

January 24, 2024

**VIA EMAIL**

The Honorable Ronald D. Kouchi  
Senate President  
415 South Beretania Street  
Hawai'i State Capitol, Room 409  
Honolulu, Hawai'i 96813

**VIA EMAIL**

The Honorable Scott K. Saiki  
Speaker, House of Representatives  
415 South Beretania Street  
Hawai'i State Capitol, Room 431  
Honolulu, Hawai'i 96813

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

Dear President Kouchi and Speaker Saiki:

The audit report on the financial statements of the Hawai'i Employer-Union Health Benefits Trust Fund for the fiscal year ended June 30, 2023, was issued on November 29, 2023. The Office of the Auditor retained KKDLY LLC to perform the financial audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial audit report.

You may view the financial audit report and Auditor's Summary on our website at:

[https://files.hawaii.gov/auditor/Reports/2023\\_Audit/EUTF2023.pdf](https://files.hawaii.gov/auditor/Reports/2023_Audit/EUTF2023.pdf); and

[https://files.hawaii.gov/auditor/Reports/2023\\_Audit/EUTF\\_Summary\\_2023.pdf](https://files.hawaii.gov/auditor/Reports/2023_Audit/EUTF_Summary_2023.pdf).

If you have any questions about the report, please contact me.

Very truly yours,

Leslie H. Kondo  
State Auditor

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Attachment

cc/attach (Auditor's Summary only): Members of the Senate  
Members of the House of Representatives  
Carol Taniguchi, Senate Chief Clerk  
Brian Takeshita, House Chief Clerk

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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, 2023

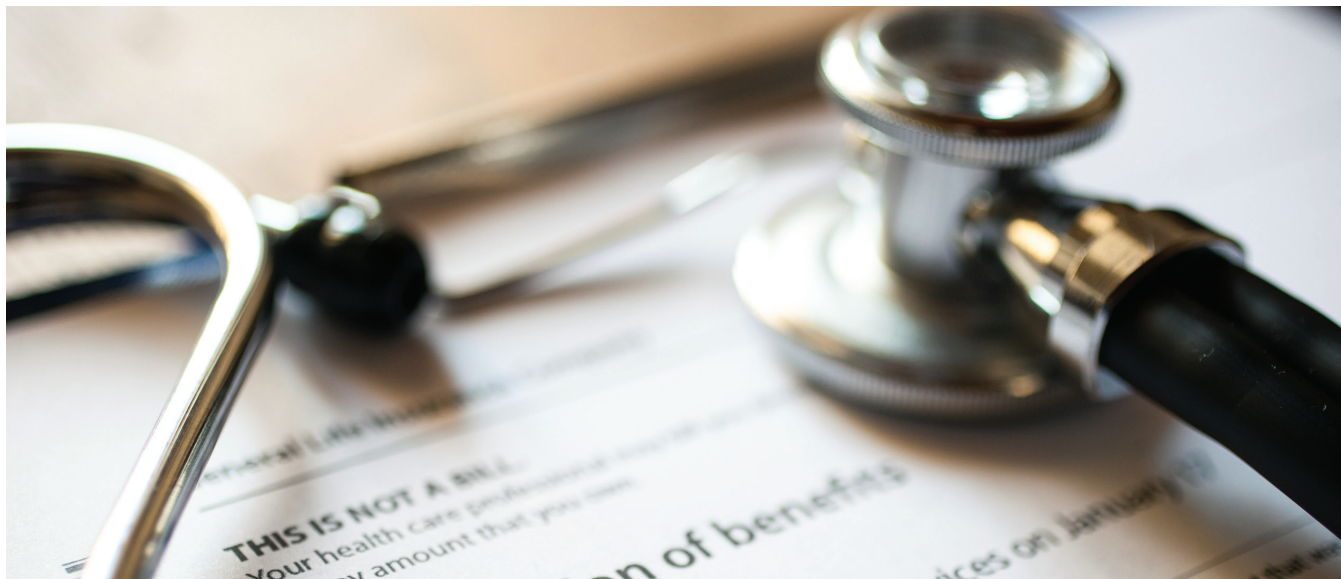


PHOTO: ISTOCK.COM

***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, as of and for the fiscal year ended June 30, 2023. 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, Maui, and Kaua'i) employees and retirees and their eligible dependents with health and life insurance benefits. 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 (the OPEB Trust Fund) to receive employer contributions to pre-fund other post-employment benefits (OPEB) for retirees and their beneficiaries. EUTF is administratively attached to the State of Hawai'i Department of Budget and Finance.

