

**HOWARD COUNTY, MARYLAND  
OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
TRUST FUND**

**SCHEDULE OF OPEB AMOUNTS BY EMPLOYER**

**YEAR ENDED JUNE 30, 2023**



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**HOWARD COUNTY, MARYLAND  
OPEB TRUST FUND  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2023**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>SCHEDULE OF OPEB AMOUNTS BY EMPLOYER</b>	<b>3</b>
<b>NOTES TO FINANCIAL SCHEDULE</b>	<b>4</b>



## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the County Council  
Other Postemployment Benefits Trust Fund  
Howard County, Maryland

### **Report on the Audit of the Schedule**

#### ***Opinion***

We have audited the total for all entities of the columns titled net OPEB liability, total deferred inflows of resources, total deferred outflows of resources, and total employers' OPEB expense as of and for the year ended June 30, 2023 (specified column totals), included in the accompanying schedule of OPEB amounts by employer of the Howard County, Maryland Other Postemployment Benefits (OPEB) Trust Fund as of and for the year ended June 30, 2023, and the related notes.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the total for all OPEB participating entities of the columns titled net OPEB liability, total deferred inflows of resources, total deferred outflows of resources, and total employers' OPEB expense of the Howard County, Maryland Other Postemployment Benefits (OPEB) Trust Fund as of and for the year ended June 30, 2023 in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of Howard County, Maryland OPEB Postemployment Benefits (OPEB) Trust Fund 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 opinion.

#### ***Responsibilities of Management for the Schedule***

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

#### ***Auditor's Responsibilities for the Audit of the Schedule***

Our objectives are to obtain reasonable assurance about whether the specified column totals included in the schedule of OPEB amounts by employer are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 GAAS 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 specified column totals included in the schedule of OPEB amounts by employer.

The Honorable Members of the County Council  
Other Postemployment Benefits Trust Fund

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the specified totals included in the schedule of OPEB amounts by employer, 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 specified totals included in the schedule of OPEB amounts by employer.
- 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 Howard County, Maryland OPEB Trust Fund'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 specified totals included in the schedule of OPEB amounts by employer.

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.

***Other Matter***

We have audited, in accordance with GAAS, the financial statements of Howard County, Maryland as of and for the year ended June 30, 2023, and our report thereon, dated November 27, 2023, expressed an unmodified opinion on those financial statements.

***Restriction on Use***

This report is intended solely for the information and use by management and the County Council of Howard County, Maryland and is not intended to be and should not be used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 18, 2024

**HOWARD COUNTY, MARYLAND  
OPEB TRUST FUND  
SCHEDULE OF OPEB AMOUNTS BY EMPLOYER  
YEARS ENDED JUNE 30, 2023**

REPORTING UNIT	Net OPEB Liability	Deferred Outflows of Resources					Deferred Inflows of Resources				Employer's OPEB Expense
	2023	Expected and Actual Experience Differences	Assumption Changes	Projected and Actual Earning	Change in Proportion	Total Deferred Outflows of Resources	Expected and Actual Experience Differences	Assumption Changes	Changes in Proportion	Total Deferred Inflows of Resources	
Howard County Government	\$ 250,334,960	\$ 2,070,292	\$ 74,049,994	\$ 3,257,194	\$ 6,725,100	\$ 86,102,580	\$ 66,430,323	\$ 128,605,821	\$ 95,773,264	\$ 290,809,408	\$ (8,101,957)
Howard County Public School System	783,938,027	6,483,236	231,891,725	10,200,087	102,661,053	351,236,101	208,030,298	402,736,372	6,674,913	617,441,583	27,435,805
Howard Community College	28,197,661	233,197	8,340,970	366,889	-	8,941,056	7,482,694	14,486,125	2,901,499	24,870,318	(22,735)
Howard County Housing Commission	860,997	7,121	254,687	11,203	50,186	323,197	228,480	442,325	578,917	1,249,722	(62,670)
Howard County Public Library	12,161,587	100,578	3,597,442	158,239	301,124	4,157,383	3,227,268	6,247,832	3,707,250	13,182,350	(243,365)
Howard County Economic Development Authority	430,499	3,560	127,343	5,602	50,186	186,691	114,239	221,161	127,245	462,645	1,970
Howard Soil Conservation District	322,874	2,670	95,508	4,201	81,107	183,486	85,679	165,873	105,668	357,220	4,126
<b>Total</b>	<b>\$ 1,076,246,605</b>	<b>\$ 8,900,654</b>	<b>\$ 318,357,669</b>	<b>\$ 14,003,415</b>	<b>\$ 109,868,756</b>	<b>\$ 451,130,494</b>	<b>\$ 285,598,981</b>	<b>\$ 552,905,509</b>	<b>\$ 109,868,756</b>	<b>\$ 948,373,246</b>	<b>\$ 19,011,174</b>

See accompanying Notes to Financial Schedule.

