Lease for each successive fiscal year. The Initial Term of the Lease expired on December 31, 2013 and the District subsequently renewed the Lease for

each fiscal year. The Lease is subject to successive one-year Renewal Terms commencing on January 1 of each year, with a final renewal term commencing January 1, 2046 and ending April 2, 2046. **The District's obligations under the Lease do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.**

The Board of Trustees has declared its current intention and expectation that the Lease will be renewed annually until the District exercises its option to acquire the Trustee's interest in the Leased Property. However, such a declaration cannot be construed as contractually obligating or otherwise binding the District. Accordingly, the likelihood that the District will renew the Lease for all Renewal Terms and continue to pay the Basic Rent thereunder to enable the Trustee to timely pay the Principal Portions and Interest Portions of Basic Rent represented by the Series 2016 Certificates is dependent upon certain factors which are beyond the control of the Owners, including (a) the availability of funds from the Series 2016 Certificates or other sources in an amount sufficient to complete the Project, (b) the District's continuing need for the Leased Property, (c) the demographic conditions within the District, (d) the District's ability to generate sufficient revenues, property taxes, user fees and charges and other sources to pay its obligations under the Lease and its other obligations and (e) the value of the Leased Property if the Trustee's interest therein is relet or sold in a foreclosure or other liquidation proceeding instituted by the Trustee upon the termination of the Lease as a result of an Event of Default or Event of Nonappropriation.

#### **Expiration or Termination of the Lease**

The Lease will expire by its terms on December 31 during each year, with a final Renewal Term commencing January 1, 2046 and ending April 2, 2046, unless the District in its sole discretion exercises the option provided in the Lease to extend its term for each next succeeding Renewal Term. If in any year the District does not extend the term of the Lease, the District's obligation to make payments will terminate on the December 31 occurring at the end of the then-current Renewal Term. Upon (a) the expiration of any Renewal Term during which an Event of Nonappropriation occurs (which is not waived by the Trustee as provided in the Lease) or (b) a default under the Lease and an election by the Trustee to terminate the District's possessory interest under the Lease, the District's right of possession and use of the Leased Property under the Lease will expire or be terminated, as appropriate.

If the District's right of possession and use of the Leased Property under the Lease expires or is terminated for either of the reasons described in the preceding paragraph, (1) the District's obligation to make payments thereunder will continue through the Renewal Term then in effect, but not thereafter, (2) the Principal Portion of Basic Rent that has been appropriated but is then unpaid by the District for the District's then-current fiscal year may be declared immediately due and payable and (3) the Series 2016 Certificates will be payable from, among other sources, such money as may be available by way of recovery from the District of the Basic Rent that are due through the Renewal Term then in effect. See **"SUMMARY OF THE LEASE - Nonappropriation"**, **"- Events of Default"** and **"- Remedies on Default"** in *Appendix C* hereto.

Upon a termination of the Lease by the District or by reason of an Event of Default, the District may be required to surrender possession of the Leased Property after notice from the Trustee. Thereafter, the Trustee may enforce its interest in the Leased Property by either selling or reletting its interest. It is possible that the District would seek and obtain injunctive relief restraining the Trustee from enforcing its rights on the assertion that the District could not properly function without the Leased Property.

**If the Lease expires at the end of a Renewal Term without any extension for the next succeeding Renewal Term or if an event occurs that terminates the District's right of possession of the Leased Property under the Lease, the nature of the Leased Property, including the restriction on a portion thereof as described below under the subsection captioned "Restriction on Use of Leased Property," may impair the Trustee's ability to realize any revenues from the Leased Property. Due to the nature of the Leased Property, no assurance can be given that the Trustee could assign the Base Lease and its rights thereunder or sublease the Leased Property for the amount necessary (after taking into account**

money legally available from other sources) to pay in full the Principal Portions and Interest Portions of Basic Rent then due with respect to the Series 2016 Certificates. Furthermore, no assurance can be given that the amount, if any, realized upon any assignment or sublease of the Trustee's interest in the Leased Property will be available to provide for the payment of the Series 2016 Certificates on a timely basis.

### **Enforceability of Remedies**

The enforceability of the Lease and the Declaration of Trust is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the exercise of judicial authority by State or federal courts and the exercise by the United States of America of the powers delegated to it by the U.S. Constitution. There can be no assurance that (a) a court, in the exercise of judicial discretion, would enforce the remedies afforded by the Lease in a timely manner or (b) any money realized by the Trustee upon an exercise of any remedies would be sufficient to pay in full the Principal Portions and the Interest Portions of Basic Rent represented by the Series 2016 Certificates.

### **Destruction of the Leased Property**

The Lease requires the Leased Property to be insured as described in **"SUMMARY OF THE LEASE – Insurance"** in *Appendix C* hereto. If the Leased Property is damaged or destroyed, the District is nevertheless required to continue to make Basic Rent Payments under the Lease, subject to the exercise of its option to extend the term of the Lease for each next succeeding Renewal Term and to the application of Net Proceeds from insurance and certain other sources to repair, restore, modify, improve or replace the affected portion of the Leased Property. If the Net Proceeds from insurance and such other sources are sufficient to repair, restore, modify, improve or replace the affected portion of the Leased Property, such proceeds are to be so applied unless the District elects to purchase the Trustee's interest in the Leased Property pursuant to the Lease. If the Net Proceeds are insufficient for such purpose, (a) the District is obligated to commence and thereafter complete the work and pay any cost in excess of such Net Proceeds, in order for the affected portion of the Leased Property to be repaired, restored and replaced, or (b) the District may apply Net Proceeds to the payment of the Purchase Price applicable on the next available optional Prepayment Date and, if such Net Proceeds are insufficient to pay such Purchase Price, the District is required under the Lease to pay such amounts as are necessary to equal the full Purchase Price.

There can be no assurance either as to the adequacy of or timely payment under property damage insurance in effect at that time or that the District will elect to extend the term of the Lease for the next Renewal Term succeeding such damage or destruction. See **"SUMMARY OF THE LEASE – Damage, Destruction and Condemnation"** in *Appendix C* hereto.

### **Land Acquisition and Construction Risks**

The District has not identified or completed the purchase of the sites on which it may construct new facilities for the Meramec Valley Branch and the Mid County Branch. Higher-than-budgeted land acquisition costs, delays in acquiring those sites, or lack of available sites that meet the District's criteria could negatively impact the construction schedule or costs of completing those projects.

Weather, labor disputes, availability of materials and supplies, casualty damages, unanticipated subsoil conditions, unanticipated construction difficulties and other "force majeure" occurrences or events or financial failure or failure to perform by a contractor, subcontractor or supplier may affect the timely construction and renovation of the Project. The District has not yet entered into construction contracts for the Project. The costs of the Project may exceed the expectations of the District, and in such event, the District may reduce the size and scope of the Project to reduce the costs of the Project.

Any significant reduction in size and scope of the Project, or failure to complete the Project entirely for whatever reason, could affect the District's decision to continue appropriations and the Trustee's ability to relet the Leased Property.

### **Insufficiency of Collateral**

Upon the delivery of the Series 2016 Certificates, the insured amount of the Leased Property for the title insurance policy will be less than the par amount of the Series 2016 Certificates. The District intends to add certain other District property to the Leased Property as part of the Project, which will increase the value of the Leased Property. If the District does not add other property to the Leased Property, or if the value of the Leased Property and any property added thereto is less than the amount of Series 2016 Certificate proceeds disbursed by the Trustee, and if title issues for any or all of the Leased Property preclude coverage by the title company, the Trustee would not recover sufficient funds upon occurrence of an Event of Default or an Event of Nonappropriation to pay the Series 2016 Certificate holders.

### **Restrictions on Use of Leased Property**

The portion of the Leased Property consisting of the Lewis & Clark Branch is subject to a land use restriction which requires the property to be used as a free public library or for related services. This restriction would likely impair the Trustee's ability to assign its interest in the Base Lease or to sublease that portion of the Leased Property consisting of the Lewis and Clark Branch upon the occurrence of an Event of Default or an Event of Nonappropriation or to obtain an amount therefor that would be sufficient to pay a significant portion of the Principal Portions and Interest Portions represented by all of the then-Outstanding Series 2016 Certificates. The title policy will include exemptions for encroachments, overlaps, boundary disputes or any other matters that would be disclosed by an accurate survey for the parcels constituting the Leased Property. These exceptions to the title policy may impair the value or marketability of the Leased Property.

The Mid County Branch, which is presently **not** part of the Leased Property, but is expected to be added to the Leased Property at a future date, is subject to an agreement between the City of Clayton, Missouri ("Clayton"), and the District, that grants Clayton the right to purchase the site from the District if the site is no longer used as a public library. The agreement sets forth the procedures to follow to determine the purchase price. This agreement would likely impair the Trustee's ability to assign its interest in the Base Lease or to sublease that portion of the Leased Property eventually consisting of the Mid County Branch upon the occurrence of an Event of Default or an Event of Nonappropriation or to obtain an amount therefor that would be sufficient to pay a significant portion of the Principal Portions and Interest Portions represented by all of the then-Outstanding Series 2016 Certificates.

Additionally, all portions of the Leased Property are subject to the different zoning and use laws of the municipalities in which each portion of the Leased Property is located. Such zoning and use laws may impair the Trustee's ability to assign its interest in the Base Lease or to sublease that portion of the Leased Property upon the occurrence of an Event of Default or an Event of Nonappropriation.

### **Taxability**

The Series 2016 Certificates are not subject to prepayment nor are the interest rates on the Series 2016 Certificates subject to adjustment in the event of a determination by the Internal Revenue Service (the "Service") or a court of competent jurisdiction that the Interest Portion of Basic Rent paid or to be paid on any Series 2016 Certificate is or was includible in the gross income of the Certificate Owner for federal income tax purposes. *Under such circumstances, Owners of Series 2016 Certificates would continue to hold their Series 2016 Certificates, receiving the Principal Portion and Interest Portion of Basic Rent as and when due, but would be required to include the Interest Portion of Basic Rent in gross income for federal and Missouri income tax purposes.*



### **Effect on Tax-Exemption of Termination of the Lease**

Special Tax Counsel is not rendering an opinion with respect to the tax-exempt status of the Interest Portion of the Basic Rent distributable to owners of the Series 2016 Certificates subsequent to the termination of the Lease for any reason (including an Event of Default or an Event of Nonappropriation under the Lease). If the Lease is terminated while Series 2016 Certificates are outstanding, there is no assurance that payments made to Series 2016 Certificate owners after such termination with respect to interest will be excluded from gross income of the owners thereof for federal or Missouri income tax purposes.

### **Amendment of the Declaration of Trust, Lease and Base Lease**

Certain amendments to the Declaration of Trust, the Lease and the Base Lease may be made with consent of the owners of not less than a majority in Principal Portion of the Basic Rent Payments represented by the Certificates (including any Additional Certificates which may be hereafter delivered) then outstanding affected by such supplemental declarations or supplemental leases. Such amendments may adversely affect the security of the owners of the Certificates.

### **Risk of Audit**

The Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations should be included in gross income for federal income tax purposes. No assurance can be given that the Service will not commence an audit of the Series 2016 Certificates. Owners of the Series 2016 Certificates are advised that, if an audit of the Series 2016 Certificates were commenced, in accordance with its current published procedures, the Service is likely to treat the District as the taxpayer, and the Owners of the Series 2016 Certificates may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Series 2016 Certificates during the pendency of the audit, regardless of the ultimate outcome of the audit.

### **Loss of Premium from Prepayment**

Any person who purchases a Series 2016 Certificate at a price in excess of its principal amount or who holds such Series 2016 Certificate trading at a price in excess of par should consider the fact that the Series 2016 Certificates are subject to prepayment prior to maturity at the prepayment prices described herein in the event such Series 2016 Certificates are prepaid prior to maturity. See **“THE CERTIFICATES – Prepayment Provisions”** herein.

### **Investment Rating and Secondary Market**

The lowering or withdrawal of the investment rating initially assigned to the Series 2016 Certificates could adversely affect the market price for and the marketability of the Series 2016 Certificates. There is no assurance that a secondary market will develop for the purchase and sale of the Series 2016 Certificates. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and changes in operating performance of the entities operating the facilities subject to the municipal securities. From time to time the secondary market trading in selected issues of municipal securities decreases as a result of the financial condition or market position of the underwriter, prevailing market conditions, or a material adverse change in the operations of that entity, whether or not the subject securities are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices. Municipal securities are generally viewed as long-term investments, subject to material unforeseen changes in the investor’s circumstances, and may require commitment of the investor’s funds for an indefinite period of time, perhaps until maturity.

## **Defeasance**

When any or all of the Principal Portion of Basic Rent or the Interest Portion of Basic Rent on the Certificates thereon have been paid and discharged, then the requirements contained in the Declaration of Trust and the pledge of revenues made thereunder and all other rights granted thereby shall terminate with respect to the Basic Rent of the Certificates so paid and discharged. Basic Rent of the Certificates shall be deemed to be paid within the meaning of the Declaration of Trust when payment of the Principal Portion of Basic Rent on such Certificates, plus premium, if any, plus the Interest Portion of Basic Rent thereon to the due date thereof (whether such due date is by reason of maturity or upon prepayment as provided in the Declaration of Trust, or otherwise), either (a) has been made or caused to be made in accordance with the terms of the Declaration of Trust, or (b) provision therefore has been made by depositing with the Trustee, in trust and irrevocably setting aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) non-callable Government Securities maturing as to the Principal Portion and Interest Portion of Basic Rent in such amount and at such times as will ensure the availability of sufficient moneys to make such payment and the Trustee shall have received an opinion of Special Tax Counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that such deposit of the Interest Portion of Basic Rent of the Certificates will not result in the Interest Portion of Basic Rent on any Certificates then Outstanding and exempt from taxation for federal income tax purposes becoming subject to federal income taxes then in effect and that all conditions precedent to the satisfaction of the Declaration of Trust have been met. Any money and non-callable Government Securities that at any time shall be deposited with the Trustee by or on behalf of the District, for the purpose of paying and discharging any of the Principal Portion or the Interest Portion of Basic Rent thereon, shall be assigned, transferred and set over to the Trustee in trust for the respective Owners of the Certificates, and such moneys shall be irrevocably appropriated to the payment and discharge thereof. Non-callable Government Securities include, in addition to cash and obligations pre-refunded with cash, bonds, notes, certificates of indebtedness, treasury bills and other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America. Historically, such United States obligations have been rated in the highest rating category by the rating agencies. There is no legal requirement in the Declaration of Trust that Government Securities consisting of such United States obligations be or remain rated in the highest rating category by any rating agency. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and that could include any rating of the Certificates defeased with Government Securities to the extent the Government Securities have a change or downgrade in rating.

## **Other Factors**

The District intends to satisfy its obligation to pay Basic Rent under the Lease out of revenues generated from the Operating Levy Increase. Purchasers of the Certificates should be aware, however, that such revenues are not, and cannot be, pledged to the payment of the Certificates. Additionally, one or more of the following factors or events could adversely affect the District's operations and financial performance to an extent that cannot be determined at this time:

1. *Changes in Administration.* Changes in key management personnel could affect the capability of the management of the District.
2. *Future Economic Conditions.* Adverse economic conditions or changes in demographics in the District, including increased unemployment and inability to control expenses in periods of inflation, could adversely impact payment of taxes by taxpayers in the District and, therefore, the District's financial condition.
3. *Insurance Claims.* Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance could adversely impact the District's financial performance.

4. *Environmental Hazards.* The District has covenanted in the Lease to comply with all applicable environmental laws. No environmental studies have been performed with respect to the Leased Property. The District is not aware of any environmental condition of the Leased Property that requires any present remedial action. The discovery of such a condition may adversely affect the District's willingness to renew the Lease after the expiration of the Initial Term or any Renewal Term.

## **RATINGS**

Moody's Investors Service has assigned the Series 2016 Certificates a rating of "Aa2." Standard & Poor's has assigned the Series 2016 Certificates a rating of "AA." Such ratings are based on each rating agency's respective evaluation of the creditworthiness of the District. Such ratings reflect only the views of the rating agencies at the time such ratings are given, and the Underwriter and the District make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from the rating agencies.

The District has furnished the rating agencies with certain information and materials relating to the Series 2016 Certificates and the District that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing such rating, circumstances so warrant. Neither the District (except as provided in the Continuing Disclosure Agreement) nor the Underwriter has undertaken any responsibility to bring to the attention of the holders of the Series 2016 Certificates any proposed revision or withdrawal of a rating of the Series 2016 Certificates or to oppose any such proposed revision or withdrawal. Any revision or withdrawal of a rating could have an adverse effect on the market price and marketability of the Series 2016 Certificates.

## **THE TRUSTEE**

BOKF, N.A., Kansas City, Missouri, will be the Trustee under the Declaration of Trust and a party to the Lease and the Base Lease. The Trustee may consult with counsel, and the opinion of such counsel will be full and complete authorization and protection with respect to any action taken or suffered by the Trustee in good faith in accordance with such opinion. The Trustee may execute any trusts or powers or perform the duties required by the Declaration of Trust, the Lease or the Base Lease by or through attorneys, agents or receivers and will not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it in good faith.

The Series 2016 Certificates are executed by the Trustee, not individually or personally but solely as Trustee under the Declaration of Trust, in the exercise of the power and authority conferred upon and invested in it as such Trustee. Except for its negligence or willful misconduct, nothing contained in the Declaration of Trust, the Lease or the Base Lease is to be construed as creating any liability on the Trustee, individually or personally, to perform any covenant either express or implied in the Certificates, the Declaration of Trust, the Lease or the Base Lease, all such liability, if any, being expressly waived by the Owners of the Certificates by the acceptance thereof and by each and every person now or hereafter claiming by, through or under the Trustee or the Owners of the Certificates. Insofar as the District is concerned, the Trustee and the Owner of any Certificate and any person claiming by, through or under the Trustee or the Owner of any Certificate may look solely to the Trust Estate described in the Declaration of Trust for payment of the interests evidenced by the Certificates.

As security for the compensation, expenses, disbursements and indemnification to which it is entitled upon the occurrence of an Event of Default under the Declaration of Trust or an Event of Nonappropiation

under the Lease, the Trustee will have a first lien with right of payment prior to payment on account of any principal or interest with respect to the Certificates for such compensation, expenses, disbursements and indemnification.

## **FINANCIAL STATEMENTS**

The District maintains its financial records on the basis of a fiscal year ending December 31. Set forth in *Appendix B* are the District's audited financial statements for the fiscal year ended December 31, 2015.

## **APPROVAL OF LEGALITY**

Legal matters incident to the authorization, sale and delivery of the Certificates are subject to the approving legal opinion of Gilmore & Bell, P.C., St. Louis, Missouri, Special Tax Counsel to the District. Gilmore & Bell, P.C. will also pass upon certain legal matters relating to this Official Statement. Certain legal matters will be passed upon for the District by Lashly & Baer, P.C., St. Louis, Missouri.

The various legal opinions to be delivered concurrently with the delivery of the Series 2016 Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **TAX MATTERS**

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Series 2016 Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2016 Certificates as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2016 Certificates in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2016 Certificates.

### **Opinion of Special Tax Counsel**

In the opinion of Gilmore & Bell, P.C., Special Tax Counsel to the District, under existing law as of the delivery date of the Series 2016 Certificates:

***Federal and Missouri Tax Exemption.*** The Interest Portion of Basic Rent paid by the District and distributed to the Owners of the Series 2016 Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.

***Alternative Minimum Tax.*** The Interest Portion of Basic Rent received with respect to the Series 2016 Certificates is not an item of tax preference for purposes of computing the federal alternative minimum

tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

**Bank Qualification.** The District's obligation to pay Basic Rent under the Lease has not been designated as a "qualified tax-exempt obligation" within the meaning of Section 265(b) of the Code.

Special Tax Counsel's opinions are provided as of the date of the initial delivery of the Series 2016 Certificates, subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Series 2016 Certificates in order that the Interest Portion of Basic Rent be, or continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of the Interest Portion of Basic Rent represented by the Series 2016 Certificates in gross income for federal and Missouri income tax purposes retroactive to the date of initial delivery of the Series 2016 Certificates. Special Tax Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2016 Certificates but has reviewed the discussion under the heading "TAX MATTERS."

### **Other Tax Consequences**

**Original Issue Discount.** For federal income tax purposes, original issue discount ("OID") is the excess of the stated redemption price at maturity of a Series 2016 Certificate over its issue price. The issue price of a Series 2016 Certificate is the first price at which a substantial amount of the Series 2016 Certificates of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Series 2016 Certificate during any accrual period generally equals (a) the issue price of that Series 2016 Certificate, plus the amount of OID accrued in all prior accrual periods, multiplied by (b) the yield to maturity on that Series 2016 Certificate (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (c) any interest payable on that Series 2016 Certificate during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for Federal income tax purposes, and will increase the owner's tax basis in that Series 2016 Certificate. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

**Original Issue Premium.** If a Series 2016 Certificate is issued at a price that exceeds the stated redemption price at maturity of the Series 2016 Certificate, the excess of the purchase price over the stated redemption price at maturity constitutes "premium" on that Series 2016 Certificate. Under Section 171 of the Code, the purchaser of that Series 2016 Certificate must amortize the premium over the term of the Series 2016 Certificate using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2016 Certificate and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2016 Certificate prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of certificate premium.

**Sale, Exchange or Retirement of Series 2016 Certificates.** Upon the sale, exchange or retirement (including prepayment) of a Series 2016 Certificate, an owner of the Series 2016 Certificate generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2016 Certificate (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2016 Certificate. To the extent a Series 2016 Certificate is held as a capital asset, such gain or loss will be capital gain or loss and

will be long-term capital gain or loss if the Series 2016 Certificate has been held for more than 12 months at the time of sale, exchange or retirement.

**Reporting Requirements.** In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2016 Certificates, and to the proceeds paid on the sale of the Series 2016 Certificates, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

**Collateral Federal Income Tax Consequences.** Prospective purchasers of the Series 2016 Certificates should be aware that ownership of the Series 2016 Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2016 Certificates. Special Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2016 Certificates should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2016 Certificates, including the possible application of state, local, foreign and other tax laws.