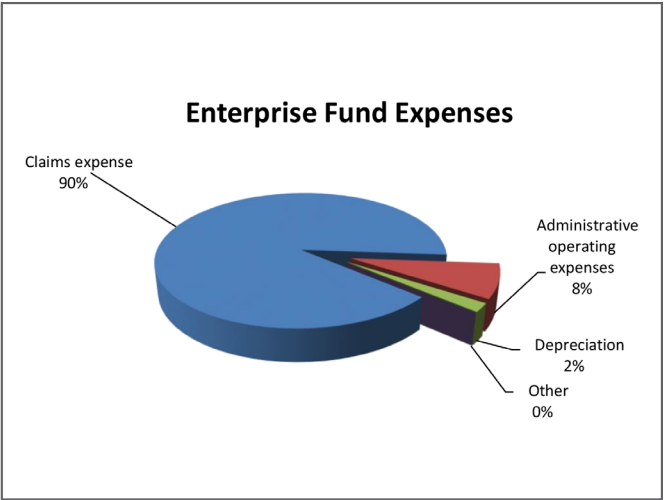
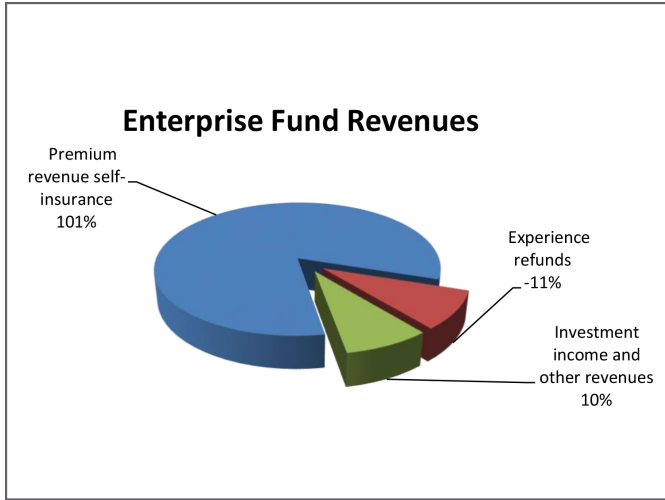
### Financial Highlights

**EUTF USES THE OPEB TRUST FUND** to account for OPEB assets, liabilities, net position, and operations related to post-employment health benefits for retirees and their beneficiaries, including all employer OPEB contributions for retirees and their beneficiaries. An enterprise fund is used to account for active employee healthcare benefits.

**ENTERPRISE FUND:** For the fiscal year ended June 30, 2023, revenues totaled \$103.8 million and expenses totaled \$104.2 million, resulting in a net loss of \$400,000. Revenues consisted of premium revenue self-insurance of \$105.1 million, experience refunds of -\$11.6 million, and investment earnings and other revenues of \$10.3 million.

Expenses consisted of benefit claims expenses of \$93.5 million, administrative operating expenses of \$8.7 million, depreciation of \$1.5 million, and other operating expenses of \$500,000.

As of June 30, 2023, assets and deferred outflows of resources totaled \$279 million and liabilities and deferred inflows of resources totaled \$82 million, resulting in a net position of \$197 million.



**OPEB TRUST FUND:** For the fiscal year ended June 30, 2023, total additions of \$1.43 billion, included \$1.14 billion from employer contributions, \$290 million from net investment earnings, and \$1.5 million from other sources. Total deductions were \$582.9 million, resulting in a change of fiduciary net position of \$849.7 million.

As of June 30, 2023, the OPEB Trust Fund net position balance totaled \$7.14 billion. The OPEB Trust Fund held \$7.26 billion in assets and \$121.5 million in liabilities.

## Auditors' Opinion

**EUTF RECEIVED AN UNMODIFIED OPINION** that its 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:  
[https://files.hawaii.gov/auditor/Reports/2023\\_Audit/EUTF2023.pdf](https://files.hawaii.gov/auditor/Reports/2023_Audit/EUTF2023.pdf)