

**OCEANA COUNTY ROAD COMMISSION
HART, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other supplementary information)**

YEAR ENDED DECEMBER 31, 2025

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2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #210,
Grand Rapids, MI 49546

☎ 517.323.7500

INDEPENDENT AUDITOR'S REPORT

To the Board of the County Road Commissioners
of Oceana County
Hart, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Oceana County Road Commission (the Commission), a component unit of Oceana County, Michigan, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Commission'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 Oceana County Road Commission, as of December 31, 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 Commission 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Commission'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 Commission'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 Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2026, on our consideration of the Commission'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 Commission'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 Commission's internal control over financial reporting and compliance.

Maney Costeiran PC

Lansing, Michigan
June 17, 2026

OCEANA COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Oceana County Road Commission's (the "Commission") financial performance provides an overview of the Commission's financial activities for the year ended December 31, 2025. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Commission and present a long-term view of the Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information (RSI), and the supplementary information section that presents the operating fund broken down between primary, local, and county roads. The basic financial statements include two kinds of statements that present different views of the Commission:

- The first set of financial statements are government-wide financial statements that provide both long-term and short-term information about the Commission's overall financial status. These statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government'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 financial statements report the Commission's net position and how they have changed. "Net Position" is the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources - this is one way to measure the Commission's financial health or position.
- The remaining set of financial statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

Reporting the Commission as a Whole

Government-Wide Statements

The Statement of Net Position and the Statement of Activities report information about the Commission, as a whole, and about its activities in a way that helps answer the question of whether the Commission, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. 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 statements, mentioned above, report the Commission's net position and how they have changed. The reader can think of the Commission's net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) as one way to measure the Commission's financial health or financial position. Over time, increases or decreases in the Commission's net position are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Commission, additional nonfinancial factors such as changes in the county's property tax base, the condition of the Commission's roads, and changes in the law related to the gas taxes and its distribution need to be considered.

OCEANA COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

The Commission currently has two funds, the General Operating Fund and the Retired Employees Healthcare Trust Fund. All of the Commission's activities are accounted for in the General Operating Fund. The General Operating Fund is a governmental fund type. The General Operating Fund's budget vs. actual schedules and notes are located in the RSI. The supplementary information provides additional detailed information about the General Operating Fund.

Governmental funds focus on how money flows into and out of this fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the future to finance the Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund in a reconciliation following each fund level financial statements.

Financial Analysis of the Road Commission as a Whole

The Commission's net position increased from \$50,218,413 to \$61,745,421 during the year ended December 31, 2025. The net position and change in net position are summarized below.

Net Position

Restricted net position is those items that have constraints placed on them by either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorized the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such, all assets (except for amounts invested in capital assets, net of related debt) are considered restricted or unrestricted.

Net position increased \$11,527,008 during 2025 mainly due to increases in Michigan Transportation funding, Federal aid projects, township contributions for specific road work, and the acquisition of Polk Road turnback.

**OCEANA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net Position (continued)

A comparison of net position as of the years ended December 31, 2025 and 2024, follows:

	Governmental Activities		
	Dec. 31, 2024	Change	Dec. 31, 2025
ASSETS			
Current and other assets	\$ 5,025,623	\$ 7,457,757	148%
Capital assets	50,225,613	4,413,825	9%
TOTAL ASSETS	55,251,236	11,871,582	21%
DEFERRED OUTFLOWS OF RESOURCES	47,679	35,522	75%
LIABILITIES			
Current liabilities	1,259,412	973,969	77%
Noncurrent liabilities	3,645,464	(629,927)	-17%
TOTAL LIABILITIES	4,904,876	344,042	7%
DEFERRED INFLOWS OF RESOURCES	175,626	36,054	21%
NET POSITION			
Net investment in capital assets	46,316,300	4,764,413	10%
Restricted	194,390	(7,252)	-4%
Unrestricted	3,707,723	6,769,847	183%
TOTAL NET POSITION	\$ 50,218,413	\$ 11,527,008	23%

Changes in Net Position

The following table presents comparison of changes in net position between 2025 and 2024.

	Governmental Activities		
	Dec. 31, 2024	Change	Dec. 31, 2025
REVENUES			
Program revenues			
Charges for services	\$ 1,861,758	\$ 708,088	38%
Operating grants and contributions	2,299,239	15,077,867	656%
Capital grants and contributions	13,545,899	(12,779,875)	-94%
General revenues			
Interest	268,093	(18,051)	-7%
Other	5,000	105,792	2116%
TOTAL REVENUES	17,979,989	3,093,821	17%
EXPENSES			
Public works	10,379,255	(985,706)	-9%
Interest on long-term debt	133,295	19,958	15%
TOTAL EXPENSES	10,512,550	(965,748)	-9%
CHANGE IN NET POSITION	\$ 7,467,439	\$ 4,059,569	54%

**OCEANA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Oceana County Road Commission's Fund Level Information

The Commission's General Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed for Oceana county, which are earmarked by law for road and highway purposes. For the year ended December 31, 2025, the fund balance of the General Operating Fund increased \$6,814,164 as compared to a decrease of \$533,196 in fund balance for the year ended December 31, 2024. Total operating were \$20,307,786, an increase of \$2,332,797 as compared to the prior year. Total expenditures were \$13,493,622, a decrease of \$8,519,563 as compared to the prior year. This decrease was caused by a reduction in local and primary road projects throughout the year as well as, the Road Commission had been bonded to perform \$3.5 million in road projects.

A comparison of changes in the General Operating Fund for the year ended December 31, 2025 and 2024, follows:

	General Operating Fund			
	Dec. 31, 2024	Change		Dec. 31, 2025
REVENUES				
Licenses and permits	\$ 100,294	\$ 134,032	134%	\$ 234,326
Intergovernmental	15,832,048	1,163,703	7%	16,995,751
Charges for services	1,745,865	582,121	33%	2,327,986
Interest	283,692	(26,116)	-9%	257,576
Other	13,090	479,057	3660%	492,147
TOTAL REVENUES	17,974,989	2,332,797	13%	20,307,786
EXPENDITURES				
Current				
Public works	21,332,263	(8,597,656)	-40%	12,734,607
Capital outlay - net	(41,035)	296,209	-722%	255,174
Debt service	721,957	(218,116)	-30%	503,841
TOTAL EXPENDITURES	22,013,185	(8,519,563)	-39%	13,493,622
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,038,196)	10,852,360	-269%	6,814,164
OTHER FINANCING SOURCES				
Sale of capital assets	5,000	(5,000)	-100%	-
Bond proceeds	3,500,000	(3,500,000)	0%	-
TOTAL OTHER FINANCING SOURCES	3,505,000	(3,505,000)	-100%	-
NET CHANGE IN FUND BALANCE	(533,196)	7,347,360	-1378%	6,814,164
Fund balance, beginning of year	4,502,990	(533,196)	-12%	3,969,794
Fund balance, end of year	<u>\$ 3,969,794</u>	<u>\$ 6,814,164</u>	<u>172%</u>	<u>\$ 10,783,958</u>

OCEANA COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

Prior to the beginning of any year, the Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Commission Board acts to amend its budget to reflect changes in these original assumptions, facts, and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the Board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budget for 2025 was \$5,853,554 higher than the original budget. The actual revenue recognized during 2025 was less than the final amended budget by \$59,983. This decrease was caused in large part by a reduction in local projects in the current year as well as, the Commission received less than anticipated in private contributions.

