

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 2, 2026

NEW ISSUE—Book-Entry-Only

RATING†*: S&P Global Ratings A

In the opinion of Thrun Law Firm, P.C., Bond Counsel, under existing law, (i) the Bonds and the interest thereon are exempt from all taxation in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof, (ii) interest on the Bonds is excluded from gross income for federal income tax purposes to the extent and subject to the conditions described herein, and (iii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax to the extent and subject to the conditions described herein. See "TAX MATTERS" herein.



\$3,815,000**
HANOVER-HORTON SCHOOL DISTRICT
COUNTIES OF JACKSON AND HILLSDALE, STATE OF MICHIGAN
2026 SCHOOL BUILDING AND SITE BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)

Dated: Date of Delivery

Due: May 1, as shown below

On May 5, 2026, the qualified electors of the Hanover-Horton School District, Counties of Jackson and Hillsdale, State of Michigan (the "School District") approved the issuance of bonds in the aggregate amount of not to exceed \$3,910,000. Proceeds of the 2026 School Building and Site Bonds (General Obligation – Unlimited Tax) (the "Bonds") in the principal amount of \$3,815,000**, will be used for school building and site purposes. The Bonds were authorized by the Board of Education of the School District by resolutions adopted on May 11, 2026 and expected to be adopted on June __, 2026 (together, the "Resolutions"). The Bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount.

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" AS DESCRIBED IN SECTION 265(b)(3)(B) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. See "QUALIFIED TAX-EXEMPT OBLIGATIONS" herein.

The Bonds are issuable 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. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial interest in 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.

Principal of and interest on the Bonds will be paid by the corporate trust office of UMB Bank, N.A. Grand Rapids, Michigan (the "Paying Agent"). So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to DTC's Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC's Direct Participants and Indirect Participants, as more fully described herein. Interest will be payable semiannually on May 1 and November 1, commencing November 1, 2026 to the Bondholders of record as of the applicable record dates as stated in the Bonds.

The School District has applied for municipal bond insurance to insure the Bonds, but has not, as of the date hereof, received or accepted a commitment. See "POTENTIAL FOR BOND INSURANCE" herein.

(Base CUSIP\$: _____)

<u>Maturity**</u>	<u>Amount**</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP\$</u>	<u>Maturity**</u>	<u>Amount**</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP\$</u>
2027	\$225,000				2042	\$145,000			
2032	25,000				2043	170,000			
2033	25,000				2044	275,000			
2034	35,000				2045	290,000			
2035	40,000				2046	305,000			
2036	50,000				2047	320,000			
2037	65,000				2048	330,000			
2038	75,000				2049	350,000			
2039	90,000				2050	365,000			
2040	115,000				2051	390,000			
2041	130,000								

THE BONDS OR PORTIONS OF THE BONDS MATURING ON OR AFTER MAY 1, 2037** ARE SUBJECT TO OPTIONAL REDEMPTION BEGINNING MAY 1, 2036**, IN THE MANNER AND AT THE TIMES DESCRIBED HEREIN. See "THE BONDS — Optional Redemption" herein.

The Bonds will be offered when, as and if issued by the School District and accepted by the Underwriter subject to the approving legal opinion of Thrun Law Firm, P.C., East Lansing, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan. It is expected that the Bonds will be available for delivery through DTC on or about June __, 2026.

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



The date of this Official Statement is June __, 2026.

† For an explanation of the rating, see "RATING" herein.

* As of date of delivery.

** Preliminary, subject to change.

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This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. As of this date, this Preliminary Official Statement has been deemed "final" by the School District for purposes of SEC Rule 15c2-12(b)(1) except for the omission of certain information permitted by SEC Rule 15c2-12(b)(1).

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement in connection with the offer made hereby and, if given or made, such other information or representation must not be relied upon as having been authorized by the School District or the Underwriter. This Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may an offer to buy these securities be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Information herein has been obtained from the School District, The Depository Trust Company and other sources believed to be reliable. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information (except for information under the section captioned "UNDERWRITING," which was obtained from the Underwriter).

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency will have passed upon the adequacy of this Official Statement, or, except for the School District, approved the Bonds for sale.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INFORMATION PRESENTED IN THIS OFFICIAL STATEMENT CONCERNING THE SCHOOL DISTRICT 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.

HANOVER-HORTON SCHOOL DISTRICT
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Horton, Michigan 49246-9683
(517) 563-0100

BOARD OF EDUCATION

Christopher Blackledge, President
Kristin Flick, Vice President
Elizabeth Scott, Secretary
Leon Densmore, Treasurer
Timothy R. Evans, Trustee
Gail Proctor, Trustee
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ADMINISTRATIVE STAFF

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**OFFICIAL STATEMENT
relating to**

\$3,815,000¹

**HANOVER-HORTON SCHOOL DISTRICT
COUNTIES OF JACKSON AND HILLSDALE, STATE OF MICHIGAN
2026 SCHOOL BUILDING AND SITE BONDS
(GENERAL OBLIGATION – UNLIMITED TAX)**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices, is to furnish information in connection with the issuance and sale by the Hanover-Horton School District, Counties of Jackson and Hillsdale, State of Michigan (the "School District") of its 2026 School Building and Site Bonds (General Obligation - Unlimited Tax) (the "Bonds") in the principal amount of \$3,815,000¹.

PURPOSE AND SECURITY

On May 5, 2026, the qualified electors of the School District approved a proposal authorizing the issuance of bonds in an aggregate amount of not to exceed \$3,910,000. The Bonds in the principal amount of \$3,815,000¹, will be used for the purpose of partially remodeling, furnishing and refurnishing, and equipping and re-equipping school buildings; and developing and improving the sites; and paying the costs of issuing the Bonds.

The Bonds, as authorized for issuance by the resolutions of the Board of Education of the School District adopted on May 11, 2026 and expected to be adopted on June __, 2026 (together, the "Resolutions"), are a full faith and credit unlimited tax general obligation of the School District. The principal of and interest on the Bonds are payable from the proceeds of ad valorem taxes levied on all taxable property in the School District which may be levied without limitation as to rate or amount.

QUALIFIED TAX-EXEMPT OBLIGATIONS

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" UNDER SECTION 265(b)(3)(B) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

POTENTIAL FOR BOND INSURANCE

The School District has applied for municipal bond insurance to insure the Bonds, but has not, as of the date hereof, received or accepted a commitment for such insurance. The School District will, together with its financial advisor, evaluate any commitment that is received and determine whether it is cost effective to accept the commitment to insure the Bonds. If the Bonds are insured, information regarding the bond insurance, the bond insurer, and the effect of insurance on the ratings for the Bonds will be included in the final Official Statement.

¹ Preliminary, subject to change.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES

- Par Amount of the Bonds
- Original Issue Premium
- Original Issue Discount
- Total Sources

USES

- Capital Projects Fund
- Underwriter's Discount
- Costs of Issuance for the Bonds
- Total Uses

THE BONDS

Description and Form of the Bonds

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page hereof and may be purchased in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated as of, and bear interest from, the date of issuance. Interest on the Bonds shall be payable semiannually each May 1 and November 1 to maturity or early redemption, commencing November 1, 2026. Interest on the Bonds shall be computed using a 360-day year with twelve 30-day months, and 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 of this Official Statement.

The corporate trust office of UMB Bank, N.A., Grand Rapids, Michigan, will serve as the paying agent (the "Paying Agent") and also as bond registrar and transfer agent if the Bonds cease to be held in book-entry-only form. Interest on the Bonds shall be payable when due by check or draft to the person or entity who or which is, as of the fifteenth (15th) day of the month preceding each interest payment date, the registered owner of record, at the owner's registered address. For a description of payment of principal and interest, transfers, and exchanges on the Bonds, which are held in the book-entry-only system, see "Book-Entry-Only System" below. For a description of transfers and exchanges on the Bonds if the Bonds cease to be held in book-entry-only form, see "Transfer Outside Book-Entry-Only System" below.

Book-Entry-Only System

The information in this section has been furnished by The Depository Trust Company, New York, New York ("DTC"). No representation is made by the School District, 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 subsequent to the date hereof. No attempt has been made by the School District, the Paying Agent or the Underwriter to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the School District nor the Paying Agent will have any responsibility or obligation to Direct Participants, Indirect Participants (both as defined below) or the persons for which they act as nominees with respect to the Bonds, or for any principal, premium, if any, or interest payment thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond 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 securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates

the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 the 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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest and redemption amounts, if any, 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 detailed

information from the School District or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, interest and redemption amounts, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the School District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the School District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The School District 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 will be printed and delivered.

Transfer Outside Book-Entry-Only System

In the event that the book-entry-only system is discontinued, the Paying Agent shall keep the registration books for the Bonds (the "Bond Register") at its corporate trust office. Subject to the further conditions contained in the Resolutions, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust 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; during the fifteen (15) days immediately preceding the date of mailing of any notice of redemption or any time following the mailing of any notice of redemption, the Paying Agent shall not be required to effect or register any transfer or exchange of any Bond which has been selected for such redemption, except the Bonds properly surrendered for partial redemption may be exchanged for new Bonds in authorized denominations equal in the aggregate to the unredeemed portion; the School District 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 owners of such Bonds for all purposes under the Resolutions. No transfer or exchange made other than as described above and in the Resolutions shall be valid or effective for any purposes under the Resolutions.

Optional Redemption¹

The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2037¹, are subject to redemption at the option of the School District in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2036¹, at par plus accrued interest to the date fixed for redemption.

Notice of Redemption and Manner of Selection

Notice of redemption of any Bond shall be given not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption by mail to the registered owner at the registered address shown on the registration books kept by the Paying Agent. The Bonds shall be called for redemption in multiples of \$5,000 and Bonds of denominations of more than \$5,000 shall be treated as representing the number of Bonds obtained by dividing the face amount of the Bond by \$5,000 and such Bonds may be redeemed in part. The notice of redemption for Bonds redeemed in part shall state that upon surrender of the Bond to be redeemed a new Bond or Bonds in an aggregate face amount equal to the unredeemed portion of the Bond surrendered shall be issued to the registered owner thereof.

If less than all of the Bonds of any maturity shall be called for redemption prior to maturity, unless otherwise provided, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the

¹ Preliminary, subject to change.

Paying Agent, in the principal amounts designated by the School District. Any Bonds selected for redemption will cease to bear interest on the date fixed for redemption, whether presented for redemption, provided funds are on hand with the Paying Agent to redeem said Bonds. Upon presentation and surrender of such Bonds at the corporate trust office of the Paying Agent, such Bonds shall be paid and redeemed.

So long as the book-entry-only system remains in effect, in the event of a partial redemption the Paying Agent will give notice to Cede & Co., as nominee of DTC, only, and only Cede & Co. will be deemed to be a holder of the Bonds. DTC is expected to reduce the credit balances of the applicable DTC Participants in respect of the Bonds and in turn the DTC Participants are expected to select those Beneficial Owners whose ownership interests are to be extinguished or reduced by such partial redemption, each by such method as DTC or such DTC Participants, as the case may be, deems fair and appropriate in its sole discretion.

TAX PROCEDURES

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value, except as described below. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State of Michigan approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Beginning in 1995, taxable property has two valuations -- State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, and increased or reduced by the lesser of the inflation rate or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV.

When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

Responsibility for assessing taxable property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local board of review, the Michigan Tax Tribunal, and ultimately to the Michigan appellate courts.

The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the county's department of equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, 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.

Property that is exempt from property taxes, e.g., churches, government property, public schools, is not included in the SEV and Taxable Value data in the Official Statement. Property granted tax abatements under Act 198, Public Acts of Michigan, 1974, amended, is recorded on a separate tax roll while subject to tax abatement. The valuation of tax-abated property is based upon SEV but is not included in either the SEV or Taxable Value data in the Official Statement except as noted. Under limited circumstances, other State laws permit the partial abatement of certain taxes for other types of property for periods of up to 12 years.

LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS' REMEDIES

The Resolutions authorizing the issuance of the Bonds and State law obligate the School District to levy a tax annually in an amount sufficient so that the estimated collections therefrom, together with other amounts, if any, will be sufficient to pay promptly when due the principal of and interest on the Bonds becoming due prior to the time of the next tax levy. The tax levy shall not be subject to limitation as to rate or amount. Taxes for the payment of the principal of or interest on the Bonds are certified for collection each year with the school tax levies. In the event of the failure of the proper officials to certify taxes for the payment of the principal and interest requirements, a timely action in the nature of mandamus could compel certification and collection of adequate taxes.

Registered owners of the Bonds may attempt to obtain a money judgment against the School District for the principal amount of the Bonds or interest not paid when due and may periodically attempt to enforce the collection of the money judgment by requiring the tax assessing officers for the School District to place the amount of such judgment on the next tax rolls of the School District. The rights of the holders of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement also may be subject to the exercise of judicial discretion in appropriate cases.

SOURCES OF SCHOOL OPERATING REVENUE

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the State sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to reduce the per pupil finance resource disparities among school districts.

The State school aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation allowance beginning in fiscal year 1994/95. With the passage of Public Act 48 of 2021, the Legislature eliminated the foundation allowance range in 2021/22 that had been in place since the passage of the school finance reform legislation in 1994. In Public Act 15 of 2025 ("PA 15"), the Legislature established a 2025/26 target foundation allowance of \$10,050 per pupil. In the future, the foundation allowance may be adjusted annually by an index based upon the change in revenues to the State school aid fund and change in the total number of pupils statewide. The foundation allowance is funded by locally raised property taxes plus State school aid. The revenues for the State's contribution to the foundation allowance are derived from a mix of taxing sources, including, but not limited to, a statewide property tax of 6 mills on all taxable property¹, a State sales and use tax, a real estate transfer tax and a cigarette tax.

Generally, school districts are required to levy a local property tax of not more than 18 mills or the number of mills levied in 1993 for school operating purposes, whichever is less, on non-homestead properties² in order for the school district to receive its per pupil foundation allowance. An intermediate school district may seek voter approval for up to three enhancement mills for distribution to local constituent school districts on a per pupil basis. Proceeds of the enhancement mills are not counted toward the foundation allowance. Furthermore, school districts whose per pupil foundation allowance in 2025/26 calculates to an amount in excess of \$10,050 are authorized to levy additional millage to obtain the foundation allowance, first by levying such amount of the 18 mills against homestead property³ as is necessary to hold themselves harmless and, if the 18 mills is insufficient, to then levy such additional mills against all property uniformly as is

¹ "Taxable property" in this context does not include industrial personal property.

² "Non-homestead property" includes all taxable property other than principal residence, qualified agricultural property, qualified forestry property, supportive housing property, property occupied by a public school academy, and industrial personal property. Commercial personal property, to the extent not otherwise exempt, is exempt from the first 12 mills of not more than 18 mills levied by school districts.

³ "Homestead property", in this context, means principal residence, qualified agricultural property, qualified forestry property, supportive housing property, property occupied by a public school academy, certain industrial personal property and certain commercial personal property, to the extent not otherwise exempt.

necessary to obtain the foundation allowance. The School District's 2025/26 per pupil foundation allowance does not exceed \$10,050, and the School District does not levy such additional millage.

