



**WOODLAND SCHOOL  
TRAVERSE CITY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2025**

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis</b>	5
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	13
Statement of Activities	14
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet	15
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balance	17
Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances with Statement of Activities	18
<b>Notes to the Financial Statements</b>	20
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	32

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Woodland School  
Traverse City, Michigan

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Woodland School (the "School") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School'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, and the aggregate remaining fund information of the School, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School 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 the School'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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School'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 the School'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 budgetary comparison 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 August 29, 2025, on our consideration of the School'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 the School'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 School's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC  
Traverse City, Michigan  
August 29, 2025

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

**Woodland School**  
**Management's Discussion and Analysis**  
**June 30, 2025**

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This section of Woodland School (the "School"), Traverse City, Michigan's annual financial report presents our discussion and analysis of the School's financial performance during the year ended June 30, 2025. It is to be read in conjunction with the School's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2025.

***Financial Highlights***

- For the fiscal year ended 2025, the Board of Education adopted a final general fund budget with a projected increase in fund balance of \$3,811. The actual result of operations in the general fund showed a \$17,327 increase in fund balance.
- The School's total net position at June 30, 2025 was \$1,452,105, of which \$954,107 was unrestricted and available to meet the School's ongoing obligations to employees and creditors.
- The School's total net position increased, from \$1,415,265 as of June 30, 2024 to \$1,452,105 as of June 30, 2025. Refer to the Financial Analysis of the School as a Whole section of this analysis for a more detailed explanation of the change in net position.
- The total fund balance for the general fund was \$867,445 as of June 30, 2025.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$865,896, or 35.6% of the general fund's total expenditures and transfers out. Fund balance of the general fund increased by \$17,327 during the year.

***Overview of the Financial Statements***

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements, the statement of net position and the statement of activities, are *government-wide financial statements* that provide both short-term and long-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-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.

**Woodland School**  
**Management's Discussion and Analysis**  
**June 30, 2025**

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The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary information follows and includes combining nonmajor fund statements as well as a budgetary comparison schedule for the general fund.

***Government-wide Financial Statements***

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets and liabilities. 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 government-wide statements report the School's net position and how they have changed. Net position - the difference between the School's assets and liabilities - is one way to measure the School's financial health or financial position.

Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School's overall health, one should consider additional non-financial factors such as changes in the School's pupil counts and the condition of school buildings and other facilities.

In the government-wide financial statements, the School's activities are presented as governmental activities. *Governmental activities* include the School's basic services, such as instruction, library services, and administration. State aid finances most of these activities.



**Woodland School  
Management's Discussion and Analysis  
June 30, 2025**

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***Financial Analysis of the School as a Whole***

The following is a comparative highlight of the current and prior year financial activities from the government-wide financial statements:

**Woodland School's Net Position**

<b>ASSETS</b>	<u>2025</u>	<u>2024</u>
<i>Current Assets</i>		
Cash and Investments	\$ 753,060	\$ 758,812
Accounts Receivable	-	500
Due from Other Governments	442,588	483,503
Prepays	1,549	7,785
<b>Total Current Assets</b>	<u>1,197,197</u>	<u>1,250,600</u>
<i>Noncurrent Assets</i>		
Capital Assets, net	1,308,102	1,293,106
<b>Total Assets</b>	<u>2,505,299</u>	<u>2,543,706</u>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	86,217	41,820
Accrued Expenditures	80,327	76,206
Unearned Revenue	76,546	163,912
Current Portion of Long-term Debt	38,905	36,661
<b>Total Current Liabilities</b>	<u>281,995</u>	<u>318,599</u>
<i>Noncurrent Liabilities</i>		
Long-term Debt	771,199	809,842
<b>Total Liabilities</b>	<u>1,053,194</u>	<u>1,128,441</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	497,998	446,603
Unrestricted	954,107	968,662
<b>Total Net Position</b>	<u>\$ 1,452,105</u>	<u>\$ 1,415,265</u>

Due from other governments decreased by \$40,915 related to a decrease in state aid. Capital assets increased by \$14,996 as capital outlay of \$156,319 exceeded depreciation of \$141,323. The School's long-term debt decreased in accordance with the related amortization schedule. Unearned revenue decreased by \$87,366 related to the spending of prior year state aid awards.