#### **Tax Consequences Subsequent to an Event of Default or Event of Nonappropriation**

Special Tax Counsel has rendered no opinion with respect to the income tax consequences applicable to the Series 2016 Certificates subsequent to a termination of the Lease Term by reason of an Event of Nonappropriation or an Event of Default. If the Lease Term is terminated by reason of either such event, there is no assurance that the Interest Portion of Basic Rent will remain excludable from gross income for federal income tax purposes.

#### **ABSENCE OF LITIGATION**

There is not now pending or, to the District's knowledge, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the delivery of this Official Statement or the Series 2016 Certificates or the proceedings or authority under which they are to be delivered. There is no litigation pending or, to the District's knowledge, threatened which in any manner challenges or threatens the District's powers to enter into or carry out the transactions contemplated by the Declaration of Trust, the Lease, the Base Lease and this Official Statement, or which would materially and adversely affect the financial condition of the District.

#### **UNDERWRITING**

Robert W. Baird & Co., Inc., Red Bank, New Jersey, has agreed to purchase the Series 2016 Certificates at a price of \$79,290,288.85 (equal to the principal amount of the Series 2016 Certificates, plus net original issue premium of \$1,416,603.85, and less an underwriting discount of \$1,571,315.00). The Underwriter is purchasing the Series 2016 Certificates for resale in the normal course of the Underwriter's business activities. The Underwriter reserves the right to offer any of the Series 2016 Certificates to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter shall determine.

## **FINANCIAL ADVISOR**

Piper Jaffray & Co., St. Louis, Missouri, is employed as Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing for the sale of the Series 2016 Certificates. Piper Jaffray & Co. has not undertaken an independent investigation into the accuracy of the information contained in this Official Statement.

## **MISCELLANEOUS**

References herein to the Declaration of Trust, the Lease and the Base Lease and certain other matters are brief discussions of certain provisions thereof. Such discussions do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The form of this Official Statement and its distribution and use by the Underwriter has been approved by the District, however, the District has made no warranty or representations regarding either the accuracy or sufficiency of any material contained herein. Neither the District nor any of its officers, directors or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the District's financial condition or its ability to make payments required under the Lease and the Declaration of Trust.

## **ST. LOUIS COUNTY LIBRARY DISTRICT**

By: /s/ Dr. Lynn Beckwith, Jr.  
President of the Board of Trustees

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**APPENDIX A**  
**THE DISTRICT**

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APPENDIX A

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## THE DISTRICT

### General

St. Louis County Library District (the “**District**”) is a county library district and a political subdivision of the State of Missouri, created by an election in 1946 pursuant to Chapter 182 of the Revised Statutes of Missouri, as amended, as a free county library. The first library building opened in 1947; the District now has 20 branches, five bookmobiles, and four vans. The District’s boundaries are coterminous with St. Louis County, Missouri (the “**County**”), except for areas serviced by nine separate municipal libraries. The County’s current population is estimated to be 1,003,362.

The District currently has approximately 627,575 card holders and approximately 1,141,240 books and magazines, 177,738 DVDs, 67,006 music items, 44,199 audiobooks, 65,454 e-Media items, 8,568 video games, and 4,248 kits. Annual circulation in 2015 exceeded 14.1 million items.

### Board of Trustees

The District is governed by a Board of Trustees, consisting of five members appointed by the County Council. Trustees serve terms of four years. Vacancies in the Board of Trustees occasioned by removals, resignations or otherwise shall be reported to the County Council and shall be filled in like manner as original appointments. The present members and officers of the Board of Trustees are as follows:

<u>Name</u>	<u>Title</u>	<u>Date Appointed</u>
Lynn Beckwith, Jr.	President	08/08/2007
Edith Cunnane	Vice President	08/08/2007
Chingling Tai	Secretary	02/08/2005
Elena Garcia Kenyon	Treasurer	01/19/2010
Michael Mulligan	Member	12/08/2015

The Board of Trustees has power to sue and be sued, purchase or lease grounds, occupy and erect buildings for the use of the District, and sell, convey, lease, exchange, transfer or otherwise dispose of all or any part of its real or personal property, or any interest therein.

The Board of Trustees appoints a Director who holds that office at the pleasure of the Board of Trustees. The Director is the chief executive and administrative officer of the District and is responsible for the efficiency of the District’s services and the operation of the District in accordance with its annual budget and policies.

### Administration and Employees

The District is divided into various departments, each headed by an assistant director. The key directors and managers include:

Kristen L. Sorth – Director. Kristen Sorth was hired as the Manager, Human Resources on June 22, 1998. Her title was changed to Senior Manager, Human Resources on February 1, 2007. She was promoted to Assistant Director, Administration on June 1, 2012, following the retirement of the District’s long-time associate director/comptroller. She was promoted to Director on November 19, 2013. She received her Bachelor of Arts and Master of Public Administration degrees from the University of Missouri-Columbia.

Kris Mooney, Assistant Director of Administration. Kris Mooney was hired as Manager, Finance in November 2012 and was promoted to Assistant Director of Administration on September 1, 2016. He was previously employed at Charter Communications and Centurylink (formerly SAVVIS Communications Inc.) as Director of Finance. He received a Bachelor of Science degree in Accounting from Maryville University in

1995 and was issued a Certified Public Accountant certificate by the Missouri State Board of Accountancy in 1999.

Eric Button – Assistant Director, Branch Services. Eric Button was hired full-time in Reference on August 31, 1998. He held management positions at several branches before becoming Regional Branch Coordinator in 2003. He was promoted to his current position on January 1, 2013. He received his Bachelor of Arts degree from the University of Colorado-Colorado Springs and his Master of Library Science degree from the University of Illinois at Urbana-Champaign.

Gilbert Van Cleve – Assistant Director, Information Technology Services. Gilbert Van Cleve was hired as the Manager, ITS on January 4, 2010. He was promoted to Assistant Director, ITS on January 1, 2013. He received his Bachelor of Science degree in Electronics Management from Southern Illinois University at Carbondale. He received a Certificate of Advanced Studies in IT Leadership and Management from Washington University.

Barbara Turkington – Assistant Director, Advancement. Barbara Turkington was hired as the Assistant Director, Advancement on November 1, 2011. She was previously employed as the Executive Director of St. Louis Region OASIS (a non-profit organization that offers learning and lifestyle programs for people age 50+). She received her Bachelor of Arts degree from North Carolina Central University and her Master of Education degree from the University of Nebraska, Omaha.

Steve Hunter – Manager, Construction and Facilities. Steve Hunter was hired as Manager, Construction and Facilities in April 2014. He is responsible for managing the Library's new construction and renovation projects. Mr. Hunter previously owned and ran Hunter Consultants, Inc., providing consulting services for design-build construction projects throughout the United States. He also worked for Anheuser – Busch as Manager of Operations and Facilities and Manager, Wholesale Facilities Planning. Mr. Hunter has a Bachelor of Science degree in Engineering from the University of Missouri – Columbia.

Mary Arnhart – Manager, Human Resources. Mary Arnhart was hired as the Manager, Human Resources on June 1, 2012. Prior to that, she was the Assistant Manager, Human Resources. She has worked in the Human Resources and Finance departments since 1985. She was originally hired by the District in 1980.

The District has 640 employees. The District's administration considers its relationship with its employees to be excellent. The District does not have any collective bargaining agreements with any of its employees, nor are any of its employees represented by a union. The District has no record of any work stoppages or other labor disputes. The District has been named one of the top ten employers in the large employer category by the *St. Louis Post-Dispatch*, based on an independent survey of District employees, since 2014.

### **The Library System and Branch Services**

The District is open to any member of the public; however, in order to check out materials, patrons must have library cards. Library cards are free to residents who live in or pay property taxes to the District. A library card is \$50 per family, per year, for anyone who lives outside the County, St. Louis City or St. Charles County. The District has reciprocal lending agreements with the following libraries: Brentwood Public Library, Ferguson Public Library, Kirkwood Public Library, Maplewood Public Library, Richmond Heights Public Library, Rock Hill Public Library, St. Charles City-County Library, City of St. Louis Municipal Library District and University City Public Library.

Currently, the District consists of 20 branch locations:

**Bridgeton Trails**

3455 McKelvey Road  
Bridgeton, Missouri 63044

**Cliff Cave**

5430 Telegraph Road  
St. Louis, Missouri 63129

**Daniel Boone**

300 Clarkson Road  
Ellisville, Missouri 63011

**Eureka Hills (leased)**

156 Eureka Town Center  
Eureka, Missouri 63025

**Florissant Valley**

195 New Florissant Road, South  
Florissant, Missouri 63031

**Grand Glaize**

1010 Meramec Station Road  
Manchester, Missouri 63021

**Grant's View Branch**

9700 Musick Road  
St. Louis, Missouri 63123

**Headquarters**

1640 South Lindbergh Boulevard  
St. Louis, Missouri 63131

**Indian Trails**

8400 Delport Drive  
St. Louis, Missouri 63114

**Jamestown Bluffs**

4153 North Highway 67  
Florissant, Missouri 63034

**Lewis and Clark**

9909 Lewis-Clark Boulevard  
St. Louis, Missouri 63136

**Meramec Valley (leased)**

625 New Smizer Mill Road  
Fenton, Missouri 63026

**Mid-County**

7821 Maryland Avenue  
St. Louis, Missouri 63105

**Natural Bridge**

7606 Natural Bridge Road  
St. Louis, Missouri 63121

**Oak Bend**

842 South Holmes Avenue  
St. Louis, Missouri 63122

**Prairie Commons**

915 Utz Lane  
Hazelwood, Missouri 63042

**Rock Road**

10267 St. Charles Rock Road  
St. Ann, Missouri 63074

**Samuel C. Sachs**

16400 Burkhardt Place  
Chesterfield, Missouri 63017

**Thornhill**

12863 Willowyck Drive  
St. Louis, Missouri 63146

**Weber Road**

4444 Weber Road  
St. Louis, Missouri 63123

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The District's branches offer a multitude of services to patrons, ranging from public computers to copiers to study rooms. The following graphic sets forth the services that are available at each branch:

	Computer Training Lab Book A Trainer	Copier - Black & White	Document Scanning Copier - Color	Meeting Room(s)	Public Computers Fax	Study Room(s)	Vending Area	WiFi
Bridgeton Trails Branch	X		X	X	X	X		X
Cliff Cave Branch	X	X	X	X	X	X	X	X
Daniel Boone Branch	X		X	X	X	X	X	X
Eureka Hills Branch	X		X	X	X	X		X
Florissant Valley Branch	X	X	X	X	X	X		X
Grand Glaize Branch	X	X	X	X	X	X		X
Grant's View Branch	X	X	X	X	X	X	X	X
Headquarters	X	X	X	X	X	X		X
Indian Trails Branch	X		X	X	X	X	X	X
Jamestown Bluffs Branch	X		X	X	X	X	X	X
Lewis & Clark Branch	X	X	X	X	X	X	X	X
Meramec Valley Branch	X		X			X		X
Mid-County Branch	X	X	X	X	X	X		X
Natural Bridge Branch	X	X	X	X	X	X	X	X
Oak Bend Branch	X	X	X	X	X	X	X	X
Prairie Commons Branch	X	X	X	X	X	X	X	X
Rock Road Branch	X	X	X	X	X	X	X	X
Samuel C. Sachs Branch	X	X	X	X	X	X	X	X
Thornhill Branch	X	X	X	X	X	X		X
Weber Road Branch	X	X	X	X	X	X	X	X

Source: The District.

The past few years have been a time of rapid and sustained growth at the District. Since 2008, circulation of District materials has increased by nearly 50% and visits to District facilities have increased by more than 30%. Attendance at District events and programs has more than doubled. In 2015, the District hosted 93 author programs, circulated over 14 million items, and had 5.1 million visitors. Also from June 6, 2016 through August 12, 2016, six branches, in conjunction with Operation Food Search, offered free lunches and activities to children. The District was named Missouri Library of the Year in 2015. In 2016, the District won a "What's Right with the Region" award from Focus St. Louis and an Innovation Award from the Urban



Libraries Council. The District considers itself among the top library organizations in the United States in terms of both quality and quantity of programming.

Some of the resources provided for the District's customers are:

Adult and Juvenile Books	E-books
Magazines and Newspapers	E-audiobooks
Books on CD	Downloadable videos
Reference materials	Virtual reference library
Government documents	Video Games
DVD and CD recordings	Playaways

Services include but are not limited to:

Internet access and PC labs	Word processing
Database access	Color copies
Fax machines	Document scanning
Computer classes	Interlibrary loan
Genealogy	Local history
Children's and adult programming	Story times
Author events	Homework Help
Job hunting and career development	Reference Chat
Meeting rooms	Teen spaces
Bookmobile services	
- Pre-school outreach	
- Homebound delivery	
- Senior adult programming	
- Community visits	
- School visits	

### **St. Louis County Library Foundation**

The St. Louis County Library Foundation, a not-for-profit organization (the "**Foundation**"), was formed in 1999. The Foundation is organized exclusively for literary and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. Its purpose is to solicit, receive, hold and administer gifts and to do such other lawful acts and undertake such other enterprises for literary and educational purposes exclusively to support and benefit the District. Pursuant to an Affiliation Agreement between the District and the Foundation, the Foundation undertakes activities, collects and distributes donations, and conducts fundraising to support and benefit the District. The Foundation promotes reading and literacy by supporting the District's "Born to Read" program which provides a book and a library card to all babies born in St. Louis County hospitals. The Foundation also sponsors the Library's Free Lunch program and many more activities. The Foundation spent \$802,459 in 2015 on programs and services to support the District. As of December 31, 2015, the Foundation had \$2.9 million in net assets.

The Foundation's funds are not pledged to the payment of debt service on the Certificates.

### **Risk Management**

The District is exposed to various risks of loss related to: torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained commercial insurance for these risks and to provide employee health and accident benefits. Claims have not exceeded coverage for the past three years.

**DEBT STRUCTURE OF THE DISTRICT**

**General Obligation Indebtedness of the District**

The District has no outstanding general obligation indebtedness. The District has never defaulted on the payment of any of its debt obligations.

**Overlapping Indebtedness**

The following table sets forth the approximate overlapping general obligation indebtedness of political subdivisions with boundaries within the District as of December 31, 2015, and the percent attributable (on the basis of current assessed valuation) to the District. The table was compiled from information furnished by the jurisdictions to the County. The District has not independently verified the accuracy or completeness of such information. Furthermore, political subdivisions may have ongoing programs requiring the issuance of substantial additional bonds or capital leases, the amounts of which are not readily ascertainable.

<u>Taxing Jurisdiction</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Approximate Percent Applicable to the District</u>	<u>Amount Applicable to the District</u>
Municipalities	\$ 150,611,122	100%	\$ 150,611,122
School Districts	1,381,854,719	100	1,381,854,719
Fire Districts	89,615,000	100	89,615,000
St. Louis County, Missouri	570,532,707	100	<u>570,532,707</u>
<b>TOTAL</b>			<u><b>\$2,192,613,548</b></u>

Source: St. Louis County Comprehensive Audited Financial Report for Fiscal Year December 31, 2015.

**Legal Debt Capacity**

Article VI, Sections 26(b) and (c) of the Constitution of the State of Missouri limit the net outstanding amount of authorized general obligation indebtedness for a library district (as a political subdivision of the State) to five percent of the assessed valuation of the district by a two-thirds (four-sevenths at certain elections) vote of the qualified voters. The legal debt limit, based on the 2015 assessed valuation, is \$984,813,932.90. The District currently has no general obligation bonds outstanding; therefore, the legal debt limit is \$984,813,932.90.

Obligations secured by annually-appropriated funds, such as the Series 2013 Certificates and the Series 2016 Certificates, do not constitute an indebtedness for purposes of any Missouri statutory or constitutional debt limit. Such obligations are payable solely from annually appropriated funds of a governmental body available therefor and neither taxes nor a specific source of revenues can be pledged to make payments on such obligations. Any increase in taxes required to generate sufficient funds with which to make payments on such obligations are subject to voter approval.

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## Debt Ratios and Related Information<sup>(1)</sup>

Estimated Population (2015):	1,003,362
Assessed Valuation (2015):	\$19,696,278,658
Estimated Actual Value (2015):	\$85,384,773,230
Direct General Obligation Bonded Debt (2015):	0
Overlapping General Obligation Debt (2015):	\$2,192,613,548

<sup>(1)</sup> Because the County is comprised of over 200 taxing jurisdictions, the above table does not include per capita overlapping debt or overlapping debt ratios, because it would overstate the amounts for which a particular taxpayer within an individual municipality within the County would be responsible.

## Certificate Payment Schedule

The following schedule shows the principal and interest requirements for the District's outstanding Series 2013 Certificates and Series 2016 Certificates:

Fiscal Year Ended December 31	Series 2013	Series 2016 Certificates		Total Outstanding
	Certificates Total	Principal	Interest	
2016	\$ 5,468,366.26			\$ 5,468,366.26
2017	4,472,066.26		\$ 2,506,265.53	6,978,331.79
2018	2,968,691.26	\$ 975,000.00	2,482,668.76	6,426,360.02
2019	2,967,816.26	1,025,000.00	2,462,668.76	6,455,485.02
2020	2,969,691.26	1,075,000.00	2,441,668.76	6,486,360.02
2021	2,970,066.26	1,130,000.00	2,402,668.76	6,502,735.02
2022	2,966,166.26	1,190,000.00	2,344,668.76	6,500,835.02
2023	2,965,266.26	1,255,000.00	2,283,543.76	6,503,810.02
2024	2,965,416.26	1,315,000.00	2,219,293.76	6,499,710.02
2025	2,966,466.26	1,385,000.00	2,151,793.76	6,503,260.02
2026	2,965,766.26	1,455,000.00	2,080,793.76	6,501,560.02
2027	2,966,966.26	1,530,000.00	2,013,818.76	6,510,785.02
2028	2,965,566.26	1,610,000.00	1,951,018.76	6,526,585.02
2029	2,965,850.63	1,680,000.00	1,899,918.76	6,545,769.39
2030	2,966,341.25	1,720,000.00	1,859,518.76	6,545,860.01
2031	2,968,135.00	1,760,000.00	1,816,018.76	6,544,153.76
2032	2,967,491.25	1,805,000.00	1,770,328.13	6,542,819.38
2033	2,967,800.63	1,855,000.00	1,721,131.25	6,543,931.88
2034	2,967,898.76	1,910,000.00	1,669,362.50	6,547,261.26
2035	2,968,406.26	1,965,000.00	1,613,625.00	6,547,031.26
2036	2,970,043.76	2,020,000.00	1,553,850.00	6,543,893.76
2037	2,966,600.01	2,085,000.00	1,492,275.00	6,543,875.01
2038	<u>2,967,834.38</u>	2,150,000.00	1,428,750.00	6,546,584.38
2039		5,225,000.00	1,318,125.00	6,543,125.00
2040		5,385,000.00	1,158,975.00	6,543,975.00
2041		5,550,000.00	994,950.00	6,544,950.00
2042		5,720,000.00	825,900.00	6,545,900.00
2043		5,895,000.00	651,675.00	6,546,675.00
2044		6,070,000.00	472,200.00	6,542,200.00
2045		6,255,000.00	287,325.00	6,542,325.00
2046		<u>6,450,000.00</u>	<u>96,750.00</u>	<u>6,546,750.00</u>
Totals	<u>\$72,254,713.31</u>	<u>\$79,445,000.00</u>	<u>\$49,971,550.05</u>	<u>\$201,671,263.36</u>

## FINANCIAL INFORMATION CONCERNING THE DISTRICT

### Accounting, Budgeting and Auditing Procedures

The District follows the modified accrual basis of accounting, which is a comprehensive basis of accounting in conformance with generally accepted accounting principles. Under this basis of accounting, revenues are recognized when earned and expenditures are recognized when an obligation is incurred.

An annual budget of estimated receipts and disbursements for the coming fiscal year is prepared under the direction of the Board of Trustees in accordance with Chapter 67 RSMo. and is considered each year separately. The District's fiscal year is January 1 through December 31. The budget lists estimated receipts by fund and source and estimated disbursements by fund and purpose and includes a statement of the rate of levy per hundred dollars of assessed valuation required to raise each amount shown on the budget as coming from property taxes. The final annual budget is officially adopted by a majority vote of the membership of the Board of Trustees.

The financial records of the District are audited annually by a firm of independent certified public accountants in accordance with generally accepted governmental auditing standards. The annual audit for the fiscal year ending December 31, 2015 was performed by Kerber, Eck & Braeckel, LLP, St. Louis, Missouri. Copies of the audit reports for the past five years are on file in the District office and are available for review.

### Sources of Revenue

The District finances its operations through the following taxes and other miscellaneous sources:

	<u>Amount</u>	<u>Percent of Total</u>
Property taxes	\$47,406,046	94.63%
Fines and fees	896,088	1.79
State aid	486,351	0.97
Copier income	221,350	0.44
Other taxes	426,440	0.85
Sale of surplus materials	45,312	0.09
Reciprocal agreements	93,332	0.19
Investment earnings	65,832	0.13
Grants	132,531	0.27
Miscellaneous	<u>321,630</u>	<u>0.64</u>
Total	<u>\$50,094,912</u>	<u>100.00%</u>

Source: District's Audited Financial Statements for the Fiscal Year ended December 31, 2015.

