

WOODLAND SCHOOL
TRAVERSE CITY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2026

GABRIDGE & CO

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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, each major fund, and the aggregate remaining fund information of Woodland School (the "School") as of and for the year ended June 30, 2026, 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, each major fund, and the aggregate remaining fund information of the School, 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 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.

Emphasis of Matter – Implementation of New Accounting Standard

As discussed in Note 9 to the financial statements, the School implemented Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*, during the year ended June 30, 2026. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 September 1, 2026, 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 the School's internal control over financial reporting and compliance.

Gabridge & Company, PLC
Grand Rapids, Michigan
September 1, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of management's discussion and analysis (MD&A) is to help readers understand Woodland School's (the "School") financial position and results of operations for the year ended June 30, 2026, and why they changed from the prior year. This discussion is based on the School's basic financial statements and notes and should be read with them. Questions about this report may be directed to Woodland School, 7224 Supply Road, Traverse City, Michigan 49696.

Overview of the Financial Statements

The School's basic financial statements present its finances from two complementary perspectives. The government-wide statements provide an overall view of the School, while the fund statements provide more detailed information about the resources and activities accounted for in individual funds.

- The statement of net position and statement of activities are government-wide financial statements. They use the economic resources measurement focus and accrual basis of accounting, so they report both current and long-term assets and liabilities, including capital assets and long-term debt, and recognize revenues and expenses when the underlying events occur rather than only when cash is received or paid.

- The governmental fund statements use the current financial resources measurement focus and modified accrual basis of accounting. They emphasize near-term inflows, outflows, and spendable resources. The General Fund is the School's primary operating fund, the Capital Projects Fund accounts for capital improvement activity, and the Student Activities Fund is reported as a nonmajor special revenue fund.

- Reconciliations explain the differences between the governmental fund statements and the government-wide statements. The notes provide additional detail, and required supplementary information includes the General Fund budgetary comparison schedule.

Financial Summary

At June 30, 2026, the School's total net position was $1,427,570, a decrease of $24,535 from the prior year. Unrestricted net position increased $40,208 to $994,315, while net investment in capital assets decreased $64,743 to $433,255. The following financial information is derived from the government-wide financial statements.

Woodland School's Net Position

ASSETS	2026	2025
Current Assets		
Cash and Investments	$ 638,975	$ 753,060
Accounts Receivable	-	-
Due from Other Governments	481,468	442,588
Prepaids	9,803	1,549
Total Current Assets	1,130,246	1,197,197
Noncurrent Assets		
Capital Assets, net	1,204,965	1,308,102
Total Assets	2,335,211	2,505,299
LIABILITIES		
Current Liabilities		
Accounts Payable	21,046	86,217
Accrued Expenditures	101,006	80,327
Unearned Revenue	13,879	76,546
Current Portion of Long-term Debt	41,287	38,905
Total Current Liabilities	177,218	281,995
Noncurrent Liabilities		
Long-term Debt	730,423	771,199
Total Liabilities	907,641	1,053,194
NET POSITION		
Net Investment in Capital Assets	433,255	497,998
Unrestricted	994,315	954,107
Total Net Position	$ 1,427,570	$ 1,452,105

Woodland School's Changes in Net Position

Revenues	2026	2025
Program Revenues		
Charges for Services	$ 7,258	$ 6,211
Operating Grants and Contributions	448,636	558,428
Total Program Revenues	455,894	564,639
General Revenues		
Unrestricted State Sources	2,126,580	1,999,040
Total General Revenues	2,126,580	1,999,040
Total Revenues	2,582,474	2,563,679
Expenses		
Basic Programs	1,238,711	1,247,332
Added Needs	312,065	267,620
Support Services	865,889	820,866
Interest on Long-term Debt	47,703	49,698
Depreciation (Unallocated)	142,641	141,323
Total Expenses	2,607,009	2,526,839
Change in Net Position	(24,535)	36,840
Net Position at Beginning of Period	1,452,105	1,415,265
Net Position at End of Period	$ 1,427,570	$ 1,452,105

Detailed Analysis

Government-wide Financial Position

At June 30, 2026, the School reported total assets of $2,335,211, a decrease of $170,088, or 6.8 percent, from the prior year. Cash and investments decreased $114,085, or 15.1 percent, from $753,060 to $638,975. This is partially due to the decrease in accounts payable of $65,171. This decrease was partially offset by a $38,880, or 8.8 percent, increase in amounts due from other governments, from $442,588 to $481,468, reflecting higher year-end state aid and federal revenue receivables. Capital assets, net, decreased $103,137, or 7.9 percent, from $1,308,102 to $1,204,965, as depreciation and asset disposals exceeded current-year capital additions. Additional discussion of capital asset activity is included in the capital asset section below.

