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A LEGACY OF DEPENDABILITY & ENDURANCE

2021/22
ANNUAL REPORT



Risk Management
Fund



Risk Management Fund





ANNUAL REPORT 2021/22

Texas Water Conservation Association
Risk Management Fund

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CHAIR'S LETTER

Dear Friends,

The 2021/2022 Fund year saw the Risk Management Fund continue its strong track record of growth and commitment to members. Although the market downturn resulted in diminished investment returns, the Fund's underlying financial position is rock solid. Our twice annual actuarial reports and constant monitoring of underwriting results affirm this strength.

Marketing efforts, directly supported by existing Fund members, also showed progress with the addition of an important member in Hughes Springs, the Northeast Texas Municipal Water District. NETMWD joined the Fund in October 2022, technically after the 2021/2022 Fund year, but most of the effort to bring them into the Fund took place during the year of this report. The district serves the water requirements of ten communities and industrial customers in the Cypress Creek Basin area of northeast Texas. We welcome them to the Fund. Significant contacts were also initiated with other potential members, including a newly forming district, irrigation and drainage districts, and a river authority.

The Fund also continued its successful history of delivering important services that are not generally offered by our competitors. Security assessments are a new service designed to address the security issues confronting members' staff and facilities. Leadership training also continued with a series of webinars. For the current Fund year, from July 2021 through June 2022, we completed 41 leadership webinars involving 275 attendees from 31 different members. We also provided three all-day trainings of "Managing Performance & Behavior" for one member with 152 participants. Our leadership training offers several courses directed at improving employee supervision and management. All of these services are available without cost as part of membership in the Fund!

Another free service offered by the Fund is access to legal counseling. We urge members, especially our smaller members who don't have in-house legal counsel, to take advantage of the legal consulting provided by Joel Geary, an experienced defense attorney with much expertise in employment-related matters and

other liability-related issues. The service is provided without cost to members and is designed to reduce risk in member legal matters.

This Annual Report recaps the financial highlights of the 2021/2022 Fund year and provides an overview of coverages, services, and results. This year was a "down" year in the financial markets, and the Fund experienced decreases in the value and returns on its investments. Primarily for this reason, unrestricted net position dropped slightly to \$21,200,000, representing the members' equity in the Fund.

Despite the fluctuations in the market, the Fund maintained its conservative foundation and approach that has created diversified investment options to enhance yield. The financial underpinning of the Fund has allowed us to maintain stable contribution levels with a prudent use of surplus and higher reinsurance retention levels to help reduce the impact of reinsurance premium increases in the volatile property reinsurance market. The overall performance of the Fund also improved as losses decreased, expenses remained stable, and contributions driven by increased payroll, net expenditures, and property values increased. Rates for coverages remained flat.

Important work was also done to continue the review and updating of the Fund's governing and administrative documents. This process is a year-around, ongoing effort to ensure that the Fund meets or exceeds all best practices for risk pools.

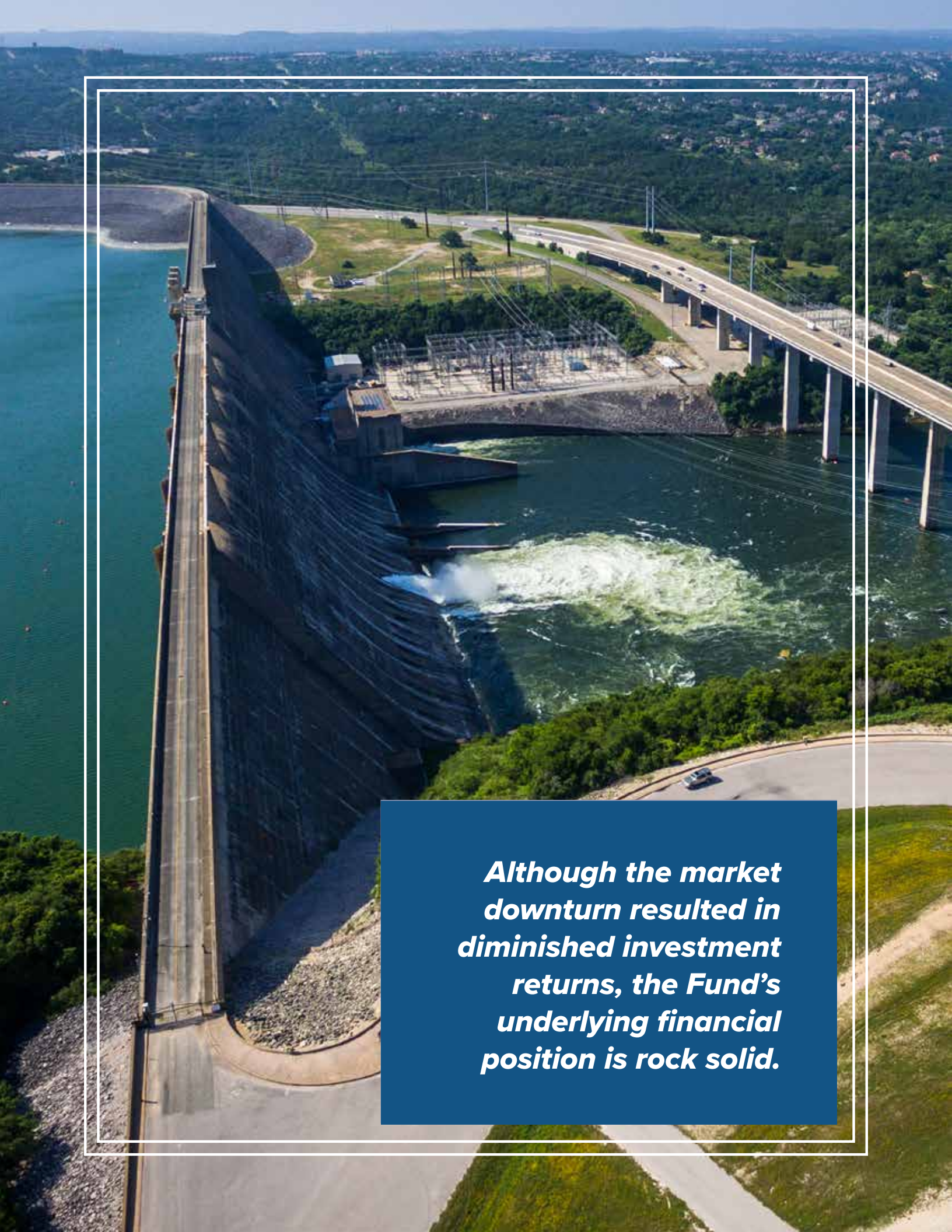
This report will recap the Fund's steady growth and financial results through the recently completed 2021/2022 year. Our goal is to continuously improve and exceed the expectations of our members.