**Woodland School  
Management's Discussion and Analysis  
June 30, 2025**

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The statement of activities presents the following changes in net position from operating results for each of the two most recent fiscal years:

**Woodland School's Changes in Net Position**

<b>Revenues</b>	<u>2025</u>	<u>2024</u>
<b>Program Revenues</b>		
Charges for Services	\$ 6,211	\$ 8,468
Operating Grants and Contributions	558,428	463,056
<b>Total Program Revenues</b>	<u>564,639</u>	<u>471,524</u>
<b>General Revenues</b>		
Interest Income	-	50
Unrestricted State Sources	1,999,040	2,012,011
<b>Total General Revenues</b>	<u>1,999,040</u>	<u>2,012,061</u>
<b>Total Revenues</b>	<u>2,563,679</u>	<u>2,483,585</u>
<b>Expenses</b>		
Basic Programs	1,247,332	1,097,138
Added Needs	267,620	197,225
Supporting Services	820,866	846,240
Interest on Long-term Debt	49,698	47,751
Depreciation (Unallocated)	141,323	134,453
<b>Total Expenses</b>	<u>2,526,839</u>	<u>2,322,807</u>
<b>Change in Net Position</b>	36,840	160,778
<i>Net Position at Beginning of Period</i>	<u>1,415,265</u>	<u>1,254,487</u>
<b>Net Position at End of Period</b>	<u>\$ 1,452,105</u>	<u>\$ 1,415,265</u>

The School had a \$95,372 increase in operating grants and contributions from fiscal year 2024 to 2025 which was primarily the result of an increase in restricted state aid funding. Unrestricted state sources for the school were \$12,971 less than in fiscal year 2024 due to the net effect of a decrease in student count. The most notable change in expenses is the \$150,194 increase in basic programs.

***Fund Financial Statements***

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

The School utilizes *governmental funds* within this report. Most of the School'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 flow in and out and 2) the balances left at year-end that are

**Woodland School  
Management's Discussion and Analysis  
June 30, 2025**

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available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the School's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

***Financial Analysis of the School's Funds***

The School uses funds to record and analyze financial information. The School has one major fund, its general fund.

The ***general fund*** is the School's primary operating fund. The general fund had revenues and other financing sources of \$2,447,356 and expenditures and other financing uses of \$2,430,029. The School's general fund ended the year with a \$17,327 increase in fund balance for a total fund balance of \$867,445 as of June 30, 2025, compared to total fund balance of \$850,118 as of June 30, 2024.

The ***student activities fund***, a nonmajor special revenue fund, reports the School's student activities funds and ended the year with a \$10,118 increase in fund balance for a total fund balance of \$62,682 as of June 30, 2025.

The ***capital projects fund***, a major capital projects fund, reports the School's capital project activity and ended the year with a \$42,000 decrease in fund balance for a total fund balance of \$23,980 as of June 30, 2025.

***General Fund Budgetary Highlights***

During the year the School revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations. The initial budget for the year ended June 30, 2024, was adopted by the Board of Education during the June 2024 meeting, with the final amendments made during the June 2025 meeting.

*Original budget compared to final budget.* The changes between the original and final budgets were largely related to an increased estimate for state aid and decrease in estimated federal revenues. Expenditures increased overall, but, most changes in the budget related to a more detailed allocation of expenditures by activity.

**Woodland School  
Management's Discussion and Analysis  
June 30, 2025**

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*Final budget compared to actual results.* The School had the following expenditure in excess of the amount appropriated during the year ended June 30, 2025:

<u>Function</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Compensatory Education	\$ 116,766	\$ 118,083	\$ (1,317)

***Capital Asset and Debt Administration***

***Capital Assets***

The School had \$1,308,102 invested in capital assets at June 30, 2025. This included a net increase during the past fiscal year of \$14,996 consisting of capital asset additions of \$156,319 less depreciation expense of \$141,323.

The following table represents the School's investment in capital assets:

<u>Capital Assets as of June 30, 2025</u>	
Land	\$ 312,571
Construction in Progress	77,000
Buildings and Improvements	2,938,030
Land Improvements	260,619
Equipment	164,693
Subtotal	<u>3,752,913</u>
Accumulated Depreciation	<u>(2,444,811)</u>
<b><i>Capital Assets, Net</i></b>	<b><u>\$ 1,308,102</u></b>

More detailed information about the School's capital assets can be found in the notes to the financial statements section of this document.

