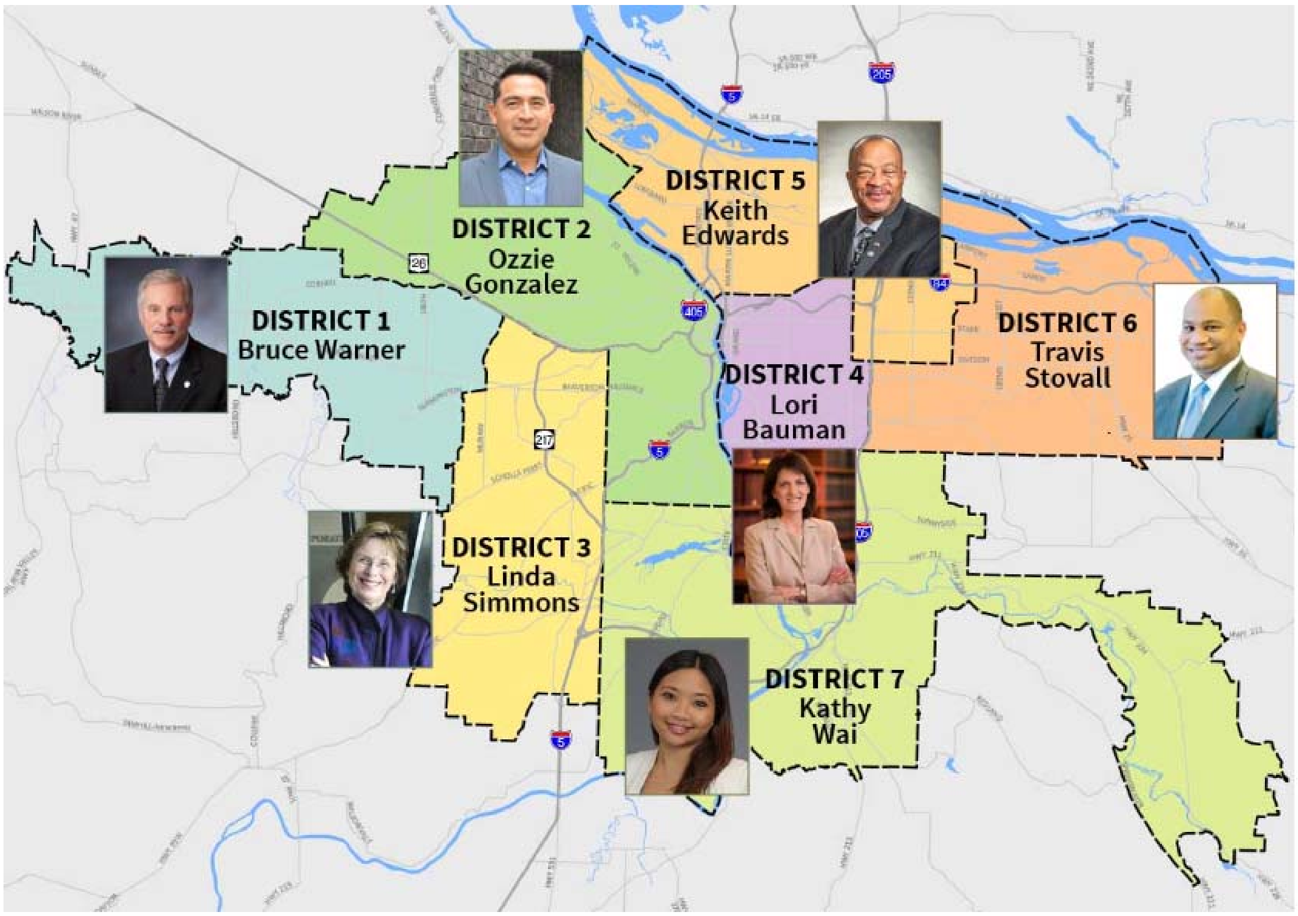
Report of Independent Auditors and Financial Statements with Supplementary Information June 30, 2019 and 2018 (including Audit Comments and Disclosures Required by State Regulations)

Board of Directors

Name	District	Term Expires
Bruce Warner, President	#1	February 19, 2020
Ozzie Gonzalez	#2	May 31, 2022
Linda Simmons	#3	May 31, 2019*
Lori Irish Bauman	#4	May 31, 2019*
Keith Edwards	#5	May 24, 2022
Travis Stovall	#6	February 19, 2020
Kathy Wai	#7	May 24, 2022

**Board members will continue to serve until reappointed or replaced*



Board of Directors	1800 S.W. 1st Avenue, Suite 300 Portland, Oregon 97201
General Manager	Doug Kelsey 1800 S.W. 1st Avenue, Suite 300 Portland, Oregon 97201
General Counsel and Registered Agent	Shelley Devine 1800 S.W. 1st Avenue, Suite 300 Portland, Oregon 97201

Table of Contents

Financial Section

Report of Independent Auditors

The Board of Directors
Tri-County Metropolitan Transportation District of Oregon

Report on the Financial Statements

We have audited the accompanying statements of net position of the Enterprise Fund and statements of fiduciary net position of the Retirement Plan for Management and Staff Employees, Pension Plan for Bargaining Unit Employees and Total Trust Fund (pension plan trust funds) of Tri-County Metropolitan Transportation District of Oregon (the District), as of June 30, 2019 and 2018, and the statements of revenues, expenses, and changes in net position and cash flows of the Enterprise Fund for the years ended June 30, 2019 and 2018, and the statements of changes in fiduciary net position of the Pension Plan Trust Funds for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund, the Retirement Plan for Management and Staff Employees, Pension Plan for Bargaining Unit Employees and total trust fund of the District as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows for the Enterprise Fund, and changes in financial position for the Retirement Plan for Management and Staff Employees, Pension Plan for Bargaining Unit Employees, and Total Trust Fund of the District for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress, changes in net pension liability and related ratios, pension contributions and investment returns, and changes in the District's net OPEB liability be presented to supplement the basic financial statements. Such 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. 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The reconciliation of revenues and expenses (budget basis) to schedule of revenues and expenses (GAAP basis), reconciliation of fund balance (budget basis) to net position (GAAP basis), revenues and expenses budget (budget basis) and actual – general fund, and schedule of bonds payable obligations outstanding are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, reconciliation of revenues and expenses (budget basis) to schedule of revenues and expenses (GAAP basis), reconciliation of fund balance (budget basis) to net position (GAAP basis), revenues and expenses budget (budget basis) and actual – general fund, and schedule of bonds payable obligations outstanding were fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2019 on our consideration of the District'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 the District'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 the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated September 11, 2019, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Julie Desimone

Julie Desimone, Partner for
Moss Adams LLP
Portland, Oregon
September 11, 2019

Management's Discussion and Analysis

(dollars in thousands)

This section provides an overview and analysis of key data presented in the basic financial statements of Tri-County Metropolitan Transportation District of Oregon ("TriMet" or "the District") for the fiscal years ended June 30, 2019 and 2018, including the District operations within the Enterprise Fund, the TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund and the Pension Plan for Bargaining Unit Employees of TriMet Trust Fund ("the Trust funds"). The Enterprise Fund accounts for all activities and operations of the District except for the activities included within the Trust funds. The TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund accounts for the assets of the non-union employee benefit plan held by the District in a trustee capacity. The Pension Plan for Bargaining Unit Employees of TriMet Trust Fund accounts for the assets of the union employee benefit plan held by the District in a trustee capacity. Information within this section should be used in conjunction with the basic financial statements and accompanying notes. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

OVERVIEW OF THE FINANCIAL STATEMENTS

TriMet, a public corporation in the State of Oregon, is a regional transit authority providing a high-capacity transportation system throughout parts of Multnomah, Washington and Clackamas Counties through light rail ("MAX"), commuter rail ("WES"), Streetcar, and bus transportation systems.

In accordance with requirements set forth by the Governmental Accounting Standards Board (GASB), the District's financial statements employ the accrual basis of accounting in recognizing increases and decreases in economic resources. Accrual accounting recognizes all revenues and expenses incurred during the year, regardless of when cash is received or paid.

The basic financial statements, presented on a comparative format for the years ended June 30, 2019 and 2018, are comprised of:

Statements of Net Position – The District presents its statement of net position using the balance sheet format. The statement reflects assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District. Net position is separated into three categories: net investment in capital assets, net position – restricted, and net position – unrestricted.

Statements of Revenues, Expenses and Changes in Net Position – This statement reflects the transactions that have increased or decreased the District's total economic resources during the fiscal year. Revenues are presented net of allowances and are summarized by major source. Revenues and expenses are classified as operating or non-operating based on the nature of the transaction.

Statements of Cash Flows – This statement presents the sources and uses of cash separated into four categories of activities: operating, noncapital financing, capital and related financing, and investing.

Statements of Pension Plan Fiduciary Net Position – This statement presents the Plan's assets and liabilities and the resulting net position restricted for pensions. The statement reflects the Plan's investments, at fair value, along with cash and cash equivalents, receivables and other assets and liabilities.

Statements of Changes in Pension Plan Fiduciary Net Position – This statement reflects the transactions that have increased or decreased the Plan's net position for the fiscal year. This statement reflects District contributions and investment earnings along with deductions for retirement benefits and administrative expenses.

The Notes to the Financial Statements, presented at the end of the basic financial statements, are considered an integral part of the District's presentation of financial position, results of operations, and changes in cash flows.

Management's Discussion and Analysis

continued

(dollars in thousands)

ENTERPRISE FUND FINANCIAL HIGHLIGHTS

Financial Highlights for 2019

- Net position totaled $1,831,758 at June 30, 2019 as noted in the table below (see Table 1).
- Net position decreased $68,662 or 3.6 percent in 2019 which compares to an increase of $44,229 in net position in 2018.
- Total operating revenues were $135,822 for fiscal year 2019. This is a decrease by $3,178 or 2.3 percent from 2018. The decrease is noted in passenger revenues.
- Total operating expenses were $701,254 for fiscal year 2019. This is an increase by $31,056 or 4.6 percent from 2018. The increase is primarily noted in materials and services which increased $14,354 or 13.1 percent over the prior year demonstrating TriMet's commitment to the State of Good Repair and inventory for the overhaul of light-rail vehicles.

Financial Highlights for 2018

- Net position totaled $1,900,420 at June 30, 2018 as noted in the table below (see Table 1).
- Net position increased $44,229 in 2018, which compares to an increase of $33,280 in 2017.
- Total operating revenues were $139,000 for fiscal year 2018. This is a decrease of $5,639 or 3.9 percent from 2017.
- Total operating expenses were $670,198 for fiscal year 2018. This is an increase by $41,087 or 6.5 percent from 2017. The increase was primarily noted in labor and fringe benefits. The labor increase of $16,717 or 10.1 percent is a result of finalizing the union contract (December 1, 2016 to November 30, 2019) during fiscal year 2018 and the retroactive salary component in the union agreement. Fringe benefits increase of $9,302 or 5.1 percent was also due in part to the union contract as well as the implementation of GASB #75, other postemployment benefits.

Management's Discussion and Analysis

continued

(dollars in thousands)

ENTERPRISE FUND FINANCIAL SUMMARY

Statements of Net Position

The following table reflects a condensed summary of assets, deferred outlfows of resources, liabilities, deferred inflows of resources, and net position of TriMet as of June 30, 2019, 2018 and 2017.

Table 1

Net Position
As of June 30
(dollars in thousands)

				Increase (decrease)			
				2019 - 2018		2018 - 2017	
	2019	2018	2017	$	%	$	%
Assets							
Current and other assets	$ 754,383	$ 923,625	$ 658,856	$ (169,242)	(18.3)%	$ 264,769	40.2 %
Capital assets, net of depreciation	3,014,250	2,981,825	2,997,401	32,425	1.1 %	(15,576)	(0.5)%
Total assets	3,768,633	3,905,450	3,656,257	(136,817)	(3.5)%	249,193	6.8 %
Deferred outflows of resources	54,296	58,882	61,502	(4,586)	(7.8)%	(2,620)	(4.3)%
Total assets and deferred outflows of resources	$ 3,822,929	$ 3,964,332	$ 3,717,759	$ (141,403)	(3.6)%	$ 246,573	6.6 %
Liabilities							
Current liabilities	$ 195,800	$ 197,720	$ 193,557	$ (1,920)	(1.0)%	$ 4,163	2.2 %
Noncurrent liabilities	1,684,283	1,829,665	1,428,745	(145,382)	(7.9)%	400,920	28.1 %
Total liabilities	1,880,083	2,027,385	1,622,302	(147,302)	(7.3)%	405,083	25.0 %
Deferred inflows of resources	111,088	36,527	70,953	74,561	204.1 %	(34,426)	(48.5)%
Net position							
Net investment in capital assets	2,495,838	2,586,479	2,509,481	(90,641)	(3.5)%	76,998	3.1 %
Restricted	63,209	17,777	35,892	45,432	255.6 %	(18,115)	(50.5)%
Unrestricted	(727,289)	(703,836)	(520,869)	(23,453)	3.3 %	(182,967)	35.1 %
Total net position	1,831,758	1,900,420	2,024,504	(68,662)	(3.6)%	(124,084)	(6.1)%
Total liabilities, deferred inflows of resources, and net position	$ 3,822,929	$ 3,964,332	$ 3,717,759	$ (141,403)	(3.6)%	$ 246,573	6.6 %

Current and other assets decreased $169,242, or 18.3 percent, in 2019, due primarily to a decrease in grants receivable at year-end June 30, 2019. In fiscal year 2019, federal transit administration grants for preventative maintenance were received prior to year-end as compared to the prior fiscal year, when they were still outstanding as of year-end. In addition, there was a decrease in cash and investments in fiscal year 2019 due to the spending of bond proceeds on various capital projects.

Current and other assets increased $264,769 or 40.2 percent, in 2018, due primarily to increases in Investments related to debt issuance in fiscal year 2018 and an increase in Payroll Tax receivable as a result of increases in rate and improved economic conditions.

Deferred outflows of resources decreased $4,586, or 7.8 percent in 2019, and $2,620 or 4.3 percent in 2018. This decrease is due to the amortization of prior year deferrals.

Management's Discussion and Analysis
continued
(dollars in thousands)

Current liabilities consist primarily of accounts payable, accrued compensation, current portion of bonds payable and unearned revenue. The decrease in current liabilities of $1,920, or 1.0 percent in 2019 was due to a decrease in the current portion of long-term debt as debt maturities came due and were paid. The increase in current liabilities of $4,163, or 2.2 percent, in 2018 was due to an increase in accrued payroll and increases in restricted and unrestricted accounts payable at year-end as projects related to bond spending ramped up.

Noncurrent liabilities consist primarily of long-term debt, long-term lease liabilities, net pension liabilities and OPEB liabilities. Noncurrent liabilities decreased $145,382, or 7.9 percent, in 2019, primarily due to decreases in long-term debt. Also in 2019, the OPEB liability significantly decreased due to an increase in the discount rate used in the actuarial valuation for OPEB. Noncurrent liabilities increased $400,920, or 28.1 percent, in 2018, primarily due to the implementation of GASB Statement No. 75 to recognize the net OPEB obligation. Also in 2018, the District issued over $300,000 in long-term debt.

Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets. When there are significant unspent bond proceeds, the proceeds are an offset to the related indebtedness.

Net position restricted includes amounts restricted for principal and interest payments of amounts due related to outstanding revenue bonds (discussed in Note 5), as well as restricted deposits related to the lease transactions (discussed in Note 8), and other funds that are restricted in purpose.

Unrestricted net position has a negative balance for both fiscal years 2019 and 2018. This is primarily attributable to the net pension liability and other postemployment benefits obligation in the District's financial statements. Net pension liabilities recorded on the statement of net position totaled $148,848 and $148,088 for the years ended June 30, 2019 and 2018, respectively. The District continues to fund the defined benefits pension plan liabilities. The District's defined benefits plans are closed plans. The OPEB obligation recorded on the statement of net position totaled $725,025 and $786,138 for the years ended June 30, 2019 and 2018, respectively. The decrease in OPEB from 2018 is due to an increase in the discount rate used in the actuarial valuation to calculate the liability. In fiscal year 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The OPEB plan remains open for union employees.

Changes in Net Position

The District's total revenues increased $4,833, or 0.8 percent, during fiscal year 2019 (see Table 2). Passenger revenue decreased $7,004 or 6.2 percent, Payroll and other tax revenue increased $13,708, or 3.8 percent, and Grant revenue decreased $19,965, or 16.7 percent, due to timing of appropriations as discussed above.

The District's total revenues increased $48,372, or 8.3 percent, during fiscal year 2018 (see Table 2). Passenger revenue decreased $4,803, or 4.0 percent, Payroll and other tax revenue increased $21,837, or 6.5 percent, and Grant revenue increased $26,925, or 29.0 percent, due to timing of appropriations as discussed above.

The State's employment and wage growth remained reasonably strong throughout fiscal year 2019. And the Portland region continues to create jobs at a robust pace. The transportation sector also continues to stay strong and has surpassed its pre-recession levels. During the economic downturn, TriMet took steps to cut costs, including reduction of service. The efforts made during the financial recession combined with an improved economy, have improved the financial condition of TriMet, allowing for restoration and expansion of service levels and overall strengthening of the District's financial position.