The final amended expenditures budget for 2025 was \$356,019 less than the original budget. The actual expenditures recognized during 2025 were \$664,574 less than the final amended budget. The Commission amended the budget due to a decrease in revenue and road work. The Commission had a decrease in labor and materials which corresponded to the decrease in work.

Capital Asset and Debt Administration

Capital Assets

As of December 31, 2025, the Commission has invested \$54,639,438 in net capital assets. This amount represents a net increase (including additions and deletions) of \$4,413,825 as follows:

	Balance Dec. 31, 2024	Change	Balance Dec. 31, 2025
Capital assets not being depreciated			
Land and land improvements	\$ 62,094	\$ -	\$ 62,094
Construction in progress	295,330	(9,418)	285,912
Total capital assets not being depreciated	357,424	(9,418)	348,006
Capital assets being depreciated/depleted			
Buildings	2,871,324	20,629	2,891,953
Equipment -			
Road	10,168,853	2,041,164	12,210,017
Shop	166,404	-	166,404
Office	-	32,524	32,524
Infrastructure -			
Roads	57,148,095	4,807,530	61,955,625
Bridges	12,748,390	-	12,748,390
Subtotal	83,103,066	6,901,847	90,004,913
TOTAL CAPITAL ASSETS	83,460,490	6,892,429	90,352,919
TOTAL ACCUMULATED DEPRECIATION	(33,234,877)	(2,478,604)	(35,713,481)
TOTAL NET CAPITAL ASSETS	\$ 50,225,613	\$ 4,413,825	\$ 54,639,438

OCEANA COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

This year's major capital asset additions included the following:

Construction in progress	\$ 618,583
Buildings	20,629
Equipment -	
Road	1,413,163
Office	32,524
Infrastructure -	
Roads	<u>6,247,041</u>
 TOTAL	 <u><u>\$ 8,331,940</u></u>

More detailed information about the Commission's capital assets is presented in Note 4 to the Financial Statements.

Debt Administration

As of December 31, 2025, the Commission had less debt outstanding related to installment purchase agreements compared to the prior year.

	Balance <u>Dec. 31, 2024</u>	Net Change <u>in 2025</u>	Balance <u>Dec. 31, 2025</u>
Installment purchase agreements	\$ 409,313	\$ (65,588)	\$ 343,725
Note payable	3,500,000	(285,000)	3,215,000
Compensated absences	<u>253,213</u>	<u>39,374</u>	<u>292,587</u>
 Total long-term obligations	 <u><u>\$ 4,162,526</u></u>	 <u><u>\$ (311,214)</u></u>	 <u><u>\$ 3,851,312</u></u>

Aside from the change in compensated absences, the Commission took on no additional long-term obligations during the fiscal year. More detailed information about the Commission's long-term liabilities is presented in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The Board of County Road Commissioners considered many factors when setting the 2025 budget. One of the factors is the economy. The Commission derives approximately 50% of its revenues from the fuel tax and license and registration fees and is continuing its cost share for local road maintenance.

Amounts appropriated for expenditures in the 2025 budget are approximately \$18,180,000, after adjusting for equipment rentals and overhead, which is approximately \$3,833,000 less than the 2024 actual expenditures. A large part of the 2025 budget is the \$3,500,000 road project which consists of paving approximately 25 miles of township roads, with at least one road segment being paved in each township.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens, and other interested parties a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Oceana County Road Commission's administrative offices at P.O. Box 112, Hart, MI 49420.

BASIC FINANCIAL STATEMENTS

**OCEANA COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2025**

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 266,471
Investments	9,413,124
Accounts receivable	32,280
Lease receivable	365
Due from other governmental units	1,806,170
Inventory	654,962
Total current assets	<u>12,173,372</u>
Noncurrent assets	
Lease receivable	122,870
Capital assets not being depreciated	348,006
Capital assets, net of accumulated depreciation	54,291,432
Net other post-employment benefits assets	187,138
Total noncurrent assets	<u>54,949,446</u>
TOTAL ASSETS	<u>67,122,818</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to OPEB	<u>83,201</u>
LIABILITIES	
Current liabilities	
Accounts payable	925,546
Accrued liabilities	33,530
Advances from other governmental units	438,530
Current portion of compensated absences	192,050
Current portion of long-term debt	643,725
Total current liabilities	<u>2,233,381</u>
Noncurrent liabilities	
Noncurrent portion of compensated absences	100,537
Noncurrent portion of long-term debt	2,915,000
Total noncurrent liabilities	<u>3,015,537</u>
TOTAL LIABILITIES	<u>5,248,918</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - leases	114,678
Related to OPEB	97,002
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>211,680</u>
NET POSITION	
Net investment in capital assets	51,080,713
Restricted for other post-employment benefits	187,138
Unrestricted	10,477,570
TOTAL NET POSITION	<u><u>\$ 61,745,421</u></u>

See notes to financial statements.

**OCEANA COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025**

	<u>Governmental Activities</u>
PROGRAM EXPENSES	
Public works	\$ 9,393,549
Interest on long-term debt	<u>153,253</u>
TOTAL PROGRAM EXPENSES	<u>9,546,802</u>
PROGRAM REVENUES	
Charges for services	2,569,846
Operating grants and contributions	17,377,106
Capital grants and contributions	<u>766,024</u>
TOTAL PROGRAM REVENUES	<u>20,712,976</u>
NET PROGRAM REVENUES	<u>11,166,174</u>
GENERAL REVENUES	
Interest	250,042
Miscellaneous	<u>110,792</u>
TOTAL GENERAL REVENUES	<u>360,834</u>
CHANGE IN NET POSITION	11,527,008
Net position, beginning of the year	<u>50,218,413</u>
Net position, end of the year	<u><u>\$ 61,745,421</u></u>

**OCEANA COUNTY ROAD COMMISSION
GOVERNMENTAL FUND
BALANCE SHEET
DECEMBER 31, 2025**

	General Operating Fund
ASSETS	
Cash and cash equivalents	\$ 266,471
Investments	9,413,124
Accounts receivable	32,280
Lease receivable	123,235
Due from other governmental units	
State	1,698,052
Local	108,118
Inventory	654,962
TOTAL ASSETS	<u>\$ 12,296,242</u>
LIABILITIES	
Accounts payable	\$ 925,546
Accrued liabilities	33,530
Advances from other governmental units	438,530
TOTAL LIABILITIES	<u>1,397,606</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - leases	<u>114,678</u>
FUND BALANCE	
Nonspendable	
Inventory	654,962
Unassigned	10,128,996
TOTAL FUND BALANCE	<u>10,783,958</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 12,296,242</u>

See notes to financial statements.