State aid appropriations and the payment schedule for State school aid may be changed by the Legislature at any time. If the amount appropriated from the State school aid fund exceeds the amount available for expenditure for a fiscal year, in the absence of overriding legislative action by the Legislature, the State School Aid Act subjects most state aid payable to school districts for that fiscal year to an automatic proration on a per pupil basis in an amount necessary to eliminate the portion of the overage attributable to the appropriation to all school districts. See "STATE AID PAYMENTS" in APPENDIX A.

Public Act 120 of 2024 amended the State School Aid Act for the 2024/25 fiscal year, maintaining the School District's foundation allowance from the previous year at \$9,608 per pupil.

PA 15 amended the State School Aid Act for the 2025/26 fiscal year, increasing the School District's foundation allowance to \$10,050 per pupil.

Pursuant to PA 15, the School District may be eligible to receive various categorical grants for specific purposes, such as special education, "at-risk" students, meal programs, early education, career and technical education programs, and other instructional and non-instructional programs. The annual amendments to the State School Aid Act determine the type and amount of those categorical funds. For further information regarding the School District's receipt of categorical funds for the 2024/25 fiscal year, see the School District's audited financial statements in APPENDIX C.

THE SOURCES OF THE SCHOOL DISTRICT'S OPERATING REVENUE DO NOT IMPACT THE TAXING AUTHORITY OF THE SCHOOL DISTRICT FOR PAYMENT OF GENERAL OBLIGATION UNLIMITED TAX SCHOOL BONDS AND DO NOT AFFECT THE OBLIGATION OF THE SCHOOL DISTRICT TO LEVY TAXES FOR PAYMENT OF DEBT SERVICE ON GENERAL OBLIGATION UNLIMITED TAX BONDS OF THE SCHOOL DISTRICT, INCLUDING THE BONDS OFFERED HEREIN.

MICHIGAN PROPERTY TAX REFORM

On November 5, 2013, March 28, 2014, and April 1, 2014, a package of bills amended and replaced legislation enacted in 2012 to phase-out most personal property taxation in Michigan. The bills were contingent on Michigan voters approving a ballot question authorizing a new municipal entity, the Local Community Stabilization Authority ("LCSA"), to levy a local component of the statewide use tax and distribute that revenue to local units of government to offset their revenue losses resulting from the personal property tax reform. On August 5, 2014, voters approved that ballot question.

The bill package, together with the original 2012 legislation, created two new exemptions from the personal property tax. Under the "small taxpayer exemption," the commercial and industrial personal property of each owner with a combined true cash value in a local tax collecting unit of less than \$80,000 became exempt from ad valorem taxes in that collecting unit beginning in 2014, with such threshold being increased by the legislature to a combined true cash value in a local tax collecting unit of less than \$180,000 beginning in 2023. For businesses that do not qualify for the "small taxpayer exemption," all "eligible manufacturing personal property" (personal property used more than 50% of the time in industrial processing or direct integrated support) purchased and placed into service before 2006 or during or after 2013 became exempt beginning in 2016. Taxation on "eligible manufacturing personal property" placed into service after 2006 but before 2013 will be phased-out over time; with the exemption taking effect after the property has been in service for the immediately preceding 10 years. The legislation extends certain personal property tax exemptions and tax abatements for technology parks, industrial facilities and enterprise zones that were to expire after 2012, until the voter approved personal property tax exemptions take effect.

Pursuant to voter approval in August 2014, the legislation also includes a formula to reimburse school districts for 100% of their lost operating millage revenue and lost sinking fund millage revenue. To provide the reimbursement, the legislation reduces the state share of the use tax and authorizes the LCSA to levy a local component of the use tax and distribute that revenue to qualifying local units. However, the reimbursement for the school district's operating millage will come from the State use tax component, which

is deposited into the State school aid fund.¹ While the legislation provides reimbursement for prospective school operating losses, pursuant to legislative changes made in 2020, the School District will be reimbursed for debt millage calculated pursuant to a statutory formula.

LITIGATION

The School District has not been served with any litigation, administrative action or proceeding, and to the knowledge of the appropriate officials of the School District no litigation or administrative action or proceeding has been threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, or questioning or contesting the validity of the Bonds or the proceedings or authorities under which they are authorized to be issued, sold, executed and delivered. A certificate to such effect will be delivered to the Underwriter at the time of the original delivery of the Bonds.

TAX MATTERS

State

In the opinion of Thrun Law Firm, P.C., East Lansing, Michigan ("Bond Counsel"), based on its examination of the documents described in its opinion, under existing State of Michigan statutes, regulations, rulings and court decisions, the Bonds and the interest thereon are exempt from all taxation in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

Federal

In the opinion of Bond Counsel, based upon its examination of the documents described in its opinion, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds held by an "applicable corporation" as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code") is included in annual "adjusted financial statement income" for purposes of calculating the alternative minimum tax imposed on an applicable corporation. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Bond Counsel will express no opinion regarding other federal tax consequences with respect to the Bonds.

There are additional federal tax consequences relative to the Bonds and the interest thereon. The following is a general description of some of these consequences but is not intended to be complete or exhaustive and investors should consult with their tax advisors with respect to these matters. Prospective purchasers of the Bonds should be aware that (i) interest on the Bonds is included in the effectively connected earnings and profits of certain foreign corporations for purposes of calculating the branch profits tax imposed by Section 884 of the Code, (ii) interest on the Bonds may be subject to a tax on excess net passive income of certain S Corporations imposed by Section 1375 of the Code, (iii) interest on the Bonds is included in the calculation of modified adjusted gross income for purposes of determining the taxability of social security or railroad retirement benefits, (iv) the receipt of interest on the Bonds by life insurance companies may affect the federal tax liability of such companies, (v) in the case of property and casualty insurance companies, the amount of certain loss deductions otherwise allowed is reduced by a specific percentage of, among other things, interest on the Bonds, (vi) holders of the Bonds may not deduct interest on indebtedness incurred or

¹ A school district that increases its millage rate, without voter approval, to replace debt millage revenue loss would not be eligible to receive reimbursement distributions. Because much of the reimbursement funds are deposited into the State school aid fund, the legislature may, in the future, change the funding formulas in the State School Aid Act of 1979 or appropriate funds therein for other purposes.

continued to purchase or carry the Bonds, and (vii) commercial banks, thrift institutions and other financial institutions may deduct their costs of carrying certain obligations such as the Bonds.

Original Issue Premium¹

For federal income tax purposes, the initial offering prices to the public (excluding bond houses and brokers) of certain Bonds, as set forth on the cover of this Official Statement, may be greater than the stated redemption prices at maturity (the "Premium Bonds"), and constitutes for the original purchasers of the Premium Bonds an amortizable bond premium. 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 a 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 on maturity) of such Premium Bonds.

Original Issue Discount¹

The initial public offering prices of certain Bonds, as set forth on the cover page of this Official Statement, may be less than the stated redemption prices at maturity (hereinafter referred to as the "OID Bonds"), and, to the extent properly allocable to each owner of such OID Bond, the original issue discount is excludable from gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Bond over the initial offering price to the public (excluding bond houses and brokers) at which price a substantial amount of the OID Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. For an owner who acquires an OID Bond in this offering, the amount of original issue discount that accrues during any accrual period generally equals (i) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity on such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such OID Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of an OID Bond would be treated as gain from the sale or exchange of such OID Bond. Owners of OID Bonds should consult with their individual tax advisors to determine whether the application of the original issue discount federal regulations will require them to include, for state and local income tax purposes, an amount of interest on the OID Bonds as income even though no corresponding cash interest payment is actually received during the tax year.

Future Developments

No assurance can be given that any future legislation or clarifications or amendments to the Code or to Michigan statutes, 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 income taxation, adversely affect the market price or marketability of the Bonds, or otherwise prevent bondholders from realizing the full current benefit of the status of the interest thereon.

Furthermore, no assurance can be given that the impact of any future court decisions will not cause the interest on the Bonds to be subject directly or indirectly to federal or State income taxation, adversely affect the market price or marketability of the Bonds, or otherwise prevent bondholders from realizing the full current benefit of the status of the interest thereon.

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 and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

¹ Preliminary, subject to change.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS, INCLUDING THE TREATMENT OF ORIGINAL ISSUE PREMIUM OR ORIGINAL ISSUE DISCOUNT, IF ANY.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the School District of the Bonds are subject to the approving opinion of Thrun Law Firm, P.C., East Lansing, Michigan, Bond Counsel. Except to the extent necessary to issue its approving opinion as to the validity of the Bonds, Bond Counsel has made no inquiry as to any financial information, statements or materials contained in 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 information, statements or materials.

Certain legal matters will be passed upon for the Underwriter by its counsel, Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan.

APPROVAL BY MICHIGAN DEPARTMENT OF TREASURY

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

RATING

S&P Global Ratings, a business unit of Standard and Poor's Financial Services LLC ("S&P") will assign, as of the date of delivery of the Bonds, its municipal bond rating of "A" to the Bonds.

No application has been made to any other ratings service for a rating on the Bonds. The School District furnished to S&P certain materials and information in addition to that provided herein. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Any ratings assigned represent only the views of S&P. Further information is available upon request from S&P Global Ratings, 55 Water Street, New York, New York 10041, telephone: (212) 438-1000.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter" or "Stifel"), has agreed, subject to the terms of the Bond Purchase Agreement, to purchase the Bonds from the School District. The Bond Purchase Agreement provides, in part, that the Underwriter, subject to certain conditions, will purchase from the School District the aggregate principal amount of Bonds for a purchase price as set forth therein. The Underwriter has further agreed to offer the Bonds to the public at the approximate initial offering prices corresponding to the yields as set forth on the cover hereto. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices corresponding to the yields stated on the cover hereto. The offering prices may be changed from time to time by the Underwriter. The aggregate underwriting fee for the Bonds equals _____ percent of the aggregate principal amount of the Bonds.

The Bond Purchase Agreement provides that the obligations of the Underwriter are subject to certain conditions, including, among other things, that (i) no event has occurred which impairs or threatens to impair the validity of the Bonds or the status of the Bonds or the interest thereon as exempt from taxation in the State of Michigan and interest on the Bonds is excluded from gross income for federal income tax purposes (except as described under the heading "TAX MATTERS" herein), and (ii) proceedings relating to the Bonds are not

pending or threatened by the Securities and Exchange Commission. The Bond Purchase Agreement further provides that the School District will provide to the Underwriter, within seven business days of the date of the Bond Purchase Agreement, an electronic copy of the Official Statement to enable the Underwriter to comply with the requirements of Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934, as amended.

The Bonds were authorized at an election held on May 5, 2026. The results of the election were certified by the Counties of Jackson and Hillsdale Board of Canvassers on May 12, 2026. Pursuant to State law, an action claiming that material fraud or error was committed at the election may be brought within thirty (30) days from the date the canvass of the election was certified. The Bonds are expected to be priced within the time period during which an action can be brought claiming material fraud or error in the election, and the School District's obligation to sell and deliver the Bonds under the bond purchase agreement will be subject to the condition that no such action has been filed within thirty (30) days from the date the canvass of the election was certified. As of the date hereof, the School District is unaware of any filing of such a claim or the threat of a filing of such a claim.

Stifel and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the School District and to persons and entities with relationships with the School District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the School District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the School District.

Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the School District.

MUNICIPAL ADVISOR'S OBLIGATION

The School District has retained PFM Financial Advisors LLC, of Ann Arbor, Michigan, as municipal financial advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. In preparing portions of the Official Statement, the Municipal Advisor has relied upon governmental officials and other sources which have access to relevant data, to provide accurate information for the Official Statement and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. To the best of the Municipal Advisor's knowledge and belief, the information contained in the Official Statement, which it assisted in preparing, while it may be summarized, is complete and accurate. The Municipal Advisor is not a public accounting firm and has not been engaged by the School District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds. PFM Financial Advisors LLC is registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a municipal advisor.

Requests for information concerning the School District should be addressed to PFM Financial Advisors LLC, 555 Briarwood Circle, Suite 333, Ann Arbor, Michigan 48108, telephone: (734) 994-9700.

CONTINUING DISCLOSURE

Prior to delivery of the Bonds, the School District will execute a Continuing Disclosure Agreement (the "Agreement") for the benefit of the holders of the Bonds and the Beneficial Owners (as hereinafter defined under this caption only) to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. "Beneficial Owner" means, under this caption only, any person, which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including any person holding Bonds through nominees, depositories or any other intermediaries). The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Agreement, are set forth in "APPENDIX E: Form of Continuing Disclosure Agreement." Additionally, the School District shall provide certain annual financial information and operating data generally consistent with the information contained within the tables under the headings "ENROLLMENT - Historical Enrollment," "STATE AID PAYMENTS," "PROPERTY VALUATIONS - History of Valuations," "MAJOR TAXPAYERS," "SCHOOL DISTRICT TAX RATES - (Per \$1,000 of Valuation)," "TAX LEVIES AND COLLECTIONS," "RETIREMENT PLAN - Contribution to MPSERS," "LABOR RELATIONS," "DEBT STATEMENT - DIRECT DEBT," in APPENDIX A, and the General Fund Budget Summary in APPENDIX B.

A failure by the School District to comply with the Agreement will not constitute an event of default under the Resolutions and Beneficial Owners of the Bonds are limited to the remedies described in the Agreement. A failure by the School District to comply with the Agreement must be reported by the School District in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The School District has not, in the previous five years, failed to comply in any material respect with any previous continuing disclosure agreements or undertaking executed by the School District pursuant to the Rule.

OTHER MATTERS

All information contained in this Official Statement, in all respects, is subject to the complete body of information contained in the original sources thereof. 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.

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

HANOVER-HORTON SCHOOL DISTRICT
COUNTIES OF JACKSON AND HILLSDALE
STATE OF MICHIGAN

By: _____
Its: Superintendent of Schools

APPENDIX A¹

HANOVER-HORTON SCHOOL DISTRICT

GENERAL FINANCIAL, ECONOMIC AND SCHOOL INFORMATION

LOCATION AND AREA

Hanover-Horton School District (the “School District”) encompasses an area of 65.3 square miles. The School District includes all of the Village of Hanover, portions of the townships of Hanover, Liberty, Pulaski, Spring Arbor and Summit within the County of Jackson, and portions of the townships of Moscow and Somerset within the County of Hillsdale.

POPULATION

The U.S. Census reported and 2024 estimated populations for the School District, the Township of Hanover and the County of Jackson are as follows:

	School District	Township of Hanover	County of Jackson
2024 Estimate	6,662	3,669	160,060
2020 U.S. Census	6,845	3,662	160,366
2010 U.S. Census	6,854	3,695	160,248

Source: U.S. Census Bureau via data.census.gov website

BOARD OF EDUCATION

The Board of Education (the "Board") consists of seven members who are elected at large and serve overlapping terms. The Board annually elects a President, Vice President, Treasurer and Secretary. The Board is responsible for the selection and appointment of the Superintendent of Schools. The Board meets as a single body to set or amend policy, develop long-range educational goals and act upon recommendations of the Superintendent of Schools. The Board is also responsible for adopting and periodically amending the operating budget and evaluating school programs in accordance with governing laws.