**HOWARD COUNTY, MARYLAND  
OPEB TRUST FUND  
NOTES TO FINANCIAL SCHEDULE  
JUNE 30, 2023**

**NOTE 1 DESCRIPTION OF THE PLAN**

Howard County, Maryland’s Other Postemployment Benefit (OPEB) Trust Fund (the Plan) is a Single Employer Defined Benefit Healthcare Plan. Per Section 1.406B of Howard County Bill No. 14-2008, the Howard County, Maryland (the County) established an irrevocable trust for administering the plan assets and paying healthcare costs on behalf of the participants. The Plan includes the County (consisting of the County government, Howard Soil Conservation District, Howard County Economic Development Authority, and Howard County Housing Commission), and its component units, Howard County Public Library, Howard County Housing Commission, Howard County Community College and Howard County Public School system. The Plan is administered and overseen by a Board of Trustees comprised of the Chief Administrative Officer, the Director of Finance, and Budget Administrator.

The County provides a postemployment health insurance program. These postemployment benefits are subject to change at any time. All employees who retire from the County may participate in the program. In order to be eligible, the retiree must have a minimum of 15 years of County service and, immediately preceding retirement, have been enrolled in a medical, vision or prescription drug insurance plan offered to active employees of the County. The County will pay a percentage of the retiree’s health insurance premium based upon these criteria. This percentage varies with the number of years of service attained by the employee. Other retirees who do not meet the eligibility criteria are permitted to participate in the retirees’ health insurance program by paying the full premium at the group rate.

The component units provide medical benefits to eligible employees who retire from employment with the entity. The eligibility requirements vary among different entities. Each entity pays a percentage of the health insurance premium based on certain criteria. In addition to medical benefits, the school system offers life insurance benefits to eligible retirees who have provided 10 years of service with the school system and have retired from the Howard County School System.

Plan membership data for the year is as follows:

Retirees and Beneficiaries Receiving Benefits	4,087
Active Plan Members	10,263
Deferred Vested Terminations	17
Total	14,367

**HOWARD COUNTY, MARYLAND  
OPEB TRUST FUND  
NOTES TO FINANCIAL SCHEDULE  
JUNE 30, 2023**

**NOTE 2 BASIS OF PRESENTATION**

The Schedule of OPEB Amounts by Employer (the Schedule) presents amounts that are considered elements of the financial statements of the Plan or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the Plan or the participating employers. The accompanying schedule has been prepared in conformity with United States generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**NOTE 3 ALLOCATION METHODOLOGY**

The Plan is classified as a single employer plan. However, for allocation purposes, the same procedures used for a cost-sharing plan are followed to distribute the OPEB liability among the County and its component units.. GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* requires cost sharing plans allocate liabilities and assets between employers based on “the employer’s projected long-term contribution effort to the OPEB plan as compared to the total projected long-term contribution effort of all employers and all nonemployer contributing entities to determine the employer’s proportion”. The accrued liability has been determined for each employer. The net OPEB liability has been actuarially calculated separately for each entity based on their membership and benefits. Accordingly, per GASB 75, assets and deferred inflows and outflows are allocated to each employer in proportion to their net OPEB liability.

**NOTE 4 COLLECTIVE NET OPEB LIABILITY AND ACTUARIAL INFORMATION**

The components of the collective net OPEB liability of the participating employers are as follows:

Total OPEB Liability	\$ 1,321,620,737
Fiduciary Net Position	(245,374,132)
Net OPEB Liability	<u>\$ 1,076,246,605</u>

**Actuarial Assumptions**

The collective total OPEB liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of January 1, 2022, with update procedures used to roll forward the total OPEB liability to June 30, 2023.