### Summary of Revenues and Expenditures

The following table is a summary of revenues, expenditures and the general fund balances for the years shown:

**CHANGES IN FUND BALANCES  
GENERAL FUND  
Fiscal Years Ended December 31**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><u>REVENUES</u></b>			
Property taxes	\$47,406,046	\$48,773,536	\$45,436,127
Other Taxes	426,440	372,633	332,779
State aid	486,351	214,787	429,574
Grants	132,531	175,481	61,785
E-rate discount	--	--	303,390
Fines and fees	896,088	1,055,974	1,095,576
Investment Earnings	65,832	48,186	51,975
Contributions	--	--	13,417
Sale of surplus materials	45,312	60,295	100,242
Copier income	221,350	241,500	226,122
Miscellaneous	321,630	717,750	37,551
Reciprocal agreements	<u>93,332</u>	<u>109,839</u>	<u>129,038</u>
Total Revenues	<u>\$50,094,912</u>	<u>\$51,769,981</u>	<u>\$48,217,576</u>
<b><u>EXPENDITURES</u></b>			
Current Operating			
Salaries and benefits (including payroll taxes)	\$25,230,828	\$25,015,065	\$24,296,665
Personnel supplies and services	361,160	321,558	--
Library collections, maintenance and supplies	7,711,812	7,685,369	6,844,366
Equipment and office supplies	284,417	263,311	405,603
Printing and program expenses	540,245	641,550	525,090
Postage	87,497	95,255	--
Utilities	1,304,142	1,397,605	1,413,353
Custodial supplies and services	266,081	293,491	--
Mobile operations	112,341	132,887	137,462
Insurance	330,905	297,022	269,459
Building maintenance and operation	1,026,636	1,710,594	2,279,367
Professional fee	134,569	218,683	247,668
Travel and meetings	98,941	84,882	--
Miscellaneous	<u>61,443</u>	<u>13,274</u>	<u>93,748</u>
Total Current Operating	<u>\$37,551,017</u>	<u>\$38,170,546</u>	<u>\$36,512,781</u>
Capital outlay			
Automotive	\$ 32,246	\$ 247,371	\$ 23,000
Furniture	53,760	93,615	100,343
Equipment	38,941	35,051	144,371
Technology	588,670	919,772	610,519
Facilities acquisition and construction	<u>20,970</u>	<u>0</u>	<u>12,146</u>
Total capital outlay	\$ 734,587	\$ 1,295,809	\$ 890,379
Debt Service			
Principal retirements	\$ 3,570,000	\$ 1,640,000	\$ 0
Fiscal charges	<u>1,899,052</u>	<u>2,827,125</u>	<u>0</u>
Total Debt Service	<u>\$ 5,469,052</u>	<u>\$ 4,467,125</u>	<u>\$ 0</u>
Total Expenditures	<u>\$43,754,656</u>	<u>\$43,933,480</u>	<u>\$37,403,160</u>
<b>Excess of Revenues over Expenditures</b>	<b>\$ 6,340,256</b>	<b>\$ 7,836,501</b>	<b>\$10,814,416</b>
<b>Other Financing Sources – Insurance Proceeds</b>	<b>\$ 0</b>	<b>\$ 104,912</b>	<b>\$ 0</b>
<b>Fund Balance, Beginning</b>	<b><u>\$59,055,190</u></b>	<b><u>\$51,113,777</u></b>	<b><u>\$40,299,361</u></b>
<b>Fund Balance, Ending</b>	<b><u>\$65,395,446</u></b>	<b><u>\$59,055,190</u></b>	<b><u>\$51,113,777</u></b>

Source: District's Audited Financial Statements for the Fiscal Years ended December 31, 2013 through December 31, 2015.

**Pension Plan**

The District contributes to a single-employer defined benefit pension plan established and maintained by the District to provide pension benefits for its employees (the “**Pension Plan**”). All full-time District employees are eligible to participate after six calendar months of employment. Benefits are fully vested after five years. The Pension Plan’s funding policy provides for actuarially determined annual required contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the entry age normal funding method. The Pension Plan is noncontributory and entirely funded by the District.

As stated in the District’s audited financial statements, the actuarially determined contributions, the District’s contributions and the contribution deficiency/excess to the Pension Plan for the years shown were as follows:

<u>Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Annual Contribution</u>	<u>Contribution Deficiency/(Excess)</u>	<u>Contribution (% of Payroll)</u>
2015	\$1,497,480	\$1,875,000	\$(377,520)	12.4%
2014	1,546,259	1,625,000	(78,741)	10.9
2013	1,571,499	1,571,499	0	10.7

As of December 31, 2015, the total pension liability for the Pension Plan was \$49,132,236 and the Pension Plan’s fiduciary net position was \$40,219,753, resulting in a net pension liability of \$8,912,483.

The net pension liability of the Pension Plan is based on a 7.0% discount rate, which is also the current assumed investment rate of return for the Pension Plan. The net pension liability using a 1% higher or lower discount rate as of December 31, 2015 would be as follows:

<u>Net Pension Liability Sensitivity</u>		
<u>1.0% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1.0% Increase (8.0%)</u>
\$15,198,835	\$8,912,483	\$3,697,280

**Property Valuations**

All taxable real and personal property within the County is assessed annually by the County Assessor. Missouri law requires that real property be assessed at the following percentages of true value:

Residential real property .....	19%
Agricultural and horticultural real property .....	12%
Utility, industrial, commercial, railroad and all other real property .....	32%

On January 1 in every odd-numbered year, each County Assessor must adjust the assessed valuation of all real property located within his or her county in accordance with a two-year assessment and equalization maintenance plan approved by the State Tax Commission.

The assessment ratio for personal property is generally 33-1/3% of true value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, 1/2%; livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; and poultry, 12%.

The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The County Board of Equalization has the authority to adjust and equalize the values of individual properties appearing on the tax rolls.

**Current Assessed Valuation.** The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the District according to the assessment for 2015 as of January 1, 2015, as finally adjusted and including state assessed railroad and utilities:

<u>Category</u>	<u>2015 Assessment</u> <sup>(1)</sup>	<u>Assessment Rate</u>	<u>Estimated Actual Valuation</u>
Real estate:			
Residential	\$11,308,982,030	19%	\$59,520,958,053
Commercial	5,063,622,580	32	15,823,820,563
Agricultural	5,429,060	12	45,242,167
State Assessed Railroad and Utilities	<u>320,139,869</u>	32	<u>1,000,437,091</u>
Sub-Total	<u>\$16,698,173,539</u>		<u>\$76,390,457,874</u>
Personal property	\$ 2,906,954,520	33-1/3 <sup>(2)</sup>	\$ 8,720,863,561
State Assessed Railroad and Utilities			
Personal property	<u>91,150,599</u>	33-1/3 <sup>(2)</sup>	<u>273,451,797</u>
<b>TOTAL</b>	<u>\$19,696,278,658</u>		<u>\$85,384,773,230</u>

<sup>(1)</sup> Locally assessed railroad and utility property is included in the totals for Commercial Real Estate and Personal Property.

<sup>(2)</sup> Assumes all personal property is assessed at 33 1/3%; because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated actual valuation for personal property would likely be greater than that shown above.

Source: St. Louis County Department of Revenue.

**History of Property Valuation.** The total assessed valuation of all taxable tangible property situated in the District according to the assessments of January 1 in each of the following years, has been as follows:

<u>Year</u>	<u>Assessed Valuation</u>	<u>% Change</u>
2015	\$19,696,278,658	+2.69%
2014	19,180,866,009	+0.76
2013	19,036,799,537	-2.98
2012	19,622,454,571	+0.88
2011	19,451,494,611	N/A

Source: St. Louis County Department of Revenue.

### Property Tax Levies and Collections

The County Assessor provides an assessment list showing assessments of properties within the District limits. The County Collector prepares the tax bills and mails them to each District taxpayer. A penalty of two percent (2%) per month is added to all unpaid tax bills after January 1, as provided by state law.

The County collects the District’s tax bills and remits all District taxes collected to the District in the month following collection.

**Tax Rates**

**Debt Service Levy.** The District does not impose a debt service levy and has no intention of submitting a proposition for general obligation indebtedness to the voters residing within the District.

**Operating Levy.** The operating levy (consisting of all ad valorem taxes levied except the debt service levy) cannot exceed the “tax rate ceiling” for the current year without voter approval. The tax rate ceiling, determined annually, is the rate of levy which, when charged against the newly-received assessed valuation of the District for the current year, excluding new construction and improvements, will produce an amount of tax revenues equal to tax revenues for the previous year increased by 5% or the Consumer Price Index, whichever is lower. Without the required percentage of voter approval, the tax rate ceiling cannot at any time exceed the greater of the tax rate in effect in 1984 or the most recent voter-approved tax rate. On November 6, 2012 voters of the District approved an increase in the tax rate ceiling from \$0.20 per \$100 of assessed valuation to \$0.26 per \$100 of assessed valuation.

The Board of Trustees can set different tax rates for residential property, agricultural property, commercial property and personal property up to the appropriate subclass tax rate ceiling. The following table shows the District’s tax rates (per \$100 of assessed valuation) levied against each class and subclass of property for the five prior fiscal years:

<b>Fiscal Year Ended December 31</b>	<b>Real Estate Residential</b>	<b>Real Estate Commercial</b>	<b>Real Estate Agricultural</b>	<b>Personal Property</b>
2015	\$0.2460	\$0.2590	\$0.2390	\$0.2250
2014	0.2500	0.2640	0.2790	0.2250
2013	0.2500	0.2640	0.2790	0.2250
2012	0.1730	0.1900	0.2000	0.1500
2011	0.1630	0.1900	0.2000	0.1500

Source: Office of Missouri State Auditor.

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## Tax Collection Record

The following table sets forth tax collection information for the District for the last five fiscal years.

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>Total Taxes Levied</u>	<u>Current and Delinquent Taxes Collected</u>	
			<u>Amount Collected<sup>(1)</sup></u>	<u>% of Total Taxes Levied</u>
2015	\$19,696,278,658	\$50,097,419.81	\$47,253,223.73	94.3%
2014	19,180,866,009	49,074,668.63	48,690,313.27	99.2
2013	19,036,799,537	35,388,792.58	34,817,014.46	98.4
2012	19,622,454,571	33,969,020.97	33,447,388.77	98.5
2011	19,451,494,611	34,745,143.82	34,197,944.00	98.4

<sup>(1)</sup> Delinquent taxes are shown in the year payment is actually received. Amount Collected also includes the current year's protested taxes which have been released.

Source: The District.

## Major Property Taxpayers

The following table sets forth the ten largest real property taxpayers in the District based upon local assessed valuation as of January 1, 2015.

<u>Top Ten Taxpayers</u>	<u>Description of Business</u>	<u>2015 Assessed Value</u>	<u>% of Total Assessed Value</u>
AmerenUE	Utility	\$ 389,344,341	1.98%
The Boeing Company <sup>(1)</sup>	Defense Manufacturing	148,392,550	0.75
Monsanto Company	Agricultural Company	99,534,000	0.51
St. Louis Gaming Ventures LLC <sup>(2)</sup>	Casino	89,513,700	0.45
Pinnacle Entertainment, Inc.	Casino	87,074,760	0.44
THF Realty Development	Real Estate Developer	74,406,320	0.38
Missouri American Water Company	Utility	74,279,960	0.38
Enterprise Leasing/Holdings	Car Rental Company	68,473,220	0.35
Laclede Gas Company	Utility	65,056,120	0.33
AT&T <sup>(3)</sup>	Utility	<u>57,060,524</u>	0.29
Total		<u>\$1,153,135,495</u>	<u>5.86%</u>

<sup>(1)</sup> McDonnell Douglas Corporation and The Boeing Company merged in 1997, with Boeing as the surviving company.

<sup>(2)</sup> Caesars Entertainment Operating Co Inc merged into St. Louis Gaming Ventures LLC.

<sup>(3)</sup> SBC Southwestern Bell merged with AT&T.

Source: St. Louis County Comprehensive Audited Financial Report for Fiscal Year December 31, 2015.

## GENERAL INFORMATION REGARDING THE COUNTY

*The Series 2016 Certificates are not an obligation of the County; they are payable solely from moneys annually appropriated by the District's Board of Trustees. The following information regarding the County is provided as general background information only.*

### General

The County was formed by a proclamation of Governor William Clark on October 1, 1812, nine years before Missouri attained statehood. In 1876, by vote of the entire county, the City of St. Louis separated itself from the County. Today, the County covers an area of 524 square miles. The City of Clayton is the county seat and is located in the east-central part of the County. The 2015 population of the County was approximately 1,003,362. Sixty-six percent (66%) of the land area of the County is occupied by 90 self-governing municipalities, containing approximately two-thirds of the population of the County. The remaining unincorporated area comes under the direct jurisdiction of the County government.

The County has a diverse economic base, which includes manufacturing, service industries, commerce and trade. The County houses approximately 17% of the State's population and 20% to 25% of all the jobs within the State. As of 2015, manufacturing establishments employed approximately 49,326 people. Seven Fortune 500 companies (Express Scripts Holding, Centene, Emerson Electric, Monsanto, Reinsurance Group of America, Edward Jones Financial and Graybar Electric) and fourteen Fortune 1,000 companies have their national or international headquarters in the County. There are nine major regional shopping centers and numerous neighborhood, community and specialty retail centers, twelve general practice hospitals and several major tourist attractions including Six Flags Over Mid-America, the Museum of Transportation and Grant's Farm. The County has excellent recreational and cultural opportunities, below-average cost of living, good schools and excellent health care services.

### Community Services

**General.** The County provides a wide range of services in three categories: (a) countywide services, which are available on an equal basis to residents of incorporated and unincorporated areas of the County, (b) municipal-type services to unincorporated areas; and (c) services to incorporated areas on request or by contractual agreement. Major services provided by the County include: tax assessment and collection, judicial and justice services, public works, road and bridge maintenance and construction, human services programs, low income assistance programs, environmental health, planning and zoning, health care, parks and recreation, election administration, police protection and economic development programs.

**Utilities.** Storm water drainage and sewage collection and disposal facilities for most of the County are operated by the Metropolitan St. Louis Sewer District, a separate taxing authority that is financed by ad valorem taxes and user fees. Other utilities in the County are provided predominantly by privately owned companies; water service is provided by Missouri-American Water Company, gas service is provided by Laclede Gas Company, electrical service is provided by Ameren and telecommunication, cellular and digital services are provided by numerous companies. The City of Kirkwood maintains its own municipal water and electric system and the City of Eureka maintains its own water and sewer service.

**Medical Services.** There are multiple hospitals dedicated to general medical practice, teaching and research located in the St. Louis area, of which 12 are located in the County. Residents of the County have access to numerous physicians practicing in all specialties.

**Police Protection.** The incorporated portion of the County receives police protection from 59 municipal police departments. Police protection in unincorporated portions of the County is provided by the St. Louis County Department of Police (the "**County Police Department**"). Cities in the County can contract with the County Police Department for police protection.

**Fire Protection.** Fire protection in the County is provided by 20 municipal fire departments and 23 independent fire protection districts. The fire protection districts are independent of the County, having their own elected officials, budgets and administrators and are empowered to levy property taxes, separate and distinct from those levied by the County, sufficient to finance their operations. Municipal fire departments are supported by municipal revenues, which include property taxes, sales taxes, utility taxes, various fees and intergovernmental payments.

**Education.** The public school system within the County is operated under the administration and control of 24 school districts, including the Special School District of St. Louis County, which serves students with disabilities. School districts are independent jurisdictions with elected boards and independent taxing authority.

St. Louis Community College (the “**College**”), also a separate taxing authority, maintains three campuses in the County and one campus in the City of St. Louis. The College awards associate degrees and certificates of proficiency and specialization in several courses of study.

The University of Missouri-St. Louis (“**UMSL**”) with nearly 17,000 students maintains a campus in the County, encompassing approximately 470 acres. The academic structure at this campus consists of Colleges of Arts and Sciences, Business Administration, Education, Nursing and Optometry, a Graduate School, Pierre Laclède Honors College, School of Fine and Performing Arts, School of Social Work, UMSL/WUSTL and Joint Engineering Program. UMSL is the largest public research university in eastern Missouri.

Private universities located in the County include Fontbonne University, Maryville University, Washington University and Webster University. In addition, St. Louis University, a prominent university in the area, is located in the City of St. Louis. Numerous other private schools, colleges and universities have facilities within the County.

**Parks.** The County Department of Parks and Recreation takes care of more than 12,723 acres of park land. The County park system offers 71 park sites featuring camping, fishing, boating, picnicking, hiking, horseback riding, cross country skiing, swimming, golf, ice skating, and other athletic activities. Unique attractions include the St. Louis Carousel, the Butterfly House, the internationally-recognized Laumeier Sculpture Park, the working farm in Suson Park, the elk and buffalo in Lone Elk Park, and the Museum of Transportation which “houses one of the largest and best collections of transportation vehicles in the world” according to the Smithsonian Institution. The County Department of Parks and Recreation is also working in cooperation with the Metropolitan Parks and Recreation District to acquire and develop property for a regional system of greenways with trails and recreational facilities along the Meramec and Missouri Rivers.

**Transportation.** The County’s central geographic location makes it accessible to all parts of the United States for shipping and receiving merchandise, raw materials and other resources. It has a complete range of transportation facilities including highways, railroads, waterways and airports. Four interstate highways traverse the County: I-44, I-55, I-64 and I-70. Four interstate links bypass the busier parts of the County: I-255, I-170, I-270 and I-370. The County’s transportation department maintains more than 3,100 lane miles of road and street pavement and more than 184 bridges.

Commercial air service is provided at Lambert St. Louis International Airport, located in the County and operated by the City of St. Louis. In 2015, Lambert St. Louis International Airport had approximately 6.4 million enplanements. The County operates the Spirit of St. Louis Airport, located in the western portion of the County, which the Federal Aviation Administration has designated as the area’s prime reliever airport. This airport is the base for over 421 aircraft. On the average, 324 aircraft operations per day happen at Spirit of St. Louis Airport.

Six Class 1 railroads and several smaller industrial rail lines provide rail service to the County and the City of St. Louis. The Class 1 railroads are Burlington Northern Santa Fe, Canadian National Railway, CSX,

Kansas City Southern, Northfold Southern and Union Pacific. AmTrak offers daily service to Chicago, Dallas and Kansas City. MetroLink provides light rail public transportation throughout parts of the County.

Public transportation, including bus and light rail service, for the County is provided by the Bi-State Development Agency of the Missouri-Illinois Metropolitan District (doing business as Metro), a regional entity serving Missouri and Illinois (the “Agency”). The Agency has authority to issue bonds payable out of revenues collected for the use of facilities leased, owned or operated by it. At present, the Agency receives funds from a 1/2 of 1% transportation sales tax charged by the County and the City of St. Louis. Appropriations of this tax by the County and the City are used to pay a portion of the cost of the transportation system of the Agency. In addition, a 1/4 of 1% transportation sales tax in the County and the City of St. Louis is used to pay a portion of the costs of the MetroLink light rail system. A 3/4 of 1% sales tax was passed to restore, operate and expand transit services, including MetroBus and MetroLink services.

**Population**

The following table sets forth population statistics for the County since 1950:

<u>Year</u>	<u>Population</u>
2010	998,954
2000	1,016,315
1990	993,529
1980	974,177
1970	951,671
1960	703,532
1950	406,349

Source: U.S. Census Bureau.

Population estimates for the County since 2010 are set forth below:

<u>Year</u>	<u>Population</u>	<u>Change</u>
2015	1,003,362	+0.12%
2014	1,002,188	+0.09
2013	1,001,295	+0.05
2012	1,000,775	+0.18
2011	999,016	N/A

Source: U.S. Census Bureau population estimates.

The following tables set forth certain population information by age for the County and the State of Missouri:

<u>Age</u>	<u>County</u>	<u>State of Missouri</u>
Under 5	57,603	381,617
5-19 years	199,155	1,205,656
20-24 years	59,637	414,861
25-44 years	244,670	1,524,587
45-64 years	286,425	1,629,363
65 and over	<u>151,202</u>	<u>854,604</u>
Total	<u>998,692</u>	<u>6,010,688</u>
Median Age	40.0	38.0

Source: U.S. Census Bureau.

### **Employment**

The following table sets forth information relating to the average composition of employment in the County for 2014 (the last year for which information is available):

<u>Type</u>	<u>Estimated Employment</u>
Agriculture, forestry, fishing and hunting, and mining	1,767
Construction	20,179
Manufacturing	49,326
Wholesale Trade	13,684
Retail Trade	53,582
Transportation, warehousing, and utilities	19,561
Information	11,333
Finance and insurance, real estate, and rental and leasing	47,218
Professional, scientific, management and administrative	62,240
Educational services, healthcare and social assistance	130,065
Arts, entertainment, recreation, accommodation, and food services	44,482
Other services, except public administration	24,364
Public Administration	13,574

Source: 2014 American Community Survey 1-year Estimates.

The following table sets forth County employment figures for the last five years:

<u>For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>
2016 <sup>(1)</sup>	548,099	527,924	20,175
2015	540,801	515,848	24,953
2014	530,152	499,201	30,951
2013	522,852	490,219	32,633
2012	525,935	491,780	34,155

<sup>(1)</sup> Figures are preliminary as of May 2016.

Source: U.S. Department of Labor – U.S. Bureau of Labor Statistics.

**Unemployment Rates.** The following table sets forth unemployment rates, for the County, the State of Missouri and the United States for the five most recent years for which such information is available:

<u>Year</u>	<u>County</u>	<u>Missouri</u>	<u>United States</u>
2016 <sup>(1)</sup>	3.7%	4.0%	4.5%
2015	4.6	5.0	5.3
2014	5.8	6.2	6.2
2013	6.2	6.7	7.4
2012	6.5	7.0	8.1

<sup>(1)</sup> Figures are preliminary as of May 2016.

Source: U.S. Department of Labor – U.S. Bureau of Labor Statistics.

**Major Employers.** The following list sets forth the names and approximate employment of the top ten employers in the County:

<u>Major Employers</u>	<u>Type of Business</u>	<u>Number of Employees</u> <sup>(1)</sup>
Wal-Mart Stores Inc.	Discount Retail	22,006
SSM Healthcare	Healthcare	15,949
Washington University in St. Louis	Private University	14,692
Boeing Co., Integrated Defense Systems	Manufacturing	14,617
Mercy	Healthcare	13,715
Schnuck Markets, Inc.	Grocer	10,897
McDonald's	Fast Food Restaurant	7,550
Special School District of St. Louis County	Education	6,382
Express Scripts	Pharmacy	5,788
Edward Jones	Financial Services	5,525

<sup>(1)</sup> Includes employees in the County as well as throughout the St. Louis area.

Source: St. Louis Business Journal Largest Employers as of May 1, 2016.

**Per Capita Personal Income.** The following table sets forth information relating to per capita<sup>(1)</sup> personal income for the County for the five most recent years for which such information is available:

<u>Year</u>	<u>Per Capita Personal Income</u>
2014	\$60,540
2013	58,401
2012	59,799
2011	54,074
2010	52,528

<sup>(1)</sup> "Per Capita Personal Income" is the annual total personal income of residents divided by the resident population as of July 1. "Personal Income" is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and transfer payments. "Net Earnings" is earnings by place of work - the sum of wage and salary disbursements (payrolls), other labor income, and proprietors' income - less personal contributions for social insurance, plus an adjustment to convert earnings by place of work to a place-of-residence basis. Personal Income is measured before the deduction of personal income taxes and other personal taxes and is reported in current dollars (no adjustment is made for price changes).