ENROLLMENT

Historical Enrollment

Historical fall enrollment for the School District is as follows:

School Year End 30-Jun	Full-time Equivalent	Change	School Year End 30-Jun	Full-time Equivalent	Change
2026	972	-2.51%	2021	1,052	-6.07%
2025	997	0.81	2020	1,120	-1.06
2024	989	-2.85	2019	1,132	-3.82
2023	1,018	-3.23	2018	1,177	4.16
2022	1,052	0.00	2017	1,130	--

¹Information included in APPENDIX A of this Official Statement was obtained from the School District unless otherwise noted.

2025/2026 Fall Count

Kindergarten	104	7 th	79
1 st	70	8 th	75
2 nd	76	9 th	80
3 rd	67	10 th	70
4 th	67	11 th	65
5 th	75	12 th	68
6 th	76	Total	<u>972</u>

Source: School District and Michigan Department of Education via website www.michigan.gov

SCHOOL DISTRICT FACILITIES

The following is a table showing the existing School District facilities.

<u>Facility</u>	<u>Grades Served</u>	<u>Year Built</u>	<u>Last Remodel/Addition</u>	<u>Type of Construction</u>
<i>Elementary School:</i>				
Hanover-Horton	PK - 5	1979	1997	Brick
<i>Middle/High School:</i>				
Hanover-Horton	6 - 12	1958	2020	Brick
<i>Additional Facility:</i>				
Horton Building*	---	1950	1997	Brick

*The School District has entered into a 99-year lease agreement with Hanover Township, which lease allows the Township to occupy and operate the Horton Building.

OTHER SCHOOLS

There are no private, charter or parochial schools located within the School District’s boundaries.

STATE AID PAYMENTS

The School District's primary source of funding for operating costs is the State School Aid per pupil foundation allowance. Public Act 15 of 2025 set the target foundation allowance at \$10,050 for fiscal year 2025/2026.

In future years, this allowance may be adjusted by an index based upon the change in revenues to the state school aid fund and the change in the total number of pupils statewide. The State may reduce State School Aid appropriations at any time if the State's revenues do not meet budget expectations. See "SOURCES OF SCHOOL OPERATING REVENUE" herein for additional information.

The following table shows a five-year history and a current year estimate of the School District’s total state aid revenues, including categoricals and other amounts, and the per pupil state aid foundation allowance, which reflects the changes in sources of school operating revenue described herein:

<u>Fiscal Year End 30-Jun</u>	<u>Foundation Allowance per Pupil</u>	<u>Total State Aid Payments¹</u>	<u>Blended Pupil Count</u>	<u>Amount Received per Pupil²</u>
2026	\$10,050	\$11,144,782 ³	981.05 ³	\$11,360 ³
2025	9,608	11,051,065	996.58	11,089
2024	9,608	11,477,895	1,002.93	11,444
2023	9,150	10,702,033	1,026.23	10,428
2022	8,700	9,582,225	1,064.65	9,000
2021	8,111	9,678,278 ⁴	1,120.28	8,639 ⁴

¹Includes payments received for MPSERS UAAL rate stabilization. See “RETIREMENT PLAN - Contribution to MPSERS” herein.

²Represents the “Total State Aid Payments” divided by the “Blended Pupil Count”.

³Preliminary estimate, subject to change.

⁴Public Act 165 of 2020 restored the State school aid reductions contained in Public Act 146 of 2020 for the 2020/21 fiscal year, added a onetime \$65 per pupil payment and added other appropriations for qualifying school districts.

Source: Michigan Department of Education via website www.michigan.gov

PROPERTY VALUATIONS

In accordance with Act No. 539, Public Acts of Michigan, 1982, and Article IX, Section 3 of the Michigan Constitution, the ad valorem State Equalized Valuation (SEV) represents 50% of true cash value. SEV does not include any value of tax exempt property (e.g. churches, governmental property) or property granted tax abatements under Act No. 198, Public Acts of Michigan, 1974, as amended. **Since 1994, ad valorem property taxes are assessed on the basis of Taxable Value, which is subject to assessment caps. SEV is used in the calculation of debt margin and true cash value.** See “TAX PROCEDURES” herein for further information.

Taxable property in the School District is assessed by the local municipal assessor and is subject to review by the County Equalization Departments.

History of Valuations

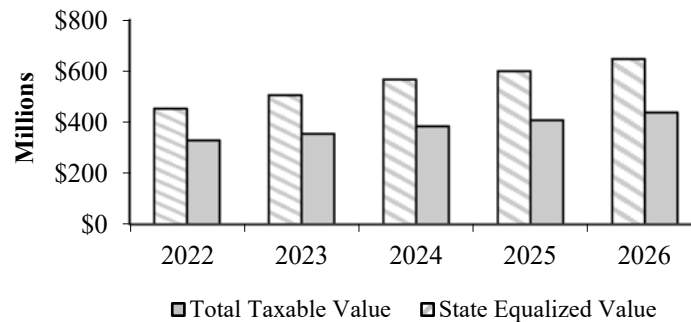
A history of the property valuations in the School District is shown below:

Year	Principal Residence ¹	Non- Principal Residence ¹	Total Taxable Value	Percent Change	State Equalized Value	Percent Change
2026	\$325,631,055	\$112,045,794	\$437,676,849	7.50%	\$646,763,190	7.97%
2025	307,517,190	99,642,766	407,159,956	6.13	599,017,320	5.74
2024	290,756,267	92,868,776	383,625,043	8.31	566,473,990	12.13
2023	271,281,829	82,901,009	354,182,838	7.79	505,186,060	11.65
2022	251,689,837	76,904,597	328,594,434	7.03	452,461,075	3.14

¹All industrial personal property is included in the principal residence tax base. While commercial personal property continues to be included in the non-principal residence tax base, it is exempt from 12 of the 18 operating mills levied on non-principal residence property only. In 2026, industrial personal property had a taxable value of \$0 and commercial personal property had a taxable value of \$2,430,000 in the School District.

Source: Counties of Jackson and Hillsdale Equalization Departments

History of Valuations



Annual Equivalent Valuation

A summary of the 2026 valuation is as follows:

2026 Taxable Value	\$437,676,849
Less: 2026 Disabled Veterans Exemption Taxable Value ¹	(6,795,249)
Net 2026 Annual Equivalent Valuation	<u>\$430,881,600</u>

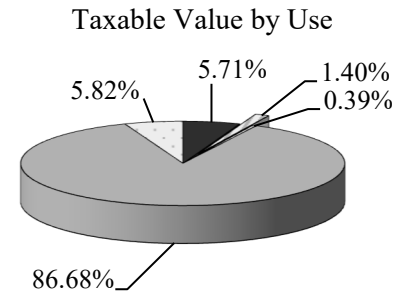
¹Represents value which is exempt from taxes pursuant to Michigan’s General Property Tax Act Section 7b, MCL 211.7b, which states real property used and owned as a homestead by either (1) a disabled veteran who was discharged from the United States armed forces under honorable conditions or (2) the disabled veteran’s un-remarried, surviving spouse is exempt from property taxes, subject to certain application requirements.

Source: Counties of Jackson and Hillsdale Equalization Departments

Tax Base Composition

A breakdown of the School District's 2026 Taxable Value by class and use is as follows:

	2026	Percent
By Class:	Taxable Value	of Total
Real Property	\$412,192,012	94.18%
Personal Property	25,484,837	5.82
TOTAL	\$437,676,849	100.00%
By Use:		
Agricultural	\$24,984,850	5.71%
Commercial	6,125,151	1.40
Industrial	1,714,073	0.39
Residential	379,367,938	86.68
Personal	25,484,837	5.82
TOTAL	\$437,676,849	100.00%



■ Agricultural □ Commercial □ Industrial □ Residential □ Personal

A breakdown of the School District's 2025 Taxable Value by municipality is as follows:

Municipality	2025 Taxable Value ¹	Percent of Total
<i>County of Jackson</i>		
Hanover Township	\$195,422,187	48.00%
Liberty Township	129,676,361	31.85
Pulaski Township	16,218,868	3.98
Spring Arbor Township	1,201,105	0.29
Summit Township	8,577,796	2.11
<i>County of Hillsdale</i>		
Moscow Township	1,720,866	0.42
Somerset Township	54,342,773	13.35
TOTAL	\$407,159,956	100.00%

¹2026 Taxable Value breakdown by Municipality are not yet available.

Source: Counties of Jackson and Hillsdale Equalization Departments

MAJOR TAXPAYERS

Shown below are the ten largest taxpayers in the School District based on their 2025 total valuation subject to taxation.

Taxpayer	Product/Service	2025 Taxable Value ¹
Consumers Energy	Utility	\$16,293,477
Jackson Oaks Trust	Residential	1,498,723
Mercer, Kirk N. & Marty Hansen	Residential	1,067,969
Cardon, Orson & Stephanie	Residential	1,023,081
Alexander, Jeffrey & Julie	Residential	833,265
Davey, Douglas J. & Karen W.	Residential	800,301
Iott, Brian & Kimberly A. Trust	Residential	699,510
Lowe Construction	Excavation Services	688,200
Rider, Cynthia A. Trust	Residential	642,166
Howe, James R. & Susan R. & Mark	Residential	628,666
TOTALS		\$24,175,358
Total 2025 Taxable Value		\$407,159,956
Top 10 Taxpayers as a % of 2025 Total Taxable Value		5.94%

¹2026 Taxable Value breakdown by individual taxpayers are not yet available.

Source: Counties of Jackson and Hillsdale Equalization Departments

CONSTITUTIONAL MILLAGE ROLLBACK

Article IX, Section 31 of the Michigan Constitution (also referred to as the “Headlee Amendment”) requires that if the total value of existing taxable property (Taxable Valuation) in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be reduced through a Millage Reduction Fraction unless new millage is authorized by a vote of the electorate of the local taxing unit.

SCHOOL DISTRICT TAX RATES - (Per \$1,000 of Valuation)

The following table shows the total School District tax rates for the past five years.

	2025	2024	2023	2022	2021
Operating – Voted	18.0000	18.0000	17.2144	17.2144	17.6994
Debt	1.0000	1.0000	1.0000	1.0000	1.1000
Sinking Fund	0.9576	0.9710	0.9831	0.9831	0.8900
Total Non-Principal Residence	19.9576	19.9710	19.1975	19.1975	19.6894
Total Principal Residence	1.9576	1.9710	1.9831	1.9831	1.9900

The School District levies voted operating millage on non-principal residence property and sinking fund millage and authorized debt millage on all taxable property within the School District. The voted operating millage expires with the 2033 levy. The sinking fund millage expires with the 2034 levy.

OTHER JURISDICTIONS’ TAX RATES - (Per \$1,000 of Valuation)

The following table provides the 2025 and 2024 tax rates for select units of government that overlap with the School District’s boundaries.

	2025	2024
State Education Tax	6.0000	6.0000
Jackson County	7.1054	7.1479
Hillsdale County	9.0793	8.1632
Hanover Township	2.1442	2.1712
Liberty Township	0.6761	0.6833
Pulaski Township	2.5538	2.5538
Hanover Village	7.9504	7.9928
Somerset Township	2.8660	2.9278
Jackson County ISD	8.6614	8.7078
Jackson College	1.1260	1.1327

Source: Counties of Jackson and Hillsdale Equalization Departments

TAX LEVIES AND COLLECTIONS

The School District’s fiscal year begins July 1 and ends June 30. School District property taxes are due July 1, except for property taxes levied in Pulaski Township and Spring Arbor Township. Hanover, Liberty, Moscow, Somerset and Summit Townships property taxes are due July 1 of each year and are payable without interest on or before the following September 14, and without penalty on or before the following February 14. Pulaski Township and Spring Arbor Township property taxes are due December 1 of each year and are payable without interest or penalty on or before the following February 14. All real property taxes remaining unpaid on March 1 of the year following the levy are turned over to the County Treasurers for collection. Jackson and Hillsdale Counties (the “Counties”) annually pay from their Tax Payment Funds delinquent taxes on real property to all taxing units in the Counties, including the School District, shortly after the date delinquent taxes are returned to the County Treasurers for collection.

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

Levy Year	Operating Tax Levy	Collections to March 1, Each Year		Collections Plus Funding to June 30, Each Year	
2025	\$1,731,095*	\$1,664,614	96.16%	N/A	
2024	1,616,561	1,464,581	90.60	\$1,596,210	98.74%
2023	1,422,078	1,325,891	93.24	1,412,692	99.34
2022	1,269,938	1,202,285	94.67	1,267,086	99.78
2021	1,248,892	1,187,955	95.12	1,253,298	100.00
2020	1,231,100	1,149,795	93.40	1,227,439	99.70

*Estimated.

RETIREMENT PLAN

For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPERS"), which is a statewide retirement plan for employees of Michigan public schools administered by the State of Michigan. These contributions are established and required by law and are calculated by using the contribution rates as determined annually by the State.

MPERS is a cost-sharing, multi-employer, statewide plan. Pension benefits, and retiree health benefits, are established by law and funded through employer contributions. The cost of retiree health benefits is funded annually on a pay-as-you-go basis, with retirees paying some of the costs. Current year liability for retiree health benefits is reflected in the figures provided below. Further information regarding MPERS, including retiree health benefits, can be found at www.michigan.gov/orsschools.

Public Act 75 of 2010 ("Act 75") significantly modified MPERS and among other provisions required all employees hired after July 1, 2010 to participate in a new Pension Plus Plan which provides a combined defined benefit and defined contribution structure. Public Act 92 of 2017 ("Act 92") further modified MPERS for all employees hired on or after February 1, 2018. Act 92 requires all employees hired on or after February 1, 2018 to elect to participate in a new 401(k) style defined contribution plan or a new hybrid plan with different assumptions and cost sharing.

Contribution to MPERS

The School District's annual contribution to MPERS for the previous five fiscal years are shown below:

Fiscal Year Ended 30-Jun	Pension Amount	Health Care Amount	Total Amount	State Aid MPERS Direct Offset Payments ¹
2025	\$2,417,420	\$177,343	\$2,594,763	\$798,706
2024	2,492,390	499,712	2,992,102	1,169,192
2023	2,739,963	465,862	3,205,825	1,597,705
2022	1,867,788	430,543	2,298,331	956,137
2021	1,752,898	449,490	2,202,388	824,637

¹Represents the amount the School District received in state aid categorical revenue (Section 147c MPERS UAAL Rate Stabilization and One-Time Deposits) to directly pay for a portion of the School District's MPERS unfunded liability. This amount is included in the Total Amount shown in the table above.

Effective for fiscal years beginning after June 15, 2014, GASB Statement 68 requires all reporting units in a multi-employer cost sharing pension plan to record a balance sheet liability for their proportionate share of the net pension liability of the plan. The School District implemented GASB 68 in its year ended June 30, 2015 financial statements. In its June 30, 2025 financial statements, the School District reported a proportionate share of the net pension liability of \$14,728,305 as of September 30, 2024.

Effective for fiscal years beginning after June 15, 2017, GASB Statement 75 requires all reporting units in a multi-employer cost sharing OPEB plan to record a balance sheet liability for their proportionate share of the net OPEB liability of the plan. The School District implemented GASB 75 in its year ended June 30, 2018 financial statements. In its June 30, 2025 financial statements, the School District reported a proportionate share of the net OPEB asset of \$2,601,895 as of September 30, 2024.