**OCEANA COUNTY ROAD COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2025**

Total fund balance - governmental fund **\$ 10,783,958**

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 90,352,919	
Accumulated depreciation is	<u>(35,713,481)</u>	
Capital assets, net		54,639,438

Some assets are not current financial resources and therefore are not reported in the Government Funds Balance Sheet. Noncurrent assets at year-end consist of:

Net other post-employment benefits asset	187,138
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Governmental funds report actual OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net OPEB asset as of the measurement date. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual OPEB plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to OPEB	83,201	
Deferred inflows of resources related to OPEB	<u>(97,002)</u>	
		(13,801)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet. Long-term liabilities at year-end consist of:

Installment purchase agreements payable	(343,725)	
Note payable	(3,215,000)	
Compensated absences	<u>(292,587)</u>	
		<u>(3,851,312)</u>

Net position of governmental activities	<u><u>\$ 61,745,421</u></u>
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**OCEANA COUNTY ROAD COMMISSION
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2025**

	General Operating Fund
REVENUES	
Licenses and permits	\$ 234,326
Intergovernmental	16,995,751
Charges for services	2,327,986
Interest and rents	257,576
Other	492,147
TOTAL REVENUES	20,307,786
EXPENDITURES	
Current	
Public works	12,734,607
Capital outlay - net	255,174
Debt service	503,841
TOTAL EXPENDITURES	13,493,622
NET CHANGE IN FUND BALANCE	6,814,164
Fund balance, beginning of year	3,969,794
Fund balance, end of year	\$ 10,783,958

OCEANA COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Net change in fund balance - governmental fund **\$ 6,814,164**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Purchase of capital assets	\$	7,565,916
Capital contributions		766,024
Buildings/equipment depreciation expense		(798,306)
Infrastructure depreciation expense		<u>(3,119,809)</u>

Excess of capital outlay and contributions over depreciation expense		4,413,825
--	--	-----------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources, respectively, in the governmental fund, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Payments on installment purchase agreements	65,588	
Payments on note payable		<u>285,000</u>

350,588

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenue or expenditures in the governmental fund. These activities consist of:

Increase in deferred outflows of resources related to OPEB	35,522	
(Increase) in deferred inflows of resources related to OPEB		(40,465)
(Increase) in compensated absences		(39,374)
(Decrease) in net other post-employment benefits asset		<u>(7,252)</u>

(51,569)

Change in net position of governmental activities		<u><u>\$ 11,527,008</u></u>
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**OCEANA COUNTY ROAD COMMISSION
FIDUCIARY FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2025**

	Retired Employees Healthcare Trust
ASSETS	
Investments	\$ 1,159,983
LIABILITIES	-
NET POSITION	
Held in trust for employee benefits	\$ 1,159,983

See notes to financial statements.

**OCEANA COUNTY ROAD COMMISSION
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2025**

	Retired Employees Healthcare Trust
ADDITIONS	
Contributions	
Employer	\$ 36,913
Investment earnings	
Net increase in fair value of investments	<u>137,941</u>
TOTAL ADDITIONS	<u>174,854</u>
DEDUCTIONS	
Benefits	36,913
Administration fees	<u>5,488</u>
TOTAL DEDUCTIONS	<u>42,401</u>
CHANGE IN NET POSITION	132,453
NET POSITION HELD IN TRUST FOR RETIRED EMPLOYEES HEALTHCARE BENEFITS	
Beginning of year	<u>1,027,530</u>
End of year	<u><u>\$ 1,159,983</u></u>

OCEANA COUNTY ROAD COMMISSION NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Oceana County Road Commission (the "Commission") is a component unit of Oceana County, Michigan. The Commission is used to control the expenditure of revenues from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local units of government for road projects performed throughout the County.

The Commission, which is established pursuant to the County Road Law (MCL 224.1), operates under an elected Board of five County Road Commissioners who establish policies and review operations of the Commission. The Commission provides services to 16 townships in Oceana County and maintains over 1,160 miles of local and primary roads.

The financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission's more significant accounting policies are described below.

Reporting Entity

The Commission is required by Public Act 51 of the State of Michigan to have an audit performed of its operations.

As required by accounting principles generally accepted in the United States of America, these financial statements are exclusive presentations of the financial condition and results of operations of the Commission. The Commission is considered a component unit of Oceana County, Michigan and is discretely presented in Oceana County's (the Primary Government) financial statements. A copy of the County's audited financial statements may be obtained at the County Courthouse in Hart, Michigan.

Fiduciary Component Unit

The Retired Employees Healthcare Trust Fund was established to account for the assets set aside to fund the Oceana County Road Commission's Other Post-Employment Benefits Plan. The primary purpose of the Trust is to provide the necessary funding for the retiree health benefits provided to eligible Commission employees during retirement. The Trust was established through Burnham and Flowers - CLS Investments, LLC with the Commission's Board of Road Commissioners serving as the trustees. The assets of the Trust are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purpose prior to the satisfaction of all liabilities. The assets are protected from any of the Commission's creditors. The Board of Road Commissioners has the ability to exercise oversight responsibility, specifically in the area of designation of management.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities (the government-wide financial statements) present information for the Commission as a whole. All nonfiduciary activities of the Commission are included (i.e., fiduciary activities are not included in the government-wide financial statements).

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Presentation (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

The Statement of Activities presents the direct functional expenses of the Commission and the program revenues that support them. Direct expenses are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and shows how governmental functions are either self-financing or supported by the general revenues of the Commission.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the Commission's funds, including its fiduciary fund. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Commission's individual major fund.

The *Major Fund* of the Commission is:

The *General Operating Fund* is used to account for all financial resources of the Commission, which are restricted to expenditures for specified county road related purposes.

Additionally, the Commission reports the following *Fiduciary Fund*:

The *Retired Employees Healthcare Trust Fund* is used to account for the assets held in a trustee capacity to fund future retiree health benefits.

Measurement Focus

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Accounting (continued)

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the Commission before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenses.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both “measurable” and “available to finance expenditures of the current period”). The length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues, which are considered measurable but not available, are recorded as a receivable and a deferred inflow of resources, when applicable. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the Commission to disburse fiduciary resources.

If/when both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The annual budget of the Commission is prepared by Commission management and approved by the Board. Any revisions to the original budget are approved by the Board before the end of the fiscal year. The budget for the General Operating Fund is adopted on a non-GAAP budgetary basis.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of the Commission’s checking and savings accounts, held individually or as part of the County pooled accounts, imprest cash, and liquidity investment accounts.

Investments consist of mutual fund indexes and money market funds held by the Retired Employees Healthcare Trust Fund.

