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# Auditor's Summary

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

Financial Statements, Fiscal Year Ended June 30, 2016

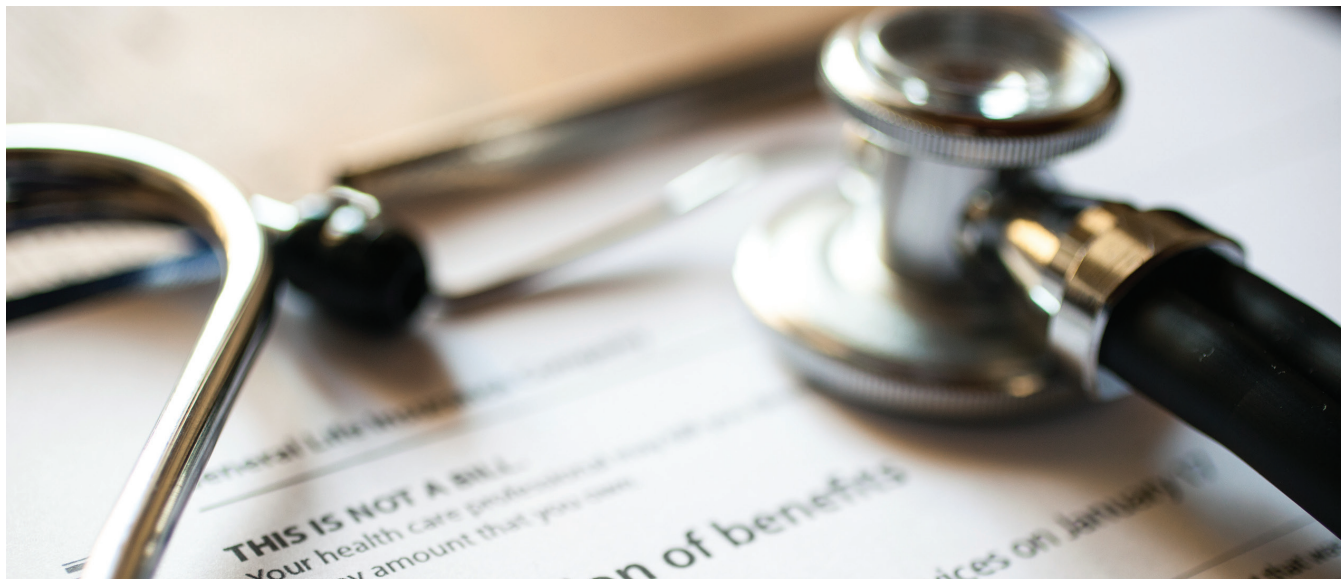


ILLUSTRATION: THINKSTOCK.COM

***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 (EUTF), as of and for the fiscal year ended June 30, 2016. The audit was conducted by KKDLY LLC.*

### About the Trust Fund

**EUTF IS A STATE AGENCY** that provides and administers health and other benefit plans for eligible State of Hawai'i and county (Honolulu, Hawai'i, Maui and Kauai) employees, retirees and their eligible dependents. EUTF is administered by a board of trustees 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) to receive employer contributions that will pre-fund other post-employment benefits for retirees and their beneficiaries. EUTF is administratively attached to the Department of Budget and Finance.

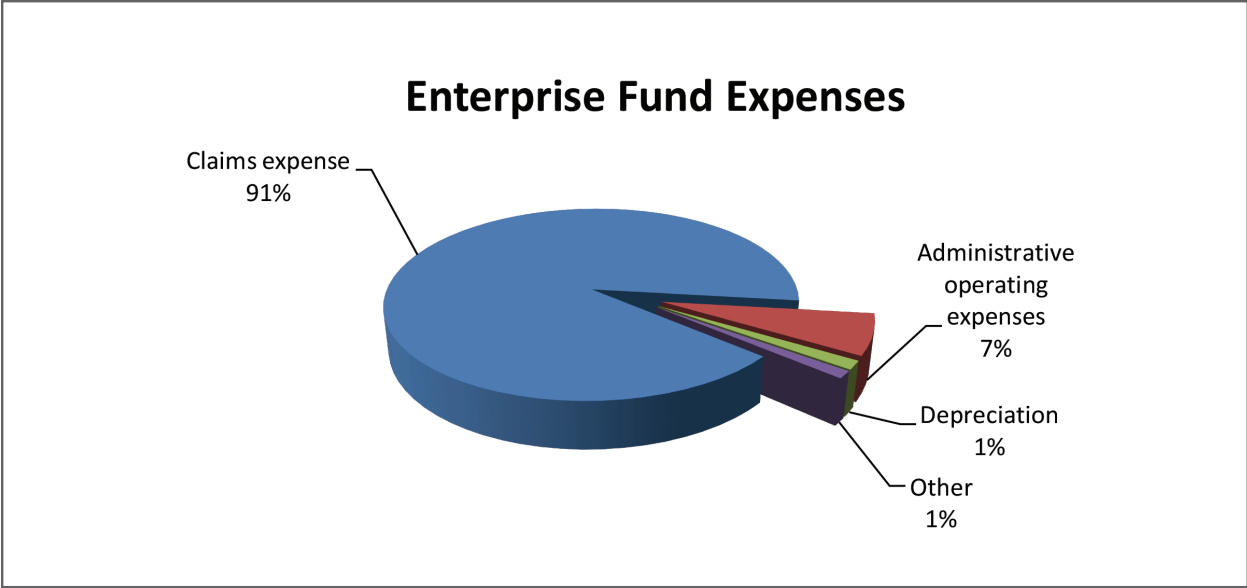
### Financial Highlights

**EUTF USES AN ENTERPRISE FUND** to account for the revenues, expenses, net position, assets and liabilities for active employee healthcare benefits. For retiree beneficiaries, EUTF accounts for assets and liabilities associated with other post-employment health benefits in an agency fund. In addition, 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 related assets, liabilities and net position.

**ENTERPRISE FUND:** For the fiscal year ended June 30, 2016, net operating revenues totaled \$82.8 million and operating expenses totaled \$97.6 million, resulting in a net operating loss of \$14.8 million.

Enterprise Fund net operating revenues included \$86.5 million related to premium revenue self-insurance and experience overpayments loss of \$3.7 million.

Enterprise Fund operating expenses included \$88.5 million related to claims, \$6.5 million for administrative operating expenses, \$1.4 million for depreciation, and \$1.2 million for other operating expenses.



As of June 30, 2016, Enterprise Fund assets totaled \$107.7 million and liabilities totaled \$59.1 million, leaving a net position balance of \$48.6 million.

**AGENCY FUND:** As of June 30, 2016, the EUTF’s Agency Fund held \$198.7 million in assets, which included \$121 million in cash and investments, \$69.5 million in receivables, and \$8.2 million in deposits with insurance carriers. Agency Fund liabilities totaled \$198.7 million, of which \$162.3 million was held on behalf of employers for retiree benefits.

**OPEB TRUST FUND:** For the fiscal year ended June 30, 2016, total additions were \$366.3 million, of which \$338.5 million were from employer contributions and \$27.8 million were from net investment earnings. As of June 30, 2016, the EUTF’s OPEB Trust Fund net position balance totaled \$1.21 billion.

## Auditors’ Opinion

**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/2016\\_Audit/EUTF2016.pdf](http://files.hawaii.gov/auditor/Reports/2016_Audit/EUTF2016.pdf)