

PRELIMINARY OFFICIAL STATEMENT MARCH 14, 2019

NEW ISSUE

RATINGS  
S&P Global Ratings: "A+"

In the opinion of Foster, Swift, Collins & Smith, P.C., Bond Counsel, subject to compliance with certain covenants, under existing law, (i) the interest on the Dowagiac District Library's (the "District Library") 2019 Library Building and Site Bonds (General Obligation Limited Tax) (the "Bonds") is excludable from gross income for federal income tax purposes, except as described under "TAX MATTERS" herein, and (ii) the Bonds and the interest thereon are exempt from all taxation by the State of Michigan (the "State") or any political subdivision thereof, except estate taxes, and taxes on gains realized from the sale, payment or other disposition thereof. See "TAX MATTERS" herein and Appendix D hereto. The Bonds have been designated as "qualified tax-exempt obligations" for purposes of deduction of interest expense by financial institutions under the Internal Revenue Code of 1986, as amended.

**\$7,390,000\***  
**DOWAGIAC DISTRICT LIBRARY**  
**COUNTIES OF CASS, BERRIEN AND VAN BUREN, STATE OF MICHIGAN**  
**2019 LIBRARY BUILDING AND SITE BONDS**  
**(GENERAL OBLIGATION LIMITED TAX)**

**CERTAIN BOND DETAILS**

Registration ..... Fully Registered, Book-Entry Only      Interest ..... Due October 1, 2019 and Semiannually Thereafter  
Denominations ..... \$5,000 or Multiples Thereof      Principal ..... Due April 1, Serially  
Dated ..... Date of Delivery      Optional Redemption ..... April 1, 2028 at Par

**MATURITIES, INTEREST RATES AND YIELDS**

Due April 1	Principal Amount*	Interest Rate	Price	CUSIP	Due April 1	Principal Amount*	Interest Rate	Price	CUSIP
2020	\$310,000	—	—	—	2030	\$390,000	—	—	—
2021	315,000	—	—	—	2031	400,000	—	—	—
2022	320,000	—	—	—	2032	410,000	—	—	—
2023	330,000	—	—	—	2033	425,000	—	—	—
2024	335,000	—	—	—	2034	440,000	—	—	—
2025	345,000	—	—	—	2035	455,000	—	—	—
2026	350,000	—	—	—	2036	470,000	—	—	—
2027	360,000	—	—	—	2037	485,000	—	—	—
2028	370,000	—	—	—	2038	500,000	—	—	—
2029	380,000	—	—	—					

The Bonds are subject to optional redemption prior to maturity. See "THE BONDS" – Optional Redemption Prior to Maturity" herein.

**AUTHORIZATION, PURPOSE AND SECURITY**

The Bonds are issued pursuant to the provisions of Act 265, Public Acts of Michigan, 1988, as amended ("Act 265"), and a bond authorizing resolution adopted by the Board of Trustees of the Dowagiac District Library on February 12, 2019. Voters of the District Library district approved a new additional millage of 1.00 mill for a period of twenty (20) years on November 6, 2018. Proceeds from the sale of the Bonds will be used (i) to expand, renovate, equip and furnish the District Library's existing library building in the City of Dowagiac, make related parking and other improvements to the site thereof and do all work necessary and incidental to those improvements; and (ii) to pay certain expenses relating to the issuance of the Bonds. The District Library has pledged its limited tax, full faith and credit as security for the payment of the principal of and interest on the Bonds. The District Library is obligated to make such payments as a first budget obligation from its general funds, including the collection of any ad valorem taxes it may be authorized to levy. The ability of the District Library to levy such taxes is subject to the applicable constitutional and statutory tax rate limitations. See "THE BONDS – AUTHORIZATION AND SECURITY" herein.

**BOOK-ENTRY ONLY SYSTEM**

The Bonds are issued only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry only form in the denomination of \$5,000 or any integral multiple thereof within a maturity. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial interest in the Bonds purchased. So long as Cede & Co. is the Bondholder, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the Bonds. See "THE BONDS-Book-Entry Only System" herein.

**COMPETITIVE BIDS INVITED**

Sale Date: March 25, 2019      Time: 1:00 p.m.. E.D.T.  
See Official Notice of Sale and Bid Form: Appendix F

Purchase of the Bonds shall be conditioned upon the approving opinion of Foster, Swift, Collins & Smith, P.C., Lansing, Michigan, the original of which will be furnished without expense to the purchaser of the Bonds at the delivery thereof. The District Library shall furnish executed and authenticated Bonds at its expense. The Bonds will be delivered in accordance with the terms of the Official Notice of Sale. The Bonds are expected to be ready for delivery through DTC on or about April 16, 2019.

Financial Advisor:

**BAIRD**

This cover page contains certain information for quick reference only. It is not a summary of this issue of Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

\*Preliminary, subject to change.

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

Certain information contained in this Official Statement has been obtained by the District Library, from DTC and other sources that are deemed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the District Library or the Financial Advisor. Nothing contained in this Official Statement is or shall be relied on as a promise or representation by the District Library or the Financial Advisor. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information in it is correct as of any time subsequent to its date.

No dealer, broker, salesman, or other person has been authorized by the District Library or by the Financial Advisor, to give any information or to make any representations other than those contained herein, 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 any offer to buy, nor shall there be any sale of the Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Robert W. Baird & Co., in its role as Financial Advisor, assisted the District Library in preparing the Official Statement. The Financial Advisor obtained information from the District Library and other sources that it believed was reliable but cannot guarantee the accuracy or completeness of the information in this Official Statement.

The Huntington National Bank, Grand Rapids, (the "Paying Agent") by acceptance of its duties as Paying Agent, has not reviewed this Official Statement and has made no representations as to the information contained herein.

The Underwriters of the Bonds are providing the following sentence for inclusion in the Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, the responsibilities of each to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any other sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District Library.

In connection with the offering of the Bonds, the Underwriters may overallocate or effect transactions that stabilize or maintain the market price of the Bonds at a level above the level that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time without notice. The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

The Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act. The registration or qualification of the Bonds in accordance with the applicable provisions of securities laws of the states in which the Bonds have been registered or qualified and the exemption from registration or qualification in other state cannot be regarded as a recommendation thereof.

In making an investment decision, investors must rely on their own examination of the District Library's financial records and the terms of the 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.

## TABLE OF CONTENTS

DOWAGIAC DISTRICT LIBRARY OFFICIALS.....	I
PROFESSIONAL SERVICES .....	II
INTRODUCTION.....	1
THE DISTRICT LIBRARY .....	1
THE FINANCING .....	1
Purpose of the Bonds.....	1
ESTIMATED SOURCES AND USES .....	1
THE BONDS.....	2
Authorization and Security.....	2
Optional Redemption Prior to Maturity .....	2
Term Bond Option .....	2
Notice and Manner of Redemption .....	2
Registration, Payment and Transfer .....	3
Book Entry-Only System.....	3
Transfer Outside Book Entry Only System .....	5
ABSENCE OF CERTAIN LITIGATION.....	5
BOND RATING .....	6
BOND COUNSEL’S RESPONSIBILITY .....	6
TAX MATTERS .....	6
BANK QUALIFIED.....	8
ISSUE PRICE .....	8
LEGAL MATTERS .....	8
MUNICIPAL FINANCE QUALIFYING STATEMENT.....	9
FINANCIAL ADVISORE TO THE DISTRICT LIBRARY .....	9
CONTINUING DISCLOSURE.....	9
MISCELLANEOUS.....	10
APPENDIX A - DOWAGIAC DISTRICT LIBRARY.....	A
APPENDIX B - AUDITED FINANCIAL STATEMENTS.....	B
APPENDIX C - SELECTED GENERAL FUND FINANCIAL INFORMATION .....	C
APPENDIX D - FORM OF APPROVING OPINION .....	D
APPENDIX E - FORM OF CONTINUING DISCLOSURE UNDERTAKING.....	E
OFFICAL NOTICE OF SALE AND BID FORM .....	F
FORM OF ISSUE PRICE CERTIFICATE .....	G

## **DOWAGIAC DISTRICT LIBRARY OFFICIALS**

### **LIBRARY BOARD**

Chairperson  
Judy Lawrence  
City of Dowagiac

Vice Chairperson  
Mary Ann Bengtsson  
Silver creek township

Treasurer  
Kurt Reich  
Wayne Township

Secretary  
Kathryn Hayes  
Keeler Township

Trustee  
Mitch A. Billingham  
Wayne Township

Trustee  
Janey Schulte  
City of Dowagiac

Trustee  
Kaye A. Smith  
Silver Creek Township

### **LIBRARY DIRECTOR**

Matthew Weston

---

**Dowagiac District Library**  
**211 Commercial Street**  
**Dowagiac, Michigan 49047**  
**Telephone: (269) 782-38269**  
**Fax: (269) 782-9798**  
**[www.dowagiacdl.org](http://www.dowagiacdl.org)**

---

### **PROFESSIONAL SERVICES**

**Independent Accountant:** Kruggel Lawton CPA, St. Joseph, Michigan

**Bond Counsel:** Foster Swift Collins & Smith, P.C., Lansing, Michigan

**Paying Agent:** The Huntington National Bank, Grand Rapids, Michigan

**OFFICIAL STATEMENT**  
**of the**  
**DOWAGIAC DISTRICT LIBRARY, MICHIGAN**  
**\$7,390,000\***  
**Counties of Cass, Berrien and Van Buren, State of Michigan**  
**2019 LIBRARY BUILDING AND SITE BONDS**  
**(GENERAL OBLIGATION LIMITED TAX)**

**INTRODUCTION**

This Official Statement, which includes the cover page hereof, the Table of Contents and the Appendices hereto, is provided to furnish certain information in connection with the offer by the Dowagiac District Library, Counties of Cass, Berrien and Van Buren, Michigan (the "District Library") of its \$7,390,000\* 2019 Library Building and Site Bonds (General Obligation Limited Tax) (the "Bonds").

**THE DISTRICT LIBRARY**

The Dowagiac District Library district is comprised of all that territory which is currently located in the jurisdictional limits of Wayne Township (Cass County), the City of Dowagiac (Cass County) and the Dowagiac Union School District (Counties of Cass, Berrien and Van Buren), except for the portions of the Dowagiac Union School District that are part of the (i) Cass District Library district and (ii) the Eau Claire District Library district. Large portions of Silver Creek Township (Cass County), Keeler Township (Van Buren County) and a small portion of Bainbridge Township (Berrien County) fall within the Dowagiac Union School District. See "APPENDIX A – Dowagiac District Library" herein.

**THE FINANCING**

**Purpose of the Bonds**

Proceeds from the sale of the Bonds will be used (i) to expand, renovate, equip and furnish the District Library's existing library building in the City of Dowagiac, make related parking and other improvements to the site thereof and do all work necessary and incidental to those improvements (collectively, the "Improvements"); and (ii) to pay certain expenses relating to the issuance of the Bonds (together with the Improvements, the "Financing").

**ESTIMATED SOURCES AND USES OF FUNDS\***

The proceeds of the Bonds will be applied as shown below:

<u>Estimated Sources of Funds*</u>	
Par Value of the Bonds.....	\$7,390,000.00
Other Sources of Funds .....	<u>520,658.00</u>
Total.....	<u>\$7,910,658.00</u>
 <u>Estimated Uses of Funds*</u>	
Deposit to Improvement Fund .....	\$7,644,315.92
Costs of Issuance (1).....	161,775.00
Other Uses of Funds .....	<u>104,567.08</u>
Total .....	<u>\$7,910,658.00</u>

\*Preliminary, subject to change.

(1) Includes legal, printing, rating, Underwriter's discount and other miscellaneous costs of issuance.

Source: Dowagiac District Library

## **THE BONDS**

### **Authorization and Security**

The Bonds are being issued pursuant to the provisions of Act 265, Public Acts of Michigan, 1988, as amended (“Act 265”), a bond authorizing resolution adopted by the Board of Trustees of the Dowagiac District Library (the “Board”) on February 12, 2019 (the “Resolution”), and (ii) the approval of the following millage ballot proposal by the voters of the Dowagiac District Library district on November 6, 2018:

Shall the Dowagiac District Library, Counties of Cass, Berrien and Van Buren, Michigan, be authorized to levy a new additional millage in an amount not to exceed 1.0 mill (\$1.00 on each \$1,000 of taxable value) against all taxable property within the Dowagiac District Library district for a period of twenty (20) years, 2018 to 2037, inclusive, for the purpose of providing funds for all district library purposes authorized by law, including expanding, renovation, furnishing and equipping the library building and making related improvements? The estimate of the revenue the Dowagiac District Library will collect if the millage is approved and levied by Dowagiac District Library in the first year (2018) is approximately \$523,000.

The District Library has pledged its limited tax, full faith and credit as security for the payment of the principal of and interest on the Bonds. The District Library is obligated to make such payments as a first budget obligation from its general funds, including the collection of any ad valorem taxes it may be authorized to levy. The ability of the District Library to levy such taxes is subject to applicable constitutional and statutory tax rate limitations. See “APPENDIX A – DOWAGIAC DISTRICT LIBRARY – “LIBRARY TAXATION AND LIMITATIONS” herein.

The rights or remedies of Bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination.

### **Optional Redemption Prior to Maturity**

The Bonds maturing in the years 2020 through 2028, inclusive, shall not be subject to optional redemption prior to maturity. The Bonds or portions of the Bonds, in multiples of \$5,000 maturing in the years 2029 through 2038, inclusive, shall be subject to redemption prior to maturity at the option of the District Library in such order of maturity as the District Library shall determine and within a single maturity by lot on any date on or after April 1, 2028, at par plus accrued interest to the date fixed for redemption.

### **Term Bond Option**

Bidders shall have the option of designating any one or more maturities of the Bonds as term bonds. If a bidder designates any one or more maturities for the Bonds as term bonds, the principal requirements on the cover page hereof for the designated years shall represent a mandatory redemption requirement for a term bond or a term bond maturity as designated by the bidder. In any event, the principal amounts on the cover page hereof shall be represented by either serial bond maturities or mandatory sinking fund redemption requirements for term bonds or a combination of both. If the winning bid does not designate any one or more maturities of the Bonds as term bonds, then the maturities shown on the cover page hereof shall be serial maturities. The bid must designate which principal amounts shown on the cover page hereof, if any, represent a mandatory sinking fund redemption requirement for a term bond maturity. A bidder may designate more than one term bond maturity.