**HOWARD COUNTY, MARYLAND  
OPEB TRUST FUND  
NOTES TO FINANCIAL SCHEDULE  
JUNE 30, 2023**

**NOTE 4 COLLECTIVE NET OPEB LIABILITY AND ACTUARIAL INFORMATION (CONTINUED)**

**Actuarial Assumptions (Continued)**

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographic behavior expected in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2022. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements. This actuarial valuation used the following actuarial assumptions.

Actuarial Cost Method	Entry Age Normal
Interest Assumption	Discount rate of 4.60% as of 6/30/23
Inflation	2.7
Municipal Bond Rate	4.13% as of 6/30/23 based on the Bond Buyer General Obligation 20-year Bond Municipal Bond Index
Long-Term Expected Real Rate of Return, Based on Geometric Means	4.85% for Equity investments (based on 45% target allocation), 2.46% for Fixed Income investments (based on 23% target allocation), 6.21% for Alternative investments (based on 26% target allocation), and 4.33% for Real Asset investments (based on 6% target allocation), or a total of 4.60%
Mortality	SOA RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality MP2017 Mortality Improvement Scale
Healthcare Cost Trend Rate	4.14% ultimate rate based upon 2022 SOA Model

**Discount Rate**

The discount rate used to measure the total OPEB liability was 4.40% at the beginning of the current measurement period and 4.60% at the end. In measuring the total liability and determining the discount rate, the actuary projected cash flows by assuming that the County will continue to make the current contribution levels increasing 3% per annum. These contributions were first allocated to the normal cost for future hires as required by GASB. The benefit payment stream for the Plan is discounted based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher for years when the projected benefit payouts are expected to be unfunded and 7.25% for years when the projected benefit payouts are expected to be funded. The present value of payments through 2043 was determined using the expected rate of return of assets of 7.25% and using the bond rate of 4.13% for benefit payments after 2043. The equivalent single rate is 4.60%.



**HOWARD COUNTY, MARYLAND  
OPEB TRUST FUND  
NOTES TO FINANCIAL SCHEDULE  
JUNE 30, 2023**

**NOTE 4 COLLECTIVE NET OPEB LIABILITY AND ACTUARIAL INFORMATION (CONTINUED)**

**Sensitivity of the Collective Net OPEB Liability to Changes in the Discount Rate**

The following presents what the County's Total and Net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher:

<u>Discount Rate Sensitivity</u>	<u>1.00% Decrease 3.60%</u>	<u>Discount Rate 4.60%</u>	<u>1.00% Increase 5.60%</u>
Collective Total OPEB Liability	\$ 1,563,185,601	\$ 1,321,620,737	\$ 1,129,614,793
Collective Net OPEB Liability	\$ 1,317,811,469	\$ 1,076,246,605	\$ 884,240,661

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

The following presents what the County's Total and Net OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher:

<u>Trend Sensitivity Year 2075</u>	<u>1.00% Decrease 3.14%</u>	<u>Current Healthcare Cost Trend Rate 4.14%</u>	<u>1.00% Increase 5.14%</u>
Collective Total OPEB Liability	\$ 1,120,863,704	\$ 1,321,620,737	\$ 1,585,447,412
Collective Net OPEB Liability	\$ 875,489,572	\$ 1,076,246,605	\$ 1,340,073,280

**NOTE 5 COLLECTIVE DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

The components of collective deferred inflows of resources and deferred outflows of resources are amortized into OPEB expense beginning the year in which the difference occurs using a systematic and rational method over a closed five-year period (projected and actual earnings difference) or average remaining service lives of participants (active and inactive) for all other differences. The cumulative amounts of collective net deferred outflows (inflows) of resources will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (72,624,794)
2025	(73,045,230)
2026	(65,759,649)
2027	(60,000,088)
2028	(60,427,120)
Thereafter	(165,385,871)

**HOWARD COUNTY, MARYLAND  
OPEB TRUST FUND  
NOTES TO FINANCIAL SCHEDULE  
JUNE 30, 2023**

**NOTE 6 COLLECTIVE OPEB EXPENSE**

The components of collective OPEB expense for the year ending June 30, 2023 are as follows:

Service Cost	\$ 50,031,279
Interest	57,286,707
Projected Earning on OPEB Trust	(15,930,430)
Administrative Expense	47,646
Differences Between Expected and Actual Earnings Recognized in Current Year	3,000,596
Differences Between Expected and Actual Experience Recognized in Current Year	(41,851,276)
Changes in Assumptions Recognized in Current Year	(33,573,348)
OPEB Expense	<u>\$ 19,011,174</u>



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