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

### **Housing**

Set forth below are the median (owner-occupied) house values for the County and the State of Missouri:

	<u>Median House Value</u>
County	\$173,100
State of Missouri	138,500

Source: 2014 American Community Survey 1-year Estimates.

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**APPENDIX B**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**THE DISTRICT'S AUDITED FINANCIAL STATEMENTS**

# ST. LOUIS COUNTY LIBRARY DISTRICT

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## Independent Auditors' Report

Board of Trustees  
St. Louis County Library District

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of St. Louis County Library District as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Other Locations

Belleville, IL • Carbondale, IL • Columbia, IL • Litchfield, IL • Springfield, IL • Cape Girardeau, MO • Milwaukee, WI

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of St. Louis County Library District as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Change in Accounting Principle

As described in Note 13 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, as amended by GASB No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Kerber, Eck & Brauckel LLP*

St. Louis, Missouri  
March 14, 2016

# ST. LOUIS COUNTY LIBRARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

---

The management's discussion and analysis of the St. Louis County Library District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

### FINANCIAL HIGHLIGHTS – 2015

Key financial highlights for 2015 are as follows:

- The District's net position of \$113.3M increased by \$12.1M or 12 percent from 2014.
- Unrestricted net position increased \$4.5M or 6.99 percent from 2014.
- Total liabilities increased by \$6.3M or 10.22 percent from 2014.

### Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the District as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at the District's specific financial conditions.

### Government – Wide Financial Statements

The government-wide Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those assets. These two statements report the District's net position and the changes in those assets. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished. However, in evaluating the overall position of the District, non-financial information such as changes in the District's tax base and the condition of District capital assets will also need to be evaluated.

The District's financial statements also include the activity of the St. Louis County Library Foundation, a separate not-for-profit corporation. The Foundation is accounted for as a discretely presented component unit. Accordingly, balances and transactions of the Foundation are presented in a separate column in the government-wide financial statements.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

---

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The funds of the District are divided into two categories: governmental funds and fiduciary funds.

### Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two governmental funds. The General Fund is the primary operating fund of the District and reports all of the financial resources of the District except those required to be accounted for in another fund. The Capital Projects Fund is used to account for resources to be used for the acquisition and construction of major capital assets.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

### Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs.

A separately issued report of the Pension Plan may be obtained by writing the St. Louis County Library District Employees' Pension Plan, 1640 South Lindbergh, St. Louis, Missouri 63131.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

---

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including a budgetary comparison schedule and other information concerning the District's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees.

### St. Louis County Library District as a Whole

The Statement of Net Position presents the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014.

TABLE 1  
NET POSITION  
December 31,

	2015	2014
ASSETS		
Current and other assets	\$ 98,919,648	\$ 118,651,235
Capital assets, net	77,595,657	47,754,365
Total assets	176,515,305	166,405,600
DEFERRED INFLOWS OF RESOURCES	4,923,421	-
LIABILITIES		
Current liabilities	6,127,624	4,345,237
Noncurrent liabilities	61,960,364	57,431,925
Total liabilities	68,087,988	61,777,162
DEFERRED OUTFLOWS OF RESOURCES	50,447	-
NET POSITION		
Net investment in capital assets	44,460,875	40,281,969
Restricted	33,585	38,472
Unrestricted	68,805,831	64,307,997
Total net position	\$ 113,300,291	\$ 104,628,438

# ST. LOUIS COUNTY LIBRARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

---

A portion of the District's net position, less than .1%, represents resources that are subject to external restrictions on how they may be used. The District shows an increase of 6.99% in unrestricted net position at December 31, 2015 to total \$68.8 M.

Assets increased by \$10.1M primarily due an increase in capital assets of \$29.8M resulting from ongoing construction currently in progress. This increase was partially offset by a decrease in current assets of \$19.7M as current assets were used to finance construction.

Deferred inflows of resources in increased \$4.9M due to a change in accounting principal in which the net pension liability and deferred amounts related to pensions are now recognized in the financial statements.

Liabilities decreased by \$6.3M largely due to a change in the accounting principal in which the net pension liability is now recognized. This increase was partially offset by the payment of principal on the Districts Certificates of Participation.

Table 2 shows the changes in net position for the year 2015 compared to 2014.

TABLE 2  
CHANGES IN NET POSITION  
Year ended December 31,

	<u>2015</u>	<u>2014</u>
REVENUES		
Program revenues		
Charges for services	\$ 1,210,770	\$ 1,407,313
Operating grants and contributions	1,287,539	819,042
General revenues		
Property taxes	48,859,608	48,413,005
Other taxes	426,440	372,633
Investment income	231,903	218,634
Miscellaneous	99,078	310,805
Total revenues	<u>52,115,338</u>	<u>51,541,432</u>
EXPENSES		
Culture and recreation	38,294,440	38,988,877
Interest	1,758,617	1,875,449
Total expenses	<u>40,053,057</u>	<u>40,864,326</u>
Change in net position	12,062,281	10,677,106
Net position, beginning of year as originally stated	104,628,438	93,951,332
Prior period adjustment for change in accounting principle	<u>(3,390,428)</u>	<u>-</u>
Net position, beginning of year as restated	<u>101,238,010</u>	<u>93,951,332</u>
Net position, end of year	<u>\$ 113,300,291</u>	<u>\$ 104,628,438</u>



# ST. LOUIS COUNTY LIBRARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

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The District's net position increased by \$12.1M in 2015 compared to an increase of \$10.7M in 2014. Total revenues increased by approximately \$574,000 or 1.11% from 2014 and expenses decreased by approximately \$811,000 or 1.99%.

Beginning net position decreased by \$3.4M as a result of a change in accounting principle to recognize net pension liability.

### **Fund Financial Analysis**

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$85.3, a decrease of \$23.0M over the prior year. Fund balance decreased due to the ongoing construction. Capital outlay expenditures totaled approximately \$30M during the year. Of the 2015 ending balances, \$19.9M, or 23%, is restricted for facilities acquisition and construction, and \$39.3M, or 46%, is assigned for 2016 operations. The District has an unassigned fund balance of \$9.0M, or 11% of the total fund balance.

### General Fund

The General Fund is the chief operating fund of the District. At the end of fiscal year 2015, the General Fund had a fund balance of \$65.4, of which \$9.0 was unassigned, and \$39.3M was assigned for 2016 operations. The General Fund fund balance increased over prior year by \$6.3M primarily due to the November 2012 tax rate increase effective for the 2013 tax year, approved by St. Louis County voters.

### Capital Projects Fund

In 2013, the St. Louis County Library District opened a Capital Projects Fund which was funded by the issuance of Certificates of Participation in April, 2013. The balance of the Capital Projects Fund at the end of 2015 was \$19.9M, all of which was restricted for facility acquisition and construction. The funds being used are part of a three phase plan to improve, or build new, all of the District buildings.

### **Budgetary Highlights**

The District adopts an annual Maintenance and Operations budget for its General Fund that is prepared according to Missouri State Statutes.

During the course of 2015, the District amended its General Fund budget. All recommendations for a budget change are presented by the Library's Administration to the Board of Trustees. The General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

**ST. LOUIS COUNTY LIBRARY DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS - UNAUDITED**

Final budgeted revenues for the General Fund were \$50,981,487; and the actual revenue was \$50,094,912. Revenues were less than the final budget by \$886,575 or 1.7%. Actual expenditures of \$43,754,656 were under budget by \$2,142,432 or 4.7%.

**Capital Assets**

Capital assets for the District as of December 31, 2015 are \$77.6M (net of accumulated depreciation).

TABLE 3  
CAPITAL ASSETS  
December 31,

	<u>2015</u>	<u>2014</u>
Land	\$ 6,696,138	\$ 6,696,138
Buildings	59,451,020	31,922,796
Machinery and equipment	6,722,743	4,764,672
Vehicles and trailers	1,101,658	1,063,590
Collections	40,537,608	38,819,487
Construction in progress	5,209,968	5,505,320
Subtotal	<u>119,719,135</u>	<u>88,772,003</u>
Less accumulated depreciation	<u>(42,123,478)</u>	<u>(41,017,638)</u>
Net property, plant and equipment	<u>\$ 77,595,657</u>	<u>\$ 47,754,365</u>

Capital assets increased by \$29.9M, net of accumulated depreciation, due to ongoing construction. Additional information on the District’s capital assets can be found in Note 3 of this report.

**Debt Administration**

At the end of the current fiscal year, the St. Louis County Library District had \$53,308,000 in outstanding Certificates of Participation, including unamortized premiums. The debt was issued in April, 2013 and is the first phase of a three phase plan to improve existing Library buildings and to construct new Library buildings which will replace older facilities.

Article VI, Sections 26(b) and (c) of the Constitution of the State of Missouri limit the net outstanding amount of authorized general obligation debt to five percent of the assessed valuation of the district. However, obligations secured by annually appropriated funds, such as the 2013 Certificates, do not constitute indebtedness for the purposes of any Missouri statutory or constitutional debt limit.

# **ST. LOUIS COUNTY LIBRARY DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

---

### **Economic Factors and Next Year's Budgets**

- Assessed valuations in 2015 increased just over 4%. 2016 is not a reassessment year.
- The 2015 budget was prepared using an assessed tax rate of \$.246 for residential property, \$.259 for commercial property, \$.225 for personal property and \$.239 for agricultural property.

### **Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager, St. Louis County Library District, 1640 South Lindbergh Boulevard, St. Louis, MO 63131.

ST. LOUIS COUNTY LIBRARY DISTRICT

STATEMENT OF NET POSITION

December 31, 2015

	Primary Government	Component Unit
	Governmental Activities	St. Louis County Library Foundation
<b>ASSETS</b>		
Cash and investments	\$ 44,488,508	\$ 2,792,280
Receivables		
Property taxes, net of allowance for uncollectables of \$878,859	29,135,882	-
Financial institution tax	367,012	-
Grants and contributions	62,556	198,135
Interest	115,646	-
Due from Foundation	42,390	-
Prepaid items	792,848	2,700
Restricted cash and investments	23,914,806	-
Land and construction in progress	11,906,106	-
Other capital assets, net of accumulated depreciation	65,689,551	-
Total assets	176,515,305	2,993,115
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts related to pensions	4,923,421	-
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	4,667,916	11,929
Due to District	-	42,390
Accrued interest	456,914	-
Accrued vacation	1,002,794	-
Noncurrent liabilities:		
Due within one year	3,715,000	-
Due in more than one year		
Net pension liability	8,912,483	-
Other postemployment benefit obligation	18,800	-
Other	49,314,081	-
Total liabilities	68,087,988	54,319
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts related to pensions	50,447	-
<b>NET POSITION</b>		
Net investment in capital assets	44,460,875	-
Restricted for endowments, expendable	33,585	-
Restricted for facilities acquisition and construction	-	1,814,395
Restricted for other purposes	-	450,010
Unrestricted	68,805,831	674,391
Total net position	\$ 113,300,291	\$ 2,938,796

See notes to financial statements.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## STATEMENT OF ACTIVITIES

Year ended December 31, 2015

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net position	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government Total governmental activities	Component unit St. Louis County Library Foundation
Primary government						
Governmental activities						
Culture and recreation	\$ 38,294,440	\$ 1,210,770	\$ 1,287,539	\$ -	\$ (35,796,131)	\$ -
Debt service						
Interest and fiscal charges	1,758,617	-	-	-	(1,758,617)	-
Total primary government	<u>\$ 40,053,057</u>	<u>\$ 1,210,770</u>	<u>\$ 1,287,539</u>	<u>\$ -</u>	(37,554,748)	-
Component unit						
St. Louis County Library Foundation	<u>\$ 1,788,937</u>	<u>\$ -</u>	<u>\$ 1,137,386</u>	<u>\$ -</u>	-	(651,551)
		General revenues				
					48,859,608	-
					426,440	-
					231,903	3,994
					99,078	6,988
					<u>49,617,029</u>	<u>10,982</u>
					12,062,281	(640,569)
					<u>101,238,010</u>	<u>3,579,365</u>
					<u>\$ 113,300,291</u>	<u>\$ 2,938,796</u>

# ST. LOUIS COUNTY LIBRARY DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 44,488,508	\$ -	\$ 44,488,508
Receivables			
Property taxes, net of allowance for uncollectables of \$878,859	29,135,882	-	29,135,882
Interest	111,326	4,320	115,646
Financial institution tax	367,012	-	367,012
Other	104,946	-	104,946
Prepaid items	792,848	-	792,848
Restricted cash and investments	-	23,914,806	23,914,806
	<u>\$ 75,000,522</u>	<u>\$ 23,919,126</u>	<u>\$ 98,919,648</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 644,315	\$ 4,023,601	\$ 4,667,916
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	8,808,940	-	8,808,940
Unavailable revenue - other	151,821	1,226	153,047
	<u>8,960,761</u>	<u>1,226</u>	<u>8,961,987</u>
<b>FUND BALANCES</b>			
Nonspendable (prepaid items)	792,848	-	792,848
Restricted for memorial funds	33,585	-	33,585
Restricted for facilities acquisition and construction	-	19,894,299	19,894,299
Assigned for:			
2016 operations	39,334,707	-	39,334,707
Facilities acquisition and construction	13,736,347	-	13,736,347
Pension plan contributions	2,500,000	-	2,500,000
Unassigned	8,997,959	-	8,997,959
	<u>65,395,446</u>	<u>19,894,299</u>	<u>85,289,745</u>
Total fund balances	<u>\$ 75,000,522</u>	<u>\$ 23,919,126</u>	<u>\$ 98,919,648</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 75,000,522</u>	<u>\$ 23,919,126</u>	<u>\$ 98,919,648</u>

See notes to financial statements.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET POSITION

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Total fund balance - governmental funds	\$ 85,289,745
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$119,719,133 and the accumulated depreciation is \$42,123,476.	77,595,657
Certain revenues are not available soon enough to pay for current period expenditures and therefore reported as deferred inflows of resources in the governmental funds.	8,961,987
Deferred outflows of resources are not current financial resources and therefore not reported in the funds.	4,923,421
Certain liabilities and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds.	
Accrued vacation pay	(1,002,794)
Accrued interest	(456,914)
Net pension liability	(8,912,483)
Deferred amounts related to pension	(50,447)
Other postemployment benefit obligation	(18,800)
Certificates of participation	(50,690,000)
Unamortized premium	<u>(2,339,081)</u>
Total net position - governmental activities	<u>\$ 113,300,291</u>

See notes to financial statements.

ST. LOUIS COUNTY LIBRARY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year ended December 31, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenue			
Property taxes	\$ 47,406,046	\$ -	\$ 47,406,046
Other taxes	426,440	-	426,440
State aid	486,351	-	486,351
Grants	132,531	-	132,531
Fines and fees	896,088	-	896,088
Investment earnings	65,832	166,071	231,903
Sale of surplus materials	45,312	-	45,312
Copier income	221,350	-	221,350
Miscellaneous	321,630	-	321,630
Reciprocal agreements	93,332	-	93,332
Total revenue	50,094,912	166,071	50,260,983
Expenditures			
Current			
Salaries and benefits	25,230,828	-	25,230,828
Personnel supplies and services	361,160	-	361,160
Library collections	7,280,133	-	7,280,133
Library collections maintenance and supplies	431,679	-	431,679
Equipment and office supplies	284,417	-	284,417
Printing and program expenses	540,245	-	540,245
Postage	87,497	-	87,497
Utilities	1,304,142	-	1,304,142
Custodial supplies and services	266,081	-	266,081
Mobile operations	112,341	-	112,341
Insurance	330,905	-	330,905
Building maintenance	282,823	-	282,823
Building operation	743,813	62,652	806,465
Professional fees	134,569	-	134,569
Travel and meetings	98,941	-	98,941
Miscellaneous	61,443	-	61,443
Capital outlay			
Automotive	32,246	-	32,246
Furniture	53,760	-	53,760
Equipment	38,941	-	38,941
Technology	588,670	-	588,670
Facilities acquisition and construction	20,970	29,440,540	29,461,510
Debt service			
Principal retirements	3,570,000	-	3,570,000
Fiscal charges	1,899,052	-	1,899,052
Total expenditures	43,754,656	29,503,192	73,257,848
CHANGE IN FUND BALANCES	6,340,256	(29,337,121)	(22,996,865)
Fund balances at January 1, 2015	59,055,190	49,231,420	108,286,610
Fund balances at December 31, 2015	\$ 65,395,446	\$ 19,894,299	\$ 85,289,745

See notes to financial statements.



# ST. LOUIS COUNTY LIBRARY DISTRICT

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES Year ended December 31, 2015

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Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance - total governmental funds	\$(22,996,865)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:	
Capital outlays	35,969,811
Depreciation expense	<u>(5,922,998)</u>
	30,046,813
Loss on disposal of assets	(205,521)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Net OPEB obligation	(8,500)
Net pension liability	68,727
Accrued compensated absences	55,970
Interest on long-term debt	35,703
Amortization of bond premium	104,735
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This activity for the current year is as follows:	
Principal on certificates of participation	3,570,000
Because some revenues will not be collected within 60 days of year end, they are not considered "available" revenue and therefore reported as deferred inflows of resources in the governmental funds. They are, however, recorded as revenues in the Statement of Activities. Deferred inflows of resources decreased this year.	<u>1,391,219</u>
Change in net position of governmental activities	<u>\$ 12,062,281</u>

See notes to financial statements.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUND

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ASSETS	
Cash and investments held by trustees	\$40,193,926
Interest and dividend receivable	<u>37,673</u>
Total assets	40,231,599
LIABILITIES	<u>11,846</u>
NET POSITION	
Restricted for pension benefits	<u><u>\$40,219,753</u></u>

See notes to financial statements.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUND Year ended December 31, 2015

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### ADDITIONS

Investment income	
Interest and dividends	\$ 741,096
Net depreciation in fair value of investments	(1,495,908)
Other	866
	<hr/>
Total investment income	(753,946)
Less investment expense	<hr/> 72,629
Net investment income	(826,575)
Employer contributions	<hr/> 1,875,000
Total additions	1,048,425

### DEDUCTIONS

Benefits paid to participants	2,285,844
Operating expenses	
Professional fees	75,174
Insurance	8,605
Miscellaneous	4,620
Total operating expenses	<hr/> 88,399
Total deductions	<hr/> 2,374,243

### CHANGE IN NET POSITION

	(1,325,818)
Net position - restricted for pension benefits at January 1, 2015	<hr/> 41,545,571
Net position - restricted for pension benefits at December 31, 2015	<hr/> <hr/> \$40,219,753

See notes to financial statements.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Louis County Library District (the “District”) was established as a political subdivision of the State of Missouri with taxing authority by an election in 1946. The five-person Board of Trustees is appointed by the County Executive. The District is required to make an annual report to the County governing body and to the Missouri State Library. The District provides public library services through 20 branches and 7 bookmobiles throughout St. Louis County.

#### **Basis of Accounting**

The accounting policies of the District conform to generally accepted accounting principles applicable to government units. The following are a summary of the District’s more significant policies.

#### **Reporting Entity**

These financial statements include the District (the primary government) and its discretely presented component unit, the St. Louis County Library Foundation (Foundation). Generally accepted accounting principles require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units may be presented as blended or discretely presented in the financial statements. Blended component units, although legally separate entities, are in substance, part of the primary government’s operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

The Foundation is a separate not-for-profit organization formed in 2000 for the purpose of accepting contributions from the community to fund certain programs for the exclusive benefit of the District. Separate financial statements are not issued for the Foundation.

#### **Government-Wide and Fund Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District’s governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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Program revenues include charges paid by the recipients of goods and services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

### **Fund Financial Statements**

The District has organized its accounts on the basis of funds as provided for in the statutes of the State of Missouri. Each fund is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenue, and expenditures or expenses. District resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis is placed on major funds. Each major fund is presented in a separate column while nonmajor funds, if applicable, are aggregated and presented in a single column. A description of the activities of the major governmental funds are provided below:

#### **General Fund**

General Fund is the primary operating fund of the District. The fund is used to account for all financial resources except those required to be accounted for in another fund.

#### **Capital Projects Fund**

The Capital Projects Fund is used to account for resources to be used for the acquisition and construction of major capital assets.

Additionally, the District reports the following fiduciary fund:

#### **Pension Trust Fund**

The pension trust fund accounts for assets held in a trustee capacity for the District's retirement system.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when the related liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and other postemployment benefits, are recorded only when payments are due.

### **Cash and Investments**

Cash balances are maintained primarily in a cash management account at a local bank. Excess balances in the account are invested in overnight purchases of U.S. Treasury obligations by the bank. Other investments primarily consist of U.S. Agency issues, fixed income mutual funds and equity securities. Investments are reported at fair value, except U.S. Agency issues which are reported at cost which approximates fair value.

### **Allowance for Uncollectible Property Taxes**

Property taxes receivable are reported net of an allowance for uncollectible taxes. The allowance for uncollectible property taxes is estimated based on historical collection rates.

### **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items.

### **Restricted Assets**

Restricted assets consist of cash and investments that are legally restricted as to their use and include unspent proceeds from the issuance of certificates of participation.

### **Capital Assets**

Capital assets, which include land, buildings, building improvements, equipment, and collections, are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair value as of the date received. The District maintains a capitalization threshold of \$2,500 for furniture, shelving, computers, and shop equipment; \$5,000 for bookmobiles; and \$10 for collection items.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Years
Buildings	50
Building improvements	Determined individually
Furniture, equipment, and collection items	5 - 25
Computer and software	3
Shelving	25
Vehicles and trailers	5 - 35

### Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide Statement of Net Position. Deferred outflows of resources reported in this year's financial statements consists of differences between the expected and actual demographics for the District's single-employer defined benefit plan. The deferred outflows of resources are attributed to pension expense over the next 5.1 years, including the current year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

### Deferred Inflows of Resources

The District's Statement of Net Position and its Governmental Funds Balance Sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources reported in the District's statement of net position include (1) a deferred inflow of resources for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense and (2) a deferred inflow of resources for changes in assumptions about future economics/demographics factors. These deferred inflows of resources are attributed to pension expense over a total of 5.1 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes and grants are reported in the Governmental Funds Balance Sheet.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **Compensated Absences**

Vacation benefits are available to all employees who have worked six months or more. Employees cannot accrue more than 30 days of vacation unless authorized by the Library Director. Accrued vacation time is recognized as a liability when earned and any unused accumulated vacation is payable to employees upon termination. Accrued vacation is recorded in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if the amount is due at year end and payable with current resources.

