IONIA TOWNSHIP SCHOOL DISTRICT #2

Ionia County, Michigan

Annual Financial Report

For the year ended June 30, 2026

HUNGERFORD

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

October 19, 2026

The Board of Education
Ionia Township School District #2
Ionia County, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of Ionia Township School District #2 as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Ionia Township School District #2'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, the major fund, of Ionia Township School District #2, as of June 30, 2026, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ionia Township School District #2 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.

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 Ionia Township School District #2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 Ionia Township School District #2'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 Ionia Township School District #2'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 and other required supplementary information as listed 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2026, on our consideration of Ionia Township School District #2'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 Ionia Township School District #2'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 Ionia Township School District #2's internal control over financial reporting and compliance.

Hungerford

Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Ionia Township School District #2 ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2026. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
    - *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes a budgetary comparison schedule for the general fund and pension and OPEB information schedules.

District-wide Statements

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position, and how it has changed. Net position - the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are presented as follows:

Governmental activities: The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, and community services. Operating grants and property taxes finance most of these activities.

New Accounting Pronouncement Implemented

The Governmental Accounting Standards Board (GASB) issued Statement No. 103, Financial Reporting Model Improvements. The requirements of this statement enhance certain aspects of the existing reporting model, including management's discussion and analysis, unusual or infrequent items, and budgetary comparison information. The District implemented this statement for fiscal year ended June 30, 2026.

Financial Summary

The Statement of Net Position provides financial information on the District as a whole.

	2026	2025	Dollar Change	Percent Change
Assets				
Current assets	$ 619,728	$ 604,765	$ 14,963	2.47%
Net capital assets	50,602	43,568	7,034	16.14%
Net OPEB asset	89,112	49,319	39,793	80.68%
Total Assets	**759,442**	**697,652**	**61,790**	8.86%
Deferred Outflows of Resources	**116,770**	**136,903**	**(20,133)**	-14.71%
Liabilities				
Current liabilities	73,748	71,761	1,987	2.77%
Long-term liabilities	13,284	9,581	3,703	38.65%
Net pension liability	233,262	259,309	(26,047)	-10.04%
Total Liabilities	**320,294**	**340,651**	**(20,357)**	-5.98%
Deferred Inflows of Resources	**167,322**	**168,331**	**(1,009)**	-0.60%
Net Position				
Net investment in capital assets	50,602	43,568	7,034	16.14%
Restricted	2,804	-	2,804	0.00%
Unrestricted	335,190	282,005	53,185	18.86%
Total Net Position	**$ 388,596**	**$ 325,573**	**$ 63,023**	19.36%

The Statement of Activities presents changes in net position for operating results:

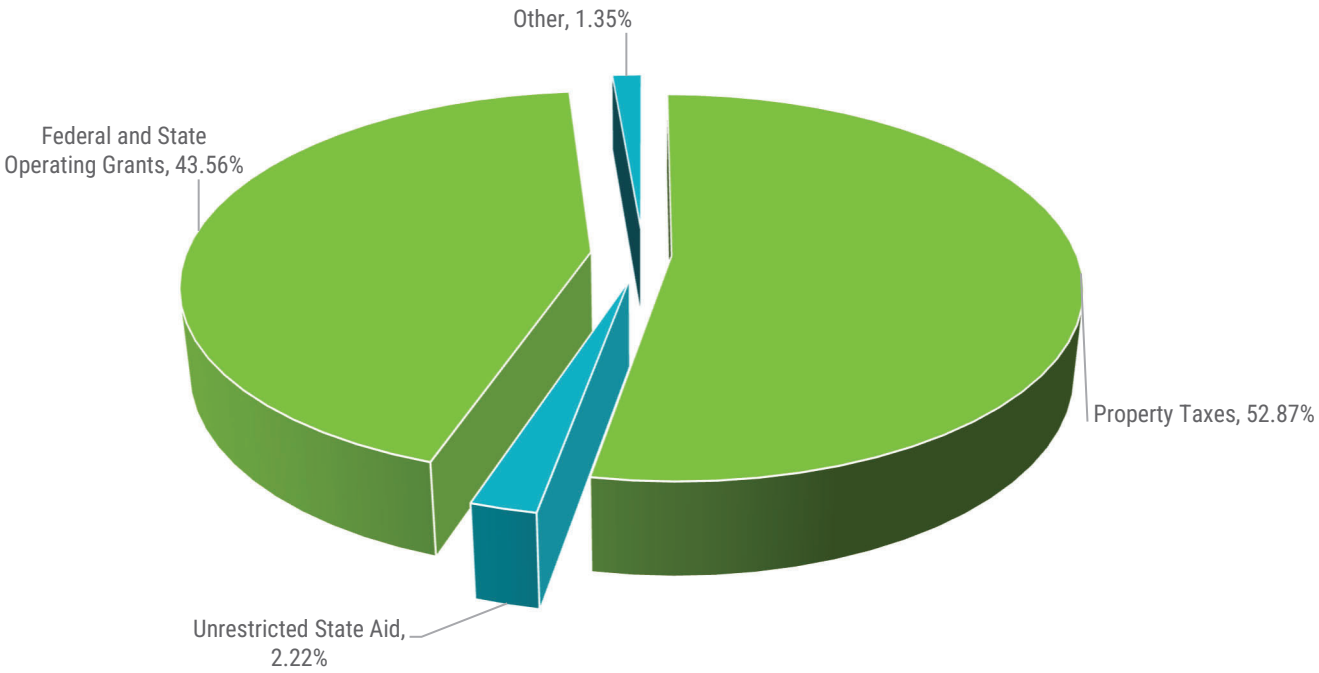
	2026	2025	Dollar Change	Percent Change
Program Revenues				
Operating grants	$ 161,352	$ 194,720	$ (33,368)	-17.1%
General Revenues				
Property taxes	195,855	181,713	14,142	7.8%
State school aid, unrestricted	8,226	9,202	(976)	-10.6%
Other	4,980	-	4,980	0.0%
Total Revenues	370,413	385,635	(15,222)	-3.9%
Expenses				
Instruction	144,565	177,103	(32,538)	-18.4%
Supporting services	157,914	95,524	62,390	65.3%
Community services	1,759	864	895	103.6%
Depreciation - unallocated	3,152	2,791	361	12.9%
Other	-	7,310	(7,310)	-100.0%
Total Expenses	307,390	283,592	23,798	8.4%
Increase in net position	63,023	102,043	(39,020)	-38.2%
Net Position, Beginning of Year	325,573	231,316	94,257	40.7%
Change in accounting principle	-	(7,786)	7,786	0.0%
Net Position, Beginning of Year	325,573	223,530	102,043	45.7%
Net Position, End of Year	$ 388,596	$ 325,573	$ 63,023	19.4%