***Long-term Debt***

The School had total long-term debt of \$810,104 as of June 30, 2025. This was a reduction of \$36,399 compared to the prior year balance resulting from scheduled debt service payments.

More detailed information about the School's long-term debt can be found in the notes to the financial statements section of this document.

***Economic Factors and Next Year's Budget and Rates***

The School continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2026, the School plans again to use current revenues to provide an exceptional

**Woodland School  
Management's Discussion and Analysis  
June 30, 2025**

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learning environment to its students and to maintain the School's financial reserves at similar levels.

Like many educational institutions across the state, Woodland School is facing continued cost pressures related to inflation, wage competitiveness, and increasing employee benefit costs. As the School negotiates employee contracts and plans for long-term staffing needs, it is prioritizing sustainability while seeking to remain a competitive employer within the region. Management anticipates that state aid will remain relatively stable; however, proactive budgeting remains essential to account for potential mid-year adjustments at the state level.

The School is also focused on maintaining and enhancing its facilities. Planned capital improvement projects in upcoming years will be evaluated in light of available funding and long-term maintenance needs. Woodland School maintains a commitment to long-term financial health, including aligning expenditures with available revenues and maintaining adequate reserves.

***Requests for Information***

This financial report is designed to provide our constituents, investors, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Woodland School  
7224 Supply Road  
Traverse City, MI 49696

## **BASIC FINANCIAL STATEMENTS**

**Woodland Schools**  
**Statement of Net Position**  
**June 30, 2025**

**ASSETS**

*Current Assets*

Cash and Investments	\$ 753,060
Due from Other Governments	442,588
Prepaid Expenses	1,549
<b>Total Current Assets</b>	<b>1,197,197</b>

*Noncurrent Assets*

Capital Assets not Being Depreciated	389,571
Capital Assets Being Depreciated, net	918,531
<b>Total Assets</b>	<b>2,505,299</b>

**LIABILITIES**

*Current Liabilities*

Accounts Payable	86,217
Accrued Expenditures	80,327
Unearned Revenue	76,546
Current Portion of Long-term Debt	38,905
<b>Total Current Liabilities</b>	<b>281,995</b>

*Noncurrent Liabilities*

Long-term Debt	771,199
<b>Total Liabilities</b>	<b>1,053,194</b>

**NET POSITION**

Net Investment in Capital Assets	497,998
<i>Unrestricted</i>	954,107
<b>Total Net Position</b>	<b>\$ 1,452,105</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Woodland Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2025**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Total</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Basic Programs	\$ 1,247,332	\$ --	\$ 236,456	\$ --	\$ (1,010,876)
Added Needs	267,620	--	24,370	--	(243,250)
Support Services	820,866	6,211	297,602	--	(517,053)
Depreciation (Unallocated)	141,323	--	--	--	(141,323)
Debt Service - Interest	49,698	--	--	--	(49,698)
<b><i>Total Governmental Activities</i></b>	<b>\$ 2,526,839</b>	<b>\$ 6,211</b>	<b>\$ 558,428</b>	<b>\$ --</b>	<b>(1,962,200)</b>

**General Purpose Revenues:**

State Sources	1,999,040
<b><i>Total General Revenues</i></b>	<b>1,999,040</b>
<b><i>Change in Net Position</i></b>	<b>36,840</b>
<i>Net Position at Beginning of Period</i>	1,415,265
<b><i>Net Position at End of Period</i></b>	<b>\$ 1,452,105</b>

The Notes to the Financial Statements are an integral part of these Financial Statements