Total liabilities decreased $145,553, or 13.8 percent, from $1,053,194 at June 30, 2025 to $907,641 at June 30, 2026. Accounts payable decreased $65,171, or 75.6 percent, from $86,217 to $21,046, primarily because the prior-year balance included a $77,000 capital project payable that was settled as the related project was completed. Unearned revenue decreased $62,667, or 81.9 percent, from $76,546 to $13,879, as prior-year state aid awards were spent and the related revenue was recognized. Total long-term debt, including the current portion, decreased $38,394, or 4.7 percent, during the year as a result of scheduled principal payments.

The School's total net position decreased $24,535 during fiscal year 2026, from $1,452,105 to $1,427,570. Net investment in capital assets decreased $64,743, from $497,998 to $433,255, reflecting the decline in net capital assets partially offset by scheduled debt repayments. Unrestricted net position increased $40,208, from $954,107 to $994,315.

Government-wide Results of Operations

Total revenues increased $18,795, or 0.7 percent. Unrestricted state revenues increased $127,540 because of higher unrestricted Section 22b and Section 51b state aid payments. This increase was substantially offset by a $109,792 decrease in operating grants and contributions resulting from lower restricted state aid.

Total expenses increased $80,170, or 3.2 percent. Added Needs expenses increased $44,445, primarily because of higher special education and interventionist salary costs. Support Services expenses increased $45,023 through smaller increases across the function. Basic Programs expenses decreased $8,621. Because expenses grew faster than revenues, net position decreased $24,535 during fiscal year 2026, compared with a $36,840 increase in fiscal year 2025.

Major Governmental Funds

General Fund. The General Fund reported revenues of $2,501,892, expenditures of $2,421,023, and transfers out of $5,185, resulting in a $75,684 increase in fund balance. The prior year increase was $17,327. Revenues increased $54,536, primarily from higher state and other revenue, partly offset by lower federal revenue. Expenditures increased $25,994, while transfers out decreased $29,815. The General Fund ended the year with fund balance of $943,129, including $9,803 that was nonspendable and $933,326 that was unassigned. Unassigned fund balance equaled 38.5 percent of General Fund expenditures and transfers out and was available for future operating needs.

Capital Projects Fund. The Capital Projects Fund began the year with fund balance of $23,980, received a $5,185 transfer from the General Fund, and incurred $29,165 of capital project expenditures compared to $77,000 in 2025. The fund ended the year with no remaining fund balance. Current-year expenditures were for rooftop heating, ventilation, and air-conditioning equipment and stage-lighting improvements.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

The School had $1,204,965 invested in capital assets, net of accumulated depreciation, at June 30, 2026. Net capital assets decreased $103,137 during the year. Capital asset additions of $42,125 were offset by total depreciation of $142,641 and a $2,621 loss on disposals. Significant project spending included rooftop heating, ventilation, and air-conditioning equipment and stage-lighting improvements. The School also replaced aging computer devices during the year. At June 30, 2026, the School had no significant commitments for the acquisition of additional capital assets. Additional information is presented in the notes to the financial statements.

Capital Assets, Net

	2026	2025
Capital assets not being depreciated	$ 312,571	$ 389,571
Capital assets being depreciated, net	892,394	918,531
Capital assets, net	$ 1,204,965	$ 1,308,102

Long-Term Financing

Total long-term debt was $771,710 at June 30, 2026, compared with $810,104 at June 30, 2025. The $38,394 decrease resulted from scheduled principal payments. The School did not issue new long-term debt during the year. Interest expense was $47,703. The outstanding debt consists of a commercial promissory note secured by the School's Supply Road property and related rents. The note bears interest at 5.875 percent, requires monthly payments of approximately $7,175, and includes a $654,561 balloon payment due April 18, 2029. Additional information about the School's debt is presented in the notes to the financial statements.

Long-Term Debt

	2026	2025
Current portion of long-term debt	$ 41,287	$ 38,905
Long-term debt, due after one year	730,423	771,199
Total long-term debt	$ 771,710	$ 810,104

Currently Known Facts, Decisions, or Conditions

In June 2026, the Board approved the School's 2026-2027 budget and staff raises for the subsequent school year. Those decisions are expected to increase compensation costs in fiscal year 2027 compared with fiscal year 2026. The Board also approved a Director compensation package with the signing bonus and retirement stipend contingent upon the results of a mid-year evaluation.