Financial Analysis District-Wide

Total revenues exceeded expenses by $63,023, increasing total net position from $325,573 to $388,596 at June 30, 2026. Unrestricted net position increased by $53,185 to $335,190 at June 30, 2026. The District's net pension liability, including deferred outflows and inflows of resources, decreased by $28,854 and the net OPEB asset, including deferred outflows and inflows of resources, increased by $17,862.

The District's financial position is the product of many factors. A large portion of the District's net position reflects investment in capital assets (e.g., land and improvements, buildings and improvements, and furniture and equipment). The District uses these capital assets to provide services to its students; consequently, they are not available for future spending.

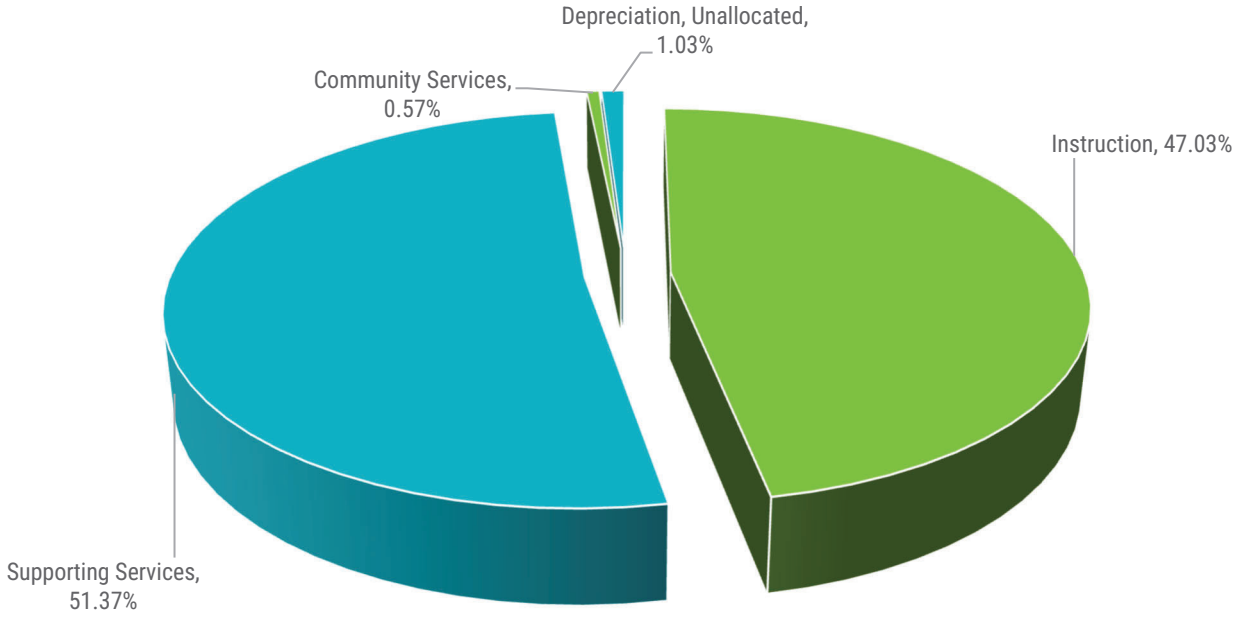
District-Wide Revenues by Type



The District's total revenues decreased by 3.9% to $370,413 for the year ended June 30, 2026. General revenues are primarily derived from local property taxes (52.9%), which are influenced by economic conditions, legislative actions, and other factors such as voter-approved millage rates and assessed taxable values within the District's boundaries. Fluctuations in property values and tax collections may result in increases or decreases in revenues available to support District operations and debt service requirements. Property tax revenue increased by 7.8% during the year ended June 30, 2026; attributed to an increase in taxable values compared to the prior year.

The District also receives operating grants consisting of federal and state grant funding to support specific educational programs and other initiatives. Grant revenues are generally restricted for designated purposes and may vary from year-to-year based on the availability of funding, eligibility requirements, and the timing of program expenditures. As a result, changes in grant activity can contribute to fluctuations in total revenues reported by the District. Operating grant revenues (43.6% of total) decreased by 17.1% during the year ended June 30, 2026, primarily due to a $7,354 (11.3%) reduction in Title I, Part A revenue and a $17,923 (100.0%) decrease in ESSER III funding. The ESSER III federal pandemic funds expired at the end of fiscal year 2025.

District-Wide Expenses by Function



The total cost of all programs increased by 8.4% to $307,390. The District's expenses are predominantly related to instruction (47.0%) and supporting services (51.4%), which include various functions such as caring for (pupil services) and transporting students, business services, and general administrative services.