**Woodland Schools  
Balance Sheet  
Governmental Funds  
June 30, 2025**

	<u>General</u>	<u>Special Revenue Student Activities Fund (Nonmajor)</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Investments	\$ 688,225	\$ 64,835	\$ --	\$ 753,060
Due from Other Governments	442,588	--	--	442,588
Prepaid Expenses	1,549	--	--	1,549
Due from Other Funds	1,675	--	100,980	102,655
<b>Total Assets</b>	<b>\$ 1,134,037</b>	<b>\$ 64,835</b>	<b>\$ 100,980</b>	<b>\$ 1,299,852</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 8,739	\$ 478	\$ 77,000	\$ 86,217
Accrued Expenditures	80,327	--	--	80,327
Unearned Revenue	76,546	--	--	76,546
Due to Other Funds	100,980	1,675	--	102,655
<b>Total Liabilities</b>	<b>266,592</b>	<b>2,153</b>	<b>77,000</b>	<b>345,745</b>
<b>FUND BALANCE</b>				
Nonspendable	1,549	--	--	1,549
Committed	--	62,682	--	62,682
Assigned	--	--	23,980	23,980
Unassigned	865,896	--	--	865,896
<b>Total Fund Balance</b>	<b>867,445</b>	<b>62,682</b>	<b>23,980</b>	<b>954,107</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,134,037</b>	<b>\$ 64,835</b>	<b>\$ 100,980</b>	<b>\$ 1,299,852</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Woodland Schools**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2025**

Total Fund Balance - Governmental Funds	\$ 954,107
General government capital assets of \$3,752,913, net of accumulated depreciation of \$2,444,811 are not financial resources and, accordingly, are not reported in the funds.	1,308,102
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(810,104)
<b>Total Net Position - Governmental Activities</b>	<b>\$ <u>1,452,105</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Woodland Schools**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2025**

	<u>General</u>	<u>Special Revenue Student Activities Fund (Nonmajor)</u>	<u>Capital Projects Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Local Sources	\$ 22,961	\$ 116,323	\$ --	\$ 139,284
State Sources	2,317,002	--	--	2,317,002
Federal Sources	94,278	--	--	94,278
Other Revenue	13,115	--	--	13,115
<b>Total Revenues</b>	<u>2,447,356</u>	<u>116,323</u>	<u>--</u>	<u>2,563,679</u>
<b>Expenditures</b>				
Basic Programs	1,247,332	--	--	1,247,332
Added Needs	267,620	--	--	267,620
Support Services	793,980	106,205	--	900,185
Debt Service - Principal	36,399	--	--	36,399
Debt Service - Interest	49,698	--	--	49,698
Facilities, Acquisition, Construction, and Improvements	--	--	77,000	77,000
<b>Total Expenditures</b>	<u>2,395,029</u>	<u>106,205</u>	<u>77,000</u>	<u>2,578,234</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>52,327</u>	<u>10,118</u>	<u>(77,000)</u>	<u>(14,555)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	--	--	35,000	35,000
Transfers Out	(35,000)	--	--	(35,000)
<b>Net Other Financing Sources (Uses)</b>	<u>(35,000)</u>	<u>--</u>	<u>35,000</u>	<u>--</u>
<b>Net Change in Fund Balance</b>	<u>17,327</u>	<u>10,118</u>	<u>(42,000)</u>	<u>(14,555)</u>
<i>Fund Balance at Beginning of Period</i>	850,118	52,564	65,980	968,662
<b>Fund Balance at End of Period</b>	<u>\$ 867,445</u>	<u>\$ 62,682</u>	<u>\$ 23,980</u>	<u>\$ 954,107</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Woodland Schools**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended June 30, 2025**

Total Net Change in Fund Balances - Governmental Funds	\$ (14,555)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and expensed. This amount represents current year depreciation expense of \$141,323 is exceeded by capital outlay of \$156,319.	14,996
Repayment of the principal portion of long-term debt is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. This represents principal payments made during the year.	36,399
<b>Changes in Net Position - Governmental Activities</b>	<b>\$ <u>36,840</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

## **NOTES TO THE FINANCIAL STATEMENTS**

## Woodland School

### Notes to the Financial Statements

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#### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Woodland School (the “School” or “government”) conform to generally accepted accounting principles as applicable to Schools. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School’s significant accounting policies are described below.

#### **Reporting Entity**

Woodland School is a public school academy organized under Act No. 362 of the Michigan Public Acts of 1993. An academy is a corporation organized under the Michigan Nonprofit Corporation Act for the purpose of operating as an academy and as a governmental entity. For Federal tax purposes, an academy is exempt from taxes because its income is derived from the exercise of an essential governmental function and is not eligible for recognition of exemption under Section 501(c)(3) of the Internal Revenue Service Code.