Thank you to all our members for your continued loyalty and commitment to the Fund.

Sincerely,

Jace A. Houston

Chair, TWCARMF Board of Trustees



***Although the market
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FUND SERVICES

AN EXTRAORDINARY COMMITMENT TO SERVICE

The TWCA Risk Management Fund provides many valuable services for its members. The following list highlights the services and characteristics that distinguish the Fund from its competitors and fulfill its strong service commitment to members. The Fund encourages members to understand and take advantage of these services.

- » Fund members own and govern the Fund. Each member has a financial stake in the Fund.
- » The Board of Trustees is composed of leaders from water districts including river authorities, irrigation districts, a groundwater conservation district, municipal water districts and a drainage district. All Fund members are welcome to attend Board meetings and address their particular concerns to the Board.
- » Loss Prevention services are provided by Loss Control Consultants for:
 - › Facility safety inspections
 - › Direct and virtual consultations regarding specific safety issues
 - › Safety training
 - › Helping form and coach safety committees
 - › Investigating serious accidents
 - › Driver training specific to water district vehicles and usage
- » Loss Control staff members also present in person and virtual Safety Seminars and Training. Recent Topics included:
 - › Current TWCARMF Claim Trends – TWCARMF Workers' Compensation Claims Experience
 - › Job Hazard Analysis
 - › How to Create and Maintain a Safety Culture
 - › Slips, Trips and Falls
 - › Ergonomics at Home & Work
 - › Strains & Sprains
 - › Defensive Driving; Inclement Weather
 - › Safety at the Office and at Home
- » Risk Management Consulting services include:
 - › Comprehensive on site/virtual risk management reviews for members resulting in a report to management and recommendations for improvements in all areas of risk
 - › Security assessments for members' facilities with recommendations for improvements
 - › Contract issues including general and supplemental conditions
 - › Insurance requirements
 - › Claim analysis
 - › Policies and procedures designed to improve risk management
 - › Risk management review of contracts for specific projects, including dams, wastewater treatment plants, pump stations and construction specific coverages such as large Builders Risk, Bonds or Pollution policies
- » Fund publications include:
 - › **Risk Advisor**, quarterly newsletter about current trends and developments in safety and risk management
 - › **Bulletins** provide in depth coverage of current risk management topics such as Flood Insurance, Contracts, Property Coverage and Hurricane Preparedness
 - › **Risk Alerts** issued when members need to know about current risk related events such as tropical storms, cyber threats or potential pandemics
 - › **Emergency Management Resources** guide (published in 2018)
 - › **Personnel Policies Guide** (updated in 2022)
 - › **Annual Report**

- » Leadership Training for managers and supervisors is provided through courses such as:

- › Holding Employees Accountable
- › Managing Difficult People
- › Effective Delegation
- › Communicating Effectively
- › Performance Management
- › Respect in the Workplace
- › Situational Leadership
- › Active Listening
- › Building team and Trust
- › Courageous Conversations
- › Coaching with Confidence

Training is provided at the district or in a regional setting without cost to the member. In person training resumed in 2022 with a watchful eye on any pandemic resurgence. Frequent webinars are also conducted on many of the Leadership topics.

- » Cyber Liability Consulting provided by experienced Cyber professionals that includes:

- › Cyber risk control assessments
- › IT Asset Inventory
- › Cyber Breach Response
- › Cyber Alerts
- › Evaluation and recommendations for Wi-Fi Security, Password policy, acceptable use policy and Records Management
- › Cyber Training

- » Legal Loss Prevention is offered to all members without cost by a designated attorney well qualified in water law in Texas.

- » Amicus briefs or other legal assistance are provided on behalf of members in litigation that could have wide impact on Fund members, decided at the discretion of the Board of Trustees.

- » Annual property valuations and periodic professional on-site appraisals ensure accurate replacement cost values to prevent under-insurance in the event of a loss.

- » Efficient online services for:

- › Claim reporting
- › Dashboard style loss history
- › Online renewals
- › Online MVR checks with quick, same day response for new hires
- › Accessible and useful website with significant content including:
 - Upcoming events
 - Sign-up for workshops and seminars
 - Archived publications
 - Library of resources

- » Dedicated claims adjusters handle workers' compensation, general and automobile liability, errors and omissions, employment liability and property claims for Fund members.

- » Members have access to the Political Subdivision Workers' Compensation Alliance that provides direct contracting with medical providers that give member employees immediate access to care, excellent outcomes and reduced medical costs.

- » Medical bill review for cost, appropriateness and efficacy is standard on every claim.

- » Accredited nurse case managers are available to help seriously injured workers and their families navigate and understand medical treatment and communicate with their doctors.

- » Coverages have evolved over time to respond to emerging risks or coverage needs such as:

- › Dam Failure liability
- › Defense of Ultra Vires Actions against individual district trustees
- › Limited Pollution Liability
- › Assumption of Liability by Contract
- › Limited Coverage for Punitive Damages
- › Employee Benefits Liability
- › Cyber Coverage including 24 hour breach response
- › Defense of Takings Claims
- › Reimbursement for Criminal Defense after dismissal

KEY INDICATORS

Reinsurance Program

Protection from catastrophic losses through comprehensive reinsurance is provided by Government Entities Mutual (GEM), Genesis, Midwest Employers and FM Global, all A+ rated reinsurance carriers (except GEM, a group Captive) in a carefully designed program to protect the Fund and its members.

The Fund retains a portion of each claim, then reinsurance pays for loss amounts exceeding the Fund's retention up to the reinsurer's limit of liability. Current retentions and reinsurer limits are shown in the table. The continuing very difficult Property market has required ceding larger amounts of contributions to the reinsurers and assembling a reinsurance program for Wind, Flood and Earthquake to provide adequate limits for Property coverages.

