

Hampshire County Group Insurance Trust

FY24 Audit Results

April 16, 2026



INSURANCE | BENEFITS | HR SOLUTIONS

HCGIT Audit: Evaluation Overview

- An **independent review of the Trust's financial statements** conducted by external auditors
- Performed in accordance with **generally accepted auditing standards (GAAS)**
- Focuses on whether financial statements are:
 - Accurate
 - Complete
 - Prepared in accordance with accounting standards (GAAP)
- Includes review of:
 - Revenues and expenses
 - Claims liabilities (including IBNR)
 - Internal controls and financial processes



HCGIT Audit: Key Purpose

Requirement / Theme	Description
Statutory Requirement	Massachusetts General Laws Chapter 32B, Section 3A establishes audit requirements for joint purchase groups.
Annual Audit Expectation	Annual audits are a standard governance practice for joint purchase groups.
Purpose of Annual Audits	Essential for transparency, accountability, and financial integrity across participating communities.
Governance & Fiduciary Responsibility	Ensures proper stewardship of public pooled funds and reinforces fiduciary oversight.
Transparency to Member Communities	Provides assurance that funds are managed appropriately and operations remain visible to stakeholders.
Financial Integrity & Accountability	Validates the accuracy of financial reporting and confirms adherence to statutory and policy expectations.
Risk Management	Identifies weaknesses in internal controls or processes and supports proactive mitigation.

HCGIT Audit: Scope Overview (FY Ended June 30, 2024)

Evaluation of Key Financial Estimates

Audit Procedures Performed

Financial statements

- Statement of net position
- Revenues, expenses & changes in net positions
- Cash flows
- Notes to financial statements

Underlying financial activity

- Member contributions and premium assessments
- Health claims and administrative expenses
- Reinsurance (stop-loss) activity
- Investments and cash balances

- Risk assessment for material misstatement (fraud or error)
- Testing of financial transactions and account balances (sample basis)
- Review of key estimates, including claims liabilities (IBNR)
- Evaluation of accounting policies and disclosures
- Assessment of overall financial statement presentation

HCGIT Audit: Results

- **Clean audit process**
 - No significant difficulties encountered
 - No disagreements with management
- **Financial statements deemed reasonable and appropriate**
- **No unusual or inappropriate transactions identified**
- **No undisclosed related party issues**
- Accounting policies remain consistent year over year
- Financial disclosures are:
 - ✓ Clear
 - ✓ Neutral
 - ✓ Appropriate for users
- Key estimates such as IBNR were reviewed and deemed reasonable

Key Takeaway



The audit identified no concerns related to the accuracy or integrity of financial reporting.

HCGIT Audit: Summary of Net Assets

Summary of Net Position

	2024	2023
Assets		
Current and other assets	\$ 25,427,805	\$ 32,017,106
Deferred Outflows of Resources	155,095	175,888
Liabilities		
Current liabilities	6,031,029	6,036,343
Noncurrent liabilities	5,107,185	5,182,814
Total Liabilities	11,138,214	11,219,157
Deferred Inflows of Resources	57,444	40,717
Net Position		
Unrestricted	\$ 14,387,242	\$ 20,933,120

HCGIT Audit: Summary of Net Revenues

Summary of Change in Net Position

	2024	2023
Revenues		
Operating revenues	\$ 79,692,276	\$ 73,216,858
Nonoperating revenues	2,012,687	1,470,426
Total Revenues	81,704,963	74,687,284
Expenses		
Operating expenses	88,250,841	81,873,997
Change in Net Position	(6,545,878)	(7,186,713)
Net Position - Beginning of Year	20,933,120	28,119,833
Net Position - End of Year	\$ 14,387,242	\$ 20,933,120

Auditor Recommendation (Operational Improvement)



While not included in the audit findings, the following recommendations aim to enhance operational efficiency and should be considered by the Trust.

Issue Area	Key Limitations / Recommended Actions
<p>General Ledger / Financial System</p>	<p>Limitations</p> <ul style="list-style-type: none"> • Current process relies heavily on spreadsheets • QuickBooks used only for limited functions • Financial records maintained on a cash basis vs. accrual • Retirement contributions recorded as expense • Activity not properly grossed up (e.g., Medicare expense) <p>Recommendations</p> <ul style="list-style-type: none"> • Implement a full general ledger accounting system • Transition to accrual-based accounting
<p>Cybersecurity & IT Controls</p>	<p>Limitations</p> <ul style="list-style-type: none"> • Increasing exposure to information-technology risks <p>Recommendation</p> <ul style="list-style-type: none"> • Implement formal cybersecurity policies and procedures

Key Takeaways

- The Trust remains **financially sound and well-managed overall**
- No concerns with compliance or financial reporting integrity
- Identified items represent **process and control enhancements**, not financial risk

Key priorities moving forward:

- Support implementation of improved accounting infrastructure
- Ensure proper payroll accounting treatment within the General Ledger
- Evaluate and implement appropriate cybersecurity policies and controls

Bottom line:

- Audit confirms **strong governance and transparency**
- No material financial issues identified
- Addressing noted improvements will further strengthen long-term oversight and operational effectiveness