Unused sick leave accumulates but does not vest; and, therefore, an accrual is not made in the financial statements. Under the Pension Plan, however, unused sick leave is calculated as part of credited service. An additional month of credited service is added for every 168 hours of unused sick leave up to a maximum of four months.

### **Long-term Liabilities**

In the government-wide financial statements, long-term debt is reported as liabilities in the Statement of Net Position. Premiums and discounts are amortized over the life of the debt.

In the governmental funds, premiums and discounts on debt issuances are recognized during the current period. The face amount of debt issued is reported as other financing sources, as are related premiums. Discounts on debt issuances are reported as other financing uses.

### **Equity Classifications**

In the government-wide and fiduciary fund financial statements, equity is classified as net position and displayed in three components:

*Net investment in capital assets* - consist of capital assets, including restricted capital assets, net of accumulated depreciation and, if applicable, the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction, or improvement of those assets.

*Restricted* - consist of net position with constraints imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted* - Consist of net position that does not meet the definition of restricted or net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

In the governmental fund financial statements, equity is classified as fund balance. Governmental funds report the following classifications of fund balance:



# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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*Restricted* - consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

*Committed* - consists of funds that are set aside for a specific purpose by the District's highest level of decision making authority, the Board of Trustees. Formal action must be taken by the Board of Trustees prior to the end of the fiscal year to commit funds. The same formal action must be taken to remove or change the limitations placed on the funds.

*Assigned* - consists of funds that are set aside with the intent to be used for a specific purpose. Under the District's adopted policy, amounts may be assigned by the Associate Director and Comptroller. Assigned funds cannot cause a deficit in unassigned fund balance. An explanation of the nature and purpose of each assignment is as follows.

*Assigned for 2016 operations* - Those funds, consisting of 2015 property taxes as well as interest accrued at December 31, 2015, are assigned to cover District expenditures that will be incurred in the course of normal operations in 2016.

*Assigned for facilities acquisition and construction* - Funds otherwise unassigned, in excess of 20% of the subsequent year operating expenditures are assigned for facilities acquisition, construction and other capital improvements as approved by the Board of Trustees.

*Assigned for pension plan contributions* - These funds are designated for the Pension Plan contribution in 2016 for the participants in the Plan at December 31, 2015.

*Unassigned* - These funds consist of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides for the resources necessary to meet unexpected expenditures and revenue shortfalls.

District policy requires the unassigned fund balance of the General Fund at each fiscal year end to be between 15% and 20% of the following year's budgeted operational expenses. The target percentage is 17.5%. Funds in excess of 20% will be assigned for facilities acquisition, construction and other capital improvements as directed by the Board of Trustees.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first unless legal requirements disallow it. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds as needed, unless the Board has provided otherwise in its commitment or assignment actions.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of December 31, 2015 is as follows:

Deposits	
Cash	\$ 5,084,757
Certificates of deposit	13,000,000
Investments	
Repurchase agreements	21,578,000
Money market funds	9,529,201
U.S. Agency issues	20,017,750
Fixed income mutual funds	15,903,683
Equity securities	23,483,849
	<u>\$ 108,597,240</u>

The deposits and investments are summarized and presented in the financial statements as follows:

Cash and investments - governmental funds	\$ 44,488,508
Restricted cash and investments - governmental funds	23,914,806
Cash and investments - fiduciary funds	<u>40,193,926</u>
Total reporting entity	<u>\$ 108,597,240</u>

### Investment Policy

The District's investment policy and activity is conducted in accordance with Section 182.800 of the Missouri Revised Statutes. State Statutes authorize Missouri political subdivisions to invest in obligations of the U.S. Treasury and U.S. Government agencies, repurchase agreements, certificates of deposit, bankers' acceptances, commercial paper, and in any instrument received as a gift to the District. Deposits in financial institutions must be collateralized by securities pledged by the custodian bank to the District or covered by FDIC insurance. These guidelines apply to the District's investments that are not held by a trustee in connection with the Pension Plan.

The District's Pension Plan is authorized to invest excess cash in any investment authorized by the Plan's investment policy. Permissible investment instruments are: United States Treasury Notes, Certificates of Deposit, U.S. Government and Federal Agency Bonds, corporate bonds (minimum AA rated), common stock or fixed income funds managed by a registered investment advisor, convertible preferred stock, foreign stock, commercial paper (minimum A-2/P-2 rating) and equities in other companies with a market capitalization of \$1 billion or greater.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Credit Risk

In accordance with the State's model investment policy, the District minimizes credit risk, the risk of loss due to the failure of the security issuer or backer by pre-qualifying the financial institutions, broker/dealer, intermediaries, and advisors with which the District will do business. The District diversifies the portfolio so that potential losses on individual securities will be minimized.

The following table provides information on the credit ratings associated with the District's investments, including the Pension Plan, in debt securities, excluding obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government at December 31, 2015:

<u>Security</u>	<u>Debt securities At fair value</u>	<u>Average credit quality</u>
PIMCO All Asset Fund	\$ 490,530	not rated
Brandywine Global Opportunities Bond Fund	1,778,102	BBB
Credit Suisse Floating Rate High Income Fund	1,808,590	B
RidgeWorth Core Bond Fund	5,798,835	A
Dodge & Cox Income Fund	3,136,874	BBB
Federal National Mortgage Association	5,006,994	AA+
Federal Home Loan Bank	9,998,944	AA+
Federal Home Loan Mortgage Corporation	5,011,812	AA+
	<u>\$ 33,030,681</u>	

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and
- Investing operating funds primarily in short-term securities.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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U.S. Agency issues in the portfolio carry a weighted average maturity of 0.76 years. The District's pension fund investments in fixed income mutual funds have weighted average maturities of 13.7 years for the Brandywine Global Opportunities Bond Fund, 7.72 years for the Dodge & Cox Income Fund, 7.76 years for the RidgeWorth Core Bond Fund and 4.9 years for the Credit Suisse Floating Rate High Income Fund. The average weighted maturities for the PIMCO All Asset Fund are not available.

### Concentration of Credit Risk

For the District, which follows State Statutes, there is no limit on the amount the District may invest in any one issuer with respect to U.S. Treasury securities and collateralized time and demand deposits. Based upon the model investment policy of the State, obligations with agencies of the U.S. Government and government-sponsored enterprises are limited to 60% of the portfolio and collateralized repurchase agreements are limited to 50% of the portfolio. U.S. Government agency callable securities are limited to 30% of the portfolio, and commercial paper and bank acceptances are limited to 25% of the portfolio, each. The following table lists investments in issuers, excluding mutual funds and investments issued or explicitly guaranteed by the U.S. Government, which represent 5% or more of total investments at December 31, 2015:

Issuer	Percent of Total Investments
Commerce Bank - repurchase agreement	24%
Federal National Mortgage Association	6%
Federal Home Loan Bank	11%
Federal Home Loan Mortgage Corporation	6%

For the Pension Trust fund, investments in equities must be between 40% and 75% of total plan assets with a target percentage of 60%. Should the amount of money entrusted to the managed portfolio exceed 75% of the total assets, the equity allocation in the managed portfolio will be reduced to a neutral 60% weight. The Trustees, or Library Staff so authorized by the Trustees, shall monitor these allocations on a monthly basis and notify the Investment Advisors at least once per year if a change in allocations is required.

### Custodial Credit Risk

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investments in securities are exposed to custodial credit risk if the securities are uninsured, not registered in the District's name and held by the counterparty.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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For deposits, custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by letters of credit naming the District as beneficiary, or by a single collateral pool established by the financial institution.

### Foreign Currency Risk

Foreign currency risk is the risk that that changes in exchange rates will adversely impact the fair value of an investment. Although the District's investment policy does not address foreign currency risk, the District has three international equity investments.

The following table demonstrates the District's current level of foreign currency exposure by portfolio orientation as of December 31, 2015:

	<u>Equity Securities</u>
Australian Dollar	\$ 49,175
Brazilian Real	86,891
British Pound Sterling	546,418
Canadian Dollar	56,957
Chinese Yuan	88,146
Euro	804,069
Hong Kong Dollar	140,820
Indian Rupee	90,028
Japanese Yen	713,874
Mexican Peso	75,599
South African Rand	168,764
South Korean Won	119,201
Swedish Krona	90,342
Swiss Franc	648,637
Thai Baht	14,857
Turkish Lira	37,015
United Arab Emirates Dirham	9,097
Various foreign currency denominations	<u>352,140</u>
Total foreign currency	4,092,030
U.S. Dollar	<u>526,014</u>
	<u>\$ 4,618,044</u>

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 is as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Governmental activities				
Capital assets not being depreciated				
Land	\$ 6,696,138	\$ -	\$ -	\$ 6,696,138
Construction in progress	5,505,320	29,472,673	29,768,025	5,209,968
Total capital assets, not being depreciated	12,201,458	29,472,673	29,768,025	11,906,106
Capital assets, being depreciated				
Buildings	31,922,796	28,059,534	531,311	59,451,019
Furniture and shelving	1,897,626	1,844,974	502,967	3,239,633
Computer and equipment	1,616,658	356,676	3,411	1,969,923
Software	526,878	4,256	-	531,134
Vehicles and trailers	1,063,590	38,069	-	1,101,659
Shop equipment	723,510	258,542	-	982,052
Collections	38,819,487	5,703,112	3,984,992	40,537,607
Total capital assets, being depreciated	76,570,545	36,265,163	5,022,681	107,813,027
Less accumulated depreciation for				
Buildings	16,092,885	788,908	425,338	16,456,455
Furniture and shelving	1,480,559	66,977	403,419	1,144,117
Computer and equipment	1,483,958	91,513	3,411	1,572,060
Software	484,668	31,982	-	516,650
Vehicles and trailers	653,946	59,137	-	713,083
Shop equipment	257,839	77,149	-	334,988
Collections	20,563,783	4,807,332	3,984,992	21,386,123
Total accumulated depreciation	41,017,638	5,922,998	4,817,160	42,123,476
Total capital assets, being depreciated, net	35,552,907	30,342,165	205,521	65,689,551
Governmental activities capital assets, net	<u>\$ 47,754,365</u>	<u>\$ 59,814,838</u>	<u>\$ 29,973,546</u>	<u>\$ 77,595,657</u>

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended December 31, 2015:

	Balance at January 1, 2015	Additions	Reductions	Balance at December 31, 2015	Amount due within one year
Certificates of participation	\$ 54,260,000	\$ -	\$ (3,570,000)	\$50,690,000	\$ 3,715,000
Unamortized premium	2,443,816	-	(104,735)	2,339,081	-
Total certificates of participation and unamortized premium	56,703,816	-	(3,674,735)	53,029,081	3,715,000
Accrued vacation pay	1,058,764	-	(55,970)	1,002,794	-
Total long-term obligations	<u>\$ 57,762,580</u>	<u>\$ -</u>	<u>\$ (3,730,705)</u>	<u>\$54,031,875</u>	<u>\$ 3,715,000</u>

The District issued certificates of participation evidencing interest in the right to receive rental payments to be paid by the District pursuant to an annually renewable lease-purchase agreement. The proceeds of the certificates were used and will be used to acquire, construct, reconstruct, furnish and equip the District's library facilities. Principal is payable annually beginning April 1 and interest is payable semiannually on April 1 and October 1 at rates ranging from 2% to 5%. The certificates are secured by a security interest in the leased property.

In conjunction with the issuance of the certificates of participation, the District leased to a trustee the land on which five of the District's 20 library facilities are located. The trustee then leased the property, along with improvements financed by the issuance of the certificates, back to the District for an initial lease term ended December 31, 2013, with twenty-five successive one-year renewal options. Each renewal is subject to annual appropriation by the District.

The District's obligations under the lease are year to year and do not extend beyond the amount budgeted for any respective fiscal year. The District has the option to purchase the Trustee's interest in the leased property on any date at a purchase price equal to an amount to provide for the remaining rental payments due through the term of the lease.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

The following is a schedule of rental payments under the lease, assuming the agreement is renewed each year:

Year ending December 31,	Principal	Interest	Total
2016	\$ 3,715,000	\$ 1,753,366	\$ 5,468,366
2017	2,850,000	1,622,066	4,472,066
2018	1,425,000	1,543,691	2,968,691
2019	1,475,000	1,492,817	2,967,817
2020	1,545,000	1,424,691	2,969,691
2021-2025	8,610,000	6,223,381	14,833,381
2026-2030	10,380,000	4,450,491	14,830,491
2031-2035	12,250,000	2,589,733	14,839,733
2036-2038	8,440,000	464,478	8,904,478
	<u>\$ 50,690,000</u>	<u>\$ 21,564,714</u>	<u>\$ 72,254,714</u>

### NOTE 5 – PENSION PLAN

#### Plan Description

The District contributes to a single-employer defined benefit pension plan established and maintained by the District to provide pension benefits for its employees. The expense for providing these benefits is reflected in the General Fund. The Plan is administered through a separate trust fund under the control of the Pension Board of Trustees.

All full-time District employees are eligible to participate after six calendar months of employment. Benefits are fully vested after five years of service. A District employee who retires at the age of 65 with five years of credited service is entitled to a monthly retirement pension of one and six-tenths percent of the pensioner's average salary for the highest 60 consecutive calendar months within the 120 calendar months preceding termination of employment, multiplied by the number of years of credited service. At January 1, 2016 (for the year ended December 31, 2015), membership in the Plan consisted of the following:

Active employees	353
Retirees and beneficiaries currently receiving benefits	278
Terminated employees entitled to benefits but not yet receiving them	<u>46</u>
Total	<u><u>677</u></u>



# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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Early retirement benefits are available as computed above and reduced by .25% for each month payments begin before age 65. Joint survivor benefits are also available to retirees.

A separately issued report of the Pension Plan that includes financial statements and required supplementary information (RSI) may be obtained by writing the St. Louis County Library District Employees' Pension Plan, 1640 South Lindbergh Boulevard, St. Louis, MO 63131.

### **Funding Policy**

The Plan's funding policy provides for actuarially determined annual required contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the aggregate funding method. The Pension Plan is noncontributory and entirely funded by the District.

### **Net Pension Liability**

The District's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method:	Entry Age Normal
Rate of investment return:	7.0% per annum compounded
Rate of salary increases:	6.0% graded down over 7 years to 3.5%
Mortality:	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP 2014 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP 2015. In prior years, those assumptions were based on RP 2000 Mortality Table, male and female rates, projected generationally using Scale AA.
Inflation:	2.5%

**ST. LOUIS COUNTY LIBRARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

The best estimate range for long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target asset allocation</u>	<u>Long-term expected arithmetic real rate of return</u>
Intermediate-Term Bonds	25 %	1.3 %
High Yield Bonds	10	2.8
Large Cap U.S. Equities	45	6.7
Small Cap U.S. Equities	5	7.5
Developed Foreign Equities	15	7.2
	<u>100 %</u>	

**Discount Rate**

The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**Change in the District’s Net Pension Liability**

Changes in the District’s net pension liability for the year ended December 31, 2015 were as follows:

	<u>Total pension liability (a)</u>	<u>Plan fiduciary net position (b)</u>	<u>Net pension liability (a) - (b)</u>
Balance as of December 31, 2014	\$ 44,935,999	\$41,545,571	\$3,390,428
Changes for the year			
Service cost	983,381	-	983,381
Interest on total pension liability	3,135,737	-	3,135,737
Effect of economic/demographic gains or losses	(62,748)	-	(62,748)
Effect of assumption changes or inputs	2,424,802	-	2,424,802
Benefit payments	(2,284,935)	(2,284,935)	-
Employer contributions	-	1,875,000	(1,875,000)
Net investment income	-	(826,575)	826,575
Administrative expenses	-	(89,308)	89,308
Balance as of December 31, 2015	<u>\$ 49,132,236</u>	<u>\$40,219,753</u>	<u>\$8,912,483</u>

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District as of December 31, 2015, calculated using the discount rate of 7.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>Discount rate</u>	<u>Net pension liability</u>
1% decrease	6.00%	\$15,198,835
Current discount rate	7.00%	8,912,483
1% increase	8.00%	3,697,280

### Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued St. Louis County Library District Employees' Pension Plan financial report.

### Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2015, the District recognized pension expense of \$1,806,269. At December 31, 2015, the District reported outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 50,447	\$ -
Change of assumptions	-	1,949,351
Net difference between projected and actual earnings on plan	<u>-</u>	<u>2,974,070</u>
	<u>\$ 50,447</u>	<u>\$4,923,421</u>

Amounts recognized as deferred inflows of resource and deferred outflows of resources will be recognized in pension expense as follows:

Year ended December 31,:	
2016	\$1,206,664
2017	1,206,664
2018	1,206,664
2019	1,206,666
2020	46,319

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS

#### Plan Description

The District provides healthcare benefits to employees defined as District retirees who have attained age 55 plus 20 years of service and retirees who have attained age of 60 plus 10 years of service. Benefits are available until the retiree attains Medicare Eligibility Age. The retiree pays the monthly group health insurance premium. The Plan, as stated in the District's personnel policy, assigned the authority to establish and amend plan benefit provisions to the District. The plan does not issue a separate stand alone report.

#### Funding Policy

The District currently pays for the post-employment healthcare benefits on a pay-as-you-go basis.

#### Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities. The District's annual OPEB cost for the current year and the related information are as follows:

ARC	\$	42,100
Interest on net OPEB obligation		400
Adjustment to annual required contribution		<u>(700)</u>
Annual OPEB cost		41,800
Contributions made		<u>(33,300)</u>
Increase in net OPEB obligation		8,500
Net OPEB obligation - beginning of year		<u>10,300</u>
Net OPEB obligation - end of year	\$	<u><u>18,800</u></u>

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

<u>For the Year ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	53,700	77.84%	9,700
2014	41,800	98.56%	10,300
2015	41,800	79.67%	18,800

### **Funded Status and Funding Program**

As of December 31, 2015, the most recent actuarial valuation date, the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) and the actuarial accrued liability for benefits of \$318,600. The covered payroll (annual payroll of active employees covered by the plan) was \$14,642,600, and the ratio of the UAAL to the covered payroll was 2.2 percent.

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

### **Actuarial Methods and Assumptions**

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

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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Valuation method	Projected unit credit cost method
Latest valuation date	December 31, 2014
Discount rate	3.75% per annum
Amortization period	20 years for initial unfunded actuarial accrued liability
Mortality	RP 2000 Mortality Table, male and female rates, projected generationally using Scale AA
Medical premium rates	5.3% initial rate; 4.5% ultimate rate
Future retiree coverage	30% of eligible employees who retire prior to age 65 are assumed to elect medical coverage under this plan

### NOTE 7 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits essentially all employees 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. Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries.

### NOTE 8 – PROPERTY TAXES

Taxes are levied annually by October 1 and payable by December 31. Property taxes that remain unpaid attach as an enforceable lien on January 1. St. Louis County collects the property taxes and remits them to the District. As of December 31, 2015, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2015 or earlier. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

As of December 31, 2015, certain tax payments for previous tax year 2014 are held in escrow by St. Louis County because they were paid under protest, pending resolution of disputes over assessed valuations. The escrowed taxes are included in deferred revenue in the governmental fund financial statements until the taxes are actually released by the County and distributed to the District.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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The tax levy set by the Board of Trustees on September 23, 2015 for the General Operating Fund was \$.2460 per \$100 of assessed valuation for residential property, \$.2390 per \$100 of assessed valuation for agricultural property, \$.2590 per \$100 of assessed valuation for commercial property and \$.2250 per \$100 of assessed valuation for personal property. These tax rates do not include the surcharge of \$2,256,000 on commercial real estate. The current tax rate ceilings and assessed valuations are:

<u>Purpose</u>	<u>Tax Rate Ceiling</u>	<u>2015 Assessed Valuation</u>
General Revenue		
Real estate		
Residential	0.2460	\$ 11,303,468,320
Agricultural	0.2390	5,429,060
Commercial	0.2590	5,378,360,093
Personal property	0.2250	<u>2,982,881,876</u>
		<u><u>\$ 19,670,139,349</u></u>

These ceilings are per \$100 of assessed valuation. The ceilings are based on a revision of the rates under a State Supreme Court ruling on September 24, 1991, and subsequent annual substantiation by the State Auditor's Office.

### NOTE 9 – OPERATING LEASE

On June 23, 2011, the District entered into a five-year operating lease with THF Eureka Parcel B Development for the relocated Eureka Hills Branch. Payments are due the first day of each calendar month. On October 19, 1999, the District entered into a ten-year operating lease with the City of Fenton for the Meramec Valley Branch. The first amendment to the lease agreement was signed on April 22, 2010 whereby the term of the lease was extended for an additional ten years. Payments are due the first day of each calendar month. In December 2014, the District entered into a three year lease with CRP-2 Mid South Industrial, LLC for the storage of collections, furniture, fixtures, and equipment. Payments are due the first day of each calendar month beginning February 1, 2015. Rent expense in 2015 was approximately \$206,000.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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The District is obligated to make future minimum lease payments as follows:

<u>Year end December 31,</u>	<u>Amount</u>
2016	\$185,750
2017	125,750
2018	21,479
2019	12,000
2020	4,000
	<u>\$348,979</u>

### NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained commercial insurance for these risks and to provide employee health and accident benefits. Claims have not exceeded coverage for the past three years.

### NOTE 11 – COMMITMENTS AND CONTINGENCIES

The District's remaining commitment for uncompleted work under its construction contracts totaled approximately \$18,900,000 as of December 31, 2015.

At December 31, 2015, the District was a defendant to various lawsuits. In the opinion of District management, the ultimate outcome of these legal matters will not have a material adverse effect on the District's financial position.

### NOTE 12 – SHARED SERVICE AGREEMENT

The District provides the Foundation with staffing, office space, and other support under a Shared Services Agreement. The fair value of these services was determined to be \$465,950 and is reported as contribution revenue and expense by the Foundation.

The Foundation constructed a reading garden on property next to the Samuel C. Sachs Branch. Upon completion of construction, the Foundation contributed the reading garden, valued at \$566,558, to the District. The Foundation also contributed collections valued at \$102,099 to the District. The District recorded these contributions as revenue on the Statement of Activities.



# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 13 - PRIOR PERIOD ADJUSTMENT

Net position as of January 1, 2015 has been restated as follows based on the measurement date at January 1, 2016, for the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, as amended by GASB No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*.

Net position as previously reported at December 31, 2014	\$ 104,628,438
Prior period adjustment for net pension liability	<u>(3,390,428)</u>
Net position as restated, January 1, 2015.	<u>\$ 101,238,010</u>

### NOTE 14 – SUBSEQUENT EVENTS

In January 2016, the District extended its facility lease at the Eureka Hills Branch through 2021.

In February 2016, the District sold its Tesson Ferry Branch property at 9920 Lin Ferry Drive for \$2,300,000.

ST. LOUIS COUNTY LIBRARY DISTRICT

BUDGETARY COMPARISON INFORMATION - GENERAL FUND - UNAUDITED

Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenue				
Property taxes	\$ 47,632,562	\$ 48,389,107	\$ 47,406,046	\$ (983,061)
Other taxes	125,000	347,633	426,440	78,807
State aid	214,787	429,574	486,351	56,777
Grants	65,000	113,435	132,531	19,096
Fines and fees	883,288	935,045	896,088	(38,957)
Investment earnings	37,731	53,418	65,832	12,414
Sale of surplus materials	115,407	113,798	45,312	(68,486)
Copier income	196,718	230,380	221,350	(9,030)
Miscellaneous	266,991	269,447	321,630	52,183
Reciprocal agreements	57,804	99,650	93,332	(6,318)
Total revenue	49,595,288	50,981,487	50,094,912	(886,575)
Expenditures				
Current operating				
Salaries and benefits	27,023,577	26,937,412	25,230,828	1,706,584
Personnel supplies and services	395,135	400,471	361,160	39,311
Library collections	7,250,000	7,299,828	7,280,133	19,695
Library collections maintenance and supplies	454,396	451,774	431,679	20,095
Equipment and office supplies	274,506	299,754	284,417	15,337
Printing and program expenses	601,357	578,543	540,245	38,298
Postage	96,916	88,793	87,497	1,296
Utilities	1,330,487	1,255,006	1,304,142	(49,136)
Custodial supplies and services	327,661	278,916	266,081	12,835
Mobile operations	138,021	123,362	112,341	11,021
Insurance	297,113	316,957	330,905	(13,948)
Building maintenance	535,000	347,686	282,823	64,863
Building operation	808,075	779,005	743,813	35,192
Professional fees	300,000	249,738	134,569	115,169
Travel and meetings	85,970	100,668	98,941	1,727
Miscellaneous	20,000	12,834	61,443	(48,609)
Total current operating	39,938,214	39,520,747	37,551,017	1,969,730
Capital outlay				
Automotive	70,000	39,018	32,246	6,772
Furniture	75,000	55,908	53,760	2,148
Equipment	55,000	13,320	38,941	(25,621)
Technology	806,113	799,037	588,670	210,367
Facilities acquisition and construction	-	-	20,970	(20,970)
Total capital outlay	1,006,113	907,283	734,587	172,696
Debt service				
Principal retirements	3,570,000	3,570,000	3,570,000	-
Interest and fiscal charges	1,899,066	1,899,059	1,899,052	7
Total debt service	5,469,066	5,469,059	5,469,052	7
Total expenditures	46,413,393	45,897,089	43,754,656	2,142,433
NET CHANGE IN FUND BALANCE	\$ 3,181,895	\$ 5,084,398	6,340,256	\$ 1,255,858
Fund balance at January 1, 2015			59,055,190	
Fund balance at December 31, 2015			\$ 65,395,446	

See notes to required supplementary information.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS TO PENSION PLAN - UNAUDITED

Years ended December 31,

	<u>Actuarially determined contribution</u>	<u>Contribution in relation to actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
2006	\$ 570,405	\$ 500,000	\$ 70,405	\$ 12,891,099	3.88%
2007	465,387	450,000	15,387	13,573,728	3.32%
2008	437,010	437,010	-	14,171,246	3.08%
2009	764,779	665,000	99,779	15,190,225	4.38%
2010	1,088,903	775,000	313,903	14,406,379	5.38%
2011	1,150,067	1,150,067	-	13,522,046	8.51%
2012	1,403,653	1,403,653	-	13,972,781	10.05%
2013	1,571,499	1,571,499	-	14,634,206	10.74%
2014	1,546,259	1,625,000	(78,741)	14,949,996	10.87%
2015	1,497,480	1,875,000	(377,520)	15,081,678	12.43%

See notes to required supplementary information.

# ST. LOUIS COUNTY LIBRARY DISTRICT

## SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY AND RELATED RATIOS - UNAUDITED

Years ended December 31,

	2015	2014
Total pension liability		
Service cost	\$ 983,381	\$ 1,013,517
Interest	3,135,737	3,121,095
Plan changes	-	-
Economic/demographic gains or (losses)	(62,748)	(149,581)
Assumptions and input changes	2,424,802	7,194
Benefit payments	(2,284,935)	(2,147,006)
Net change in total pension liability	4,196,237	1,845,219
Total pension liability, beginning	44,935,999	43,090,780
Total pension liability, ending (a)	49,132,236	44,935,999
Plan fiduciary net position		
Employer contributions	1,875,000	1,625,000
Net investment income	(826,575)	2,141,692
Benefit payments	(2,284,935)	(2,160,589)
Administrative expenses	(89,308)	(72,469)
Net change in plan fiduciary net position	(1,325,818)	1,533,634
Plan fiduciary net position, beginning	41,545,571	40,011,937
Plan fiduciary net position, ending (b)	40,219,753	41,545,571
District's net pension liability, ending = (a) - (b)	\$ 8,912,483	\$ 3,390,428
Plan fiduciary net position as a % of total pension liability	81.86%	92.45%
Covered payroll	\$ 15,081,678	\$ 14,949,996
District's net pension liability as a % of covered payroll	59.09%	22.68%

See notes to required supplementary information.

**ST. LOUIS COUNTY LIBRARY DISTRICT**

**SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN - UNAUDITED**  
**Years ended December 31,**

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded Accrued Liability (UAL) (b-a)
2012	\$ -	\$ 421,800	\$ 421,800
2014	-	318,600	318,600

  

Actuarial Valuation Date December 31,	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAL as a % of Covered Payroll ((b-a)/c)
2012	0.00%	\$ 14,774,200	2.90%
2014	0.00%	14,642,600	2.20%

See notes to required supplementary information.

# **ST. LOUIS COUNTY LIBRARY DISTRICT**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION** **Year Ended December 31, 2015**

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### **NOTE 1 – BUDGETARY DATA**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget for the calendar year is submitted to the Board of Trustees prior to January 1. The operating budget includes proposed expenditures and the means of financing them. Expenditures may not legally exceed appropriations at the fund level.
2. Prior to January 1, the budget is formally adopted.
3. Prior to setting the District tax rate by October 1, a public hearing is conducted to obtain taxpayer comments.
4. Any revisions must be approved by the Board of Trustees.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

# ST. LOUIS COUNTY LIBRARY DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION Year Ended December 31, 2015

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### NOTE 2 – PENSION DATA

The methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed, 20 year periods
Asset valuation method	Four year average of adjusted market values
Rate of investment return	7.00% per annum, net of expenses
Inflation	2.50% per year
Salary increases	6.0% graded down over 7 years to 3.5%
Turnover rates	Varies by age and year of membership based on Plan experience
Retirement and disability	Varies by age of active members based on Plan experience
Mortality or death rates	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP 2014 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP 2015. In prior years, those assumptions were based on RP 2000 Mortality Table, male and female rates, projected generationally using Scale AA.

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**APPENDIX C**

**DEFINITIONS OF WORDS AND TERMS**

**AND**

**SUMMARIES OF LEGAL DOCUMENTS**

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## APPENDIX C

### DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS

*The summaries of the Declaration of Trust, the Lease, the Base Lease and the Omnibus Continuing Disclosure Agreement contained in this Appendix C do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents, copies of which may be viewed at the designated corporate office of the Trustee, or will be provided by the Underwriter to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.*

### DEFINITIONS OF WORDS AND TERMS

The definitions of certain words and terms used in this Official Statement are set forth below:

**“2016 Project”** means acquiring, constructing, expanding, renovating, improving, furnishing and equipping various library facilities of the District, as described in greater detail in the Official Statement under the caption **“PLAN OF FINANCING – The Facilities Master Plan and the Project.”**

**“Additional Certificates”** means any Certificates executed and delivered pursuant to the Declaration of Trust.

**“Additional Project”** means any capital improvements that are financed with the proceeds of Additional Certificates executed and delivered pursuant to the Declaration of Trust, for the use and benefit of the District.

**“Authorized Representative”** means the Director of the District, the President of the Board of Trustees, the Assistant Director of Administration of the District or any other person designated as an Authorized Representative by the President of the Board of Trustees to act on behalf of the District, such designation being approved by the Board of Trustees of the District by a resolution that is filed with the Trustee.

**“Available Revenues”** means, for any Fiscal Year, any balances of the District from previous Fiscal Years encumbered to pay Rent, amounts budgeted or appropriated by the District for such Fiscal Year plus any unencumbered balances of the District from previous Fiscal Years that are legally available to pay Rent during such Fiscal Year, plus all moneys and investments, including earnings thereon, held by the Trustee pursuant to the Declaration of Trust.

**“Base Lease”** means, collectively, the Original Base Lease, the First Supplemental Base Lease, the Second Supplemental Base Lease and the Third Supplemental Base Lease.

**“Basic Rent”** means the Basic Rent Payments comprised of a Principal Portion and an Interest Portion as set forth in the Lease, as may be revised as provided in the Declaration of Trust and the Lease.

**“Basic Rent Payment”** means a payment of Basic Rent.

**“Basic Rent Payment Date”** means, with respect to the Series 2013 Certificates, each April 1 and October 1 during the Lease Term, and, with respect to the Series 2016 Certificates, each April 1 and October 1, commencing April 1, 2017.

**“Business Day”** means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal corporate trust office or designated payment office of the

Trustee is located are required or authorized by law to remain closed, or (c) a day on which the Securities Depository or the New York Stock Exchange is closed.

**“Certificate Payment”** means the payments to be made to the Owners of the Certificates, whether representing Interest Portion only or Principal Portion and Interest Portion of Basic Rent under the Lease.

**“Certificates”** means the Series 2013 Certificates, the Series 2016 Certificates and any Additional Certificates.

**“Code”** means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

**“Completion Certificate”** means the certificate of the District given in accordance with the Lease.

**“Completion Date”** means the date of completion of the Project as that date will be certified as provided in the Lease.

**“Construction Agreements”** means any agreement between the District and another party providing for the acquisition, construction and installation of various portions of the Project.

**“Costs of Issuance”** means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, execution, sale and delivery of the Certificates, including advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees of parties to the transaction, fees of any rating agency, financial advisor fees, title insurance premiums and recording fees and all other initial fees and disbursements contemplated by the Lease and the Declaration of Trust.

**“Declaration of Trust”** means, collectively, the Original Declaration, the First Supplemental Declaration, the Second Supplemental Declaration and the Third Supplemental Declaration.

**“Directive”** means an instrument in writing executed in one or more counterparts by the Owners of Certificates, as determined from the records of the Registrar kept pursuant to the Declaration of Trust, or their lawful attorneys-in-fact, representing not less than a majority of the aggregate unpaid Principal Portion represented by the then-Outstanding Certificates.

**“Disbursement Request”** means a written request for disbursement as referenced in the Declaration of Trust.

**“District”** means the St. Louis County Library District, a county library district and political subdivision duly created, organized and existing under and by virtue of the laws of the State of Missouri, and its successors.

**“Event of Default”** with respect to the Lease has the meaning specified under the caption **“SUMMARY OF THE LEASE - Events of Default”** and with respect to the Declaration of Trust has the meaning specified under the caption **“SUMMARY OF THE DECLARATION OF TRUST - Defaults.”**

**“Event of Lease Default”** means an Event of Lease Default under the Lease. See the caption **“SUMMARY OF THE LEASE – Events of Default.”**

**“Event of Nonappropriation”** means an Event of Nonappropriation as described under the caption **“SUMMARY OF THE LEASE - Nonappropriation.”**

**“First Supplemental Base Lease”** means the First Supplemental Base Lease dated as of February 1, 2014, between the District and the Trustee.

**“First Supplemental Declaration”** means the First Supplemental Declaration of Trust dated as of February 1, 2014, executed by the Trustee.

**“First Supplemental Lease”** means this First Supplemental Lease Purchase Agreement dated as of February 1, 2014, between the District and the Trustee.

**“Fiscal Year”** means the fiscal year of the District, currently the twelve-month period beginning January 1 and ending on December 31.

**“Funds”** means, collectively, the funds created and held under the Declaration of Trust.

**“Government Obligations”** means (a) direct noncallable obligations of the United States of America and obligations the timely payment of principal and interest on which is fully and unconditionally guaranteed by the United States of America, (b) trust receipts or certificates evidencing participation or other direct ownership interests in principal or interest payments to be made upon obligations described in clause (a) above that are held in a custody or trust account free and clear of all claims of persons other than the holders of such trust receipts or certificates, and (c) obligations that are noncallable or for which the call date has been irrevocably determined having an investment rating in the highest rating category of either Moody’s or S&P as a result of the advance refunding of such obligations by the deposit of direct noncallable obligations of the United States of America in a trust or escrow account segregated and exclusively set aside for the payment of such obligations and that mature as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to timely pay such principal and interest.

**“Interest Portion”** means the portion of each Basic Rent Payment that represents the payment of interest.

**“Investment Securities”** means and includes any of the following securities, if and to the extent the same are permitted by law:

- (a) Government Obligations;
- (b) other obligations issued by or on behalf of agencies or instrumentalities of the United States of America except for the Federal Farm Credit Bank;
- (c) negotiable certificates of deposit, demand deposits and other deposit arrangements, repurchase agreements, and investment agreements issued by banks or trust companies, including without limitation, the Trustee and its affiliates, continuously secured (to the extent not fully insured by the Federal Deposit Insurance Corporation), for the benefit of the Trustee by lodging with a bank or trust company (which may or may not be the bank or trust company issuing such negotiable certificates of deposit, repurchase agreement or investment agreement), as collateral security, Government Obligations having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit, demand deposits and other deposit arrangements;
- (d) money market mutual funds rated in the highest rating category by a nationally recognized rating service consisting of Government Obligations or repurchase agreements for Government Obligations;
- (e) demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, and certificates of

deposit or bankers acceptances of depository institutions, including the Trustee or any of its affiliates, rated in the AA long-term ratings category or higher by S&P or Moody's or which are fully FDIC-insured; and

(f) any other securities or investments that are lawful for the investment of moneys held in such funds or accounts under the laws of the State.

**"Lease"** means, collectively, the Original Lease, the First Supplemental Lease, the Second Supplemental Lease and the Third Supplemental Lease.

**"Lease Revenue Fund"** means the fund by that name established pursuant to the Declaration of Trust.

**"Lease Revenues"** means the Basic Rent Payments, Supplemental Rent Payments and all other amounts due and owing pursuant to or with respect to the Lease, including prepayments, insurance proceeds, condemnation proceeds, and any and all interest, profits or other income derived from the investment thereof in any fund or account established pursuant to the Declaration of Trust.

**"Leased Property"** means the property described in the Official Statement under the caption **"PLAN OF FINANCING - The Leased Property."**

**"Moody's"** means Moody's Investors Service, Inc. and its successors and assigns, and, if that firm is dissolved or liquidated or no longer performs the functions of a securities rating service, "Moody's" will be deemed to refer to any other nationally recognized securities rating service designated by the District, with notice to the Trustee.

**"Net Proceeds"** means the amount remaining from the gross proceeds of any insurance claim, condemnation award or sale under threat of condemnation after deducting all reasonable expenses, including attorneys' fees, incurred in the collection thereof.

**"Notice by Mail"** or **"Notice"** of any action or condition **"by Mail"** means a written notice meeting the requirements of the Declaration of Trust mailed by first-class mail to the Owners of specified Certificates at the addresses shown on the registration books maintained by the Registrar.

**"Opinion of Special Tax Counsel"** means a written opinion of Special Tax Counsel acceptable to the Trustee.

**"Original Base Lease"** means the Base Lease dated as of April 1, 2013, between the District and the Trustee.

**"Original Declaration"** means the Declaration of Trust dated as of April 1, 2013, executed by the Trustee.

**"Original Lease"** means the Lease Purchase Agreement dated as of April 1, 2013, between the District and the Trustee.

**"Original Term"** means the period from the date of delivery of the Lease, until the end of the Fiscal Year then in effect.

**"Outstanding"** means, as of the date of determination, all Certificates theretofore executed and delivered pursuant to the Declaration of Trust except (a) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation, (b) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to the

Declaration of Trust, (c) Certificates whose payment or prepayment has been provided for in accordance with the Declaration of Trust, and (d) Certificates paid or deemed to be paid pursuant to the Declaration of Trust.

**“Owner”** means the registered owner of a Certificate as shown on the register kept by the Registrar.

**“Permitted Encumbrances”** means, as of any particular time, (a) liens for lawfully imposed taxes and assessments not then delinquent; (b) the Base Lease, the Lease, the Declaration of Trust and any financing statements naming the District as debtor and naming the Trustee as secured party now or hereafter filed to perfect the security interests granted by the Declaration of Trust, the Base Lease or the Lease; (c) utility, access and other easements and rights-of-way, restrictions, exceptions and encumbrances (collectively the “Easements”) and those Easements now or hereinafter granted to or by the District in the normal operation of the District in its sole discretion and judgment that will not materially interfere with or materially impair the Leased Property; (d) such minor defects, irregularities, encumbrances, easements, mechanics’ liens, rights-of-way and clouds on title as normally exist with respect to property similar in character to the Leased Property and (1) as do not, in the opinion of the District’s Board of Trustees certified in writing to the Trustee, materially impair the property affected thereby for the purpose for which it was acquired or is held by the Trustee or the District, or (2) are adequately insured against by a title insurance policy reasonably satisfactory to the Trustee and the District; or (e) the exceptions shown in the title policies and endorsements prepared by First American Title Insurance Company.

**“Prepayment Date”** means, with respect to the Series 2013 Certificates, any date on which the Series 2013 Certificates may be prepaid pursuant to the Original Declaration of Trust, and with respect to the Series 2016 Certificates, any date on which the Series 2016 Certificates may be prepaid pursuant to the Third Supplemental Declaration.

**“Prepayment Price”** means with respect to any Certificate (or portion thereof), the amount specified in the Declaration of Trust.

**“Principal Portion”** means the principal portion of the Basic Rent Payments.

**“Proceeds”** means the aggregate moneys initially paid to the Trustee for each series of the Certificates.

**“Project”** means the project described in the Official Statement under the caption **“PLAN OF FINANCING – The Project.”**

**“Project Costs”** means all reasonable or necessary expenses related or incidental to the acquisition and construction of the Project, including the expenses of studies, surveys, title policies, architectural and engineering services, legal and other special services, and all other necessary and incidental expenses, including Interest Portions to the Completion Date. Project Costs include Costs of Issuance.

**“Project Fund”** means the fund by that name established pursuant to the Declaration of Trust.

**“Purchase Price”** means the amount designated as such in the Lease that the District may pay to the Trustee to purchase the Trustee’s interest in the Leased Property.

**“Rebate Fund”** means the fund by that name established pursuant to the Declaration of Trust.

**“Record Date”** means the fifteenth day of the month (whether or not a Business Day) before the applicable Basic Rent Payment Date.

**“Registrar”** means the Trustee when acting in that capacity, or its successor as Registrar.

**“Renewal Term”** means each renewal term of the Lease, each having a duration of one year and a term coextensive with the then-current Fiscal Year as provided in the Lease, except that the last possible Renewal Term will end on April 2, 2046.

**“Rent”** means, collectively, Basic Rent and Supplemental Rent.

**“Rent Payment”** means a payment of Rent.

**“Second Supplemental Base Lease”** means the Second Supplemental Base Lease dated as of August 1, 2014, between the District and the Trustee.

**“Second Supplemental Declaration”** means the Second Supplemental Declaration of Trust dated as of August 1, 2014, executed by the Trustee.

**“Second Supplemental Lease”** means the Second Supplemental Lease Purchase Agreement dated as of August 1, 2014, between the District and the Trustee.

**“Series 2013 Certificates”** means the \$55,900,000 aggregate principal amount Certificates of Participation (St. Louis County Library District, Lessee), Series 2013, evidencing a proportionate interest in Basic Rent Payments to be made by the District pursuant to the Lease, executed and delivered pursuant to this Declaration of Trust.

**“Series 2016 Certificates”** means the \$79,445,000 aggregate principal amount of Certificates of Participation (St. Louis County Library District, Lessee), Series 2016, evidencing a proportionate interest in Basic Rent Payments to be made by the District pursuant to the Lease, executed and delivered pursuant to this Third Supplemental Declaration of Trust.

**“S&P”** means Standard & Poor’s, a division of The McGraw–Hill Companies, its successors and their assigns, and if that entity no longer performs the functions of a municipal securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency designated by the District, with notice to the Trustee.

**“Special Tax Counsel”** means Gilmore & Bell, P.C., or any other attorney or firm of attorneys (which is mutually acceptable to the District and the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**“State”** means the State of Missouri.

**“Substantial Improvement Site”** means any District real estate, whether presently owned or to be owned, on which the District spends in excess of \$1,000,000 of the proceeds of any series of the Certificates for the acquisition, construction, reconstruction, furnishing or equipping of such site.

**“Supplemental Declaration of Trust”** means any amendment or supplement to the Declaration of Trust entered into pursuant to the Declaration of Trust. See the caption **“SUMMARY OF THE DECLARATION OF TRUST – Amendments to the Declaration of Trust, the Lease or the Base Lease.”**

**“Supplemental Lease”** means any amendment or supplement to the Lease entered pursuant to the Lease.

**“Supplemental Rent”** means all amounts due under the Lease other than Basic Rent.

**“Supplemental Rent Payment”** means a payment of Supplemental Rent.



**“Tax Compliance Agreement”** means the Tax Compliance Agreement entered into by the District and the Trustee in connection with the execution and delivery of each series of Certificates.