### **Notice and Manner of Redemption**

Notice of redemption for any Bond shall be given at least thirty (30) days prior to the date fixed for redemption by first-class mail to the registered owner thereof at the address shown on the registration books of the District Library maintained by the Paying Agent. The Bonds shall be called for redemption in multiples of \$5,000 within a maturity. The Bonds in denominations of more than \$5,000 shall be treated as representing the number of Bonds obtained by dividing the denomination of the Bond by \$5,000 within a maturity. The Bonds may be redeemed in part. In the event of redemption of the Bonds in part, upon surrender of the Bond to be redeemed a new bond or bonds in aggregate principal amount equal to the unredeemed portion of the Bond surrendered shall be issued to the registered owner thereof. No further interest payment on the Bonds or portions of the Bonds called for redemption shall accrue after the

date fixed for redemption, whether presented for redemption or not, provided the District Library has funds on hand with the Paying Agent to redeem the same.

### **Registration, Payment and Transfer**

The Bonds are issuable only as fully registered Bonds without coupons and when issued will be registered in the name of Cede & Co. as nominee for DTC. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry only form, in the denomination of \$5,000 or any integral multiple thereof within a maturity. Purchasers will not receive certificates representing their beneficial interests in Bonds purchased. So long as Cede & Co. is the Bondholder, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners, as hereinafter defined, of the Bonds. See "THE BONDS – Book-Entry Only System," herein.

The Bonds will be issued in the original aggregate principal amount as shown on the cover page of this Official Statement. The Bonds will be dated as of the original date of delivery and will bear interest from that date. Interest on the Bonds shall be payable semiannually on April 1 and October 1 of each year commencing on October 1, 2019. Interest on the Bonds shall be computed using a 360-day year and twelve 30-day months. The Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the cover page of this Official Statement. The Bonds will be registered Bonds in the denomination of \$5,000 or multiples thereof not exceeding for each maturity the principal amount of such maturity. The principal and interest shall be payable at the designated office of the Paying Agent or such other paying agent as the District Library may hereafter designate by notice mailed to the Bondholders. So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to DTC. Disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants and Indirect Participants, both as hereinafter defined, as more fully described below. Interest shall be paid when due by check or draft drawn on the Paying Agent by first class mail to the registered owners of Bonds at the address as shown on the registration books of the District Library kept by the Paying Agent as of the close of business on the fifteenth day of the calendar month preceding the payment date for each interest payment, provided that if such day is a Saturday, Sunday or legal holiday in the State of Michigan (the "State"), on the day next preceding such fifteenth day of the month which is not a Saturday, Sunday or legal holiday in the State

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

The information in this section has been furnished by DTC. No representation is made by the District Library, Bond Counsel, the Financial Advisor, the Paying Agent, or the Underwriter as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information (defined below) subsequent to the date hereof. No attempt has been made by the District Library, Bond Counsel, the Financial Advisor, the Paying Agent, or the Underwriter to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the District Library nor the Paying Agent will have any responsibility or obligation to DTC participants, indirect participants or the persons for which they act as nominees with respect to the Bonds, or for any principal or interest payment thereof.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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"). Standard & Poor's has rated DTC 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) and [www.dtc.org](http://www.dtc.org).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 the notices be provided directly to them.

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

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

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District Library, or Paying Agent, on payable date in accordance with their respective holdings on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with Bonds 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 Paying Agent or the District Library, subject to any statutory or regulatory requires as may be in effect from time to time. Payments of redemption proceeds, distributions and divided payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District Library or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District Library or the Paying Agent. Under such circumstances, in the event that a successor



depository is not obtained, Bond certificates in respect of the affected series of Bonds are required to be printed and delivered to DTC.

The District Library may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates in respect of the affected series of Bonds will be printed and delivered to DTC.

The District Library, Bond Counsel, the Financial Advisor, the Paying Agent, and the Underwriter cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Bonds (i) payments of principal of or interest on the Bonds, (ii) any document representing or confirming beneficial ownership interests in the Bonds, or (iii) notices sent to DTC or Cede & Co. its nominee, as the registered owner of the Bonds, or that it will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current “rules” applicable to DTC are on file with the Securities and Exchange Commission, and the current “procedures” of DTC to be followed in dealing with the Participants are on file with DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District Library believes to be reliable, but the District Library takes responsibility for the accuracy thereof.

Neither the District Library, Bond Counsel, the Financial Advisor, or Paying Agent nor the Underwriter will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (a) the Bonds; (b) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (c) the payment by DTC to any Participant, or by any Direct Participant or Indirect Participant to any Beneficial Owner of any amount due with respect to the principal of or interest on the Bonds; (d) the delivery by DTC to any participant, or by and Direct Participant or Indirect Participant to any Beneficial Owner of any notice which is required or permitted under the terms of the authorizing resolution for each issue to be given to Bondholders; (e) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (f) any consent given or other action taken by DTC as Bondholder.

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

In the event the book-entry only system is discontinued, the following provisions would apply to the Bonds. The Paying Agent will act as transfer agent and bond registrar and shall keep the registration books for the Bonds (the “Bond Register”) at its designated office. Subject to the further conditions contained in the Resolution, the Bonds may be transferred or exchanged for one or more bonds in different authorized denominations upon surrender thereof at the designated office of the Paying Agent by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Paying Agent shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations. The Paying Agent shall not be required to register the transfer of or exchange any Bond selected for redemption in whole or in part, except the unredeemed portion of Bonds redeemed in part. Bonds properly surrendered for partial redemption may be exchanged for new bonds in authorized denominations equal in the aggregate to the unredeemed portion. The District Library and the Paying Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register, as of the appropriate dates, as the owner of such Bonds for all purposes under the Resolution. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

#### **ABSENCE OF CERTAIN LITIGATION**

Simultaneously with the delivery of the Bonds, the District Library will certify that there are no actions, proceedings or investigations at law or in equity before or by any court, public board or body, either actual or threatened, which would adversely affect the issuance of the Bonds or materially affect the District Library's ability to pay the principal of and interest thereon.

## **BOND RATING**

S&P Global Ratings has assigned its rating of “A+” to the Bonds. The District Library has furnished to the rating agency certain materials and information in addition to that provided here. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions by the rating agencies. The above rating reflects the independent judgment of the rating agency and there is no assurance that such rating will prevail for any given period of time or that it will not be revised or withdrawn entirely by such rating agency, if, circumstances so warrant. Any such revision or withdrawal of such rating may have an effect on the market price of the Bonds. Any rating assigned represents only the views of the respective rating agency. The definitions furnished by the rating agency for its rating may be obtained from the rating agency.

## **BOND COUNSEL’S RESPONSIBILITY**

The fees of Bond Counsel for the services rendered in connection with its approving opinion are expected to be paid from the proceeds of the Bonds. Except to the extent necessary to issue its approving opinion, and except as stated below, Bond Counsel has not been retained to examine or review and has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of this issue, and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials.

Bond Counsel has reviewed the statements made under the captions entitled “INTRODUCTION”, “THE FINANCING,” “THE BONDS” (except those made under the sub-caption “Book-Entry-Only System”), “LEGAL MATTERS,” “TAX MATTERS,” “BANK QUALIFIED,” “MUNICIPAL FINANCE QUALIFYING STATEMENT,” “BOND COUNSEL’S RESPONSIBILITY,” and “CONTINUING DISCLOSURE.” Bond Counsel has not been retained for review and has not reviewed any other portions of the Official Statement for accuracy or completeness and has not made inquiry of any official or employee of the District Library, or any other person and has made no independent verification of such portions hereof, and further has not expressed and will not express an opinion as to such portions hereof.

## **TAX MATTERS**

In the opinion of Foster, Swift, Collins & Smith P.C., Bond Counsel, under existing law, the interest on the Bonds 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. Bond Counsel is also of the opinion that, under existing law, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. Bond Counsel will express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

The opinion on federal tax matters is based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the District Library contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. The District Library has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excludable from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. Bond Counsel’s opinion assumes the accuracy of the District Library certifications and representations and the continuing compliance with the District Library’s covenants. Noncompliance with these covenants by the District Library may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel’s attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel’s legal judgment as to the excludability of interest on the Bonds from gross income for federal income tax purposes but is not a guarantee of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel cannot give and has not given any opinion or assurance

about the effect of future changes in the Internal Revenue Code of 1986, as amended (the “Code”), the applicable regulations, the interpretations thereof or the enforcement thereof by the IRS.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion regarding any such consequences.

### **Tax Treatment of Accruals on Original Issue Discount Bonds**

Under existing law, if the initial public offering price to the public (excluding bond houses and brokers) of a Bond is less than the stated redemption price of such Bonds at maturity, then such Bond is considered to have “original issue discount” equal to the difference between such initial offering price and the amount payable at maturity (such Bonds are referred to as “OID Bonds”). Such discount is treated as interest excludable from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bonds on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period) from the date of original issue with straight-line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of OID Bonds who purchase such OID Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such OID Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

All holders of the OID Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition of an OID Bond to the extent such loss is attributable to accrued original issue discount.

### **Amortizable Bond Premium**

For federal income tax purposes, the excess of the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold over the amount payable at maturity thereof constitutes for the original purchasers of such Bonds (collectively, the “Original Premium Bonds”) an amortizable bond premium. Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer’s basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases, on an earlier call date (such bonds being referred to herein collectively with the Original Premium Bonds as the “Premium Bonds”). Such amortizable bond premium is not deductible from gross income. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the taxpayer’s yield to maturity determined by using the taxpayer’s basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the taxpayer’s adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

All holders of the Premium Bonds should consult with their own tax advisors as to the amount and effect of the amortizable bond premium.

### **Market Discount**

The “market discount rules” of the Code apply to the Bonds. Accordingly, holders acquiring their Bonds subsequent to the initial issuance of the Bonds will generally be required to treat market discount recognized under the provisions of the Code as ordinary taxable income (as opposed to capital gain income). Holders should consult their own tax advisors regarding the application of the market discount provisions of the Code and the advisability of making any of the elections relating to market discount allowed by the Code.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid after March 31, 2007 on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

## **Future Developments**

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the District Library in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the District Library as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS WHICH COULD CAUSE THE INTEREST ON THE BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS, OR OTHERWISE PREVENT THE HOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON.

FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE BONDS FOR AUDIT EXAMINATION, OR THE COURSE OR RESULT OF ANY EXAMINATION OF THE BONDS, OR OTHER BONDS WHICH PRESENT SIMILAR TAX ISSUES, WILL NOT AFFECT THE MARKET PRICE OF THE BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS, INCLUDING THE IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

## **BANK QUALIFIED**

The Bonds have been designated as "qualified tax-exempt obligations" for purpose of deduction of interest expense by commercial banks, thrift institutions and other financial institutions pursuant to Section 265(b) of the Code.

## **ISSUE PRICE**

See "Issue Price" in the Official Notice of Sale attached as Appendix F and the Forms of Issue Price Certificate attached as Appendices G and H.

## **LEGAL MATTERS**

The issuance of the Bonds is subject to the approval of legality by Foster, Smith, Collins & Smith, P.C., Lansing, Michigan ("Bond Counsel"). A copy of the opinion of Bond Counsel will be delivered with the Bonds, which opinion will be substantially in the form as set forth in Appendix C.

## **MUNICIPAL FINANCE QUALIFYING STATEMENT**

The District Library has obtained a letter from the Michigan Department of Treasury stating that the District Library is in material compliance with the criteria identified in Act 34 of the Public Acts of Michigan of 2001, as amended, for a municipality to be granted qualified status. The District Library may therefore proceed to issue the Bonds without further approval from the Michigan Department of Treasury.

### **FINANCIAL ADVISOR TO THE DISTRICT LIBRARY**

Robert W. Baird & Co., Traverse City, Michigan (the “Financial Advisor”) has been retained by the District Library to provide certain financial advisory services in connection with the issuance of the Bonds, including, among other things, preparation of the deemed “final” Preliminary Official Statement and the final Official Statement (the “Official Statements”). The information contained in the Official Statements was prepared in form by the Financial Advisor and is based on information supplied by various officials from records, statements and reports required by various local, county or state agencies of the State in accordance with constitutional or statutory requirements.

To the best of the Financial Advisor’s knowledge, all of the information contained in the Official Statements, which it assisted in preparing, while it may be summarized is (i) complete and accurate; (ii) does not contain any untrue statement of material fact; and (iii) does not omit any material fact, or make any untrue statement which would be misleading in light of the circumstances under which these statements are being made. However, the Financial Advisor has not or will not independently verify the completeness and accuracy of the information contained in the Official Statement.

The Financial Advisor’s duties, responsibilities and fees arise solely as financial advisor to the District Library and they have no secondary obligation or other responsibility. The Financial Advisor’s fees are expected to be paid from Bond proceeds.

### **CONTINUING DISCLOSURE**

The District Library has covenanted and will covenant for the benefit of the Bondholders and the Beneficial Owners (as hereinafter defined under this caption only), pursuant to the Continuing Disclosure Undertaking to be delivered on the date of issuance of the Bonds to the purchaser(s) thereof (the “Disclosure Undertaking”), to provide or cause to be provided: (i) each year, certain financial information and operating data relating to the District Library (the “Annual Report”) by not later than the date six months after the end of the District Library’s fiscal year, commencing with the Annual Report for the District Library’s fiscal year ended September 30, 2019; provided, however, that if the audited financial statements of the District Library are not available by such date, they will be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements then most recently prepared for the District Library will be included in the Annual Report; and (ii) timely notices of the occurrence of certain enumerated events and of the occurrence of certain other enumerated events, if material. Currently the District Library’s fiscal year commences on October 1. “Beneficial Owner” means (under this caption only) any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any person holding Bonds through nominees, depositories or other intermediaries).

Each Annual Report will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access System (“EMMA”). If the District Library is unable to provide the MSRB any Annual Report by the date required, the District Library shall send in a timely manner, a notice to the MSRB through EMMA. Notices of material events will be filed by the District Library with MSRB through EMMA. These covenants have been made by the District Library in order to assist the purchaser(s) of the Bonds and registered brokers, dealers and municipal securities dealers in complying with the requirements of subsection (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the “Rule”). The information to be contained in the Annual Report, the enumerated events, the occurrence of which will require a notice, and the other terms of the Disclosure Undertaking are set forth in “APPENDIX D — Form of Continuing Disclosure Undertaking.”

The District Library has not previously had any continuing disclosure obligations and, therefore, has not failed to comply with the requirements described in the Rule.

## MISCELLANEOUS

The District Library certifies that to its best knowledge and belief, this Official Statement, insofar as it pertains to the District Library and its economic and financial condition, is true and correct as of its date, and does not contain, nor omit, any material facts or information which would make the statements contained herein misleading.

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original source thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of such information. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

This Official Statement has been duly executed and delivered by the District Library.

