



Financial Statements
June 30, 2023

Better Health Collective

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Independent Auditor's Report

To the Board of Trustees
Better Health Collective
Staples, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Better Health Collective (the Pool), which comprise the statement of net position as of June 30, 2023, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Better Health Collective as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Better Health Collective and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Better Health Collective's ability to continue as a going concern for twelve months after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Better Health Collective's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Better Health Collective's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of claims development information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements are not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of Better Health Collective's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Better Health Collective's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Better Health Collective's internal control over financial reporting and compliance.



Fargo, North Dakota
December 15, 2023

Better Health Collective
Statement of Net Position
June 30, 2023

	2023
Assets	
Receivables	
Member contributions	\$ 65,707
Funds held by others	8,477,121
Pharmacy rebates	1,530,322
Total Assets	\$ 10,073,150
Liabilities and Net Position	
Current Liabilities	
Estimated liability for reported and unreported loss and loss adjustment expense	\$ 3,857,825
Accounts payable	20,055
Payable to claims administrator	16,516
Total current liabilities	3,894,396
Net Position	
Unrestricted	6,178,754
Total Liabilities and Net Position	\$ 10,073,150

Better Health Collective
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023

	2023
Operating Revenues	
Member contributions earned	\$ 40,223,041
Less: reinsurance premiums ceded	(2,697,476)
Plus: reinsurance premiums collected from members	2,697,476
Net operating revenues	40,223,041
Operating Expenses	
Net claims and claims adjustment expenses incurred	
Claims and claims adjustment expenses incurred	44,499,232
Reinsurance recoveries	(3,103,432)
Total claims and claims adjustment expenses incurred, net	41,395,800
General and administrative expenses	
Administrative fees	1,077,882
Broker fees	65,800
Professional fees	44,353
Incentive fees	272,771
Membership fees	5,691
Affordable Care Act fees	18,464
Miscellaneous expenses	17,826
Total general and administrative expenses	1,502,787
Operating Loss	(2,675,546)
Other Income (Expense)	
Net investment expense	(47,254)
Miscellaneous income	23,135
Total other income (expense)	(24,119)
Change in Net Position	\$ (2,699,665)
Net Position, Beginning of Year	\$ -
Initial contribution	8,878,419
Change in net position	(2,699,665)
Net Position, End of Year	\$ 6,178,754

Better Health Collective
Statements of Cash Flows
Year Ended June 30, 2023

	2023
Net cash provided by operating activities	\$ -
Net cash provided by investing activities	-
Net cash provided by financing activities	-
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	\$ -
Reconciliation of Operating Income to Net Cash Provided	
by Operating Activities	
Operating loss	\$ (2,675,546)
Adjustments to reconcile operating gain to net cash from operating activities	
Increase (decrease) in assets	
Contributions receivable	441
Funding paid to third parties	2,350,865
Reinsurance recoverable on paid losses	(432,717)
Increase (decrease) in liabilities	
Losses and loss adjustment expense reserves	749,586
Accounts payable and accrued expenses	(9,145)
Unearned contributions	16,516
Net Cash Provided by Operating Activities	\$ -
Supplemental Disclosure of Funds Held by Sponsoring Organization - Investing and Financing Activities	
Contributions received	\$ 40,239,998
Reinsurance premiums paid	(2,697,476)
Underwriting and expenses of operations (paid) received	(2,117,723)
Claims and claims adjustment expenses paid	(40,473,140)
Decrease in funds held by others	2,350,865

Note 1 - Nature of Business and Significant Accounting Policies

Reporting Entity

Better Health Collective Employee Health Benefits Pool (Pool) provides health and other health related coverages for member organizations and was created under Minnesota Statute, § 471 effective July 1, 2022. There were 32 participating members of the Pool as of June 30, 2023, all of which were the sponsoring association, statutory or home rule charter cities, counties, school districts, or instrumentalities of the State of Minnesota. The objective of the Pool is to provide and implement group health coverage and health maintenance cost containment programs and procedures to employees of Minnesota public agencies. The Pool is supervised by a Board of Trustees consisting of up to seven members.

The Pool assumed certain liabilities in conjunction with accepting the initial contribution from certain participating members. The Pool is exposed to various risks of loss related to torts and errors and omissions. The Pool has purchased commercial insurance to mitigate its risks.