Management's Discussion and Analysis

continued

(dollars in thousands)

Table 2

Changes in Net Position
For the Years Ended June 30
(dollars in thousands)

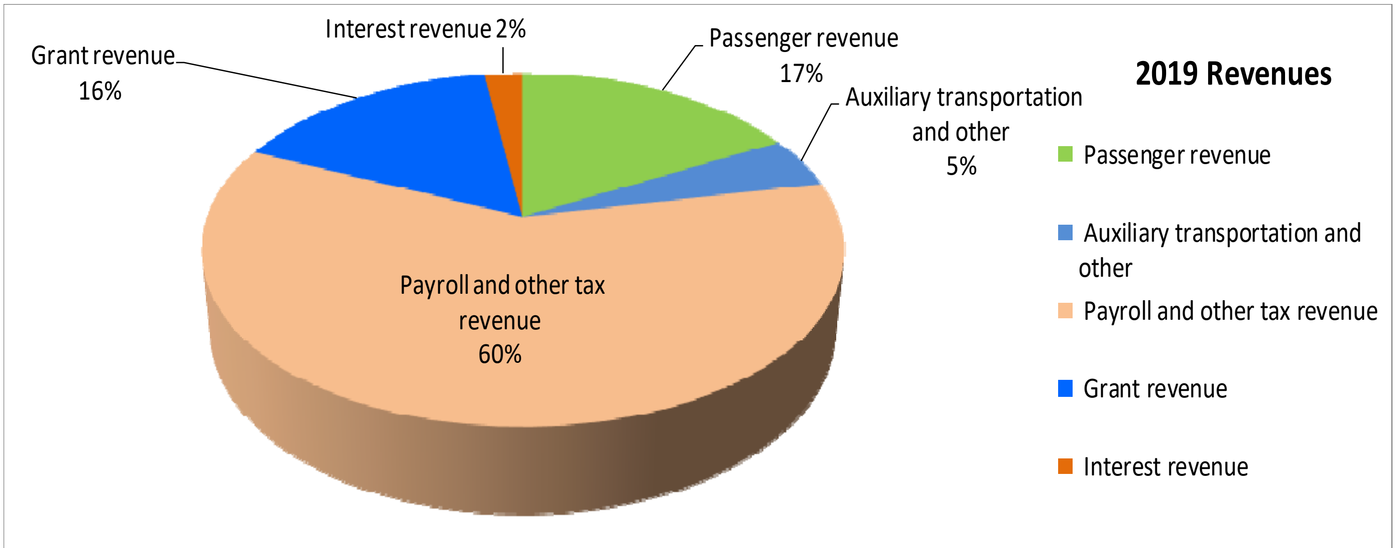
				Increase (decrease)			
				2019 - 2018		2018 - 2017	
	2019	2018	2017	$	%	$	%
Revenues							
Operating revenues							
Passenger revenue	$ 106,832	$ 113,836	$ 118,639	$ (7,004)	(6.2)%	$ (4,803)	(4.0)%
Auxiliary transportation and other	28,990	25,164	25,929	3,826	15.2 %	(765)	(3.0)%
Non-operating revenues							
Payroll and other tax revenue	372,751	359,043	337,206	13,708	3.8 %	21,837	6.5 %
Grant revenue	99,668	119,633	92,708	(19,965)	(16.7)%	26,925	29.0 %
Gain on disposal of capital assets	6,144	1,081	71	5,063	468.4 %	1,010	1,423 %
Pass through revenue	4,563	4,041	4,079	522	12.9 %	(38)	(0.9)%
Interest revenue	14,490	5,972	1,388	8,518	142.6 %	4,584	330.3 %
Net leveraged lease income	906	741	1,119	165	22.3 %	(378)	(33.8)%
Total operating and non-operating revenues	634,344	629,511	581,139	4,833	0.8 %	48,372	8.3 %
Expenses							
Labor	194,641	182,834	166,117	11,807	6.5 %	16,717	10.1 %
Fringe benefits	190,732	191,097	181,795	(365)	(0.2)%	9,302	5.1 %
Materials and services	124,317	109,963	96,841	14,354	13.1 %	13,122	13.6 %
Utilities	10,412	9,986	10,647	426	4.3 %	(661)	(6.2)%
Purchased transportation	30,577	30,950	30,301	(373)	(1.2)%	649	2.1 %
Depreciation expense	132,943	131,914	129,750	1,029	0.8 %	2,164	1.7 %
Other operating expense	17,632	13,454	10,597	4,178	31.1 %	2,857	27.0 %
Pass through expense	4,563	4,041	4,079	522	12.9 %	(38)	(0.9)%
Interest and other expense	25,384	19,454	18,830	5,930	30.5 %	624	3.3 %
Funding exchanges and other payments	11,882	5,459	3,063	6,423	117.7 %	2,396	78.2 %
Total expenses	743,083	699,152	652,020	43,931	6.3 %	47,132	7.2 %
Loss before contributions	(108,739)	(69,641)	(70,881)	(39,098)	56.1 %	1,240	(1.7)%
Capital contributions	40,077	113,870	104,161	(73,793)	(64.8)%	9,709	9.3 %
Increase in net position	(68,662)	44,229	33,280	(112,891)	(255.2)%	10,949	32.9 %
Net position-as previously reported	1,900,420	2,024,504	1,991,224	(124,084)	(6.1)%	33,280	1.7 %
Cumulative effect to implement GASB #75	-	(168,313)	-	168,313	0.0 %	(168,313)	0.0 %
Net position - beginning restated	1,900,420	1,856,191	1,991,224	44,229	2.4 %	(135,033)	(6.8)%
Total net position - ending	$ 1,831,758	$1,900,420	$ 2,024,504	$ (68,662)	(3.6)%	$ 44,229	(6.1)%

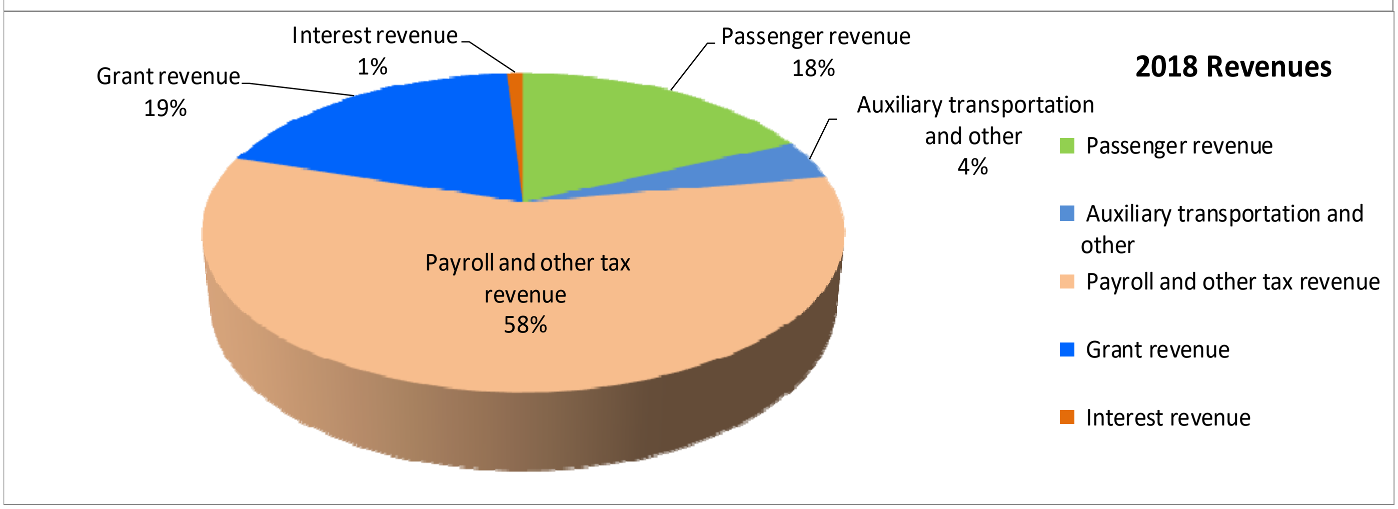
Management's Discussion and Analysis

continued

(dollars in thousands)

The following charts display the allocation of District revenues for fiscal years 2019 and 2018:





- Total operating and non-operating revenues were $634,344 for fiscal year 2019, an increase of 0.8 percent.
- Total payroll and other tax revenues increased 3.8 percent, totaling $372,751 for fiscal year 2019. Employer payroll tax revenue increased $14,134, or 4.2 percent due to continued strong employment conditions in the District and the rate increase effective January 2019. Self employment and other tax revenues decreased slightly by ($373), or 2.2 percent over fiscal year 2018.

  In 2004, the TriMet Board of Directors (Board) adopted Ordinance No. 279 increasing TriMet's employer payroll and self employment tax rate. The increase went into effect January 1, 2005 and was phased in over a 10 year period. The rate has increased by .0001 each January 1 since 2005 and the final increase occurred January 1, 2014, when it reached 0.007237.

  In 2009, the Legislative Assembly gave the Board the authority to increase the rate for payroll and self-employment taxes by an additional .001, in addition to any increases resulting from service area withdrawals. That legislation requires that the additional increases be phased in over ten years, prohibits any annual increase from exceeding .0002, and requires the TriMet Board to find, before implementing any additional increase, that the economy in the District has recovered to an extent sufficient to warrant the increase in tax. Effective January 1, 2016, the TriMet Board approved a 0.0001 increase as authorized by the 2009 legislation. The January 1, 2018 effective rate was 0. 007537 and on January 1, 2019, the effective rate increased to 0.007637 as a result of the 2009 legislation.

Management's Discussion and Analysis

continued

(dollars in thousands)

- Grant revenue decreased $19,965, or 16.7 percent, compared to fiscal year 2018. Revenues in this category include Federal Preventive Maintenance Funds and other operating support. Revenues under these programs are recognized when the grants are approved/authorized by the granting agency, funds are appropriated, and eligible expenses have been incurred. As such, the decrease in revenues in the current year resulted from timing differences in grant approval during the year, as compared to the prior year. The decrease was noted in receipts for the State of Good Repair Section 5337 funds. These funds are for on-going preventative maintenance of bus and rail fleets.

- Passenger revenue was $106,832 for the fiscal year 2019, a decrease of 6.2 percent. Pass revenue and cash fares accounted for the majority of this decrease. In July of 2017, TriMet launched the Hop Fastpass™ (Hop) Electronic Fare Collection system. The Hop system is an account based payment system that features stored value, online account management and fare capping to limit the cost for day and monthly pass. In connection with the Hop launch, TriMet offered Hop cards to transit riders at no cost in exchange for paper tickets. The Hop transition accounted for some of the decrease in passenger revenues. System wide ridership decrease includes, but is not limited to demographic shifts, fuel prices, Transportation Network Company (Uber, Lyft) and telecommuting.

- Total net position at June 30, 2019, was $1,831,758, a decrease of $68,662 or 3.6 percent from 2018. The change in net position is primarily attributable to the following factors:

    - Decrease of $19,965 or 16.7 percent in grant revenues for the State of Good Repair Section 5337 grant funds for preventative maintenance. Fiscal year 2018 included additional grant funds for the 2016-2017 reporting period. Grant receipts in 2018 were held up due to delays in negotiations and consensus with local partners on the suballocation method for formula funds.

    - Increase of $14,354 or 13.1 percent in materials and services expenses. The increase is due to an increase in materials for light-rail vehicle (LRV) components, under the LRV progressive overhaul program to maintain state of good repair and asset management of the LRV fleet.

    - Increase of $6,423 or 117.7 percent in funding exchanges and other payments. In fiscal year 2019, TriMet made a $5,000 payment to the State of Oregon Department of Transportation in accordance with an intergovernmental agreement as part of a multi-agency approach to address multiple transportation, safety and freight issues in the region.

    - Decrease of $73,793 or 64.8 percent in capital contributions. Capital contributions for the Portland to Milwaukie light rail system (PMLR) were $100,000 in fiscal year 2018, as compared to $30,665 in fiscal year 2019. As the project period for the Full-Funding Grant Agreement (FFGA) on the PMLR comes to a close, the Federal resources have significantly decreased.

- Total net position at June 30, 2018, was $1,900,420, an increase of $44,229 or 2.4 percent from 2017. The change in net position is primarily attributable to the following factors:

    - Increase of $26,925 or 29.0 percent in grant revenues for the State of Good Repair Section 5337 grant funds. In March of 2018 the District was awarded $10.1 million of 5337 grant funds held back for the 2016-2017 fiscal period. The delay in receipts was due to negotiations and consensus with local partners on the suballocation method and how grant resources are distributed.

    - Increase of $4,584 or 330.3 percent in interest revenues over the prior year due to an increase in the District's investment portfolio as a result of over $300 million in new bond issues and other restricted investments in fiscal year 2018.

    - Increase of $16,717 or 10.1 percent in labor and an increase of $9,302 or 5.1 percent fringe benefits. The increases are directly related to the execution of a union contract, Working Wage Agreement (WWA), between the District and its union, Amalgamated Transit Union, in fiscal year 2018. The contract period is for three years. The previous union agreement expired in November 2016. The WWA included a large amount ($4,800) for the retroactive pay adjustment as well as cost of living adjustments related to fiscal year 2017.

Management's Discussion and Analysis

continued

(dollars in thousands)

Operating Revenues

Operating revenues are composed of passenger fares and other revenue related to operations.

Passenger Revenue

Passenger revenue includes fares earned from cash receipts from riders for the sale of passes and tickets, and employer paid pass and other group fare revenue programs. In fiscal year 2019, the District experienced an overall decrease in passenger revenue of 6.2 percent.

Auxiliary Transportation and Other Revenue

Auxiliary Transportation and Other Revenue includes revenue from LIFT paratransit service, Streetcar operating revenues, Local grants and operating assistance from other local governments. In fiscal year 2019, auxiliary transportation and other revenues increased $3,826 or 15.2 percent. The increase is due to the sale of clean fuel credits in the amount of $1,775. Oregon's Clean Fuels Program is designed to reduce the carbon emissions produced by the state's transportation fuels. Under the program, providers of clean fuels, such as businesses that own electric vehicle charging stations, compressors for natural gas, or dispensers for propane will be given credits, which can be sold to obligated companies to offset commercial tax liabilities. TriMet's electrically-powered light rail system generates the clean fuel credits. In fiscal year 2018, auxiliary transportation and other revenues decreased $765 or 3.0 percent. Over the past two years, auxiliary revenues have remained relatively constant.

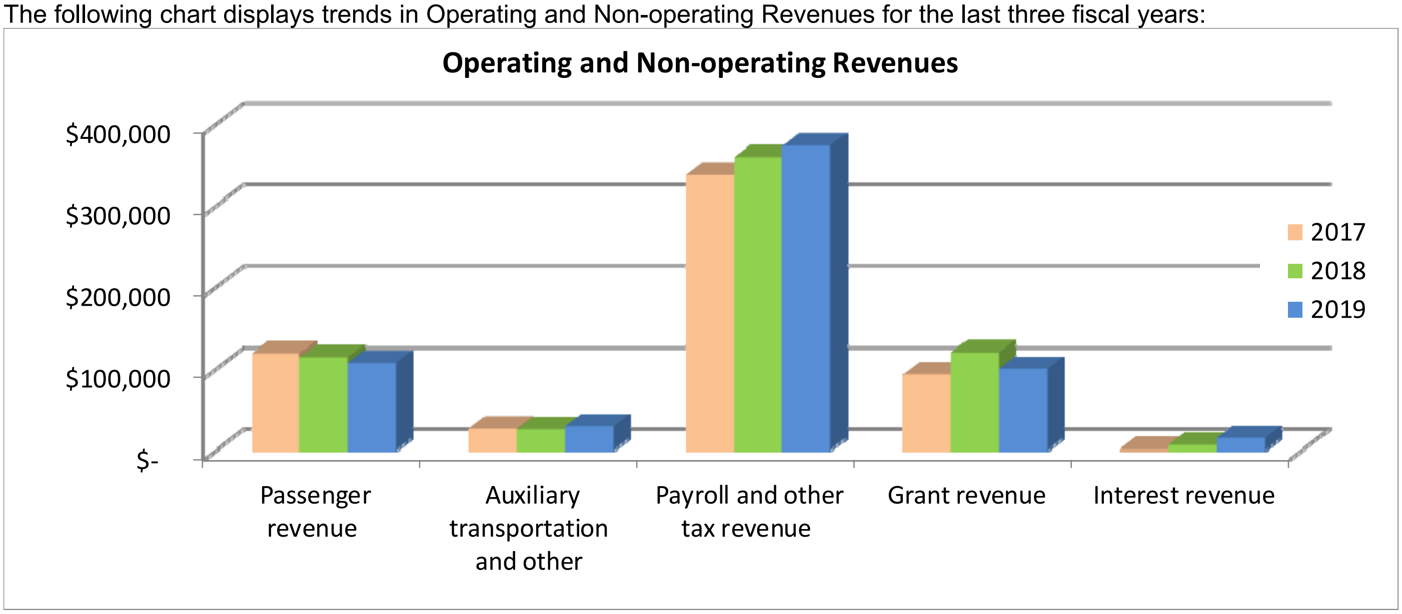
Non-operating Revenues

Non-operating revenues include Payroll and other tax revenue, Grant revenue, Pass-through revenues, Gain on disposal of capital assets and Interest revenue. Gain on disposal of capital assets increased by $5,063 or 468.4 percent over fiscal year 2018. During fiscal year 2019, two properties were sold resulting in a significant gain. The Federal interest in these properties will be transferred to another future Federal capital project. The cash proceeds from the sale of land is recorded to restricted cash and investments in the financial statements. Interest revenue has increased year over year. In fiscal year 2019 the increase is attributable to long-term investments held for future payments on the 2005 lease-leaseback transaction, and the increase in fiscal year 2018 is a direct result of investment earnings restricted to bond proceeds.

Payroll and Other Tax Revenues

Payroll tax revenues are the District's main source of revenue. Payroll and other tax revenues increased $13,708, or 3.8 percent in fiscal year 2019 signifying the Portland economy remains strong. In fiscal year 2018, payroll and other tax revenues increased $21,837, or 6.5 percent, compared to fiscal year 2017.

The following chart displays trends in Operating and Non-operating Revenues for the last three fiscal years:



Management's Discussion and Analysis
continued
(dollars in thousands)

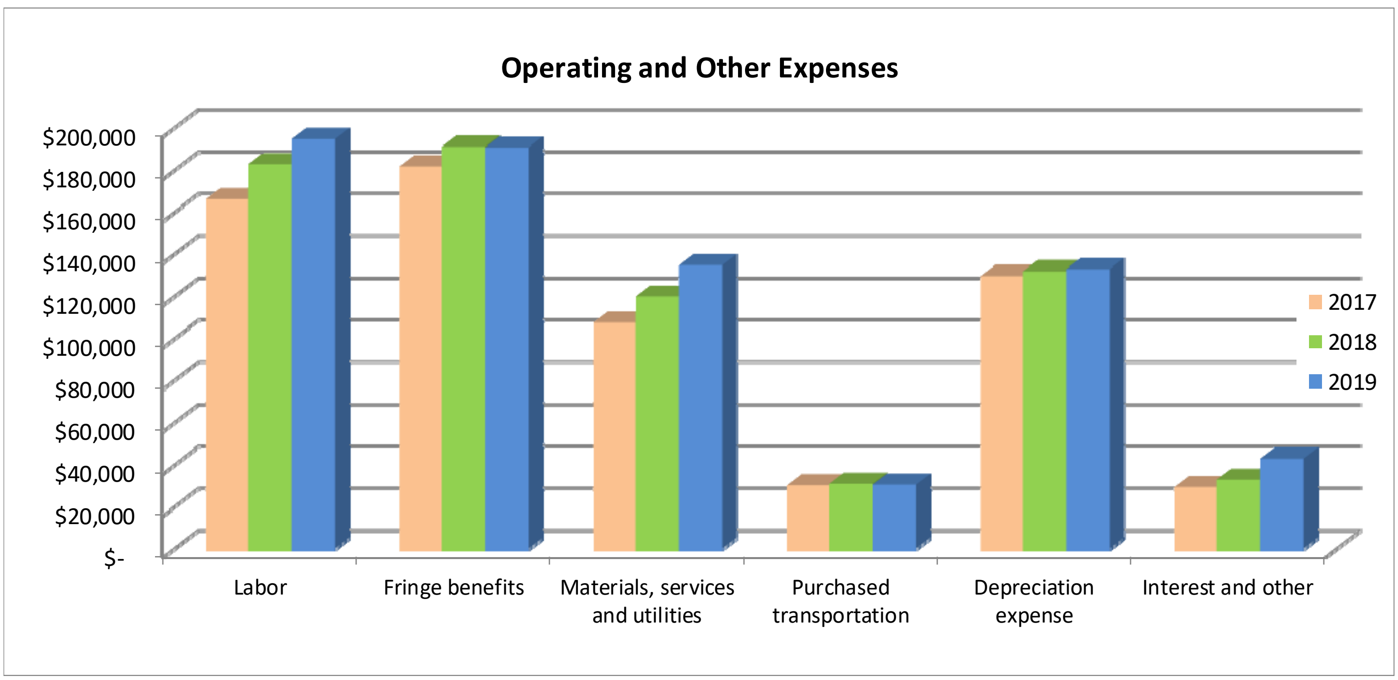
Operating and Other Expenses

Operating and Other Expenses include operations and maintenance costs, general and administrative expenses, purchased transportation costs associated with the LIFT program, depreciation of capital assets, interest on outstanding debt and other costs.

Total operating and non-operating expenses increased $43,766 or 6.3 percent to $742,177, during fiscal year 2019. Labor costs increased $11,807, or 6.5 percent. Materials and services increased $14,354 or 13.1 percent due to an increase in materials purchased to maintain the state of good repair on the District's light-rail vehicle fleet.

Total operating and non-operating expenses increased $47,510 or 7.3 percent to $698,411 during fiscal year 2018. Labor costs increased $16,717 or 10.1 percent and Fringe benefits increased $9,302, or 5.1%. The increase in labor is a result of finalizing the labor contract with TriMet's union during fiscal year 2018 and the retroactive salary component in the union agreement. Fringe benefits expense increased by $9,302, or 5.1 percent, also related to the settlement of the union contract. Materials and services expenses increased 17.6 percent, or $17,263, in part due to safety enhancements in fiscal year 2018 and additional security services in Safety and Security division. Fiscal year 2018 also noted an increase in the regional funding exchange transactions with Metro for Transit Oriented Development program funding coordination. In addition, rail equipment maintenance expense increased over the prior year due to increased consumption in high valued material for the District's light rail fleet. Purchased transportation increased 2.1 percent to $30,951. The increase was noted in contracted services for paratransit services.