DOWAGIAC DISTRICT LIBRARY, MICHIGAN

---

Matthew Weston  
Director

**APPENDIX A**

**DOWAGIAC DISTRICT LIBRARY**

(THIS PAGE IS INTENTIONALLY LEFT BLANK)



## DOWAGIAC DISTRICT LIBRARY

### Location and Area

The Dowagiac District Library (the “District Library”) is located in downtown Dowagiac, Michigan which is located in the southwest corner of Michigan approximately 40 miles southwest of Kalamazoo. The District Library’s service area includes the City of Dowagiac, Wayne Township and approximately 95% of Silver Creek Township, all within Cass County and the Dowagiac Union School District located in Van Buren, Cass and Berrien Counties. Portions of the Dowagiac Union School District that are part of the Cass District Library’s and Eau Claire District Library’s legal service area are excluded. Bainbridge Township in Berrien County and Keeler Township in Van Buren County are also part of the service area, approximately 2.6% and 85%, respectively. The District Library’s tax base is primarily residential and agricultural accounting for 79.1% and 7.2%, respectively.

### Population

The 2000, 2010 Census and current population estimates for the City of Dowagiac, Silver Creek Township, Wayne Township, Bainbridge Township and Keeler Township are set forth in the following table.

	Cass County			Berrien County	Van Buren County
<u>Census</u>	<u>City of Dowagiac</u>	<u>Silver Creek Township</u>	<u>Wayne Township</u>	<u>Bainbridge Township</u>	<u>Keeler Township</u>
Current Estimate	5,754	3,139	2,579	2,805	2,167
2010	5,879	3,218	2,654	2,850	2,169
2000	6,147	3,491	2,861	3,132	2,601

Source: U.S. Department of Commerce – Bureau of Census

### District Library and Funding

The District Library has been serving the community since its founding in 1904 and provides service to the City of Dowagiac and Wayne Townships, and to the parts of Silver Creek, Keeler and Bainbridge townships that lie within the Dowagiac Union School District. Reciprocal borrowing agreements with surrounding libraries help provide service to patrons in the geographic area of Dowagiac that fall outside of the District Library District. At 7,200 square feet the District Library building consists of two stories, 2,500 square feet each and a 1,200 square foot addition to the first story from 1973. The original two stories were built in 1904 as a Carnegie library in the style of that time.

It was a city library until its reincorporation as a district library in 2004 when it began receiving property tax operating monies in perpetuity (\$347,075 in for fiscal year ended September 30, 2018). The voters of the Library District district approved a permanent 0.75 mill tax which began with the tax levy December 1, 2005. On November 6, 2018 voters of the District Library district passed a millage of 1.00 for twenty years (20) for the expansion and renovation of its historic Carnegie building. The first millage was levied December 1, 2018.

The District Library has always enjoyed the generosity of the Ladies Library Association, through grants funded by its membership and book sales (\$10,663 for the fiscal year ended September 30, 2018). In fact, the Ladies Library Association predates the District Library by two decades, providing library services to the community before the public library was built.

## Library Services and Circulation

The District Library includes a staff of 1 professional librarian and 8 support personnel to provide services and assistance to the public. Services include materials (books, video, audio books, e-books and downloadable music), and extensive local history and genealogy resources. Available technology includes public access computers, wireless, copiers, fax and scanning services, and an extensive web site. Programs and classes are provided for children and adults.

A breakdown of circulation and usage statistic for the fiscal years ended September 30, 2014 through 2018 is shown below.

<u>Fiscal Year Ended September 30</u>	<u>Physical/ E-book Circulation</u>	<u>Registered Borrowers</u>	<u>Physical Visits/ Virtual</u>	<u>Reference Questions</u>	<u>PC Sessions/ Wi-Fi Logins</u>	<u>Library Programs/ Attendance</u>
2018	35,704 / 3,415*	11,111	56,653 / 17,074	2,444	18,659 / 3,356*	243 / 3,668
2017	37,219 / 3,799	10,551	60,592 / 14,400	3,260	21,659 / 15,120	286 / 3,025
2016	42,191 / 3,003	10,062	55,322 / 6,523	2,860	20,265 / 14,612	115 / 2,158
2015	47,407 / 2,138	9,607	48,012 / 4,926	5,114	12,012 / 8,328	83 / 1,565
2014	44,275 / 1,400	9,085	49,320 / --	4,862	11,843 / 6,467	54 / 1,344

\*Unique Wi-Fi logins per month does not include multiple sessions for fiscal year ended September 30, 2018.

Source: Dowagiac District Library

## District Library Board of Trustees

The District Library is governed by an appointed seven-member Library Board who serve 4 year overlapping terms. The Dowagiac Union Schools provides three members, and Wayne Township and the City of Dowagiac each provides two members. Board appointments follow the District Library's fiscal year, October through September.

## District Library Director

Matthew Weston, Director at the Dowagiac District Library, grew up in Farmington, Michigan, and attended Northern Michigan University, on the shores of Lake Superior in Marquette, Michigan, where he received a B.A. in History. He received his Master of Library and Information Science from Dominican University, outside of Chicago, in 2002, and worked at various public libraries in the Chicago area as a reference librarian. In 2008 he moved back to Michigan as an adult services librarian and branch manager with the Van Buren District Library, and then as the Library Director at the Dowagiac District Library from 2015 to present. He lives in Kalamazoo, Michigan, enjoys spending time with his teenage son, getting out into nature, and looking through more books than he'll ever read.

## DISTRICT LIBRARY TAXATION AND LIMITATIONS

### Property Assessments

Real property is land and the things permanently attached to or part of the land and improvements made to it by human efforts ("Real Property"). Examples of Real Property include land, buildings, water and sewer facilities, roads and acquisition of various property rights. Personal property is property owned by an individual or business which is not affixed to or associated with the land, consisting of movable items such as furniture, fixtures, and machines and equipment if belonging to a business ("Personal Property"). Customary household goods such as furnishings, appliances and clothing are typically exempt as they are kept or used within the household.

Real and Personal Property, as of December 31 of each year, is assessed, or valued, by each municipality, equalized by the Counties of Cass, Berrien and Van Buren (the "Counties") and further equalized by the State of Michigan (the "State"). The value as equalized by the State becomes the state equalized valuation ("State Equalized Valuation" or "SEV"). See "Property Valuations" following.

Article IX, Section 3, of the Michigan Constitution provides that Real and Personal Property assessments will

not exceed 50% of true cash value. The Michigan Legislature has provided, by statute, that Real and Personal Property will be assessed at 50% of true cash value. The Michigan Legislature, or the electorate, may change the percentage of true cash value at which Real and Personal Property is assessed.

Personal Property assessments reflect the taxpayer reported cost of the Personal Property and the application of one or more depreciation schedules formulated by the State Tax Commission. The Counties assessors determine which depreciation schedule will be used to value the Personal Property.

Owners of taxable property may appeal their assessment to their respective Assessor, its Board of Review and to the State Tax Tribunal. The District Library does not have any outstanding appeals that would have a material adverse impact on the District Library's finances or its ability to pay debt service on the Bonds.

## Property Valuations

In 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize the levy of taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as taxable value ("Taxable Value"). Since 1995, property that is taxable has two valuations, SEV and Taxable Value. Michigan statute provides that Real and Personal Property taxes ("Ad Valorem Taxes") be levied on Taxable Value (the "Ad Valorem Tax Roll").

Generally, the Taxable Value of Real or Personal Property is the lesser of (a) Taxable Value of the property in the immediately preceding year, adjusted for losses, multiplied by the lesser of 1.05 or the inflation rate, plus additions, or (b) the property's current SEV. Under certain circumstances, the Taxable Value of property may be different from the same property's SEV. When Real or Personal Property is sold or transferred, Taxable Value is adjusted to the SEV, the year after the sale or transfer, which under existing law is 50% of the true cash value. The Taxable Value of new construction is equal to its SEV.

## History of Valuations – State Equalized Valuation and Taxable Valuation

Aside from its use in determining Taxable Value for the purpose of levying Ad Valorem Taxes, SEV is important because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

The following table shows a history of property valuations for the District Library and an analysis of the 2018 Taxable Value by class and by municipal unit.

Property Value as of <u>December 31st</u>	Levy/ Valuation <u>Year</u>	State Equalized <u>Valuation (1)</u>	Percent <u>Change</u>	Taxable <u>Valuation (1)</u>	Percent <u>Change</u>
2017	2018	\$674,606,073	0.40%	\$523,191,313	5.72%
2016	2017	671,888,955	3.51	494,854,417	0.87
2015	2016	649,076,126	1.68	490,565,833	0.38
2014	2015	638,339,038	6.15	488,688,318	2.15
2013	2014	601,343,957	-	478,419,352	-

(1) Does not include properties granted abatement under Act 189. See "Tax Abatement" herein.

Source: Dowagiac District Library and Cass, Berrien and Van Buren County Equalization Departments

## 2018 Taxable Value by Use and Class

<u>Use and Class</u>	<u>Taxable Value (1)</u>	<u>% of Total Taxable Value</u>
Agricultural Real	\$37,614,324	7.19%
Commercial Real	30,065,114	5.75%
Industrial Real	7,633,613	1.46%
Residential Real	<u>413,625,662</u>	<u>79.06%</u>
Total Real	488,938,713	93.46%
Total Personal	<u>34,252,600</u>	<u>6.54%</u>
Total Real and Personal	<u>\$523,191,313</u>	<u>100.00%</u>

(1) Does not include properties granted abatement under Act 189. See "Tax Abatement" herein.  
Source: Cass, Berrien and Van Buren County Equalization Departments

## 2018 Tax Base By Municipality

<u>Municipality</u>	<u>Taxable Value</u>	<u>Percent of Total Taxable Value</u>
Cass County:		
City of Dowagiac	\$ 83,326,167	15.93%
Silver Creek Township	223,233,088	42.67%
Wayne Township	84,781,402	16.20%
Berrien County:		
Bainbridge	2,668,819	0.51%
Van Buren County:		
Keeler Township	<u>129,181,837</u>	<u>24.69%</u>
Total Real and Personal	<u>\$523,191,313</u>	<u>100.00%</u>

(1) Does not include properties granted abatement under Act 189. See "Tax Abatement" herein.  
Source: Cass, Berrien and Van Buren County Equalization Departments

## Personal Property Tax Reform

The voters of the State approved enactment of Michigan Public Acts 153 and 154 of 2013 and Acts 80 and 86 through 93 of 2014 by referendum on August 5, 2014 (collectively, the "PPT Reform Acts"), which significantly reformed Personal Property tax in Michigan.

Under the PPT Reform Acts, owners of industrial and commercial Personal Property with a total true cash value of \$80,000 or less may file an affidavit claiming a Personal Property tax exemption. To be eligible for the exemption, all of the commercial or industrial Personal Property within a city or township that is owned by, leased to, or controlled by the claimant has to have an accumulated true cash value of \$80,000 or less. Beginning in calendar year 2016, owners of certain manufacturing Personal Property that was either purchased after December 31, 2012, or that is at least 10 years old may claim an exemption from Personal Property tax. By 2022, all eligible manufacturing Personal Property will be at least 10 years old or purchased after December 31, 2012, so that it could be exempted from Personal Property tax.

To replace personal property tax revenues lost by local governments, the PPT Reform Acts divided the existing state use tax into two components, a "state share tax" and a "local community stabilization share tax," and established the Local Community Stabilization Authority (the "LCSA") to administer distribution of the local community stabilization share. The Michigan Department of Treasury collects the local community stabilization share tax on behalf of the LCSA. The local community stabilization share tax revenues are not subject to the annual appropriations process and are provided to the LCSA for distribution pursuant to a statutory formula. The statutory formula is anticipated to provide 100% reimbursement to local governments for losses due to the new personal property tax exemptions. The LCSA began distributions of the local community stabilization share tax to local governments on November 21, 2016. The District Library received \$11,571 from the LCSA to replace personal

property tax revenues lost during fiscal year ended September 30, 2018.

The ultimate nature, extent and impact of any other future amendments to Michigan's property tax laws on the District Library's finances cannot be predicted. Purchasers of the Bonds should consult with their legal counsel and financial advisors as to the consequences of any such legislation on the market price or marketability of the Bonds, the security therefor and the operations of the District Library.

### **Tax Abatement**

The District Library's Taxable Value does not include the value of certain facilities which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198. Act 198 was designed to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities and to build new facilities. Except as indicated below, under the provisions of Act 198, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts and industrial development districts and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial facilities exemption certificate granted under Act 198 entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities tax (the "IFT Tax"). For properties granted tax abatement under Act 198 there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the Taxable Value level prior to the improvements even if the restoration or replacement substantially increases the value of the facility. For a new facility the IFT Tax is also determined the same as the Ad Valorem Tax but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted after 1993, this millage rate equals 1/2 of all tax rates levied by all taxing jurisdictions plus 0%, 50% or 100% of the State Education Tax (as determined by the State Treasurer).

The SEV of properties within the Dowagiac Union School District that have been granted tax abatement under Act 198, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll totaled \$1,550,200 for the fiscal year ending September 30, 2019. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$775,100 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

### **State Limitations on Property Taxes**

In 1978, the electorate of the State passed an amendment to the State Constitution (the "Amendment") which placed certain limitations on increases of taxes by the State and political subdivisions from currently authorized levels of taxation. The Amendment and the enabling legislation, Act 35 of the Public Acts of Michigan of 1979, as amended, may have the effect of reducing the maximum authorized tax rate which could be levied by a local taxing unit. Under the Amendment's millage reduction provisions, should the value of taxable property, exclusive of new construction, increase at a percentage greater than the percentage increase in the Consumer Price Index, the maximum authorized tax rate would be reduced by a factor which would result in the same maximum potential tax revenues to the local taxing unit as if the valuation of taxable property (less new construction) had grown only at the national inflation rate instead of the higher actual growth rate. Thus, should taxable property values rise faster than consumer prices, the maximum authorized tax rate would be reduced accordingly. However, should consumer prices subsequently rise faster than taxable property values, the maximum authorized tax rate would be increased accordingly. Once reduced, a millage rate cannot increase in a subsequent year unless such increase is approved by the voters.

The Amendment does not limit taxes for the payment of principal of and interest on bonds or other evidences of indebtedness outstanding at the time the Amendment became effective or which have been approved by the electorate of the State or such political subdivision. For the fiscal year ending September 30, 2019, the Amendment has the effect of reducing the District Library's authorized millages as follows:

**Dowagiac District Library  
Maximum Property Tax Rates  
Fiscal Year Ending September 30, 2019**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Applicable Millage Reduction Fraction (1)</u>	<u>Maximum Allowable Millage</u>
Library Operating.....	0.7500	0.9425	0.7069
Library Improvements (2) .....	1.0000	1.0000	1.0000

(1) Cumulative.

(2) Extra voted. Expires with the December 1, 2037 levy.

Source: Dowagiac District Library

**Property Tax Rates**

As defined under "Property Taxes" herein, a mill is equal to \$1.00 for each of \$1,000 of Taxable Value. The District Library levies 0.7069 mills for operating purposes or a maximum of \$0.7069 for each \$1,000 of Taxable Value. Excluding taxes levied by other units of government, the District Library's property tax rates, expressed as a dollar for each \$1,000 of Taxable Value, for the fiscal year ended or ending September 30, 2015 through 2019 are shown below. See "State Limitations on Property Taxes" herein.