The School is overseen by Saginaw Valley State University. An agreement was entered effective August 1, 1996 and renewed in 2012. The Woodland School Board of Education is the basic level of government which has oversight responsibility and control over all activities. The Board has decision making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. Hence, the School is not included in any other governmental “reporting entity” as defined by the Governmental Standards Board Statement 61.

The Board of Education, a five-member group, is the level of government which has governance responsibilities over all activities related to public elementary and middle school education within the jurisdiction of the School. The School receives funding from state and federal government sources and must comply with the requirements of these funding source entities.

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

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are supported by taxes and intergovernmental revenues.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted state aid and

## Woodland School

### Notes to the Financial Statements

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other items not properly included among program revenues are reported instead as *general revenues*.

Major individual funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual are state aid, federal revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The School reports the following major funds:

The ***general fund*** is the general operating fund of the School. 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.

The ***capital projects fund***, a capital projects fund, accounts for the transactions of any activity related to the school's capital projects.

Additionally, the School reports the following nonmajor funds:

The ***student activities fund***, a special revenue fund, accounts for the transactions of student and parent groups for school and school-related purposes.

## **Woodland School**

### **Notes to the Financial Statements**

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#### ***Budgets and Budgetary Accounting***

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (“GAAP”). The School follows these procedures in establishing the budgetary data reflected in the financial statements:

- 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).
- 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.

Appropriations lapse at year-end and amounts may be reappropriated for expenditures to be incurred in the following fiscal year.

#### **Assets, Liabilities, and Fund Equity**

##### ***Cash and Investments***

The School considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

The State of Michigan, as well as the School’s investment policy, 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 building administrator and interest of which are fully guaranteed by the United States; or obligations of the State;
- Certificates of deposit issued by financial institutions which means a state or nationally-chartered 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 which maintains a principal office or branch office in Michigan under Michigan and Federal laws;



## Woodland School

### Notes to the Financial Statements

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- Certificates of deposit of a public corporation(s) (“CD”s) in insured depository institutions in accordance with the following conditions:
  - The funds are initially invested through a financial institution that is not ineligible to be a depository of surplus funds belonging to this State under (M.C.L.A. 21.146 (discriminatory lending practices)).
  - The financial institution arranges for the investment of the funds in certificates of deposit in one or more insured depository institutions, as defined in 12 U.S.C. 1813, or one or more insured credit unions, as defined in 12 U.S.C. 1752, for the account of the School.
  - The financial institution acts as custodian for the School is insured by an agency of the United States.
  - The financial institution acts as custodian for the School with respect to each certificate of deposit.
  - At the same time that the funds are deposited and the certificate or certificates of deposit are issued, the financial institution receives an amount of deposits from customers of other insured depository institutions equal to or greater than the amount of the funds initially invested by the School through the financial institution.
- Commercial paper rated prime 1 or prime 2 at the time of purchase and maturing not more than 270 days after the date of purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government;
- United States government or Federal agency obligation repurchase agreements;
- Bankers' acceptances issued by a bank that is a member of the Federal deposit insurance corporation;
- Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School;
- 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.

## Woodland School

### Notes to the Financial Statements

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#### ***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans).

All receivables are shown net of an allowance for uncollectible balances, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable during the current year.

#### ***Capital Assets***

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the Government-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 estimated acquisition 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 additions, furniture and equipment and vehicles are depreciated using the straight-line method over the following estimated useful lives:

	<b>Years</b>
Buildings and Improvements	15 - 50
Land Improvements	20 - 30
Equipment	7 - 20

#### ***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are recorded as a period expense. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

## Woodland School

### Notes to the Financial Statements

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#### ***Net Position Flow Assumption***

Sometimes the School will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### ***Fund Balance Flow Assumptions***

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

#### ***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The School itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the School for specific purposes but do not meet the criteria to be classified as committed. The Board of Education can assign fund balance as it does when appropriating fund balance to cover a gap

## Woodland School

### Notes to the Financial Statements

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between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Unassigned fund balance* is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Education.

#### ***Use of Estimates***

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### ***Subsequent Events***

Subsequent events have been evaluated through August 29, 2025. Management is not aware of any subsequent events that will have a significant impact on the financial condition of the School.

#### **Note 2 - Stewardship, Compliance, and Accountability**

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated. The School's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the department level. The approved budgets of the School for these budgeted funds were also adopted at the department level.