Functional expenses (instruction, supporting services, community services) reported in the district-wide financial statements include adjustments related to GASB Statement No. 34 that are not reflected in the governmental fund statements. These adjustments consist primarily of additions to capital assets and pension and OPEB-related expenses, which are allocated to the District's various functions. Accordingly, year-over-year changes in functional expenses may reflect both operational changes and fluctuations in these allocated accounting adjustments. In particular, changes in deferred inflows and outflows of resources and the District's proportionate share of net pension and OPEB liabilities may have a significant impact on reported net position and annual operating results reflected in the district-wide financial statements.

The significant fluctuations in instruction and supporting services expenses reported between 2025 and 2026 is attributed largely to the adjustments for GASB Statement No. 34. However, changes in expenditure levels reported in the governmental fund financial statements, and more specifically the major fund of the District, contribute directly to changes reflected in the district-wide statements. For consideration of the impact of year-over-year changes reported in the District's general fund, including those related to costs of supporting services, see commentary in the *Detailed Analysis – Major Funds* that follows.

Other expenses reported in the district-wide financial statements remained relatively stable compared to the prior year. No significant changes in service levels or operating activities occurred during the year that materially impacted these functions.

Fund Analysis

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes one kind of fund:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explains the relationship (or differences) between them.

Detailed Analysis – General Fund

The District reports one major fund individually in the governmental fund financial statements. This fund includes the General Fund. Most of the discussion regarding governmental activities is equally applicable to the finances of this governmental fund. However, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than in the district-wide financial statements. The significant changes are shown in the table and discussed in more detail below.

	General Fund	
	2026	2025
Revenues		
Local sources	$ 195,855	$ 181,753
State sources	87,532	95,112
Federal sources	72,732	98,848
Interdistrict sources	11,303	9,962
Total Revenues	367,422	385,675
Expenditures		
Current:		
Instruction	177,236	197,075
Supporting services	179,255	106,384
Community services	1,759	1,105
Other transactions	-	7,350
Total Expenditures	358,250	311,914

General Fund

The General Fund is the District's primary operating fund and accounts for most of the financial activity reported as governmental activities in the district-wide financial statements. Consequently, trends in the district-wide financial statements generally mirror the results of operations reported in the General Fund, with local property taxes, state school aid, and other operating grants serving as the District's most significant revenue sources. Differences between changes in General Fund balance and changes in net position are primarily attributable to accrual-based adjustments for capital assets, pension and OPEB liabilities, and other long-term obligations reported in the district-wide financial statements.

Significant changes noted in the General Fund for the year ending June 30, 2026 include:

- Federal revenues decreased by $26,116 (26.4%). The decrease is consistent with district-wide wide revenue trends; attributed to a $7,354 (11.3%) reduction in Title I, Part A revenue and a $17,923 (100.0%) decrease in ESSER III funding.
- Expenditures for instruction decreased by $19,839 (10.1%) due to lower spending on computer supplies and reduced utilization of aide staffing.

- Supporting services expenditures increased by $72,871 (68.5%); the result of the following factors:

    - Operations and maintenance costs rose $16,656 (8.4%) due to facility roof repairs and security system upgrades.
    - Other central support costs increased by $23,415 (2,202.1%) driven by the implementation of a new student information system.
    - Transportation costs increased by $24,872 (68.5%) due to unbilled services from prior fiscal periods that were deferred and recognized in during the year ended June 30, 2026.

Because GASB Statement No. 103 requires explanations of significant budgetary variances as supplementary information, some factors affecting changes in General Fund revenues and expenditures may also be discussed outside the MD&A, reducing duplication while still providing users with relevant analysis. Users of this report should also consider the Budgetary Comparison Schedule (page 50) and the related Notes to the Budgetary Comparison Schedule (page 51), which provide additional discussion of significant budget-to-actual variances that may help explain changes in General Fund operating results and fund balance from the prior year.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

At the end of fiscal year 2025-26, the District had a $123,791 investment in a broad range of capital assets including land, the school building and related building improvements, and furniture and equipment.

At June 30, 2026, the District's net investment in capital assets (after accumulated depreciation) was $50,602. Net capital asset additions totaled $10,186 for the fiscal year and depreciation expense for assets in service was $3,152, resulting in an increase in net capital assets of $7,034.

More detailed information about capital assets can be found in Note D in the Notes to Basic Financial Statements.

Long-term Obligations

At year end, the District had no outstanding general obligation bonds.

- The District's only debt obligation consists of compensated absences for employees, which amounted to $13,284 as of June 30, 2026 – a net increase of $2,703 from the prior year.

We present more detailed information about our long-term liabilities in Note E in the Notes to Basic Financial Statements.

Currently Known Facts, Decisions, or Conditions

At the time these financial statements were prepared and audited, the district was aware of the following circumstances that could significantly affect its financial health in the future:

- Enrollment was stable for the 2025-26 fiscal year, it is anticipated that enrollment will remain stable.
- The board authorized and funded the implementation of a new student information system. The associated one-time costs resulted in a temporary operating deficit for the 2025-26 fiscal year.
- During the 2024-25 fiscal year, the District strategically leveraged ESSER III funding to temporarily offset operating costs. Following the expiration of these federal pandemic-relief funds, the district successfully transitioned these ongoing operational expenses back into the general operating budget for the 2025-26 fiscal year, ensuring fiscal sustainability for future cycles.
- The schoolhouse operates on a limited budget that requires strict financial oversight. The business office mitigates risk by conducting thorough monthly budget analyses. Because the District functions on minimal margins, slight shifts in enrollment or minor unexpected expenses can disproportionately affect its overall fiscal health.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Ionia Township School District #2, 2120 N. State Road. Ionia, Michigan 48846 via e-mail utilizing the Contact feature on the Ionia Township School District #2 website at northlevalleyschool.org. This can be found under the "Our District" heading.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