The Pool's bylaws contain a provision stating that if a series of claims exhaust the Pool's net position, then the payment of those claims will be the obligation of the members. Members agree to continue membership in the Pool for a period of not less than twelve months from a renewal date of January 1 or July 1, and may withdraw from the Pool by giving written notice to the Pool no later than five months before the end of the Participating Member's Policy Year. Claims incurred prior to the effective date of withdrawal shall be paid by the Pool provided such claims are presented to the Pool, or its designee, within 180 days after the effective date of withdrawal. Any claims incurred after the effective date of withdrawal and any claims submitted after 180 days after the effective date of withdrawal shall be the responsibility of the withdrawing member.

The Board of Trustees shall review each Participating Member's status and experience, no less than annually, to determine whether they meet any criteria for expulsion. Criteria for expulsion include:

- Failure to remit a premium, assessment, or penalty in the amount required by the date due;
- Failure to comply with the membership agreement and bylaws, a delegation of authority from the Board, Board policies and procedures, or applicable laws and rules;
- Failure to perform other assigned obligations with respect to the Pool or any Plan;
- Failure to satisfy the standards of financial integrity adopted by the Board; or
- Other action or failure to act which the Board of Trustees determines to be detrimental to the interests of the Pool or any Plan.

A member that withdraws or is expelled from the Pool has no right to a share of the Pool's surplus.

The Board of Trustees may, but is not required to, declare and pay dividends or distributions from its surplus. The board shall not declare a dividend if doing so would cause surplus to be negative. Any dividend declared is allocated in proportion to each eligible Participating Member's share of the total premiums paid during the applicable period. Only Members participating in the Pool at the time of declaration are eligible to receive the dividend or distribution. A Member that withdraws or is expelled from the Pool has no right to a share of the Pool's surplus.

Upon termination of the Pool and after payment of all claims and losses, all remaining assets and funds held by the Pool shall be paid to all Members of the Pool upon final dissolution in accordance with applicable law. The amount distributed to each Participating Member is based on a two-step formula which considers total consecutive Member Months of each Member as well as amounts paid for annual premiums. The Pool shall not be dissolved without authorization from the Commissioner. The Commissioner will grant authorization within 60 days of receipt of the request if either the Pool has no outstanding liabilities or if the Pool has obtained commitment from a licensed insurer that provides for payment of all outstanding liabilities.

A summary of the Pool's significant accounting policies follows:

Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting. The Pool prepares its financial statements primarily following the guidance of Governmental Accounting Standards Board (GASB) Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* (as amended by subsequent GASB statements) along with other applicable standards issued by the GASB. GASB Statement No. 10 establishes accounting and financial reporting standards for risk financing and insurance-related activities of public entity risk pools.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the estimated liability for reported and unreported claims and claims adjustment expenses, amounts recoverable from reinsurers under excess of loss agreements, and pharmaceutical rebates.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Pool includes as cash equivalents all cash accounts and money market mutual funds which are not subject to withdrawal restrictions or penalties. Certificates of deposit with original maturities less than ninety days are considered cash equivalents.

Receivables

Receivables are recorded based on amounts due from members and other third-party payers, and amounts estimated to be received or recovered from reinsurers and other third-party payers. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. An allowance for doubtful accounts was not considered necessary by the Pool's management as of June 30, 2023.

Investments

Investment securities are accounted for under the provisions of GASB 72 *Fair Value Measurement and Application*. Accordingly, the Pool is required to report investments at fair value in the statement of net position with changes in the fair value of investments reported as investment income. Certificates of deposit that are negotiable are also carried at fair market value. Nonparticipating certificates of deposits are stated at cost.

Dividend and interest income are recognized when earned. Investment expenses are netted against investment income.

The calculation of realized gains and losses is independent of the calculation of the net increase (decrease) in the fair value of investments. Realized gains and losses on investments that had been held for more than one year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

The Pool's Board of Trustees has authorized investments in certificates of deposit, United States Treasury and government agency issues, mortgage-backed securities, corporate and municipal bonds and mutual funds, among other investments.

There were no investments or related investment income as of and for the year ended June 30, 2023.

Funds Held by Others

As of June 30, 2023, all funds were held by the sponsoring organization for the benefit of the Pool, and income is earned based on the balance of the funds held. Losses on these funds were (\$47,254) for the year ended June 30, 2023.