**Excess of expenditures over appropriations in budgeted funds** - The School had the following expenditures in excess of the amount appropriated during the year ended June 30, 2025:

<b>Function</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
Compensatory Education	\$ 116,766	\$ 118,083	\$ (1,317)

## Woodland School

### Notes to the Financial Statements

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#### Note 3 - Cash and Investments

The School maintains pooled and individual fund demand deposits.

Following is a reconciliation of deposit and investment balances as of June 30, 2025:

Statement of Net Position	
Cash and Investments	<u>\$ 753,060</u>
Cash and Investments	
Checking and Savings Accounts	\$ 752,960
Cash on Hand	<u>100</u>
<b>Total Cash and Investments</b>	<b><u>\$ 753,060</u></b>

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits might not be returned. State law does not require and the School does not have a policy for deposit custodial credit risk. As of year-end, \$505,477 of the School's bank balance of \$755,477 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the School believes it is impractical to insure all bank deposits. As a result, the School evaluates each financial institution with which it deposits School funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Note 4 - State of Michigan School Aid

Saginaw Valley State University receives State school aid payments and transfers these monies, less a fee of 3% of per pupil funding, to the School within ten days of receipt. State aid is based on enrollment and is paid in 11 installments, with the final two installments totaling approximately \$407,582 which were received in July and August 2025. Total state aid revenues during the year were \$2,317,002.

## Woodland School

### Notes to the Financial Statements

#### Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance 2024	Additions	Disposals	Ending Balance 2025
Capital Assets not Being Depreciated				
Land	\$ 312,571	\$ -	\$ -	\$ 312,571
Construction in Progress	12,823	77,000	12,823	77,000
Subtotal	<u>325,394</u>	<u>77,000</u>	<u>12,823</u>	<u>389,571</u>
Capital Assets Being Depreciated				
Buildings and Improvements	3,073,820	53,566	189,356	2,938,030
Land Improvements	260,619	-	-	260,619
Equipment	193,514	38,576	67,397	164,693
Subtotal	<u>3,527,953</u>	<u>92,142</u>	<u>256,753</u>	<u>3,363,342</u>
Less Accumulated Depreciation				
Buildings and Improvements	2,262,808	119,795	189,356	2,193,247
Land Improvements	167,747	10,055	-	177,802
Equipment	129,686	11,473	67,397	73,762
Subtotal	<u>2,560,241</u>	<u>141,323</u>	<u>256,753</u>	<u>2,444,811</u>
<b>Total Capital Assets Being Depreciated</b>	<u>967,712</u>	<u>\$ (49,181)</u>	<u>\$ 12,823</u>	<u>918,531</u>
<b>Capital Assets, net</b>	<u>\$ 1,293,106</u>	<u>\$ 27,819</u>	<u>\$ 12,823</u>	<u>\$ 1,308,102</u>

Depreciation expense for the fiscal year ended June 30, 2025 amounted to \$141,323. The School determined that was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

#### Note 6 - Long-term Debt

##### *2024 Commercial Promissory Note*

On April 18, 2024, the School entered into an installment agreement for \$852,382, known as the 2024 Commercial Promissory Note. The property at 7224 Supply Road, Traverse City, MI 49696, and leases and rents on the property, are used as collateral under the agreement. The fixed rate is 5.875% and payable in monthly installments of \$7,175 with a final balloon payment of \$654,561 scheduled for April 18, 2029. The 2024 Commercial Promissory Note was used to pay off the 2019 Commercial Promissory Note. The note will be refinanced during the upcoming year and, accordingly, a portion of the note continued to be presented as long-term.

# Woodland School

## Notes to the Financial Statements

The following is a summary of the changes in long-term debt (including current portion) of the School for the year ended June 30, 2025:

<b>Direct Placement Debt</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
2024 Commercial Promissory Note - Direct Placement	\$ 846,503		\$ 36,399	\$ 810,104	\$ 38,905
<b>Total Direct Placement Debt</b>	<b>\$ 846,503</b>	<b>\$ -</b>	<b>\$ 36,399</b>	<b>\$ 810,104</b>	<b>\$ 38,905</b>

Annual debt service requirements for long-term debt outstanding as of June 30, 2025 follows:

<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 38,905	\$ 47,192	\$ 86,097
2027	41,287	44,811	86,098
2028	43,699	42,399	86,098
2029	686,213	33,183	719,396
<b>Totals</b>	<b>\$ 810,104</b>	<b>\$ 167,585</b>	<b>\$ 977,689</b>

### Note 7 - Change Within the Financial Reporting Entity

The financial statements classify individual governmental funds as major funds when they meet the following criteria, in accordance with GASB 34:

1. Total assets, liabilities, revenues, or expenditures/expenses are at least 10% of the corresponding total for all governmental or enterprise funds, as applicable; and
2. The same element is at least 5% of the total for all governmental and enterprise funds combined.