For additional information regarding the Pension Plan and Postemployment Benefits Other than Pensions (OPEB), see the Notes to the Financial Statements in the School District's audited financial statements in APPENDIX C.

Source: Audited Financial Statements and School District

LABOR RELATIONS

The School District has labor agreements with the following employee groups. The agreements all provide for complete and comprehensive salary, wage, fringe benefit and working conditions provisions. The number of employees and duration of the agreements are as follows:

<u>Employee Group</u>	<u>No. of Employees</u>	<u>Affiliation</u>	<u>Exp. Date of Contract</u>
Administrators	6	Non-Affiliated	N/A
Teachers	54	JCEA/MEA/NEA	12/31/26*
Secretaries	6	JCEA/MEA/NEA	12/31/26*
Aides	24	JCEA/MEA/NEA	12/31/26*
Maintenance/Custodial	10	JCEA/MEA/NEA	12/31/26*
Transportation	8	JCEA/MEA/NEA	12/31/26*
Food Service	10	JCEA/MEA/NEA	12/31/26*
Non-Affiliated	4	Non-Affiliated	N/A
TOTAL	122		

*The above employee groups are serviced by 2 labor agreements: one for the teachers and one for all support staff.

The School District has not experienced a strike by any of its bargaining units within the past ten years.

DEBT STATEMENT* - (As of 06/02/26 – including the Bonds described herein)

DIRECT DEBT:

<u>Dated Date</u>	<u>Purpose</u>	<u>Bond Type</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
08/08/19	Building & Site	UTNQ	05/01/43	\$3,805,000
03/31/22	Building & Site	LTNQ	05/01/27	208,000
/ /26	Building & Site	UTNQ	05/01/51	3,815,000*
NET DIRECT DEBT				\$7,828,000*

OVERLAPPING DEBT:

<u>Percent Share</u>	<u>Municipality</u>	<u>Net Debt</u>	<u>District's Share</u>
96.56%	Hanover Township	\$0	\$0
70.68	Liberty Township	73,920	52,247
1.91	Moscow Township	0	0
20.34	Pulaski Township	0	0
18.22	Somerset Township	0	0
0.41	Spring Arbor Township	4,715,000	19,332
0.94	Summit Township	14,023,579	131,822
100.00	Hanover Village	0	0
2.77	Hillsdale County	14,910,000	413,007
5.35	Jackson County	83,455,000	4,464,843
6.16	Jackson County ISD	5,325,000	328,020
5.35	Jackson College	24,220,000	1,295,770
TOTAL OVERLAPPING DEBT			6,705,041
NET DIRECT AND OVERLAPPING DEBT			\$14,533,041*

*Preliminary, subject to change.

Source: Municipal Advisory Council of Michigan

OTHER DEBT

The School District has the following short-term borrowing outstanding:

Dated Date	Description	Interest Rate	Maturity Date	Balance
08/20/25	State Aid Note	3.45%	08/20/26	\$1,900,000

DEBT HISTORY

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

FUTURE FINANCING

The School District does not have plans for any additional capital financings in the next 12 months.

DEBT RATIOS*

Estimated School District Population	6,662
2026 Taxable Value	\$437,676,849
2026 State Equalized Value (SEV)	\$646,763,190
2026 True Cash Value (TCV)	\$1,293,526,380
Per Capita 2026 Taxable Value	\$65,697.52
Per Capita 2026 State Equalized Value	\$97,082.44
Per Capita 2026 True Cash Value	\$194,164.87
Per Capita Net Direct Debt	\$1,175.02
Per Capita Net Direct and Overlapping Debt	\$2,181.48
Percent of Net Direct Debt of 2026 Taxable Value	1.79%
Percent of Net Direct and Overlapping Debt of 2026 Taxable Value	3.32%
Percent of Net Direct Debt of 2026 SEV	1.21%
Percent of Net Direct and Overlapping Debt of 2026 SEV	2.25%
Percent of Net Direct Debt of 2026 TCV	0.61%
Percent of Net Direct and Overlapping Debt of 2026 TCV	1.12%

*Preliminary, subject to change.

LEGAL DEBT MARGIN* - (As of 06/02/26 – including the Bonds described herein)

2026 State Equalized Value	\$646,763,190
Legal Debt Limit - 15% of SEV	\$97,014,478
Total Bonded Debt Outstanding	\$7,828,000
Less: SLRF Qualified Bonds ¹	<u>0</u>
Net Amount Subject to Legal Debt Limit	<u>7,828,000</u>
 LEGAL DEBT MARGIN AVAILABLE	 <u><u>\$89,186,478</u></u>

*Preliminary, subject to change.

¹Section 1351(3) of Act 451, Public Acts of Michigan, 1976, as amended, provides that the bonded indebtedness of a school district shall not exceed 15% of the total assessed valuation of the district. Bonds not included in the computation of the legal debt margin are (1) any bond qualified under Article IX, Section 16 of the Michigan Constitution of 1963 (see "SLRF Qualified Bonds" in the table above), and (2) deficit budget bonds as authorized under Section 1356. In addition, Section 605 of Act 34, Public Acts of Michigan, 2001, as amended, provides, in relevant part, that debt evidenced by a refunding security shall not be deemed to be within any statutory or charter limitation of outstanding debt limit.

EMPLOYMENT CHARACTERISTICS

Listed below are the largest employers that are located within the School District and Jackson County:

Employer	Product or Service	Approx. No. of Employees
<i>Within the School District</i>		
Hanover-Horton School District	Education	122
Lomar Machine & Tool	Machinery	120
Lowe Construction	Excavation Services	42
Hanover Township Fire Department	Emergency Services	24
ABC Training & Testing	Driving School	18
Deer Run Golf Club Inc.	Golf Course & Country Club	15
J J's Meats	Butcher Shop	15
<i>Within the County of Jackson</i>		
Henry Ford Jackson Hospital (formerly Henry Ford Allegiance Health)	Healthcare	3,348
Consumers Energy	Utility	3,000
MI Department of Corrections	Correctional Institution	2,040
CMS Energy	Utility	1,500
Elara Caring Hospice Foundation (formerly Great Lakes Home Health/Hospice)	Health & Hospice Services	1,200
Michigan Automotive Compressor, Inc.	Air Compressors	900
Jackson County	Government	870
TAC Manufacturing, Inc.	Automotive Safety Equipment	850
Jackson County ISD	Education	726
Jackson College	Higher Education	716
Melling Tool Company	Oil Pumps	700
Eaton Corporation	Aerospace Hydraulic Equipment	656
Jackson Public Schools	Education	534
Meijer, Inc.	Retail & Grocery	468

Source: 2025 Michigan Manufacturers Directory, Manta website via www.manta.com, MEDC website via www.michiganbusiness.org and individual employers.

EMPLOYMENT BREAKDOWN

The U.S. Census Bureau, 2020-2024 American Community Survey reports the occupational breakdown of persons 16 years and over for the Township of Hanover and the County of Jackson as follows:

PERSONS BY OCCUPATION	Township of Hanover		County of Jackson	
	Number	Percent	Number	Percent
	1,695	100.00%	69,868	100.00%
Management, Business, Science & Arts	576	33.98	24,688	35.34
Service	394	23.24	12,530	17.93
Sales & Office	285	16.81	13,866	19.85
Natural Resources, Construction & Maintenance	245	14.46	6,563	9.39
Production, Transportation & Material Moving	195	11.51	12,221	17.49

The U.S. Census Bureau, 2020-2024 American Community Survey reports the breakdown by industry for persons 16 years and over for the Township of Hanover and the County of Jackson as follows:

PERSONS BY INDUSTRY	Township of Hanover		County of Jackson	
	Number	Percent	Number	Percent
	1,695	100.00%	69,868	100.00%
Agriculture, Forestry, Fishing, Hunting & Mining	37	2.18	838	1.20
Construction	135	7.96	4,389	6.28
Manufacturing	360	21.24	13,716	19.63
Wholesale Trade	5	0.30	1,208	1.73
Retail Trade	90	5.31	6,597	9.44
Transportation, Warehousing & Utilities	64	3.78	3,844	5.50
Information	56	3.30	818	1.17
Finance, Insurance & Real Estate	97	5.72	3,619	5.18
Professional, Scientific & Management Services	138	8.14	5,128	7.34
Educational, Health & Social Services	321	18.94	17,317	24.79
Arts, Entertainment, Recreation & Food Services	50	2.95	5,428	7.77
Other Services except Public Administration	182	10.74	3,619	5.18
Public Administration	160	9.44	3,347	4.79

UNEMPLOYMENT

The U.S. Department of Labor, Bureau of Labor Market Statistics, reports unemployment averages for the County of Jackson as compared to the State of Michigan as follows:

Annual Average	County of Jackson	State of Michigan
March, 2026	5.0%	5.1%
2025	5.4	5.2
2024	4.8	4.7
2023	4.1	3.9
2022	4.5	4.2

POPULATION BY AGE

The U.S. Census Bureau, 2020-2024 American Community Survey reports the breakdown of population by age for the Township of Hanover and the County of Jackson as follows:

	Township of Hanover		County of Jackson	
	Number	Percent	Number	Percent
Total Population	3,669	100.00%	160,060	100.00%
0 through 19 years	1,082	29.49	37,287	23.30
20 through 64 years	1,893	51.59	92,262	57.64
65 years and over	694	18.92	30,511	19.06
Median Age	36.3 years		41.5 years	

INCOME

The U.S. Census Bureau, 2020-2024 American Community Survey reports the breakdown of household income for the Township of Hanover and the County of Jackson as follows:

HOUSEHOLDS BY INCOME	Township of Hanover		County of Jackson	
	Number	Percent	Number	Percent
	1,371	100.00%	62,540	100.00%
Less than \$ 10,000	12	0.88	2,840	4.54
\$ 10,000 to \$ 14,999	18	1.31	2,458	3.93
\$ 15,000 to \$ 24,999	108	7.88	4,200	6.72
\$ 25,000 to \$ 34,999	17	1.24	5,043	8.06
\$ 35,000 to \$ 49,999	132	9.63	8,432	13.48
\$ 50,000 to \$ 74,999	335	24.43	12,030	19.24
\$ 75,000 to \$ 99,999	163	11.89	7,903	12.64
\$100,000 to \$149,999	391	28.52	10,962	17.53
\$150,000 to \$199,999	90	6.56	4,506	7.20
\$200,000 or MORE	105	7.66	4,166	6.66
Median Income	\$81,477		\$66,073	

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APPENDIX B
GENERAL FUND BUDGET SUMMARY AND
COMPARATIVE FINANCIAL STATEMENTS

Hanover-Horton School District
General Fund Budget Summary

	As Adopted 2025/26
Revenue	
Local Sources	\$1,855,000
State Sources	10,351,897
Federal Sources	148,100
Interdistrict/Other Sources	391,400
Total Revenue	\$12,746,397
Expenditures	
Instructional Services	
Basic Program	\$6,213,715
Added Needs	1,312,496
Support	
Pupil	474,675
Instructional Staff	224,227
General Administration	421,000
School Administration	1,116,500
Business Services	332,500
Operation & Maintenance	1,386,800
Transportation	795,100
Central Services	274,400
Athletics	390,400
Community Services	4,000
Debt Service	143,100
Total Expenditures	\$13,088,913
Excess of Expenditures (over) under Revenues	(\$342,516)
Other Financing Sources (Uses)	
Operating Transfers In	\$40,000
Total Other Financing Sources (Uses)	\$40,000
Net Change in Fund Balance	(\$302,516)
Beginning Fund Balance - July 1	\$1,164,702
Projected Fund Balance - June 30	\$862,186

Source: School District

**Hanover-Horton School District
General Fund
Comparative Balance Sheet**

	For Fiscal Years Ended June 30th		
	2023	2024	2025
Assets			
Cash and Investments	\$1,426,852	\$2,109,219	\$2,411,412
Accounts Receivable	3,200	6,038	---
Due from Other Governmental Units	2,012,636	2,252,329	2,007,034
Due from Other Funds	36,027	60,734	32,250
Prepaid Expenditures	2,071	8,559	---
Total Assets	<u>\$3,480,786</u>	<u>\$4,436,879</u>	<u>\$4,450,696</u>
Liabilities			
Accounts Payable	\$58,337	\$90,624	\$47,010
Salaries Payable	621,386	651,495	630,269
Accrued Expenditures	642,819	599,230	505,309
Short-Term Loans	131,069	1,344,855	1,911,235
Unearned Revenue	150,163	210,328	192,171
Total Liabilities	<u>\$1,603,774</u>	<u>\$2,896,532</u>	<u>\$3,285,994</u>
Fund Balance			
Nonspendable	\$2,071	\$8,559	---
Assigned for Subsequent Year Expenditures	1,054,600	1,054,600	\$302,516
Unassigned	820,341	477,188	862,186
Total Fund Balance	<u>\$1,877,012</u>	<u>\$1,540,347</u>	<u>\$1,164,702</u>
Total Liabilities and Fund Balance	<u><u>\$3,480,786</u></u>	<u><u>\$4,436,879</u></u>	<u><u>\$4,450,696</u></u>

Source: Audited Financial Statements

**Hanover-Horton School District
General Fund**

**Comparative Statement of Revenues,
Expenditures and Changes in Fund Balance**

	For Fiscal Years Ended June 30th		
	2023	2024	2025
Revenue			
Local Sources	\$1,463,772	\$1,729,850	\$1,895,272
State Sources	10,603,838	11,083,694	10,792,346
Federal Sources	721,272	547,320	256,602
Interdistrict & Other	460,667	392,585	392,671
Total Revenue	\$13,249,549	\$13,753,449	\$13,336,891
Expenditures			
Instruction	\$7,953,175	\$8,093,934	\$7,969,541
Supporting Services	5,713,896	4,996,098	5,225,711
Athletic Activities	333,811	367,075	403,374
Community Services	53	1,830	5,814
Debt Service			
Principal Payments	157,313	113,368	111,563
Interest & Fiscal Charges	1,917	45,893	38,645
Capital Outlay	125,052	514,420	6,888
Total Expenditures	\$14,285,217	\$14,132,618	\$13,761,536
Other Financing Sources (Uses)			
Proceeds from Issuance of Lease Liability	\$785,678	---	---
Operating Transfers In	38,500	\$42,504	\$49,000
Total Other Financing Sources (Uses)	\$824,178	\$42,504	\$49,000
Net Change in Fund Balance	(\$211,490)	(\$336,665)	(\$375,645)
Fund Balance - Beginning	\$2,088,502	\$1,877,012	\$1,540,347
Fund Balance - Ending	\$1,877,012	\$1,540,347	\$1,164,702

Source: Audited Financial Statements

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APPENDIX C
AUDITED FINANCIAL STATEMENTS

The auditor was not requested to examine or review and therefore 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 has not conducted any post-audit review procedures and will not express any opinion with respect to the accuracy or completeness of such financial documents, statements or materials.