The following chart displays trends in Operating and Other expenses during the last three fiscal years:



Management's Discussion and Analysis

continued

(dollars in thousands)

Capital Contributions

Capital contributions include federal grants and other local government contributions restricted for purchase or construction of capital assets. Capital contributions decreased by $73,793 or 64.8 percent during fiscal year 2019. The decrease is due to a reduction in overall contributions due to the completion of a light-rail line in 2016 and no other significant light-rail expansion projects in the acquisition and construction phase. Capital contributions increased $9,709, during fiscal year 2018, primarily due to a FTA grant for bus and bus facilities formula program.

Capital Assets

At June 30, 2019, the District had invested $3,014,250, in capital assets, net of accumulated depreciation (see Table 3 and Note 4).

Table 3

Capital Assets
As of June 30
(net of depreciation, dollars in thousands)

				Increase (decrease)			
				2019 - 2018		2018 - 2017	
	2019	2018	2017	$	%	$	%
Land and other	$ 235,089	$ 235,191	$ 232,785	$ (102)	(0.0)%	$ 2,406	1.0 %
Rail right-of-way and stations	1,439,015	1,490,129	1,552,437	(51,114)	(3.4)%	(62,308)	(4.0)%
Buildings	558,700	524,309	528,429	34,391	6.6 %	(4,120)	(0.8)%
Transportation equipment	410,535	410,125	414,518	410	0.1 %	(4,393)	(1.1)%
Furniture and other equipment	148,721	161,340	143,810	(12,619)	(7.8)%	17,530	12.2 %
Construction in progress	222,190	160,731	125,422	61,459	38.2 %	35,309	28.2 %
Total capital assets	$ 3,014,250	$ 2,981,825	$ 2,997,401	$ 32,425	1.1 %	$ (15,576)	(0.5)%

Total capital assets net of depreciation increased $32,425, or 1.1 percent, during fiscal year 2019; the increase was noted in construction in progress and buildings primarily due to the purchase and property acquisition of land and a building to develop a distribution center and bus garage. Total capital assets net of depreciation decreased $15,576, or 0.5 percent, during fiscal year 2018. The decrease was noted in rail right-of-way and stations.

Long-Term Debt

Long-term debt includes revenue bonds guaranteed by payroll tax and grant receipt revenues. At June 30, 2019, the District had $457,005 in revenue bonds outstanding (see Note 6).

The table below represents the District's bond ratings on its long-term debt as rated by Moody's Investor Services, Inc. (Moody's), Standard & Poor's and Kroll credit rating agencies:

Table 4

Revenue Bond Ratings
As of June 30
(dollars in thousands)

Revenue bonds	Original issue amount	Balance at June 30, 2019	Moody's	Standard & Poor's	Kroll
Payroll Tax Revenue Bonds:					
2009 Series A and B Payroll Tax	$ 49,550	$ 14,250	Aaa	AAA	AAA
2012 Series A Payroll Tax	93,290	11,180	Aaa	AAA	AAA
2015 Series A and B Payroll Tax	134,590	114,120	Aaa	AAA	AAA
2016 Series A Payroll Tax	74,800	74,085	Aaa	AAA	AAA
2017 Series A Payroll Tax	97,430	95,125	Aaa	AAA	AAA
2018 Series A Payroll Tax	148,245	148,245	Aaa	AAA	AAA
Payroll Tax and Grant Receipt Revenue Bonds:					
2013 Payroll Tax and Grant Receipt	325,000	25,000	Aa3	A+	Not Rated
Grant Receipt Revenue Bonds:					
2011 Series A and B Capital Grant Receipt	142,380	32,620	A3	A	Not Rated
2017 Capital Grant Receipt Revenue Refunding, Series A	76,015	76,015	A3	A	Not Rated
2018 Capital Grant Receipt, Series A	113,900	113,900	A3	A	Not Rated

Management's Discussion and Analysis

continued

(dollars in thousands)

Lease Transactions

In 2005 TriMet entered into a lease-leaseback and sale-leaseback transactions with investors (see Note 8). During fiscal year 2016, the District received a put option related to the remaining sale-leaseback. The District is not aware of any default, event of default or event of loss under any of the operative lease documents at June 30, 2019. The District has one remaining lease transaction (2005 lease transaction) outstanding at year-end.

TRIMET DEFINED BENEFIT RETIREMENT PLAN FOR MANAGEMENT AND STAFF EMPLOYEES TRUST FUND

The TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. The plan covers most TriMet non-union employees hired before April 27, 2003. Covered employees who retire at or after age 62, with five years of service, are entitled to an annual retirement benefit, payable monthly for life, with annual cost of living increases. TriMet is required to maintain funds under the plan sufficient to pay benefits when due. The following chart displays assets, liabilities, and net position of the trust fund as well as the funded status of the plan as of June 30, 2019, 2018, and 2017:

Table 5

Trust Net Position
As of June 30
(dollars in thousands)

	2019	2018	2017
Trust assets	$ 134,968	$ 132,267	$ 123,982
Trust liabilities	22	14	26
Trust net position	$ 134,946	$ 132,253	$ 123,956
Total pension liability	$ 144,958	$ 142,289	$ 138,988
Funded percentage	93%	93%	89%

Total net position as of June 30, 2019 increased by $2,693 or 2.0 percent due to employer contributions recorded in the plan of $6,240 in fiscal year 2019, the decrease in fair market value of investments, and offset by reductions due to payment of retirement benefits under the terms of the plan (see Note 12). Total net position as of June 30, 2018 increased by $8,297, due to employer contributions recorded in the plan of $6,497 in fiscal year 2018. TriMet's board adopted a funding policy for the plan in 2014. Employer contributions to the plan are funded on a monthly basis.

The following chart displays changes in net position for the years ended June 30, 2019, 2018, and 2017:

Table 6

Changes in Trust Net Position
For the years ended June 30
(dollars in thousands)

	2019	2018	2017
Employer contributions	$ 6,240	$ 6,497	$ 6,330
Investment earnings	3,787	8,108	7,991
Total additions	10,027	14,605	14,321
Benefit payments	7,197	6,211	5,286
Administrative expenses	137	97	76
Total deductions	7,334	6,308	5,362
Increase in net position	2,693	8,297	8,959
Trust net position, beginning	132,253	123,956	114,997
Trust net position, ending	$ 134,946	$ 132,253	$ 123,956

Management's Discussion and Analysis

continued

(dollars in thousands)

THE PENSION PLAN FOR BARGAINING UNIT EMPLOYEES OF TRIMET TRUST FUND

The Pension Plan for Bargaining Unit Employees of TriMet Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. The plan covers all full-time and part-time employees represented by the Amalgamated Transit Union hired before August 1, 2012. Benefits under the plan are 100 percent vested after 10 years of service. Under the terms of the Bargaining Unit Pension Plan and Permanent Disability Agreement, covered members retiring at or after age 58 with 10 or more years of service will receive a monthly benefit for life with annual cost of living adjustments. TriMet is required to maintain funds under the plan sufficient to pay benefits when due. The following chart displays assets, liabilities, and net position of the trust fund as well as the funded status of the plan as of June 30, 2019, 2018, and 2017:

Table 7

Trust Net Position
As of June 30
(dollars in thousands)

	2019	2018	2017
Trust assets	$ 574,982	$ 560,948	$ 521,059
Trust liabilities	62	66	132
Trust net position	$ 574,920	$ 560,882	$ 520,927
Total pension liability	$ 713,756	$ 698,934	$ 657,399
Funded percentage	81%	80%	79%

Total net position as of June 30, 2019 increased by $14,038 or 2.5 percent due to employer contributions to the plan of $34,718 in fiscal year 2019, the increase in fair market value of investments and offset by reductions due to payment of retirement benefits under the terms of the plan (see Note 13). Total net position as of June 30, 2018 increased by $39,955, or 7.7 percent, due to employer contributions to the plan of $35,228 in fiscal year 2018, the increase in fair market value of investments and offset by reductions due to payment of retirement benefits under the terms of the plan. TriMet's board adopted a funding policy for the plan in 2014. Employer contributions to the plan are funded on a monthly basis. The following chart displays changes in net position for the years ended June 30, 2019, 2018, and 2017:

Table 8

Changes in Trust Net Position
For the years ended June 30
(dollars in thousands)

	2019	2018	2017
Employer contributions	$ 34,718	$ 35,228	$ 37,859
Investment earnings	18,621	41,479	46,645
Total additions	$ 53,339	76,707	84,504
Benefit payments	$ 38,905	36,394	36,159
Administrative expenses	396	358	247
Total deductions	39,301	36,752	36,406
Increase in net position	14,038	39,955	48,098
Trust net position, beginning	560,882	520,927	472,829
Trust net position, ending	$ 574,920	$ 560,882	$ 520,927

Other Post Employment Benefits Liability

The District has established a trust to fund the OPEB liability. In addition, the District has adopted a strategic financial plan (SFP) (TriMet Strategic Financial Plan) that includes funding the OPEB obligation. In January 2019, the SFP was amended (Amended Strategic Financial Plan). For further details on OPEB see Note 11, Other Employee Benefits.

Management's Discussion and Analysis

continued

(dollars in thousands)

ECONOMIC FACTORS AND FISCAL YEAR 2020 BUDGET

The District's Board of Directors adopted the fiscal year 2020 budget on June 26, 2019. The fiscal year 2020 budget includes $1,036,918 in total appropriations, a 5.3 percent increase from fiscal year 2019. The budget focuses on enhancing customer and employee safety, implementing the State requirements of House Bill 2017 (HB2017/STIF) funded programs including expanding service and operations of a Transit Assistance Program, improving and increasing bus service and improving schedule reliability.

The adopted budget includes the cost of operating and maintaining the existing transit system, the costs of fixed route bus and rail service to maintain headways and capacity as the region grows, costs of ADA complementary paratransit service, operating cost of other service changes, costs associated with further development of Hop Fastpass™, capital investments in infrastructure and expansion for the future; mid-life overhaul of light rail vehicles and debt service expense.

The fiscal plan continues to address essential capital maintenance and replacement in addition to the advancement of important regional expansion projects such as the Division Transit Project and Southwest Corridor Project. The fiscal plan is consistent with Board policy and commitment to strengthen pension reserves. The fiscal year 2020 adopted budget can be found online under "Financial Information" and "Budgets" at: https://trimet.org/about/accountability.htm#policy

In fiscal year 2020 the District will continue to implement the requirements of House Bill 2017 (HB 2017/STIF) including expanding service and operation of a Transit Assistance Program, improving and increasing service, the cost of operating and maintaining the existing transit system, improving schedule reliability and the costs of fixed route bus and rail service to maintain headways and capacity as the region grows (including vehicle replacements). For the seventh consecutive year, the budget does not include any increase in fares. Highlights from the $1.53 billion adopted budget include:

- State of Oregon House Bill 2017 that passed in July 2017 is a large transportation bill to address many different transportation issues across the state. With the passage of the bill comes a statewide employee payroll tax of 0.1 percent that dedicates funds for public transportation. Trimet expects to recognize approximately $40 - $50 million annually via a grant. House Bill 2017 is a major transportation tax and spending bill that is estimated to raise approximately $3.8 billion in new tax and fee revenue over the next seven years to be spent on road and bridge maintenance, new highway construction and transit services around the state. The fiscal year 2020 budget includes approximately $36 million of revenues related to HB 2017.
- Bus service expansion – TriMet is proposing to expand bus service hours 2.2% in fiscal year 2020. The District will make a series of changes to bus service including increased frequency, route changes and extensions. These investments are paid for by revenues generated by the increase in the employer payroll tax rate and the STIF Formula Funds. The service improvements will occur throughout FY2020. The cost of the service improvements is approximately $5.1 million.
- New buses – purchase and deliver 46 new buses by the end of fiscal year 2020. The District received a grant from FTA's Low & No-Emission Vehicle Deployment (Low-No) Program to purchase up to five electric buses. The buses are anticipated to be in service sometime in fiscal year 2021. In addition the District's LIFT paratransit service will benefit from 37 replacement buses and 10 expansion buses.
- Safety enhancements – safety and security are priorities in the 2020 budget. The budget continues to provide for as many as 30 additional peace officers for the system. These officers provide an increased security presence and will enforce TriMet code. Also, the District will continue with a multi-year project to replace its "flash-pass" old fare collection system, Hop Fastpass, which reduces reliance on mechanical equipment like transit vending machines and fare boxes and projects specifically focused on improving safety and security for our bus and rail facilities and vehicles. We will also develop and implement projects in partnership with local agencies to create priority treatments along TriMet's Frequent Service bus network, decrease travel time, and increase service reliability.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide readers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

TriMet
Attn: Finance & Administrative Services
1800 S.W. 1st Avenue, Suite 300
Portland, OR 97201
www.trimet.org

Enterprise Fund
Statements of Net Position

June 30, 2019 and 2018
(dollars in thousands)

Assets	2019	2018
Current assets:		
Cash and cash equivalents	$ 116,896	$ 65,927
Investments	10,281	-
Taxes and other receivables, net	112,457	110,260
Grants receivable	7,829	67,817
Prepaid expenses	10,185	9,927
Total current assets	257,648	253,931
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	58,492	97,229
Investments	300,196	384,085
Trade date and interest receivables	26,855	11,918
Grants receivable	34,636	102,962
Prepaid lease expenses	30,759	31,521
Long-term receivable	256	427
Materials and supplies	45,541	41,552
Capital assets:		
Land and other, not being depreciated	235,089	235,191
Construction in process	222,190	160,731
Capital assets, net of accumulated depreciation	2,556,971	2,585,903
Net capital assets	3,014,250	2,981,825
Total noncurrent assets	3,510,985	3,651,519
Total assets	3,768,633	3,905,450
Deferred outflows of resources		
Deferred outflows related to pensions	30,040	32,539
Unamortized loss on refunded debt	10,766	11,942
Deferred outflows related to OPEB	13,490	14,401
Total deferred outflows of resources	54,296	58,882
Total assets and deferred outflows of resources	$ 3,822,929	$ 3,964,332

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Net Position

June 30, 2019 and 2018
(dollars in thousands)
continued

	2019	2018
Liabilities		
Current liabilities (unrestricted):		
Accounts payable	$ 37,833	$ 32,609
Accrued payroll	23,843	22,927
Current portion of noncurrent liabilities	8,785	5,890
Unearned revenue	16,619	14,983
Current liabilities (restricted):		
Accounts payable	16,589	7,671
Current portion of long-term debt	47,206	94,290
Unearned revenue	1,000	1,000
Unearned capital project revenue	34,193	9,877
Other accrued liabilities	9,732	8,473
Total current liabilities	195,800	197,720
Noncurrent liabilities:		
Long-term debt	730,800	817,701
Long-term lease liability	63,151	62,076
Net pension liability	148,848	148,088
Other postemployment benefits liability (OPEB)	725,025	786,138
Other long-term liabilities	16,459	15,662
Total noncurrent liabilities	1,684,283	1,829,665
Total liabilities	1,880,083	2,027,385
Deferred inflows of resources		
Deferred inflows related to pensions	11,569	20,813
Unamortized gain on leases	14,799	15,712
Deferred inflows related to OPEB	84,720	2
Total deferred inflows of resources	111,088	36,527
Net position		
Net investment in capital assets	2,495,838	2,586,479
Restricted	63,209	17,777
Unrestricted	(727,289)	(703,836)
Total net position	1,831,758	1,900,420
Total liabilities, deferred inflows of resources and net position	$ 3,822,929	$ 3,964,332

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2019 and 2018
(dollars in thousands)

	2019	2018
Operating revenues		
Passenger revenue	$ 106,832	$ 113,836
Auxiliary transportation and other revenue	28,990	25,164
Total operating revenues	135,822	139,000
Operating expenses		
Labor	194,641	182,834
Fringe benefits	190,732	191,097
Materials and services	124,317	109,963
Utilities	10,412	9,986
Purchased transportation	30,577	30,950
Depreciation expense	132,943	131,914
Other operating expense	17,632	13,454
Total operating expenses	701,254	670,198
Operating loss	(565,432)	(531,198)
Non-operating revenues (expenses)		
Payroll and other tax revenue	372,751	359,043
Grant revenue	99,668	119,633
Interest income	14,490	5,972
Net leveraged lease income	906	741
Gain on disposal of capital assets	6,144	1,081
Pass through revenue	4,563	4,041
Pass through expense	(4,563)	(4,041)
Interest and other expense	(25,384)	(19,454)
Funding exchanges and other payments	(11,882)	(5,459)
Total non-operating revenues, net	456,693	461,557
Loss before contributions	(108,739)	(69,641)
Capital contributions	40,077	113,870
Changes in net position	(68,662)	44,229
Total net position - as previously reported	1,900,420	2,024,504
Cumulative effect to implement GASB #75	-	(168,313)
Total net position - beginning restated	1,900,420	1,856,191
Total net position - ending	$ 1,831,758	$ 1,900,420

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018
(dollars in thousands)

	2019	2018
Cash flows from operating activities		
Receipts from passengers	$ 91,104	$ 102,922
Receipts from other sources	29,220	25,753
Payments to employees	(365,469)	(345,430)
Payments to suppliers	(169,760)	(159,642)
Net cash used in operating activities	(414,905)	(376,397)
Cash flows from noncapital financing activities		
Receipts from payroll taxes	372,657	353,648
Receipts from operating grants	159,585	67,821
Other noncapital financing	(11,881)	(5,460)
Net cash provided by noncapital financing activities	520,361	416,009
Cash flows from capital and related financing activities		
Receipts from capital grants	132,791	109,651
Receipts from (Increase in) property taxes	98	2
Payments on leases	-	(28)
Receipts from sales or lease of capital assets	11,128	1,634
Acquisition and construction of capital assets	(170,352)	(116,891)
Issuance of debt	10,000	296,374
Principal payments on long-term debt	(134,290)	(121,040)
Interest payments on long-term debt	(32,644)	(29,117)
Net cash used by capital and related financing activities	(183,269)	140,585
Cash flows from investing activities		
Purchases of investment securities	(698,898)	(735,285)
Proceeds from sales and maturities of investment securities	783,068	548,205
Interest received	5,875	2,137
Net cash provided by investing activities	90,045	(184,943)
Net (decrease) increase in cash and cash equivalents	12,232	(4,746)
Cash and cash equivalents, beginning of year	163,156	167,902
Cash and cash equivalents, end of year	$ 175,388	$ 163,156
Reconciliation of cash and cash equivalents		
Unrestricted cash and cash equivalents	$ 116,896	$ 65,927
Restricted cash and cash equivalents	58,492	97,229
Total cash and cash equivalents	$ 175,388	$ 163,156

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018
(dollars in thousands)
Continued

Reconciliation of operating loss to net cash used in operating activities

	2019	2018
Operating loss	$ (565,432)	$ (531,198)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	132,943	131,914
Cumulative effect to implement GASB 75	-	(168,313)
(Increase) decrease in taxes and other receivables	(17,295)	(12,395)
(Increase) in long-term receivable	171	(427)
(Increase) decrease in prepaid and other assets	(218)	(1,593)
Increase (decrease) in materials, supplies and other	(3,989)	(2,493)
Increase (decrease) in operating accounts payable	14,140	8,372
Increase (decrease) in accrued payroll	916	2,348
Increase (decrease) in unearned revenue	1,636	2,515
Increase (decrease) in net pension liability and related deferrals	(5,985)	(14,152)
Increase (decrease) in OPEB and related deferrals	24,515	207,893
Increase (decrease) in other liabilities	3,693	1,132
Total adjustments	150,527	154,801
Net cash used in operating activities	$ (414,905)	$ (376,397)

Supplemental Disclosures of Non-Cash Operating, Investing and Financing Activities

(dollars in thousands)

	2019	2018
Net leveraged lease income	$ 906	$ 741
Accretion/amortization of investments	5,734	3,397
Fiber optic lease	380	372

See accompanying notes to basic financial statements

Trust Fund
Statement of Pension Plan Fiduciary Net Position

June 30, 2019
(dollars in thousands)