TWCARMF Reinsurance Protection 2021-22

Coverage Program	Fund Retention	Reinsurer Limit of Liability
Workers' Compensation	\$400,000	\$3,400,000
Liability	\$400,000	\$9,600,000
Property	\$250,000	\$500,000,000

*Net contributions are after deduction for reinsurance premiums.

**Investment Income includes temporary unrealized investment losses.

Financial Highlights

Total assets of the Fund decreased somewhat in 2021-2022. Incurred losses decreased while member net position also decreased due to significant unrealized losses in investment values. Investment earnings also decreased due to the negative interest rate environment. Member contributions also were flat from the prior year despite continuing escalation of property reinsurance cost. Use of surplus helped offset the increase to members. This resulted in member increases in contributions being primarily because of internal growth such as increases in payroll, net operating expenditures and property values.

2021-22	(rounded)
Total Assets	\$ 30,246,000
Long Term Investments	\$ 25,217,000
Member Net Position	\$ 21,215,000
Gross Contributions	\$ 9,600,000
Net Contributions*	\$ 4,790,000
Investment Income**	\$ (2,940,000)
Incurred Losses	\$ 2,150,000
Net Position Change	\$ (2,470,000)

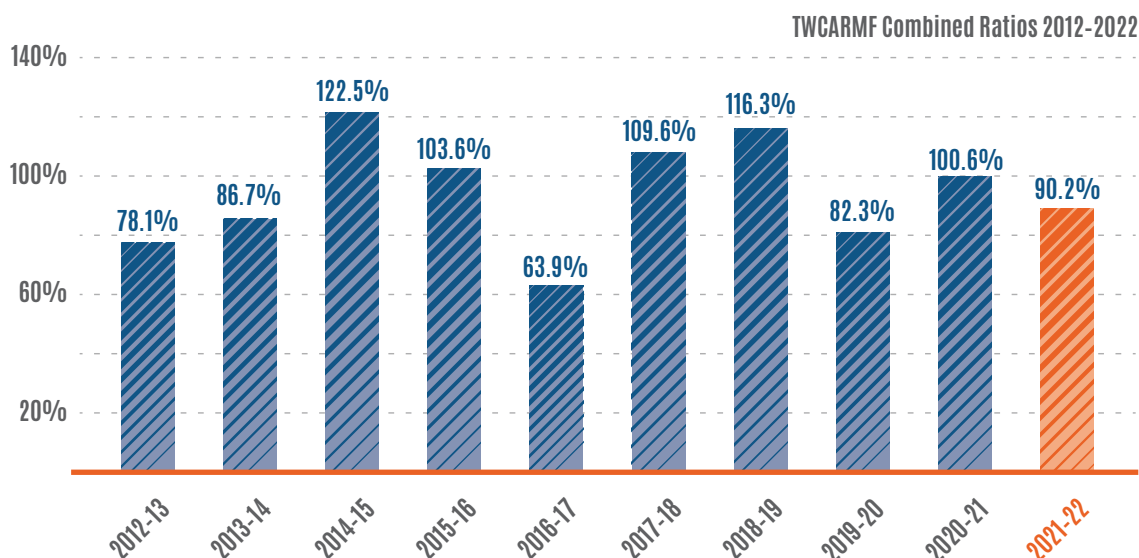


KEY INDICATORS

Combined Ratio

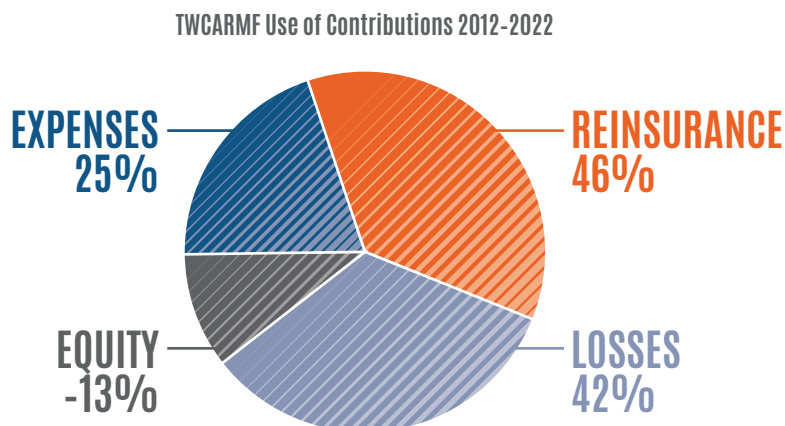
A combined ratio is an insurance industry measure of the relationship of claims costs and expenses to the premiums (contributions) paid by their insureds (members). Results in the 2021-2022 year were more favorable than the prior year due to decreased claims and stable contributions. Tropical storm and other

weather-related losses contribute to the variability in results from year to year. In contrast the 2020-2021 year saw a large increase in property reinsurance premiums along with Workers' Compensation losses that were offset by actuarial adjustments, resulting in a lower combined ratio than the previous year.



Use of Contributions

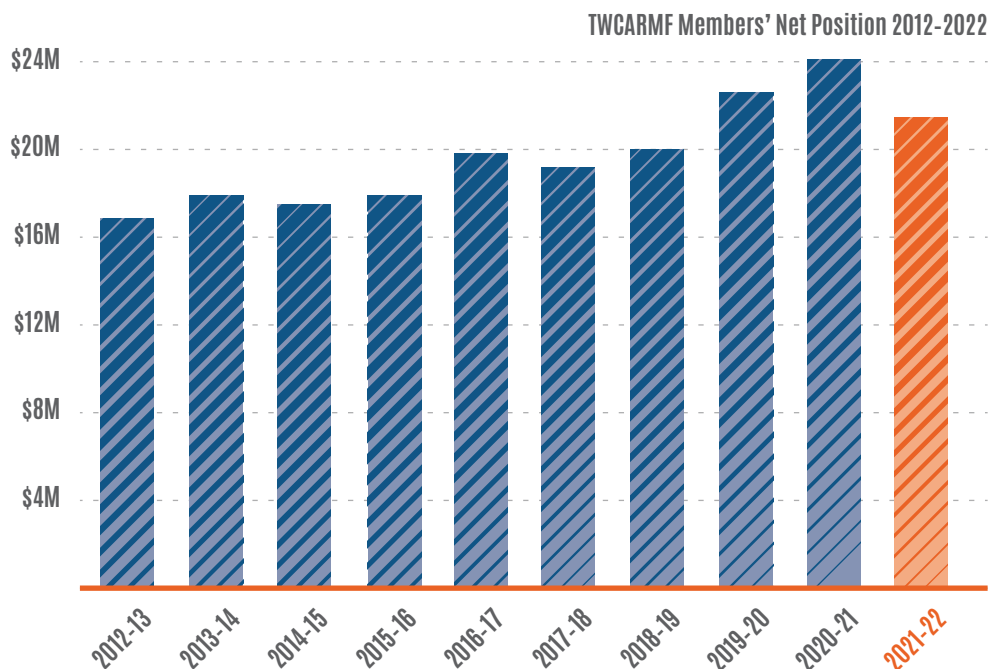
This chart illustrates the main categories of expenses paid with member contributions. The portion of contributions used to fund reinsurance costs is slightly less than the portion to cover losses as weather catastrophes around the world reduce capacity resulting in an increase in reinsurance rates. The Fund does benefit from reinsurance reimbursements of claims amounts exceeding our retentions. For equity, the allocation is reflected as a negative number as the Fund used equity to subsidize member contributions.