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Independent Auditors' Report

Board of Education
Hanover-Horton School District
Horton, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover-Horton School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Hanover-Horton School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover-Horton School District, as of June 30, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hanover-Horton School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hanover-Horton School District's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hanover-Horton School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hanover-Horton School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and certain pension and OPEB information as identified in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hanover-Horton School District's basic financial statements. The combining nonmajor fund financial statements and the schedule of bonded indebtedness are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in

Hanover-Horton School District
Management's Discussion and Analysis
Year Ended June 30, 2025

the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of bonded indebtedness are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2025, on our consideration of Hanover-Horton School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hanover-Horton School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hanover-Horton School District's internal control over financial reporting and compliance.

Sincerely,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 30, 2025

This section of Hanover-Horton School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2025.

Financial Highlights

- The current year's activity increased net position by \$2,572,882, see comparison to prior year on page vii.
- The General Fund's fund balance decreased by \$375,645 to \$1,164,702 or approximately 8% of total 2024-25 General Fund expenditures.
- The District participated in the State Aid Note program for the 2024-25 year for cash flow to maintain the current level of services. This will be the case again for the 2025-26 year. See Note 7.
- The property tax revenue for the fiscal year restricted to sinking fund capital improvement expenditures totaled approximately \$379,000.
- In accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, an unfunded pension liability has been established through actuarial valuations and will be amortized over a period ending September 30, 2038. An asset has been recorded for postemployment benefits other than pensions (OPEB) as the OPEB plan is overfunded currently; the asset was recorded under a standard similar to reporting in regards to pension plans (as per GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*). Because of the underfunded pension plan, the liabilities of the District exceeded its assets. The balance of the net position at the close of the most recent fiscal year was \$(6,570,539), a negative net position.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant funds – the General Fund and the Food Service Fund. All other funds are presented in one column as non-major funds.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities - One of the most important questions asked about the District's finances is, "Is the District better or worse off as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to accounting used by private-sector corporations.

The statement of net position and the statement of activities present information about the following:

Governmental Activities – The Statement of Net Position and Statement of Activities report the governmental activities for the District. These services include instruction, support services, student activities, community services, athletics, and food services. Property taxes, intergovernmental revenues, (unrestricted and restricted State Aid), and charges for services finance most of these activities. All of the current year's revenues and expenses for these services are taken into consideration regardless of when cash is received or paid.

The Statement of Net Position reports the District's net position, the difference between assets and liabilities. The Statement of Activities reports the District's change in net position, the revenues less expenses for the fiscal year, either as an increase or a decrease, or in other words, the operating results for the year. However, the School District's goal is to provide services to its students, not to generate profits, as private-sector corporations do.

These two statements report the District's net position and changes in net position. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Accounting Manual*.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Additional Information – The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 7-28 of this report.

Government-Wide Financial Analysis

The government-wide financial analysis focuses on the net position and changes in net position of the District's governmental activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following is a summary of the School District's net assets as of June 30, 2025 and 2024:

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024*</u>
Assets:		
Current assets	\$ 6,162,789	\$ 5,853,746
Non-current assets	14,408,053	12,739,403
Total assets	<u>20,570,842</u>	<u>18,593,149</u>
Deferred Outflows of Resources	<u>5,014,075</u>	<u>7,060,052</u>
Liabilities:		
Current liabilities	3,364,440	2,972,463
Non-current liabilities	<u>20,255,680</u>	<u>24,607,408</u>
Total liabilities	<u>23,620,120</u>	<u>27,579,871</u>
Deferred Inflows of Resources	<u>8,539,829</u>	<u>6,606,751</u>
Net Position:		
Invested in capital assets - net of related debt	6,962,783	7,101,724
Restricted	3,506,106	1,053,025
Unrestricted	<u>(17,043,921)</u>	<u>(16,688,170)</u>
Total net position	<u>\$ (6,575,032)</u>	<u>\$ (8,533,421)</u>

*The 2024 numbers have not been updated for the adoption of GASB Statement No. 101.

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 4.

A portion of the District's net position, \$6,962,783, reflects an investment in capital assets (i.e. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, \$3,506,106, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these amounts are restricted for debt service, student activities, and capital projects. The *unrestricted* balance of net position, \$(17,043,921), which is *negative* net position, is negative primarily due to recording the net pension liability. The pension liability at fiscal year-end is expected to be amortized over a declining period through 2038.

Hanover-Horton School District
Management's Discussion and Analysis
Year Ended June 30, 2025

The results of this year's operations for the School District as a whole are reported in the Statement of Activities which shows the changes in net position for fiscal year 2025. Comparative information for fiscal years 2025 and 2024 follows.

The following is a summary of the change in net position for the years ended June 30, 2025 and 2024:

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024*</u>
Revenues:		
Program revenues:		
Charges for services	\$ 169,226	\$ 153,708
Operating grants	4,693,829	4,898,159
General revenues:		
Property taxes - general purpose	1,612,540	1,479,313
Property taxes - debt service	378,787	352,587
Property taxes - sinking fund	369,708	346,625
Grants and state aid	7,982,918	8,181,584
Other	<u>648,687</u>	<u>611,808</u>
Total revenues	<u>15,855,695</u>	<u>16,023,784</u>
Functions/Program Expenses:		
Instruction	6,464,177	6,839,204
Support services	4,329,650	4,411,016
Food service activities	660,559	616,226
Student activities	266,298	230,804
Community service	5,814	1,830
Athletics	403,374	367,075
Capital outlay	35,421	102,697
Interest	209,379	226,349
Depreciation and amortization (unallocated)	<u>912,634</u>	<u>877,873</u>
Total expenses	<u>13,287,306</u>	<u>13,673,074</u>
Increase (decrease) in net position	2,568,389	2,350,710
Net position beginning of year	(8,533,421)	(10,884,131)
Adjustment to beginning net position for implementation of GASB 101	<u>(610,000)</u>	<u>-</u>
Ending net position	<u>\$ (6,575,032)</u>	<u>\$ (8,533,421)</u>

*The 2024 numbers have not been updated for the adoption of GASB Statement No. 101.

The District's net position increased by \$2,568,389 during the current fiscal year.

Hanover-Horton School District
Management's Discussion and Analysis
Year Ended June 30, 2025

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State Aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

General Fund Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan law. The most significant budgeted funds are the General Fund and Food Service Fund. Schedules showing the School District's General Fund and Food Service Fund original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. The budgets were amended during the year to factor in previously unknown items such as confirmed pupil count and state aid foundation allowance.

The General Fund actual revenue and other financing sources were \$13,385,891. That amount is higher than the amended budget estimate of \$13,311,475. The actual expenditures and other financing uses of the General Fund were \$13,761,536, which is less than the amended budget estimate of \$13,880,636.

The General Fund had total revenues and other financing sources of \$13,385,891 and total expenditures of \$13,761,536 with a net decrease in fund balance of \$375,645 and ending fund balance of \$1,164,702.

Capital Asset and Debt Administration

Capital Assets – At the end of fiscal year 2025, the School District had \$24,946,055 invested in land, buildings, furniture and equipment, vehicles and buses, and right-to-use assets. On this amount, \$13,139,897 in depreciation/amortization has been taken over the years. We currently have a net book value of \$11,806,158.

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024</u>
Land	\$ 1,150	\$ 1,150
Land improvements	2,971,344	2,971,344
Buildings and improvements	19,524,300	19,495,744
Buses and other vehicles	483,637	526,523
Furniture and equipment	1,179,856	908,376
Right-to-use - leased buses	<u>785,768</u>	<u>785,768</u>
Total capital assets	24,946,055	24,688,905
Less accumulated depreciation/amortization	<u>13,139,897</u>	<u>12,287,243</u>
Net capital assets	<u>\$11,806,158</u>	<u>\$12,401,662</u>

Major capital asset purchases during the current fiscal year included IT purchases (\$158,000) and food service furniture and equipment (\$106,000).

Hanover-Horton School District
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets:	
Cash and investments	\$ 4,136,575
Receivables:	
Due from other governmental units	2,015,661
Inventories	10,553
Net OPEB asset	2,601,895
Capital assets, net	11,806,158
Total assets	<u>20,570,842</u>
Deferred Outflows of Resources:	
Pension related	4,347,236
OPEB related	666,839
Total deferred outflows of resources	<u>5,014,075</u>
Liabilities:	
Accounts payable	73,324
State aid anticipation loan	1,911,235
Accrued payroll and related	1,139,660
Accrued interest	42,900
Unearned revenue	197,321
Long-term liabilities:	
Bonds payable, due within one year	359,000
Loans payable, due within one year	6,213
Lease liability payable, due within one year	112,804
Compensated absences, due within one year	68,400
Bonds payable, due in more than one year	4,013,000
Loans payable, due in more than one year	26,688
Lease liability payable, due in more than one year	325,670
Compensated absences, due in more than one year	615,600
Net pension liability	14,728,305
Total liabilities	<u>23,620,120</u>
Deferred Inflows of Resources:	
Pension related	5,101,710
OPEB related	3,438,119
Total deferred inflows of resources	<u>8,539,829</u>
Net Position:	
Invested in capital assets - net of related debt	6,962,783
Restricted for capital projects	153,511
Restricted for student activities	393,217
Restricted for debt service	357,483
Restricted for net other post-employment benefits	2,601,895
Unrestricted	(17,043,921)
Total net position	<u>\$ (6,575,032)</u>

See Notes to Financial Statements.

Hanover-Horton School District
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenues and Changes in Net Position
Primary government				
Governmental activities:				
Instruction	\$ 6,464,177	\$ -	\$ 2,777,068	\$ (3,687,109)
Support services	4,329,650	-	823,703	(3,505,947)
Food service activities	660,559	95,749	839,325	274,515
Athletics	403,374	73,477	-	(329,897)
Student activities	266,298	-	247,919	(18,379)
Community services	5,814	-	5,814	-
Capital outlay	35,421	-	-	(35,421)
Interest on long-term debt	209,379	-	-	(209,379)
Depreciation and amortization	912,634	-	-	(912,634)
Total governmental activities	<u>\$ 13,287,306</u>	<u>\$ 169,226</u>	<u>\$ 4,693,829</u>	<u>(8,424,251)</u>
General revenues:				
Taxes:				
				1,612,540
				378,787
				369,708
				7,982,918
				170,245
				478,442
				<u>10,992,640</u>
Change in Net Position				
				2,568,389
Net Position - Beginning of Year				
				<u>(9,143,421)</u>
Net Position - End of Year				
				<u>\$ (6,575,032)</u>

See Notes to Financial Statements.

Hanover-Horton School District
Balance Sheet
Governmental Funds
June 30, 2025

	General	Food Service Fund	Other Nonmajor Governmental Funds	Total
Assets				
Cash and investments	\$ 2,411,412	\$ 803,809	\$ 921,354	\$ 4,136,575
Receivables:				
Due from other governmental units	2,007,034	8,627	-	2,015,661
Due from other funds	32,250	-	-	32,250
Inventories	-	10,553	-	10,553
Total assets	<u>\$ 4,450,696</u>	<u>\$ 822,989</u>	<u>\$ 921,354</u>	<u>\$ 6,195,039</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 47,010	\$ 9,171	\$ 17,143	\$ 73,324
Due to other funds	-	32,250	-	32,250
Salaries payable	630,269	-	-	630,269
Accrued expenditures	505,309	4,082	-	509,391
Notes payable, short-term	1,911,235	-	-	1,911,235
Unearned revenue	192,171	5,150	-	197,321
Total liabilities	<u>3,285,994</u>	<u>50,653</u>	<u>17,143</u>	<u>3,353,790</u>
Fund balances:				
Nonspendable	-	10,553	-	10,553
Restricted	-	761,783	904,211	1,665,994
Assigned for subsequent year expenditures	302,516	-	-	302,516
Unassigned	862,186	-	-	862,186
Total fund balances	<u>1,164,702</u>	<u>772,336</u>	<u>904,211</u>	<u>2,841,249</u>
Total liabilities and fund balances	<u>\$ 4,450,696</u>	<u>\$ 822,989</u>	<u>\$ 921,354</u>	<u>\$ 6,195,039</u>

See Notes to Financial Statements.

Hanover-Horton School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Governmental Funds
June 30, 2025

Total Fund Balance - Governmental Funds	\$ 2,841,249
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 24,946,055
Accumulated depreciation and amortization is	<u>(13,139,897)</u>
	11,806,158
Long-term liabilities and related deferred outflows and inflows are not due and payable in the current period and not reported in the funds:	
Net pension liability	(14,728,305)
Compensated absences	(684,000)
Bonds payable	(4,372,000)
Loans payable	(32,901)
Lease liability payable	<u>(438,474)</u>
	(20,255,680)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	
Noncurrent assets at year-end consists of:	
Net OPEB asset	2,601,895
Deferred inflows and outflows related to pension/OPEB assets/liabilities are long-term and thus not reported in the funds.	
Deferred outflows related to pensions	4,347,236
Deferred outflows related to OPEB	666,839
Deferred inflows related to pensions	(5,101,710)
Deferred inflows related to OPEB	<u>(3,438,119)</u>
	(3,525,754)
Accrued interest payable on long-term debt is not included as a liability in governmental funds.	<u>(42,900)</u>
Total Net Position - Governmental Activities	<u>\$ (6,575,032)</u>

See Notes to Financial Statements.

Hanover-Horton School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2025

	General Fund	Food Service Fund	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources	\$ 1,895,272	\$ 124,250	\$ 1,013,989	\$ 3,033,511
State sources	10,792,346	346,350	-	11,138,696
Federal sources	256,602	492,975	-	749,577
Interdistrict and other	392,671	8,878	13,801	415,350
Total revenues	<u>13,336,891</u>	<u>972,453</u>	<u>1,027,790</u>	<u>15,337,134</u>
Expenditures:				
Instruction	7,969,541	-	-	7,969,541
Support services	5,225,711	-	-	5,225,711
Athletic activities	403,374	-	-	403,374
Food service activities	-	825,219	-	825,219
Student activities	-	-	266,298	266,298
Community services	5,814	-	-	5,814
Debt service:				
Principal payments	111,563	-	345,000	456,563
Interest and fiscal charges	38,645	-	176,134	214,779
Capital outlay	6,888	-	51,431	58,319
Total expenditures	<u>13,761,536</u>	<u>825,219</u>	<u>838,863</u>	<u>15,425,618</u>
Revenues Over (Under) Expenditures	<u>(424,645)</u>	<u>147,234</u>	<u>188,927</u>	<u>(88,484)</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	150	-	150
Operating transfers in	49,000	-	-	49,000
Operating transfers out	-	(49,000)	-	(49,000)
Total other financing sources (uses)	<u>49,000</u>	<u>(48,850)</u>	<u>-</u>	<u>150</u>
Net Changes in Fund Balances	<u>(375,645)</u>	<u>98,384</u>	<u>188,927</u>	<u>(88,334)</u>
Fund Balances - Beginning of Year	<u>1,540,347</u>	<u>673,952</u>	<u>715,284</u>	<u>2,929,583</u>
Fund Balances - End of Year	<u>\$ 1,164,702</u>	<u>\$ 772,336</u>	<u>\$ 904,211</u>	<u>\$ 2,841,249</u>

See Notes to Financial Statements.