**“Third Supplemental Base Lease”** means the Third Supplemental Base Lease dated as of September 1, 2016, between the District and the Trustee.

**“Third Supplemental Declaration”** means the Third Supplemental Declaration of Trust dated as of September 1, 2016, executed by the Trustee.

**Third Supplemental Lease”** means the Second Supplemental Lease Purchase Agreement dated as of September 1, 2016, between the District and the Trustee.

**“Trust Estate”** means the assets, property and interests held by the Trustee pursuant to the Declaration of Trust and the Lease.

**“Trustee”** means BOKF, N.A., and its successor or successors and their respective assigns.

**“Underwriter”** means, with respect to the Series 2016 Certificates, Robert W. Baird & Co., Inc. Red Bank, New Jersey.

## **SUMMARY OF THE DECLARATION OF TRUST**

### **General Provisions**

The Declaration of Trust is made by the Trustee. The Third Supplemental Declaration authorizes the Trustee to execute and deliver the Series 2016 Certificates, provides the terms of the Series 2016 Certificates and provides for various funds related to the Lease.

### **Trust Estate**

The Trustee has executed and delivered the Declaration of Trust in order to secure the payment of the Principal Portions of Basic Rent Payments, premium, if any, and the Interest Portions of Basic Rent Payments. It further declares that it will hold all of the assets, property and interests received by it under the terms of the Declaration of Trust, the Base Lease and the Lease and all agreements and instruments contemplated thereby (except any compensation, indemnification or other amounts that are due directly to the Trustee under the Declaration of Trust).

### **Establishment of Funds**

There are established the following funds and accounts:

- (a) Series 2013 Account and Series 2016 Account, within the Project Fund.
- (b) Series 2013 Account and Series 2016 Account, within the Lease Revenue Fund, and
- (c) Series 2013 Account and Series 2016 Account, within the Rebate Fund.

All Funds established pursuant to the Declaration of Trust, except the Rebate Fund, will be held by the Trustee in trust for the benefit of the Owners. The money in all of the Funds will be deposited and applied as provided in the Declaration of Trust.

## **Application of Lease Revenues**

Lease Revenues will be deposited, as received, pursuant to the Lease, as follows:

- (a) The Basic Rent will be deposited to the appropriate account of the Lease Revenue Fund.
- (b) Optional prepayments of the Principal Portion of Basic Rent (in amounts equal to the applicable Prepayment Price) will be deposited to the appropriate account of the Lease Revenue Fund.
- (c) Payments of Supplemental Rent will be applied as provided in the Lease.

Undesignated payments of Rent that are insufficient to discharge the full amount then due will be applied first to the Interest Portion of Basic Rent, next to the Principal Portion of Basic Rent and finally to Supplemental Rent.

## **Disbursements from the Project Fund**

Money in the Project Fund shall be used to pay for Costs of Issuance and for Project Costs. On or before the fifth Business Day following receipt by the Trustee of a Disbursement Request that meets the requirements of the next sentence, the Trustee shall disburse from the Project Fund to the extent available money sufficient to pay the amount requested in the Disbursement Request. Each Disbursement Request shall be substantially in the form attached to the Declaration of Trust and shall be signed by an Authorized Representative. In addition, if the costs to be paid relate to a portion of the Project occurring on the Leased Property, the Disbursement Request shall be accompanied by a completed AIA Document G702 (or substantial equivalent) signed by the facilities master plan administrator, construction manager or architect for such portion of the Project.

Notwithstanding the foregoing paragraph, the Trustee shall not pay any costs included on a Disbursement Request attributable to a Substantial Improvement Site until (a) the Trustee receives evidence that the Base Lease and the Lease Agreement have been amended by the District and the Trustee to include the Substantial Improvement Site as part of the Leased Property and (b) the title insurance policy issued pursuant to the Lease has been endorsed to include the Substantial Improvement Site and to increase the amount of such title insurance by the estimated value of the Substantial Improvement Site after completion of that portion of the Project to be located thereon (but not to exceed the then-Outstanding principal amount of the Certificates).

The Trustee shall maintain adequate records pertaining to the Project Fund and all disbursements therefrom, and shall file monthly statements of activity regarding the Project Fund with the District. The Trustee may rely conclusively on any Disbursement Request relating to the Project Fund and will not be required to make any independent inspection or investigation in connection therewith. The approval of each Disbursement Request by an Authorized Representative shall constitute unto the Trustee an irrevocable determination that all conditions precedent to the payment of the specified amounts from the Project Fund have been completed.

## **Application of Moneys in the Lease Revenue Fund**

Except as otherwise provided in the Declaration of Trust, all amounts in the Lease Revenue Fund will be used and withdrawn by the Trustee solely to pay Basic Rent represented by the Certificates when due and payable or on a Prepayment Date.

## **Rebate Fund**

Moneys will be deposited in and disbursed from the Series 2016 Account of the Rebate Fund in accordance with written instructions from the District to the Trustee, prepared in accordance with the provisions of the Tax Compliance Agreement.

## **Investment of Moneys**

Moneys held in the Funds will, subject to the requirements of the Tax Compliance Agreement and as provided in the Declaration of Trust, be invested and reinvested by the Trustee, pursuant to written direction of the District, signed by an Authorized Representative, in Investment Securities that mature or are subject to redemption by the owner prior to the date such funds will be needed.

The Trustee will sell and reduce to cash a sufficient amount of such Investment Securities held by the Trustee in any Fund held under the Declaration of Trust whenever the cash balance in such Fund is insufficient for the purpose of such Fund. Any such Investment Securities will be held by or under the control of the Trustee and will be deemed at all times a part of the Fund in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Investment Securities will be credited to such Fund, and any loss resulting from such Investment Securities will be charged to such Fund.

For purposes of determining the amount in any Fund, the value of any investments will be computed at the market value thereof (excluding accrued interest), the purchase price thereof (excluding accrued interest) or principal amount, whichever is lower.

The Trustee may, in making or disposing of any investment permitted by the Declaration of Trust, deal with itself (in its individual capacity), or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as a principal for its own account.

## **Amendments to the Declaration of Trust, the Lease or the Base Lease**

The Declaration of Trust, the Lease and the Base Lease and the rights and obligations of the District and of the Owners of the Certificates and of the Trustee may be modified or amended from time to time and at anytime by an amendment or supplement thereto that the parties thereto may enter into with the written consent of the Trustee and the District, if not a party thereto, and the Owners of a majority in aggregate Principal Portion of Basic Rent Payments represented by the Certificates then Outstanding has been filed with the Trustee. No such modification or amendment will (a) extend the stated maturity of any Certificate, or reduce the amount of principal represented thereby, or extend the time of payment or reduce the amount of any Prepayment Price provided in the Declaration of Trust for the payment of any Certificate, or reduce the rate of interest with respect thereto, or extend the time of payment of interest with respect thereto without the consent of the Owner of each Certificate so affected, (b) reduce the aforesaid percentage of Certificates the consent of the Owners of which is required to effect any such modification or amendment or, except in connection with the delivery of any Additional Certificates, permit the creation of any lien on the moneys in the Project Fund or the Lease Revenue Fund or deprive the Owners of the trust created by the Declaration of Trust with respect to the moneys in the Project Fund or the Lease Revenue Fund, or (c) create a preference or priority of any Certificate or Certificates over any other Certificate or Certificates without the consent of the Owners of all of the Certificates then Outstanding.

Notwithstanding the preceding paragraph, the Declaration of Trust, the Lease or the Base Lease and the rights and obligations of the District, of the Trustee and of the Owners of the Certificates may also be modified or amended from time to time by an agreement that the parties thereto (including District approval of any modification or amendment to the Declaration of Trust) may enter into without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of the Trustee in the Declaration of Trust, other covenants and agreements thereafter

to be observed, to pledge or assign additional security for the Certificates (or any portion thereof), or to surrender any right or power in the Declaration of Trust reserved to or conferred upon the District; provided, however, that no such covenant, agreement, pledge, assignment or surrender will materially adversely affect the interests of the Owners of the Certificates; (2) to add to the covenants and agreements of the District in the Base Lease or the Lease, other covenants and agreements thereafter to be observed or to surrender any right or power therein reserved to or conferred upon the Trustee or the District; provided, however, that no such covenant, agreement or surrender will materially adversely affect the interests of the Owners of the Certificates; (3) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Declaration of Trust, the Base Lease or the Lease, or in regard to matters or questions arising under the Declaration of Trust, the Base Lease or the Lease as the Trustee and the District may deem necessary or desirable and not inconsistent with said agreements, or as may be requested by the District, or the Trustee and that will not, in any such case adversely affect the interests of the Owners of the Certificates; (4) to modify, amend or supplement the Declaration of Trust in such manner as to permit the qualification of the Declaration of Trust under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and that will not materially adversely affect the interests of the Owners of the Certificates; (5) to provide for any additional procedures, covenants or agreements necessary to maintain the exclusion of the Interest Portion of Basic Rent from gross income for purposes of federal income taxation; (6) to provide for the execution and delivery of Additional Certificates; or (7) to make any other change that in the sole judgment of the Trustee does not have a materially adverse effect on the rights of the Owners.

### **Opinion of Counsel**

Before the Trustee or the District consents to any modification or amendment of the Declaration of Trust, the Base Lease or the Lease, an Opinion of Special Tax Counsel stating that such amendment (a) is permitted by the Declaration of Trust and the instrument modified or amended (if other than the Declaration of Trust), (b) complies with its terms, (c) will, upon execution and delivery thereof, be valid and binding upon the District in accordance with the terms of the instrument modified or amended, and (d) will not adversely affect the exclusion from gross income for purposes of federal income taxation of the Interest Portion of Basic Rent Payments represented by the Certificates will be delivered to the Trustee. In any instance in which the Trustee may be required to determine that a modification or amendment will not materially adversely affect the interest of the Owners of the Certificates, prior to consenting to such modification or amendment, the Trustee will be entitled to require that there be delivered to it an Opinion of Counsel to the effect that no such materially adverse affect would result from such modification or amendment. The Trustee will be fully protected and will incur no liability in relying upon such Opinion of Counsel in making such determination.

### **Defaults**

The occurrence of any of the following events, subject to the provisions permitting waivers of defaults, is defined as an "Event of Default" under the Declaration of Trust:

- (a) Default in the due and punctual payment of any Interest Portion of Basic Rent represented by a Certificate; or
- (b) Default in the due and punctual payment of the Principal Portion of Basic Rent represented by a Certificate, whether at the stated payment date thereof or the Prepayment Date set therefor in accordance with the terms of the Declaration of Trust; or
- (c) Any Event of Lease Default.

## **Acceleration**

Upon the occurrence of an Event of Default under the Declaration of Trust, the Trustee may, and upon receipt of a Directive will, by notice in writing delivered to the District, declare the Principal Portion and Interest Portion of Basic Rent represented by all Certificates Outstanding to the end of the then-current Fiscal Year immediately due and payable.

## **Other Remedies**

Upon the occurrence of an Event of Lease Default or Event of Nonappropriation, the Trustee may exercise any remedies available under the Lease and, to the extent consistent therewith, may sell, lease or manage any portion of the Leased Property or Trustee's interest in the Leased Property, subject to Permitted Encumbrances, and apply the net proceeds thereof in accordance with the Declaration of Trust and, whether or not it has done so, may pursue any other remedy available to it under the Lease or at law or in equity.

No remedy by the terms of the Declaration of Trust conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Owners under the Declaration of Trust or now or hereafter existing at law or in equity or by statute.

## **Rights of Owners**

If an Event of Default or an Event of Nonappropriation has occurred and is continuing and if instructed to do so by a Directive and if indemnified as provided in the Declaration of Trust, the Trustee will be obligated to exercise such one or more of the rights and the remedies conferred by the Declaration of Trust as the Trustee, upon the advice of counsel, deems to be in the interests of the Owners.

Any other provision in the Declaration of Trust to the contrary notwithstanding, the Owners of not less than a majority in aggregate Principal Portion of Basic Rent Payments represented by the Certificates then Outstanding will have the right, at any time, by a Directive, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the Declaration of Trust, or for the appointment of a receiver or any other proceedings under the Declaration of Trust; provided that (a) such Directive will not be otherwise than in accordance with the provisions of law and of the Declaration of Trust, and (b) the Trustee has been indemnified as provided in the Declaration of Trust and will have the right to decline to follow any such direction if the Trustee in good faith determines that the proceeding so directed would involve it in personal liability.

## **Rights and Remedies of Owners**

No Owner of any Certificates will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Base Lease, the Lease or the Declaration of Trust, for the execution of any trust thereof, for the appointment of a receiver or to enforce any other remedy thereunder, unless (a) an Event of Default or Event of Nonappropriation has occurred; (b) the Owners have given a Directive to the Trustee and have offered reasonable opportunity either to proceed to exercise the powers granted by the Declaration of Trust or to institute such action, suit or proceeding in its own name; (c) such Owners have provided to the Trustee indemnification satisfactory to the Trustee; and (d) the Trustee thereafter fails or refuses to exercise the powers granted by the Declaration of Trust or to institute such action, suit or proceedings. Such notification, request and indemnity are at the option of the Trustee to be conditions precedent to the execution of the powers and the trusts of the Declaration of Trust and to any action or cause of action for the enforcement of the Declaration of Trust or for the appointment of a receiver or for any other right or remedy thereunder.

## **Discharge of Declaration of Trust**

When (a) the obligations of the District under the Lease have been satisfied in connection with the exercise by the District of its option to purchase the Leased Property in accordance with the Lease by the irrevocable deposit in escrow of moneys or Government Obligations (maturing as to principal and interest in such amounts and at such times as are necessary to make any required payments without reinvestment of any earnings thereon) or both moneys and Government Obligations, and (b) the District has delivered to the Trustee (1) an Opinion of Counsel to the effect that the conditions for such discharge contained in the Declaration of Trust and the Lease have been satisfied or irrevocably provided for and (2) if the deposit of moneys and Government Obligations is more than 90 days before the scheduled payment in full of the Certificates, an accountant's certificate verifying the sufficiency of moneys or Government Obligations or both so deposited for the payment of the Principal Portion and Interest Portion of the Certificates and any applicable Prepayment Price to be paid with respect to the Certificates, and (c) the District has deposited sufficient moneys to pay the fees, charges and expenses of the Trustee (or has made provision satisfactory to the Trustee for their payment), thereupon the obligations created by the Declaration of Trust will cease, determine and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and Government Obligations to the payment of the Certificates as set forth in the Declaration of Trust; provided, however, that all provisions relating to the compensation or indemnification of the Trustee will survive the satisfaction and discharge of the Declaration of Trust.

## **The Trustee**

The Trustee will, prior to an Event of Default or Event of Nonappropriation and after the curing of all Events of Default or Events of Nonappropriation that may have occurred, perform only such duties as are specifically set forth in the Declaration of Trust. The Trustee will, during the existence of any Event of Default or Event of Nonappropriation, exercise such of the rights and powers vested in it by the Declaration of Trust, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee may be removed at any time by a Directive or will resign at any time the Trustee ceases to be eligible in accordance with the Declaration of Trust or becomes incapable of acting, or is adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the property or affairs of the Trustee for the purpose of rehabilitation, conservation or liquidation and thereupon a successor Trustee will be appointed by a Directive. Written notice of any removal or resignation pursuant to this paragraph will be given by the Trustee to the District.

The Trustee may at any time resign by giving written notice of such resignation to the District and by giving the Owners Notice by Mail of such resignation at the addresses listed on the registration books kept by the Registrar. Upon receiving such notice of resignation, a successor Trustee will be appointed by a Directive. If no successor Trustee is promptly appointed by a Directive, the District shall appoint a temporary successor Trustee to serve as successor Trustee until such time as a permanent successor Trustee is appointed by a Directive or in accordance with the Declaration of Trust.

## **SUMMARY OF THE LEASE**

### **General**

The Lease has been entered into between the Trustee and the District and contains the terms and conditions under which the Leased Property, subject to Permitted Encumbrances, will be leased to and used by the District.

## **Lease Term**

The Original Term of the Lease terminated on December 31, 2013, and the District has continued the Lease for each subsequent fiscal year, including the Renewal Term expiring on December 31, 2016. The Lease Term may be continued, solely at the option of the District, at the end of any Renewal Term for an additional year, provided that the final Renewal Term will not extend beyond April 2, 2046. At the end of each Renewal Term, unless the District has terminated the Lease pursuant to an Event of Nonappropriation or due to exercise of the District's purchase option and for no other reason, the District will be deemed to have exercised its option to continue the Lease for the next Renewal Term. See the captions "**SUMMARY OF THE LEASE – Nonappropriation**" and "**Purchase Option.**" The terms and conditions during any Renewal Term will be the same as the terms and conditions during the Original Term, except for any difference in the Rent as provided in the Lease.

## **Continuation of Lease Term by the District**

The District reasonably believes that legally available funds in an amount sufficient to make all payments of Rent during each of the Renewal Terms can be obtained. The District covenants in the Lease that its responsible financial officer will do all things lawfully within his power to obtain and maintain funds from which the Rent may be paid, including making provision for such payments to the extent necessary in each proposed budget or appropriation request submitted for adoption in accordance with applicable provisions of law and to exhaust all available reviews and appeals in the event such portion of the budget or appropriation request is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds or to extend the Lease for any Renewal Term is to be made in accordance with the District's normal procedures for such decisions by the then-current governing body of the District, in its sole discretion and judgment.

## **Nonappropriation**

The District is obligated only to pay periodic payments under the Lease as may lawfully be made from Available Revenues. If an Event of Nonappropriation occurs, the Lease will be deemed terminated at the end of the then-current Original Term or Renewal Term. An Event of Nonappropriation will be deemed to have occurred if the District fails to budget, appropriate or otherwise provide for sufficient funds to pay Basic Rent and any reasonably anticipated Supplemental Rent to come due during the immediately following Renewal Term. The District agrees to deliver notice to the Trustee of such termination promptly following the District's approval of a budget for the next succeeding Fiscal Year, but failure to give such notice will not extend the term beyond such Original Term or Renewal Term. If the Lease is terminated in accordance with such provision, the District agrees peaceably to transfer and surrender possession of the Leased Property to the Trustee.

## **Enjoyment of Leased Property**

The Trustee will provide the District during the Lease Term with quiet use and enjoyment of the Leased Property (subject to Permitted Encumbrances). The District will, during the Lease Term, peaceably and quietly have, hold and enjoy the Leased Property, without suit, trouble or hindrance from the Trustee, except as expressly set forth in the Lease. The District may use the Leased Property for any governmental or proprietary purpose of the District, subject to the limitations contained in the Lease. Notwithstanding any other provision in the Lease, the Trustee will have no responsibility to maintain, repair or insure the Leased Property.

The District will comply with all statutes, laws, ordinances, orders, judgments, decrees, regulations, directions and requirements of all federal, state, local and other governments or governmental authorities, now or hereafter applicable to the Leased Property, as to the manner and use or the condition of the Leased Property. The District will also comply with the mandatory requirements, rules and regulations of all insurers under the policies required to be carried by the provisions of the Lease. To the extent permitted by law, the

District will pay all costs, expenses, claims, fines, penalties and damages that may in any manner arise out of, or be imposed as a result of, the failure of the District to comply with the foregoing provisions. Notwithstanding any provision contained in this paragraph, however, the District may, at its own cost and expense, to contest or review by legal or other appropriate procedures the validity or legality of any such governmental statute, law, ordinance, order, judgment, decree, regulation, direction or requirement, or any such requirement, rule or regulation of an insurer and during such contest or review, the District may refrain from complying therewith, if the District furnishes, on request, to the Trustee, at the District's expense and to the extent permitted by law, indemnity satisfactory to the Trustee.

### **Basic Rent**

The District will promptly pay all Basic Rent attributable to the Series 2016 Certificates, subject to its right to terminate the Lease as described under the heading “**Nonappropriation**” on each Basic Rent Payment Date. A portion of each Basic Rent Payment is paid as, and represents payment of, interest. To provide for the timely payment of Basic Rent, the District will pay to the Trustee for deposit in the Lease Revenue Fund not less than five Business Days before each Basic Rent Payment Date, the amount due on such Basic Rent Payment Date.

The District will, in accordance with the requirements of law and its normal budgeting procedures, fully budget and appropriate sufficient funds for the current Fiscal Year to make the Rent Payments scheduled to come due during the Original Term, and to meet its other obligations for the Original Term and such funds will not be expended for other purposes.

### **Supplemental Rent**

The District will pay, subject to its right to terminate the Lease as described under the heading “**Nonappropriation,**” as Supplemental Rent (a) all Impositions (as defined below under the caption “**Impositions**”), (b) all amounts required and all other payments that the District has agreed to pay or assume under the Lease, (c) all expenses, including attorneys' fees and expenses to the extent permitted by law, incurred in connection with the enforcement of any rights under the Lease or the Base Lease by the Trustee, (d) all fees and charges of the Trustee as provided in the Lease, and (e) any payments required to be made pursuant to the Tax Compliance Agreement.

### **Rent Payments to Constitute a Current Expense and Limited Obligation of the District**

The obligation of the District to pay Rent under the Lease is limited to payment from Available Revenues and will constitute a current expense of the District. Such obligation will not in any way be construed to be a debt of the District in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the District, nor shall anything contained in the Lease constitute a pledge of the general tax revenues, funds or moneys of the District.

### **Net Lease; Rent Payments to be Unconditional**

The Lease is intended to be net, net, net to the Trustee. Subject to the right of the District to terminate the Lease, the obligations of the District to pay the Basic Rent Payments and to perform and observe the other covenants and agreements contained in the Lease will be absolute and unconditional in all events without abatement, diminution, deduction, setoff or defense, for any reason, including any failure of the Project to be constructed or installed, an defects, malfunctions, breakdowns or infirmities in the Project or any accident, condemnation or unforeseen circumstances.

Nothing in the Lease will be construed as a waiver by the District of any rights or claims the District may have against the Trustee, but any recovery upon such rights and claims will be from the Trustee separately.