Member Contributions and Unearned Income

Members are billed monthly in advance for a deposit contribution. Income from such contributions is recorded as earned during the coverage period. Contributions received in advance for coverage in the following policy year are recorded as advance member contributions. Member contributions are reduced by reinsurance premiums ceded to the reinsurance companies.

Reinsurance

In the normal course of business, the Pool seeks to reduce the loss that may arise from events that cause unfavorable underwriting results, by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers.

Amounts recoverable from reinsurers under excess loss coverages are estimated in a manner consistent with the development of the estimated liability for losses and loss adjustment expense reserves. Amounts recoverable from reinsurers that relate to paid claim losses and loss adjustment expenses are classified as assets, net of allowance for any estimated uncollectible amounts, and as a reduction to claims expenses incurred.

As adjustments to this estimated liability become necessary, such adjustments are reflected in current operations. Management of the Pool believes the estimated liability for losses and loss adjustment expense reserves is sufficient to cover the ultimate net cost of incurred claims, but such reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated.

Subrogation and Coordination of Benefits Recoverable

The Pool bylaws prohibit performing subrogation activities. The Pool does coordinate benefits to the extent available. The Pool evaluates the value of potential recoverable in determining the reserve for unpaid loss and loss adjustment expenses. The nature of the recoverable is such that the length of collections, coverage of the member, and other parties with a bona fide claim vary greatly from case to case. For this reason, the Pool feels that although collections are probable, they are not reasonably estimated and therefore are not accrued within the financial statements.

Income Taxes

The Pool's management believes that its income is excludable from income tax under section 115 of the Internal Revenue Code. A private letter ruling on the Pool's tax-exempt status has not been requested. Management believes that the Pool continues to operate in a manner whereby it continues to be tax exempt.

Contribution Deficiency

A contribution deficiency exists when the sum of expected claims costs (including an estimated liability for unreported claims) and all expected claims adjustment expenses, expected dividends, and policy acquisition costs exceed related unearned contribution. The Pool anticipates investment income in determining if a contribution deficiency exists. The Pool has not recognized a contribution deficiency as of June 30, 2023.

Estimated Liability for Reported and Unreported Claims and Claims Adjustment Expenses

The coverage offered by the Pool is on the occurrence basis which provides for payment of claims that occur during the period of coverage and which are submitted within 12 months of the date of occurrence. The estimated liability for reported and unreported claims and claims adjustment expenses is based upon data developed by the Pool's administrator. Industry experience and statistics were used to develop the estimated liability. The liability includes estimates of the costs to settle individual claims which have been reported, plus a provision for claims and costs incurred but not yet reported. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Claims are reduced for subrogation when payment is received, as subrogation amounts are immaterial. There was no change in assumptions used in the current year to create the liability.

As adjustments to this estimated liability become necessary, such adjustments are reflected in current operations. Management of the Pool believes the estimated liability for reported and unreported claims and claims adjustment expenses is sufficient to cover the ultimate net cost of incurred claims, but such reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated.

Subsequent Events

The Pool has evaluated subsequent events through December 15, 2023, the date on which the financial statements were available to be issued.

Note 2 - Deposits and Investments

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (i.e. broker-dealer) to a transaction, the Pool will not be able to recover the value of its investments that are in the possession of another party. The Pool had funds held by others in the amount of \$8,477,121 exposed to custodial credit risk as of June 30, 2023.

Credit Risk

Suitable investments described in the Pool's investment policy include interest bearing checking accounts, savings accounts, United States Treasury bills, bonds and notes, United States Government Agencies, among other securities described in the Pool's investment policy. The Pool has no investment policy that would further limit its investment choices other than as described in its investment footnote disclosures. The Pool's investment policy states that corporate and municipal bonds rated A or better by Moody's Investment Service or an equivalent rating by another recognized service, and mutual and money market funds that invest in U.S. Treasury securities, are acceptable. The Pool held no investments as of the year ended June 30, 2023.

Concentration of Credit Risk

The Pool's investment policy provides that no more than 50 percent of the US agency securities shall be from one issuer, and no more than 5 percent of municipal securities shall be from one issuer. Savings and demand deposits, certificates of deposit, and mortgage-backed securities shall not comprise more than 25 percent, 75 percent, and 10 percent, respectively, of the total portfolio.