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Hanover-Horton School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds	\$ (88,334)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation and amortization.	
Depreciation and amortization expense	\$ (912,634)
Capital outlay	<u>317,130</u>
	(595,504)
Accrued interest on long-term debt is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	5,400
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither type transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The effect of these differences is the varying treatment of long-term debt and related items as follows:	
Repayments:	
Principal on bonds	345,000
Principal on equipment loans	6,040
Principal on lease liability payable	<u>105,523</u>
	456,563
Compensated absences are subject to full accrual in the Statement of Activities, while being recorded when financial resources are used in the governmental funds.	(31,000)
Governmental funds report the required pension contributions for each fiscal year as an expenditure. The Statement of Activities reports the fully accrued pension expense based upon a September year-end to coincide with the State of Michigan's fiscal year.	
Changes in pension-related liabilities and deferrals	1,715,103
Changes in OPEB-related assets/liabilities and deferrals	<u>1,106,161</u>
	<u>2,821,264</u>
Change in Net Position of Governmental Activities	<u>\$ 2,568,389</u>

See Notes to Financial Statements.

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Long-Term Debt – At June 30, 2025, the District had total debt outstanding of \$4,843,375.

	Governmental Activities	
	2025	2024
General obligation bonds	\$ 4,372,000	\$ 4,717,000
Equipment loans	32,901	38,941
Leases payable	438,474	543,997
Total	\$ 4,843,375	\$ 5,299,938

During the current fiscal year, the District's total debt decreased by a net of \$456,563.

Additionally, the District has long-term obligations to pay out compensated absences based upon contract agreements with employees. The amount reported, which is an estimate of what is due to applicable employees if their employment ends, totals \$684,000.

Economic Factors and Next Year's Budgets and Rates

For the 2025-2026 budget cycle, we've estimated an enrollment of 981 and a per pupil allocation of \$10,000 based on the proposed increase in the Senate and House budget plans. Since passing our operating millage increase last August, we are able to collect the full 18 mills for operating costs allowing us to receive our full per pupil allowance. As we have had staff members retiring, we are absorbing positions through attrition where it is possible. Whenever an estimate is required during the budgeting process, we take a very conservative yet realistic approach and estimate revenues low and expenditures high.

Requests for Information

This financial report is designed to provide a general overview of the Hanover-Horton Schools' finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Attention: Susan Michalsky
 Hanover-Horton School District
 405 S. Main Street
 10400 Moscow Road
 Horton, MI 49246

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the Hanover-Horton School District (the "School District" or "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position presents all governmental activities on a consolidated basis. The Statement of Net Position reports all assets and liabilities including those of a long-term nature. The net difference is reported as net position. Net position is categorized as net investment in capital assets, restricted net position, and unrestricted net position. It is the District's policy to allocate resource outlays first to restricted net position with the remainder allocated to unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue. 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, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

District-Wide and Fund Financial Statements (Continued)

Fund-Based Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements with nonmajor governmental funds aggregated into a single column.

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 government considers revenues to be available if 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, as well as expenditures related to compensated absences, severance pay, claims, and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions of lease and SBITA assets are reported as other financing sources.

Property taxes, unrestricted State Aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure reimbursing grants are recognized when the qualifying expenditures have been incurred, eligibility requirements have been met, and receipt of monies is expected within the current availability period (60 days post year-end). All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

General Fund – The General Fund is the School District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Food Service Fund – The Food Service Fund is a special revenue fund used to record revenues and expenditures related specifically to food service activity.

Additionally, the government reports the following fund types:

Capital Project Funds – Capital Project Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The District maintains the Sinking Fund, which has restricted property taxes as its source of revenue. For this capital project fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

District-Wide and Fund Financial Statements (Continued)

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District maintains two special revenue funds: the Food Service Fund (a major fund) and the Student Activities Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue for payment of principal and other expenditures and the disbursements thereof on a particular bond issue. The District maintains the Debt Service Fund.

Revenues, Assets, Liabilities, and Net Position or Equity

State Revenue - The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2025, the foundation allowance was based on pupil membership counts.

The State portion of the foundation is provided primarily by a State education property tax millage of six mills on Principal Residence Exemption (PRE) property and an allocated portion of State sales and other taxes. The local portion of the foundation is funded mainly by non-PRE property (non-homestead) taxes which may be levied at a rate of up to 18 mills. The local portion also includes 6 mills on Commercial Personal Property. The State revenue is recognized during the foundation period and is funded through payments from October to August of each year. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

The District also receives revenue from the State to administer categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Property Taxes - Property taxes levied by the School District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2025, the District levied the following amounts per \$1,000 of assessed valuation:

General Fund – Non-primary residence	18.0000
General Fund – Commercial personal property	6.0000
Debt Service – all taxable values	1.0000
Sinking Fund – all taxable values	0.9710

Tax abatements provided to property taxpayers, if any, were not significant, and thus no disclosure was deemed required in accordance with GASB Statement No. 77, *Tax Abatement Disclosures*.

Cash and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB professional standards. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds, securities, and other obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, contained in the Michigan Compiled Laws. The District is also authorized to invest in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase, U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Property tax and other receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Inventories and Prepaid Items – Inventories are valued at cost (purchase price) on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Group purchases are evaluated on a case-by-case basis. 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. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure type assets.

Right-to-use assets, if any, are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Capital assets, including right-to-use assets, are depreciated/amortized using the straight-line method over the following useful lives:

Buildings and improvements	15 - 50 years
Buses and other vehicles	5 - 10 years
Furniture and equipment	5 - 20 years
Right-to-use – leased buses	5 years

Leases – The District recognizes lease liabilities and intangible right-to-use assets in the government-wide financial statements with an initial individual value of \$10,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease right-to-use asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on the straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease terms, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease liabilities and remeasures lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Leases (Continued) - Lease assets are reported with other capital assets, and lease liabilities are reported with long-term obligations on the Statement of Net Position.

Compensated Absences - The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are reported as a deferred inflow or outflow, separate from assets and liabilities, and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental-fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Debt issued as well as premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Deferred Outflows of Resources – This separate financial statement element represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. For governmental funds, this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide statements, the District currently reports deferred outflows of resources related to deferred pension and OPEB plan expenses which will be expensed in the plan year in which they apply and for pension and OPEB payments made subsequent to measurement date to be recognized as the corresponding time lags are met.

Deferred Inflows of Resources – In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently reports deferred inflows of resources related to its net pension liability and net OPEB (asset)/liability including amounts deferred for MPERS Unfunded Actuarial Accrued Liabilities (JAAL) stabilization statutorily required contributions. The pension and OPEB related future resources will be amortized and recognized over a time period established by the actuary and relate to differences between actuarial estimates and actual results. When applicable, bond premiums are amortized over the life of the bonds.

Defined Benefit Pension Plan – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Related investments are reported at fair value. See Note 9 for detailed information.

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Related investments are reported at fair value. See Note 9 for detailed information.

Fund Balance – The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of *nonspendable* amounts which are not in spendable form or are legally or contractually required to be maintained intact; *restricted* amounts that are constrained for specific purposes set by external parties or law; *committed* amounts that are constraints set by the highest decision-making authority (the School Board) through adoption of a resolution and may only be removed by the School Board through a rescindment resolution; *assigned* amounts that have an intended purpose but require no formal specific action; and *unassigned* amounts which are the residual of the other categories and have no specific purpose.

It is the District's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

Use of Estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 – Stewardship, Compliance, and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General Fund and special revenue funds. Annual appropriations lapse at fiscal year-end.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

Note 2 – Stewardship, Compliance, and Accountability (Continued)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated at the function level per State law. Violations, if any, for the General Fund and Food Service Fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2025.

Note 3 – Cash and Investments

At year-end, the School District's cash and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and investments	<u>\$ 4,136,575</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposits)	\$ 483,373
Investments in MILAF pooled investment fund	3,651,658
Petty cash	<u>1,544</u>
Total	<u>\$ 4,136,575</u>

The District holds investments in a pooled Michigan Investment Liquid Asset Fund (MILAF) account which is a qualified local government investment pool for Michigan School Districts and is considered an external investment pool as defined by GASB and as such is recorded at amortized cost which approximates fair value. The District's investments under the interlocal agreement (MILAF – Michigan CLASS) in the amount of \$3,651,658 at year-end, are regulated by the Urban Cooperation Act. The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper, and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. There are no limitations or restrictions on withdrawals from the investments held in the MILAF account except for a one-day minimum investment period on the MILAF cash management funds and a fourteen-day redemption limitation on MILAF MAX Class funds.

Note 3 – Cash and Investments (Continued)

Investment and Deposit Risk – The District's cash and investments are subject to several types of risk, as noted below.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, approximately \$4,179,000 of the District's uncollateralized bank deposits balance of approximately \$4,429,000 were uninsured.

Custodial Credit Risk – Investments – Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The District's investment policy does not restrict investment maturities beyond State law.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. See Note 1 for a full description of the allowed investments. The District's investment policy does not further limit its investment choice.

Concentration of Credit Risk – The District's investment policy does not limit investments with individual issuers.

Foreign Currency Risk – The District does not invest in foreign currency and does not maintain a policy regarding foreign currency risk.

Note 4 – Receivables

Receivables at year-end totaling \$2,015,661 consisted primarily of amounts due from Michigan Department of Education.

Hanover-Horton School District
Notes to Financial Statements

Note 5 – Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated/amortized:				
Land	\$ 1,150	\$ -	\$ -	\$ 1,150
Subtotal	<u>1,150</u>	<u>-</u>	<u>-</u>	<u>1,150</u>
Capital assets being depreciated/ amortized:				
Land improvements	2,971,344	-	-	2,971,344
Buildings and improvements	19,495,744	28,556	-	19,524,300
Buses and other vehicles	526,523	-	42,886	483,637
Furniture and equipment	908,376	288,574	17,094	1,179,856
Right-to-use - leased buses	<u>785,768</u>	<u>-</u>	<u>-</u>	<u>785,768</u>
Subtotal	<u>24,687,755</u>	<u>317,130</u>	<u>59,980</u>	<u>24,944,905</u>
Accumulated depreciation/amortization:				
Land improvements	1,124,060	77,983	-	1,202,043
Buildings and improvements	10,012,629	539,983	-	10,552,612
Buses and other vehicles	289,353	48,364	42,886	294,831
Furniture and equipment	625,471	89,150	17,094	697,527
Right-to-use - leased buses	<u>235,730</u>	<u>157,154</u>	<u>-</u>	<u>392,884</u>
Subtotal	<u>12,287,243</u>	<u>912,634</u>	<u>59,980</u>	<u>13,139,897</u>
Net capital assets being depreciated/ amortized				
	<u>12,400,512</u>	<u>(595,504)</u>	<u>-</u>	<u>11,805,008</u>
Net capital assets	<u>\$12,401,662</u>	<u>\$ (595,504)</u>	<u>\$ -</u>	<u>\$11,806,158</u>

Depreciation/amortization for the fiscal year ended June 30, 2025 totaled \$912,634. The District determined that it was impractical to allocate depreciation/amortization to various governmental activities as the assets serve multiple functions.

Note 6 – Interfund Activity

At year-end, the Food Service Fund owed \$32,250 to the General Fund. This amount was owed for reimbursement of expenditures paid by one fund on behalf of another fund.

The Food Service Fund transferred a net amount of \$49,000 to the General Fund during the year for reimbursement of indirect costs.

Hanover-Horton School District
Notes to Financial Statements

Note 7 – Notes Payable

For the fiscal year ended June 30, 2025, the District was issued State Aid Anticipation Notes that totaled \$1,850,000, with an interest rate of 3.31%. The Note is due August, 2025.

The State Aid Anticipation Notes are secured by the full faith and credit of the School District as well as pledged State Aid. At year-end, the outstanding balance, including interest, totaled \$1,911,235. The activity for the year is as follows:

<u>Balance June 30, 2024</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2025</u>
\$ 1,344,885	\$ 1,911,235	\$ (1,344,885)	\$ 1,911,235

For the fiscal year ending June 30, 2026, the School District issued State Aid Anticipation Notes of \$1,900,000, with an interest rate of 3.45%. The Notes plus interest are due August, 2026.

Note 8 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment, and right-to-use assets. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and net pension and OPEB liabilities. See Note 9 for further details regarding the net pension and OPEB liabilities.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance, as restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds	\$ 4,717,000	\$ -	\$ 345,000	\$ 4,372,000	\$ 359,000
Equipment loans	38,941	-	6,040	32,901	6,213
Lease liability payable	543,997	-	105,523	438,474	112,804
Compensated absences*	<u>653,000</u>	<u>31,000</u>	<u>-</u>	<u>684,000</u>	<u>68,400</u>
Total governmental activities	<u>\$ 5,952,938</u>	<u>\$ 31,000</u>	<u>\$ 456,563</u>	<u>\$ 5,527,375</u>	<u>\$ 546,417</u>

* See Note 12 regarding change in accounting principle related to compensated absences liabilities.

Hanover-Horton School District
Notes to Financial Statements

Note 8 – Long-Term Debt (Continued)

General obligation bonds consist of:

\$4,530,000 - 2019 school improvement bonds due in annual installments of \$135,000 - \$295,000 through May, 2043; interest at 4.00%	\$ 3,960,000
\$1,000,000 - 2022 building & site bonds due in annual installments of \$196,000 - \$208,000 through May, 2027; interest at 1.95%	<u>412,000</u>
Total general obligation bonds	<u>\$ 4,372,000</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	Bonds Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 359,000	\$ 166,434	\$ 525,434
2027	368,000	156,256	524,256
2028	170,000	145,800	315,800
2029	175,000	139,000	314,000
2030	180,000	132,000	312,000
2031-2035	1,025,000	545,200	1,570,200
2036-2040	1,240,000	323,200	1,563,200
2041-2043	<u>855,000</u>	<u>69,200</u>	<u>924,200</u>
Total	<u>\$ 4,372,000</u>	<u>\$ 1,677,090</u>	<u>\$ 6,049,090</u>

Equipment loans payable consist of:

\$50,524 - Equipment loan - financial institution due in annual installments of \$7,150 through June, 2030; interest at 2.855%	<u>\$ 32,901</u>
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Hanover-Horton School District
Notes to Financial Statements

Note 8 – Long-Term Debt (Continued)

Annual debt service requirements to maturity on the above equipment loan payable are as follows:

	Equipment Loans Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 6,213	\$ 1,110	\$ 7,323
2027	6,390	760	7,150
2028	6,572	578	7,150
2029	6,759	391	7,150
2030	<u>6,967</u>	<u>199</u>	<u>7,166</u>
Total	<u>\$ 32,901</u>	<u>\$ 3,038</u>	<u>\$ 35,939</u>

Leases payable consist of:

Lease payable to Tax-Exempt Leasing Corp. due in annual installments of \$143,058 through December, 2026, final payment of \$212,000 due June 2027; interest at 6.90%	<u>\$ 438,474</u>
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Annual debt service requirements to maturity on the above lease payable are as follows:

	Leases Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 112,804	\$ 30,254	\$ 143,058
2027	120,588	22,471	143,059
2028	<u>205,082</u>	<u>6,918</u>	<u>212,000</u>
Total	<u>\$ 438,474</u>	<u>\$ 59,643</u>	<u>\$ 498,117</u>

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions

Organization

Pension/OPEB Plan Description – The School District participates in the Michigan Public School Employees' Retirement System ("MPSERS" or "the System"), a State-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State of Michigan. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees, and covers substantially all employees of the School District. There are currently approximately 688 participating employers in the System which meets the definition of a qualified pension trust fund under Section 401(a) of the Internal Revenue Code. In addition, the System maintains a health plan ("OPEB") which provides postemployment healthcare benefits to all eligible retirees as an elective option including health, prescription drug, dental, and vision coverage.