## **Increased Basic Rent**

Notwithstanding any other provision of the Lease, the Trustee and the District may enter into a Supplemental Lease or Supplemental Leases that increase the amount of Basic Rent payable by the District on any Basic Rent Payment Date to provide funds (a) to complete the Project or to pay all or any part of the costs of any Additional Project, (b) to pay the costs relating to the execution and delivery of the Additional Certificates, (c) to pay interest during the estimated period of acquisition and construction of any Additional Project or (d) for the purpose of refunding all or a portion of the Certificates of any series then Outstanding, including the payment of any premium thereon and interest to accrue to the designated prepayment date and any expenses in connection with such refunding. Each such Supplemental Lease will include an amended schedule of Rental Payments reflecting separately the Principal Portion and the Interest Portion of Basic Rent allocable to the original Lease and to each Supplemental Lease due on each Basic Rent Payment Date as well as the total Basic Rent on each Basic Rent Payment Date.

## **Payment for Construction of the Project**

In compliance with the Declaration of Trust, costs and expenses of every nature incurred in the construction of the Project that qualify as Costs of the Project will be paid by the Trustee from the Project Fund upon receipt by the Trustee of a completed request of the District signed by the Authorized Representative of the District containing the statements, representations and certifications set forth in the form of such request attached to the Declaration of Trust.

In making disbursements for Costs of the Project, the Trustee will be entitled to conclusively rely upon each written requisition certificate executed by the Authorized Representative of the District without inquiry or investigation. It is understood that the Trustee will *not* make any inspections of the Leased Property nor any improvements thereon, make any provision to obtain completion bonds, mechanic's or materialmen's lien releases or otherwise supervise any phase of the construction or installation of the Project. The approval of each requisition certificate by the Authorized Representative of the District will constitute unto the Trustee an irrevocable determination that all conditions precedent to the payment of the specified amounts from the Project Fund have been completed.

## **Completion Date; Excess Funds**

The Completion Date will be evidenced to the Trustee upon receipt by the Trustee of the Completion Certificate signed by an Authorized Representative of the District stating (a) the date on which all components of the Project were substantially completed, (b) that the Project has been purchased, constructed, made and installed in accordance with the plans and specifications therefor and in conformance with all applicable zoning, planning, building, environmental and other similar governmental regulations, (c) that, except for Project Costs described in clause (d), all Project Costs have been paid and (d) the amounts, if any, to be retained in the Project Fund for the payment of Project Costs, if any, not yet due or Project Costs whose liability the District is contesting, and amounts that otherwise should be retained and the reasons they should be retained. The Completion Certificate may state that it is given without prejudice to any rights of the District that then exist or may subsequently come into being against third parties. The District shall transfer to the Trustee, without further authorization, any amounts remaining in the Project Fund that are not needed to pay any remaining Project Costs for deposit into the Lease Revenue Fund.

## **Disclaimer of Warranties**

The Trustee makes no warranty or representation, either express or implied, as to the value, design, condition or fitness for particular purpose or fitness for use of the Project or any part thereof, or warranty with respect thereto. In no event will the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease or the existence, furnishing, functioning or the District's use of the Project or any part thereof.

## **Deficiency of Project Fund**

If the Project Fund is insufficient to pay fully all Project Costs and to complete fully the Project lien free, subject to the conditions set forth in the Lease, the District will pay, in cash, the full amount of any such deficiency by making payments directly to the contractors and to the suppliers of materials and services as the same becomes due. The Trustee is not obligated to pay and will not be responsible for any such deficiency, and the District will, to the extent permitted by law, save the Trustee whole and harmless from any obligation to pay such deficiency. The District's obligation to pay any such deficiency will be limited to its current budgeted appropriations for the Project, and the District will have no obligation to appropriate additional funds therefor and may amend the Project to reduce or eliminate such deficiency.

## **Impositions**

The Leased Property is currently exempt from property and other taxes levied by the State and its political subdivisions. The District shall be responsible for contesting any dispute with any applicable governing authority over the tax-exempt status of the Leased Property. Should the tax-exempt status of the Leased Property be denied, then the District will bear, pay and discharge, before the delinquency thereof, as Supplemental Rent, all taxes and assessments, general and special, if any, that may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Leased Property, including any taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, that if not paid when due would impair the security of the Trustee or encumber the Leased Property (all of the foregoing being herein referred to as "**Impositions**").

## **Contest of Impositions**

The District may, in its own name or in the Trustee's name, contest the validity or amount of any Imposition that the District is required to bear, pay and discharge pursuant to the terms of the Lease by appropriate legal proceedings instituted at least 10 days before the contested Imposition becomes delinquent. The District may permit the Imposition so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee notifies the District that, in the Opinion of Counsel, by nonpayment of any such items the interest of the Trustee in the Leased Property will be endangered or the Leased Property or any part thereof will be subject to loss or forfeiture. In that event, the District shall promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss which may result from nonpayment in form reasonably satisfactory to the Trustee. The Trustee agrees to cooperate with the District in connection with any and all administrative or judicial proceedings related to Impositions. To the extent permitted by law, the District will hold the Trustee whole and harmless from any costs and expenses the Trustee may incur with respect to any Imposition lawfully imposed.

## **Insurance Required**

The District will, during the Lease Term, cause the Leased Property to be kept continuously insured against such risks customarily insured against for facilities such as the Leased Property and will pay (except as otherwise provided in the Lease) as the same become due, all premiums in respect thereof, such insurance to include the following policies of insurance:

- (a) Insurance insuring the Leased Property against loss or damage by fire, lightning and all other risks covered by the extended coverage insurance endorsement then in use in the State in an amount not less than the Principal Portion of the Certificates then Outstanding and issued by such insurance company or companies authorized to do business in the State as may be selected by the

District. The policy or policies of such insurance will name the District and the Trustee as insureds. All proceeds from such policies of insurance will be applied as provided in the Lease.

(b) To the extent appropriate, during the acquisition, construction and installation of the Project and in lieu of the insurance required in subparagraph (a) of this Section, builder's risk-completed value insurance insuring the Project against fire, lightning and all other risks covered by the extended coverage endorsement then in use in the State to the full insurable value of the Project (subject to reasonable loss deductible clauses) issued by such insurance company or companies authorized to do business in the State as may be selected by the District. Such policy or policies of insurance will name the District and the Trustee as insureds, and all payments received under such policy or policies by the District will be paid over to the Trustee.

(c) Comprehensive general accident and public liability insurance (including coverage for all losses whatsoever arising from the ownership, maintenance, operation or use of any automobile, truck or other motor vehicle), under which the District and the Trustee are named as insureds, in an amount not less than \$500,000 combined single limit for bodily injuries and property damage.

(d) Workers' compensation and unemployment coverages to the extent, if any, required by the laws of the State.

(e) Owner's policy or policies of title insurance, issued on ALTA forms by a title insurance underwriter acceptable to the Underwriter, insuring the Trustee's leasehold estate created by the Base Lease, in the aggregate amount of \$66,060,000, which shall be increased as required by the Declaration of Trust upon the addition of a Substantial Improvement Site, subject only to the Permitted Encumbrances, with endorsements and affirmative coverages reasonably required by the Underwriter, including comprehensive, nonmerger, validity of sublease, survey or in the absence of a survey, location, access, and contiguity endorsements, and otherwise in form and substance satisfactory to the Underwriter.

(f) Performance and labor and material payment bonds with respect to the Construction Agreements in the full amount of the Construction Agreements from surety companies qualified to do business in the State.

All insurance policies of or on behalf of the District required in the Lease shall contain the following language: "This insurance policy does not apply to any claim or suit which is barred by the doctrine of sovereign immunity or official immunity but we will have the right and duty to defend any suit. No provision of this endorsement or of the policy, to which it is attached, shall constitute a waiver of our right, or the right of any of our employees in the course of their official duties, or the right of any insured, to assert a defense based on the doctrines of sovereign immunity or official immunity for any monetary amount whatsoever." By execution and performance of the Lease, the District does not intend to, nor shall it be deemed to have waived or relinquished any immunity or defense on behalf of itself, its trustees, officers, directors, employees, agents, servants, successors or assigns, as a result of the execution of the Lease and performance of the functions or obligations described herein.

### **Maintenance and Modification of Leased Property by the District**

The District will at its own expense (1) keep the Leased Property in good repair and in good operating condition, (2) with respect to the Leased Property, comply with all applicable health and safety standards and all other industrial requirements or restrictions enacted or promulgated by the State, or any political subdivision or agency thereof, or by the government of the United States of America or any agency thereof applicable to the District and (3) make from time to time all necessary repairs thereto and renewals and replacements thereof; provided, however, that the District will have no obligation to operate, maintain,

preserve, repair, replace or renew any element or unit of the Leased Property the maintenance, repair, replacement or renewal of which becomes uneconomical to the District because of damage, destruction or obsolescence, or change in economic or business conditions, or change in government standards and regulations. The District will not permit or suffer others to commit a nuisance in or about the Leased Property or itself commit a nuisance in connection with its use or occupancy of the Leased Property. The District will pay all costs and expenses of operation of the Leased Property.

The District may, also at its own expense, make from time to time any additions, modifications or improvements to the Leased Property that it deems desirable for its library purposes and that do not materially impair the structural strength or effective use, or materially decrease the value, of the Leased Property. All additions, modifications or improvements made by the District will (a) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable to the District, (b) when commenced, be pursued to completion with due diligence, and (c) when completed, be deemed a part of the Leased Property.

### **Damage, Destruction and Condemnation**

The District will bear the risk of loss with respect to the Leased Property during the Lease Term. If (a) the Leased Property or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Leased Property or any part thereof shall be nonexistent or deficient or taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority, the District will cause the Net Proceeds of any insurance claim, condemnation award or sale under threat of condemnation to be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property, unless the District has exercised its option to purchase the Trustee's interest in the Leased Property by making payment of the Purchase Price as provided in the Lease. Any balance of the Net Proceeds remaining after such work has been completed will be paid to the District and will be held and appropriated by the District for the exclusive purpose of paying Rent under the Lease.

If the District determines that the repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interest of the District, then, in lieu of making such repair, restoration, modification or improvement and if permitted by law, the District will promptly purchase the Trustee's interest in the Leased Property pursuant to the Lease by paying the Purchase Price. The Net Proceeds will be applied by the District to payment of the Purchase Price. Any balance of the Net Proceeds remaining after paying the Purchase Price will belong to the District.

In the Lease, the District acknowledges the provisions pertaining to eminent domain in the Base Lease. The Trustee and District agree that the terms of the Base Lease are incorporated in and made a part of the Lease to the same extent as if set forth in full in the Lease. This Section of the Lease will survive the termination of the Lease for any reason.

If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to above, and the District has not elected to purchase the Trustee's interest in the Leased Property, the District will complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds. If the District makes any payments as provided in this paragraph, the District will not be entitled to any reimbursement therefor from the Trustee nor will the District be entitled to any diminution of Rent.

### **Purchase Option**

The District may purchase the Trustee's interest in the Leased Property, upon giving written notice to the Trustee at least 45 days before the purchase date (unless a shorter notice is satisfactory to the Trustee), at the following times and on the following terms:

(a) Upon payment in full of Rent Payments then due under the Lease plus a Purchase Price equal to 100% of the remaining Principal Portions of Basic Rent for the maximum Lease Term, unless subject to earlier prepayment, plus Interest Portions of Basic Rent accrued to the date of payment.

(b) Upon deposit of moneys or Government Obligations or both with the Trustee in accordance with the Declaration of Trust in the amount necessary to provide for the Purchase Price, calculated as described in (a) above, of the Certificates.

(c) In the event of substantial damage to or destruction or condemnation (other than condemnation by the District or any entity controlled by or otherwise affiliated with the District) of, or loss of title to, substantially all of the Leased Property, or as a result of changes in the constitution of the State or legislative or administrative action by the State or the United States, the Base Lease or the Lease becomes unenforceable, on the date the District specifies as the purchase date in the District's notice to the Trustee of its exercise of the purchase option, upon payment in full of the Rent Payments then due hereunder plus then remaining Principal Portions of Basic Rent for the maximum Lease Term, plus Interest Portions of Basic Rent accrued to the prepayment date.

### **Partial Prepayment**

The District may prepay the Basic Rent Payments in part, upon giving written notice to the Trustee at least 45 days before the prepayment date, (unless a shorter notice is satisfactory to the Trustee) on any date occurring on or after any optional prepayment date as provided in the Declaration of Trust, at the prepayment price equal to the Principal Portion of Basic Rent being so prepaid plus the Interest Portion of Basic Rent accrued thereon to such Basic Rent Payment Date.

The Principal Portion of Basic Rent prepaid pursuant to the Lease will be in integral multiples of \$5,000 and will be credited in such order of maturity as is determined by the District. Upon any partial prepayment, the amount of each Interest Portion of Basic Rent coming due thereafter will be reduced by the amount of such Interest Portion attributable to such prepaid Principal Portion determined by applying the annual interest rate corresponding to such prepaid Principal Portion as shown in the Lease.

### **Assignment and Subleasing by the District**

Except as provided in the Lease, none of the District's right, title and interest in, to and under the Base Lease, the Lease and in the Leased Property may be assigned or encumbered by the District for any reason; except that the District may sublease any one or more parts of the Leased Property if the District obtains an Opinion of Special Tax Counsel that such subleasing will not adversely affect the exclusion of the Interest Portion of the Basic Rent Payments from gross income for purposes of federal income taxation. Any such sublease of all or part of the Leased Property shall be subject to the Base Lease, the Lease and the rights of the Trustee in, to and under the Base Lease, the Lease and the Leased Property.

### **Events of Lease Default Defined**

Any of the following will constitute an Event of Lease Default:

(a) Failure by the District to pay Basic Rent pursuant to the Lease;

(b) Failure by the District to make any Supplemental Rent Payment when due and the continuance of such failure for 10 days after written notice specifying such failure and requesting that it be remedied is given to the District by the Trustee;

(c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease, other than as described in subparagraph (a) or (b) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the District by the Trustee unless the Trustee will agree in writing to an extension of such time prior to its expiration; but in no event shall such extension be for a time period greater than 90 days; provided that, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected;

(d) Any statement, representation or warranty made by the District in or pursuant to the Base Lease or the Lease, the Tax Compliance Agreement or the execution, delivery or performance of either of them proves to have been false, incorrect, misleading or breached in any material respect on the date when made;

(e) Any provision of the Lease or the Base Lease at any time for any reason ceases to be valid and binding on the District, or is declared to be null and void, or the validity or enforceability thereof is contested by the District or any governmental agency or authority if the loss of such provision would materially adversely affect the rights or security of the Trustee; or

(f) The District becomes insolvent or admits in writing its inability to pay its debts as they mature or applies for, consents to, or acquiesces in the appointment of a trustee, receiver or custodian for the District or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian is appointed by the District or a substantial part of its property and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement, moratorium or any proceeding under bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against the State and, if instituted against the District, is consented to or acquiesced in by the District or is not dismissed within 60 days.

## **Remedies on Default**

Whenever any Event of Default under the Lease exists, the Trustee will have the right, without any further demand or notice, to take one or any combination of the following remedial steps:

(a) By written notice to the District, the Trustee may declare all Rent payable by the District under the Lease to the end of the then-current Original Term or Renewal Term to be due;

(b) With or without terminating the Lease, the Trustee may take possession of the Leased Property (in which event the District will take all actions necessary to authorize, execute and deliver to the Trustee for the remainder of the Trustee's leasehold term under the Base Lease all documents necessary to vest in the Trustee for the remainder of the Trustee's leasehold term under the Base Lease all of the District's interest in the Leased Property), and, sell the Trustee's interest in the Leased Property; subject to Permitted Encumbrances or lease the Leased Property or, for the account of the District, sublease the Leased Property and continue to hold the District liable for the difference between (1) the Rent payable by the District under the Lease for the then-current Original Term or Renewal Term, as the case may be, and (2) the net proceeds of any such sale, leasing or subleasing (after deducting all expenses of the Trustee in exercising its remedies under the Lease, including without limitation all expenses of taking possession, removing, storing, reconditioning, and selling or leasing or subleasing the Leased Property and all brokerage, auctioneers and attorney's fees);

(c) The Trustee may terminate any rights the District may have in any moneys held by the Trustee under the Declaration of Trust; and

(d) The Trustee may take whatever action at law or in equity necessary or desirable to enforce its rights in the Leased Property and under the Lease.

## **SUMMARY OF THE BASE LEASE**

### **Generally**

The District and the Trustee have entered into the Base Lease under which the District leases the Real Property subject to the Permitted Encumbrances, to the Trustee for the rentals and upon the terms and conditions set forth therein.

### **Term**

The term of the Base Lease commenced April 1, 2013, and ends on April 1, 2066, unless extended or terminated as provided therein.

### **Rental**

As and for rental hereunder and in consideration for the leasing of the Leased Property to the Trustee, the Trustee will take the following actions: (a) simultaneously with the delivery of the Third Supplemental Base Lease, enter into the Third Supplemental Lease; (b) simultaneously with the delivery of the Third Supplemental Base Lease, pay to the District the sum of \$10.00 and provide such other consideration as the Trustee and District may agree; and (c) deposit funds in the amount and in the funds and accounts established and as set forth in the Third Supplemental Declaration of Trust.

### **Assignments and Subleases**

The Trustee will hold the Base Lease and its rights hereunder for the benefit of Owners of the Certificates (as defined in the Declaration of Trust). The Trustee may assign the Base Lease and its rights hereunder or lease or sublease the Leased Property without the written consent of the District (a) in connection with any assignment of its rights under the Lease, (b) if the Lease is terminated for any reason, or (c) if an Event of Lease Default (as defined in the Lease) has occurred.

### **Termination**

The Base Lease will terminate at the end of its stated term; provided, however, that if the District pays the Purchase Price or all of the rental payments pursuant to the Lease and exercises its option to purchase the Trustee's interest in the Leased Property, then the Base Lease will be considered assigned to the District and terminated through merger of the leasehold interest under the Base Lease with the fee interest of the District if the District is the owner of the fee interest.

## **SUMMARY OF THE OMNIBUS CONTINUING DISCLOSURE AGREEMENT**

### **Definitions**

For purposes of this section, the following terms have the following meanings, in addition to capitalized terms defined elsewhere:

**“Bonds”** means all bonds or other obligations of the District, including the Series 2016 Certificates. The District may make future series of Bonds subject to the Omnibus Continuing Disclosure Agreement by

delivering an Adoption Agreement to the Dissemination Agent. The District has delivered an Adoption Agreement in connection with execution and delivery of the Series 2016 Certificates.

**“Dissemination Agent”** means the Trustee, as Dissemination Agent, under the Omnibus Continuing Disclosure Agreement.

**“EMMA”** means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at [www.emma.msrb.org](http://www.emma.msrb.org).

**“Fiscal Year”** means the 12-month period beginning on January 1 and ending on December 31 or any other 12-month period selected by the District as the Fiscal Year of the District for financial reporting purposes.

**“MSRB”** means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

**“Participating Underwriter”** means each of the original underwriters of a series of Bonds required to comply with the Rule in connection with the offering of Bonds of that series.

**“Prior Agreements”** means the prior continuing disclosure agreements of the District.

**“Rule”** means 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.

### **Provision of Annual Reports**

Within 180 days after the close of each Fiscal Year, beginning with the year ending December 31, 2016 with respect to the Series 2016 Certificates, the District will, or will cause the Dissemination Agent to file with the MSRB through EMMA (a) the audited financial statements of the Issuer for the prior Fiscal Year prepared in accordance with the accounting principles described in the notes to the financial statements included as part of the final Official Statement for the Bonds and audited by its independent auditors, and (b) certain financial information and operating data of the District updated for the Fiscal Year then ended, in substantially the scope and form contained in the final Official Statement under the following captions: **“DEBT STRUCTURE OF THE DISTRICT - Current General Obligation Indebtedness of the District”** and **“FINANCIAL INFORMATION CONCERNING THE DISTRICT - Sources of Revenue,” “- Summary of Revenues and Expenditures,” “- Property Valuations - *History of Property Valuation*”** and **“- Tax Collection Record.”**

Any or all of the financial information required by the Omnibus Continuing Disclosure Agreement may be included by specific reference to other documents, including official statements of debt issues with respect to which the District is an “obligated person,” which have been filed with the MSRB and are available through EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The District will clearly identify each such other document so included by reference.

### **Reporting of Material Events**

No later than 10 business days after the occurrence of any of the following events, the District shall give or cause to be given, to the MSRB through EMMA notice of the occurrence of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;



- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the District;
- (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the bond trustee, if material.

### **Termination of Reporting Obligation**

The District's obligations under the Omnibus Continuing Disclosure Agreement will terminate upon the defeasance, prior prepayment or payment in full of all of the Bonds.

### **Bonds Subject to the Omnibus Continuing Disclosure Agreement; Amendment; Waiver**

Notwithstanding any other provisions of the Omnibus Continuing Disclosure Agreement or anything else contained in the Omnibus Continuing Disclosure Agreement to the contrary, in conjunction with the public offering of any series of Bonds, the District and the Dissemination Agent may amend the categories of operating data to be updated on an annual or quarterly basis as set forth in the Omnibus Continuing Disclosure Agreement to conform to the operating data included in the final official statement for such series of Bonds, in conformance with the requirements and interpretations of the Rule as of the date of such final official statement, without further amendment to the Continuing Disclosure Agreement. Thereafter, the annual or quarterly operating data to be filed by the Issuer with the MSRB with respect to the Bonds (and all other series of Bonds then subject to the Omnibus Continuing Disclosure Agreement) shall be deemed to be amended to reflect the requirements of the Omnibus Continuing Disclosure Agreement for the new series of Bonds.

### **Additional Information**

Nothing in the Omnibus Continuing Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, or including any other information in any report or notice made under the Lease, in addition to that which is required by the Omnibus Continuing Disclosure Agreement. If the District chooses to include any information in any report or notice made under the Lease in addition to that which is specifically required by the Omnibus Continuing Disclosure Agreement, the District shall have no obligation to update such information or include it in any future report or notice.

### **Default**

If the District or the Dissemination Agent fails to comply with any provision of the Omnibus Continuing Disclosure Agreement with respect to any series of Bonds, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking

mandamus or specific performance by court order, to cause the District to comply with its obligations under the Omnibus Continuing Disclosure Agreement. A default under the Omnibus Continuing Disclosure Agreement shall not be an event of default under the Bonds, the Resolution, the Declaration of Trust or the Lease, and the sole remedy under the Omnibus Continuing Disclosure Agreement if the District fails to comply with the Omnibus Continuing Disclosure Agreement shall be an action to compel performance.