**Dowagiac District Library  
Property Tax Rates (1)  
Fiscal Years Ended or Ending September 30, 2015 Through 2019**

<u>Levy December 1</u>	<u>Fiscal Year Ending September 30</u>	<u>Library Operating (1)</u>	<u>Library Improvements (2)</u>	<u>Total</u>
2014	2015	0.7069	n/a	0.7069
2015	2016	0.7069	n/a	0.7069
2016	2017	0.7069	n/a	0.7069
2017	2018	0.7069	n/a	0.7069
2018	2019	0.7069	1.0000	1.7069

(1) See "Property Taxes" and "State Limitations on Property Taxes," herein.

(2) Extra voted. Expires with the December 1, 2037 levy.

Source: Dowagiac District Library

In addition to the District Library's property tax rates, residents of the District Library district must pay property taxes to other units of local government. A State Education Tax of 6.00 mills is levied by the State on all real and personal property currently subject to the general property tax except for industrial personal property. To be eligible for state school aid, a local school district is also required to levy not more than the lesser of 18.00 mills or the number of mills levied in 1993 for school operating purposes on non-principal property. These property taxes are in lieu of those previously levied for local school district operating purposes. Total rates, expressed as a dollar for each \$1,000 of Taxable Value, for the District Library's fiscal years ended or ending September 30, 2015 through 2019, are as follows:

## Other Tax Rates (Per \$1,000 of Valuation)

The following table provides historical tax rates for select municipal units of government that are located within the District Library's boundaries for tax years 2014 through 2018.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City of Dowagiac .....	16.6771	17.3021	17.3021	17.5325	17.5325
Silver Creek Township.....	1.6963	1.6963	1.6828	1.6828	1.6828
Wayne Township .....	0.8746	0.8746	0.8638	0.8638	0.8638
Cass County .....	6.2200	6.2200	6.2200	6.2200	6.3164
I/S/D Lewis Cass .....	2.2317	2.2317	2.2317	2.2317	2.2317
State Education .....	6.000	6.000	6.000	6.000	6.000
Dowagiac School District Debt .....	2.85	2.7000	5.9000	6.1500	6.1500
Southwestern Community College ....	2.4280	2.4280	2.4280	2.4280	2.4280

Source: Cass, Berrien and Van Buren County Equalization Departments

## Tax Levies and Collections

The District Library's fiscal year begins October 1 and ends September 30. The District Library's property taxes for operations are due December 1 of each year and are payable without interest and without penalty on or before the following February 14. All real property taxes remaining unpaid on March 1<sup>st</sup> of the fiscal year following the levy are turned over to the County Treasurers for collection, Cass, Berrien and Van Buren Counties (the "Counties"). On the first Tuesday in May in each year, a tax sale is held by the Counties at which lands delinquent for taxes assessed in the third year preceding the sale, or in a prior year, are sold for the total of the unpaid taxes of those years.

The Counties to date, have purchased and paid from their Tax Payment Fund the delinquent taxes on all real property of all taxing units in the Counties. The decision to make such payments is determined on an annual basis by the Counties. There is no guarantee that the payments will continue in future years. If the delinquent taxes which are due and payable to the Counties are not received by the Counties for any reason, the Counties have full rights of recourse against the District Library to recover the amount of uncollected delinquent taxes, together with interest thereon, at the rate of one percent per month or fraction of a month until repaid to the Counties by the District Library. Delinquent personal property taxes are negligible.

A history of the operating tax levies and collections for the District Library is as follows:

<u>December 1</u>	<u>Fiscal Year</u> <u>Ended or</u>	<u>Operating</u>	<u>Collections</u>	<u>Percent</u>
<u>Levy</u>	<u>Ending</u>	<u>Tax Levy</u>	<u>To March 1,</u>	<u>Collected</u>
	<u>September 30</u>		<u>Following Levy</u>	
2018	2019	\$893,035	In Process of Collection	n/a
2017	2018	349,813	347,075	96.90%
2016	2017	346,781	338,966	99.01
2015	2016	345,454	343,361	99.30
2014	2015	338,195	340,396 (1)	100.00

(1) Restated.

Source: Dowagiac District Library

## Largest Taxpayers

Shown below are the ten largest identifiable taxpayers in the District Library's for the fiscal year ending September 30, 2019.

<u>Taxpayer</u>	<u>Product or Service</u>	<u>Taxable Value (1)</u>	<u>Percent of Total Taxable Value (2)</u>
AEP IN MI Transmission Co. ....	Electric Transmission.....	\$7,565,100	1.45%
Hassle Farms LLC .....	Farming .....	3,211,570	0.61
Midwest Energy Cooperative .....	Electric Utility .....	2,985,458	0.57
R & D Real Estate LLC .....	Real Estate Development .....	2,178,943	0.42
American Electric Power .....	Electric Utility.....	2,145,400	0.41
Polk Properties LLC .....	Leased Lake Frontage .....	2,130,840	0.41
Private Individual .....	Individual Trust.....	2,074,636	0.40
Autocam-Pax Inc. ....	Die Casting .....	1,934,174	0.37
Orion Properties Ten LLC .....	Nursing Home .....	1,843,444	0.35
Indiana Michigan Power .....	Electric Utility .....	<u>1,666,300</u>	<u>0.32</u>
Total .....		<u>\$27,735,865</u>	<u>5.30%</u>

(1) Excludes properties granted abatement under Act 198.

(2) Based on \$523,191,313 which is the District Library's Total Taxable Value for the fiscal year ending September 30, 2019.

Source: Dowagiac District Library and Cass County Equalization Report

## DOWAGIAC DISTRICT LIBRARY DEBT

### Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the District Library may legally incur as of February 2, 2019.

Debt Limit (1) .....		\$67,460,607
Debt Outstanding (2) .....	\$7,390,000	
Less: Exempt Debt (3) .....	<u>0</u>	<u>7,390,000</u>
Legal Debt Margin.....		<u>\$60,070,607</u>

(1) 10% of \$674,606,073 which is the District Library's Total SEV for the fiscal year ending September 30, 2019. See "Property Valuations" herein.

(2) Includes the Bonds described herein. Preliminary, subject to change.

(3) See "Statutory and Constitutional Debt Provisions" herein.

Source: Municipal Advisory Council of Michigan and the Dowagiac District Library

### Debt Statement

The following table reflects a breakdown of the District Library's direct and overlapping debt as of February 2, 2019, including the Bonds described herein. Direct debt that is shown as self-supporting is paid from sources other than the District Library's General Fund. The District Library's ability to levy tax to pay the debt service on the Bonds which are designated as Limited Tax ("LT"), is subject to applicable constitutional and statutory rate limitations. See "DISTRICT LIBRARY TAXATION AND LIMITATIONS" herein.

<b>Direct Debt</b>	<b>Gross</b>	<b>Self-Supporting</b>	<b>Net</b>
General Obligation Limited Tax Bonds:			
Dated April 9, 2019 (1) .....	\$ 7,390,000	\$ -0-	\$ 7,390,000
Total .....	<u>\$ 7,390,000</u>	<u>\$ -0-</u>	<u>\$ 7,390,000</u>



Per Capita Net City Direct Debt (2).....	\$555.39
Percent of Net Direct Debt to Total SEV (3).....	1.09%

<u>Overlapping Debt (4)</u>	<u>Gross</u>	<u>Library Share As Percent of Gross</u>	<u>Net</u>
City of Dowagiac .....	\$ 2,120,000	100.00%	\$2,120,000
Keeler (Van Burren) .....	325,325	86.66	281,927
Silver Creek (Cass) .....	519,675	95.67	497,173
Wayne (Cass).....	557,000	100.00	557,000
Cassopolis School District (Cass).....	14,780,000	0.09	13,302
Decatur (Van Buren) .....	22,166,785	5.62	1,245,773
Dowagiac union (Cass) .....	46,245,000	87.44	40,436,628
Marcellus (Cass) .....	12,375,000	0.01	1,238
Berrien County .....	3,755,698	0.03	1,127
Cass County .....	10,036,849	18.22	1,828,714
Van Buren County .....	6,350,000	3.87	245,745
Lake Michigan Community College .....	37,870,000	0.03	11,361
Southwestern Michigan College .....	<u>23,775,000</u>	22.12	<u>5,259,030</u>
Total Overlapping Debt .....	\$180,876,332		\$52,499,018
 Total Direct and Overlapping Debt.....	 <u>\$188,266,332</u>		 <u>\$59,889,018</u>

Per Capita Net Overlapping Debt (2) .....	\$3,945.51
Percent of Net Overlapping Debt to Total SEV (3).....	7.78%

Per Capita Net Direct and Overlapping Debt (2).....	\$4,500.90
Percent of Net Direct and Overlapping Debt to Total SEV (3) .....	8.87%

(1) The Bonds described herein. Preliminary, subject to change.

(2) Based on the District Library's current population estimate of 13,306.

(3) Based on \$674,606,073 which is the District Library's Total SEV for the fiscal year ending September 30, 2019.  
See "State Equalized Valuation" and "Tax Abatement" herein.

(4) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the District Library are liable in addition to debt issued by the District Library.

Source: Municipal Advisory Council of Michigan and the Dowagiac District Library

## Debt History

The District Library has no record of default on its obligations.

## Future Financing

The District Library does not anticipate issuing any additional capital financing bonds in the next twelve months.

## Defined Benefit Pension Plan

The excerpts below are from the District Library's Financial Report for the fiscal year ended September 30, 2018, Notes to Financial Statements, Note 8 – Employee Retirement and Benefit Systems – MERS. See Appendix B herein.

The District Library's defined pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The District Library participates in the Michigan Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the MERS website at <http://mersofmich.com>.

Benefits provided include a plan with a multiplier of 2.00%. Vesting periods are 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service of 55 with 15 years of service. Final average compensation is calculated based on 5 years. Member contributions are from 4.25% to 6.98%.

At the December 31, 2017 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>3</u>
Total	<u>4</u>

The District Library is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions were \$4,584 based on annual payroll for open-divisions.

The employers' net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include:

- Inflation 2.5%
- Salary increases 3.75% in the long-term
- Investment rate of return of 7.75%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%. Mortality rates used are based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend. The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%

The discount rate used to measure the total pension liability is 8.0% for 2017. The projection of cash flows used to determine the discount rates assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

	Total Pension <u>Liability</u>	Increase (Decrease) Plan Fiduciary <u>Net Position</u>	Net Pension Liability <u>(Asset)</u>
<b>Balances at 12/31/2016</b>	\$97,395	\$94,804	\$2,591
<b>Changes for the Year:</b>			
Service cost	13,189	-	13,189
Interest on total pension liability	8,188	-	8,188
Changes in benefits	-	-	-
Difference between expected & actual experience	1,757	-	1,757
Changes in assumption	-	-	-
Employer contributions		4,585	(4,585)
Employee contributions		6,119	(6,119)
Net investment income		13,086	(13,086)
Benefit payments, including employee refunds	(3,276)	(3,276)	-
Administrative expense	-	(206)	206
Other changes	(1)	-	(1)
<b>Net Changes</b>	<u>\$ 19,857</u>	<u>\$ 20,308</u>	<u>(451)</u>
<b>Balances as of 12/31/2017</b>	<u>\$117,252</u>	<u>\$115,112</u>	<u>\$ 2,140</u>

For the year ended September 30, 2018, the employer recognized pension expense of \$8,064.

## ECONOMIC PROFILE

### Major Employers

<u>Company</u>	<u>Product or service</u>	<u>Approximate # of Employees</u>
Chemical Financial Corp.	Commercial Banking	837
Dorel Home Furnishings	Non upholstered Wood Products	400
Dowagiac Union School District	Education	397
Lee Memorial Hospital	Medical Facility	275
Pokagon Band of Potawatomi	Indian Reservation	222
Creative Foam Corporation	Urethane/Foam Products	150
Autocam Corporation	Vehicle Parts Manufacturing	125
Lyons Industries Inc.	Plastic Plumbing Fixtures Manufacturing	114
Four Vineyard Place Ltd Div Housing	Lessors of Residential Buildings	75
My Metal Products & Solutions, LLC	Nonferrous Metal Die Casting	60
Michigan Die Casting LLC	Nonferrous Metal Die Casting	60

Source: Demographics Now

**Employment:**

Reflected below are the unadjusted yearly average unemployment statistics for the Cass County and the State for the calendar years 2013 through 2018.

**County of Cass:**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018(1)</u>
Employed.....	21,583	22,189	22,765	23,184	23,184	23,284
Unemployed .....	<u>1,931</u>	<u>1,603</u>	<u>1,214</u>	<u>1,145</u>	<u>1,142</u>	<u>1,147</u>
Labor Force .....	<u>23,514</u>	<u>23,792</u>	<u>23,979</u>	<u>24,326</u>	<u>24,326</u>	24,431
Unemployed as Percent of Labor Force (2) .....	8.2%	6.7%	5.1%	4.7%	4.7%	4.7%

(1) As of December 2018.

(2) Totals and percentages may differ due to rounding by the Office of Labor Market Information – Michigan Department of Career Development.

Source: Office of Labor Market Information – Michigan Department of Career Development

**State of Michigan:**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018 (1)</u>
Employed.....	4,308,000	4,402,900	4,493,000	4,599,000	4,657,000	4,691,000
Unemployed .....	<u>416,000</u>	<u>344,000</u>	<u>258,000</u>	<u>241,000</u>	<u>227,000</u>	<u>207,000</u>
Labor Force .....	<u>4,724,000</u>	<u>4,754,000</u>	<u>4,751,000</u>	<u>4,840,000</u>	<u>4,884,000</u>	<u>4,898,000</u>
Unemployed as Percent of Labor Force (2) .....	8.8%	7.2%	5.4%	5.0%	4.6%	4.2%

(1) As of December 2018.

(2) Totals and percentages may differ due to rounding by the Office of Labor Market Information – Michigan Department of Career Development.

