Hampshire County Group Insurance Trust

FY25 Audit Results

November 2026

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EXECUTIVE SUMMARY

FY25 at a glance

Clean

Unmodified audit opinion

Statements present fairly, in all material respects; no disagreements with management

$(8.2M)

Net position, June 30, 2025

Down $15.7M from $7.4M (restated) a year earlier; liabilities now exceed assets

$7.0M

FY24 restatement

FY24 net position corrected from $14.4M to $7.4M for premium timing

2

Audit findings

One repeat (general ledger system) and one new (revenue cut-off)

Bottom line: the audit confirms the statements are reliable and what they show is a Trust that drew down its reserves in FY25 and now carries a deficit.

AUDIT RESULTS

Audit results: a clean opinion

Required communication	Result	Status
Policies, estimates, disclosures	Consistent; IBNR, pension and OPEB estimates found reasonable	**No issue**
Management relations	No difficulties or disagreements; no unusual or related-party issues	**No issue**
Independence	CBIZ also prepared the statements; independence not impaired	**Note**
Uncorrected misstatement	June Blue MedicareRx premium ($632K) unrecorded; immaterial	**Note**
Audit adjustments	Material entries required, incl. $10.4M not in QuickBooks	**Attention**
Emphasis of matter	FY24 statements restated; opinion not modified	**Attention**

Auditor: CBIZ CPAs P.C. · Fiscal year ended June 30, 2025 · Report issued September 1, 2026 · 72 member units

EMPHASIS OF MATTER

FY24 net position restated from $14.4M to $7.4M

What happened

Premiums billed or collected in advance for future coverage were booked as current revenue and receivables, rather than as unearned revenue.

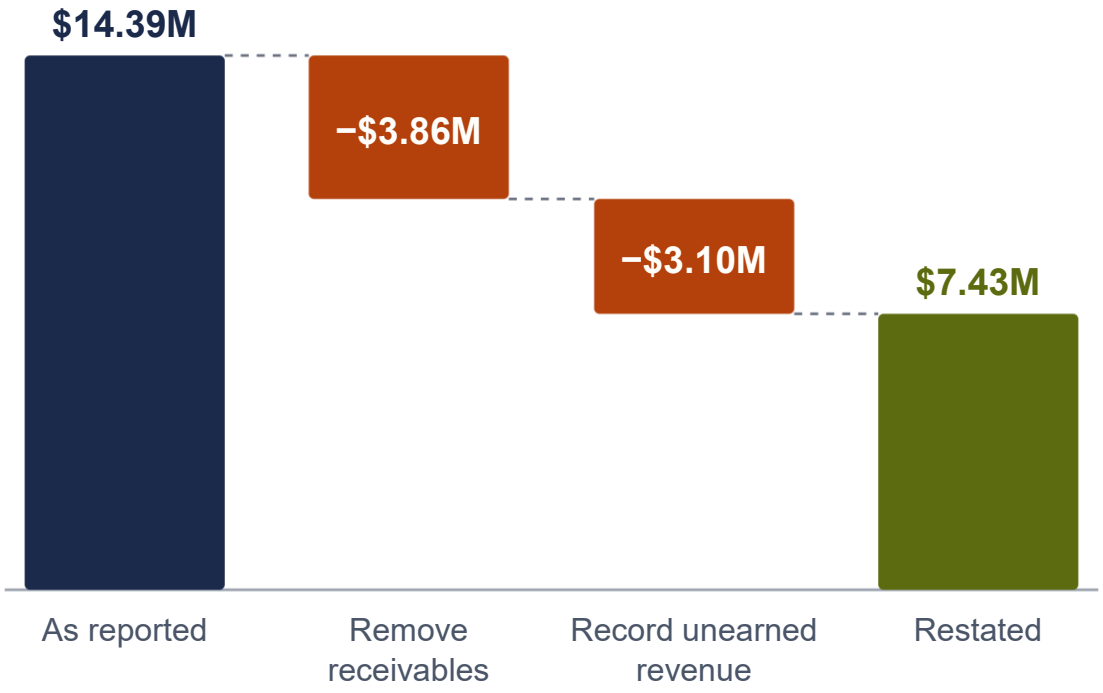
Effect on FY24 results

$0.54M: the FY24 loss grows from $(6.55M) to $(7.09M).