The System was originally created under Public Act 136 of 1945, recodified, and currently operates under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes a governing board and its authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor plus the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Annual Comprehensive Financial Report and are available on the ORS website at www.michigan.gov/orsschools. Information provided in this report includes financial data, actuarial assumptions data, and detailed information about the pension plan and OPEB plan fiduciary net positions.

Pension Benefits Provided - Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. Depending upon the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Based on current benefit provisions, new hires can opt between two plans. The first plan, called Pension Plus 2, is a hybrid plan that contains a pension component with a required employee contribution and a flexible and transferrable defined contribution tax deferred investment account component that contains a 50/50 contribution share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 Plan is 6%. The second option is a Defined Contribution plan under which a participant receives a 4% employer contribution to a tax-deferred 401(k) account and can choose to make employee contributions up to the maximum allowed per IRS regulations to a tax-deferred 457 account.

A DB member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's right to future benefits. However, returning members who previously received a refund of their contributions may reinstatement their service through repayment of the refund upon satisfaction of certain requirements.

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

OPEB Benefits Provided – Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008 (Basic, MIP-Fixed, and MIP Graded plan members), the subsidy is the maximum allowed by statute.

To limit future liabilities of OPEB, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended. Public Act 300 of 2012 granted all active members of the MPSERS, who earned service credit in the twelve months ending September 3, 2012 or were on an approved professional service or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) accounts.

Pension/OPEB Plan Contributions – Public Act 300 of 1980, as amended, requires contributions from both the participating employers and the active plan members. The School District, as a participating employer, is required to contribute amounts necessary to finance the coverage of pension and OPEB benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees (plan members) during the year, with an additional amount paid in to finance a portion of the unfunded actuarial accrued liability. Required employer pension contributions are comprised of pension normal cost, pension unfunded actuarial accrued liability (UAAL), and pension early retirement incentive contributions. Required employer pension contributions also include the UAAL rate stabilization contributions. Required employer OPEB contributions are comprised of OPEB normal cost and OPEB UAAL.

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

Pension/OPEB Plan Contributions (Continued) – Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability will be amortized over a declining period ending September 30, 2038.

Pension Plan Contributions – The schedule below summarizes pension contribution rates in effect for the fiscal year ended September 30, 2024:

<u>Benefit Type</u>	<u>Member Rates</u>	<u>Employer Rates</u>	<u>Status</u>
Basic (Defined Benefit)	0.0 - 4.0%	13.90 - 23.03%	Closed
MIP (Defined Benefit)	3.0 - 7.0%	13.90 - 23.03%	Closed
Pension Plus (Hybrid)	3.0 - 6.4%	19.17%	Closed
Pension Plus 2 (Hybrid)	6.2%	20.10%	Open
Defined Contribution	0.0%	13.90%	Open

Employer contributions range from 13.90% to 23.03% for the plan year ended September 30, 2024 and are determined based on employee elections. The District's required and actual contributions to the pension plan for the year ended September 30, 2024 were \$2,515,188. The District's required and actual pension contributions include an allocation of \$1,169,192 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2024.

OPEB Contributions – OPEB employee contributions in effect for the fiscal year ended September 30, 2024 range from 0% - 3%. Employer contributions range from 0.00% to 8.31% for the plan year ended September 30, 2024 and are determined based on employee elections. Required contributions to the OPEB plan from the District were \$502,442 for the year ended September 30, 2024. The District's required and actual OPEB contributions include an allocation of \$0 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2024.

Pension/OPEB Assets/Liabilities, Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB

Proportionate Share of School District's Net Pension Liability - At June 30, 2025, the District reported a liability of \$14,728,305 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2023. The District's proportionate share of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of statutorily required pension contributions from all applicable employers during the measurement period. At September 30, 2024, the District's proportionate share percent was .06015969 percent, an increase of .00063911 percent from its proportion measured as of September 30, 2023.

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Pension/OPEB Assets/Liabilities, Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB (Continued)

Pension Expense - For the year ended June 30, 2025, the School District's pension expense was \$943,989, inclusive of payments to fund the MPSERS UAAL stabilization rate.

Proportionate Share of School District's Net OPEB Asset/Liability - At June 30, 2025, the District reported an asset of \$2,601,895 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2023. The District's proportionate share of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of statutorily required OPEB contributions from all applicable employers during the measurement period. At September 30, 2024, the District's proportionate share was .06044737 percent, an increase of .00074396 percent from its proportion measured as of September 30, 2023.

OPEB Expense - For the year ended June 30, 2025, the School District recognized OPEB benefit of \$991,078.

Deferred Outflows and Deferred Inflows - At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Pension</u>	<u>OPEB</u>	<u>Pension</u>	<u>OPEB</u>
Difference between expected and actual experience	\$ 399,589	\$ -	\$ 160,025	\$ -
Changes of assumptions	1,535,513	568,291	1,079,119	2,822,534
Net difference between projected and actual earnings on pension/OPEB plan investments	-	-	2,810,785	492,569
Changes in proportion and differences between District's contributions and proportionate share of contributions	150,268	37,699	401,000	123,016
District's contributions subsequent to the measurement date	2,261,866	60,849	650,781	-
Total	<u>\$ 4,347,236</u>	<u>\$ 666,839</u>	<u>\$ 5,101,710</u>	<u>\$ 3,438,119</u>

\$2,261,866, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

\$60,849, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized an increase of the net OPEB asset/liability in the year ended June 30, 2026.

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Pension/OPEB Assets/Liabilities, Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB (Continued)

Deferred Outflows and Deferred Inflows (Continued) - Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions and OPEB will be recognized in pension/OPEB expense as follows:

Year Ended June 30	Pension	OPEB
2026	\$ (647,274)	\$ (936,804)
2027	22,217	(576,625)
2028	(1,027,948)	(541,109)
2029	(712,554)	(474,880)
2030	-	(254,806)
Thereafter	-	(47,905)

Payables to the Pension/OPEB Plan - The District reported an accrued pension/OPEB plan payable at June 30, 2025 of \$190,068. This amount represents employee withholdings and the employer amount payable for wages earned at June 30, 2025 but not yet paid. The District is current on all required pension and OPEB plan payments. Amounts accrued at year-end include current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS unfunded actuarial accrued liability (UAAL).

Actuarial Assumptions

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

A summary of actuarial assumptions as of the latest actuarial valuation follows:

Valuation date	September 30, 2023
Actuarial cost method	Entry age, normal
Asset valuation method	Fair value
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans	6.00%, net of investment expenses
Pension Plus Plan	6.00%, net of investment expenses
Pension Plus 2 Plan	6.00%, net of investment expenses
OPEB	6.00%, net of investment expenses
Projected salary increases	2.75 – 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3.00% annual non-compounded for MIP members

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Healthcare cost trend rate Pre-65: 7.25% Year 1 graded to 3.50% Year 15
Post-65: 6.50% Year 1 graded to 3.50% Year 15

Mortality: Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010

Active Members: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2010 from 2010.

Disabled Retirees: Pub NS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions (OPEB) – applies to individuals hired before September 4, 2012:

Opt-Out Assumption 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage 80% of male retirees and 67% of female retirees electing two-person coverage are assumed to have coverages continuing after the retiree's death.

Coverage Election at Retirement Of those opting out, 75% of male and 60% of female future retirees who elect coverage are assumed to elect coverage for 1 or more dependents.

Additional assumption information includes the following:

- Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB valuation beginning with the September 30, 2023 valuation. The total pension/OPEB asset/liability as of September 30, 2024 is based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years – 4.4612 for pension plan employers and 6.2834 for OPEB plan employers.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Plan Assets – The long-term expected rate of return on pension/OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense 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.

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension/OPEB plan's target asset allocation as of September 30, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic equity pools	25.0%	5.3%
Private equity pools	16.0%	9.0%
International equity pools	15.0%	6.5%
Fixed income pools	13.0%	2.2%
Real estate and infrastructure pools	10.0%	7.1%
Absolute return pools	9.0%	5.2%
Real return/opportunistic pools	10.0%	6.9%
Short-term investment pools	2.0%	1.4%
Total	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return – For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension/OPEB plan investments, net of pension/OPEB plan investment expense, was 15.47% and 15.45%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate – A discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rates of return on pension and OPEB plan investments of 6.00%.

The projection of cash flows used to determine these discount rates assumed that future plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on these assumptions, the pension/OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension/OPEB plan investments was applied to all periods of projected benefits payments to determine the total pension/OPEB liabilities.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher than the current rate:

<u>1% Decrease</u>	<u>Current Single Discount Rate Assumption</u>	<u>1% Increase</u>
<u>5.00%</u>	<u>6.00%</u>	<u>7.00%</u>
<u>\$21,591,854</u>	<u>\$14,728,305</u>	<u>\$9,013,081</u>

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Sensitivity of the Net OPEB Asset/Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net OPEB asset/liability calculated using the discount rate of 6.00%, as well as what the District's proportionate share of the net OPEB asset/liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<u>5.00%</u>	<u>6.00%</u>	<u>7.00%</u>
<u>(\$2,010,766)</u>	<u>(\$2,601,895)</u>	<u>(\$3,112,989)</u>

Sensitivity of the Net OPEB Asset/Liability to Changes in the Healthcare Cost Trend Rate - The following table presents the School District's proportionate share of the net OPEB asset/liability calculated using the assumed healthcare cost trend rates, as well as what the District's proportionate share of the net OPEB asset/liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
<u>(\$3,112,994)</u>	<u>(\$2,601,895)</u>	<u>(\$2,053,744)</u>

Note 10 – Risk Management

The School District is exposed to various risks of loss-related torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring all covered risks of loss, including employee health and accident insurance, workers' disability compensation, property and casualty, errors and omissions, and fleet. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

Note 11 – Federal and State Grants

The District has received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Hanover-Horton School District
Notes to Financial Statements

Note 12 – Change in Accounting Principle

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The change to beginning net position as a result of this change to reporting compensated absences, is as follows:

	Governmental Activities
Net position as of July 1, 2024, as originally reported	\$ (8,533,421)
Adoption of GASB Statement No. 101	<u>(610,000)</u>
Net position as of July 1, 2024, as restated	<u>\$ (9,143,421)</u>

Required Supplementary Information

Hanover-Horton School District
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local sources	\$ 1,838,700	\$ 1,890,891	\$ 1,895,272	\$ 4,381
State sources	10,943,500	10,737,412	10,792,346	54,934
Federal sources	215,200	252,412	256,602	4,190
Interdistrict and other	375,800	390,760	392,671	1,911
Total revenues	<u>13,373,200</u>	<u>13,271,475</u>	<u>13,336,891</u>	<u>65,416</u>
Expenditures:				
Instruction:				
Basic programs	6,829,700	6,679,966	6,665,640	14,326
Added needs	1,239,200	1,300,537	1,303,901	(3,364)
Support services:				
Pupil	478,300	484,193	493,647	(9,454)
Instructional staff	198,900	350,782	339,808	10,974
General administration	425,600	443,140	440,102	3,038
School administration	1,140,600	1,127,842	1,123,565	4,277
Business	318,200	336,116	330,453	5,663
Operation and maintenance	1,572,000	1,517,287	1,455,272	62,015
Pupil transportation	773,200	812,893	791,724	21,169
Information management services	266,100	256,906	251,140	5,766
Athletics	372,900	414,072	403,374	10,698
Community and welfare services	3,600	5,814	5,814	-
Debt service	143,100	143,100	150,208	(7,108)
Capital outlay	4,000	7,988	6,888	1,100
Total expenditures	<u>13,765,400</u>	<u>13,880,636</u>	<u>13,761,536</u>	<u>119,100</u>
Revenues Over (Under) Expenditures	<u>(392,200)</u>	<u>(609,161)</u>	<u>(424,645)</u>	<u>184,516</u>
Other Financing Sources (Uses):				
Operating transfers in	40,000	40,000	49,000	9,000
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>49,000</u>	<u>9,000</u>
Net Changes in Fund Balances	<u>(352,200)</u>	<u>(569,161)</u>	<u>(375,645)</u>	<u>\$ 193,516</u>
Fund Balances - Beginning of Year	<u>1,540,347</u>	<u>1,540,347</u>	<u>1,540,347</u>	
Fund Balances - End of Year	<u>\$ 1,188,147</u>	<u>\$ 971,186</u>	<u>\$ 1,164,702</u>	

Hanover-Horton School District
 Budgetary Comparison Schedule - Food Service Fund
 Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local sources	\$ 144,300	\$ 123,300	\$ 124,250	\$ 950
State sources	243,300	336,300	346,350	10,050
Federal sources	404,000	477,800	492,975	15,175
Interdistrict and other	1,000	8,900	8,878	(22)
Total revenues	<u>792,600</u>	<u>946,300</u>	<u>972,453</u>	<u>26,153</u>
Expenditures:				
Food services	1,110,000	825,500	825,219	281
Total expenditures	<u>1,110,000</u>	<u>825,500</u>	<u>825,219</u>	<u>281</u>
Revenues Over (Under) Expenditures	<u>(317,400)</u>	<u>120,800</u>	<u>147,234</u>	<u>26,434</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	100	150	50
Operating transfers out	(40,000)	(40,000)	(49,000)	(9,000)
Total other financing sources (uses)	<u>(40,000)</u>	<u>(39,900)</u>	<u>(48,850)</u>	<u>(8,950)</u>
Net Changes in Fund Balances	<u>(357,400)</u>	<u>80,900</u>	<u>98,384</u>	<u>\$ 17,484</u>
Fund Balances - Beginning of Year	<u>673,952</u>	<u>673,952</u>	<u>673,952</u>	
Fund Balances - End of Year	<u>\$ 316,552</u>	<u>\$ 754,852</u>	<u>\$ 772,336</u>	

Hanover-Horton School District
Schedule of the District's Proportionate Share of the Net Pension Liability of the MPSERS Plan
Last Ten Fiscal Years (Amounts Determined Each Year as of September 30)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of net pension liability (%)	0.06016%	0.05952%	0.06042%	0.06221%	0.06379%	0.06406%	0.06431%	0.06452%	0.06593%	0.06811%
District's proportionate share of net pension liability	\$ 14,728,305	\$ 19,264,470	\$ 22,721,770	\$ 14,727,345	\$ 21,910,883	\$ 21,214,316	\$ 19,333,297	\$ 16,719,211	\$ 16,449,080	\$ 16,636,044
District's covered payroll	\$ 6,270,057	\$ 5,909,138	\$ 5,713,182	\$ 5,475,046	\$ 5,610,679	\$ 5,555,834	\$ 5,445,050	\$ 5,435,731	\$ 5,335,135	\$ 5,304,335
District's proportionate share of net pension liability as a percentage of its covered payroll	234.90%	326.01%	397.71%	268.99%	390.52%	381.84%	355.06%	307.58%	308.32%	313.63%
Plan fiduciary net position as a percentage of total pension liability	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