IONIA TOWNSHIP SCHOOL DISTRICT #2
June 30, 2026

	Governmental Activities
Assets	
Cash equivalents (Note B)	$ 575,840
Due from other governmental units (Note C)	43,430
Prepaid expenses	458
Capital assets not being depreciated (Note D)	4,000
Capital assets being depreciated and amortized, net (Note D)	46,602
Net OPEB asset (Note G)	89,112
Total Assets	759,442
Deferred Outflows of Resources	
Deferred pension amounts	95,491
Deferred OPEB amounts	21,279
Total Deferred Outflows of Resources	116,770
Liabilities	
Accounts payable	311
Due to other governmental units	41,135
Salaries payable	25,627
Unearned revenue	6,675
Long-term liabilities (Note E):	
Due within one year	-
Due in more than one year	13,284
Net pension liability (Note F)	233,262
Total Liabilities	320,294
Deferred Inflows of Resources	
Deferred pension amounts	87,095
Deferred OPEB amounts	80,227
Total Deferred Inflows of Resources	167,322
Net Position	
Net investment in capital assets	50,602
Restricted:	
Student/school activities	2,804
Unrestricted	335,190
Total Net Position	$ 388,596

STATEMENT OF ACTIVITIES

IONIA TOWNSHIP SCHOOL DISTRICT #2
For the year ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Instruction	$ 144,565	$ -	$ 161,352	$ 16,787
Supporting services	157,914	-	-	(157,914)
Community services	1,759	-	-	(1,759)
Depreciation - unallocated *	3,152	-	-	(3,152)
Total Governmental Activities	$ 307,390	$ -	$ 161,352	(146,038)
General Revenues				
Taxes:				
Property taxes, levied for general operations				195,855
State school aid, unrestricted				8,226
Other				4,980
Total General Revenues				209,061
Change in Net Position				63,023
Net Position - Beginning of Year				325,573
Net Position - End of Year				$ 388,596

*This amount excludes depreciation expense of the various programs.

BALANCE SHEET
GOVERNMENTAL FUNDS

IONIA TOWNSHIP SCHOOL DISTRICT #2
June 30, 2026

	General Fund	Nonmajor Student/School Activity	Total
Assets			
Cash equivalents (Note B)	$ 573,036	$ 2,804	$ 575,840
Due from other governmental units	43,430	-	43,430
Prepaid expenditures	458	-	458
Total Assets	$ 616,924	$ 2,804	$ 619,728
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 311	$ -	$ 311
Due to other governmental units	41,135	-	41,135
Payroll related accrued liabilities	4,917	-	4,917
Salaries payable	20,710	-	20,710
Unearned revenue	6,675	-	6,675
Total Liabilities	73,748	-	73,748
Fund Balances			
Restricted	-	2,804	2,804
Unassigned	543,176	-	543,176
Total Fund Balances	543,176	2,804	545,980
Total Liabilities and Fund Balances	$ 616,924	$ 2,804	$ 619,728

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

IONIA TOWNSHIP SCHOOL DISTRICT #2
June 30, 2026

Total governmental fund balance		$ 545,980
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 therefore are not reported as assets in governmental funds. The cost of assets is $123,791 and accumulated depreciation is $73,189.		50,602
Long-term liabilities are not due and payable in the current period and therefore are not reported liabilities in the funds. Long-term liabilities at year end consist of:		
Compensated absences		(13,284)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	$ (233,262)	
Deferred outflows of resources	95,491	
Deferred inflows of resources	(87,095)	(224,866)
Net OPEB asset and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB asset	89,112	
Deferred outflows of resources	21,279	
Deferred inflows of resources	(80,227)	30,164
Total Net Position - Governmental Activities		$ 388,596

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

IONIA TOWNSHIP SCHOOL DISTRICT #2
For the year ended June 30, 2026

	General Fund	Nonmajor Student/School Activity	Total
Revenues			
Local sources	$ 195,855	$ 2,991	$ 198,846
State sources	87,532	-	87,532
Federal sources	72,732	-	72,732
Interdistrict sources	11,303	-	11,303
Total Revenues	367,422	2,991	370,413
Expenditures			
Current:			
Instruction	177,236	-	177,236
Supporting services	179,255	187	179,442
Community services	1,759	-	1,759
Total Expenditures	358,250	187	358,437
Net Change in Fund Balance	9,172	2,804	11,976
Fund Balance, Beginning of Year	534,004	-	534,004
Fund Balance, End of Year	$ 543,176	$ 2,804	$ 545,980

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

IONIA TOWNSHIP SCHOOL DISTRICT #2
For the year ended June 30, 2026

Net change in fund balance - total governmental funds			$ 11,976
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period:			
	Capital outlay	$ 10,186	
	Depreciation expense	(3,152)	7,034
In the Statement of Net Position, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts paid). This year the amount earned exceeded the amounts used/paid.			(2,703)
The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.			28,854
The changes in net OPEB asset and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.			17,862
Total change in net position - governmental activities			$ 63,023

NOTES TO BASIC FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Ionia Township School District #2 ("the District"), otherwise known as North LeValley School, was organized under the School Code of the State of Michigan, and services a population of approximately 6 students. The District is governed by an elected Board of Education and provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. 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) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities.*

The Statement of Net Position is reported on the full accrual, economic resources basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District's net position is reported in two parts: net investment in capital assets, net of related debt; and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function 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. Property taxes, unrestricted state aid, interest earnings, and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. The District has one nonmajor fund.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities, and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided separately.