Effect on earlier years

$6.42M relates to periods before FY24; FY24 opening net position restated from $20.9M to $14.5M.

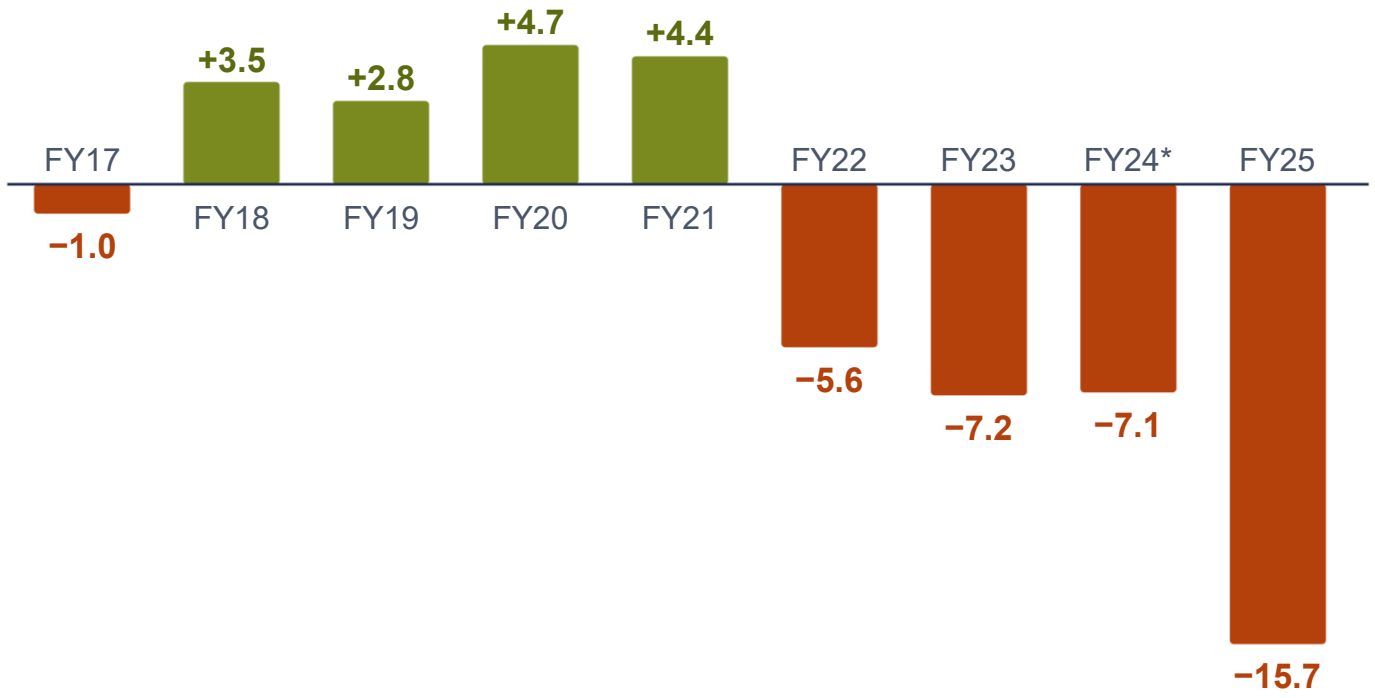
> The April 2026 FY24 presentation showed $14.4M, so those figures are superseded.



FINANCIAL RESULTS

Four straight years of operating losses

Annual change in net position, $ millions



$(36.3M)

Decline in net position in three years

June 30, 2022	**$28.1M**
FY23–FY25 losses	**−$29.9M**
Prior-period correction	**−$6.4M**
June 30, 2025	**$(8.2M)**

FINANCIAL RESULTS

Claims outpaced contributions

115%

Claims as a share of premium

Up from 107% in FY24, before admin and stop loss costs

+16.7%

Claims growth vs. +8.1% premium

Claims up $13.9M; premiums up $6.3M

18.5%

Premium shortfall

FY25 premiums would have needed to be ~18.5% higher to break even

117%

Stop loss recoveries vs. premium

$2.55M recovered on $2.18M paid ($400K specific deductible)

> *"This change is mostly due to an increase in pharmaceutical and medical claims and the growing popularity of weight-loss drugs."*
>
> Management's Discussion and Analysis, FY25 financial statements