KEY INDICATORS

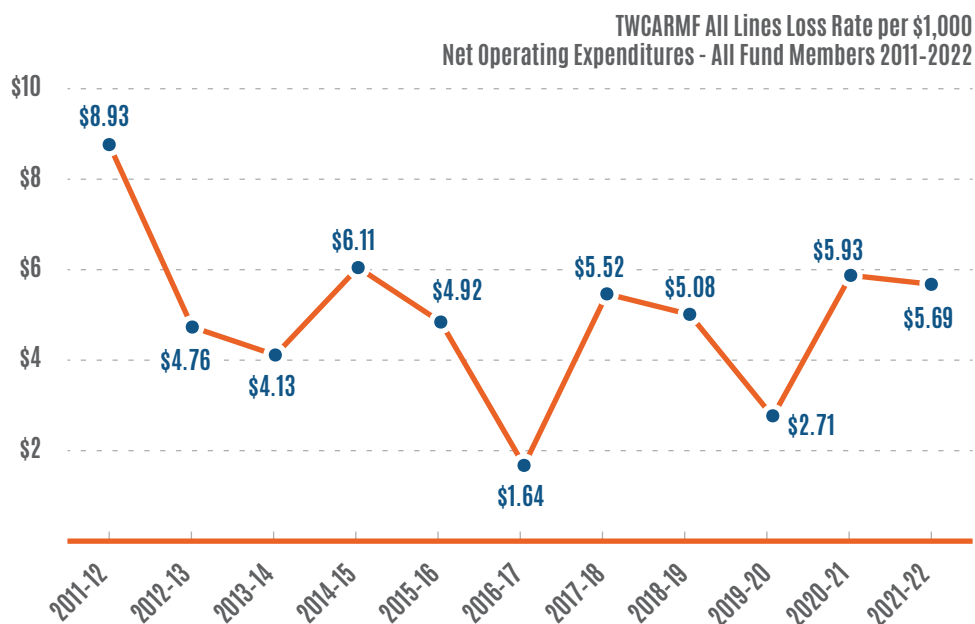
Net Position

The progress of Members' Net Position or equity in the Fund is illustrated in the next chart. The claim results and unrealized net losses in investment values and reduced investment earnings translated to a decrease in net position from 2021 to 2022.

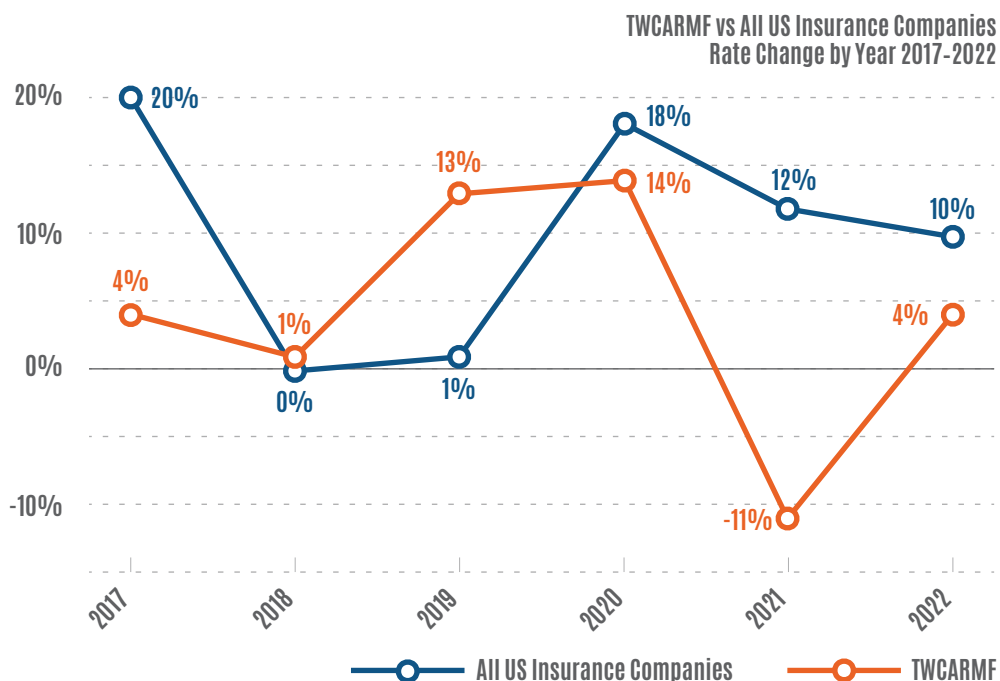


The All Lines Loss Rate

The All Lines Loss Rate is a Fund benchmark of the total of all claims incurred (paid and reserved) over the last eleven years as a rate per \$1,000 net operating expenditures for all members. Individual members can use this rate to compare their loss rate to all other members of the Fund. The fluctuation from year to year is usually due to large property losses from tropical storms, hail or severe winter weather.



KEY INDICATORS



Rate Stability over Time

This chart illustrates the change in the overall cost of commercial insurance during the 2017 through 2022 period. Each point on the National line is for second quarter costs to most closely correspond to the July 1 renewal date of the Fund's coverages. The data for the chart is taken from rate increases or decreases presented at TWCARMF Board of Trustees meetings in May and from a publication, "Global Insurance Market Index, US Pricing Q2 2022" by Marsh USA.