Revenues are recognized when susceptible to accrual, i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

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.

School Service Funds – School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Fund maintained by the District is the Student/School Activity Fund.

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

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget.

A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Ionia Township School District #2 utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Chief Financial Officer to establish proposed operating budgets for the fiscal year commencing the following July 1.

- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.

- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.

- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.

- The original General Fund budget was amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).

- The budget for the General Fund was adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed $5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 50 years
Land improvements	20 - 50 years
Furniture and equipment	5 - 20 years

8. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. As of June 30, 2026, the District's only long-term obligations were compensated absences.

9. Compensated Absences

Compensated absences for employees of the District consist of accumulated sick leave as of June 30, 2026. In accordance with applicable accounting standards, the District accrues a liability for compensated absences when it is more likely than not that the benefit will be realized by the employee, either through future use or payment upon separation of service. As of June 30, 2026, total compensated absences amounted to $13,284.

10. Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the 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 School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

11. Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the District during the fiscal year ended June 30, 2018. This Statement establishes standards for recognizing and measuring other postemployment benefits (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

For purposes of measuring the net OPEB asset, 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 School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two such items that qualify for reporting in this category: the deferred outflows of resources relating to the recognition of net pension liability on the financial statements and the deferred outflows of resources relating to the recognition of the net OPEB asset on the financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as in inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB asset on the financial statements.

13. Net Position

Net position represents the difference between assets including deferred outflows of resources and liabilities including deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

14. Fund Balance

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).

- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts.

- Assigned – resources that are constrained by the government's *intent* to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes.

- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

As of June 30, 2026, Ionia Township School District #2 had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

15. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally charted bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Cash Equivalents

Balances at June 30, 2026 related to cash equivalents are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	$ 575,840

Depositories actively used by the District during the year are detailed as follows:

1. Mercantile Bank

Cash equivalents consist of bank public funds checking accounts.

Custodial Credit Risk Related to Bank Deposits
Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents was $575,840 and the bank balance was $576,775. Of the bank balance, $250,000 was covered by federal depository insurance and $326,775 was uninsured and uncollateralized.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

Local property tax revenue in the District, on a per pupil basis, exceeded the per pupil "Foundation Allowance" by which unrestricted State revenues are typically passed through to Michigan school districts, and Ionia Township School District #2 was considered "out-of-formula" for the 2025-26 school year. Because of this the District did not receive the per pupil Foundation Allowance and instead received categorical funding and MPSERS-related payments that generated $79,839 in State aid payments for 9 "Full Time Equivalent" students, based on a three-year average of pupil membership counts completed in February and October of each year. Of the total State aid payments, $12,719 was paid to the District in July and August 2026 and included in "Due From Other Governmental Units" of the General Fund of the District.

Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy by the Ionia and Easton Townships and are due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The County of Ionia, through their Delinquent Tax Revolving Fund, advance all delinquent real property taxes at March 1 to the District each year prior to June 30.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Ionia Township School District #2's electors had previously (May 2024) approved a ten-year operating millage extension for non-homestead property tax, a total of 18 mills were levied by the District for the 2025 tax year.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRE.

A principal residence exemption property (PRE) is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted “Local Enhancement Millage” nor any additional voted millage for the retirement of debt.

Non-principal residence exemption property (NPRE) is subject to all District levies. However, since Public Act 36, establishing the Michigan Business Tax, was signed into law, Public Acts 37-40 of 2007 now exempt Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage (includes property under Industrial Facilities Tax exemptions); and exempt Commercial Personal Property from up to 12 mills of local school district operating millage (exceptions may apply).

The District is subject to tax abatements granted by the County of Ionia with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2026, there were no businesses located within the Ionia Township School District #2’s boundaries with an active IFE certificate.

Note D – Capital Assets

Capital asset activity for the year ended June 30, 2026 was as follows:

	Balances July 1, 2025	Additions	Deductions	Balances June 30, 2026
Capital assets not being depreciated:				
Land	$ 4,000	$ -	$ -	$ 4,000
Capital assets being depreciated:				
Buildings and improvements	10,000	$ -	$ -	10,000
Land improvements	65,086	10,186	-	75,272
Furniture and equipment	34,519	-	-	34,519
Total capital assets being depreciated	109,605	$ 10,186	$ -	119,791
Less accumulated depreciation for:				
Buildings and improvements	7,200	$ 200	$ -	7,400
Land improvements	32,479	2,287	-	34,766
Furniture and equipment	30,358	665	-	31,023
Total accumulated depreciation	70,037	$ 3,152	$ -	73,189
Total capital assets being depreciated, net	39,568			46,602
Net Capital Assets	$ 43,568			$ 50,602

Depreciation expense for the District was $3,152. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note E – Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2026 are summarized as follows:

	Debt Outstanding July 1, 2025	Debt Added	Debt Retired	Debt Outstanding June 30, 2026
Compensated absences	$ 10,581	$ 2,703	$ -	$ 13,284

Long-term obligations at June 30, 2026 are comprised of the following:

	Outstanding Balance	Amount Due Within One Year
Compensated absences*	$ 13,284	$ -

**Due to the nature of compensated absences and the inability to reasonably estimate the timing of future usage and payouts, the portion of the liability expected to be liquidated within one year is not determinable.*

Note F – Retirement Plan

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (the "System") is a cost- sharing, multiple-employer, state-wide, defined benefit public employee retirement plan and fiduciary component unit of the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor, and the State Superintendent of Instruction, who serves as the ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) 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 Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The age and service requirements range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by .50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. The System also provides disability and survivor benefits to DB plan members.