Additionally, the School may designate funds as major if management believes the fund is of significant importance to financial statement users.

For the fiscal year ended June 30, 2025, the capital projects fund meets these criteria and is presented as a major fund in the basic financial statements. The reclassification had no impact on the total net position of the School's governmental activities or the overall financial statements. The following schedule summarizes the change:

<b>Description</b>	<b>Governmental Funds</b>	
	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental</b>
6/30/2024, as previously reported	\$ -	\$ 118,544
Change from nonmajor to major fund	65,980	(65,980)
<b>6/30/2025, as adjusted</b>	<b>\$ 65,980</b>	<b>\$ 52,564</b>

## **Woodland School**

### **Notes to the Financial Statements**

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#### **Note 8 - Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**Woodland Schools**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2025**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local Sources	\$ 8,080	\$ 22,993	\$ 22,961	\$ (32)
State Sources	2,291,764	2,331,579	2,317,002	(14,577)
Federal Sources	66,251	93,540	94,278	738
Other Revenue	24,270	24,270	13,115	(11,155)
<b>Total Revenues</b>	<b>2,390,365</b>	<b>2,472,382</b>	<b>2,447,356</b>	<b>(25,026)</b>
<b>Expenditures</b>				
Elementary	781,096	830,361	816,317	14,044
Middle/Junior High	414,252	417,217	412,456	4,761
Summer School	24,394	21,526	18,559	2,967
Special Education	157,973	150,919	149,537	1,382
Compensatory Education	119,754	116,766	118,083	(1,317)
Pupil	54,834	52,245	51,495	750
Instructional Staff	56,432	56,917	56,099	818
General Administration	68,555	71,331	71,144	187
School Administration	235,268	232,504	229,022	3,482
Business	89,876	91,536	91,495	41
Operation and Maintenance of Plant	278,158	301,619	291,337	10,282
Staff Personnel Services	2,237	2,332	1,659	673
Athletic Activities	2,000	2,200	1,729	471
Welfare Activities	200	--	--	--
Mortgage	86,098	86,098	86,097	1
<b>Total Expenditures</b>	<b>2,371,127</b>	<b>2,433,571</b>	<b>2,395,029</b>	<b>38,542</b>
<b>Other Financing Uses</b>				
Transfers Out	--	35,000	35,000	--
Total Expenditures and Other Financing Uses	2,371,127	2,468,571	2,430,029	38,542
Excess (Deficiency) of Revenues over Expenditures and Other Uses	19,238	3,811	17,327	13,516
<b>Net Change in Fund Balance</b>	<b>19,238</b>	<b>3,811</b>	<b>17,327</b>	<b>13,516</b>
Fund Balance at Beginning of Period	850,118	850,118	850,118	--
<b>Fund Balance at End of Period</b>	<b>\$ 869,356</b>	<b>\$ 853,929</b>	<b>\$ 867,445</b>	<b>\$ 13,516</b>

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*

To the Board of Education  
Woodland School  
Traverse City, Michigan

We have audited, in accordance with the 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, the major funds, and the aggregate remaining fund information of Woodland School, Traverse City (the "School"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 29, 2025.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 entity'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.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC  
Traverse City, MI  
August 29, 2025

August 29, 2025

To the Board of Education  
Woodland School  
Traverse City, Michigan

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Woodland School, Traverse City (the “School”) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 May 23, 2025. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 1 to the financial statements. 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 estimate affecting the School’s financial statements was:

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

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

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing 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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *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, that 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 August 29, 2025.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, 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 management's discussion and analysis and the budgetary comparison schedule, 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.

We were engaged to report on the combining and individual fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

*Restriction on Use*

This information is intended solely for the use of management, the Board of Education, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC  
Traverse City, MI