Source: Office of Labor Market Information – Michigan Department of Career Development

## **APPENDIX B**

### **AUDITED FINANCIAL STATEMENTS**

#### **DOWAGIAC DISTRICT LIBRARY, MICHIGAN**

This Appendix contains the basic financial statements (excluding required supplemental information) and related notes from the Dowagiac District Library Annual Financial Report for the fiscal year ended September 30, 2018. The basic financial statements and related notes were prepared by the District Library in accordance with generally accepted accounting principles and were audited by Kruggel Lawton CPA, St. Joseph, Michigan. Kruggel Lawton CPA has not been asked to consent to the use of information from such audited Financial Statements in the Preliminary Official Statement nor the Final Official Statement and have not conducted any subsequent review of such audited Financial Statements or of the information presented in this Appendix B. The District Library's Director has advised, and will certify to the Underwriter, that the information contained in this appendix fairly represents the financial condition of the District Library and there has been no material adverse change in the financial condition of the District Library from the date of the independent auditor's report to the date of delivery of the Bonds.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

---

**DOWAGIAC DISTRICT LIBRARY  
DOWAGIAC, MICHIGAN  
SEPTEMBER 30, 2018**



**Dowagiac District Library**

**FINANCIAL REPORT  
WITH SUPPLEMENTARY INFORMATION**

**September 30, 2018**

**CONTENTS**

**PAGE**

INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 5
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Statement of Net Position	6
Government-wide Statement of Activities	7
Governmental Funds Balance Sheet	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	9
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	11
Notes to Financial Statements	12 - 22
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule – General Fund	23
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	24
Schedule of Employer's Contributions	25



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Dowagiac District Library  
Dowagiac, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Dowagiac District Library (the "Library") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Library'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.

### Auditor's 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 from 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 auditor's 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.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Dowagiac District Library, as of September 30, 2018, 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.

## INDEPENDENT AUDITOR'S REPORT, CONCLUDED

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the employer's net pension liability and related ratios, and schedule of employer's contributions 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.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Kruggel Lawton &amp; Company, LLC'.

Certified Public Accountants

St. Joseph, Michigan  
February 1, 2019



**DOWAGIAC DISTRICT LIBRARY****MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Dowagiac District Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the library exceeded its liabilities and deferred inflows at the close of the most recent year by \$1,260,315 and, of this amount, \$803,695 is unrestricted and may be used to meet the Library's ongoing obligations to citizens and creditors.
- The library's total net position increased by \$33,918 and \$39,119 for 2018 and 2017, respectively.
- As of the close of the current year, the Library's governmental funds reported an ending fund balance of \$799,616. For this year, revenues exceeded expenditures by \$34,263.
- Unassigned fund balance for the General Fund was \$607,423 or 160.95% and \$583,194 or 144.78% of the total General Fund expenditures for 2018 and 2017, respectively.

**OVERVIEW OF FINANCIAL STATEMENT**

This annual report consists of three parts – *management's discussion and analysis (this section)*, *the basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the library:

- The *government-wide statements* provide both *long-term* and *short-term* information about the Library's overall financial status. The Statement of Net Position and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.
- The *fund financial statements* focus on the current financial resources and provide a more detailed view about the accountability of the library's sources and uses of funds, using the modified accrual basis of accounting. The majority of the Library's revenues and expenditures are reported in the General Fund. The Capital Projects Fund reports funding related to certain long-term projects.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**DOWAGIAC DISTRICT LIBRARY****MANAGEMENT'S DISCUSSION AND ANALYSIS****GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the library, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$1,260,315 at the close of the most recent year. A portion of the Library's net position, \$456,620 are reflected in its investment in capital assets, less any related debt used to acquire those assets. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The following table compares key financial information in a condensed format:

	2018	2017
Current assets	\$ 805,755	\$ 783,175
Noncurrent assets	456,620	455,586
Total Assets	<u>\$ 1,262,375</u>	<u>\$ 1,238,761</u>
Deferred outflows of resources	<u>\$ 8,240</u>	<u>\$ 12,192</u>
Current liabilities	\$ 7,179	\$ 18,862
Noncurrent liabilities	2,140	2,591
Total Liabilities	<u>\$ 9,319</u>	<u>\$ 21,453</u>
Deferred inflows of resources	<u>\$ 981</u>	<u>\$ 3,103</u>
Net Position		
Net investment in capital assets	\$ 456,620	\$ 455,586
Unrestricted	803,695	770,811
Total Net Position	<u><u>\$ 1,260,315</u></u>	<u><u>\$ 1,226,397</u></u>
Revenues:		
Taxes	\$ 347,075	\$ 338,966
Other	94,463	85,969
Total Revenues	<u>\$ 441,538</u>	<u>\$ 424,935</u>
Expenses-library services	<u>\$ 407,620</u>	<u>\$ 385,816</u>
Change in Net Position	<u><u>\$ 33,918</u></u>	<u><u>\$ 39,119</u></u>

The unrestricted net position of \$803,695 may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current year, the Library is able to report positive balances of net position for its governmental activities.

The Library's net position shows an increase of \$33,918.

The Library's government-wide revenues were relatively consistent with the prior year, increasing by \$16,603. Expenses increased by \$21,804 compared to the prior year, largely due to increased total salary and wage expenses, as well as book expenditures.

**DOWAGIAC DISTRICT LIBRARY****MANAGEMENT'S DISCUSSION AND ANALYSIS****GOVERNMENTAL FUND ANALYSIS**

As noted earlier, the library uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds.** The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Library's governmental funds reported ending fund balance of \$799,616, an increase of \$34,263. Of this amount, \$607,423 of the fund balance constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

**LIBRARY GENERAL FUND BUDGETARY HIGHLIGHTS**

The following significant differences between the General Fund final amended budget and the actual results are as follows:

Final actual revenues exceeded final budgeted revenues by \$30,377. This was largely due to property tax collections being higher than budgeted amounts, offset partially by penal fines being less than budgeted amounts.

Final actual expenses were under final budgeted expenses by \$41,276. This was largely attributable to salaries and employee benefits being lower than budgeted amounts, offset partially by audios, videos and periodicals being higher than budgeted amounts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

During current year, the Library invested in capital assets for its governmental activities of \$64,944 (before depreciation). This investment includes costs associated with the planned building expansion, and library books.

The Library had no outstanding long-term debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and financially prudent budget for the 2019 fiscal year that will promote several of the Library's activities and programs.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Dowagiac District Library, 211 Commercial Street, Dowagiac, Michigan 49047.

**DOWAGIAC DISTRICT LIBRARY****GOVERNMENT-WIDE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 803,626
Prepaid expenditures	2,129
Total current assets	<u>\$ 805,755</u>
Noncurrent assets	
Capital assets not subject to depreciation	\$ 130,238
Capital assets subject to depreciation, net	326,382
Total noncurrent assets	<u>\$ 456,620</u>
Total assets	<u>\$ 1,262,375</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to pensions	<u>\$ 8,240</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 1,224
Accrued payroll and liabilities	5,955
Total current liabilities	<u>\$ 7,179</u>
Noncurrent liabilities	
Net pension liability	\$ 2,140
Total liabilities	<u>\$ 9,319</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to pensions	<u>\$ 981</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 456,620
Unrestricted	803,695
Total net position	<u><u>\$ 1,260,315</u></u>

*The Notes to the Financial Statements are an integral part of this statement*

**DOWAGIAC DISTRICT LIBRARY**

**GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2018**

	Program Revenue				Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Functions/Programs</b>					
Primary Government-					
<i>Governmental Activities</i>					
General government	\$ 407,620	\$ -	\$ -	\$ -	\$ (407,620)
Total primary government	<u>\$ 407,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (407,620)</u>
<b>General Revenue</b>					
Taxes					\$ 347,075
State sources					21,340
Penal fines					38,061
Investment income					908
Other revenues					34,154
Total general revenue					<u>\$ 441,538</u>
<b>Change in Net Position</b>					\$ 33,918
<b>Net Position - Beginning of year</b>					1,226,397
<b>Net Position - End of year</b>					<u>\$ 1,260,315</u>

*The Notes to the Financial Statements are an integral part of this statement*

**DOWAGIAC DISTRICT LIBRARY**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2018**

	General Fund	Capital Projects Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 611,433	\$ 192,193	\$ 803,626
Prepaid expenditures	2,129	-	2,129
Total assets	<u>\$ 613,562</u>	<u>\$ 192,193</u>	<u>\$ 805,755</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 1,224	\$ -	\$ 1,224
Accrued payroll and liabilities	4,915	-	4,915
Total liabilities	<u>\$ 6,139</u>	<u>\$ -</u>	<u>\$ 6,139</u>
<b>Fund Balances</b>			
Unrestricted	\$ 607,423	\$ -	\$ 607,423
Committed for capital projects	-	192,193	192,193
Total fund balances	<u>\$ 607,423</u>	<u>\$ 192,193</u>	<u>\$ 799,616</u>
Total liabilities and fund balances	<u>\$ 613,562</u>	<u>\$ 192,193</u>	<u>\$ 805,755</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**DOWAGIAC DISTRICT LIBRARY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
September 30, 2018**

<b>Total Fund Balance - Governmental Funds</b>	\$ 799,616
Amounts reported in the Statement of Net Position are different because:	
Net capital assets used in governmental activities are not financial resources and are not reported in the funds	456,620
Deferred outflows of resources related to pension plan	8,240
Long-term obligations are not due and payable in the current period and are not reported in the funds - compensated absences	(1,040)
Net pension liability	(2,140)
Deferred inflows related to pension plan	(981)
<b>Total Net Position - Governmental Activities</b>	<u><u>\$ 1,260,315</u></u>

**DOWAGIAC DISTRICT LIBRARY**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED SEPTEMBER 30, 2018**

	General Fund	Capital Projects Fund	Total
<b>Revenues:</b>			
Taxes	\$ 347,075	\$ -	\$ 347,075
State sources	21,340	-	21,340
Fees and book fines	11,528	-	11,528
Penal fines	38,061	-	38,061
Investment income	354	554	908
Local contributions and other	22,626	-	22,626
Total revenues	<u>\$ 440,984</u>	<u>\$ 554</u>	<u>\$ 441,538</u>
<b>Expenditures:</b>			
Salaries	\$ 189,697	\$ -	\$ 189,697
Payroll taxes	14,239	-	14,239
Employee benefits	18,637	-	18,637
Workers compensation	505	-	505
Office supplies	5,477	-	5,477
Professional fees	15,300	-	15,300
Contractual services	11,730	-	11,730
Telephone	4,159	-	4,159
Travel and training	1,800	-	1,800
Community promotion and outreach	5,699	-	5,699
Insurance	4,520	-	4,520
Utilities	17,143	-	17,143
Repairs and maintenance	31,888	-	31,888
Miscellaneous	941	-	941
Books	27,278	-	27,278
Audios, videos, and periodicals	15,325	-	15,325
Capital outlay	13,060	29,877	42,937
Total expenditures	<u>\$ 377,398</u>	<u>\$ 29,877</u>	<u>\$ 407,275</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ 63,586</u>	<u>\$ (29,323)</u>	<u>\$ 34,263</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in (out)	<u>\$ (221,516)</u>	<u>\$ 221,516</u>	<u>\$ -</u>
<b>Net Change in Fund Balance</b>	\$ (157,930)	\$ 192,193	\$ 34,263
<b>Fund Balance - Beginning of Year</b>	765,353	-	765,353
<b>Fund Balance - End of Year</b>	<u><u>\$ 607,423</u></u>	<u><u>\$ 192,193</u></u>	<u><u>\$ 799,616</u></u>

The Notes to the Financial Statements are an integral part of this statement.

The Notes to the Financial Statements are an integral part of this statement.

**DOWAGIAC DISTRICT LIBRARY****RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2018**

<b>Net Change in Fund Balance - Governmental Funds</b>	<b>\$ 34,263</b>
Amounts reported in the Statement of Activities are difference because:	
Governmental funds report capital outlay as expenditures: in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(63,910)
Capital outlay	64,944
Net change in pension expense related to pension	(1,379)
<b>Change in Net Position - Governmental Activities</b>	<b><u>\$ 33,918</u></b>

**DOWAGIAC DISTRICT LIBRARY****NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018****NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Dowagiac District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

The Library has implemented the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* ("GASB 34"). The Statements include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

**Reporting Entity**

The Library is comprised of all the territory that is currently located within the jurisdictional limits of the City of Dowagiac, Cass County, Wayne Township, and Dowagiac Union Schools that is not part of the Eau Claire District Library. Accordingly, the Dowagiac District Library district includes a portion of the County of Cass, and significantly lesser portions of the Counties of Van Buren and Berrien and the State of Michigan.

The Library is funded primarily through property taxes, state aid, penal fines, grants, and donations. The voters of the libraries approved a permanent .75 mill tax, which began with the tax levy effective December 1, 2005.

The Library is governed by an appointed board (the "Library Board") which consists of seven members. The Dowagiac Union Schools provides three members; and Wayne Township and the City of Dowagiac each provides two members.

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

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

## NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**Government-wide Financial Statements, Continued**

The Statement of Net Position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net position are reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following major governmental funds:

The **General Fund** is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Projects Fund** accounts for funding set aside for, and spent on, long-term projects. Funds are accumulated over multiple account periods. Funds are provided primarily through transfers from the General Fund.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

**Capital Assets** – Capital assets are defined by the Library as assets with an estimated useful life in excess of one year and exceed \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

## NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued**

**Capital Assets, Concluded** - Building and improvements, furniture and fixtures, equipment, and library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 years
Furniture and equipment	5 – 10 years
Library books, periodicals, etc.	10 years

**Compensated Absences (Vacation and Sick Leave)** – It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end. As of September 30, 2018, the Library has accrued \$1,040 in the government-wide financial statements for unpaid compensated absences.

**Property Taxes** – Properties are assessed as of September 30. The related property taxes are billed and become a lien on December 1<sup>st</sup> of the following year, at which time the Library recognizes the levy. These taxes are due on February 15<sup>th</sup> with the final collection date of February 28<sup>th</sup>. Starting March 1<sup>st</sup>, they are added to the county tax rolls.

**Use of 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 and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amount of expenditures during the reported period. Actual results may differ from those estimates.

**Deferred Outflows of Resources** — In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Library has only one item in this category. That is deferred outflows related to pensions.

**Deferred Inflows of Resources** — In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The Library has only one item in this category. That is deferred inflows related to pensions.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

## NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued

**Fund Balance** – The following are the Library’s fund balance classifications:

**Nonspendable fund balance** - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted fund balance** - includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively restrictions may be changed or lifted only with the consent of resource providers.

**Committed fund balance**- includes amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally.

**Assigned fund balance** – includes amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed.

**Unassigned fund balance** – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the General Fund.

**Fund Equity Flow Assumptions** – Sometimes the Library will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library’s policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Net Position Flow Assumption** – Sometimes the Library will fund outlays for particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

## NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Concluded

**Pension** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and net pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (“MERS”) of Michigan and additions to/deductions from MERS’ fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Comparative Data** — Comparative data is not included in the Library’s financial statements.

## NOTE 2. DEPOSITS AND INVESTMENTS

At September 30, 2018, the Libraries deposits and investments include the following:

	Cash and Cash Equivalents
Cash on hand	\$ 100
Bank deposits	803,526
Total	<u>\$ 803,626</u>

**Bank Deposits** – All cash of the Library is on deposit with financial institutions which provide FDIC insurance coverage.

**Custodial Credit Risk-Deposits** - In the case of deposits, this is the risk that in the event of a bank failure, the Library’s deposits may not be returned to it. Accounts at each financial institution are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. As of September 30, 2018 all of the Library’s bank deposits were insured.