BASIC FINANCIAL STATEMENTS

Woodland School
Statement of Net Position
June 30, 2026

ASSETS		
Current Assets		
Cash and Investments	$	638,975
Due from Other Governments		481,468
Prepaid Expenses		9,803
Total Current Assets		1,130,246
Noncurrent Assets		
Capital Assets not Being Depreciated		312,571
Capital Assets Being Depreciated, net		892,394
Total Assets		2,335,211
LIABILITIES		
Current Liabilities		
Accounts Payable		21,046
Accrued Expenditures		101,006
Unearned Revenue		13,879
Current Portion of Long-term Debt		41,287
Total Current Liabilities		177,218
Noncurrent Liabilities		
Long-term Debt		730,423
Total Liabilities		907,641
NET POSITION		
Net Investment in Capital Assets		433,255
Unrestricted		994,315
Total Net Position	$	**1,427,570**

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

Woodland School
Statement of Activities
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Basic Programs	$ 1,238,711	$ --	$ 227,206	$ --	$ (1,011,505)
Added Needs	312,065	--	86,965	--	(225,100)
Support Services	865,889	7,258	134,465	--	(724,166)
Depreciation (Unallocated)	142,641	--	--	--	(142,641)
Debt Service - Interest	47,703	--	--	--	(47,703)
Total	$ 2,607,009	$ 7,258	$ 448,636	$ --	(2,151,115)
General Purpose Revenues:					
State Sources					2,126,580
Total General Revenues					2,126,580
Change in Net Position					**(24,535)**
Net Position at Beginning of Period					1,452,105
Net Position at End of Period					$ **1,427,570**

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

Woodland School
Balance Sheet
Governmental Funds
June 30, 2026

	General	Special Revenue: Student Activities Fund (nonmajor)	Capital Projects: Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Investments	$ 579,299	$ 59,676	$ --	$ 638,975
Due from Other Governments	481,468	--	--	481,468
Prepaid Expenses	9,803	--	--	9,803
Total Assets	$ **1,070,570**	$ **59,676**	$ **--**	$ **1,130,246**
LIABILITIES				
Accounts Payable	$ 12,556	$ 8,490	$ --	$ 21,046
Accrued Expenditures	101,006	--	--	101,006
Unearned Revenue	13,879	--	--	13,879
Total Liabilities	127,441	8,490	--	135,931
FUND BALANCE				
Nonspendable	9,803	--	--	9,803
Committed	--	51,186	--	51,186
Unassigned	933,326	--	--	933,326
Total Fund Balance	943,129	51,186	--	994,315
Total Liabilities and Fund Balance	$ **1,070,570**	$ **59,676**	$ **--**	$ **1,130,246**

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

Woodland School
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2026

Total Fund Balance - Governmental Funds	$	994,315
Governmental capital assets of $3,787,936, net of accumulated depreciation of $2,582,971 are not financial resources and, accordingly, are not reported in the funds.		1,204,965
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(771,710)
Total Net Position - Governmental Activities	$	**1,427,570**

Woodland School
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2026

	General	Special Revenue Student Activities Fund (nonmajor)	Capital Projects Capital Projects Fund	Total Governmental Funds
Revenues				
Local Sources	$ 25,258	$ 80,582	$ --	$ 105,840
State Sources	2,373,546	--	--	2,373,546
Federal Sources	72,983	--	--	72,983
Other Revenue	30,105	--	--	30,105
Total Revenues	2,501,892	80,582	--	2,582,474
Expenditures				
Basic Programs	1,238,711	--	--	1,238,711
Added Needs	312,065	--	--	312,065
Support Services	784,150	92,078	--	876,228
Debt Service - Principal	38,394	--	--	38,394
Debt Service - Interest	47,703	--	--	47,703
Facilities, Acquisition, Construction, and Improvements	--	--	29,165	29,165
Total Expenditures	2,421,023	92,078	29,165	2,542,266
Excess of Revenues Over (Under) Expenditures	80,869	(11,496)	(29,165)	40,208
Other Financing Sources (Uses)				
Transfers In	--	--	5,185	5,185
Transfers Out	(5,185)	--	--	(5,185)
Net Other Financing Sources (Uses)	(5,185)	--	5,185	--
Net Change in Fund Balance	**75,684**	**(11,496)**	**(23,980)**	**40,208**
Fund Balance at Beginning of Period	867,445	62,682	23,980	954,107
Fund Balance at End of Period	$ **943,129**	$ **51,186**	$ **--**	$ **994,315**