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Hanover-Horton School District
Schedule of the District's Pension Contributions to the MPSERS Plan
Last Ten Fiscal Years (Amounts Determined Each Year as of June 30)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required pension contributions	\$ 2,417,420	\$ 2,492,390	\$ 2,739,963	\$ 1,867,788	\$ 1,752,898	\$ 1,701,762	\$ 1,751,225	\$ 1,513,277	\$ 1,480,500	\$ 1,313,943
Pension contributions in relation to statutorily required contributions	2,417,420	2,492,390	2,739,963	1,867,788	1,752,898	1,701,762	1,751,225	1,513,277	1,480,500	1,313,943
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 6,470,945	\$ 6,191,048	\$ 6,080,738	\$ 5,661,603	\$ 5,455,752	\$ 5,646,749	\$ 5,773,152	\$ 5,435,731	\$ 5,335,135	\$ 5,304,335
Pension contributions as a percentage of covered payroll	37.36%	40.26%	45.06%	32.99%	32.13%	30.14%	30.33%	27.84%	27.75%	24.77%

Hanover-Horton School District
Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability of the MPSERS Plan
Last Eight Fiscal Years (Amounts Determined Each Year as of September 30)

	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB (asset) liability (%)	0.06045%	0.05870%	0.05946%	0.06117%	0.06362%	0.06382%	0.06416%	0.06454%
District's proportionate share of net OPEB (asset) liability	\$ (2,601,895)	\$ (337,741)	\$ 1,259,347	\$ 933,723	\$ 3,408,284	\$ 4,581,020	\$ 5,100,387	\$ 5,715,224
District's covered payroll	\$ 6,270,057	\$ 6,270,057	\$ 5,909,138	\$ 5,713,182	\$ 5,475,046	\$ 5,610,679	\$ 5,555,834	\$ 3,604,066
District's proportionate share of net OPEB (asset) liability as a percentage of its covered payroll	-41.50%	-5.39%	21.31%	16.34%	62.25%	81.65%	91.80%	158.58%
Plan fiduciary net position as a percentage of total OPEB (asset) liability	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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Hanover-Horton School District
Schedule of the District's OPEB Contributions to the MPSERS Plan
Last Eight Fiscal Years (Amounts Determined Each Year as of June 30)

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required OPEB contributions	\$ 117,343	\$ 499,712	\$ 465,862	\$ 430,543	\$ 449,490	\$ 438,210	\$ 416,488	\$ 502,642
OPEB contributions in relation to statutorily required contributions	117,343	499,712	465,862	430,543	449,490	438,210	416,488	502,642
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 6,470,945	\$ 6,191,048	\$ 6,080,738	\$ 5,661,603	\$ 5,455,752	\$ 5,646,749	\$ 5,773,152	\$ 5,435,731
OPEB contributions as a percentage of covered payroll	1.81%	8.07%	7.66%	7.60%	8.24%	7.76%	7.21%	9.25%

Hanover-Horton School District
Notes to Required Supplementary Information Pension and OPEB Schedules
Year Ended June 30, 2025

Changes of Benefit Terms: There were no changes of benefit terms in 2024.

Changes of Assumptions: For the State's fiscal year ended September 30, 2024:

The recognition period for liabilities, an average of the expected remaining service lives of all employees, changed to 4.4612 from 4.4406 for pension plan employers and to 6.2834 from 6.5099 for OPEB plan employers.

The healthcare cost trend rate was adjusted as follows:

- Pre-65: From 7.50% to 7.25% for Year 1
- Post-65: From 6.25% to 6.50% for Year 1

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APPENDIX D
FORM OF LEGAL OPINION

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BRADFORD W. SPRINGER (OF COUNSEL)

DRAFT LEGAL OPINION

Hanover-Horton School District
Counties of Jackson and Hillsdale
State of Michigan

We have acted as bond counsel in connection with the issuance by Hanover-Horton School District, Counties of Jackson and Hillsdale, State of Michigan (the “Issuer”), of its bonds in the aggregate principal amount of \$_____ designated 2026 School Building and Site Bonds (General Obligation - Unlimited Tax) (the “Bonds”). The Bonds are in fully registered form and issued without coupons, are dated _____, 2026, are of \$5,000 denomination or any integral multiple thereof, are subject to redemption prior to maturity at the option of the Issuer in the manner and at the times as set forth in the Bonds, mature on May 1 of the years shown below, and bear interest payable on November 1, 2026, and semiannually thereafter on May 1 and November 1 of each year in the amounts and at the rates as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
-------------	---------------	-------------	-------------	---------------	-------------

The Bonds maturing on May 1, 20__, are term Bonds subject to mandatory redemption in part, by lot, on the redemption dates and at the redemption price equal to the principal amount thereof as provided in the Bonds.

We have examined the documents which we deem authentic and pertinent to the validity of the Bonds, including the certified record evidencing the authorization of the Bonds by the electors and board of education of the Issuer, a copy of the approval of the Department of Treasury of the State of Michigan to issue the Bonds, and a specimen of the Bond certificates.

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

- (1) the Bonds have been lawfully authorized and issued and are enforceable obligations of the Issuer in accordance with their terms;
- (2) the Bonds are the general obligation of the Issuer for which its full faith, credit and resources have been irrevocably pledged;
- (3) the Issuer has the power, and is obligated, to levy taxes on all taxable property now situated within the corporate boundaries of the Issuer, without limitation as to rate or amount, sufficient to pay the principal of and interest on the Bonds;



Hanover-Horton School District
Counties of Jackson and Hillsdale
State of Michigan

_____, 2026

Page 2

(4) the Issuer has designated the Bonds as “qualified tax-exempt obligations” within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”);

(5) the Bonds and the interest thereon are exempt from all taxation in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof; and

(6) the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds held by an “applicable corporation” as defined in Section 59(k) of the Code is included in annual “adjusted financial statement income” for purposes of calculating the alternative minimum tax imposed on an applicable corporation. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement of such rights may also be subject to the exercise of judicial discretion in appropriate cases.

THRUN LAW FIRM, P.C.

TLF/MDG

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

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**FORM OF
CONTINUING DISCLOSURE AGREEMENT**

§ _____

**HANOVER-HORTON SCHOOL DISTRICT
COUNTIES OF JACKSON AND HILLSDALE
STATE OF MICHIGAN
2026 SCHOOL BUILDING AND SITE BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)**

This Continuing Disclosure Agreement (the “Agreement”) is executed and delivered by Hanover-Horton School District, Counties of Jackson and Hillsdale, State of Michigan (the “Issuer”), in connection with the issuance of its \$ _____ 2026 School Building and Site Bonds (General Obligation - Unlimited Tax) (the “Bonds”). The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the Issuer on May 11, 2026 and _____, 2026 (together, the “Resolution”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Agreement is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule. The Issuer acknowledges that this Agreement does not address the scope of any application of Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act to the Annual Reports or notices of the Listed Events provided or required to be provided by the Issuer pursuant to this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Agreement.

“Bondholder” means the registered owner of a Bond or any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

“Dissemination Agent” means any agent designated as such in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation, and such agent’s successors and assigns.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access which provides continuing disclosure services for the receipt and public availability of continuing disclosure documents and related information required by Rule 15c2-12 promulgated by the SEC.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of (a) or (b) provided; however, that a “Financial Obligation”



shall not include any municipal security for which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“1934 Act” shall mean the Securities Exchange Act of 1934, as amended.

“Official Statement” shall mean the final Official Statement for the Bonds dated _____, 2026.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Resolution” shall mean the resolutions duly adopted by the Issuer authorizing the issuance, sale and delivery of the Bonds.

“Rule” shall mean Rule 15c2-12 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

“State” shall mean the State of Michigan.

SECTION 3. Provision of Annual Reports.

(a) Each year, the Issuer shall provide, or shall cause the Dissemination Agent to provide, on or prior to the end of the sixth month after the end of the fiscal year of the Issuer commencing with the fiscal year ending June 30, 2026, to EMMA an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Agreement. Currently, the Issuer’s fiscal year ends on June 30. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information as provided in Section 4 of this Agreement; provided, however, that if the audited financial statements of the Issuer are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the financial statements contained in the Official Statement shall be included in the Annual Report.

(b) The Annual Report shall be submitted to EMMA either through a web-based electronic submission interface or through electronic computer-to-computer data connections with EMMA in accordance with the submission process, document format and configuration requirements established by the MSRB. The Annual Report shall also include all related information required by MSRB to accurately identify: (i) the category of information being provided; (ii) the period covered by the Annual Report; (iii) the issues or specific securities to which the Annual Report is related (including CUSIP number, Issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate); (iv) the name of any obligated person other than the Issuer; (v) the name and date of the document; and (vi) contact information for the Dissemination Agent or the Issuer’s submitter.

(c) If the Issuer is unable to provide to EMMA an Annual Report by the date required in subsection (a), the Issuer shall send a notice in a timely manner to the MSRB in substantially the form attached as Appendix A.

(d) If the Issuer's fiscal year changes, the Issuer shall send a notice of such change to the MSRB in substantially the form attached as Appendix B. If such change will result in the Issuer's fiscal year ending on a date later than the ending date prior to such change, the Issuer shall provide notice of such change to the MSRB on or prior to the deadline for filing the Annual Report in effect when the Issuer operated under its prior fiscal year. Such notice may be provided to the MSRB along with the Annual Report, provided that it is filed at or prior to the deadline described above.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) audited financial statements of the Issuer prepared pursuant to State laws, administrative rules and guidelines and pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles as applicable to governmental units as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time; and

(b) additional annual financial information and operating data as set forth in the Official Statement under "CONTINUING DISCLOSURE".

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which previously have been provided to each of the Repositories or filed with the SEC. If the document included by specific reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer covenants to provide, or cause to be provided, notice in a timely manner not in excess of ten business days of the occurrence of any of the following events with respect to the Bonds in accordance with the Rule:

- (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 security, or other material events affecting the tax status of the security;
- (7) modifications to rights of security holders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;

- (10) release, substitution, or sale of property securing repayment of the securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer or other obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or other obligated person or the sale of all or substantially all of the assets of the Issuer or other obligated person, 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;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Issuer or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or other obligated person, any of which affect security holders, if material;
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer or other obligated person, any of which reflect financial difficulties.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would constitute material information for the Bondholders, provided that any event other than those listed under Section 5(a)(2), (6), (7), (8), (10), (13), (14) or (15) above will always be deemed to be material. Events listed under Section 5(a)(6) and (8) above will always be deemed to be material except with respect to that portion of those events which must be determined to be material.

(c) The Issuer shall promptly cause a notice of the occurrence of a Listed Event, determined to be material in accordance with the Rule, to be electronically filed with EMMA, together with a significant event notice cover sheet substantially in the form attached as Appendix C. In connection with providing a notice of the occurrence of a Listed Event described in Section 5(a)(9) above, the Issuer shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) The Issuer acknowledges that the “rating changes” referred to above in Section 5(a)(11) of this Agreement may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the Issuer is liable.

(e) The Issuer acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the Issuer does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 6. Termination of Reporting Obligation.

(a) The Issuer's obligations under this Agreement shall terminate upon the legal defeasance of the Resolution or the prior redemption or payment in full of all of the Bonds.

(b) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (i) receives an opinion of nationally recognized bond counsel, addressed to the Issuer, to the effect that those portions of the Rule, which require such provisions of this Agreement, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to the MSRB.

SECTION 7. Dissemination Agent. The Issuer, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment. Notwithstanding any other provision of this Agreement, this Agreement may be amended, and any provision of this Agreement may be waived to the effect that:

(a) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the Issuer, or the types of business in which the Issuer is engaged;

(b) this Agreement as so amended or taking into account such waiver, 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, in the opinion of independent legal counsel; and

(c) such amendment or waiver does not materially impair the interests of the Bondholders, in the opinion of independent legal counsel.

If the amendment or waiver results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Agreement, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. If the amendment or waiver involves a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared based on the new accounting principles and those prepared based on the former accounting principles. The comparison should include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison should also be quantitative. A notice of the change in the accounting principles should be sent by the Issuer to the MSRB. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

SECTION 9. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Resolution or the Bonds, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with the Agreement shall be an action to compel performance.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement.

SECTION 12. Beneficiaries. This Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, and the Bondholders and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

HANOVER-HORTON SCHOOL DISTRICT
COUNTIES OF JACKSON AND HILLSDALE
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____, 2026

APPENDIX A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Hanover-Horton School District, Jackson and Hillsdale Counties,
Michigan

Name of Bond Issue: 2026 School Building and Site Bonds (General Obligation - Unlimited
Tax)

Date of Bonds: _____, 2026

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of its Continuing Disclosure Agreement with respect to the Bonds. The Issuer anticipates that the Annual Report will be filed by _____.

HANOVER-HORTON SCHOOL DISTRICT
COUNTIES OF JACKSON AND HILLSDALE
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____



APPENDIX B

NOTICE TO THE MSRB OF CHANGE IN ISSUER'S FISCAL YEAR

Name of Issuer: Hanover-Horton School District, Jackson and Hillsdale Counties,
Michigan

Name of Bond Issue: 2026 School Building and Site Bonds (General Obligation - Unlimited
Tax)

Date of Bonds: _____, 2026

NOTICE IS HEREBY GIVEN that the Issuer's fiscal year has changed. Previously, the
Issuer's fiscal year ended on _____. It now ends on _____.

HANOVER-HORTON SCHOOL DISTRICT
COUNTIES OF JACKSON AND HILLSDALE
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____



APPENDIX C

SIGNIFICANT EVENT NOTICE COVER SHEET

This cover sheet and significant event notice should be provided in an electronic format to the Municipal Securities Rulemaking Board pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or other Obligated Person's Name: _____

Issuer's Six-Digit CUSIP Number(s): _____

or Nine-Digit CUSIP Number(s) to which this significant event notice relates: _____

Number of pages of attached significant event notice: _____

Description of Significant Events Notice (Check One):

1. Principal and interest payment delinquencies
2. Non-payment related defaults
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 security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders
8. Bond calls
9. Tender offers
10. Defeasances
11. Release, substitution, or sale of property securing repayment of the securities
12. Rating changes
13. Bankruptcy, insolvency, receivership or similar event of the Issuer or other obligated person
14. The consummation of a merger, consolidation, or acquisition involving the Issuer or other obligated person or the sale of all or substantially all of the assets of the Issuer or other obligated person, 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
15. Appointment of a successor or additional trustee or the change of name of a trustee
16. Incurrence of a financial obligation of the Issuer or other obligated person
17. Agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation that affect security holders
18. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer or other obligated person that reflect financial difficulties
19. Other significant event notice (specify) _____

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Employer: _____

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: (_____) _____

The MSRB Gateway is www.msrb.org or through the EMMA portal at emma.msrb.org/submission/Submission_Portal.aspx. Contact the MSRB at (703) 797-6600 with questions regarding this form or the dissemination of this notice. The cover sheet and notice may also be faxed to the MAC at (313) 963-0943.



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