

Office of the Auditor
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Jan K. Yamane
Acting State Auditor
State of Hawai'i

Constitutional Mandate

The Office of the Auditor, pursuant to Article VII, Section 10 of the Hawai'i State Constitution, is required to conduct post-audits of the transactions, accounts, program and performance of departments, offices and agencies of the State and its political subdivisions, and to certify to the accuracy of all financial statements issued by the respective accounting officers.

Financial Audit of the Hawai'i Employer-Union Health Benefits Trust Fund

Financial Statements, Fiscal Year Ended June 30, 2014

The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Hawai'i Employer-Union Health Benefits Trust Fund as of and for the fiscal year ended June 30, 2014. The audit was conducted by KKDLY LLC.

About the Trust Fund

The Hawai'i Employer-Union Health Benefits Trust Fund (EUTF) is a state agency that provides eligible State of Hawai'i and County (Honolulu, Hawai'i, Kaua'i and Maui) employees and retirees and their eligible dependents with health and life insurance benefits at a cost affordable to both the public employers and participants. The EUTF is administered by a Board of Trustees, which is composed of ten trustees appointed by the governor. The trust fund currently provides medical, prescription drug, dental, vision, chiropractic, supplemental medical and prescription and group life insurance benefits. Effective June 30, 2013, the board established a separate trust fund (OPEB Trust Fund) for the purpose of receiving employer contributions that will pre-fund other post-employment benefits for retirees and their beneficiaries.

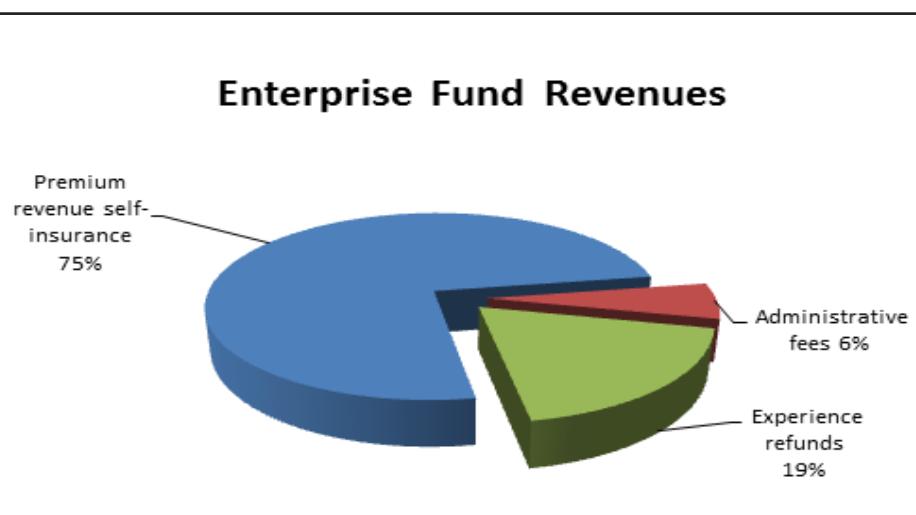
The EUTF is administratively attached to the Department of Budget and Finance.

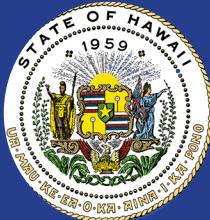
Financial Highlights

The EUTF uses an enterprise fund to account for the revenues, expenses, net position, assets and liabilities for active employee health benefits. For retiree beneficiaries, the EUTF accounts for assets and liabilities associated with other post-retirement benefits in an agency fund. In addition, the EUTF uses the OPEB Trust Fund to account for contributions received from the State and county government employers to pre-fund retiree health benefits, as well as the assets and net position arising from the pre-funding contributions and related investment income.

Enterprise Fund: For the fiscal year ended June 30, 2014, operating revenues totaled \$77.3 million and operating expenses totaled \$77.9 million, resulting in a net operating loss of \$600,000.

Enterprise Fund operating revenues included \$58.1 million related to premium revenue self-insurance, \$4.7 million in administrative revenues, and \$14.5 million in experience refunds.





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Auditors' Opinion

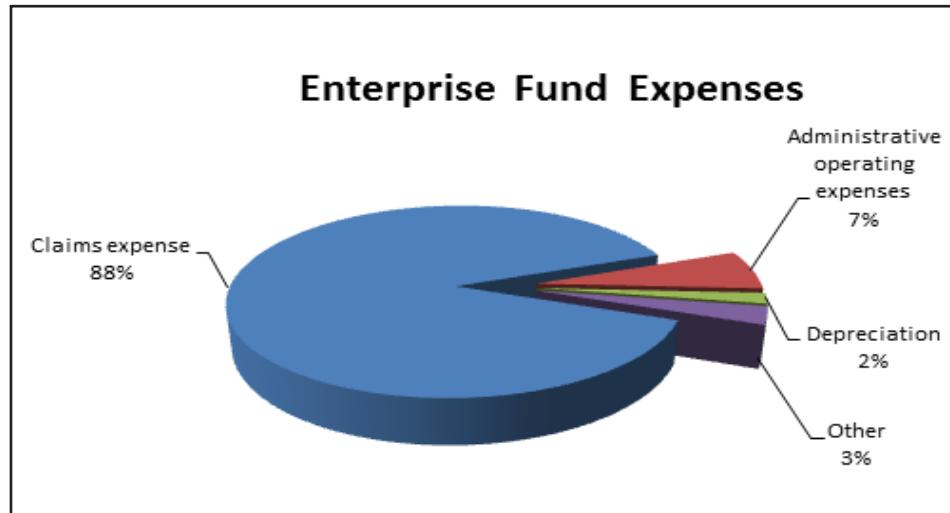
Financial Statements:
Unmodified opinion +

Issues of Concern

Material Weaknesses
0
Significant Deficiencies
0

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<http://auditor.hawaii.gov/>

Enterprise Fund operating expenses included \$69.1 million related to claims, \$5.1 million for administrative operating expenses, \$1.4 million for depreciation, and \$2.3 million for other operating expenses.



As of June 30, 2014, Enterprise Fund assets totaled \$99.9 million and liabilities totaled \$48.8 million, leaving a net position balance of \$51.1 million.

Agency Fund: As of June 30, 2014, the EUTF's Agency Fund held \$219.7 million in assets, which included \$146.1 million in cash and investments. Other Agency Fund assets included \$65.4 million in receivables and \$8.2 million in deposits with insurance carriers. Agency Fund liabilities totaled \$219.7 million, of which \$191.2 million was held on behalf of employers for retiree benefits.

OPEB Trust Fund: For the fiscal year ended June 30, 2014, total additions were \$311.3 million, of which \$262.6 million were from employer contributions and \$48.7 million were from investment earnings. As of June 30, 2014, the EUTF's OPEB Trust Fund assets and net position balance totaled \$626.1 million.

Auditors' Opinion

The EUTF received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Findings

There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

For the complete report and financial statements, visit our website at:
http://files.hawaii.gov/auditor/Reports/2014_Audit/EUTF2014.pdf.