The one year in the chart when the Fund performed worse than the national average was in 2019 when huge property reinsurance increases were imposed on the Fund due to past loss experience from weather related events like Hurricane Harvey and extensive hailstorms. In subsequent years the Fund's application of surplus helped offset reinsurance cost increases that are continuing as global weather catastrophes impact all reinsurance companies.



KEY INDICATORS

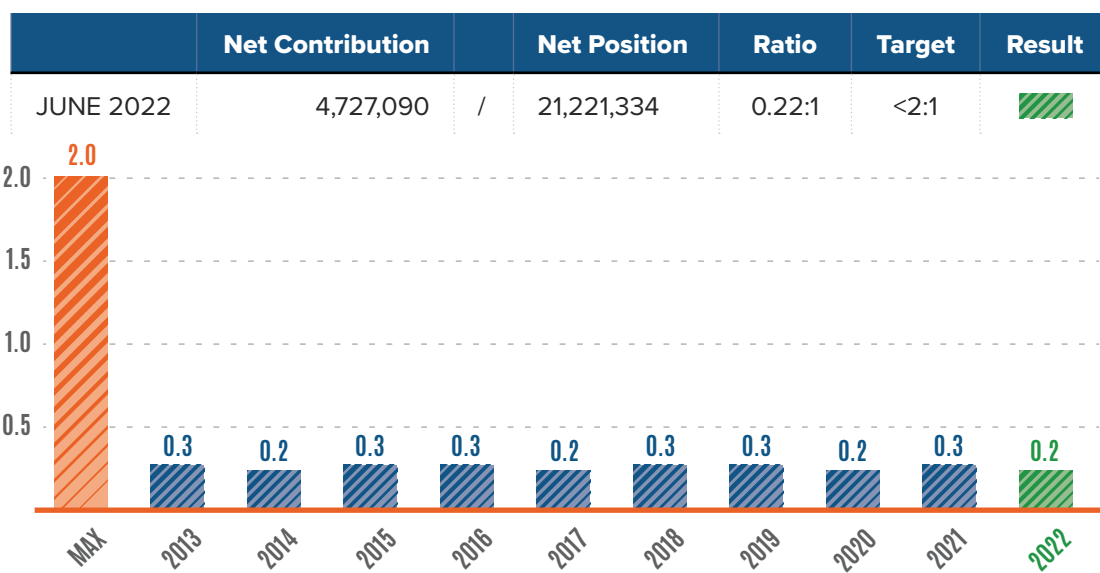


Important Safety Ratios for the Fund

National Association of Insurance Commissioners Benchmark Ratios

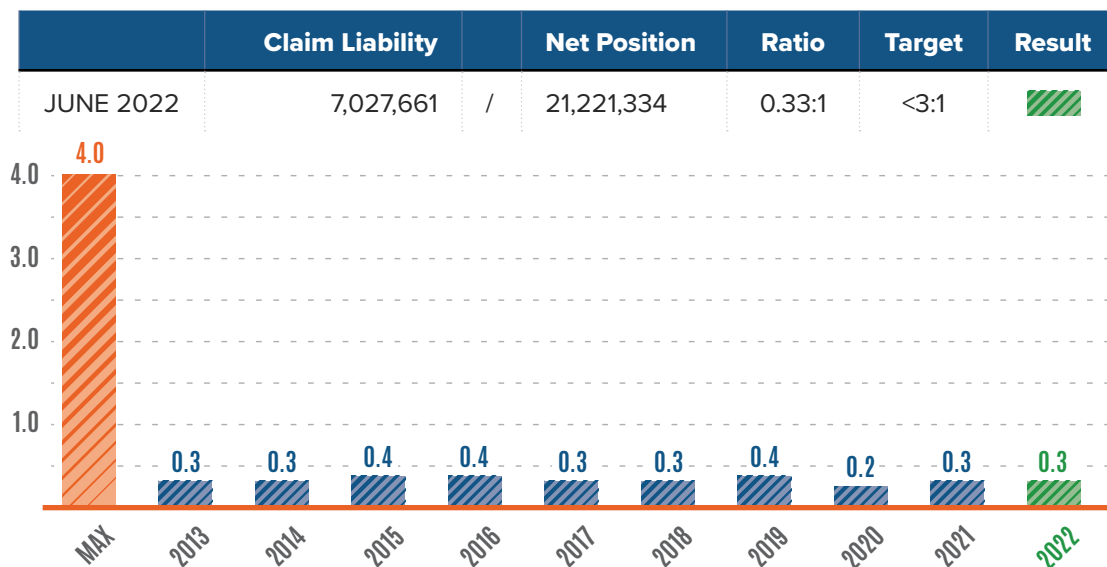
The next set of charts are presented to the Board at every meeting. They represent the Fund's performance in key safety measures compared to ratios published by the National Association of Insurance Commissioners as benchmarks for solvency in the private insurance market. The ratios represent conservative management targets and sufficiency of financial resources to weather catastrophic claims experience.

The **first chart** taken from the first board meeting after the end of the 2021–2022 Fund year shows the Fund's Net Position relative to Net Contributions. Contributions are an indirect measure of the exposure of the Fund to losses from claims. The NAIC uses this benchmark to monitor companies that are growing too fast. As each insurance policy is written, the company adds to its potential claim liability. Rapid growth can outstrip a company's ability to pay claims. Industry standards allow for a ratio of **2:1** while the Fund maintains a ratio of **0.2:1**.