FINANCIAL RESULTS

Liquidity and reserve position

$12.2M

Cash used by operations

Covered by selling $13.3M of investments

$0.78

Current assets per $1 of current liabilities

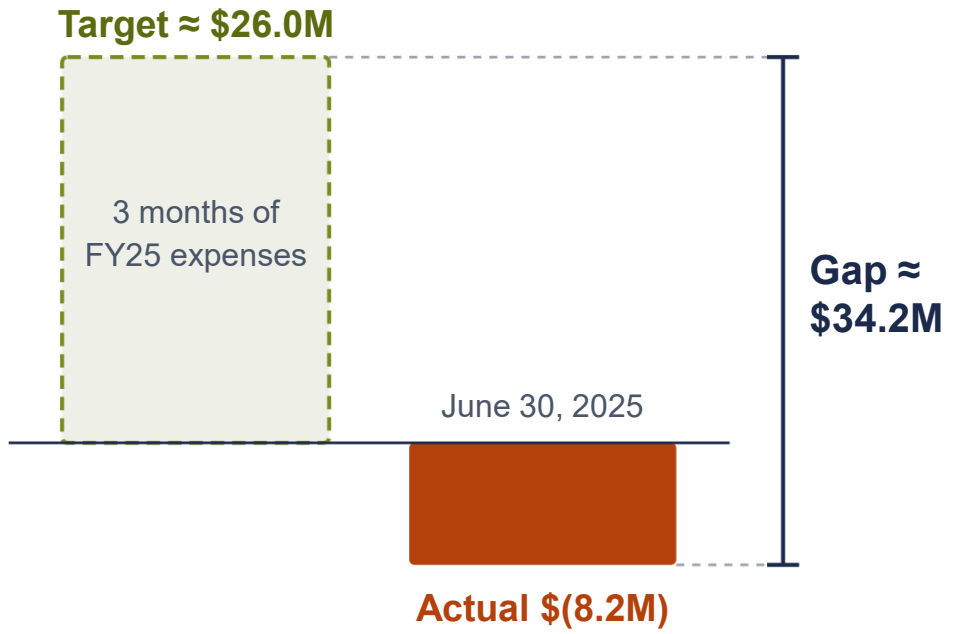
$11.1M current assets vs. $14.3M current liabilities

1.3 mo.

Claims covered by cash and investments

$10.5M on hand vs. ~$8.1M average monthly claims

Target per the Trust's reserve policy (Note 1): about three months of expenses, or FY25 expenses of $103.9M ÷ 4. Illustrative.



AUDIT FINDINGS

Two findings: one repeat, one new

Repeat finding · FY24 and FY25

Establish a general ledger accounting system

CONDITION

Activity is tracked in cash-basis spreadsheets; QuickBooks is used only to pay invoices. Many material audit adjustments were needed, including $10.4M of FY25 activity not in QuickBooks.

AUDITOR RECOMMENDS

- Implement a general ledger on the accrual basis
- Hire a bookkeeper or outsource to an accounting firm

New finding · FY25

Record revenue in the proper fiscal year

CONDITION

Advance premium billings and collections were booked as current revenue and receivables instead of unearned revenue, which is the cause of the FY24 restatement.

AUDITOR RECOMMENDS

- Year-end review of premium billings and collections
- Document the revenue recognition method
- Reconcile premiums, collections, receivables and unearned revenue each year end

AUDIT FINDINGS

Recommendations

Recommendation	At audit (June 30, 2025)	Current (November 2026)
General ledger system	**Open, repeat finding**	**Implemented**
Accrual-basis accounting	**Open**	**Implemented**
Revenue in the proper period	**New finding**	**Implemented**
Retirement payments out of expense	**Recurring**	**Implemented**
Medicare activity recorded in full	**Watch**	**Implemented**
Monthly financial reporting	**Recommended**	**Implemented**
Cybersecurity and cyber insurance	**Open risk**	**Not yet implemented**

KEY TAKEAWAYS

Bottom line

01 **The audit is clean.** The statements are fairly presented, with no disagreements and no unusual transactions.

02 **The financial position is not.** A $15.7M loss left an $(8.2M) deficit and about 1.3 months of claims in cash and investments.

03 **Progress has started.** The FY27 books now reflect most audit recommendations; rates still need time to rebuild reserves.