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

Woodland School
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2026

Total Net Change in Fund Balances - Governmental Funds	$	40,208
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 $142,641 and loss on capital assets of $2,621 that exceeds capital outlay of $42,125.		(103,137)
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.		38,394
Changes in Net Position - Governmental Activities	$	**(24,535)**

NOTES TO THE FINANCIAL STATEMENTS

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 Accounting Standards Board Statement No. 61.

The Board of Education, a seven-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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The School reports only governmental activities, which are supported primarily by state aid, grants, and other 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

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.

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 principal 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;

- 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.

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

	Years
Buildings and Improvements	15 - 50
Land Improvements	20 - 30
Equipment	7 - 20

Long-term Obligations

In the government-wide financial statements, the School reports its commercial promissory note as a long-term liability, with the portion due within one year presented separately. In governmental funds, principal and interest are recognized as expenditures when due.

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 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 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 September 1, 2026, the date the financial statements were available to be issued. 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, 2026:

Function	Final	Actual	Variance
Summer School	$ 14,441	$ 14,622	$ (181)
General Administration	75,857	76,795	(938)
Business	93,228	94,881	(1,653)

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, 2026:

Statement of Net Position	
Cash and Investments	$ 638,975
Cash and Investments	
Checking and Savings Accounts	$ 638,875
Cash on Hand	100
Total Cash and Investments	$ 638,975

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, $396,338 of the School's bank balance of $646,338 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 $410,798 which were received in July and August 2026. Total state aid revenues during the year were $2,373,546.

Note 5 - Capital Assets

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets not Being Depreciated					
Land	$ 312,571	$ -	$ -	$ -	$ 312,571
Construction in Progress	77,000	-	-	(77,000)	-
Subtotal	389,571	-	-	(77,000)	312,571
Capital Assets Being Depreciated					
Buildings and Improvements	2,938,030	29,165	-	77,000	3,044,195
Land Improvements	260,619	-	-	-	260,619
Equipment	164,693	12,960	7,102	-	170,551
Subtotal	3,363,342	42,125	7,102	77,000	3,475,365
Less Accumulated Depreciation					
Buildings and Improvements	2,193,247	119,327	-	-	2,312,574
Land Improvements	177,802	9,323	-	-	187,125
Equipment	73,762	13,991	4,481	-	83,272
Subtotal	2,444,811	142,641	4,481	-	2,582,971
Total Capital Assets Being Depreciated	918,531	$ (100,516)	$ 2,621	$ 77,000	892,394
Capital Assets, net	$ 1,308,102	$ (100,516)	$ 2,621	$ -	$ 1,204,965

Depreciation expense for the fiscal year ended June 30, 2026 amounted to $142,641. The School determined that was impractical to allocate depreciation expense to the various governmental 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 following is a summary of the changes in long-term debt (including current portion) of the School for the year ended June 30, 2026:

Direct Placement Debt	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2024 Commercial Promissory Note - Direct Placement	$ 810,104	$ -	$ 38,394	$ 771,710	$ 41,287
Total Direct Placement Debt	$ 810,104	$ -	$ 38,394	$ 771,710	$ 41,287

Annual debt service requirements for long-term debt outstanding as of June 30, 2026 are as follows:

June 30,	Principal	Interest	Total
2027	$ 41,287.00	$ 44,811.00	$ 86,098.00
2028	43,699	42,399	86,098
2029	686,724	33,183	719,907
Totals	$ 771,710	$ 120,393	$ 892,103

Note 7 – Defined Contribution Retirement Plan

The School sponsors a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code covering eligible employees. Under the plan, the School contributes 4% of eligible compensation. Retirement plan expense was approximately $59,219 for the year ended June 30, 2026.

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 were no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded

commercial insurance coverage in any of the past three fiscal years.

Note 9 – New Accounting Pronouncement

The School implemented Governmental Accounting Standards Board ("GASB") Statement No. 103, *Financial Reporting Model Improvements*, during the fiscal year ended June 30, 2026. The implementation of this standard resulted in changes to the presentation of certain financial statements and required supplementary information but did not have a material impact on the School's financial position or results of operations, and no restatement of prior year balances was required.