**Investments** – The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, banker’s acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

The Library does not have a policy for interest rate, credit, concentration of credit, or custodial risk relating to investments.

**Foreign Currency Risk** - The Library is not authorized to invest in investments, which have this type of risk.

## DOWAGIAC DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

## NOTE 2. DEPOSITS AND INVESTMENTS, CONCLUDED

**Fair Value Measurement** - The Library categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Library has no assets with recurring fair value measurements as of September 30, 2018.

## NOTE 3. BUDGET INFORMATION

The annual budget is prepared by the Library Director and adopted by the Library Board of Trustees; subsequent amendments are approved by the Library Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. There were no encumbrances outstanding at September 30, 2018. During the current year, the budget was amended in a legally permissible manner. The budget statement (Statement of Revenue, Expenditures and Changes in Fund Balance – budget and actual) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the actual results of operations of the General Fund budget, as adopted by the Library Board, is available at the Library for inspection.

**Excess of Expenditures Over Appropriations in Major Budgeted Funds**—During the year, the Library incurred the following expenditures that were over budget:

Fund	Expense	Final Amended Budget	Actual	Variance
General	Payroll taxes	\$ 14,000	\$ 14,239	\$ (239)
General	Telephone	4,000	4,159	(159)
General	Insurance	4,500	4,520	(20)
General	Audios, videos, and periodicals	10,000	15,325	(5,325)
General	Capital outlay	12,800	13,060	(260)

Funds sufficient to provide for the excess expenditures were made available from other functions within the respective funds, and the excess had no impact on the financial results of the Library.

**Fund Deficits**—The Library has no accumulated fund balance deficits in their reported funds.

## NOTE 4. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library obtains general liability insurance to cover those risks at a cost it considers to be economically justifiable.

## DOWAGIAC DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

## NOTE 5. INTERFUND TRANSFERS

The following are interfund transfers that occurred during the year:

Transfer In	Transfer Out	Amount
Capital Projects Fund	General Fund	\$ 221,516

The General Fund transferred amounts to the Capital Projects Fund for the purpose of current and expected costs of future capital projects, especially the planned building expansion.

## NOTE 6. OPERATING LEASE

The Library has entered into an operating lease for the rental for the Library building with the City of Dowagiac. The lease requires that the Library pay the City \$1 per year. The Library is responsible for all of the costs of using, owning, operating, managing, insuring, repairing, maintaining and equipping the building.

## NOTE 7. CAPITAL ASSETS

Capital asset activity of the Library's governmental activities was as follows:

	Beginning of Year	Additions	Disposals and Adjustments	End of Year
<b>Nondepreciable capital assets:</b>				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Construction in progress	40,749	29,489	-	70,238
Subtotal	\$ 100,749	\$ 29,489	\$ -	\$ 130,238
<b>Depreciable capital assets:</b>				
Building and improvements	\$ 371,693	\$ 2,837	\$ -	\$ 374,530
Furniture and fixtures	84,533	5,340	-	89,873
Books, audiovisual, periodicals	332,461	27,278	-	359,739
Subtotal	\$ 788,687	\$ 35,455	\$ -	\$ 824,142
Less: Accumulated depreciation				
Building and improvements	\$ (211,118)	\$ (19,507)	\$ -	\$ (230,625)
Furniture and fixtures	(59,136)	(8,430)	-	(67,566)
Books, audiovisual, periodicals	(163,596)	(35,973)	-	(199,569)
Subtotal	\$ (433,850)	\$ (63,910)	\$ -	\$ (497,760)
Net depreciable capital assets	\$ 354,837			\$ 326,382
Net capital assets	\$ 455,586			\$ 456,620

Capital assets, including library books, are recorded at cost. Depreciation expense was \$63,910 for the year ended September 30, 2018.



NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

## NOTE 8. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS – MERS

**Defined benefit pension plan**

**Plan description** – The Library’s defined pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Library participates in the Michigan Municipal Employees’ Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the MERS website at <http://www.mersofmich.com>.

**Benefits provided**- Benefits provided include a plan with a multiplier of 2.00%. Vesting periods are 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. Final average compensation is calculated based on 5 years. Member contributions are from 4.25% to 6.98%.

**Employees covered by benefit terms** – At the December 31, 2017 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to, but not yet receiving, benefits	0
Active employees	3
	<u>4</u>

**Contributions** – The Library is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions were \$4,584 based on annual payroll for open-divisions.

**Net pension liability/asset** – The employers’ net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

**Actuarial assumptions** – The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include:

- Inflation 2.5%
- Salary increases 3.75% in the long-term
- Investment rate of return of 7.75%, net of investment expense, including inflation.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

## NOTE 8. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS – MERS, CONTINUED

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Global equity	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%

**Discount rate** – The discount rate used to measure the total pension liability is 8.0% for 2017. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

## NOTE 8. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS – MERS, CONTINUED

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Beginning Balance at 12-31-16</b>	\$ 97,395	\$ 94,804	\$ 2,591
<b>Changes for the Year</b>			
Service cost	13,189	-	13,189
Interest on the total pension liability	8,188	-	8,188
Changes in benefits	-	-	-
Difference between expected and actual experience	1,757	-	1,757
Changes in assumptions	-	-	-
Employer contributions		4,585	(4,585)
Employee contributions		6,119	(6,119)
Net investment income		13,086	(13,086)
Benefit payments, including employee refunds	(3,276)	(3,276)	-
Administrative expense	-	(206)	206
Other changes	(1)	-	(1)
<b>Net changes</b>	<u>\$ 19,857</u>	<u>\$ 20,308</u>	<u>\$ (451)</u>
<b>Ending Balance at 12-31-17</b>	<u>\$ 117,252</u>	<u>\$ 115,112</u>	<u>\$ 2,140</u>

**Sensitivity of the net pension liability/asset to changes in the discount rate** – The following presents the net pension liability/asset of the employer, calculated using the discount rate of 8.00%, as well as what the employer's net pension liability/asset would be using a discount rate that is 1% point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% decrease (7.00%)	Current discount rate (8.00%)	1% increase (9.00%)
Net Pension (Asset) Liability	\$ -	\$ 2,140	\$ -
Change in Net Pension			
(Asset) Liability (NPL)	11,225	-	(9,638)
Calculated NPL (NPA)	<u>\$ 13,365</u>	<u>\$ 2,140</u>	<u>\$ (7,498)</u>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

## NOTE 8. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS – MERS, CONCLUDED

**Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions** – For the year ended September 30, 2018, the employer recognized pension expense of \$8,064. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences in experience	\$ -	\$ 981
Differences in assumptions	1,666	-
Excess (Deficit) Investment Returns	769	-
Contributions subsequent to the measurement date*	5,805	-
<b>Total</b>	<u>\$ 8,240</u>	<u>\$ 981</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ending 2018.

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

Year Ended	
2019	\$ 1,741
2020	1,482
2021	(934)
2022	(1,495)
2023	219
2024 - 2025	441
	<u>\$ 1,454</u>

## NOTE 9. TAX ABATEMENTS

Management has evaluated tax abatements related to the Library and determined there are no material abatements for disclosure as of September 30, 2018.

## NOTE 10. SUBSEQUENT EVENTS

At the election on November 6, 2018, voters in the Library's jurisdiction passed a millage of 1 mill for 20 years, from 2018 to 2037, for the purpose of providing funds for all Library purposes authorized by law, including expanding, renovating, furnishing and equipping the Library building and making related improvements. This millage is expected to generate approximately \$523,000 in its first year. This revenue will first be recognized in the 2019 fiscal year.

# REQUIRED SUPPLEMENTARY INFORMATION

## DOWAGIAC DISTRICT LIBRARY

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND YEAR ENDED SEPTEMBER 30, 2018				
	Originally Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 332,000	\$ 332,000	\$ 347,075	\$ 15,075
State sources	6,000	6,000	21,340	15,340
Fees and book fines	4,000	4,000	11,528	7,528
Penal fines	54,700	54,700	38,061	(16,639)
Investment income	1,500	1,500	354	(1,146)
Local contributions and other	8,907	12,407	22,626	10,219
Total revenues	<u>\$ 407,107</u>	<u>\$ 410,607</u>	<u>\$ 440,984</u>	<u>\$ 30,377</u>
<b>Expenditures:</b>				
Salaries	\$ 195,700	\$ 195,700	\$ 189,697	\$ 6,003
Payroll taxes	14,000	14,000	14,239	(239)
Employee benefits	32,000	32,000	18,637	13,363
Workers compensation	1,200	1,200	505	695
Office supplies	6,000	6,000	5,477	523
Professional fees	17,740	18,240	15,300	2,940
Contractual services	13,500	13,500	11,730	1,770
Telephone	4,000	4,000	4,159	(159)
Travel and training	2,000	2,100	1,800	300
Community promotion and outreach	8,000	8,000	5,699	2,301
Insurance	4,500	4,500	4,520	(20)
Utilities	21,000	21,000	17,143	3,857
Repairs and maintenance	33,022	38,222	31,888	6,334
Miscellaneous	3,412	3,412	941	2,471
Books	44,000	34,000	27,278	6,722
Audios, videos, and periodicals	10,000	10,000	15,325	(5,325)
Capital outlay	18,000	12,800	13,060	(260)
Total expenditures	<u>\$ 428,074</u>	<u>\$ 418,674</u>	<u>\$ 377,398</u>	<u>\$ 41,276</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ (20,967)</u>	<u>\$ (8,067)</u>	<u>\$ 63,586</u>	<u>\$ 71,653</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in (out)	\$ -	\$ (221,516)	\$ (221,516)	\$ -
<b>Net Change in Fund Balance</b>	<u>\$ (20,967)</u>	<u>\$ (229,583)</u>	<u>\$ (157,930)</u>	
<b>Fund Balance-Beginning of Year</b>	<u>765,353</u>	<u>765,353</u>	<u>765,353</u>	
<b>Fund Balance-End of Year</b>	<u><u>\$ 744,386</u></u>	<u><u>\$ 535,770</u></u>	<u><u>\$ 607,423</u></u>	

**DOWAGIAC DISTRICT LIBRARY**
**SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS  
PLAN YEAR ENDED DECEMBER 31<sup>ST</sup>**

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 13,189	\$ 13,870	\$ 9,621	\$ 3,321
Interest	8,188	7,106	5,739	4,926
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	1,757	(4,040)	440	-
Changes of assumptions	-	-	4,162	-
Benefit payments including employee refunds	(3,276)	(2,862)	(2,862)	(238)
Other	(1)	-	41	-
<b>Net Change in Total Pension Liability</b>	<b>\$ 19,857</b>	<b>\$ 14,074</b>	<b>\$ 17,141</b>	<b>\$ 8,009</b>
<b>Total Pension Liability Beginning</b>	<b>\$ 97,395</b>	<b>\$ 83,321</b>	<b>\$ 66,180</b>	<b>\$ 58,171</b>
<b>Total Pension Liability Ending</b>	<b>\$ 117,252</b>	<b>\$ 97,395</b>	<b>\$ 83,321</b>	<b>\$ 66,180</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 4,585	\$ 4,824	\$ 5,633	\$ 1,842
Contributions - employee	6,119	5,311	3,687	1,674
Net Investment income	13,086	9,356	(1,184)	4,267
Benefit payments including employee refunds	(3,276)	(2,862)	(2,862)	(238)
Administrative expense	(206)	(184)	(167)	(159)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 20,308</b>	<b>\$ 16,445</b>	<b>\$ 5,107</b>	<b>\$ 7,386</b>
<b>Plan Fiduciary Net Position Beginning</b>	<b>\$ 94,804</b>	<b>\$ 78,359</b>	<b>\$ 73,252</b>	<b>\$ 65,866</b>
<b>Plan Fiduciary Net Position Ending</b>	<b>\$ 115,112</b>	<b>\$ 94,804</b>	<b>\$ 78,359</b>	<b>\$ 73,252</b>
<b>Employer Net Pension Liability (Asset)</b>	<b>\$ 2,140</b>	<b>\$ 2,591</b>	<b>\$ 4,962</b>	<b>\$ (7,072)</b>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)</b>	98%	97%	94%	111%
<b>Covered Employee Payroll</b>	<b>\$ 110,023</b>	<b>\$ 104,072</b>	<b>\$ 76,319</b>	<b>\$ 23,981</b>
<b>Employer's Net Pension Liability (Asset) as a percentage of covered employee payroll</b>	2%	2%	7%	-29%

*This Schedule is required to be presented for 10 years and is being presented prospectively since adoption.*

**DOWAGIAC DISTRICT LIBRARY**
**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
PLAN YEAR ENDED DECEMBER 31<sup>ST</sup>**

	2017	2016	2015	2014
Actuarial determined contributions	\$ 4,585	\$ 4,824	\$ 5,633	\$ 1,842
Contributions in relation to the actuarially determined contribution	4,585	4,824	5,633	1,842
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
<b>Covered employee payroll</b>	<b>\$ 110,023</b>	<b>\$ 104,072</b>	<b>\$ 76,319</b>	<b>\$ 23,981</b>
<b>Contributions as a percentage of covered employee payroll</b>	2%	2%	7%	8%
<b>Notes to Schedule:</b>				
Actuarial cost method	Entry age			
Amortization method	Level percentage of payroll, open			
Remaining amortization period	23 years			
Asset valuation method	5 year smoothed			
Inflation	2.5%			
Salary increases	3.75%			
Investment rate of return	8.00%			
Retirement age	Varies depending on plan adoption			
Mortality	50% Female/50% Male 1994 Group Annuity Mortality Table			

*This Schedule is required to be presented for 10 years and is being presented prospectively since adoption.*

## **APPENDIX C**

### **Dowagiac District Library**

#### **SELECTED GENERAL FUND FINANCIAL INFORMATION**

##### **Fiscal Years Ended September 30, 2016, 2017 and 2018**

This Appendix contains excerpts from the District Library's annual financial reports for the fiscal years ended September 30, 2016, 2017 and 2018. The information contained in this Appendix does not include all of the financial information and disclosures required for a fair presentation of the District Library's financial position or its financial position in conformity with generally accepted accounting principles. The District Library's complete financial statements are available upon request to:

Dowagiac District Library  
211 Commercial Street  
Dowagiac, Michigan 49047  
Telephone: (269) 782-38269  
[www.dowagiacdl.org](http://www.dowagiacdl.org)

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

**Dowagiac District Library**  
**General Fund**  
**Balance Sheet – Statement of Net Position**  
**Fiscal Years Ended September 30, 2016, 2017 and 2018**