	2019		
	Trust Fund		
	Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
Assets			
Cash and cash equivalents	$ 550	$ 5,996	$ 6,546
Investments:			
Domestic large/mid cap equity	30,729	159,018	189,747
Domestic small cap equity	4,025	18,342	22,367
International equity	24,896	135,946	160,842
Domestic fixed income	21,845	60,827	82,672
Tactical asset allocation	9,193	43,187	52,380
Real estate	11,796	77,271	89,067
Absolute return	25,460	57,308	82,768
Private credit	1,461	10,925	12,386
Private equity	5,012	6,149	11,161
Total investments	134,417	568,973	703,390
Receivables:			
Investment earnings receivable	1	13	14
Total receivables	1	13	14
Total assets	134,968	574,982	709,950
Liabilities			
Accounts payable	22	62	84
Total liabilities	22	62	84
Net position			
Held in trust for pension benefits	$ 134,946	$ 574,920	$ 709,866

See accompanying notes to basic financial statements

Trust Fund
Statement of Pension Plan Fiduciary Net Position

June 30, 2018
(dollars in thousands)
Continued

	2018 Trust Fund: Retirement Plan for Management and Staff Employees	2018 Trust Fund: Pension Plan for Bargaining Unit Employees	2018 Trust Fund: Total
Assets			
Cash and cash equivalents	$ 1,097	$ 4,032	$ 5,129
Investments:			
Domestic large/mid cap equity	30,468	162,504	192,972
Domestic small cap equity	4,159	20,018	24,177
International equity	24,004	130,857	154,861
Domestic fixed income	20,214	58,135	78,349
Tactical asset allocation	8,877	36,714	45,591
Real estate	11,417	55,384	66,801
Absolute return	25,541	76,591	102,132
Private credit	5,979	8,199	14,178
Private equity	509	8,508	9,017
Total investments	131,168	556,910	688,078
Receivables:			
Investment earnings receivable	2	6	8
Total receivables	2	6	8
Total assets	132,267	560,948	693,215
Liabilities			
Accounts payable	14	66	80
Total liabilities	14	66	80
Net position			
Held in trust for pension benefits	$ 132,253	$ 560,882	$ 693,135

See accompanying notes to basic financial statements

Trust Fund
Statement of Changes in Pension Plan Fiduciary Net Position

For the Year Ended June 30, 2019
(dollars in thousands)

	2019 Trust Fund		
	Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
Additions			
Employer contributions	$ 6,240	$ 34,718	$ 40,958
Investment income:			
Interest	33	162	195
Dividends	1,336	3,929	5,265
Other income	468	3,130	3,598
Net increase in fair value of investments	2,104	12,122	14,226
Less investment expense	(154)	(722)	(876)
Net investment income	3,787	18,621	22,408
Total additions	10,027	53,339	63,366
Deductions			
Benefits	7,197	38,905	46,102
Administrative expenses	137	396	533
Total deductions	7,334	39,301	46,635
Change in net position	2,693	14,038	16,731
Net position held in trust for pension benefits:			
Beginning of year	132,253	560,882	693,135
End of year	$ 134,946	$ 574,920	$ 709,866

See accompanying notes to basic financial statements

Trust Fund
Statement of Changes in Pension Plan Fiduciary Net Position

For the Year Ended June 30, 2018
(dollars in thousands)
continued

	2018 Trust Fund Retirement Plan for Management and Staff Employees	2018 Trust Fund Pension Plan for Bargaining Unit Employees	2018 Trust Fund Total
Additions			
Employer contributions	$ 6,497	$ 35,228	$ 41,725
Investment income (loss):			
Interest	12	48	60
Dividends	1,202	3,573	4,775
Other income	320	2,599	2,919
Net increase in fair value of investments	6,702	35,876	42,578
Less investment expense	(128)	(617)	(745)
Net investment income	8,108	41,479	49,587
Total additions	14,605	76,707	91,312
Deductions			
Benefits	6,211	36,394	42,605
Administrative expenses	97	358	455
Total deductions	6,308	36,752	43,060
Change in net position	8,297	39,955	48,252
Net position held in trust for			
Beginning of year	123,956	520,927	644,883
End of year	$ 132,253	$ 560,882	$ 693,135

See accompanying notes to basic financial statements

Notes to Financial Statements
June 30, 2019
(dollars in thousands)

1. Organization and Summary of Significant Accounting Policies

The Tri-County Metropolitan Transportation District of Oregon ("TriMet" or "the District") was organized under the provisions of Oregon Revised Statutes (ORS) Chapter 267 to provide mass transit services to the Portland metropolitan area. Formation of the District, which includes parts of Multnomah, Clackamas, and Washington counties, was effective October 14, 1969 with the assumption of the operations of a privately owned bus system. Under ORS 267, the District is authorized to levy taxes and charge fares to pay for the operations of the District. TriMet is also authorized to issue general obligation bonds and revenue bonds.

The District is governed by a seven-member Board of Directors appointed by the Governor of the State of Oregon. Board members represent and must live in certain geographical sub-districts. The Board of Directors set District policy, levy taxes, appropriate funds, adopt budgets, serve as contract board, and perform other duties required by state and federal law.

The District uses one budgetary fund to account for its operating activities: General. The General Fund accounts for the financial resources associated with operating the District. Principle sources of revenue in the General Fund are passenger fares, employer payroll and self employment taxes, State of Oregon payroll assessments ("in lieu"), federal grants, and interest. Primary expenditures in the General Fund are personal services, materials and services, and principal and interest on debt secured by General Fund revenues. The District also has fiduciary responsibility for two pension plans: The TriMet Defined Benefit Plan for Management and Staff Employees Trust Fund, and the Pension Plan for Bargaining Unit Employees of TriMet Trust Fund. The investment, pension funding and benefit payment activity in these funds and pension plan net position are reported in the Trust Fund.

(a) Financial reporting entity

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government is financially accountable and other organizations that, by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Based on these criteria, TriMet is considered a primary government and does not have any component unit relationships. Conversely, TriMet is not considered a component unit of any primary government.

(b) Basis of accounting and presentation

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. Under GAAP, the District accounts for activity under the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The District has a fiduciary responsibility for the two defined benefit pension plans. The financial activities of the pension plans are included in the trust fund statements in the financial section of this report. In addition, the District has a fiduciary responsibility for the other postemployment benefit plan (OPEB). As of June 30, 2019, the OPEB plan had $411 in net position and no activity other than interest earnings. Therefore, the trust fund statements for the OPEB plan are not included as part of the basic financial statements.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District has applied all applicable GASB pronouncements in the financial statements.

(c) Revenue recognition

Operating revenues consist primarily of passenger fares. The District also recognizes operating revenue for contracted service revenue and transit advertising revenue. Operating expenses include the costs of operating the District, including depreciation on capital assets. Capital contributions include grant revenue and other contributions related to capital asset acquisitions or construction. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Statewide Transportation funding for House Bill 2017 that went into effect on July 1, 2017 (STIF or HB2017) is a 0.1 percent employee payroll tax collected by the State and distributed to the District quarterly. Revenues under this program are recognized as expenses are incurred and unspent resources and recorded to unearned revenues.

(d) Restricted Assets

Restricted assets are assets set aside to meet externally imposed legal and contractual obligations. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, restricted resources are used first, and then unrestricted resources as they are needed. Restricted assets include certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, a long-term receivable due from Portland Streetcar related to development costs for the electronic fare system (Hop), 2005 lease leaseback transaction and capital contributions restricted for costs of certain capital projects.

(e) Tax revenues

Funding of day-to-day operations is primarily provided by the payroll tax imposed by TriMet pursuant to ORS 267.380 and the self employment tax imposed by TriMet pursuant to ORS 267.385. The payroll tax is imposed on employers with respect to wages earned within the TriMet service district. An employer is not permitted to deduct any portion of the tax from the wages of an employee. The self employment tax is imposed on self-employed individuals with respect to their net earnings generated within the TriMet service district. TriMet currently imposes these taxes at a rate of 0.7437 percent of the wages paid to individuals (for the payroll tax) and the net earnings from self-employed individuals (for the self employment tax). The taxes are collected on TriMet's behalf by the Department of Revenue of the State of Oregon under an agreement entered into pursuant to ORS 305.620. Imposed tax revenues are recorded as assets and revenues in the period that the obligation is incurred by the employers and the self-employed individuals. Amounts accrued are estimated based upon historical trends in payroll tax cash receipts. TriMet records an allowance for past due amounts that have not been collected by the state as of year-end.

(f) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of certain assets, 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.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, and shares of the State of Oregon Local Government Investment Pool and financial institutions, and marketable securities with original maturities of three months or less.

(h) Investments

ORS Chapter 294 authorizes the District to invest in obligations of the U.S. Treasury and U.S. Government agencies and instrumentalities, certain bankers' acceptances and corporate indebtedness, and repurchase agreements. The District records all investments at fair value based upon quoted market rates, with changes in unrealized gains and losses reported as investment income.

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment earnings comprise interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.

(i) Materials and supplies

Materials and supplies inventory consists primarily of maintenance parts and supplies for rolling stock and other transportation equipment. Material and supplies inventory are stated at cost determined on a moving average basis.

(j) Prepaid expenses

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid expenses.

(k) Receivables

Taxes and other receivables. Taxes and other receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts for payroll taxes, self employment taxes and property taxes are based on the District's experience and management's judgment over recent years. The allowance for returns for trade accounts are based upon the District's experience of returns in the most recent year.

Grants receivable. Grants receivable are recorded in accordance with the non-exchange guidance. Accordingly, receivables are recorded when TriMet has the contractual right to grant resources, generally when the grant has been awarded to the District. Resources are offset with unearned revenues if the receivable has not yet been earned.

(l) Capital assets and depreciation

Capital assets are stated at cost, except for donated capital assets, which are stated at the fair (acquisition) value on the date of donation. Expenditures for additions and improvements, with a value in excess of $5 and a useful life of more than one year, are capitalized. Expenditures for maintenance, repairs and minor improvements are charged to operating expense as incurred. Upon disposal of capital assets, the accounts are relieved of the related costs and accumulated depreciation and the resulting gains or losses are reflected in the statement of revenues, expenses and changes in net position as other revenue.

Interest costs are capitalized to the extent that interest costs exceed interest earned on related temporary investments, from the date of borrowing until assets are ready for their intended use. Depreciation of capital assets is recorded using the straight-line method over the estimated useful lives of the assets.

Capital assets are assigned the following estimated useful lives:

Rail right-of-way, bridges and stations	5-70 years
Buildings	40 years
Transportation equipment	5-30 years
Furniture and other equipment	3-20 years

(m) Self insurance liabilities

Liabilities for workers' compensation, employee dental insurance, and public liability and property damage claims are recognized as incurred on the basis of the estimated cost to the District upon resolution. Estimated liabilities for injury and damage claims are charged to operations in the year the claim event occurs.

Self-insured liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Since self insured claims depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are evaluated on a case-by-case basis and are re-evaluated periodically to take into consideration historical experience of recently settled claims, the frequency of claims, and other economic and social factors.

(n) Compensated absences

Vacation leave that has been earned but not paid has been accrued. Vacation pay and floating holidays are payable upon termination, retirement or death for both union and non-union employees. Sick leave is accrued as benefits are earned, but only to the extent the District will compensate the employee through a cash payment conditional on the employee's termination or death. Pursuant to the TriMet Defined Contribution Retirement Plan for Management and Staff Employees (the Management DC Plan) and the TriMet Defined Contribution Retirement Plan for Union Employees (The Union DC Plan), the District contributes 60 percent of unused sick leave when the employee leaves TriMet. The District records a liability in the accompanying financial statements related to the unused sick leave for employees covered by the Management DC Plan and the Union DC Plan. Unused sick leave benefits that enhance either defined benefit pension plan are included in the actuarial accrued liability.

(o) Bond discounts, premiums and refundings

Unamortized bond discounts and premiums are amortized to interest expense, using the effective interest method, over the term of the bonds. The excess of costs incurred over the carrying value of bonds refunded on early extinguishment of debt is amortized, using the effective interest method, over the shorter of the remaining life of the old bonds or the life of the new issue and recorded as a deferred outflow of resources.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

(p) Contributed capital

Contributions received for the construction of capital assets are initially recorded as liabilities, then reclassified to revenue (contributed capital) when the associated capital projects are constructed or acquired.

(q) Net position

Net position is categorized as follows:

- Net investment in capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvements of those capital assets.
- Restricted net position – This consists of constraints placed on net position used through external constraints imposed by grantors, contributors or laws. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first and then unrestricted resources when they are needed.
- Unrestricted net position – This consists of net position that does not meet the definition of "Restricted" or "Net investment in capital assets."

(r) Stewardship, compliance and accountability

The annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP), with the exception of the accounting for defined benefit pension plans, other post-employment benefits, the depreciation of capital assets and certain elements of long-term debt transactions that are budgeted on a cash basis. Differences from the budgetary basis to the GAAP basis are noted on the Reconciliation of Revenues and Expenses (Budget Basis) to Schedule of Revenues and Expenses (GAAP Basis). The District's legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the fund and divisional level and include expenses for operating, operating projects and capital projects. All annual appropriations lapse at fiscal year-end. The Board of Directors approved any budgetary modifications to the adopted fiscal year 2019 budget throughout the year. For fiscal year-end June 30, 2019, the District was in budget compliance at all division levels.

(s) Reclassification for Financial Presentation

Reclassifications of certain amounts from the prior year were necessary in order to conform with the current year presentation. Reclassified amounts include the gain on disposal of capital assets, certain grant revenues, pass-through revenues and pass-through expenses. Reclassifications had no impact on net position or the changes in net position.

(t) Prior Year Accounting Pronouncements

In fiscal year 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement improves information provided by state and local government employers about financial support for other post-employment benefits. As a result of implementing GASB Statement No. 75, the District restated its net position for the fiscal year ending June 30, 2017. The adjustment to the beginning net position is presented below:

Net position, at beginning of year, as previously reported	$ 2,024,504
Remove beginning of year, OPEB	(563,846)
Beginning of year, OPEB, after implementation	743,315
Deferred outflows, contributions from Jan. through Jun. 2017	(11,156)
Effect of implementation	(168,313)
Net position, at beginning of year, as restated	$ 1,856,191

(u) Adoption of Other Accounting Pronouncements

During the fiscal year ended June 30, 2019, the District implemented the following Governmental Accounting Standards Board (GASB) pronouncements:

GASB Statement 83, *Certain Asset Retirement Obligations.* This statement addresses accounting for certain asset retirement obligations. The Statement requires recognition of liabilities when incurred and reasonably estimable and measurement using probability weighting of current costs. TriMet has concluded it does not have any material asset retirement obligations as defined in the pronouncement.

GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during the implementation and application of certain GASB statements. The topics addressed include issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and other postemployment benefits [OPEB]). This statement does not have a material effect on TriMet.

GASB Statement No. 86, *Certain Debt Extinguishment Issues.* This Statement provides guidance for transactions in which cash and other monetary assets acquired with only resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. During the fiscal year ended June 30, 2019, this Statement had no impact on TriMet.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in the notes to the financial statements related to debt, including separate information for direct borrowings and direct placements, unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to other specific significant events. It also clarifies which liabilities should be included when disclosing information related to debt. The District's debt disclosures were updated for the year ended June 30, 2019 to comply with this standard.

(v) Future Adoption of Accounting Pronouncements

The following pronouncements have been issued by the Governmental Accounting Standards Board (GASB), but are not effective as of June 30, 2019:

GASB Statement No. 84, *Fiduciary Activities.* This Statement establishes criteria for identifying fiduciary activities of all state and local governments, with separate criteria to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement also defines the reporting requirements for such activities. GASB Statement No. 84 will be effective for the District fiscal year ending June 30, 2020.

GASB Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the payment provision of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an asset. Lessees will be required to recognize a lease liability and an intangible right to use an asset and lessors will be required to recognize a lease receivable and a deferred inflow of resources enhancing the relevance and consistency of information about a governments' leasing activities. GASB Statement No. 87 will be effective for the District fiscal year ending June 30, 2021.

GASB Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 will be effective for the District fiscal year ending June 30, 2021.

GASB Statement No. 90, *Majority Equity Interests.* This Statement is an amendment of GASB Statements No. 14 and No. 61 and it defines that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. For all other majority equity interest holdings in a legally separate organization, a government should report the legally separate organization as a component unit. GASB Statement No. 90 will be effective for the County fiscal year ending June 30, 2020.

(dollars in thousands)

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 will be effective for the District fiscal year ending June 30, 2022.

TriMet will implement new GASB pronouncements no later than the required effective date. The District is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the District's financial statements.

2. Cash and Investments

Cash and Investments at June 30, 2019 and 2018, consisted of the following:

	2019			2018		
	Fair value	% of portfolio	Weighted average maturity (years)	Fair value	% of portfolio	Weighted average maturity (years)
Cash and cash equivalents:						
Cash on hand	$ 426	0.1 %	-	$ 461	0.1 %	-
Demand deposits with financial institutions	24,917	5.1 %	-	52,871	9.7 %	-
Oregon local government investment pool (LGIP)	48,822	10.0 %	-	47,744	8.7 %	-
U.S. Agencies - Federal Home Loan Bank	27,062	5.6 %	0.04	6,014	1.1 %	0.03
U.S. Treasuries	74,161	15.3 %	0.10	56,066	10.2 %	0.16
Total cash and equivalents	$ 175,388			$ 163,156		
Investments:						
U.S. Agencies - Federal Home Loan Bank	4,252	0.9 %	0.43	2,023	0.4 %	0.63
U.S. Treasuries	306,225	63.0 %	2.39	382,062	69.8 %	2.34
	$ 310,477			$ 384,085		
Total Cash, Cash Equivalents, and Investments	$ 485,865			$ 547,241		

Cash and investments are reflected in the Statements of net position as follows:

	2019	2018
Cash and cash equivalents		
Unrestricted	$ 116,896	$ 65,927
Restricted	58,492	97,229
Total restricted cash and cash equivalents	$ 175,388	$ 163,156
Investments		
Unrestricted	$ 10,281	$ -
Restricted	300,196	384,085
Total restricted investments	$ 310,477	$ 384,085
Total Cash, Cash Equivalents, and Investments	$ 485,865	$ 547,241

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date (exit price). Observable inputs reflect market participants' assumptions in pricing the asset or liability and are developed based on market data obtained from sources independent of reporting entity.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset or liability. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels as noted in the tables below for June 30, 2019 and 2018. The categorization is based on pricing transparency of the investments, and not an indication of the risks associated with investing in the security.

		Fair Value Measurement Using			Not Measured At Fair Value
Investment Type	**Balance at June 30, 2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Amortized Cost Measurement**
U.S. Treasuries	$ 380,386	$ 380,386	$ -	$ -	$ -
U.S. Agencies (FHLB)	31,314	-	31,314	-	-
LGIP	48,822	-	-	-	48,822
Demand deposits	24,917	-	-	-	24,917
Cash on hand	426	-	-	-	426
Total	$ 485,865	$ 380,386	$ 31,314	$ -	$ 74,165

		Fair Value Measurement Using			Not Measured At Fair Value
Investment Type	**Balance at June 30, 2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Amortized Cost Measurement**
U.S. Treasuries	$ 438,129	$ 438,129	$ -	$ -	$ -
U.S. Agencies (FHLB)	8,036	-	8,036	-	-
LGIP	47,744	-	-	-	47,744
Demand deposits	52,871	-	-	-	52,871
Cash on hand	461	-	-	-	461
Total	$ 547,241	$ 438,129	$ 8,036	$ -	$ 101,076

TriMet's demand deposits are covered by the Federal Deposit Insurance Corporation ("FDIC") or by collateral held by the State of Oregon. Cash held in the State of Oregon local government investment pool is managed by the State of Oregon Treasurer's office.

The Local Government Investment Pool (LGIP) is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which is not registered with the U.S. Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. The Oregon Audits Division of the Secretary of State's Office audits the LGIP annually. The Division's most recent audit report on the LGIP was unmodified. The fair value of pool shares is equal to TriMet's proportionate position in the pool.