REQUIRED SUPPLEMENTARY INFORMATION

Woodland School
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2026

	Budgeted Amounts		Variance Favorable (Unfavorable)		Variance Favorable (Unfavorable)
	Original	Final	Original to Final	Actual	Final to Actual
Revenues					
Local Sources	$ 4,745	$ 24,760	$ 20,015	$ 25,258	$ 498
State Sources	2,274,235	2,375,619	101,384	2,373,546	(2,073)
Federal Sources	79,607	76,414	(3,193)	72,983	(3,431)
Other Revenue	24,270	30,105	5,835	30,105	--
Total Revenues	2,382,857	2,506,898	124,041	2,501,892	(5,006)
Expenditures					
Basic Programs					
Elementary	793,650	815,202	(21,552)	803,990	11,212
Middle/Junior High	408,874	427,023	(18,149)	420,099	6,924
Summer School	12,500	14,441	(1,941)	14,622	(181)
Total Basic Programs	1,215,024	1,256,666	(41,642)	1,238,711	17,955
Added Needs					
Special Education	155,136	176,266	(21,130)	175,560	706
Compensatory Education	139,861	138,684	1,177	136,505	2,179
Total Added Needs	294,997	314,950	(19,953)	312,065	2,885
Support Services					
Pupil	58,096	59,267	(1,171)	58,820	447
Instructional Staff	43,959	49,409	(5,450)	47,745	1,664
General Administration	75,110	75,857	(747)	76,795	(938)
School Administration	245,698	253,580	(7,882)	249,143	4,437
Business	92,976	93,228	(252)	94,881	(1,653)
Operation and Maintenance of Plant	262,288	265,313	(3,025)	249,608	15,705
Staff Personnel Services	2,237	6,437	(4,200)	5,051	1,386
Athletic Activities	2,000	2,107	(107)	2,107	--
Welfare Activities	200	200	--	--	200
Total Support Services	782,564	805,398	(22,834)	784,150	21,248
Debt Service					
Mortgage	86,099	86,099	--	86,097	2
Total Expenditures	2,378,684	2,463,113	(84,429)	2,421,023	42,090
Other Financing Uses					
Transfers Out	--	5,185	(5,185)	5,185	--
Total Expenditures and Other Financing Uses	2,378,684	2,468,298	(89,614)	2,426,208	42,090
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	4,173	38,600	34,427	75,684	37,084
Net Change in Fund Balance	**4,173**	**38,600**	**34,427**	**75,684**	**37,084**
Fund Balance at Beginning of Period	867,445	867,445	--	867,445	--
Fund Balance at End of Period	$ **871,618**	$ **906,045**	$ **34,427**	$ **943,129**	$ **37,084**

Notes to Required Supplementary Information

Budgetary Variances

Original budget compared to final budget

During the year, the School amended its General Fund budget for certain anticipated changes in revenues and expenditures. Budgeted local source revenues increased $20,015 due to the anticipated receipt of an SVSU grant. Budgeted state source revenues increased $101,384 due to anticipated increases in Special Education Headlee Obligation and Early Educator Compensation Program state aid payments.

Within expenditures, the elementary instruction budget increased $21,552 due to anticipated increases in substitute salaries, educator compensation salaries, and related taxes and fringe benefit costs. The middle/junior high instruction budget increased $18,149 due to anticipated increases in dual enrollment, teacher benefit costs, educator compensation salaries and related taxes and fringe benefits. The special education budget increased $21,130 due to anticipated increases in special education teacher and aide salaries and related fringe benefit costs.

Final budget compared to actual results

Operation and maintenance of plant expenditures were $15,705 less than the final budget due to lower-than-anticipated utility and repair and maintenance costs.

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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, each major fund, and the aggregate remaining fund information of Woodland School, Traverse City (the "School"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 1, 2026.

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.



Gabridge & Company, PLC
Grand Rapids, MI
September 1, 2026

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September 1, 2026

To the Board of Education
Woodland School
Traverse City, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Woodland School, Traverse City (the "School") 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*, 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 21, 2026. 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. During the year ended June 30, 2026, the School adopted GASB Statement No. 103, *Financial Reporting Model Improvements*, which resulted in various changes to the management discussion and analysis as well as the required supplementary information. No other accounting policies were changed during the fiscal year ended June 30, 2026. We noted no transactions entered into by the School 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 September 1, 2026.

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.

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.



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Grand Rapids, MI