	September 30		
<u>ASSETS</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Current Assets:			
Cash and cash equivalents .....	\$755,229	\$778,115	\$611,433
Accounts receivable .....	2,200	0	0
Prepaid expenditures .....	<u>2,372</u>	<u>5,060</u>	<u>2,129</u>
Total Current Assets .....	<u>\$759,801</u>	<u>\$783,175</u>	<u>\$613,562</u>
Total Assets .....	<u>\$759,801</u>	<u>\$783,175</u>	<u>\$613,562</u>
 <u>LIABILITIES &amp; FUND BALANCES/NET POSITION:</u>			
LIABILITIES:			
Accounts payable .....	\$ 12,654	\$ 13,253	\$ 1,224
Accrued payroll and liabilities .....	<u>3,074</u>	<u>4,569</u>	<u>4,915</u>
Total Liabilities .....	<u>\$ 15,728</u>	<u>17,822</u>	<u>\$6,139</u>
 <u>FUND BALANCE/NET POSITION</u>			
FUND BALANCES:			
Non-spendable .....	2,372	5,060	0
Committed .....	272,686	169,632	0
Assigned .....	15,191	7,467	0
Unassigned/unrestricted .....	<u>453,824</u>	<u>583,194</u>	<u>607,423</u>
Total Fund Balances .....	<u>744,073</u>	<u>765,353</u>	<u>607,423</u>
Total Liabilities and Fund Balance .....	<u>\$ 759,801</u>	<u>\$783,175</u>	<u>\$613,562</u>

**Dowagiac District Library**  
**General Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Fiscal Years Ended September 30, 2016, 2017 and 2018**

	September 30		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>REVENUES:</u></b>			
Taxes .....	\$ 343,361	\$ 338,966	\$ 374,075
State sources .....	8,701	8,703	21,340
Fees and book fines .....	2,420	8,892	11,528
Penal fines .....	46,624	51,006	38,061
Investment income .....	735	1,611	354
Local contributions and other .....	<u>20,924</u>	<u>15,757</u>	<u>22,626</u>
Total Revenues .....	<u>\$ 422,765</u>	<u>\$ 424,935</u>	<u>\$ 440,984</u>
<b><u>EXPENDITURES</u></b>			
Salaries .....	\$ 150,689	\$ 174,057	\$ 189,697
Payroll taxes .....	11,212	12,887	14,239
Employee benefits .....	20,901	18,424	18,637
Workers compensation .....	631,	375	505
Office supplies .....	5,506	5,156	5,477
Professional fees .....	11,565	17,684	15,300
Contractual services .....	11,890	11,845	11,730
Telephone .....	3,932	3,854	4,159
Travel and training .....	855	1,064	1,800
Community promotion and outreach .....	6,527	6,073	5,699
Insurance .....	1,189	3,677	4,520
Utilities .....	16,566	17,068	17,143
Repairs and maintenance .....	29,026	31,022	31,888
Miscellaneous .....	6,181	1,693	941
Books .....	36,600	34,211	27,278
Audio, videos and periodicals .....	7,741	9,432	15,325
Capital Outlay .....	<u>30,972</u>	<u>55,133</u>	<u>13,060</u>
Total Expenditures .....	<u>\$ 351,983</u>	<u>\$ 403,655</u>	<u>\$ 377,398</u>
Excess of Revenue Over (Under) Expenditures .....	<u>70,782</u>	<u>21,280</u>	<u>63,586</u>
Operating transfers in (out) .....	<u>0</u>	<u>0</u>	<u>(221,516)</u>
Net Change in Fund Balance .....	-	-	(157,930)
Fund Balances, Beginning of Year .....	<u>\$ 673,291</u>	<u>\$ 744,073</u>	<u>\$ 765,353</u>
Fund Balances, End of Year .....	<u>\$ 744,073</u>	<u>\$ 765,353</u>	<u>\$ 607,423</u>



**APPENDIX D**  
**FORM OF APPROVING OPINION**

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

**[FORM OF APPROVING OPINION OF BOND COUNSEL]**

\_\_\_\_\_, 2019

Dowagiac District Library  
Counties of Cass, Berrien and Van Buren, Michigan

Ladies and Gentlemen:

We have acted as bond counsel to the Dowagiac District Library, Counties of Cass, Berrien and Van Buren, State of Michigan (the "***District Library***"), in connection with the issuance by the District Library of its 2019 Library Building and Site Bonds (General Obligation Limited Tax), dated the date of delivery, in the original aggregate principal amount of \$\_\_\_\_\_ (the "***Bonds***"). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that under existing law:

1. The Bonds are valid and legally binding obligations of the District Library.
2. The limited tax full faith and credit of the District Library have been pledged for the payment of the principal of and interest on the Bonds when due. The principal of and interest on the Bonds are payable as a first budget obligation of the District Library from its general fund. Taxes imposed by the District Library for payment of such principal and interest are subject to applicable constitutional and statutory tax rate limitations.
3. The Bonds and the interest thereon are exempt from all taxation by the State of Michigan, or a political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment, or other disposition thereof.
4. The interest on the Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in clause (a) above is subject to the condition that the District Library comply with all requirements of the Internal Revenue Code of 1986, as amended (the "***Code***"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. The District Library has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The District

Dowagiac District Library

\_\_\_\_\_, 2019

Page 2

Library has designated the Bonds as "qualified tax-exempt obligations" described in Section 265(b)(3)(B) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

We express no opinion herein regarding the accuracy, adequacy or completeness of the official statement relating to the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, now existing or hereafter enacted, and that their enforcement also may be subject to general principles of equity and the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

FOSTER SWIFT COLLINS & SMITH, P.C.

**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

## CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the Dowagiac District Library, Counties of Cass, Berrien and Van Buren, State of Michigan (the “District Library”), in connection with the issuance of its 2019 Library Building and Site Bonds (General Obligation Limited Tax) (the “Bonds”). The District Library covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

- (a) *Definitions.* The following terms used herein shall have the following meanings:

“Audited Financial Statements” means the annual audited financial statement pertaining to the District Library prepared by an individual or firm of independent certified public accountants as required by Michigan law, which presently requires preparation in accordance with generally accepted accounting principles applicable to a governmental unit.

“Bondholders” shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

“EMMA” shall mean the MSRB's Electronic Municipal Market Access System, or such other system, Internet Web site, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

“SEC” means the United States Securities and Exchange Commission.

- (b) *Continuing Disclosure.* The District Library hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA, on or before the last day of the 6th month after the end of the fiscal year of the District Library, the following annual financial information and operating data, commencing with the fiscal year ended September 30, 2019, in an electronic format as prescribed by the MSRB:

- (1) Updates of the numerical financial information and operating data included in the official statement of the District Library relating to the Bonds (the “Official Statement”) appearing in the Tables in the Official Statement as described below:

- (a) Library Services and Circulation;
- (b) State Equalized Valuations and Taxable Valuations;
- (c) District Library Property Tax Rates;
- (d) Other Tax Rate Limitations and Expiration Dates;
- (e) Operating Tax Levies and Collections;
- (f) Largest Taxpayers;
- (g) Legal Debt Margin;
- (h) Debt Statement; and;
- (i) Defined Benefit Pension Plan.

(2) The Audited Financial Statements. Provided, however, that if the Audited Financial Statements are not available by the date specified above, they shall be provided when available and unaudited financial statements will be filed by such date and the Audited Financial Statements will be filed as soon as available.

(3) Such additional financial information or operating data as may be determined by the District Library and its advisors as desirable or necessary to comply with the Rule.

Such annual financial information and operating data described above are expected to be provided directly by the District Library or by specific reference to documents available to the public through EMMA or filed with the SEC.

If the fiscal year of the District Library is changed, the District Library shall send a notice of such change to the MSRB through EMMA, prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(c) *Notice of Failure to Disclose.* The District Library agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of a failure by the District Library to provide the annual financial information with respect to the District Library described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) *Occurrence of Events.* The District Library agrees to provide or cause to be provided to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule 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 holders of the Bonds, if material;
- (8) bond calls, if material;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) tender offers;
- (13) bankruptcy, insolvency, receivership or similar event of the District Library, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District Library in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District Library, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District Library;
- (14) the consummation of a merger, consolidation, or acquisition involving the District Library or the sale of all or substantially all of the assets of the District Library, 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;
- (15) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (16) incurrence of a financial obligation of the District Library or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District Library or obligated person, any of which affect security holders, if material; or
- (17) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District Library or obligated person, any of which reflect financial difficulties.

(e) *Materiality Determined Under Federal Securities Laws.* The District Library agrees that its determination of whether any event listed in subsection (d) is material shall be

made in accordance with federal securities laws.

(f) *Identifying Information.* All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(g) *Termination of Reporting Obligation.* The obligation of the District Library to provide annual financial information and notices of material events, as set forth above, shall be terminated if and when the District Library no longer remains an “obligated person” with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(h) *Benefit of Bondholders.* The District Library agrees that its undertaking pursuant to the Rule set forth in this Undertaking is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the District Library's obligations hereunder and any failure by the District Library to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Bonds.

(i) *Amendments to the Undertaking.* Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the District Library, provided that the District Library agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the District Library or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the District Library (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the District Library in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the District Library to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

(j) *Municipal Advisory Council of the State of Michigan.* The District Library shall also file by electronic or other means any information or notice required to be filed with the MSRB through EMMA pursuant to this Undertaking in a timely manner with the Municipal Advisory Council of the State of Michigan.

[Signature on next page]

IN WITNESS WHEREOF, the District Library has caused this Undertaking to be executed by its authorized officer.

DOWAGIAC DISTRICT LIBRARY  
Counties of Cass, Berrien and  
Van Buren, State of Michigan

By: \_\_\_\_\_  
Matthew Weston  
Its: Director

Dated: \_\_\_\_\_, 2019

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

**APPENDIX F**

**OFFICIAL NOTICE OF SALE AND BID FORM**

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

**OFFICIAL NOTICE OF SALE**

**\$7,390,000\***

**DOWAGIAC DISTRICT LIBRARY  
2019 LIBRARY BUILDING AND SITE BONDS  
(General Obligation Limited Tax)**

*(\*Subject to adjustment as set forth in this Notice of Sale)*

**BID OPENING:** Bids for the purchase of the above bonds (the "Bonds") will be publicly opened and read by an agent of the Dowagiac District Library, Counties of Cass, Berrien and Van Buren, Michigan (the "District Library") on March 25, 2019, at 1:00, p.m., prevailing Eastern Time.

**SEALED BIDS:** for the purchase of the Bonds will be received at the offices of the Municipal Advisory Council of Michigan (the "MAC"), Buhl Building, 535 Griswold, Suite 1850, Detroit, Michigan 48226 or at the office of the District Library, 211 Commercial Street, Dowagiac, Michigan 49047.

**FAXED BIDS:** signed by the bidder, may be submitted by members of the Municipal Advisory Council of Michigan to MAC at fax number (313) 963-0943 or by any bidder to the District Library at fax number (269) 782-9798, Attention: Matthew Weston, Library Director; provided that faxed bids must arrive before the time for receiving bids specified above and the bidders bear all risks of transmission failure.

**ELECTRONIC BIDS:** Electronic bids will be received by **PARITY®** as agent of the undersigned. Further information about **PARITY®** may be obtained from the Municipal Advisor (identified below) or **PARITY®** at (212) 849-5021. If any provision of this Official Notice of Sale shall conflict with information provided by **PARITY®**, as the approved provider of electronic bidding services, this Notice of Sale shall control. No change of the dated date will be allowed for the computation of the winning bid.

Bidders may choose any means or location to present bids, but a bidder may not present a bid by more than one means or at more than one location. The award or rejection of bids will occur within twenty-four (24) hours after the bid opening.

**BOND DETAILS:** The Bonds will be fully registered bonds of the denomination of \$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity at the option of the purchaser thereof, dated the date of their delivery, and will bear interest from their date payable on October 1, 2019, and semiannually on each April 1 and October 1 thereafter.

The Bonds will mature on the first day of April, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2020	\$310,000	2033	\$425,000
2021	315,000	2034	440,000
2022	320,000	2035	455,000
2023	330,000	2036	470,000
2024	335,000	2037	485,000
2025	345,000	2038	500,000
2026	350,000		
2027	360,000		
2028	370,000		
2029	380,000		
2030	390,000		
2031	400,000		
2032	410,000		

ADJUSTMENT TO THE MATURITY: The District Library reserves the right to increase or decrease the amount of any principal maturity of the bonds after receipt of the bids and prior to the final award. Such adjustment, if necessary, will be made in increments of \$5,000, and may be made in one or more maturities.

TERM BOND OPTION: The initial purchaser of the Bonds may designate any one or more maturities as term bonds and the consecutive maturities which shall be aggregated in the term bonds.

PRIOR REDEMPTION:

A. Mandatory Redemption. Bonds designated as term bonds shall be subject to mandatory redemption at par and accrued interest on the dates and in the amounts corresponding to the annual principal maturities hereinbefore set forth. The Bonds or portions of Bonds to be redeemed shall be selected by lot.

B. Optional Redemption. The Bonds are subject to redemption prior to maturity at the option of the District Library, in whole or in part, in such order as shall be determined by the District Library, on any date on and after April 1, 2029. The Bonds may be partially redeemed in the amount of \$5,000 or any integral multiple thereof. The redemption price shall be the par value of the Bonds or portions of the Bonds called for redemption plus interest to the date fixed for redemption.

C. Notice of Redemption. Not more than ninety (90) days but not less than thirty (30) days' notice of redemption shall be given by first class mail to the registered owner at the registered address. Failure to receive notice of redemption shall not affect the validity of the proceedings for redemption. Bonds or portions of Bonds called for redemption shall not bear



interest after the redemption date; provided that funds are on hand with the bond registrar and transfer agent to redeem the Bonds called for redemption.

INTEREST RATE AND BIDDING DETAILS: The Bonds shall bear interest at a rate or rates not exceeding 6% per annum, to be fixed by the bids therefor, expressed in multiples of 1/8 or 1/20 of 1%, or both. Interest shall be computed using a 360-day year consisting of twelve 30-day months. The interest on any one Bond shall be at one rate only and all Bonds maturing in any one year must carry the same interest rate. No proposal for the purchase of less than all of the Bonds or at a price less than 98% of their par value will be considered.

BOOK-ENTRY-ONLY: The Bonds will be issued in book-entry-only form as one fully registered bond per maturity and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchase of the Bonds will be made in book-entry-only form, in the denomination of \$5,000 or any whole multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. The book-entry-only system is described further in the Preliminary Official Statement for the Bonds.

BOND REGISTRAR TRANSFER AGENT AND PAYING AGENT: The Bonds shall be payable as to principal in lawful money of the United States upon surrender thereof at the corporate trust office of The Huntington National Bank, Grand Rapids, Michigan, the bond registrar, transfer agent and paying agent. Interest shall be paid to the registered owner of each Bond as shown on the registration books at the close of business on the 15<sup>th</sup> day of the calendar month preceding the month in which the interest payment is due. Interest shall be paid when due by check or draft drawn upon and mailed by the bond registrar and transfer agent to the registered owner at the registered address. As long as DTC, or its nominee Cede & Co., is the registered owner of the Bonds, payments will be made directly to such registered owner. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants and indirect participants as described in the Preliminary Official Statement for the Bonds. The District Library from time to time as required may designate a successor bond registrar, transfer agent and paying agent.