Certain employees have the option to participate in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

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

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2022 is amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the plan fiscal year ended September 30, 2025.

		Pension Contribution Rates:	
Plan Name	**Plan Status**	**Member**	**District**
Basic	Closed	0.0 – 4.0%	30.11%
Member Investment Plan (MIP)	Closed	3.0 – 7.0%	30.11%
Pension Plus (Hybrid)	Closed	3.0 – 6.4%	26.27%
Pension Plus 2 (Hybrid)	Open	6.2%	27.16%
Defined Contribution	Open	0.0%	20.96%

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2026 inclusive of the MSPERS UAAL Stabilization, totaled $55,157.

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

As of June 30, 2026, the District reported a liability of $233,262 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2024. The District's proportion 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 the pension contributions required from all applicable employers during the measurement period. As of September 30, 2025 the District's proportion was 0.00116439% , which was an increase from 0.00105918% at September 30, 2024.

For the year ended June 30, 2026, the District recognized pension expense of $24,796. As of June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 9,035	$ 2,078
Changes of assumptions	8,372	12,328
Net difference between projected and actual earnings on pension plan investments	—	55,745
Changes in proportion and differences between District contributions and proportionate share of contributions	27,472	16,944
District contributions subsequent to the measurement date*	50,612	—
Total	$ 95,491	$ 87,095

* This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2027.

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

Years Ending June 30	Amount
2027	$ (1,809)
2028	(24,077)
2029	(13,635)
2030	(2,695)

Actuarial 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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2024
Actuarial Cost Method:	Entry Age, Normal
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:	6.00% net of investment expenses
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Cost-of-Living Adjustments:	3% annual non-compounded for MIP members
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 by 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2025 is based on the results of an actuarial valuation date of September 30, 2024 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: [4.4524 for non-university employers].

- Recognition period for assets in years: 5.0000.

- Full actuarial assumptions are available in the 2025 MPSERS Annual Comprehensive Financial Report found on the ORS website at (www.michigan.gov/orsschools).

Long-Term Expected Rate of Return on Plan Investments

The long-term expected rate of return on pension 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 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2025 are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	21.0%	5.8%
International Equity Pools	14.0	5.6
Private Equity Pools	16.0	9.3
Real Estate and Infrastructure Pools	8.0	7.0
Fixed Income Pools	15.0	2.5
Absolute Return Pools	13.0	4.4
Real Return/Opportunistic Pools	9.0	7.0
Short-term Investment Pools	4.0	1.3
Total	**100.0%**	

*Long-term rates of return are net of administrative expenses and 2.4% inflation.

Rate of Return

For the fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.81%. 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 liability (6.00% for the Pension Plus Plan , 6.00% for the Pension Plus 2 Plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus Plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
District's proportionate share of the net pension liability	$ 368,101	$ 233,262	$ 120,959

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System September 30, 2025 Annual Comprehensive Financial Report, available on the ORS website: (www.michigan.gov/orsschools).

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

Payables to the pension plan totaling $8,481 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources. The payables are included in the "Due to Other Governmental Units" at June 30, 2026.

Note G – Other Postemployment Benefits

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS or "System") is a cost-sharing, multiple- employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) 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 Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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 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 Other Postemployment Benefits, 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 Michigan Public School Employees' Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services 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) account.

Beginning October 1, 2025, active members who have the premium subsidy healthcare benefit are no longer required to pay the 3% contribution toward future healthcare benefits.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB 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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2022 is amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2025:

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	1.25%
Personal Healthcare Fund (PHF)	0.0%	0.00%

Required contributions to the OPEB plan from the District were $708 for the year ended June 30, 2026.

OPEB Assets, OPEB Credit, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2026, the District reported an asset of $89,112 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2024. The District's proportion 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 OPEB contributions required from all applicable employers during the measurement period. As of September 30, 2025 the District's proportion was 0.00146587%, which was an increase from 0.00114578% at September 30, 2024.

For the year ended June 30, 2026, the District recognized OPEB credit of $23,574. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 61,010
Changes of assumptions	11,893	945
Net difference between projected and actual earnings on OPEB plan investments	—	12,522
Changes in proportion and differences between District contributions and proportionate share of contributions	8,759	5,750
District contributions subsequent to the measurement date*	627	—
Total	$ 21,279	$ 80,227

* This amount, reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, will be recognized as an addition of the net OPEB asset in the year ended June 30, 2027.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2027	$ (13,821)
2028	(16,049)
2029	(15,706)
2030	(9,826)
2031	(3,156)
Thereafter	(1,017)

Actuarial 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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2024
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expense
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	Pre-65 - 7.75% Year 1 graded to 3.5% Year 15 Post-65 – 6.50% Year 1 graded to 3.5% 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-2021 from 2010.

Other Assumptions:

Opt Out Assumptions:	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 are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2025 is based on the results of an actuarial valuation date of September 30, 2024 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: [6.4654 for non-university employers].

- Recognition period for assets in years: 5.0000.

- Full actuarial assumptions are available in the 2025 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Plan Investments

The long-term expected rate of return on 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 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2025, are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	16.0%	5.8%
International Equity Pools	11.0	5.6
Private Equity Pools	16.0	9.3
Real Estate and Infrastructure Pools	5.0	7.0
Fixed Income Pools	26.0	2.5
Absolute Return Pools	15.0	4.4
Real Return/Opportunistic Pools	7.0	7.0
Short-term Investment Pools	4.0	1.3
Total	**100.0%**	

* Long-term rates of return are net of administrative expenses and 2.4% inflation.