(dollars in thousands)

The LGIP includes investments in external investment pools and does not meet the requirements for "leveling" discosures as established in GASB Statement No. 72. Therefore, fair value of the LGIP is determined by the pool's underlying portfolio.

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, TriMet manages its exposure to declines in fair values by limiting the maximum maturity of its investment portfolio to 5 years, with a weighted average maturity of less than 2.5 years. The investment policy also states the District will not directly invest unrestricted funds in securities maturing more than 5 years from the date of purchase. Restricted investments will be invested to match the expected requirements. The District was in compliance with policy at year-end June 30, 2019 and June 30, 2018.

Credit risk. Credit risk is the risk that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the fair value of the investment to decline. TriMet's investment policy, which is in compliance with Oregon State law (ORS 294 and 295), limits investment in corporate indebtedness on the settlement date to a rating of P-1 or Aa3 or better by Moody's Investors Service or A-1 or AA- or better by Standard & Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization. All investments identified in the ORS are included as permitted investments in the District's investment policy.

As of June 30, 2019 and 2018, TriMet's investments were rated as follows:

Investment Type	Moody's	S&P	Fair Value at June 30, 2019	Fair Value at June 30, 2018
U.S. Treasury	Aaa	AA+	$ 306,225	$ 382,062
US Agency	Aaa	AA+	4,252	2,023
			$ 310,477	$ 384,085

Concentration of credit risk. Concentration of credit risk is the risk associated with the lack of diversification or having too much invested in a few individual issues. TriMet's investment policy sets forth the procedures, guidelines, and criteria for the operation of TriMet's investment program. This policy governs the investment of all TriMet funds, except funds held in trust for pensions and deferred compensation. The investment policy establishes maximum amounts, either as a percentage of total portfolio or fixed dollar amount, that may be invested in investment types and any single issuer including U.S. government securities (no limit), agency securities (33 percent maximum with any one agency, 90 percent maximum of the total portfolio), commercial paper (2.5 percent maximum with any issuer, 10 percent maximum of the total portfolio), local government investment pool (limited to maximum per ORS 294.810), time deposits, certificates of deposit and savings accounts (25 percent maximum with any issuer, 50 percent maximum of the total portfolio), corporate indebtedness (2.5 percent maximum with any issuer, 10 percent maximum of the total portfolio) and municipal debt obligations (5 percent maximum with any issuer, 10 percent maximum of the total portfolio). At June 30, 2019, the District had 78.3 percent invested in U.S. government securities, 6.4 percent in agency securities, 5.1 percent in demand deposits, 10.1 percent in local government investment pool, and 0.1 percent in cash.

Custodial credit risk - deposits and investments. For deposits, this is the risk that in the event of a bank failure, TriMet's deposits may not be returned. ORS Chapter 295 governs the collateralization of certain Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program (PFCP). Bank depositories are required to pledge collateral against any public funds deposits in excess of federal deposit insurance amounts. All banks holding funds in TriMet's name, that are not held in trust for debt service, are included on the list of qualified depositories maintained by the Oregon State Treasurer. At June 30, 2019, the carrying amount of the District's deposits (excluding amounts held in trust for debt service) was $17,668 and the bank balance was $24,529. Of this bank balance, $1,000 was covered by the federal depository insurance's general deposit rules and $23,529 was collateralized by the PFCP.

All investments purchased by the District are held and registered in TriMet's name by a safekeeping bank acting as safekeeping agent. A portion of TriMet's funds are invested in an external investment pool, held by the State of Oregon in the Local Government Investment Pool (LGIP), as described above. TriMet also deposits funds in four bank savings accounts. Balances in these accounts are in compliance with TriMet investment policy limits and are collateralized in accordance with ORS Chapter 295.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

3. Receivables

At June 30, 2019 and 2018, the District had the following receivables under various federal and state grant agreements:

2019	Unrestricted	Restricted	Total
Federal pass through	$ -	$ 316	$ 316
Other federal	5,088	32,201	37,289
State grants	2,741	2,119	4,860
	$ 7,829	$ 34,636	$ 42,465

2018	Unrestricted	Restricted	Total
Federal pass through	$ -	$ 244	$ 244
Other federal	67,242	101,884	169,126
State grants	575	834	1,409
	$ 67,817	$ 102,962	$ 170,779

Taxes and other receivables at June 30, 2019 and 2018, including the applicable allowances for uncollectible accounts, are as follows:

2019	Receivable	Allowance for uncollectible accounts	Net receivable
Unrestricted:			
Payroll tax	$ 87,777	$ 1,160	$ 86,617
Self-employment tax	10,381	780	9,601
Trade accounts	5,461	400	5,061
Other	11,178	-	11,178
Total unrestricted	114,797	2,340	112,457
Restricted:			
Other	26,855	-	26,855
Total restricted	26,855	-	26,855
Total taxes and other receivables	$ 141,652	$ 2,340	$ 139,312

2018	Receivable	Allowance for uncollectible accounts	Net receivable
Unrestricted:			
Payroll tax	$ 88,023	$ 1,520	$ 86,503
Self-employment tax	10,490	850	9,640
Trade accounts	7,967	401	7,566
Other	6,616	65	6,551
Total unrestricted	113,096	2,836	110,260
Restricted:			
Other	11,918	-	11,918
Total restricted	11,918	-	11,918
Total taxes and other receivables	$ 125,014	$ 2,836	$ 122,178

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

4. Capital Assets

Capital assets at June 30, 2019 and 2018 consisted of the following:

2019	Lives (in years)	Beginning balance	Additions	Deletions	Transfers	Ending balance
Capital assets, not being depreciated						
Land and other		$ 235,191	$ 18	$ (4,984)	$ 4,864	$ 235,089
Construction in process		160,731	170,334		(108,875)	222,190
Total capital assets, not being depreciated		395,922	170,352	(4,984)	(104,011)	457,279
Capital assets, being depreciated						
Rail right-of-way and stations	5-70	2,408,088	-	-	11,026	2,419,114
Buildings	40	753,352	-	-	52,534	805,886
Transportation equipment	5-30	739,007	-	(10,798)	36,067	764,276
Furniture and other equipment	3-20	314,943	-	(1,362)	4,384	317,965
Total capital assets, being depreciated		4,215,390	-	(12,160)	104,011	4,307,241
Less accumulated depreciation for						
Rail right-of-way and stations		(917,959)	(62,140)	-	-	(980,099)
Buildings		(229,043)	(18,143)	-	-	(247,186)
Transportation equipment		(328,882)	(35,657)	10,798	-	(353,741)
Furniture and other equipment		(153,603)	(17,003)	1,362	-	(169,244)
Total accumulated depreciation		(1,629,487)	(132,943)	12,160	-	(1,750,270)
Total capital assets, being depreciated, net		2,585,903	(132,943)	-	104,011	2,556,971
Total capital assets, net		$ 2,981,825	$ 37,409	$ (4,984)	$ -	$ 3,014,250

2018	Lives (in years)	Beginning balance	Additions	Deletions	Transfers	Ending balance
Capital assets, not being depreciated						
Land and other		$ 232,785	$ 1,281	$ (540)	$ 1,665	$ 235,191
Construction in process		125,422	115,688	-	(80,379)	160,731
Total capital assets, not being depreciated		358,207	116,969	(540)	(78,714)	395,922
Capital assets, being depreciated						
Rail right-of-way and stations	5-70	2,409,070	-	(982)	-	2,408,088
Buildings	40	740,892	10	-	12,450	753,352
Transportation equipment	5-30	727,908	-	(18,602)	29,701	739,007
Furniture and other equipment	3-20	279,386	61	(1,067)	36,563	314,943
Total capital assets, being depreciated		4,157,256	71	(20,651)	78,714	4,215,390
Less accumulated depreciation for						
Rail right-of-way and stations		(856,633)	(62,154)	828	-	(917,959)
Buildings		(212,463)	(16,580)	-	-	(229,043)
Transportation equipment		(313,390)	(34,095)	18,603	-	(328,882)
Furniture and other equipment		(135,576)	(19,085)	1,058	-	(153,603)
Total accumulated depreciation		(1,518,062)	(131,914)	20,489	-	(1,629,487)
Total capital assets, being depreciated, net		2,639,194	(131,843)	(162)	78,714	2,585,903
Total capital assets, net		$ 2,997,401	$ (14,874)	$ (702)	$ -	$ 2,981,825

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

5. Short-term Debt

Bank Line of Credit

In January 2019, the District entered into a non-revolving line of credit (LOC) with a financial institution to finance various operating costs. The line of credit had a maturity of one year and carried a variable interest rate reset daily (30 LIBOR + 0.40%). The line of credit was necessary to bridge gaps in receipts of federal grants and payroll tax revenues. In January 2019, the District drew down $10,000 on the bank line of credit. The draw was subsequently repaid in February 2019. Interest expense on the LOC was $22.

Short-term debt activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Draws	Repayments	Ending Balance
Bank Line of Credit	$ -	$ 10,000	$ (10,000)	$ -

In May 2019 TriMet entered into a $60,000 revolving credit agreement (RCA) with a financial institution. The RCA is a three year facility that allows TriMet to draw for working capital and/or advances in capital projects. Each draw will be evidenced by either a tax-exempt or taxable note depending on its purpose. Repayment of each note will be secured by a subordinate pledge of payroll tax revenues, similar to the senior lien payroll tax revenue bonds. In accordance with the fee letter that accompanied the RCA, TriMet will pay a quarterly commitment fee to the bank ranging from 0.125% - 0.25% of the amount available to be drawn on the RCA, depending on the balance in a deposit account with the bank. Amounts drawn under the RCA will bear interest at LIBOR plus a spread of 0.30% if taxable and 80% of LIBOR plus a spread of 0.30% if tax-exempt. As of June 30, 2019, there were no draws on the RCA.

(dollars in thousands)

6. Long-Term Debt

Long-Term Debt at June 30, 2019 and 2018 consists of the following:

2019	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Payroll Tax Bonds:					
2009 Revenue Bonds, Series A and B	$ 15,910	$ -	$ (1,660)	$ 14,250	$ 1,720
2012 Senior Lien Payroll Tax Bonds, Series A	13,670	-	(2,490)	11,180	2,605
2015 Senior Lien Revenue and Refunding Bonds, Series A and B	121,685	-	(7,565)	114,120	3,345
2016 Senior Lien Revenue Refunding Bonds, Series A	74,445	-	(360)	74,085	365
2017 Senior Lien Payroll Tax Bonds, Series A	97,430	-	(2,305)	95,125	2,365
2018 Senior Lien Payroll Tax Bonds, Series A	148,245		-	148,245	1,415
Subtotal Payroll Tax Bonds	471,385	-	(14,380)	457,005	11,815
Payroll Tax and Capital Grant Receipt Revenue Bonds:					
2013 Payroll Tax and Grant Receipt Revenue Bonds	125,000	-	(100,000)	25,000	25,000
Capital Grant Receipt Revenue Bonds:					
2011 Capital Grant Receipt Revenue Bonds	42,520		(9,900)	32,620	10,380
2017 Capital Grant Receipt Revenue Refunding Bonds, Series A	76,015		-	76,015	-
2018 Capital Grant Receipt Revenue Bonds, Series A	113,900		-	113,900	-
Subtotal Capital Grant Receipt Revenue Bonds	232,435	-	(9,900)	222,535	10,380
Capital Leases:					
Other	48		(10)	38	11
Total	828,868	-	(124,290)	704,578	47,206
Add (deduct):					
Unamortized bond premium	83,123		(9,695)	73,428	
Current portion of long-term debt	(94,290)			(47,206)	
Long-term debt, net	$ 817,701			$ 730,800	

2018	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Payroll Tax Bonds:					
2009 Revenue Bonds, Series A and B	$ 17,510	$ -	$ (1,600)	$ 15,910	$ 1,660
2012 Senior Lien Payroll Tax Bonds, Series A	16,050	-	(2,380)	13,670	2,490
2015 Senior Lien Revenue and Refunding Bonds, Series A and B	128,940	-	(7,255)	121,685	7,565
2016 Senior Lien Revenue Refunding Bonds, Series A	74,800	-	(355)	74,445	360
2017 Senior Lien Payroll Tax Bonds, Series A	97,430	-	-	97,430	2,305
2018 Senior Lien Payroll Tax Bonds, Series A	-	148,245	-	148,245	-
Subtotal Payroll Tax Bonds	334,730	148,245	(11,590)	471,385	14,380
Payroll Tax and Capital Grant Receipt Revenue Bonds:					
2013 Payroll Tax and Grant Receipt Revenue Bonds	225,000	-	(100,000)	125,000	70,000
Capital Grant Receipt Revenue Bonds:					
2011 Capital Grant Receipt Revenue Bonds	133,210	-	(90,690)	42,520	9,900
2017 Capital Grant Receipt Revenue Refunding Bonds, Series A	-	76,015	-	76,015	-
2018 Capital Grant Receipt Revenue Bonds, Series A	-	113,900	-	113,900	-
Subtotal Capital Grant Receipt Revenue Bonds	133,210	189,915	(90,690)	232,435	9,900
Capital Leases:					
Other	-	55	(7)	48	10
Total	692,940	338,215	(202,287)	828,868	94,290
Unamortized bond premium	47,775	50,264	(14,915)	83,123	
Current portion of long-term debt	(101,040)			(94,290)	
	$ 639,675			$ 817,701	

Total interest cost on all outstanding debt was $25,385 and $19,454 in fiscal years 2019 and 2018, respectively. The following table presents outstanding bonds at year-end with principal and interest paid during the fiscal year and the related pledged revenues on the debt.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

	June 30, 2019		
Description of Debt:	Principal and interest to maturity	Principal and interest paid in the year	Pledged revenue for the year
Payroll Tax Bonds - pledged: Employer payroll, self employment tax, and state in lieu revenue			
2009 Revenue Bonds, Series A and B	$ 23,660	$ 2,463	
2012 Senior Lien Payroll Tax Bonds, Series A	12,290	3,072	
2013 Payroll Tax and Grant Receipts Bonds - Interest	375	2,550	
2015 Revenue Bonds, Series A and B	168,639	13,053	
2016 Revenue Bonds, Series A	105,534	3,106	
2017 Revenue Bonds, Series A	154,781	6,730	
2018 Revenue Bonds, Series A	290,839	4,955	
	$ 756,118	$ 35,929	$ 372,751
Capital Grant Receipt Revenue Bonds - pledged: Section 5307, STP, and CMAQ grant receipts			
2011 Capital Grant Receipt Revenue Bonds	$ 35,065	$ 11,709	
2017 Capital Grant Receipt Revenue Refunding Bonds, Series A	99,359	3,801	
2018 Capital Grant Receipt Revenue Bonds, Series A	175,279	5,244	
	$ 309,704	$ 20,754	$ 69,072
Capital Grant Receipt Revenue Bonds - pledged: Section 5309 full funding grant agreement revenues			
2013 Payroll Tax and Grant Receipts Bonds - Principal	$ 25,000	$ 100,000	$ 100,000

The District is required to comply with certain bond covenants related to the operations of the District. Significant covenants include timely payment of principal and interest, and to budget appropriate funds needed to pay all debt service obligations.

Under U.S. Treasury Department regulations, all governmental tax exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the yield on earnings from the investment of tax exempt bond proceeds, which exceeds the yield on related bonds, must be remitted to the Federal Government on every fifth anniversary of each bond issue. The District has evaluated each bond issue and has recognized no arbitrage liabilities as of June 30, 2019 and 2018.

Payroll Tax Bonds

TriMet has the following Revenue Bonds outstanding which are backed by Payroll Tax Revenues: 2009 Revenue Bonds Series A and B, 2012 Senior Lien Payroll Tax Revenue Bonds Series A, 2015 Revenue Bonds Series A and B, 2016 Revenue Bonds Series A, 2017 Revenue Bonds Series A and the 2018 Revenue Bonds Series A. The Revenue Bonds are payable from and secured by a pledge of the employer payroll and self-employment taxes levied by the District. The Payroll Tax Revenue Bonds are not general obligations of the District. The 2013 Payroll Tax and Grant Receipt Bonds are noted below.

2007 Revenue Bonds, Series A

On January 23, 2007, TriMet issued $45,450 in limited tax pledge 2007 Revenue Bonds, Series A (2007 Revenue Bonds) to fund the District's share of the I-205/Portland Mall Light Rail Project and other capital projects.

The 2007 Revenue Bonds mature serially each September 1, beginning September 1, 2007 through 2026, with a $13,025 term bond due September 1, 2031. The term bond is subject to mandatory sinking fund requirements annually on September 1, 2027 through 2031. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 4.0 percent to 5.0 percent on outstanding maturities. The 2007 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after March 1, 2017 at a price of par (100%) plus accrued interest thereon to the date of redemption.

On September 9, 2015, TriMet defeased in substance future principal and interest payments on a portion of its 2007 Revenue Bonds, Series A. As of June 30, 2019, there were $29,030, in defeased bonds with scheduled maturities annually on September 1, 2019 through 2031.

In September 2016, the final principal payment of $1,545 on the 2007 Revenue Bonds, Series A was made by TriMet and there are no future debt service obligations for the District.

2009 Revenue Bonds, Series A and B

On October 27, 2009, TriMet issued $37,020 in limited tax pledge 2009 Revenue Bonds, Series A and $12,530 in 2009 Build America Bonds, Series B (2009 Revenue Bonds) to fund the District's repayment of funds drawn on interim financing and other capital projects.

The 2009 Series A Revenue Bonds mature serially each September 1, beginning September 1, 2010 through 2025, with a $16,405 term bond due September 1, 2029. The term bond is subject to mandatory sinking fund requirements annually on September 1, 2025 through 2029. The 2009 Series B Revenue Bonds mature September 1, 2033, and are subject to mandatory sinking fund requirements annually on September 1, 2030 through 2033. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 3.0 percent to 5.73 percent on outstanding maturities. The 2009 Series A Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2019 at a price of par (100%) plus accrued interest thereon to the date of redemption. The 2009 Series B Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet at the higher of 100 percent of outstanding principal or the present value of the outstanding principal and interest payment remaining at redemption.

On September 9, 2015, TriMet defeased in substance future principal and interest payments on a portion of its 2009 Revenue Bonds. As of June 30, 2019 there were, $22,200, in defeased bonds with scheduled maturities annually on September 1, 2020 through 2029.

2012 Senior Lien Payroll Tax Bonds, Series A

On August 30, 2012, TriMet issued $93,290 in Senior Lien Payroll Tax Revenue Bonds, Series 2012A to fund the District's share of Portland Milwaukie Light Rail (PMLR) and other capital projects.

The 2012 Revenue Bonds mature serially each September 1, beginning September 1, 2013 through 2032, with $28,705 in term bonds maturing on September 1, 2037. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 1.0 percent to 5.0 percent on outstanding maturities. The 2012 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2022, at a price of par (100%) plus accrued interest thereon to the date of redemption.

On May 11, 2016, TriMet defeased in substance future principal and interest payments on a portion of its 2012 Senior Lien Payroll Tax Bonds, Series A. As of June 30, 2019, there were $68,670, in defeased bonds with scheduled maturities annually on September 1, 2023 through 2037.

2015 Revenue Bonds, Series A and B

On September 9, 2015, TriMet issued $71,885 in Senior Lien Payroll Tax Revenue Bonds, Series A to fund capital projects. TriMet also issued $62,705 in Senior Lien Payroll Tax Revenue Refunding Bonds, Series B to refinance certain series of revenue bonds currently outstanding.

The 2015 Revenue Bonds mature serially each September 1, beginning September 1, 2016 through 2040, with $25,430 in term bonds maturing on September 1, 2040. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 2.0 percent to 5.0 percent on outstanding maturities. The 2015 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2025, at a price of par (100%) plus accrued interest thereon to the date of redemption.

2016 Revenue Refunding Bonds, Series A

On May 11, 2016, TriMet issued $74,800 in Senior Lien Payroll Tax Revenue Refunding Bonds, Series A to refinance certain series of revenue bonds currently outstanding.