PURPOSE AND SECURITY: The Bonds are to be issued pursuant to the provisions of Act 265, Public Acts of Michigan, 1988, as amended, a bond authorizing resolution approved by the Board of Trustees of the District Library on February 12, 2019 (the "Bond Resolution"), and the approval of a millage ballot proposal by the voters of the Dowagiac District Library on November 6, 2018, for the purpose of defraying all or a portion of the District Library's costs (i) to expand, renovate, equip and furnish the District Library's existing library building in the City of Dowagiac, make related parking and other improvements to the site thereof and do all work necessary and incidental to those improvements, and (ii) to pay certain expenses relating to the issuance of the Bonds. The limited tax full faith and credit of the District Library have been pledged to the prompt payment of the principal of and interest on the Bonds. The principal of and interest on the Bonds are payable as a first budget obligation of the District Library from its general funds. The ability of the District Library to raise such funds is subject to applicable constitutional and statutory tax rate limitations.

GOOD FAITH DEPOSIT: The successful bidder is required to submit its good faith deposit in the amount specified below to the District Library by wire transfer not later than noon, Eastern Time, on the next business day following the award. The amount of the good faith deposit for the Bonds is \$147,800. The good faith deposit will be applied to the purchase price of the Bonds. In the event a purchaser fails to honor its accepted bid, the good faith deposit will be retained by the District Library. No interest shall be paid to any successful bidder on the good faith deposit. Payment for the balance of the purchase price of the Bonds shall be made at the closing.

AWARD OF BONDS: The Bonds will be awarded to the bidder whose bid produces the lowest true interest cost to the District Library. True interest cost shall be computed by determining the annual interest rate (compounded semiannually) necessary to discount the debt service payments on the Bonds from the payment dates thereof to the expected dated date and to the price bid.

TAX MATTERS: In the opinion of Foster, Swift, Collins & Smith, P.C., Bond Counsel, under existing law, assuming compliance with certain covenants and the issue price rules set forth below, interest on the Bonds is excludable from gross income for federal income tax purposes as described in the opinion, and the Bonds and interest thereon are exempt from all taxation by the State of Michigan or any political subdivision within the State of Michigan except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. The District Library has designated the Bonds as "QUALIFIED TAX-EXEMPT OBLIGATIONS" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

ISSUE PRICE: The winning bidder shall assist the District Library in establishing the issue price of the Bonds and shall execute and deliver to the District Library at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, substantially in the form attached either as Appendix G of the Preliminary Official Statement, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the District Library and Bond Counsel.

The District Library intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "Competitive Sale Requirements") because:

- (a) the District Library is disseminating this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (b) all bidders shall have an equal opportunity to bid;
- (c) the District Library anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

- (d) the District Library anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that all of the Competitive Sale Requirements are not satisfied, the District Library shall so advise the winning bidder. The District Library shall treat the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis. The winning bidder shall advise the District Library if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The District Library will not require bidders to comply with the “hold-the-offering-price rule” and therefore does not intend to use the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied. Bidders should prepare their bids on the assumption that all of the maturities of the Bonds will be subject to the 10% Test in order to establish the issue price of the Bonds.

If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the District Library the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% Test has been satisfied as to the Bonds of that maturity or until all Securities of that maturity have been sold.

By submitting a bid, each bidder confirms that:

- (a) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires; and
- (b) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% Test has been satisfied as to the Bonds of that

maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (a) “public” means any person other than an underwriter or a related party,
- (b) “underwriter” means (A) any person that agrees pursuant to a written contract with the District Library (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);
- (c) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and
- (d) “sale date” means the date that the Bonds are awarded by the District Library to the winning bidder.

LEGAL OPINION: Bids shall be conditioned upon the approving opinion of Foster, Swift, Collins & Smith, P.C., attorneys of Lansing, Michigan, a copy of which opinion will be furnished without expense to the purchaser of the Bonds at the delivery thereof. The fees of Foster, Swift, Collins & Smith, P.C., for services rendered in connection with such approving opinion are expected to be paid from Bond proceeds. Except to the extent necessary to issue its approving opinion as to validity of the Bonds, Foster, Swift, Collins & Smith, P.C. has not been requested to examine or review and has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds, and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials. In submitting a bid for the Bonds, the bidder agrees to the representation of the District Library by Foster, Swift, Collins & Smith, P.C., as Bond Counsel.

**DELIVERY OF BONDS:** The District Library will furnish Bonds ready for execution at its expense. Bonds will be delivered without expense to the purchaser through DTC in New York, New York, or such other place to be agreed upon. The usual closing documents, including a certificate that no litigation is pending affecting the issuance of the Bonds, will be delivered at the time of delivery of the Bonds. If the Bonds are not tendered for delivery by twelve o'clock noon, prevailing Eastern Time, on the 45th day following the date of sale, or the first business day thereafter if said 45th day is not a business day, the successful bidder may on that day, or any time thereafter until delivery of the Bonds, withdraw its proposal by serving notice of cancellation, in writing, on the undersigned in which event the District Library shall promptly return the good faith deposit. Payment for the Bonds shall be made in Federal Reserve Funds. Accrued interest to the date of delivery of the Bonds shall be paid by the purchaser at the time of delivery.

**BOND INSURANCE AT PURCHASER'S OPTION:** If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the bidder/purchaser, the purchase of any such insurance policy or the issuance of any such commitment shall be at the option and expense of the purchaser of the Bonds. There will be no changes made to the Bond Resolution to reflect bond insurance. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, including but not limited to any additional rating agency fees. Any other rating agency fees shall be the responsibility of the purchaser of the Bonds. **FAILURE OF THE MUNICIPAL BOND INSURER TO ISSUE THE POLICY AFTER THE BONDS HAVE BEEN AWARDED TO THE PURCHASER SHALL NOT CONSTITUTE CAUSE FOR FAILURE OR REFUSAL BY THE PURCHASER TO ACCEPT DELIVERY OF THE BONDS FROM THE DISTRICT LIBRARY.**

**OFFICIAL STATEMENT:** A copy of the Preliminary Official Statement relating to the Bonds may be obtained by contacting the District Library's Financial Advisor, Robert W. Baird & Co. Incorporated, attention: Warren Creamer, 1001 Bay Street, Traverse City, Michigan 49684, telephone (231) 933-8850. It is also expected that the Preliminary Official Statement containing the Information For Bidders will be available at [www.munios.com](http://www.munios.com). The Preliminary Official Statement is in a form "deemed final" by the District Library for purposes of SEC Rule 15c2-12(b)(1) (the "Rule"), except for the omission of certain information permitted to be omitted by the Rule. Upon the sale of the Bonds, the District Library will publish a final Official Statement in substantially the same form as the Preliminary Official Statement, subject to additions, deletions, and revisions as required thereto to provide a completed final Official Statement. The final Official Statement will also be posted at [www.onlinemunis.com](http://www.onlinemunis.com). Copies of the final Official Statement will be provided, at the District Library's expense, on a timely basis in such reasonable quantities as may be necessary for the successful bidder's regulatory compliance. Additional copies of the Official Statement may be made available at the option and cost of the successful bidder.

**CONTINUING DISCLOSURE:** In order to assist bidders in complying with paragraph (b)(5) of the Rule, the District Library will undertake, pursuant to a resolution adopted by its governing body and a continuing disclosure certificate, to provide annual reports and notices of certain events. A description of these undertakings is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

CUSIP: CUSIP identification numbers will be printed on the Bonds at the District Library's expense, but will not constitute a part of the contract evidenced by the Bonds. Any error or omission with respect thereto will not constitute cause for refusal by the successful bidder to accept delivery of the Bonds in accordance with the terms of the bid.

BIDDER CERTIFICATION: NOT "IRAN-LINKED BUSINESS": By submitting a bid, the bidder shall be deemed to have certified that it is not an "Iran-Linked Business" as defined in Act No. 517, Public Acts of Michigan, 2012; MCL 129.311, et seq.

THE RIGHT IS RESERVED TO REJECT ANY OR ALL BIDS.

ENVELOPES: containing the bids should be plainly marked "Proposal for Bonds."

REGISTERED MUNICIPAL ADVISOR: Further information regarding the Bonds may be obtained from Robert W. Baird & Co. Incorporated, attention: Warren Creamer, 1001 Bay Street, Traverse City, Michigan 49684, telephone (231) 933-8850, registered municipal advisor to the District Library.

Matthew Weston, Director  
Dowagiac District Library

**BID FORM**  
**\$7,390,000**  
**DOWAGIAC DISTRICT LIBRARY**  
**County of Cass, Berrien and Van Buren, State of Michigan**  
**2019 LIBRARY BUILDING AND SITE BONDS**  
**(GENERAL OBLIGATION LIMITED)**

Mr. Matthew Weston  
Director  
Dowagiac District Library  
211 Commercial Street  
Dowagiac, Michigan 49047  
Telephone: (269) 782-38269  
Fax: (269) 782-9798

March 25, 2018

Dear Mr. Weston,

Reference is made to your "Official Notice of Sale" of the Dowagiac District Library's \$7,390,000\* 2019 Library Building and Site Bonds (General Obligation Limited Tax).

For your legally issued bonds, as described in said notice of sale, we will pay you par and accrued interest from date of issue to date of delivery to us, plus a premium/less a discount (cross out the non-applicable phrase) of \$ \_\_\_\_\_, for notes maturing and bearing interest as follows:

April 1, 2020	_____ %	April 1, 2030	_____ %
April 1, 2021	_____ %	April 1, 2031	_____ %
April 1, 2022	_____ %	April 1, 2032	_____ %
April 1, 2023	_____ %	April 1, 2033	_____ %
April 1, 2024	_____ %	April 1, 2034	_____ %
April 1, 2025	_____ %	April 1, 2035	_____ %
April 1, 2026	_____ %	April 1, 2036	_____ %
April 1, 2027	_____ %	April 1, 2037	_____ %
April 1, 2028	_____ %	April 1, 2038	_____ %
April 1, 2029	_____ %		

The bid is for all or none of the Bonds.

The undersigned acknowledges that a good faith deposit in the form of a certified or cashier's check drawn upon an incorporated bank or trust company, or wire transfer, in the amount of \$147,800 payable to the order of the Library Director, will be required of the successful bidder not later than 12:00 noon, Eastern Time, on the next business day following the sale.

(Please attach a list  
of account members)

Respectfully submitted,

\_\_\_\_\_  
By: \_\_\_\_\_  
Authorized Representative

The following is a computation of the true interest cost on the above bid. This computation is not to be considered as part of the bid and is subject to verification:

True Interest Cost                      \$ \_\_\_\_\_  
True Interest Rate                      \_\_\_\_\_ %

\_\_\_\_\_  
\*Preliminary, subject to change

(THIS PAGE IS INTENTIONALLY LEFT BLANK)



## **APPENDIX G**

**This Appendix contains two alternative Forms, as explained below.**

**First alternative Form (if applicable):**

### **FORM OF ISSUE PRICE CERTIFICATE**

**This Form will be used if either the 10% Test or the Hold-the-Offering-Price Rule applies.**

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

## FORM OF ISSUE PRICE CERTIFICATE

**This Form will be used if either the 10% Test or the Hold-the-Offering-Price Rule applies.**

\$[\_\_\_\_\_]   
**DOWAGIAC DISTRICT LIBRARY**  
**(Counties of Cass, Berrien and Van Buren, Michigan)**  
**2019 LIBRARY BUILDING AND SITE BONDS**  
**(GENERAL OBLIGATION LIMITED TAX)**

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([“[SHORT NAME OF UNDERWRITER]”]) [the “Representative”]) [, on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”),] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) [SHORT NAME OF UNDERWRITER] [The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale, [SHORT NAME OF UNDERWRITER] [the members of the Underwriting Group] [has] [have] agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it] [they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which [SHORT NAME OF UNDERWRITER] [the Underwriters] [has] [have] sold at least

10% of such Hold-the-Offering-Price Maturity to the Public at a price that is no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means Dowagiac District Library, Counties of Cass, Berrien and Van Buren, State of Michigan.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes

(g) of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly, as defined in Treas. Reg. §1.150-1(b).

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [DATE].

(i) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(j)

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDERWRITING FIRM] [the Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage and Tax Compliance Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Foster, Swift, Collins & Smith, P.C. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER] [REPRESENTATIVE]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: [ISSUE DATE]

**SCHEDULE A**  
**SALE PRICES OF THE GENERAL RULE MATURITIES AND**  
**INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

*(Attached)*

**SCHEDULE B**  
**PRICING WIRE OR EQUIVALENT COMMUNICATION**

*(Attached)*

**Second alternative Form (if applicable):**

**FORM OF ISSUE PRICE CERTIFICATE**

**This Form will be used if the Competitive Sale Requirements are met.**

## FORM OF ISSUE PRICE CERTIFICATE

**This Form will be used if the Competitive Sale Requirements are met.**

\$[\_\_\_\_\_]
**DOWAGIAC DISTRICT LIBRARY**
**(Counties of Cass, Berrien and Van Buren, Michigan)**
**2019 LIBRARY BUILDING AND SITE BONDS**
**(GENERAL OBLIGATION LIMITED TAX)**

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

**1. Reasonably Expected Initial Offering Price**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.<sup>1</sup>

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

**2. Defined Terms.**

(a) *Issuer* means Dowagiac District Library, Counties of Cass, Berrien and Van Buren, State of Michigan.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly, as defined in Treas. Reg. §1.150-1(b).

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [DATE].

<sup>1</sup> Treas. Reg. §1.148-1(f)(3)(i)(B) requires that all bidders have an equal opportunity to bid to purchase bonds. If the bidding process affords an equal opportunity for bidders to review other bids prior to submitting their bids, then this representation should be modified to describe the bidding process.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage and Tax Compliance Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Foster, Swift, Collins & Smith, P.C. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: [ISSUE DATE]



**SCHEDULE A**

**EXPECTED OFFERING PRICES**

*(Attached)*

**SCHEDULE B**

**COPY OF UNDERWRITER'S BID**

*(Attached)*

**\$7,390,000\***  
**DOWAGIAC DISTRICT LIBRARY**  
**COUNTIES OF CASS, BERRIEN AND VAN BUREN,**  
**STATE OF MICHIGAN**  
**2019 LIBRARY BUILDING AND SITE BONDS**  
**(GENERAL OBLIGATION LIMITED TAX)**

**Financial Advisor:**

**Robert W. Baird & Co.**  
**1001 Bay Street**  
**Traverse City, Michigan 49684**  
**(231) 933-8850**



---

\*Preliminary, subject to change.