Rate of Return

For the fiscal year ended September 30, 2025, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 9.24%. 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 OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 6.00 percent, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
District's proportionate share of the net OPEB liability (asset)	$ (76,776)	$ (89,112)	$ (99,909)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability (asset) calculated using assumed trend rates, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability (asset)	$ (99,810)	$ (89,112)	$ (77,879)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2025 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Payables to the OPEB plan totaling $100 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources. The payables are included in the "Due to Other Governmental Units" at June 30, 2026.

Note H – Risk Management and Employee Benefits

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for all risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

There were no significant reductions in insurance coverage in fiscal 2025-26, and as of the year ended June 30, 2026, there were no material pending claims against the District.

Note I – Change within the Financial Reporting Entity

During the year ended June 30, 2026, the District reassessed the reporting of its governmental funds. The Student/School Activity Fund is now included in the governmental fund financial statements to more completely reflect the District's custodial and financial activities.

Note J – New Accounting Pronouncement

The District adopted GASB Statement No. 103, Financial Reporting Model Improvements, during the fiscal year ended June 30, 2026. This statement modifies certain requirements related to management's discussion and analysis, unusual or infrequent items, proprietary fund reporting, budgetary comparison information, and other financial reporting presentations. The implementation of this statement resulted in changes to financial statement presentation and disclosures but had no effect on the District's net position.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

IONIA TOWNSHIP SCHOOL DISTRICT #2
June 30, 2026

	Budgeted Amounts		Variance -- Original to Final Budgeted	Actual Amounts	Variance -- Final Budget to Actual Amounts
	Original	Final			
Revenues					
Local sources	$ 190,550	$ 192,834	$ 2,284	$ 195,855	$ 3,021
State sources	77,871	68,804	(9,067)	87,532	18,728
Federal sources	56,745	63,348	6,603	72,732	9,384
Interdistrict sources	9,962	9,962	-	11,303	1,341
Total Revenues	335,128	334,948	(180)	367,422	32,474
Expenditures					
Current:					
Instruction:					
Basic programs	93,517	124,431	30,914	130,283	(5,852)
Added needs	67,710	45,127	(22,583)	46,953	(1,826)
Supporting services:					
Pupil services	-	3,118	3,118	3,697	(579)
Instructional staff services	250	3,250	3,000	3,277	(27)
General administrative services	15,949	20,649	4,700	17,672	2,977
Business services	15,250	15,250	-	15,000	250
Operation and maintenance services	33,050	33,050	-	36,620	(3,570)
Pupil transportation services	50,259	52,922	2,663	78,511	(25,589)
Central services	1,350	24,192	22,842	24,478	(286)
Community services	-	875	875	1,759	(884)
Total Expenditures	277,335	322,864	45,529	358,250	(35,386)
Net Change in Fund Balances	57,793	12,084	(45,709)	9,172	(2,912)
Fund Balances, Beginning of Year	534,004	534,004	-	534,004	-
Fund Balances, End of Year	$ 591,797	$ 546,088	$ (45,709)	$ 543,176	$ (2,912)

Note A – Amendments to the Original Budget

The District's original budget for the General Fund is adopted prior to the start of the fiscal year and is subsequently amended as additional information becomes available and operating conditions change. Budget amendments are made throughout the year to reflect changes in enrollment, State and federal funding, grant activity, staffing levels, and other programmatic needs. The final amended budget as of June 30, 2026 reflects these revisions and provides a more current representation of the District's anticipated financial activity.

The following discussion summarizes the most significant changes between the original and final budget and the factors that contributed to those revisions:

- Revenues from state sources decreased by $9,067, due to a budget amendment aligning early enrollment stabilization revenue with the final award amount.
- Expenditures for basic programs increased by $30,914, primarily due to a $25,575 increase in personnel allocations. The personnel growth included $18,989 for Title I and Title IV program aides and $4,795 for general education aides. Additionally, expenditures increased by $1,710 to implement the 27l Educator Compensation program.
- Expenditures for added needs decreased by $22,583 as a result of a $25,710 reduction in personnel allocations. This decrease reflects a shift of aide staffing to the basic programs function, which was partially offset by an increase in teaching supplies.
- Central services expenditures increased by $22,842 due to funding an unplanned, non-recurring acquisition of a new student information system that was not included in the original budget.

Note B – Budget to Actual Variances

The District compares actual financial results to the final amended budget as of June 30 to evaluate how closely operations aligned with budgetary expectations. Variances between final budgeted and actual amounts may result from differences in the timing of revenues and expenditures, unanticipated operating conditions, changes in program activity, the receipt and use of grant funding, and other factors.

The following discussion highlights the most significant differences between the final amended budget and actual results for the year ended June 30, 2026:

- State source revenues exceeded the final budget by $18,728 (27.2%); primarily due to prior year adjustments in the state funding formula for Special Education Headlee Obligation revenues, and the recognition of deferred revenue for the At-Risk Grant. Neither of these adjustments were included in the final amended budget.
- Revenues received from federal sources were over budget by $9,384 (14.8%); attributed to greater utilization of the Title I and Title IV grant allocations relative to the final amended budget.
- Expenditures for pupil transportation exceeded the final budget by $25,589 (48.4%); the result of unbilled services from prior fiscal periods that were deferred and recognized in FY2026.

Other budget-to-actual variances in the General Fund were generally consistent with normal operational fluctuations, and did not have a significant impact on the District's financial results.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN

	Year Ended June 30, 2026	Year Ended June 30, 2025	Year Ended June 30, 2024
District's proportion of the net pension liability	0.00116439%	0.00105918%	0.00109230%
District's proportionate share of the net pension liability	$ 233,262	$ 259,309	$ 353,535
District's covered-employee payroll	$ 131,479	$ 121,779	$ 112,146
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	177.41%	212.93%	315.25%
Plan fiduciary net position as a percentage of the total pension liability	79.44%	74.44%	65.91%

Note: The amounts presented for each fiscal year were determined as of September 30 of the preceding year. There were no changes to benefit terms or assumptions in 2025-26.

Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017
0.00120000%	0.00103000%	0.00084000%	0.00071000%	0.00070000%	0.00072000%	0.00069000%
$ 450,109	$ 244,494	$ 287,872	$ 235,224	$ 209,185	$ 186,666	$ 173,215
$ 115,163	$ 100,841	$ 77,033	$ 63,232	$ 56,578	$ 60,345	$ 59,407
390.85%	242.45%	373.70%	372.00%	369.73%	309.33%	291.57%
60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN

	Year Ended June 30, 2026	Year Ended June 30, 2025	Year Ended June 30, 2024
District's proportion of the net OPEB liability (asset)	0.00146587%	0.00114578%	0.00095427%
District's proportionate share of the net OPEB liability (asset)	$ (89,112)	$ (49,319)	$ (5,398)
District's covered-employee payroll	$ 131,479	$ 121,779	$ 112,146
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	(67.78%)	(40.50%)	(4.81%)
Plan fiduciary net position as a percentage of the total OPEB liability	164.94%	143.08%	105.04%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented. There were no changes to benefit terms or assumptions in 2025-26.

Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
0.00118000%	0.00103000%	0.00088000%	0.00073000%	0.00067000%	0.00072000%
$ 25,052	$ 16,972	$ 47,255	$ 52,393	$ 53,133	$ 63,473
$ 115,163	$ 100,841	$ 77,033	$ 63,232	$ 56,578	$ 60,345
21.75%	16.83%	61.34%	82.86%	93.91%	105.18%
83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN

	Year Ended June 30, 2026	Year Ended June 30, 2025	Year Ended June 30, 2024	Year Ended June 30, 2023
Contractually required contribution	$ 55,157	$ 49,572	$ 44,100	$ 38,924
Contributions in relation to the contractually required contribution	55,157	49,572	44,100	38,921
Contribution deficiency (excess)	$ -	$ -	$ -	$ 3
District's covered-employee payroll	$ 134,466	$ 127,831	$ 116,705	$ 94,703
Contributions as a percentage of covered employee payroll	41.02%	38.78%	37.79%	41.10%

Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017
$ 39,337	$ 28,010	$ 22,994	$ 18,538	$ 17,808	$ 16,938
39,337	28,010	22,994	18,538	17,808	16,938
$ -	$ -	$ -	$ -	$ -	$ -
$ 115,072	$ 88,638	$ 79,170	$ 61,445	$ 59,851	$ 61,688
34.18%	31.60%	29.04%	30.17%	29.75%	27.46%

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN

	Year Ended June 30, 2026	Year Ended June 30, 2025	Year Ended June 30, 2024
Contractually required contribution	$ 708	$ 1,691	$ 8,779
Contributions in relation to the contractually required contribution	708	1,691	8,779
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 134,466	$ 127,831	$ 116,705
Contributions as a percentage of covered employee payroll	0.53%	1.32%	7.52%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
$ 7,431	$ 9,169	$ 7,236	$ 6,313	$ 4,849	$ 4,710
7,431	9,169	7,236	6,313	4,849	4,710
$ -	$ -	$ -	$ -	$ -	$ -
$ 94,703	$ 115,072	$ 88,638	$ 79,170	$ 61,445	$ 59,581
7.85%	7.97%	8.16%	7.97%	7.89%	7.91%

INTERNAL CONTROL AND COMPLIANCE

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 19, 2026

The Board of Education
Ionia Township School District #2
Ionia County, Michigan

We have audited, 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, the financial statements of the governmental activities and the major fund, and the remaining fund information of Ionia Township School District #2 (the "District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 19, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hungerford

Certified Public Accountants
Grand Rapids, Michigan

HUNGERFORD
CPAs • ADVISORS • TECHNOLOGY • WEALTH

October 19, 2026

The Board of Education
Ionia Township School District #2
Ionia County, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ionia Township School District #2 for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and Government Auditing Standards and the Uniform Guidance, as applicable), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 17, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Ionia Township School District #2 are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2026. As described in Note J to the financial statements, Ionia Township School District #2 adopted GASB No. 103, Financial Reporting Model Improvements, during the fiscal year ended June 30, 2026, resulting in changes to financial statement presentation and disclosures but had no effect on the District's net position. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Government-Wide financial statements were:

> Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. Certain amounts included in capital assets have been estimated by appraisers based on historical information for assets placed in service prior to implementation of GASB Statement No. 34.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were related to the District's share of the net pension and net OPEB liabilities related to GASB Statements No. 68 and 75.

The disclosure of the net pension liability and the net OPEB liability in the Notes to the financial statements were recorded as of June 30, 2026 based on information received from the Michigan Office of Retirement Services. We evaluated the key factors and assumptions used to develop these liabilities in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No material adjustments were identified in the audit of the period ended June 30, 2026.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 19, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matter, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Schedules related to the Proportionate Share and Contributions of the District's Net Pension and Net OPEB Liabilities, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Comments

The District General Fund balance increased by $9,172 to $543,176 at June 30, 2026. This balance represents approximately 171 percent of the District's 2026-27 expenditure budget (down from 193 percent at June 30, 2025). Maintaining a fund balance of at least 20 of the ensuing year's expenditure budget is advisable for Ionia Township School District #2, as recommended by the Michigan Department of Education.

Restriction on Use

This communication is intended solely for the information and use of the Ionia Township School District #2 Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audited financial statements as required by the State of Michigan.

Hungerford

Hungerford
Grand Rapids, Michigan