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain the cash of the Commission. All Commission receipts are deposited with the Oceana County Treasurer’s Office, and in order to make disbursements, the Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. Also, in order to invest cash, a request is made of the County Treasurer. All funds of the Commission are held with the County Treasurer in separate accounts in the Commission’s name.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Cash, Cash Equivalents, and Investments (continued)

In accordance with Michigan Compiled Laws, the Commission is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of 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 located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- d. The United States government or Federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States Banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Due from Other Governmental Units

Due from other governmental units primarily consists of amounts due from the State of Michigan for various payments and grants and receivables for charges for services provided to local governmental units.

Inventory

Inventory of road materials and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventory is stated at average cost.

Lease Receivable

The Commission is a lessor for a noncancelable ground lease. The Commission recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements for the lease.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Lease Receivable (continued)

At the commencement of a lease, the Commission initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Commission determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Commission uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Commission monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets

Capital assets are reported under governmental activities in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980, be inventoried, and capitalized.

Land, land improvements, and construction in progress, if any, are not depreciated. Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 - 50 years
Road equipment	5 - 8 years
Shop equipment	10 years
Infrastructure - roads	5 - 30 years
Infrastructure - bridges	12 - 50 years

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Advances from Other Governmental Units

Advances from other governmental units consist of amounts received from other units of government based on agreements for specified projects for which work has not yet begun.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Commission reports deferred amounts which correspond to the Commission's net OPEB asset and are related to differences between expected and actual experience, changes in assumptions, and differences between projected and actual OPEB plan investment earnings. These amounts are deferred in the government-wide financial statements and are recognized as an outflow or inflow of resources in the period to which they apply.

The Commission also reports deferred inflows of resources for long-term leases entered into by the Commission in which the Commission is the lessor. Accordingly, *unavailable revenue* is reported with the revenue being recognized over the term of the lease agreement.

Long-term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Compensated Absences

The Commission recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulated and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental fund only if the liability has matured because of employee resignations or retirements.

Paid time off is earned in varying amounts depending on the number of years of service of an employee and is made available on the anniversary date of the employee. The liability for compensated absences includes salary-related benefits, where applicable.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Compensated Absences (continued)

Upon termination, an employee receives payment for the balance of unused paid time off, which has been credited to an employee.

Post-Employment Benefits Other Than Pension (OPEB)

The Commission offers retiree healthcare benefits to its employees. The Commission records a net OPEB asset for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance Classifications

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Commission's highest level of decision-making authority is the Board of County Road Commissioners. The formal action that is required to be taken to establish and modify or rescind a fund balance commitment is Board resolution.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Fund Balance Classification Policies and Procedures (continued)

For assigned fund balance, the Board has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board.

The Commission has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of asset and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The deposits and investments referred to below have been reported in either the cash or investments captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of December 31, 2025:

	Primary Government	Fiduciary Funds	Total
Cash and cash equivalents	\$ 266,471	\$ -	\$ 266,471
Investments	9,413,124	1,159,983	10,573,107
	<u>\$ 9,679,595</u>	<u>\$ 1,159,983</u>	<u>\$ 10,839,578</u>

As of December 31, 2025, the Commission had cash and investments summarized by the following categorization:

Deposits	
Checking and savings	\$ 266,271
Petty cash	200
Investments	<u>10,573,107</u>
	<u>\$ 10,839,578</u>

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

As of December 31, 2025, the Commission had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As of December 31, 2025, the Commission's cash and cash equivalents noted above were on deposit with the Oceana County Treasurer as a part of cash accounts held in the County's name. As a result, the insured and uninsured amounts related to these amounts cannot be determined.

Due to significantly higher cash flow at certain periods during the year, the amount the Commission held as cash increased significantly. As a result, the Commission may have had uninsured and collateralized cash at these peak periods.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Commission will do business.

Interest Rate Risk

In accordance with its investment policy, the Commission will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Commission's cash requirements.

As of December 31, 2025, Commission had the following investments containing interest rate risk:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard & Poor's Rating</u>
Michigan CLASS investment pool	<u>\$ 9,413,124</u>	0.1096	AAAm

One day maturity equals 0.0027, one year equals 1.00.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As of December 31, 2025, rating information on the Commission's investments is presented above.

Concentration of Credit Risk

The Commission will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

The Commission is not authorized to invest in investments which have this type of risk.

Investments in Entities that Calculate Net Asset Value Per Share

The Retired Employees Healthcare Trust holds shares or interests in an investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. The CLS Investments, LLC investment pool invests in mutual fund indexes and money market funds for the benefit of the Trust.

Investments in Entities that Calculate Net Asset Value Per Share

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

As of December 31, 2025, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
CLS Investments	\$ 1,159,983	\$ -	No restrictions	None
Michigan CLASS Investment Pool	9,413,124	-	No restrictions	None
	<u>\$ 10,573,107</u>	<u>\$ -</u>		

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - LEASE RECEIVABLE

The Commission entered into a ground lease with a third party in which the party will construct and operate a cellphone tower. The lease including all renewal terms, are through December 31, 2051, with annual payments increasing by 1.35% annually. The amount of leases receivable, unavailable revenue related to leases, lease revenue, and interest revenue as of and for the year ended December 31, 2025, are as follows:

Lease receivable	<u>\$ 123,235</u>
Deferred inflows of resources	<u><u>\$ 114,678</u></u>
Lease revenue	\$ 203
Interest revenue	<u>8932</u>
	<u><u>\$ 9,135</u></u>

The annual requirements for the outstanding principal and interest are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 356	\$ 8,916
2027	522	8,889
2028	704	8,848
2029	902	8,794
2030	1,117	8,724
2031-2035	9,533	41,932
2036-2040	18,479	36,963
2041-2045	31,830	27,897
2046-2051	<u>59,792</u>	<u>13,370</u>
	<u><u>\$ 123,235</u></u>	<u><u>\$ 164,333</u></u>

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2025, was as follows:

	Balance Jan. 1, 2025	Additions	Deletions	Reclassifications	Balance Dec. 31, 2025
Capital assets not being depreciated					
Land and land improvements	\$ 62,094	\$ -	\$ -	\$ -	\$ 62,094
Construction in progress	295,330	618,583	-	(628,001)	285,912
 Total capital assets not being depreciated	 357,424	 618,583	 -	 (628,001)	 348,006
Capital assets being depreciated/depleted					
Buildings	2,871,324	20,629	-	-	2,891,953
Equipment -					
Road	10,168,853	1,413,163	-	628,001	12,210,017
Shop	166,404	-	-	-	166,404
Office	-	32,524	-	-	32,524
Infrastructure -					
Roads	57,148,095	6,247,041	(1,439,511)	-	61,955,625
Bridges	12,748,390	-	-	-	12,748,390
 Subtotal	 83,103,066	 7,713,357	 (1,439,511)	 628,001	 90,004,913
Less accumulated depreciation/depletion					
Buildings	(1,525,711)	(102,426)	-	-	(1,628,137)
Equipment -					
Road	(8,193,297)	(693,388)	-	-	(8,886,685)
Shop	(166,404)	-	-	-	(166,404)
Office	-	(2,492)	-	-	(2,492)
Infrastructure -					
Roads	(17,645,413)	(2,857,404)	1,439,511	-	(19,063,306)
Bridges	(5,704,052)	(262,405)	-	-	(5,966,457)
 Subtotal	 (33,234,877)	 (3,918,115)	 1,439,511	 -	 (35,713,481)
 Net capital assets being depreciated/depleted	 49,868,189	 3,795,242	 -	 628,001	 54,291,432
 Capital assets, net	 \$ 50,225,613	 \$ 4,413,825	 \$ -	 \$ -	 \$ 54,639,438