The 2016 Revenue Bonds mature serially each September 1, beginning September 1, 2017 through 2034, with $17,915 in term bonds maturing on September 1, 2037. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 1.5 percent to 5.0 percent on outstanding maturities. The 2016 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2026, at a price of par (100%) plus accrued interest thereon to the date of redemption.

2017 Revenue Bonds, Series A

On February 22, 2017, TriMet issued $97,430 in Senior Lien Payroll Tax Revenue Bonds to fund capital projects.

The 2017 Revenue Bonds mature serially each September 1, beginning September 1, 2018 through 2041, with $24,400 in term bonds maturing on September 1, 2041. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 2.0 percent to 5.0 percent on outstanding maturities. The 2017 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2026, at a price of par (100%) plus accrued interest thereon to the date of redemption.

2018 Revenue Bonds, Series A

On June 20, 2018, TriMet issued $148,245 in Senior Lien Payroll Tax Revenue Bonds to fund capital projects including the Powell Garage, replacement of buses, a 4th bus base, and replacement of light rail vehicles.

The 2018 Revenue Bonds mature serially each September 1, beginning September 1, 2019 through 2038, with $38,770 in term bonds maturing on September 1, 2043, and $51,555 maturing on September 1, 2048. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 3.25 percent to 5.0 percent on outstanding maturities. The 2018 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2028, at a price of par (100%) plus accrued interest thereon to the date of redemption.

Payroll Tax and Grant Receipt Revenue Bonds

Payroll Tax and Grant Receipt Revenue Bonds, Series 2013

On March 7, 2013, TriMet issued $325,000 in Payroll Tax and Grant Receipt Revenue Bonds, Series 2013 to provide interim financing for PMLR. Bond proceeds are being used to provide project cash flow in advance of federal grants.

The Payroll Tax and Grant Receipt Revenue Bonds, Series 2013 bonds are payable from and secured by Section 5309 federal grant funds related to PMLR, with interest payable from a pledge of the employer and self employment taxes levied by the District, and debt service account. The Payroll Tax and Grant Receipt Revenue Bonds mature serially each November 1 through 2019. Interest is payable semiannually on May 1 and November 1, and fixed interest rates range from 3.0 percent to 5.0 percent on outstanding maturities. The Payroll Tax and Grant Receipt Revenue Bonds, Series 2013 are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date 18 months before each serial maturity, prior to maturity at a price of par (100%) plus accrued interest thereon to the date of redemption.

Capital Grant Receipt Bonds

TriMet has issued three series of Capital Grant Receipt Revenue Bonds: 2011 Capital Grant Receipt Revenue Bonds, 2017 Capital Grant Receipt Revenue Refunding Bonds (Series A), and 2018 Capital Grant Receipt Revenue Bonds. The Grant Receipt Revenue Bonds are payable from and secured solely by a pledge of Section 5307, Surface Transportation Program (STP), and Congestion Mitigation and Air Quality (CMAQ) federal grants, or replacement grant programs and amounts credited to a debt service account.

2011 Capital Grant Receipt Revenue Bonds

On June 20, 2011, TriMet issued $142,380 in 2011 Capital Grant Receipt Revenue Bonds to pay for a portion of the costs of capital projects, including new buses, construction on PMLR, and other regional projects. The 2011 Capital Grant Receipt Revenue Bonds are not general obligations of the District.

The 2011 Capital Grant Receipt Revenue Bonds mature serially each October 1, beginning October 1, 2016 through 2027. Interest is payable semiannually on April 1 and October 1 and fixed interest rates range from 2.5 percent to 5.0 percent on outstanding maturities. The 2011 Capital Grant Receipt Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after October 1, 2021 at a price of par (100%) plus accrued interest thereon to the date of redemption.

On August 30, 2017, TriMet defeased in substance future principal and interest payments on a portion of its 2011 Capital Grant Receipt Revenue Bonds. As of June 30, 2019, there were $81,240, in defeased bonds with scheduled maturities annually on October 1, 2022 through 2027.

2017 Capital Grant Receipt Revenue Refunding Bonds, Series A

On August 30, 2017, TriMet issued $76,015 in Capital Grant Receipt Revenue Refunding Bonds, Series A to refinance certain series of revenue bonds currently outstanding.

The 2017 Capital Grant Receipt Revenue Refunding Bonds mature serially each October 1, beginning October 1, 2022 through 2027. Interest is payable semiannually on April 1 and October 1 and the interest rate is 5.0 percent on outstanding maturities. The 2017 Revenue Bonds are not subject to optional or mandatory redemption prior to maturity.

2018 Capital Grant Receipt Revenue Bonds, Series A

On February 6, 2018, TriMet issued $113,900 in 2018 Capital Grant Receipt Revenue Bonds to pay for a portion of the costs of capital projects, including the Southwest Corridor, Division Transit, and Powell Garage projects among others. The 2018 Capital Grant Receipt Revenue Bonds are not general obligations of the District.

The 2018 Capital Grant Receipt Revenue Bonds mature serially each October 1, beginning October 1, 2020 through 2034. Interest is payable semiannually on April 1 and October 1 and fixed interest rates range from 3.25 percent to 5.0 percent on outstanding maturities. The 2018 Capital Grant Receipt Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after April 1, 2028 at a price of par (100%) plus accrued interest thereon to the date of redemption.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

Bond Debt Service Requirements to Maturity:

The District's various bonds outstanding and related interest requirements as of June 30, 2019, are as follows:

Fiscal Year ending June 30:	*Payroll Tax Bonds* Principal	Interest	Total	*Capital Grant Receipt Bonds* Principal	Interest	Total	*Payroll Tax/Grant Receipt Revenue Bonds* Principal	Interest	Total
2020	11,815	20,637	32,452	10,380	10,380	20,760	$ 25,000	$ 375	$ 25,375
2021	12,290	20,159	32,449	11,245	9,865	21,110	-	-	-
2022	12,850	19,600	32,450	11,800	9,296	21,096	-	-	-
2023	13,485	18,968	32,453	12,835	8,684	21,519	-	-	-
2024	14,100	18,349	32,449	13,465	8,027	21,492	-	-	-
2025-2029	81,430	80,826	162,256	73,305	29,212	102,517	-	-	-
2030-2034	103,835	58,421	162,256	72,895	11,435	84,330	-	-	-
2035-2039	88,920	37,278	126,198	16,610	270	16,880	-	-	-
2040-2044	66,725	18,363	85,088	-	-	-	-	-	-
2045-2049	51,555	6,138	57,693	-	-	-	-	-	-
Totals	$ 457,005	$ 298,739	$ 755,744	$ 222,535	$ 87,169	$ 309,704	$ 25,000	$ 375	$ 25,375

6. Risk Management

In conjunction with its normal operations, the District is exposed to various risks related to the damage or destruction of its assets, tort/liability claims, injuries to personnel, and errors and omissions. To this end, the District has developed a comprehensive risk management program, utilizing insurance and self insurance resources, to provide protection from these exposures.

The Oregon Tort Claims Act (the Act) is the common law sovereign immunity from suit for public bodies in Oregon, including TriMet. Prior to July 1, 2009, the Act capped the liability of public bodies, including TriMet, at $200 for individual claims. In addition, the public body may be substituted as a defendant in lieu of individual employees of the public body, thereby limiting recovery for claims against individual employees to the limits applicable to public bodies. Under the Act, TriMet currently indemnifies its employees for any liability that they incur within the scope of their work. Effective July 1, 2009, Oregon SB 311 increased the per claim damage limits under the Oregon Tort Claims Act to $500 and the per occurrence damage limit to $1,000, for events occurring after July 1, 2009. The limits are subject to per claims per occurrence changes based on changes to the consumer price index. At June 30, 2019, the per claims limit was $727 and the per occurrence limit was $1,454. Effective July 1, 2019, those limits raise to $749 per claim and $1,498 per occurrence.

The District is self-insured for all public liability claims, subject to the limits under Oregon SB 311. The District is self-insured to the extent of the first $2,000 per occurrence for industrial accident claims related to heavy rail or PMLR operations and $5,000 per occurrence for all other industrial accident claims. The District provides for the estimated losses to be incurred from the pending and potential claims that result from industrial and public liability accidents occurring prior to year-end. The District's policy is to record claims incurred but not reported at the estimated level of the undiscounted liability. The liabilities are based on the ultimate cost of settling the claims, including the effects of inflation and other legal and economic factors.

Changes in the District's public liability and industrial accident claims liabilities (reported in other liabilities on the Statement of Net Position) are as follows for the years ended June 30, 2019 and 2018:

	2019 Industrial accident claims	2019 Public liability	2018 Industrial accident claims	2018 Public liability
Liability at beginning of year	$ 5,531	$ 4,130	$ 5,942	$ 4,189
Current year claims	2,158	982	2,370	115
Changes in estimates for claims of prior periods	340	3,790	427	1,690
Payments of claims	(2,743)	(1,586)	(3,208)	(1,864)
Liability at end of year	$ 5,286	$ 7,316	$ 5,531	$ 4,130

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

Based on historical experience, the District has classified $6,282 and $3,324 of the industrial accident and public liability claims liabilities as current liabilities, at June 30, 2019 and 2018, respectively.

7. Other Long-term Liabilities

Other long-term liabilities include public liability and industrial accident claims liabilities, unearned lease revenue, rent payable, and long-term employee sick leave as follows:

2019	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Uninsured claims liability:					
Industrial accident claims	$ 5,531	$ 2,492	$ (2,743)	$ 5,280	$ 2,244
Employee dental insurance	433	32	-	465	465
Employee health insurance	2,133	-	(89)	2,044	2,044
Public liability	4,130	4,772	(1,586)	7,316	4,032
Total claims liability	12,227	7,296	(4,418)	15,105	8,785
Long-term employee sick leave	5,358	1,120	-	6,478	-
Rent payable	1,789	-	(281)	1,508	-
Unearned lease revenue	2,178	-	(25)	2,153	-
Total other liabilities	21,552	8,416	(4,724)	25,244	8,785
Deduct current portion	(5,890)			(8,785)	
Other long-term liabilities	$ 15,662			$ 16,459	

2018	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Uninsured claims liability:					
Industrial accident claims	$ 5,942	$ 2,797	$ (3,208)	$ 5,531	$ 2,477
Employee dental insurance	402	31	-	433	433
Employee Health Insurance	1,737	396	-	2,133	2,133
Other claims	212	-	(212)	-	-
Public liability	4,189	1,805	(1,864)	4,130	847
Total claims liability	12,482	5,029	(5,284)	12,227	5,890
Long-term employee sick leave	4,478	880	-	5,358	-
Rent payable	1,258	750	(219)	1,789	-
Unearned lease revenue	2,202	-	(24)	2,178	-
Total other liabilities	20,420	6,659	(5,527)	21,552	5,890
Deduct current portion	(6,021)			(5,890)	
Other long-term liabilities	$ 14,399			$ 15,662	

8. Lease Transactions

Office and equipment leases

The District leases office space under non-cancelable operating leases. Total costs for such leases were $1,618 and $1,493 in 2019 and 2018, respectively. The future minimum lease payments for these leases are as follows:

Fiscal year ending June 30:	
2020	$ 1,693
2021	1,585
2022	1,621
2023	1,653
2024	9
Thereafter	561
	$ 7,122

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

2005 Lease transaction

In November 2005, the District entered into a series of agreements related to 28 light rail vehicles. In simultaneous transactions, the District leased the 28 light rail vehicles (the Head Lease) to a trust (TriMet 2005 Statutory Trust) for the benefit of a third party investor (2005 Equity Investor) for a basic term of 28 or 29 years, depending on the age of the vehicles. The Head Lease qualifies for accounting treatment as a capital lease. The trust subleased all 28 vehicles back to the District (the Lease Agreement) for a period of 28 or 29 years. The sublease also is recorded as a capital lease. The District received all required lease payments totaling $123,700, which have been recorded in the accompanying statement of net position as unamortized gain of $12,557 (before expenses of $911) and a long-term lease liability for lease payments of $111,143. The liability is reduced as lease payments are made over the term of the lease. The District's net benefit from the 2005 transactions was $11,646. The net benefit is recorded as deferred inflows of resources and is recognized over the basic term of the lease. Leased assets are included within Capital Assets and depreciation of the leased assets is recorded over the term of the lease. The Federal Transit Administration reviewed the operative documents and approved the transaction.

TriMet used $111,143 of the proceeds from the Head Lease transaction to fully fund three payment agreements ($84,382 to Premier International Funding Co. for the Series A Payment Agreement and $26,761 to MBIA Inc. for the Equity Payment Undertaking Agreement and the Debt Payment Undertaking Agreement). The obligations of Premier International Funding Co. are unconditionally and irrevocably guaranteed by Financial Security Assurance Inc. (FSA), which has subsequently been acquired by Assured Guaranty Ltd. In February 2009, TriMet terminated the MBIA Equity Payment Undertaking agreement and received $28,033 and terminated the Debt Payment Undertaking Agreement and received $14,528. Simultaneously, TriMet purchased and placed in trust US Treasury securities for $28,399 to collateralize all future equity payment obligations. The debt payment obligations have not been collateralized and are general obligations of TriMet. Net of transaction expenses, the 2009 MBIA termination created $13,954 in net benefit. The net benefit is recorded as deferred inflow of resources and is recognized over the remaining term of the lease.

The District's prepayment of the payment agreements is recorded within prepaid lease expenses in the accompanying statement of net position and is reduced as payments are made over the term of the lease. The payment agreements do not constitute legal defeasance.

The 2005 leases include the following trigger events relating to TriMet: (1) outstanding General Obligation Bond ratings are downgraded by Standard & Poors below "A+" or by Moody's below "A1", or if General Obligation Bonds are no longer rated, long-term senior payroll tax revenue bonds are downgraded by Standard & Poors below "A+" or by Moody's below "A1", or (2) TriMet becomes eligible to be a debtor under Bankruptcy code, or (3) TriMet loses its taxing authority related to payroll and self-employment taxes. If a trigger event occurs, TriMet is required to provide equity strip collateral in amounts defined in the lease agreements. TriMet's long-term senior lien payroll tax revenue bonds are rated AAA by Standard & Poors, Aaa by Moody's and AAA by Kroll at June 30, 2019. As of June 30, 2019, TriMet is not aware of any default, event of default or event of loss under any of the operative documents. The total outstanding lease obligations under the 2005 leases are as follows:

	FSA uncollateralized	US Treasuries in trust	TriMet obligation	Total payment obligations
Fiscal year ending June 30:				
2020	2,534	-	1,024	3,558
2021	-	-	-	-
2022	-	-	-	-
2023	-	110	-	110
2024	-	-	-	-
2025-2029	-	135	-	135
2030-2034	14,876	4,840	1,891	21,607
2035-2036	56,686	63,720	7,696	128,102
	$ 74,096	$ 68,805	$ 10,611	$ 153,512

(dollars in thousands)

Legislative and regulatory activities

Pursuant to the terms of the tax indemnity agreements of TriMet's 1997 and 1998 lease transactions, unless an indemnification event occurs, the District bears no liability for the related adverse U.S. federal income tax consequence to the domestic investors. As of June 30, 2019, no indemnity claims have been made against TriMet. With respect to TriMet's 1997 and 1998 lease transactions, the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), as codified in Section 4965 of the Internal Revenue Code of 1986 as amended (Code), the guidance provided by the Internal Revenue Service (IRS) in IRS Notice 2007-18 published on February 7, 2007 and the Proposed and Temporary Regulations released on July 6, 2007 subsequently thereto, TriMet does not have a TIPRA excise tax liability.

Financial Statement Summary

The following is a summary of amounts related to the lease transactions as of June 30:

Assets:	2019	2018
Restricted Cash and Investments - Lease Collateral	$ 52,402	$ 46,346
Prepaid lease expense	29,167	29,889
Total assets	$ 81,569	$ 76,235
Liabilities:		
Long-term lease liability	63,151	62,076
Total liabilities	63,151	62,076
Deferred Inflows of Resources:		
Unamortized gain on leases	14,799	15,712
Total liabilities and deferred inflows of resources	$ 77,950	$ 77,788
Net leveraged lease revenue	$ 906	$ 741

9. Commitments and Contingencies

TriMet has bus fleet replacement, garage renovation and expansion and other capital projects, as well as other funding commitments. Authorized commitments unexpended as of June 30, 2019 were $684,415. Resources for the District's commitments include grant funding sources, debt and unrestricted resources.

The District is a defendant in various legal actions resulting from normal transit operations. Although the outcome of such actions cannot presently be determined, it is the opinion of management and legal counsel that settlement of these matters will not have a material adverse affect on the District's financial position, results of operations or cash flows.

10. Enterprise Fund Pension Benefits

Union Defined Contribution Plan

TriMet contributes to a single employer defined contribution plan - the TriMet Defined Contribution Retirement Plan for Union Employees ("the Union DC Plan"). A third party administrator, ICMA-RC, provides administration of the Union DC Plan trust. The TriMet Board of Directors ("Board") has appointed a committee to oversee the Union DC Plan. Funding of the defined contribution plan is performed on a perpetual basis as part of the District's normal payroll processes.

Plan description

Effective July 13, 2012, the District adopted the Union DC Plan in accordance with Internal Revenue Code (IRC) Section 401(a). Participation in the Union DC Plan is mandatory for all union employees hired on or after August 1, 2012. Under the Union DC Plan, the District will contribute 8.0 percent of considered compensation each pay period. Considered compensation is taxable compensation plus employee elected pre-tax deferrals, less overtime pay, bonuses, commissions, or other extraordinary pay and cash-out of unused vacation. Within 30 days of becoming eligible for the Union DC Plan, employees make a one-time irrevocable election to contribute between zero and 15 percent of their compensation to the Plan on a pretax basis. Due to tax laws, the pre-tax election must be made within 30 days after an employee becomes eligible to participate in the DC Plan and the election cannot be changed for as long as the employee is eligible. In addition, the employee can elect to make voluntary, after-tax, contributions, up to 15 percent of compensation. The after-tax contribution election may be adjusted by the employee at any time. Plan participants fully vest in the District's contributions after three years of service with the District. Upon severance from employment, TriMet will contribute 60 percent of the employee's unused sick leave (up to a maximum of 1,700 hours) to the employee's account. The TriMet Board has authority over amendments to plan benefit and contribution provisions, in conjunction with the Working and Wage Agreement.

Method used to value investments

Plan investments are reported at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets. Investments of securities held in the Union DC Plan are valued using quoted market prices (Level 1 inputs).

As of June 30, 2019 and 2018, there were 1,517 and 1,256 active employees, respectively, covered by the Union DC Plan. District contributions to the Union DC Plan were $5,864 and $4,492 for the years ending June 30, 2019 and 2018, respectively. Employee contributions to the Union DC Plan were $4,360 and $3,260 for the years ending June 30, 2019 and 2018, respectively.

Management Defined Contribution Plan

TriMet contributes to a single employer defined contribution plan - the TriMet Defined Contribution Retirement Plan for Management and Staff Employees ("the Management DC Plan"). A third party administrator, ICMA-RC, provides administration of the Management DC Plan trust. The TriMet Board of Directors ("Board") has appointed a committee to oversee the Management DC Plan. Funding of the defined contribution plan is done on a perpetual basis as part of the District's normal payroll processes.

Plan description

Effective April 27, 2003, the District adopted the Management DC Plan in accordance with Internal Revenue Code (IRC) Section 401(a). Participation in the Management DC Plan is mandatory for all non-union employees hired after April 26, 2003. All non-union employees hired before April 27, 2003 were required to make an irrevocable election to (1) stay in TriMet Defined Benefit Retirement Plan for Management and Staff Employees ("the Management DB Plan"), (2) freeze their credited service as of April 27, 2003 in the Management DB Plan (but not their final average salary) and be covered by the Management DC Plan for all service after April 26, 2003, or (3) transfer the present value of their accrued benefit under the Management DB Plan as of April 27, 2003 to the Management DC Plan and be covered by the Management DC Plan for all service after April 26, 2003.