Note 3 - Liability for Losses and Loss Adjustment Expense Reserves

The Pool establishes liabilities for both reported and unreported covered events, which includes estimates of both future payments of claims and related claims adjustment expenses. The Pool agreed to assume liabilities for claims incurred but unpaid prior to July 1, 2022, for certain participating members. The following is a summary of the changes in those aggregate liabilities for the year ended June 30, 2023:

	2023
Net Unpaid Losses and Loss Adjustment Expense Reserves, beginning of year, assumed	\$ 2,935,165
Net Incurred Losses and Loss Adjustment Expenses	
Current year provision	40,152,208
Increase (decrease) in prior years' provisions assumed	1,243,592
Net provision	41,395,800
Net Losses and Loss Adjustment Expense Payments Attributable to	
Current year	36,974,218
Prior years	3,498,922
Net payments	40,473,140
Unpaid Losses and Loss Adjustment Expense Reserves, End of Year	\$ 3,857,825

As a result of changes in estimates of insured events incurred in prior years and assumed on July 1, 2022, the provision for losses and loss adjustment expense reserves assumed on July 1, 2022, had unfavorable development of \$1,243,592 during the year ended June 30, 2023. The change in incurred losses was primarily attributable to new information regarding claim development that became known during subsequent periods.

Note 4 - Reinsurance

The Pool and its members utilize reinsurance agreements to limit maximum loss and minimize exposures on larger risks. Under the reinsurance agreements in effect during the period ending June 30, 2023, the Pool was reimbursed under an individual stop loss policy and an aggregate stop loss policy.

Under the individual stop loss policy, a covered person is subject to a \$250,000 deductible for the period ended June 30, 2023. The policy covers claims incurred on or after the effective date of the agreement while the policy is in force and paid either during the policy year or within the following 6 months.

Under the aggregate stop loss policy, a covered member entity of the Pool is subject to a deductible calculated by multiplying the number of covered employees by their applicable aggregate monthly attachment factor. Aggregate monthly attachment factors vary depending on what plan the policyholder has, as well as whether the plan is a single plan or family plan.

The Pool and its members would be liable for any obligations that the reinsurance companies are unable to meet under the reinsurance agreements. The Pool would be liable for any claims that occurred for which their reinsurance policies would not cover under the agreement but was determined covered under the Pool agreements. During the year ended June 30, 2023, claims expenses incurred are net of \$3,103,432 of recoveries from the reinsurance company under contract.

Note 5 - Pharmacy Rebates

The Pool receives pharmacy rebates on a quarterly basis. As of June 30, 2023, a receivable is estimated based on historical receipts as well as benefit payments made throughout the 4th quarter. The estimates are adjusted based on actual collections through the date these financials statements are issued. The subsequent collections are considered a Type 1 subsequent event and are included in the recorded balance as of June 30, 2023. Included in the recorded balance as of June 30, 2023 are \$1,530,322 of pharmacy rebates receivables. The Pool's administrator reconciles all pharmacy rebates for all clients annually and may pay additional rebates to the Pool. As these amounts are not readily estimated, they are recognized when received. As of June 30, 2023, \$830,617 of pharmacy rebates receivables were greater than 90 days outstanding. There were no collection issues or bad debts noted as of June 30, 2023. During the year ended June 30, 2023, claims expenses incurred are net of \$2,395,724 of pharmacy rebates.

Note 6 - Service Agreements

The Pool has an agreement with a claim administrator to provide claims and program administration for the Pool. Fees incurred under the agreement for the year ended June 30, 2023, were \$900,079, reported in administrative fee expense.

The Pool has an agreement with a service provider to provide enrollment and billing services for the Pool. Fees incurred under the agreement for the year ended June 30, 2023, were \$125,298, reported in administrative fee expense.

The Pool has an agreement with a service provider to provide wellness portal access for the Pool's members. Fees incurred under the agreement for the year ended June 30, 2023, were \$129,574, reported in administrative expense.

The Pool collects contributions from the respective members and pays for third party service fees (included in administrative fee expense in the accompanying statement of revenues and expenses). Contributions collected during the year ended June 30, 2023, were \$900,907.

Note 7 - Related Party Transactions

Sourcewell is the sponsoring association and a member of the Pool. The Pool incurred compensation fees related to Sourcewell of \$823,535 for the year ended June 30, 2023. No amounts were due to or from Sourcewell, related to administrative fees, as of June 30, 2023.