Depreciation expense was charged to the following activities:

Net equipment expense	
Direct equipment	\$ 205,818
Indirect equipment	592,488
Infrastructure	3,119,809
	<u>3,918,115</u>
	<u>\$ 3,918,115</u>

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portions) of the Commission for the year ended December 31, 2025:

	Balance Jan. 1, 2025	Additions	Deletions	Balance Dec. 31, 2025	Amounts Due Within One Year
Notes from direct borrowings and direct payments					
Installment purchase agreements	\$ 409,313	\$ -	\$ (65,588)	\$ 343,725	\$ 343,725
Note payable	3,500,000	-	(285,000)	3,215,000	300,000
Total direct borrowings and direct payments	3,909,313	-	(350,588)	3,558,725	643,725
Compensated absences*	253,213	39,374	-	292,587	192,050
Total long-term obligations	<u>\$ 4,162,526</u>	<u>\$ 39,374</u>	<u>\$ (350,588)</u>	<u>\$ 3,851,312</u>	<u>\$ 835,775</u>

*The change in the compensated absences liability is presented as a net change.

Significant details regarding outstanding long-term obligations (including current portions) are presented below. Long-term obligations at December 31, 2025, is as follows:

Installment Purchase Agreements

\$373,689 2021 Installment purchase agreement due in an annual payment of \$194,000 through November 15, 2026, including interest of 2.88%. This agreement was for the purchase of two wheel loaders. The agreement contains provisions that in an event of default the lender has various options including obtaining judgment for not less than the entire unpaid balance at time of default or redelivery of any and all equipment and collateral.

\$ 188,369

\$182,179 2021 Installment purchase agreement due in an annual payment of \$101,999 through May 13, 2026, including interest of 1.13%. This agreement was for the purchase of an excavator. The agreement contains provisions that in an event of default the lender has various options including obtaining judgment for not less than the entire unpaid balance at time of default or redelivery of any and all equipment and collateral.

99,039

\$116,830 2021 Installment purchase agreement due in an annual payment of \$58,000 through September 8, 2026, including interest of 2.89%. This agreement was for the purchase of an excavator. The agreement contains provisions that in an event of default the lender has various options including obtaining judgment for not less than the entire unpaid balance at time of default or redelivery of any and all equipment and collateral.

56,317

\$ 343,725

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Note Payable

\$3,500,000 2024 Michigan Transportation Fund Notes, dated March 6, 2024, due in annual installments ranging from \$300,000 to \$425,000 through April 1, 2034, with interest of 4.20% payable semi-annually. The Note was to fund various infrastructure projects within Oceana County and secured with future Michigan Transportation Fund revenues.

\$ 3,215,000

The Commission's outstanding obligations from direct borrowings and direct placements contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

Compensated Absences

The Commission recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, multiple types of leave qualify for recognition as a compensated absences liability. This liability, including salary related benefits, has been accrued on the government-wide financial statements.

The annual requirements to pay long-term debt principal and interest outstanding for the following debts at December 31, 2025, are as follows:

Year Ending December 31,	Installment Purchase Agreements		
	Principal	Interest	Total
2026	\$ 343,725	\$ 10,276	\$ 354,001
Year Ending December 31,	Note Payable		
	Principal	Interest	Total
2026	\$ 300,000	\$ 128,730	\$ 428,730
2027	310,000	115,920	425,920
2028	325,000	102,585	427,585
2029	340,000	88,620	428,620
2030	355,000	74,025	429,025
2031-2034	1,585,000	137,025	1,722,025
Total	\$ 3,215,000	\$ 646,905	\$ 3,861,905

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - FEDERAL FINANCIAL ASSISTANCE

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2025, the Federal aid received and expended by the Commission was \$766,024 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Commission would be subject to single audit requirements if it expended \$1,000,000 or more for negotiated projects.

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM

The Oceana County Road Commission Money Purchase Plan is a defined contribution pension plan sponsored by the Commission and covering substantially all full-time employees. This defined contribution plan is a 401 plan with EMPOWER that is administered through Morgan Stanley. Plan provisions and contribution requirements are established and may be amended by agreement between the Commission and the Local Union. Plan provisions are detailed in the plan documents which may be obtained at the Commission's administrative offices.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The Plan requires the employer to contribute the equivalent of 9% of the participating employee's straight time compensation. The plan requires the employer to contribute the equivalent of 10% of the participating employee's straight time compensation to those employees hired on or after January 1, 2022. This increased amount is due to the fact that no post-employment insurance benefits (OPEB) will be provided to any employee hired after December 31, 2021. Employees are not required to contribute to the plan. The Commission's contributions for the year ended December 31, 2025, were \$167,442. Commission's contributions equaled the required contributions in accordance with the funding policy above.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Oceana County Road Commission OPEB Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Oceana County Road Commission. The Plan was established and is being funded under the authority of the Commission and under agreements with the unions representing employees. The Plan can be amended at the discretion of the Commission. The Plan does not issue separate stand-alone financial statements.

Benefits Provided

For all employees who were last hired before January 1, 2022, and who retire after January 1, 2002, the Commission will provide from age 62 to age 65, at no cost to them, provided they have attained the age of 59½ with 15 years of previous service, health insurance coverage. Retirees and their spouses age 59½ with 15 years of service, or at age 62, are eligible to receive medical, dental, and vision coverage from age 62 to age 65. The Commission covers the cost of coverage for these benefits less the balance of premiums required to be contributed by retirees in accordance with Plan provisions. No post-employment insurance benefits (OPEB) will be provided to any employee hired after December 31, 2021.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Benefits Provided (continued)

The Commission pays term life insurance premiums for all full-time employees hired prior to January 1, 2011. Upon retirement, the insurance continues at a lower rate of coverage according to the following:

Active employees	<u>\$ 10,000</u>
------------------	------------------

The Commission has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). The current contributions being made are based on the actual cost of benefit payments and contributions made directly to the trust. Benefit payments are being made from general operating funds. Administrative costs of the Plan are paid for by the Commission.

Summary of Plan Participants

Membership in the plan at December 31, 2023, the date of the latest plan valuation, is as follows:

Retirees and beneficiaries	32
Inactive vested members	2
Active plan members	<u>25</u>
	<u>59</u>

Contributions

For the year ended December 31, 2025, the Commission contributed nothing aside from its portion of premium payments.

Net OPEB (Asset)

The net OPEB (asset) of the Commission was measured as of December 31, 2025, and the total OPEB liability used to calculate the net OPEB (asset) was determined by an actuarial valuation as of December 31, 2025.