Under the Management DC Plan, the District contributes 8.0 percent of considered compensation each pay period. Considered compensation is taxable compensation plus employee elected pre-tax deferrals, less overtime pay, bonuses, commissions, or other extraordinary pay and cash-out of unused vacation. Within 30 days of becoming eligible for the Management DC Plan, employees make a one-time irrevocable election to contribute between zero and 15 percent of their compensation to the Plan on a pretax basis. Due to tax laws, the pre-tax election must be made within 30 days after an employee becomes eligible to participate in the DC Plan and the election cannot be changed for as long as the employee is eligible. In addition, the employee can elect to make voluntary, after-tax, contributions, up to 15 percent of compensation. The after-tax contribution election may be adjusted by the employee at any time. Plan participants fully vest in the District's contributions after three years of service with the District. Upon severance from employment, TriMet will contribute 60 percent of the employee's unused sick leave (up to a maximum of 1,700 hours) to the employee's account. The TriMet Board has authority over amendments to plan benefit and contribution provisions.

Method used to value investments

Plan investments are reported at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets. Investments of securities held in the Union DC Plan are valued using quoted market prices (Level 1 inputs).

(dollars in thousands)

As of June 30, 2019 and 2018 there were 449 and 399 active employees, respectively, covered by the Management DC Plan. District contributions to the Management DC Plan were $3,316 and $2,970 for the years ending June 30, 2019 and 2018, respectively. Employee contributions to the Management DC Plan were $1,347 and $1,093 for the years ending June 30, 2019 and 2018, respectively.

11. Other Employee Benefits

Deferred compensation plan

The District offers all employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457(b). The plan permits employees to defer a portion of their current salary until termination, retirement, death or financial hardship. All assets and income of the plan are in a trust for the exclusive benefit of the participants and their beneficiaries. Plan participant investments are determined by the employee participants. The Board appoints a committee to perform the administrative and fiduciary responsibilities of the employer under the plan.

Compensated absences

Union employees receive paid vacation benefits in accordance with the Working and Wage Agreement. Employees are eligible for one to six weeks of vacation depending on their years of service with the District. Non-union employees receive similar vacation benefits as prescribed by TriMet's personnel policies. As of June 30, 2019 and 2018, the District's vacation pay liability was $12,971 and $12,256, respectively, all of which was classified as a current liability in accrued payroll.

Postemployment benefits other than pension

On July 1, 2017, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and GASB Statement No. 57, OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans. Specifically, Statement No. 75 recognizes the long-term obligation for health and life insurance benefits offered to retirees. The accounting change adopted to conform to the provisions of GASB 75 has been applied retroactively by restating the beginning net position for the fiscal year ended June 30, 2018 by $168,313, which included recording an adjustment to the Other Postemployment Benefits obligation of $179,469 and an initial deferred outflow of resources of $11,156.

General Information about the OPEB Plan

Plan description. The District's defined benefit OPEB plan provides health care and life insurance benefits for eligible employees and their qualified dependents. The District's plan is a single employer defined benefit OPEB plan administered by the TriMet Board. The authority to establish and amend the benefit terms and financing is accomplished through contractual agreement with union employees and through board adopted personnel polices for non-union employees. While TriMet has placed $411 in a trust for the purpose of funding OPEB payments, such assets are considered de-minimus and are therefore not considered a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided. The District's plan provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms vary depending on whether the employee is union or non-union, and the employee's date of hire. Below is a brief summary of employee eligibility and the benefits provided:

	Eligibility for OPEB	
Union	Employee must be at least 55 and have 10 years of continuous service.	
Non-Union	Hired prior to April 27, 2003	Must be at least 55 and have 5 years of credited service
Non-Union	Hired on or after April 27, 2003	Must be at least 55 and have 10 years of credited service.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

Union Benefits Offered		
Relevant Dates	**Prior to Medicare Eligibility**	**Medicare Eligible**
Retired prior to 02/01/1992	Medical, prescription drug, and dental provided to all retirees, spouses, and domestic partners.	Medical, prescription drug, and dental provided to all retirees, spouses, and domestic partners. Some retirees are reimbursed for Medicare Part B premiums.
Retired after 02/01/1992 and hired before 10/24/2014	Medical, prescription drug, and dental are provided to all retirees. The retirees contribute a portion of the premium depending on the plan selected.	Employees receive coverage through a Medicare Advantage Plan (for which they contribute, in part) or a monthly stipend (HRA VEBA). Retirees are reimbursed for Medicare Part B if they enroll Medicare Advantage plan or the HRA VEBA (a stipend).
Hired after 10/24/2014	Employees receive a monthly stipend to be used for healthcare purposes.	No benefits through TriMet.

Non-Union Benefits Offered		
Relevant Dates	**Prior to Medicare Eligibility**	**Medicare Eligible**
Hired Prior to 05/01/2009	Full time employees contribute a portion of the premium cost of medical, dental, and vision benefits.	Employee must enroll in a Medicare Advantage plan (employees contribute a portion of the premiums).
Hired after 05/01/2009	Employee can contribute 100% of the premium amount paid by TriMet and receive healthcare coverage.	No benefits through TriMet.

Eligible retirees are also provided a $10 whole life insurance benefit fully paid by TriMet. On an annual basis, the monthly stipend for union employees is increased with inflation.

Employees covered by benefit terms. At January 1, 2019, the following employees (union and non-union) were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,852
Inactive employees entitled to but not yet receiving benefits	-
Active Employees	3,111
Total	4,963

Net OPEB Liability

The District's net OPEB liability of $725,025 was measured as of January 1, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Salary Increases:	2.75%
Discount Rate:	4.10% (3.44% at January 1, 2018)

The discount rate was based on Bond Buyer 20-Bond GO Index, December 28, 2018.

(dollars in thousands)

Healthcare cost trend rates:

Union Plans			Non Union Plans	
Pre-Medicare	**Medicare**	**Medicare Part B**	**Pre-Medicare**	**Medicare**
8.74% in 2019, trending down to 4% in 2037 thereafter.	*5.89% in 2019 trending down to 4% in 2037 and thereafter.*	*0% in 2019 increasing to 7.28% in 2026, then trending down to 3.6% in 2041 and thereafter.*	*5.89% in 2019 trending down to 4% in 2037 and thereafter.*	*5.89% in 2019 trending down to 4% in 2037 and thereafter.*

Retirees' share of benefit related costs:

Union: Individuals who retired prior to February 1, 1992 do not contribute for coverage. Retirees who retire on or after February 1, 1992 and were hired on or before October 2014 contribute according to the following table:

Plan Selected	Premium Contribution
Regence 90/10	Retirees pay the difference between the Regence 90/10- and Trimet's employer contribution for the Regence PPO 80/20
Regence 80/20	Retirees pay 5% of the premium cost
Regence HSA	Retirees receive deposit from TriMet equal to the difference between the HSA premium and TriMet's employer contribution for the Regence PPO 80/20
All other Medical and Dental	Retirees pay 5% of the premium cost

Retirees hired on or after October 25, 2014 only receive a monthly stipend. This benefit ceases when the employees turns 65.

Non-Union: Employees contribute according to hire and retirement dates as detailed below:

Dates	Premium Contribution
Retired prior to January 1, 1988	No contribution
Hired before May 1, 2009	6% for full time employees up to 25% for part-time employees
Hired on or after May 1, 2009	100% Contribution

Mortality rates were based on the tables as detailed below:

Employee Class	Mortality Tables
Union Healthy	RP-2014 Annuitant and Non-Annuitant Mortality Tables with Blue Collar Adjustment, set forward 1 year for males and 2 years for females
Union Disabled	RP-2014 Disabled Mortality tables
Non-Union Healthy	RP-2014 Annuitant Mortality with White Collar Adjustment, projected 10 years past the valuation date using Scale BB.
Non-Union Healthy	RP-2014 Disabled Mortality tables projected 10 years past the valuation date using Scale BB.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of a 2013 actuarial experience study with subsequent update letters dated, May 14, 2015; June 2, 2016; and May 31, 2017.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at January 1, 2018	$ 786,541	$ 403	$ 786,138
Changes for the year:			
Service cost	33,512	-	33,512
Interest	27,236	-	27,236
Differences between expected and actual experience	(32,503)	-	(32,503)
Changes in assumptions or other inputs	(66,328)	-	(66,328)
Contributions	-	23,022	(23,022)
Benefit payments	(23,022)	(23,022)	-
Net Investment Income	-	8	(8)
Net Changes	(61,105)	8	(61,113)
Balance at January 1, 2019	$ 725,436	$ 411	$ 725,025

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at January 1, 2017	$ 743,717	$ 401	$ 743,316
Changes for the year:			
Service cost	34,417	-	34,417
Interest	28,333	-	28,333
Differences between expected and actual experience	1,529	-	1,529
Changes in assumptions or other inputs	1,192	-	1,192
Contributions	-	22,647	(22,647)
Benefit payments	(22,647)	(22,647)	-
Net Investment Income	-	2	(2)
Net Changes	42,824	2	42,822
Balance at January 1, 2018	$ 786,541	$ 403	$ 786,138

There were no changes to benefit terms during either measurement period. Changes of assumptions and other inputs reflect a change in the discount rate from 3.78 percent as of 01/01/2017 to 3.44 percent as of 01/01/2018, and to 4.10% as of 01/01/2019. In addition, changes of assumptions were made to update healthcare costs and trends, and a change was made to the spousal coverage assumption during the measurement period ending 01/01/2018.

Benefit payments in the measurement period included amounts for the purchase of allocated insurance contracts of $14,281 during the measurement period ending 01/01/2019 and $13,745 during the period ended 01/01/2018. Such benefits included employee medical, dental, and life insurance. The obligation for the payment of benefits covered by allocated insurance contracts has been transferred from the District to one or more insurance companies.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

Fiscal Year 2019	1% Decrease	Discount Rate	1% Increase
	3.10%	4.10%	5.10%
Net OPEB Liability	$825,652	$725,025	$641,381

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point than the current healthcare cost trend rates:

Fiscal Year 2019	1% Decrease	Healthcare Trend	1% Increase
Net OPEB Liability	$633,936	$725,025	$836,873

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2019 and 2018 the District recognized OPEB expense of $47,016 and $63,138, respectively. At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	
	2019	2018
Differences between actual and expected experience	$ 1,092	$ 1,311
Changes of assumptions or other inputs	852	1,022
Contributions subsequent to the measurement date	11,546	12,068
Total	$ 13,490	$ 14,401
	Deferred Inflows of Resources	
	2019	2018
Differences between actual and expected experience	$ (5,857)	$ -
Changes of assumptions or other inputs	(78,856)	-
Net difference between projected and actual earnings on OPEB plan investments	(7)	(2)
Total	$ (84,720)	$ (2)

$11,546 is reported as deferred outflows of resources resulting from payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred will be recognized in expense as follows:

Fiscal year ending June 30:	Amortization
2020	$ (13,732)
2021	(13,732)
2022	(13,732)
2023	(13,732)
2024	(13,731)
Thereafter	$ (14,119)

12. TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund

The TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. TriMet is the sole administrator for the TriMet Defined Benefit Retirement Plan for Management and Staff Employees ("Management DB Plan"). The Management DB Plan is a governmental plan maintained and operated solely by TriMet. The TriMet Board has appointed four people to oversee the Management DB Plan.

TriMet recorded $4,497 and $2,703 in pension expense for the Management DB Plan in the years ended June 30, 2019 and 2018, respectively.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

Plan description

The Management DB Plan is a single-employer defined benefit plan. The plan covers all TriMet non-union employees hired before April 27, 2003 who are not covered by the Management DC Plan. The plan is closed to new enrollment. Participation began at the date of hire with benefits being 100 percent vested after five years of service. Covered employees who retire at or after age 62, with five years of service, are entitled to an annual retirement benefit, payable monthly for life. Benefits vary based on final average salary, job classification and date of hire. Vested non-union employees convert unused sick leave to monthly pension benefits at a rate of final average salary (stated on an hourly basis) multiplied by one-half of unused sick leave (up to a maximum of 850 hours) divided by 101.9. Benefits in payout status are increased annually by 90 percent of the percentage increase in the U.S. Consumer Price Index. The Management DB Plan is a plan document originally adopted on December 7, 1970 and as amended restated as of July 1, 2013. Amendments to the plan are authorized by the TriMet Board of Directors. TriMet is required to maintain funds under the Management DB Plan sufficient to pay benefits when due. No employee contributions are required or permitted under the Management DB Plan.

The following is a summary of plan participants at June 30, 2019 and 2018:

	2019	2018
Active employees	76	84
Retirees and beneficiaries:		
Receiving benefits	314	306
Deferred Retirement benefits		
Terminated employees	74	79
Transfers to union plan	16	18
Disabled employees	2	3
Total Participants	482	490

Summary of accounting policies

The financial statements are prepared using the accrual basis of accounting. TriMet contributions are recognized in the period in which the contributions are earned. Benefits are recognized when due and payable in accordance with the terms of the plan.

Investment policy and method to value investments

The Management DB Plan investment policy allows the plan to utilize multiple professional investment management firms to implement the investment program. The long-term performance objective of the plan is to achieve a compound rate of return on invested assets consistent with the forward looking return assumptions adopted annually by the trustees of the plan. Eligible investments include the following: Domestic equities, International equities, Fixed income securities, Tactical Asset Allocation Strategy funds, Private real estate investments, Absolute return investment funds, Private equity investments, and Private credit funds.

Plan investments are reported at fair value. The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value of securities is determined by the plan asset managers at quoted market price, where available, except for securities which are not actively traded, which are valued at net asset value by the asset manager.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

The Plan has the following fair value measurements by fair value level at June 30, 2019:

	Balance at June 30, 2019	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Measured at Fair Value Level				
Fixed income	$ 21,845	$ 21,845	$ -	$ -
U.S. large-mid cap equities	30,729	30,729	-	-
U.S. small cap equities	4,025	4,025	-	-
International equity	24,896	24,896	-	-
	$ 81,495	$ 81,495	-	-
Measured at Net Asset Value				
Tactical asset allocation	$ 9,193			
Absolute return	25,460			
Private real estate	11,796			
Private equity	1,461			
Private credit	5,012			
Cash and accrued income	551			
	$ 53,473			
Total Fair Value of Assets	$ 134,968			

(dollars in thousands)

The Plan has the following fair value measurements by fair value level at June 30, 2018:

		Fair Value Measurement Using		
	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Measured at Fair Value Level				
Fixed income	$ 20,214	$ 20,214	$ -	$ -
U.S. large-mid cap equities	30,468	30,468	-	-
U.S. small cap equities	4,159	4,159	-	-
International equity	24,004	24,004	-	-
	$ 78,845	$ 78,845	-	-
Measured at Net Asset Value				
Tactical asset allocation	$ 8,877			
Absolute return	25,541			
Private real estate	11,417			
Private equity	509			
Private credit	5,979			
Cash and accrued income	1,099			
	$ 53,422			
Total Fair Value of Assets	$ 132,267			

Investments measured at Net Asset Value ("NAV")

Tactical Asset Allocation includes investment in a private offering fund with a goal of providing returns that exceed inflation by a premium of 5% on an annualized basis over a market cycle. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Absolute Return includes investment in a private offering fund with a goal of generation of consistent positive returns with lower levels of volatility and low levels of correlation to traditional stocks and bonds. The fair values of the investments in this type have been determined using the NAV per share of the Management DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Real Estate includes investment in a commingled investment vehicle with a goal of generating consistent, low volatility returns. Investments in this category are in high quality, well-leased properties, with a focus on income generation. The fair values of the investments in this type have been determined using the NAV per share of the Management DB Plan's ownership interest in partners' capital. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

(dollars in thousands)

Private Equity includes investment in a commingled fund of funds with a goal of generating high levels of long-term returns. The fair values of the investments in this type have been determined using the NAV per share of the Management DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Credit includes investment in commingled investment vehicles, which invest globally utilizing less liquid or illiquid credit market instruments. The fair values of the investments in this type have been determined using the NAV per share of the Management DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Outstanding commitments and redemption limitations for each investment class as of June 30, 2019 and 2018 are as follows:

Measured at Net Asset Value	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
As of June 30, 2019:				
Private real estate	$ 11,796	$ -	Quarterly	45 days
Private equity	$ 1,461	$ 736	N/A	N/A
Private credit	$ 5,012	$ 3,993	N/A	N/A
As of June 30, 2018:				
Private real estate	$ 11,417	$ -	Quarterly	45 days
Private equity	$ 509	$ 1,761	N/A	N/A
Private credit	$ 5,979	$ 3,593	N/A	N/A

Rate of Return

For the years ended June 30, 2019 and 2018, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.0 percent and 6.6 percent. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investments – concentration of credit risk

The plan trustees have adopted an Investment Policy which defines target allocations in each class of investment. The target allocations are based upon asset liability studies, which are performed every five years. The following are the trustee adopted asset allocation policies as of June 30, 2019 and 2018:

	2019	2018
Fixed income	16.3%	15.3%
U.S. equity	25.9%	26.4%
International equity	18.5%	18.3%
Tactical asset allocation	6.8%	6.8%
Absolute return	18.9%	19.5%
Private real estate	8.8%	8.7%
Private equity	1.1%	0.4%
Private credit	3.7%	4.6%
Total	100%	100%

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

As of June 30, 2019 and 2018, the plan had investments of more than 5% of the total Plan fiduciary net position, as follows:

	2019	2018
Ryan Labs Core Bond Fund	16.2%	15.3%
Graham Tactical Trend	6.8%	6.7%
State Street RAFI US 1000 Fund	11.1%	11.4%
Vanguard Russell 1000 Index Fund	11.7%	11.6%
Vanguard Total International Stock Fund	8.9%	9.0%
RREEF America REIT II	7.5%	7.5%
Capital Guardian International Fund	9.6%	9.1%
AQR Enhanced Style Premia Fund, L.P.	5.2%	6.0%
Millennium	7.0%	7.3%
Welton Paragon	0.0%	6.0%
Wellington	6.6%	0.0%

Funding policy and net pension liability

The funding policy of the Management DB Plan provides for an actuarially determined contribution (ADC) calculated using the individual entry age normal actuarial cost method. The ADC consists of normal cost and an amortization of the unfunded actuarial accrued liability. The normal cost is determined as the level percentage of pay basis over the service of the active employees between entry age and assumed exit age. Past service liabilities are amortized over a closed ten year period. The components of the net pension liability of the Management DB Plan were as follows:

Net pension liability As of June 30	2019	2018
Total pension liability	$ 144,958	$ 142,289
Plan fiduciary net position	134,946	132,253
Net pension liability	$ 10,012	$ 10,036
Plan fiduciary net position as a percent of total pension liability	93.1%	92.9%
Annual covered payroll	$ 8,280	$ 9,446
Net Pension Liability as a percentage of covered payroll	120.9%	106.3%

Actuarial methods and assumptions

Significant actuarial assumptions used in the valuation include a rate of return on the investment of present and future assets of 6.3 percent, discount rate on plan liabilities of 6.3 percent, an annual post-retirement benefit increase of 2.25 percent, and annual salary increases of 2.75 percent. Mortality rates were based on the RP 2014 Mortality Table for males and females, projected 10 years past the valuation date using Scale BB. All participants are assumed to retire by the age of 67, with a certain percentage of active participants assumed to elect retirement beginning at age 55. Net pension liability has been measured and reported as of June 30, 2019.

The long-term expected rate of return on pension plan investments of 6.3 percent was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are then combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage.