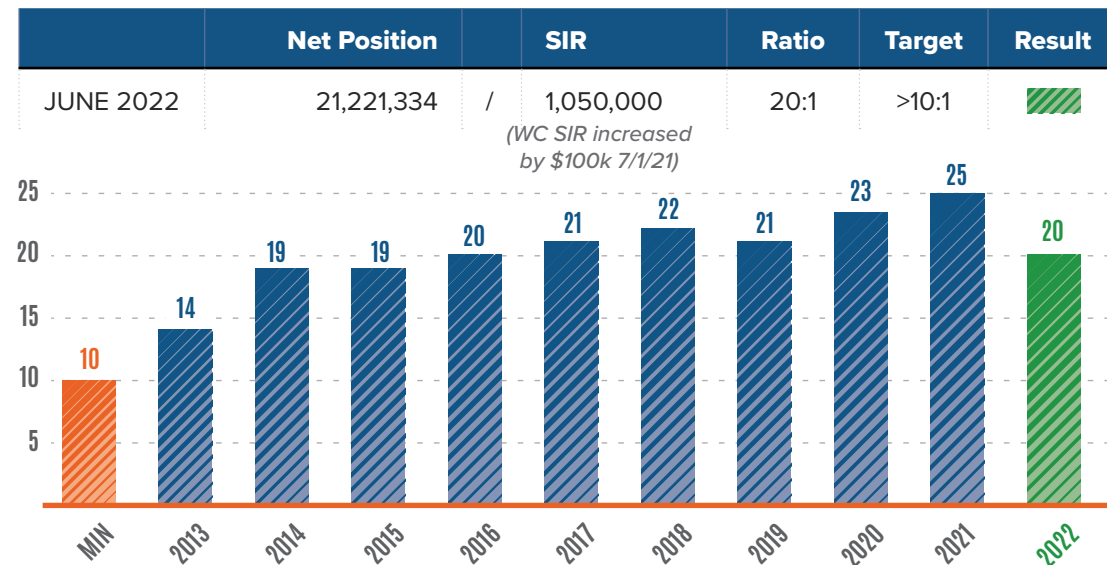


KEY INDICATORS

The **next chart** shows the Fund's unpaid claims as a percentage of Net Position. "Unpaid Claims" includes current reserves on open claims as well as an actuarially determined reserve for "incurred but not reported claims." This reserve is for claims that may have already happened and have not been reported to the Fund yet and claims we can reasonably anticipate will happen in the future. It also includes a factor for the future development of existing claims. General insurance industry standards allow for a **4:1** relationship while the Fund currently maintains a **0.3:1**



The **third chart** the Board sees at every board meeting illustrates the safety margin created by our Net Position. The chart indicates that the Fund could handle several large claims that exceeded the reinsurance companies' retention levels in all lines of coverage. The Fund's ratio of total retention to net position is 20:1 doubling the NAIC benchmark of 10:1.



INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Texas Water Conservation Association Risk Management Fund

Opinion

We have audited the accompanying 2022 financial statements of Texas Water Conservation Association Risk Management Fund (the "Fund"), which comprise the balance sheet as of June 30, 2022, and the related statements of statements 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 2022 financial statements referred to above present fairly, in all material respects, the financial position of Texas Water Conservation Association Risk Management Fund as of June 30, 2022, 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 of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Texas Water Conservation Association Risk Management Fund 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.

Report on Summarized Comparative Information

The financial statements as of June 30, 2021, were audited by RBZ, LLP, whose practice became part of Armanino^{LLP} as of August 1, 2015, and whose report dated August 17, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent in all material respects, with the audited financial statements from which it has been derived.

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.

INDEPENDENT AUDITOR'S REPORT

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 Texas Water Conservation Association Risk Management Fund's ability to continue as a going concern within one year 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 generally accepted 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, including omissions, 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 generally accepted 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 Texas Water Conservation Association Risk Management Fund'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 Texas Water Conservation Association Risk Management Fund'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.

INDEPENDENT AUDITOR'S REPORT

Required Supplementary Information

Accounting principles generally accepted in the United States of America required that the management's discussion and analysis and the claims development information and changes in claims liabilities 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.

Other Financial Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 25 - 33 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Armanino^{LLP}
Austin, Texas

December 1, 2022

BALANCE SHEETS

AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 3)	\$ 3,016,486	\$ 6,357,972
Investments – short-term (Note 3)	319,546	1,108,571
Contributions receivable from members, including unbilled contributions of \$207,508 and \$430,791 at June 30, 2022 and 2021, respectively (Note 2)	261,828	535,279
Reinsurance receivable – paid (Note 6)	1,170,504	166,401
Accrued interest	111,528	102,763
Prepaid expenses	19,459	18,672
Total current assets	4,899,351	8,289,658
NONCURRENT ASSETS:		
Investments – long-term (Note 3)	24,847,090	23,693,843
Other assets – long-term (Note 9)	500,000	500,000
Total noncurrent assets	25,217,099	24,193,843
TOTAL ASSETS	\$ 30,246,441	\$ 32,483,501
LIABILITIES		
CURRENT LIABILITIES:		
Reserve for losses and loss adjustment expenses — net of reinsurance (Notes 5 and 6)	\$ 4,521,241	\$ 3,513,418
Unearned member contributions	1,742,807	897,265
Other accrued expenses and liabilities	261,195	291,644
Total current liabilities	6,525,243	4,702,327
LONG-TERM LIABILITIES – Reserve for losses and loss adjustment expenses – net of reinsurance (Notes 5 and 6)	2,506,419	4,097,957
Total liabilities	9,031,662	8,800,284
NET POSITION – unrestricted	21,214,779	23,683,217
TOTAL LIABILITIES AND NET POSITION	\$ 30,246,441	\$ 32,483,501
See notes to financial statements.		

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CONTRIBUTIONS:		
Gross contributions earned	\$ 9,605,670	\$ 10,319,863
Reinsurance contributions ceded (Note 6)	(4,814,296)	(4,234,033)
Net earned contributions	4,791,374	6,085,830
LOSSES AND LOSS ADJUSTMENT EXPENSES (Notes 5 and 6)		
Paid losses and loss adjustment expenses – net of deductibles, reinsurance recoveries and reinsurance recoverables	2,730,311	2,340,010
Change in reserve for losses and loss adjustment expense – net of deductibles and reinsurance recoverables	(583,712)	2,281,472
Net incurred losses and loss adjustment expenses	2,146,599	4,621,482
OTHER OPERATING EXPENSES:		
Contract and support fees (Notes 4 and 7)	1,312,332	1,297,660
Loss control fees	425,237	411,634
Legal and professional fees	191,396	175,882
Other expenses	247,704	205,699
Total other operating expenses	2,176,669	2,090,875
OPERATING INCOME (LOSS)	468,106	(626,527)
OTHER INCOME (LOSS):		
Investment income	536,121	1,451,331
Change in fair value of investments	(3,472,665)	564,105
Total other income (loss)	(2,936,544)	2,015,436
NET INCOME (LOSS)	(2,468,438)	1,388,909
NET POSITION – Beginning of year	23,683,217	22,294,308
NET POSITION – End of year	\$ 21,214,779	\$ 23,683,217