Investment Policy

The Commission may invest and reinvest the assets of the plan subject to the terms, conditions, limitations, and restrictions imposed by Michigan law and, to the extent applicable to a government plan, the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended. Michigan Compiled Laws, Section 38.1121, authorizes the Commission to invest plan assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature and real or personal property. Specific limitations apply to the various investment types. The Commission's plan fund investments are in accordance with statutory authority. It is the policy of the Commission to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2025, with the following actuarial assumptions:

Discount rate	6.28%
20-year Aa municipal bond rate	4.43%
Salary scale	4.00%
Return on plan assets	6.28%, including inflation
Mortality rates	2016 Public General Employee and Healthy Retirees, Headcount weighted with IRS 2024 Adjusted Scale MP- 2021 Improvement Scale

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2025, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return (including inflation)
Global equity	64.00%	7.10%
Global fixed income	26.00%	4.20%
Private Assets	5.00%	8.00%
Diversifying strategies	5.00%	4.90%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 6.28%.

Changes in Benefits

Employees hired after December 31, 2021, are not eligible for OPEB benefits; plan provisions have been re-worked for clarity.

Changes in Assumptions

The actuarial assumptions were changed during the year as follows:

- Mortality tables updated.
- Medical trend increased by 0.25% instead of decreasing by 0.25% as anticipated.
- Salary increased from 3.00% to 4.00%

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.28%. The projection of cash flows used to determine the discount rate assumed that the Commission will use assets to pay benefits. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projects assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date", not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

Change in Net OPEB Asset

The change in the net OPEB asset for the year ended December 31, 2025, is as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) (a)-(b)
Balances at December 31, 2024	\$ 833,140	\$ 1,027,530	\$ (194,390)
Changes for the year			
Service cost	34,320	-	34,320
Interest on total OPEB liability	53,317	-	53,317
Difference between expected and actual experience	76,818	-	76,818
Changes in assumptions	12,163	-	12,163
Contributions/benefits paid from general operating funds	-	36,913	(36,913)
Net investment income (loss)	-	137,941	(137,941)
Benefit payments, including employee refunds	(36,913)	(36,913)	-
Administrative expense	-	(5,488)	5,488
Net changes	139,705	132,453	7,252
Balances as of December 31, 2025	\$ 972,845	\$ 1,159,983	\$ (187,138)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the Commission, as well as what the Commission's net OPEB asset would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB (asset)	\$ (121,061)	\$ (187,138)	\$ (245,741)

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset of the Commission, as well as what the Commission's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB (asset)	\$ (239,065)	\$ (187,138)	\$ (128,283)

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2025, the Commission recognized OPEB expense of \$49,108. At December 31, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 52,389	\$ 6
Changes in assumptions	30,812	-
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>96,996</u>
Total	<u>\$ 83,201</u>	<u>\$ 97,002</u>

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

<u>Year Ending December 31,</u>	<u>OPEB Expense (Benefit)</u>
2026	\$ 30,768
2027	(7,190)
2028	(22,663)
2029	<u>(14,716)</u>
	<u>\$ (13,801)</u>

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - CONTINGENT LIABILITIES

The Commission participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The programs and the periodic program compliance audits of many of the programs have not yet been conducted, completed, or resolved. Accordingly, the Commission's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

NOTE 10 - RISK MANAGEMENT

The Commission participates in a pool, the Michigan County Road Commission Self-Insurance Pool, with other municipalities, for claims relating to property, general liability, trunk line liability, excess liability, auto liability, errors and omissions, directors' and officers' liability, and physical damage. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The Commission has not been informed of any special assessments being required.

The Commission participates in the County Road Association Self-Insurance Fund (CRASIF) for workers' compensation insurance and has full statutory coverage for workers' disability compensation and employers' liability as granted by the State of Michigan under Chapter 6, Section 418.611 of the Workers' Disability Compensation Act. The Commission has no liability for additional assessments based on the claims filed against the fund nor do they have rights to dividends.

The Commission carries commercial insurance for the risk of loss of storage tank systems. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2025, the Commission implemented the Governmental Accounting Standards Board (GASB) Statement No. 102, *Certain Risk Disclosures*. The following is a summary of the new pronouncement:

GASB Statement No. 102, requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact.

There was no material impact on the Commission's financial statements after the adoption of GASB Statement No. 102.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026 fiscal year.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement clarified the subsequent events that constitute recognized and nonrecognized events and established specific note disclosure requirements for nonrecognized events. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2027 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**OCEANA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
BUDGETARY COMPARISON SCHEDULE - REVENUES (NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2025**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits				
Permits	\$ 65,000	\$ 235,000	\$ 234,326	\$ (674)
Intergovernmental				
Surface Transportation Program	650,000	841,000	658,515	(182,485)
Other	420,000	110,000	107,509	(2,491)
State sources				
Forest Service	205,000	-	-	-
Motor vehicle highway funds				
Engineering	10,000	10,000	10,000	-
Snow removal	300,000	259,500	258,675	(825)
Urban road	-	-	5,653	5,653
Primary road	4,500,000	4,070,000	4,065,496	(4,504)
Local road	3,000,000	3,150,000	3,148,280	(1,720)
Oceana drive/turnback	667,000	6,721,858	6,721,858	-
Economic development funds				
Rural Primary	-	-	184,735	184,735
Other	50,000	478,724	161,724	(317,000)
Local sources				
Township contributions	3,700,000	2,151,614	2,151,614	-
Village contributions	40,000	288,000	287,716	(284)
Total intergovernmental	13,542,000	18,080,696	17,761,775	(318,921)
Charges for services				
State trunkline maintenance	1,444,952	1,732,947	1,995,146	262,199
State trunkline non-maintenance	75,187	315,450	315,444	(6)
Salvage sales	4,100	17,600	17,396	(204)
Total charges for services	1,524,239	2,065,997	2,327,986	261,989
Interest and rents				
Interest earned	135,000	250,100	250,042	(58)
Property rentals	9,000	9,000	7,534	(1,466)
Total interest and rents	144,000	259,100	257,576	(1,524)
Other				
Contributions	-	493,000	381,355	(111,645)
Miscellaneous	-	-	110,792	110,792
Total other	-	493,000	492,147	(853)
TOTAL REVENUES	15,275,239	21,133,793	21,073,810	(59,983)
OTHER FINANCING SOURCES				
Sale of capital assets	5,000	-	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 15,280,239	\$ 21,133,793	\$ 21,073,810	\$ (59,983)

