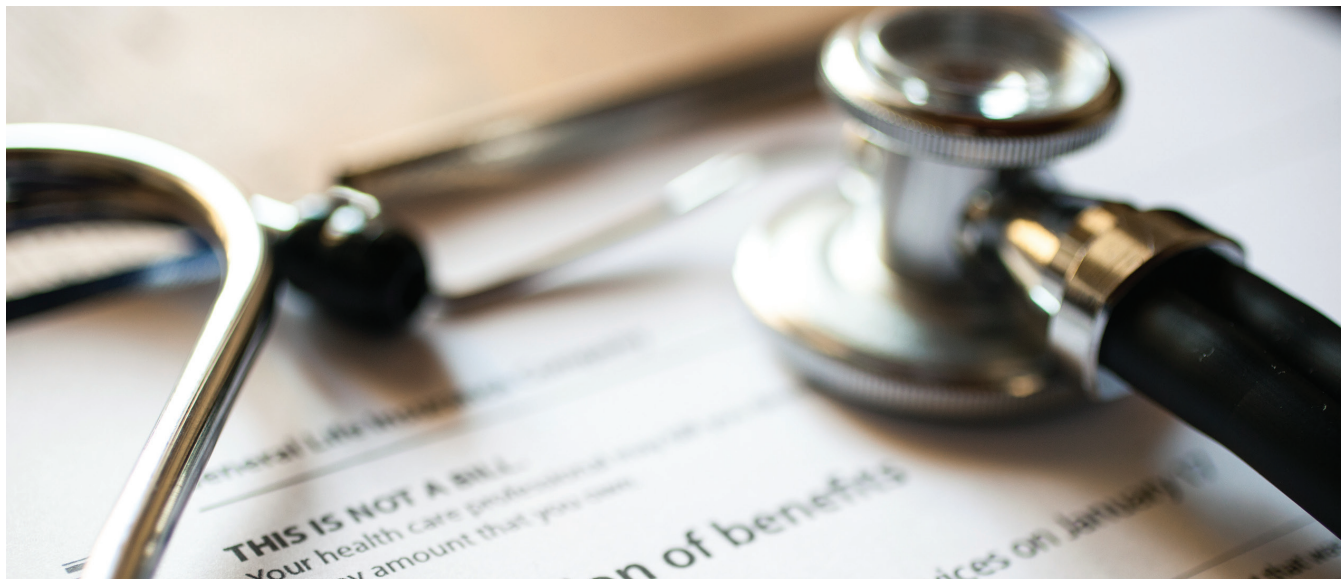


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# Auditor's Summary

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

Financial Statements, Fiscal Year Ended June 30, 2018



***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, 2018. The audit was conducted by KKDLY LLC.*

### About the Trust Fund

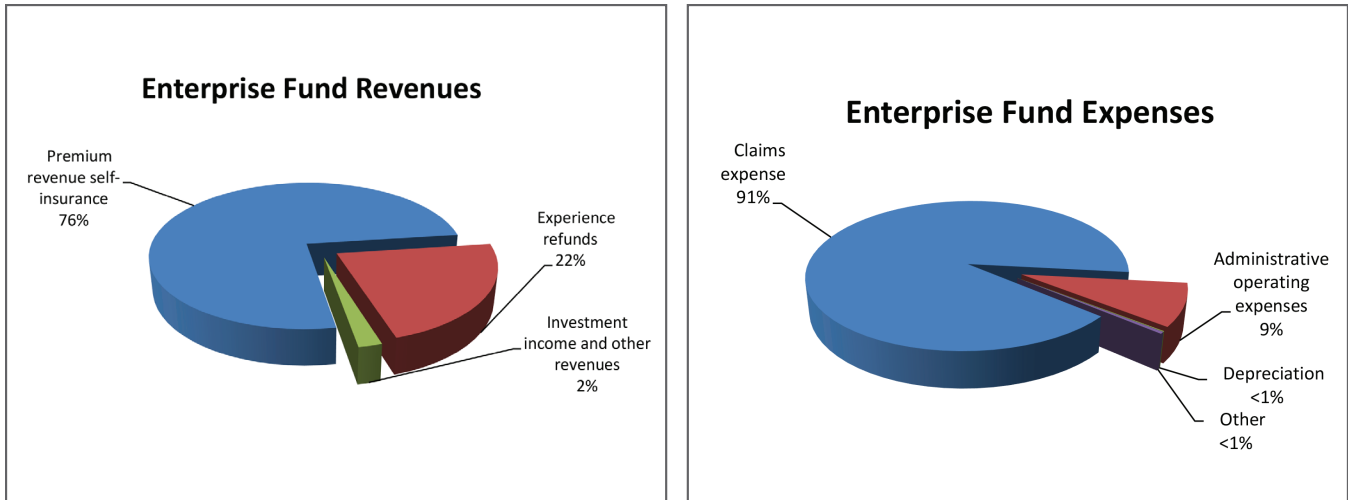
**EUTF IS A STATE AGENCY** that provides and administers health and other benefit plans for eligible State of Hawai'i and county (Honolulu, Hawai'i, Maui and Kaua'i) employees, retirees and their eligible dependents. EUTF is administered by a board of trustees composed of ten trustees appointed by the 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 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, 2018, revenues totaled \$113.6 million and expenses totaled \$89 million, resulting in a net income of \$24.6 million. Revenues consisted of premium revenue self-insurance of \$86 million, experience refunds of \$25.2 million, and investment income and other revenues of \$2.4 million.

Expenses consisted of benefit claims expense of \$80.6 million, administrative operating expenses of \$7.9 million, depreciation of \$100,000, and other operating expenses of \$400,000.



As of June 30, 2018, assets and deferred outflows of resources totaled \$160.5 million and liabilities and deferred inflows of resources totaled \$63.6 million, resulting in a net position of \$96.9 million.

**AGENCY FUND:** As of June 30, 2018, the EUTF’s Agency Fund held \$250.4 million in assets, which included \$169.7 million in cash and investments, \$72.5 million in receivables, and \$8.2 million in deposits with insurance carriers. Agency Fund liabilities totaled \$250.4 million, which included \$208.9 million held on behalf of employers for retiree benefits and \$41.5 million for other liabilities.

**OPEB TRUST FUND:** For the fiscal year ended June 30, 2018, total additions of \$593 million, included \$444.1 million from employer contributions and \$148.9 million from net investment earnings. As of June 30, 2018, the OPEB Trust Fund net position balance totaled \$2.37 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/2018\\_Audit/EUTF2018.pdf](http://files.hawaii.gov/auditor/Reports/2018_Audit/EUTF2018.pdf)