See notes to financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
OPERATING ACTIVITIES – Contributions:		
Cash received from members	\$ 10,733,469	\$ 10,188,503
Cash paid to reinsurers	(4,815,083)	(4,234,932)
Net contributions received	5,918,386	5,953,571
LOSSES – Paid losses and loss adjustment expenses	3,734,414	2,294,062
OTHER OPERATING EXPENSES:		
Payment for contract and support fees	1,312,332	1,297,660
Payment for loss control fees	446,609	378,304
Payment for legal and professional fees	189,396	164,381
Payment for other expenses	267,590	215,831
Total other operating expenses paid	2,215,927	2,056,176
Net cash and cash equivalents provided by (used for) operating activities	(31,955)	1,603,333
INVESTING ACTIVITIES:		
Cash received from maturities of investments	8,529,235	14,728,158
Purchase of investments	(12,366,128)	(13,568,529)
Income from investing activities	527,362	1,470,389
Net cash and cash equivalents provided by (used for) investing activities	(3,309,531)	2,630,018
CHANGE IN CASH AND CASH EQUIVALENTS	(3,341,486)	4,233,351
CASH AND CASH EQUIVALENTS – Beginning of year	6,357,972	2,124,621
CASH AND CASH EQUIVALENTS – End of year	\$ 3,016,486	\$ 6,357,972
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 468,106	\$ (626,527)
Adjustments to reconcile operating income (loss) to cash and cash equivalents provided by (used for) operating activities – changes in operating assets and liabilities:		
Contributions receivable from members	273,451	(264,095)
Reinsurance receivable – paid	(1,004,103)	45,948
Reserve for losses and loss adjustment expense	(583,715)	2,281,475
Prepaid reinsurance	(787)	(899)
Prepaid expenses	-	29,919
Other accrued expenses and liabilities	(30,449)	15,540
Unearned member contributions	845,542	121,972
Net cash and cash equivalents provided by (used for) operating activities	\$ (31,955)	\$ 1,603,333
NON-CASH FINANCING & INVESTING ACTIVITIES		
Change in fair value of investments	\$ (3,472,665)	\$ 564,105
Change in investment income accruals	\$ (8,765)	\$ (19,058)

See notes to financial statements.

COVERAGES

The TWCA Risk Management Fund offers comprehensive coverage programs designed for Texas water districts and authorities. Coverages are subject to constant evaluation and revision based on emerging risks facing members. Coverages have been evolving since the Fund started in 1988. Details of the coverages summarized below are included in the Fund's coverage documents.

Workers' Compensation

The Fund provides statutory Workers' Compensation coverage with unlimited medical benefits and lost wages for employees injured on the job and in the course of their employment. Lost wage payments are limited in duration by statute to help encourage the employee's return to work after an injury. Claims adjusters coordinate with employers' return to work programs and help the injured employee achieve the best medical care and earliest return to work possible. The Fund uses a network of pre-qualified and credentialed doctors and providers for all medical services.

General Liability

General Liability coverage responds to bodily injury or property damage to third parties arising out of the member's premises or operations. Liability coverage is subject to Texas tort claim limits.

Errors & Omissions

Errors & Omissions coverage responds to allegations of wrongful acts by employees, officers and directors. Includes coverage for employment related actions by the member including allegations of discrimination or retaliation and claims arising out of employee benefits administration. Recent changes to coverage include defense for directors brought into ultra vires suits against the member and reimbursement for expenses related to dismissed criminal accusations against board members.

Automobile Liability

The Fund provides coverage for third party claims of bodily injury or property damage from the operation of member owned, hired or non-owned vehicles subject to Texas tort claim limits.

Property

Coverage protects district buildings, contents, contractor's equipment and water related equipment and facilities from all risks of direct physical loss. Coverage includes physical damage to owned or leased vehicles and Flood coverage for facilities not in a 100 year flood plain.

Cyber Coverage

Cyber Liability provides both liability and property coverage for the district's computers, software and data processing operations. Damage to equipment and software by malware, viruses, ransomware or other breach attempts are covered. Liability to the district from breaches to private and confidential information is also covered for breach response, breach forensics, expenses to notify parties who were victims of the breach and any fines levied by regulatory authorities. Basic coverage is provided by a master policy for members of the Fund by Beazley LLC., a Lloyd's of London syndicate. Beazley provides a 24 hour breach response to help a district contain a breach, limit damage, respond and determine how the breach occurred.

Ancillary Coverages

Fund staff also help members find coverages that are not included in the primary Fund coverages. Bonds, Pollution Liability, Flood (in designated flood plains), Builders Risk and Aircraft Liability are some of the policies we help obtain for members outside the Fund.



TWCARMF BOARD MEMBERS

AS OF JUNE 30, 2022

Mr. Jeffrey Mayfield (Place 1)

- › North Texas Municipal Water District

Ms. Liz Fazio Hale (Place 2)

- › Gulf Coast Authority

Mr. Jonathan Stinson (Place 3)

- › Guadalupe-Blanco River Authority

Mr. Derek Boese (Place 4)

- › San Antonio River Authority

Mr. Sonny Hinojosa (Place 5)

- › Hidalgo County Irrigation District #2

Ms. Kathy Turner Jones (Place 6)

- › Prairielands Groundwater Conservation District

Mr. Norman Ashton (Place 7)

- › Tarrant Regional Water District

Mr. John Grant (Place 8)

- › Fund Vice Chair
- › Colorado River Municipal Water District

Mr. David Montagne (Place 9)

- › Sabine River Authority of Texas

Mr. Jace A. Houston (Place 10)

- › Fund Chair
- › San Jacinto River Authority

Ms. Sonia Lambert (Place 11)

- › Cameron County Irrigation District #2 and Cameron County Drainage District #3

Ms. Stacey Steinbach

- › Secretary (Non-Voting)
- › Texas Water Conservation Association



MEMBERSHIP

River Authorities

- › Angelina & Neches River Authority
- › Brazos River Authority
- › Guadalupe-Blanco River Authority
- › Lower Colorado River Authority
- › Nueces River Authority
- › Sabine River Authority of Texas
- › San Antonio River Authority
- › San Jacinto River Authority
- › Sulphur River Basin Authority
- › Upper Colorado River Authority

