

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

SCHEDULE OF OPEB AMOUNTS BY EMPLOYER

YEAR ENDED JUNE 30, 2024



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**HOWARD COUNTY, MARYLAND
OPEB TRUST FUND
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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, 2024 (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 June 30, 2024, 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, 2024 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 and the related disclosures.
- 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, 2024, and our report thereon, dated November 25, 2024, expressed an unmodified opinion on those financial statements. The Howard County OPEB plan is reported as an other post-employment benefit trust fund in the financial statements of Howard County

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 24, 2025

**HOWARD COUNTY, MARYLAND
OPEB TRUST FUND
SCHEDULE OF OPEB AMOUNTS BY EMPLOYER
YEARS ENDED JUNE 30, 2024**

REPORTING UNIT	Net OPEB Liability	Deferred Outflows of Resources				Deferred Inflows of Resources					Employer's OPEB Expense
	2024	Expected and Actual Experience Differences	Assumption Changes	Change in Proportion	Total Deferred Outflows of Resources	Expected and Actual Experience Differences	Assumption Changes	Projected and Actual Earning	Changes in Proportion	Total Deferred Inflows of Resources	
Howard County Government	\$ 226,133,500	\$ 13,232,645	\$ 54,421,887	\$ 5,043,825	\$ 72,698,357	\$ 50,002,206	\$ 110,385,525	\$ 355,192	\$ 106,637,109	\$ 267,380,032	\$ (25,177,080)
Howard County Public School System	842,237,563	49,285,182	202,695,121	125,979,214	377,959,517	186,233,960	411,132,517	1,322,917	5,006,185	603,695,579	51,535,237
Howard Community College	17,328,502	1,014,011	4,170,323	-	5,184,334	3,831,644	8,458,790	27,218	12,314,690	24,632,342	(6,656,952)
Howard County Housing Commission	223,345	13,069	53,750	37,639	104,458	49,385	109,024	351	1,058,804	1,217,564	(442,133)
Howard County Public Library	9,644,120	564,345	2,320,980	225,843	3,111,168	2,132,490	4,707,711	15,148	5,563,213	12,418,562	(1,849,096)
Howard County Economic Development Authority	57,832	3,384	13,919	37,639	54,942	12,788	28,230	91	441,237	482,346	(218,903)
Howard Soil Conservation District	8,087	473	1,945	67,589	70,007	1,789	3,948	12	370,511	376,260	(181,944)
Total	<u>\$ 1,095,632,949</u>	<u>\$ 64,113,109</u>	<u>\$ 263,677,925</u>	<u>\$ 131,391,749</u>	<u>\$ 459,182,783</u>	<u>\$ 242,264,262</u>	<u>\$ 534,825,745</u>	<u>\$ 1,720,929</u>	<u>\$ 131,391,749</u>	<u>\$ 910,202,685</u>	<u>\$ 17,009,129</u>

See accompanying Notes to Financial Schedule.

**HOWARD COUNTY, MARYLAND
OPEB TRUST FUND
NOTES TO FINANCIAL SCHEDULE
JUNE 30, 2024**

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	4,454
Active Plan Members	10,719
Total	<u>15,173</u>

**HOWARD COUNTY, MARYLAND
OPEB TRUST FUND
NOTES TO FINANCIAL SCHEDULE
JUNE 30, 2024**

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	\$ 1,388,646,991
Fiduciary Net Position	<u>(293,014,042)</u>
Net OPEB Liability	<u><u>\$ 1,095,632,949</u></u>

Actuarial Assumptions

The collective total OPEB liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of January 1, 2024, with update procedures used to roll forward the total OPEB liability to June 30, 2024.

**HOWARD COUNTY, MARYLAND
OPEB TRUST FUND
NOTES TO FINANCIAL SCHEDULE
JUNE 30, 2024**

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 2024. 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 4.80% as of 6/30/24
Inflation	2.65
Municipal Bond Rate	4.21% as of 6/30/24 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	4.09% ultimate rate based upon 2023 SOA Model

Discount Rate

The discount rate used to measure the total OPEB liability was 4.60% at the beginning of the current measurement period and 4.80% 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 2044 was determined using the expected rate of return of assets of 7.25% and using the bond rate of 4.21% for benefit payments after 2044. The equivalent single rate is 4.80%.

**HOWARD COUNTY, MARYLAND
OPEB TRUST FUND
NOTES TO FINANCIAL SCHEDULE
JUNE 30, 2024**

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:

	1.00% Decrease 3.80%	Discount Rate 4.80%	1.00% Increase 5.80%
<u>Discount Rate Sensitivity</u>			
Collective Total OPEB Liability	\$ 1,644,005,162	\$ 1,388,646,991	\$ 1,185,771,398
Collective Net OPEB Liability	\$ 1,350,991,120	\$ 1,095,632,949	\$ 892,757,356

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:

	1.00% Decrease 3.09%	Current Healthcare Cost Trend Rate 4.09%	1.00% Increase 5.09%
<u>Trend Sensitivity Year 2075</u>			
Collective Total OPEB Liability	\$ 1,179,658,313	\$ 1,388,646,991	\$ 1,661,240,829
Collective Net OPEB Liability	\$ 886,644,271	\$ 1,095,632,949	\$ 1,368,226,787

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>
2026	\$ (77,961,037)
2027	(70,675,456)
2028	(64,915,895)
2029	(65,342,929)
2030	(72,556,877)
Thereafter	(99,567,708)

**HOWARD COUNTY, MARYLAND
OPEB TRUST FUND
NOTES TO FINANCIAL SCHEDULE
JUNE 30, 2024**

NOTE 6 COLLECTIVE OPEB EXPENSE

The components of collective OPEB expense for the year ending June 30, 2024 are as follows:

Service Cost	\$ 50,373,694
Interest	62,408,095
Projected Earning on OPEB Trust	(18,268,689)
Administrative Expense	36,630
Differences Between Expected and Actual Earnings Recognized in Current Year	(431,298)
Differences Between Expected and Actual Experience Recognized in Current Year	(34,764,289)
Changes in Assumptions Recognized in Current Year	(42,345,014)
OPEB Expense	<u>\$ 17,009,129</u>