**OCEANA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES (NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2025**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current				
Primary road				
Preservation - structural improvements	\$ 4,700,000	\$ 2,279,680	\$ 2,279,679	\$ 1
Routine and preventative maintenance	450,000	3,105,826	3,105,786	40
Total primary road	5,150,000	5,385,506	5,385,465	41
Local road				
Preservation - structural improvements	4,700,000	1,967,363	1,967,363	-
Routine and preventative maintenance	300,000	3,822,000	4,388,859	(566,859)
Total local road	5,000,000	5,789,363	6,356,222	(566,859)
State trunkline				
Maintenance	1,254,639	1,895,014	2,212,014	(317,000)
Non-maintenance	315,500	317,000	315,444	1,556
Total state trunkline	1,570,139	2,212,014	2,527,458	(315,444)
Administrative				
Administration	603,285	622,922	609,160	13,762
Less:				
Handling charges	(100,000)	(28,800)	(28,754)	(46)
Overhead - state	(200,000)	(206,200)	(206,110)	(90)
Total administrative - net	303,285	387,922	374,296	13,626
Equipment				
Direct	700,000	1,819,490	1,738,138	81,352
Indirect	925,000	595,000	592,488	2,512
Operating	1,600,000	390,000	386,122	3,878
Less equipment rental	(2,600,000)	(3,631,062)	(3,867,698)	236,636
Total equipment - net	625,000	(826,572)	(1,150,950)	324,378
Drains at large				
Drain assessment	10,000	10,000	8,140	1,860
Capital outlay				
Capital outlay	2,117,700	1,461,872	1,470,579	(8,707)
Less depreciation and depletion	-	-	(1,215,405)	1,215,405
Total capital outlay - net	2,117,700	1,461,872	255,174	1,206,698
Debt service				
Principal	363,100	350,800	350,588	212
Interest and other fees	141,015	153,315	153,253	62
Total debt service	504,115	504,115	503,841	274
TOTAL EXPENDITURES	\$ 15,280,239	\$ 14,924,220	\$ 14,259,646	\$ 664,574

**OCEANA COUNTY ROAD COMMISSION
RETIREED EMPLOYEES' HEALTHCARE PLAN
SCHEDULES OF CHANGES IN COMMISSION'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST NINE MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost	\$ 34,320	\$ 105,797	\$ 39,322	\$ 58,811	\$ 45,115	\$ 50,482	\$ 27,908	\$ 55,096	\$ 53,382
Interest	53,317	55,932	51,855	41,247	44,843	44,116	62,905	37,468	37,023
Changes of benefit terms	-	(73,414)	-	-	-	-	-	-	-
Difference between expected and actual experience	76,818	(14)	2,585	22,156	10,484	(6,377)	(251,215)	(60,284)	-
Changes of assumptions	12,163	40,025	33,058	(84,745)	51,141	(223)	(37,963)	(194,477)	-
Benefit payments, including employee refunds	(36,913)	(48,351)	(60,738)	(72,212)	(57,876)	(91,987)	(80,498)	(77,979)	(78,483)
Net change in total OPEB liability	139,705	79,975	66,082	(34,743)	93,707	(3,989)	(278,863)	(240,176)	11,922
Total OPEB liability, beginning	833,140	753,165	687,083	721,826	628,119	632,108	910,971	1,151,147	1,139,225
Total OPEB liability, ending	<u>\$ 972,845</u>	<u>\$ 833,140</u>	<u>\$ 753,165</u>	<u>\$ 687,083</u>	<u>\$ 721,826</u>	<u>\$ 628,119</u>	<u>\$ 632,108</u>	<u>\$ 910,971</u>	<u>\$ 1,151,147</u>
Plan fiduciary net position									
Contributions to OPEB trust - employer	\$ -	\$ 50,000	\$ 100,000	\$ 100,000	\$ 125,000	\$ 75,000	\$ 100,000	\$ 75,000	\$ -
Contributions/benefit payments made from general operating funds	36,913	48,351	60,738	72,212	57,876	91,987	80,498	77,979	78,482
Net investment income (loss)	137,941	122,372	114,523	(77,406)	56,962	61,892	41,996	(12,081)	15,271
Benefit payments, including employee refunds	(36,913)	(48,351)	(60,738)	(72,212)	(57,876)	(91,987)	(80,498)	(77,979)	(78,483)
Administrative expenses	(5,488)	(4,923)	(3,762)	(3,003)	(2,761)	(1,819)	(1,227)	(641)	(514)
Net change in plan fiduciary net position	132,453	167,449	210,761	19,591	179,201	135,073	140,769	62,278	14,756
Plan fiduciary net position, beginning	1,027,530	860,081	649,320	629,729	450,528	315,455	174,686	112,408	97,652
Plan fiduciary net position, ending	<u>\$ 1,159,983</u>	<u>\$ 1,027,530</u>	<u>\$ 860,081</u>	<u>\$ 649,320</u>	<u>\$ 629,729</u>	<u>\$ 450,528</u>	<u>\$ 315,455</u>	<u>\$ 174,686</u>	<u>\$ 112,408</u>
Commission's net OPEB liability (asset)	<u>\$ (187,138)</u>	<u>\$ (194,390)</u>	<u>\$ (106,916)</u>	<u>\$ 37,763</u>	<u>\$ 92,097</u>	<u>\$ 177,591</u>	<u>\$ 316,653</u>	<u>\$ 736,285</u>	<u>\$ 1,038,739</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	119%	123%	114%	95%	87%	72%	50%	19%	10%
Covered payroll	\$ 1,799,610	\$ 1,588,359	\$ 1,935,265	\$ 1,680,342	\$ 1,666,225	\$ 1,587,976	\$ 1,616,230	\$ 1,543,092	Not available
Commission's net OPEB liability (asset) as a percentage of covered payroll	-10.4%	-12.2%	-5.5%	2.2%	5.5%	11.0%	19.6%	47.7%	Not available

**OCEANA COUNTY ROAD COMMISSION
 RETIRED EMPLOYEES' HEALTHCARE PLAN
 SCHEDULES OF COMMISSION'S OPEB CONTRIBUTIONS
 LAST NINE FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
 (AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarial determined employer contributions	\$ -	\$ 93,328	\$ 48,686	\$ 75,279	\$ 78,140	\$ 101,289	\$ 129,485	\$ 418,449	\$ 319,392
Employer contributions	<u>36,913</u>	<u>98,351</u>	<u>160,738</u>	<u>172,212</u>	<u>182,876</u>	<u>166,987</u>	<u>180,498</u>	<u>152,979</u>	<u>78,483</u>
Contribution deficiency (excess)	<u>\$ (36,913)</u>	<u>\$ (5,023)</u>	<u>\$ (112,052)</u>	<u>\$ (96,933)</u>	<u>\$ (104,736)</u>	<u>\$ (65,698)</u>	<u>\$ (51,013)</u>	<u>\$ 265,470</u>	<u>\$ 240,909</u>
Covered payroll	\$ 1,799,610	\$ 1,588,359	\$ 1,935,265	\$ 1,680,342	\$ 1,666,225	\$ 1,587,976	\$ 1,616,230	\$ 1,543,092	Not available
Contributions as a percentage of covered payroll	2%	6%	8%	10%	11%	11%	11%	10%	Not available

**OCEANA COUNTY ROAD COMMISSION
 RETIRED EMPLOYEES' HEALTHCARE PLAN
 SCHEDULES OF INVESTMENT RETURNS
 LAST NINE FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
 (AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expenses	12.89%	13.23%	15.98%	-12.65%	10.03%	17.00%	17.58%	-6.28%	5.42%