Municipal Water Districts and Authorities

- › Canadian River Municipal Water Authority
- › Coastal Water Authority
- › Colorado River Municipal Water District
- › Franklin County Water District
- › Greater Texoma Utility Authority
- › Gulf Coast Authority
- › North Harris County Regional Water Authority
- › North Texas Municipal Water District
- › Riverbend Water Resources District
- › Tom Green County Fresh Water Supply District #2
- › Upper Neches River Municipal Water Authority
- › West Central Texas Municipal Water District
- › West Harris County Regional Water Authority

Municipal Utility Districts

- › New Caney Municipal Utility District
- › Roman Forest Consolidated Municipal Utility District
- › Wells Branch Municipal Utility District

Port Authorities & Navigation Districts

- › Chambers-Liberty Counties Navigation District
- › Orange County Navigation and Port District
- › Victoria County Navigation District
- › West Side Calhoun County Navigation District

Water Control & Improvement Districts

- › Angelina & Nacogdoches County Water Control and Improvement District #1
- › Brown County Water Improvement District #1
- › Cameron County Water Improvement District #10
- › Hidalgo County Water Control and Improvement District #19
- › Hidalgo County Water Improvement District #3
- › Jefferson County Water Control and Improvement District #10
- › Maverick County Water Control and Improvement District #1
- › Stonewall Water Control and Improvement District
- › Tarrant Regional Water District
- › Tom Green County Water Control and Improvement District #1
- › Wichita County Water Improvement District #2
- › Zavala-Dimmit Counties Water Improvement District #1

Special Utility Districts

- › Mustang Special Utility District

Groundwater Conservation Districts

- › Brazoria County Groundwater Conservation District
- › Coastal Bend Groundwater Conservation District
- › Coastal Plains Groundwater Conservation District
- › Evergreen Underground Water Conservation District
- › Fort Bend Subsidence District
- › Harris-Galveston Subsidence District
- › Hemphill County Underground Water Conservation District
- › High Plains Underground Water Conservation District
- › Kenedy County Groundwater Conservation District
- › Lone Star Groundwater Conservation District
- › Medina County Groundwater Conservation District
- › Mid-East Texas Groundwater Conservation District
- › North Plains Groundwater Conservation District
- › North Texas Groundwater Conservation District
- › Northern Trinity Groundwater Conservation District
- › Panhandle Groundwater Conservation District
- › Panola County Groundwater Conservation District
- › Pineywoods Groundwater Conservation District
- › Plum Creek Conservation District
- › Prairielands Groundwater Conservation District
- › Red River Groundwater Conservation District
- › Sandy Land Underground Water Conservation District
- › Upper Trinity Groundwater Conservation District

Irrigation Districts

- › Brownsville Irrigation District
- › Cameron County Irrigation District #2
- › Cameron County Irrigation District #6
- › Delta Lake Irrigation District
- › Donna Irrigation District Hidalgo County #1
- › Harlingen Irrigation District Cameron County #1
- › Hidalgo and Cameron Counties Irrigation District #9
- › Hidalgo County Irrigation District #1
- › Hidalgo County Irrigation District #2
- › Hidalgo County Irrigation District #5
- › Hidalgo County Irrigation District #16
- › Santa Cruz Irrigation District #15
- › United Irrigation District of Hidalgo County
- › Valley Acres Irrigation District
- › Ward County Irrigation District #1

Drainage Districts

- › Brazoria County Drainage District #4
- › Brookshire-Katy Drainage District
- › Cameron County Drainage District #1
- › Cameron County Drainage District #3
- › Cameron County Drainage District #5
- › Dewitt County Drainage District
- › Galveston County Consolidated Drainage District
- › Jefferson County Drainage District #3
- › Jefferson County Drainage District #7
- › Orange County Drainage District of Texas
- › San Patricio County Drainage District

2022 TWCARMF SAFETY AWARDS

Each year the Fund chooses Safety Award winners in three major categories, Workers' Compensation, Liability, and Overall Excellence in Risk Management. Winners in each category are selected based on their overall claims experience in comparison to all other members of the Fund. Experience modifiers for both Workers' Compensation and Liability are combined for an overall score. Improvement in each category may be used as tie breakers or to distinguish the best overall effort in reducing losses. Five awards are given each year to recognize the Best experience and Most Improved experience. An Overall Best Award named for Leroy Goodson recognizes the member with the best combined experience in the three Liability lines and Workers' Compensation. Experience modifiers are used because they compute factors based on three years of past claims experience for each member with large enough contributions to qualify. Members paying only minimum contributions with one or two employees don't qualify.

Most Improved Safety Record in Workers' Compensation



Experience modifiers are one of the best indicators of the effectiveness of an organization's safety program. The award for Most Improved Safety Record in Workers' Compensation recognizes those Fund members who achieved the most improvement in their Workers' Compensation experience modifier this year.

The winner in this category is:
Brazoria County Drainage District # 4

Outstanding Safety Record in Liability



The award for Outstanding Safety Record in Liability recognizes the Fund members with the best liability loss history in General Liability, Automobile Liability, and Errors and Omission with a combined underwriting factor of less than 0.70.

The winner in this category is:
North Harris County Regional Water Authority

Outstanding Safety Record in Workers' Compensation



The award for Outstanding Record in Workers' Compensation recognizes those Fund members that have sustained the best experience reducing employee injuries as reflected by their Workers' Compensation experience modifier over the last four years.

The winner in this category is:
Coastal Water Authority

Most Improved Safety Record in Liability



The award for Most Improved Safety Record in Liability recognizes those Fund members who achieved the most improvement in their liability modifier.

The winner in this category is:
Chambers Liberty Counties Navigation District

Leroy Goodson Excellence in Risk Management Award



The Fund Board named its top annual award after the former Texas Water Conservation Association General Manager, Leroy Goodson, who led the effort to create the Fund and served as the Fund Board Secretary for 28 years. Leroy was a strong advocate throughout his tenure for effective risk management and claim prevention. This award recognizes the Fund member for achieving excellent experience in both Workers' Compensation and Liability over the past four years.

The Fund's most prestigious award, the Leroy Goodson Excellence in Risk Management Award is awarded to:
Guadalupe-Blanco River Authority



Risk Management Fund

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