Note 8 - Major Members

The Pool had one major member for the periods ending June 30, 2023. A major member is one which provides 10 percent or more of an entity's revenue in any year. Net member contributions earned from the major member were approximately \$4,494,000 for the year ended June 30, 2023.

Note 9 - Contingencies

The Pool is a party to various legal actions and is subject to various claims arising in the ordinary course of business. Management believes that the disposition of these matters will not have a material adverse effect on the Pool's financial position or results of operations.



Required Supplementary Information
June 30, 2023

Better Health Collective

Better Health Collective
Schedule of Contribution and Claim Development Information (Unaudited)
For the Year Ended June 30, 2023

	2023
Net Earned Member Contributions and	
Investment loss	\$ (47,254)
Earned	40,223,041
Ceded	(2,697,476)
Reinsurance collected from members	2,697,476
Net earned	40,175,787
Unallocated Expenses	1,502,787
Estimated Claims and Expenses, End of Policy Year	
Incurred	44,499,232
Ceded	3,103,432
Net incurred	41,395,800
Net Paid (Cumulative) as of:	
End of policy year	36,974,218
One year later	-
Two years later	-
Three years later	-
Four years later	-
Five years later	-
Six years later	-
Seven years later	-
Eight years later	-
Nine years later	-
Net Paid on Assumed Liabilities *	3,498,922
Estimated Ceded Claims and Expenses	3,103,432
Estimated Net Incurred Claims and Expenses	
End of policy year	40,152,208
One year later	-
Two years later	-
Three years later	-
Four years later	-
Five years later	-
Six years later	-
Seven years later	-
Eight years later	-
Nine years later	-
Increase (Decrease) in Assumed Liabilities *	1,243,592
Increase (Decrease) in Estimated Net Incurred	-
Claims and Expenses from End of Policy Year	\$ -

* See Note 3 for discussion of assumed liabilities



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Better Health Collective Employee Health Benefits Pool
Staples, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Better Health Collective Employee Health Benefits Pool, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Better Health Collective Employee Health Benefits Pool's basic financial statements and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Better Health Collective Employee Health Benefits Pool's internal control over financial reporting (internal control) as the basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Better Health Collective Employee Health Benefits Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of Better Health Collective Employee Health Benefits Pool's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses as 2023-1 and 2023-2, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2023-1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2023-2 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Better Health Collective Employee Health Benefits Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2023-01.

Better Health Collective Employee Health Benefits Pool's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Better Health Collective Employee Health Benefits Pool's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Better Health Collective Employee Health Benefits Pool's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
December 15, 2023

2023-01

Pooled Cash and Investments
Material Weakness

Criteria – Minnesota rule 2785.15 requires that Pool assets are not commingled with assets of any participating member to maintain financial integrity and that all contractors and individuals who handle pool funds or who will have authority to gain access to pool fund, including board members, must be covered by fidelity bonds with coverage of at least \$300,000 per occurrence.

Condition – The Pool’s cash and investments are commingled with the assets of a participating member and fidelity bonds have not been purchased for individuals who handle pool funds.

Cause – The Pool is not compliant with Minnesota rule 2785.15.

Effect – Noncompliance with Minnesota rules could have a direct, material effect on the financial statements as a whole. This may affect decisions of financial statement users and management.

Recommendation – It is the responsibility of management to work with the associated parties to make sure that the Pool is in compliance with Minnesota rules.

View of Responsible Officials – The Pool’s management is investigating options and intends to comply with Minnesota rule 2785.15 in regards to commingling of funds. Additionally, management will review liability coverage to ensure it is sufficient for individuals with access to Pool funds.

2023-02

Preparation of Financial Statements
Significant Deficiency

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the Pool’s financial statements.

Condition – The Pool does not have an internal control system designed to provide for the preparation of the financial statements being audited. In conjunction with the completion of our audit, we identified and proposed adjustments and were requested to draft the financial statements and accompanying notes to the financial statements.

Cause – The Pool does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Effect – The absence of controls over the preparation of the financial statements increases the possibility that a misstatement of the financial statements could occur and not be prevented or detected and corrected, by the Pool’s internal controls. The need for audit adjustments indicates that the Pool’s interim financial information received may not be correct, which may affect managements decisions made during the course of the year.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials – Management will review the statement preparation completed during the audit and will seek to implement accounting system changes to better support financial statement preparation internally.