**OCEANA COUNTY ROAD COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 - OTHER POST-EMPLOYMENT BENEFITS PLAN

Actuarial valuation information relative to the determination of contributions:

Valuation date	December 31, 2025
Measurement date	December 31, 2025

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	6.28% for 2025 contributions
Asset valuation method	Equal to market value of assets
20-year Aa Municipal Bond Rate	4.43%
Salary Scale	4.00%
Return on plan assets	6.28%, including inflation
Mortality rates	2016 Public General Employee and Health Retirees, Headcount weighted with IRS 2024 Adjusted Scale MP-2021 Improvement Scale

Changes in assumptions:

<u>Plan Year</u>	
2025	Mortality tables updated. Medical trend increased by 0.25% instead of decreasing by 0.25% as anticipated. Salary increased from 3.00% to 4.00%.
2024	Discount rate changed from 6.90% to 6.28%. Medical trend updated such that initial trend does not decrease by the anticipated 0.25% after the first year.
2023	Mortality improvement updated to IRS 2024 Adjust Scale MP-2021. Trend rates update to those required for uniforms assumption under PA 202 for 2023. Discount rate updated from 7.45% to 6.90%.
2022	Discount rate update from 5.54% to 7.45%.
2021	Mortality tables updated. Trends rates updated. Discount rates updated from 6.96% to 5.54%. Salary scale updated from 3.50% to 3.00%.
2020	Mortality tables updated. Discount rate changed from 6.93% to 6.96%.
2019	Mortality tables updated. Discount rate changed from 7.00% to 6.93%. 0.5% load on liabilities for the high cost plan excise tax was removed. Converted from valuing premiums for the life insurance policies to valuing the fact amount of the policies.
2018	Mortality tables updated. Salary scale updated from 2.00% to 3.50%. Trend rates updated. Discount rate changed from 3.21% to 7.00%.

OCEANA COUNTY ROAD COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - OTHER POST-EMPLOYMENT BENEFITS PLAN (continued)

Change in benefits:

<u>Plan Year</u>	
2024	Employees hired after December 31, 2021, are not eligible for OPEB benefits; plan provisions have been re-worked for clarity.

NOTE 2 - BUDGET-TO-GAAP RECONCILIATION

The actual amounts in the budgetary comparison schedule (non-GAAP budgetary basis) are presented on the same basis of accounting used in preparing the adopted budget. The following schedule reconciles the amounts on those schedules to the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund. The adjustment represents capital construction expenditures paid by the Michigan Department of Transportation and related federal aid.

	Budgetary Comparison Schedules (non-GAAP Basis)	Adjustment to GAAP	Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
REVENUES			
Intergovernmental	\$ 17,761,775	\$ (766,024)	\$ 16,995,751
EXPENDITURES			
Current			
Public works	14,259,646	(766,024)	13,493,622

OTHER SUPPLEMENTARY INFORMATION

**OCEANA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
STATEMENT OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2025**

TOTAL REVENUES	\$ 21,073,810
TOTAL EXPENDITURES	<u>14,259,646</u>
NET CHANGE IN FUND BALANCE	6,814,164
Fund balance, beginning of year	<u>3,969,794</u>
Fund balance, end of year	<u><u>\$ 10,783,958</u></u>

**OCEANA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2025**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
TOTAL REVENUES	\$ 12,030,207	\$ 6,294,454	\$ 2,749,149	\$ 21,073,810
TOTAL EXPENDITURES	5,876,363	5,968,287	2,414,996	14,259,646
NET CHANGE IN FUND BALANCES	6,153,844	326,167	334,153	6,814,164
Fund balances, beginning of year	2,023,770	858,869	1,087,155	3,969,794
Fund balances, end of year	<u>\$ 8,177,614</u>	<u>\$ 1,185,036</u>	<u>\$ 1,421,308</u>	<u>\$ 10,783,958</u>

**OCEANA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF REVENUES
YEAR ENDED DECEMBER 31, 2025**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
REVENUES				
Licenses and permits				
Permits	\$ -	\$ -	\$ 234,326	\$ 234,326
Intergovernmental				
Federal sources	766,024	-	-	766,024
State sources	11,136,661	3,419,760	-	14,556,421
Local sources	-	2,439,330	-	2,439,330
Total intergovernmental	11,902,685	5,859,090	-	17,761,775
Charges for services				
State Trunkline				
Maintenance	-	-	1,995,146	1,995,146
Non-maintenance	-	-	315,444	315,444
Salvage sales	-	-	17,396	17,396
Total charges for services	-	-	2,327,986	2,327,986
Interest and rents				
Interest	127,522	54,009	68,511	250,042
Property rentals	-	-	7,534	7,534
Total interest and rents	127,522	54,009	76,045	257,576
Other				
Contributions from private source	-	381,355	-	381,355
Other	-	-	110,792	110,792
TOTAL REVENUES	\$ 12,030,207	\$ 6,294,454	\$ 2,749,149	\$ 21,073,810

**OCEANA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2025**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
EXPENDITURES				
Preservation - structural improvements	\$ 2,279,679	\$ 1,967,363	\$ -	\$ 4,247,042
Routine and preventative maintenance	3,105,786	4,388,859	-	7,494,645
State trunkline	-	-	2,527,458	2,527,458
Administrative - net	173,994	200,302	-	374,296
Equipment - net	(308,715)	(598,959)	(243,276)	(1,150,950)
Drain assessment	6,144	1,996	-	8,140
Capital outlay - net	193,460	8,726	52,988	255,174
Debt service - principal	285,000	-	65,588	350,588
Debt service - interest and fees	141,015	-	12,238	153,253
TOTAL EXPENDITURES	<u>\$ 5,876,363</u>	<u>\$ 5,968,287</u>	<u>\$ 2,414,996</u>	<u>\$ 14,259,646</u>



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #210,
Grand Rapids, MI 49546

☎ 517.323.7500

**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 County Road Commissioners
of Oceana County
Hart, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Oceana County Road Commission (the Commission), a component unit of Oceana County, Michigan, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated June 17, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 were not identified. We consider the deficiency described below to be a material weakness.

2025-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries to correctly record depreciation, state advances, and fiduciary fund OPEB activity. These misstatements were not detected by the Commission's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the Commission's general ledger. A similar issue was noted and reported in the previous audit.

2025-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS (continued)

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position and results of operations, including the recording of all appropriate journal entries so that the trial balance, from which the audited financial statements are prepared, reflect amounts that are in conformity with U.S. generally accepted accounting principles.

Cause: These misstatements were not identified as part of the Commission's internal control procedures.

Effect: Without the recording of these journal entries the financial statements would have been materially misstated.

Recommendation: We recommend that the Commission take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The Commission will continue to work toward having all material journal entries completed before auditing fieldwork commences in the future.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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*.

Commission's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the finding identified in our audit and described above. The Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Manes Costeiran PC

Lansing, Michigan
June 17, 2026