(dollars in thousands)

Estimated real rates of return by asset class were as follows at June 30, 2019:

Long-Term Expected Real Rate of Return Asset Class	
U.S. Equity	3.8%
International Equity	4.9%
Fixed Income	1.4%
Alternative Return	2.5%
Private Equity	5.8%
Private Credit	4.7%
Private Real Estate	3.1%

The discount rate used to measure the total pension liability was 6.3 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made consistent with the current funding plan. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

Changes in net pension liability

The following table presents the changes in the net pension liability for the years ended June 30, 2019 and 2018:

Management DB Plan

	2019	2018
Total pension liability		
Service cost	$ 685	$ 920
Interest cost	8,784	8,621
Benefit payments	(7,197)	(6,211)
Experience (gain) loss	397	(29)
Net change in total pension liability	2,669	3,301
Total pension liability, beginning	142,289	138,988
Total pension liability, ending	144,958	142,289
Plan fiduciary net position		
Contributions	6,240	6,497
Net Investment Income	3,787	8,108
Benefit payments	(7,197)	(6,211)
Administrative Expense	(137)	(97)
Net change in plan fiduciary net position	2,693	8,297
Plan fiduciary net position, beginning	132,253	123,956
Plan fiduciary net position, ending	134,946	132,253
Net pension liability, ending	$ 10,012	$ 10,036
Plan fiduciary net position as a percent of total pension liability	93%	93%
Covered payroll	$ 8,280	$ 9,446
Net pension liability as a percent of covered payroll	121%	106%

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the sensitivity of the net pension liability calculation to a one percent increase or decrease in the discount rate used to measure the total pension liability:

Discount rate		Net pension liability
1% decrease (5.3%)	$	27,987
Current discount rate (6.3%)	$	10,012
1% increase (7.3%)	$	(5,014)

Deferred Inflows and Outflows of Resources

The following table presents the components of Deferred inflows and outflows of resources for the Management DB Plan for the years ended June 30, 2019 and 2018:

		2019		2018
Deferred outflows:				
Differences between projected and actual earnings on pension investments	$	4,308	$	2,663
Differences between expected and actual experience in the measurement of total pension liability		65		-
Total deferred outflows	$	4,373	$	2,663
Deferred inflows:				
Differences between expected and actual experience in the measurement of total pension liability		-		(8)
Total deferred inflows	$	-	$	(8)

The following table presents the future amortization of deferred inflows and outflows of resources for the Management DB Plan:

		Deferred Amounts
2020	$	1,929
2021		699
2022		844
2023		901
	$	4,373

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

13. Pension Plan for Bargaining Unit Employees of TriMet Trust Fund

The Pension Plan for Bargaining Unit Employees of TriMet Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. TriMet is the sole administrator for the Pension Plan for Bargaining Unit Employees of TriMet ("Bargaining Unit DB Plan"). The Bargaining Unit DB Plan is a governmental plan maintained and operated solely by TriMet. Three trustees appointed by the TriMet Board and three union representatives appointed by the Amalgamated Transit Union ("Union") oversee the Bargaining Unit DB Plan.

TriMet recorded $30,476, and $24,870 in pension expense for the Bargaining Unit DB Plan in the years ending June 30, 2019 and 2018, respectively.

Plan description

The Bargaining Unit DB Plan is a single-employer defined benefit plan. The Bargaining Unit DB Plan covers all full-time and part-time employees represented by the Amalgamated Transit Union hired in a union position before August 1, 2012. Eligible union employees begin to participate on their date of hire, with benefits being 100 percent vested after 10 years of service. Under the terms of the Bargaining Unit Pension Plan and Permanent Disability Agreement, covered members retiring at or after age 58 with 10 or more years of service will receive a monthly benefit for life with annual cost of living adjustments. Pension benefits for covered members retiring after February 1, 2016 are $83.78 per month, per year of service. Effective with the current Working and Wage agreement, each February 1, the retirement benefit is adjusted based on the amount of any general wage adjustments received by bargaining unit employees during the previous 12 months. Pension benefits for retirees in payout status are adjusted each February 1, also based on the general wage adjustments during the prior 12 months. Effective July 12, 2012, pension benefits for retirees in payout status will be adjusted each May 1, based upon the U.S. Urban Wage Earners and Clerical Workers Consumer Price Index (CPI) (annual average). Provisions of the Working and Wage Agreement between TriMet and the Union effective December 1, 2009, requires vested union employees to convert any unused accumulated sick leave (up to a maximum of 1,700 hours) to monthly pension benefits at a rate of 25 cents per hour. Amendments to the plan are made under provision in the Working and Wage Agreement. No employee contributions are required or permitted under the Bargaining Unit DB Plan. Benefit provisions are established and amended through provisions of the Working and Wage Agreement between TriMet and the Union.

The following is a summary of plan participants at June 30, 2019 and 2018:

	2019	2018
Active employees	1,186	1,320
Retirees and beneficiaries:		
Receiving benefits	1,975	1,859
Deferred Retirement benefits:		
Terminated employees	133	130
Transfers to management plan	50	58
Total Participants	3,344	3,367

Summary of accounting policies

The financial statements are prepared using the accrual basis of accounting. TriMet contributions are recognized in the period in which the contributions are earned. Benefits are recognized when due and payable in accordance with the terms of the plan.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

Investment policy and method to value investments

The Bargaining Unit DB Plan investment policy allows the plan to utilize multiple professional investment management firms to implement the investment program. The long-term performance objective of the plan is to achieve a compound rate of return on invested assets consistent with the forward looking return assumptions adopted annually by the trustees of the plan. Eligible investments include the following: Domestic equities, International equities, Fixed income securities, Tactical Asset Allocation Strategy funds, Private real estate investments, Absolute return investment funds, Private equity investments, and Private credit funds.

Plan investments are reported at fair value. The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value of securities is determined by the plan asset managers at quoted market price, where available, except for securities which are not actively traded, which are valued at net asset value by the asset manager.

The Plan has the following fair value measurements by fair value level at June 30, 2019:

		Fair Value Measurement Using		
Measured at Fair Value Level	**Balance at June 30, 2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Fixed income	$ 60,827	$ 60,827	$ -	$ -
U.S. large-mid cap equities	159,018	159,018	-	-
U.S. small cap equities	18,342	18,342	-	-
International equity	135,945	135,945	-	-
	$ 374,132	374,132	-	-
Measured at Net Asset Value				
Tactical asset allocation	$ 43,187			
Absolute return	77,271			
Private real estate	57,308			
Private equity	10,925			
Private credit	6,149			
Cash and accrued income	6,010			
	$ 200,850			
Total Fair Value of Assets	$ 574,982			

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

The Plan has the following fair value measurements by fair value level at June 30, 2018:

		Fair Value Measurement Using		
Measured at Fair Value Level	**Balance at June 30, 2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Fixed income	$ 58,135	$ 58,135	$ -	$ -
U.S. large-mid cap equities	162,504	162,504	-	-
U.S. small cap equities	20,018	20,018	-	-
International equity	130,857	130,857	-	-
	$ 371,514	371,514	-	-
Measured at Net Asset Value				
Tactical asset allocation	$ 36,714			
Absolute return	76,591			
Private real estate	55,384			
Private equity	8,508			
Private credit	8,199			
Cash and accrued income	4,038			
	$ 189,434			
Total Fair Value of Assets	$ 560,948			

Investments measured at Net Asset Value ("NAV")

Tactical Asset Allocation includes investment in a private offering fund with a goal of providing returns that exceed inflation by a premium of 5% on an annualized basis over a market cycle. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Absolute Return includes investment in a private offering fund with a goal of generation of consistent positive returns with lower levels of volatility and low levels of correlation to traditional stocks and bonds. The fair values of the investments in this type have been determined using the NAV per share of the Bargaining Unit DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Real Estate includes investment in a commingled investment vehicle with a goal of generating consistent, low volatility returns. Investments in this category are in high quality, well-leased properties, with a focus on income generation. The fair values of the investments in this type have been determined using the NAV per share of the Bargaining Unit DB Plan's ownership interest in partners' capital. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Equity includes investment in a commingled fund of funds with a goal of generating high levels of long-term returns. The fair values of the investments in this type have been determined using the NAV per share of the Bargaining Unit DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Credit includes investment in commingled investment vehicles, which invest globally utilizing less liquid or illiquid credit market instruments. The fair values of the investments in this type have been determined using the NAV per share of the Bargaining Unit DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

Outstanding commitments and redemption limitations for each investment class as of June 30, 2019 and 2018 are as follows:

Measured at Net Asset Value	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
As of June 30, 2019:				
Private real estate	$ 57,308	$ -	Quarterly	45 days
Private equity	$ 10,925	$ 4,261	N/A	N/A
Private credit	$ 6,149	$ 9,722	N/A	N/A
As of June 30, 2018:				
Private real estate	$ 55,384	$ -	Quarterly	45 days
Private equity	$ 8,508	$ 7,684	N/A	N/A
Private credit	$ 8,199	$ 4,653	N/A	N/A

Rate of Return

For the years ended June 30, 2019 and 2018, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.4 percent and 8.0 percent. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investments – concentration of credit risk

The plan trustees have adopted an Investment Policy which defines target allocations in each class of investment. The target allocations are based upon asset liability studies, which are performed every five years. The following is the trustee adopted asset allocation policy as of June 30, 2019 and 2018:

	2019	2018
U.S. equity	31.2%	32.8%
Fixed Income	10.7%	10.4%
International equity	23.9%	23.5%
Tactical asset allocation	7.6%	6.6%
Absolute return	13.6%	13.8%
Private real estate	10.1%	10.0%
Private equity	1.9%	1.5%
Private credit	1.0%	1.4%
Total	100%	100%

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

As of June 30, 2019 and 2018, the plan had the following investments of more than 5% of the total Plan fiduciary net position:

	2019	2018
State Street RAFI US 1000 Index Fund	12.8%	15.1%
Vanguard Russell 1000 Index Fund	15.0%	14.0%
Vanguard Total International Stock Index Fund	10.9%	11.1%
Capital Guardian International All Countries Equity Class Db	12.7%	12.2%
AFL/CIO Housing Trust	8.9%	8.7%
RREEF America REIT II	7.4%	7.3%
Millennium	5.6%	5.8%

Funding policy and annual pension cost

Pursuant to the terms of the Working and Wage Agreement, TriMet is required to fund the Bargaining Unit DB Plan in accordance with actuarial principles, amortizing past service liabilities over a period of 40 years or less. The funding policy of the Bargaining Unit DB Plan provides for an actuarially determined contribution (ADC) calculated using the individual entry age normal actuarial cost method. The ADC consists of normal cost and an amortization of the unfunded actuarial accrued liability. The normal cost is determined as the level percentage of pay basis over the service of active employees between entry age and assumed exit age. Past service liabilities are amortized over a closed fifteen year period. The components of the net pension liability of the Bargaining Unit DB Plan were as follows:

Net pension liability As of June 30	2019	2018
Total pension liability	$ 713,756	$ 698,934
Plan fiduciary net position	574,920	560,882
Net pension liability	$ 138,836	$ 138,052
Plan fiduciary net position as a percent of total pension liability	80.5%	80.2%
Annual covered payroll	$ 97,406	$ 109,924
Net Pension Liability as a percentage of covered payroll	142.5%	125.6%

Actuarial methods and assumptions

Significant actuarial assumptions used in the valuation include a long term rate of return on the investment of present and future assets of 6.75 percent, RP-2014 mortality tables, inflation of 2.5 percent and annual salary increases of 2.75 percent and benefit multiplier increases of 2.5 percent annually for participants who retired prior to August 1, 2012 and 2.25 percent annually for participants who retire after August 1, 2012. Mortality rates were based on the RP-2014 Combined Healthy Mortality Table with Blue Collar Adjustment for males and females, set forward 1 year for males and 2 years for females. Net pension liability has been measured and reported as of June 30, 2019.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

The long-term expected rate of return on pension plan investments of 6.75 percent was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are then combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimated real rates of return by asset class were as follows at June 30, 2019:

Long-Term Expected Real Rate of Return

Risk Based Class/Components	Expected Return
Private Equity	5.8%
U.S. Equity	3.8%
International Equity	4.9%
Private Core Real Estate	3.1%
Private Credit	4.7%
Alternative Return	2.5%
Fixed Income	1.4%

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made consistent with the current funding plan. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

Changes in net pension liability

The following table presents the changes in the net pension liability for the years ended June 30, 2019 and 2018:

Bargaining Unit DB Plan

	2019	2018
Total pension liability		
Service cost	$ 9,643	$ 9,875
Interest cost	46,537	43,494
Changes in benefit terms	-	3,286
Effect of economic/demographic gains	(2,453)	21,274
Benefit payments	(38,905)	(36,394)
Net change in total pension liability	14,822	41,535
Total pension liability, beginning	698,934	657,399
Total pension liability, ending	713,756	698,934
Plan fiduciary net position		
Contributions	34,718	35,228
Net investment income	18,620	41,479
Benefit payments	(38,905)	(36,394)
Administrative expense	(395)	(358)
Net change in plan fiduciary net position	14,038	39,955
Plan fiduciary net position, beginning	560,882	520,927
Plan fiduciary net position, ending	574,920	560,882
Net pension liability, ending	$ 138,836	$ 138,052
Plan fiduciary net position as a percent of total pension liability	81%	80%
Covered payroll	$ 97,406	$ 109,924
Net pension liability as a percent of covered payroll	143%	126%

(dollars in thousands)

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the sensitivity of the net pension liability calculation to a one percent increase or decrease in the discount rate used to measure the total pension liability:

Discount rate	Net pension liability
1% decrease (5.75%)	$ 217,684
Current discount rate (6.75%)	$ 138,836
1% increase (7.75%)	$ 71,850

Deferred Inflows and Outflows of Resources

The following table presents the components of deferred inflows and outflows of resources for the Bargaining Unit DB Plan at June 30, 2019 and 2018:

Deferred outflows	2019	2018
Differences between projected and actual earnings on pension investments	$ 11,711	$ 2,229
Changes in assumptions	3,755	11,828
Differences between expected and actual experience in the measurement of total pension liability	10,201	15,819
Total deferred outflows	$ 25,667	$ 29,876
Deferred inflows		
Changes in assumptions	$ (1,227)	$ (4,293)
Differences between expected and actual experience in the measurement of total pension liability	(10,342)	(16,512)
Total deferred inflows	$ (11,569)	$ (20,805)

The following table presents the future amortization of deferred inflows and outflows of resources for the Bargaining Unit DB Plan:

	Deferred Amounts
2020	$ 6,783
2021	1,106
2022	2,391
2023	3,818
	$ 14,098

Notes to Financial Statements
June 30, 2019
(dollars in thousands)
continued

14. Subsequent Events

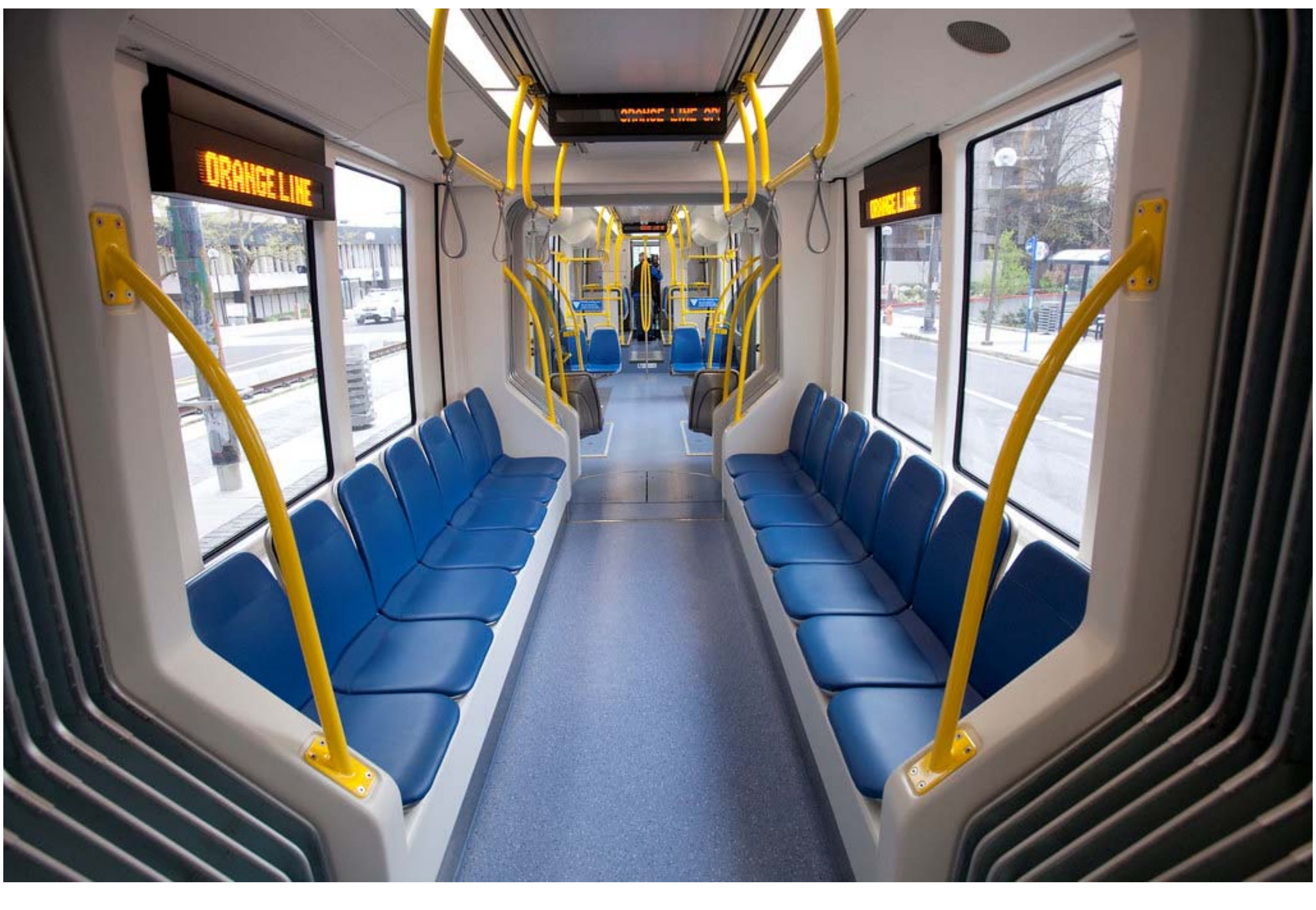
Payroll Tax and Grant Receipt Revenue Bonds, Series 2013

Upon the receipt of the Full Funding Grant Agreement (FFGA) grant resources, the District exercised an early redemption of $25,000 of principal on the outstanding for the Series 2013 Payroll Tax and Grant Receipt Revenue Bonds. The principal on the bonds will be paid in full by October 1, 2019.

2019 Payroll Tax Revenue Bonds and Refunding 2015 Senior Lien Revenue & Refunding Bonds, Series A and B

Subsequent to year-end, the District issued up to $200,000 par value Payroll Tax Bonds, Series 2019 and may refund certain future debt service maturities on the 2015 Senior Lien Revenue and Refunding Bonds, Series A and B. The proceeds on the 2019 Payroll Tax Bonds will fund various capital projects of the District.

Required Supplementary Information



Schedule of Changes in Net Pension Liability and Related Ratios

(dollars in thousands)

Management DB Plan

	2019	2018	2017	2016	2015	2014	2013
Total pension liability							
Service cost	$ 685	$ 919	$ 1,162	$ 1,224	$ 505	$ 793	$ 906
Interest cost	8,784	8,621	8,309	8,327	7,931	8,454	7,903
Benefit payments	(7,197)	(6,211)	(5,286)	(4,502)	(4,458)	(3,892)	(3,519)
Changes of benefit terms			-	-	-	-	1,711
Change in assumptions			-	474	(2,178)	(531)	1,015
Experience (gain) loss	397	(29)	1,441	(1,293)	3,592	(3,002)	152
Net change in total pension liability	2,669	3,301	5,626	4,230	5,392	1,822	8,168
Total pension liability, beginning	142,289	138,988	133,362	129,132	123,740	121,918	113,750
Total pension liability, ending	144,958	142,289	138,988	133,362	129,132	123,740	121,918
Plan fiduciary net position							
Contributions	6,240	6,497	6,330	7,036	6,559	5,602	9,776
Net Investment Income	3,787	8,108	7,990	1,460	2,004	14,074	10,100
Benefit payments	(7,197)	(6,211)	(5,286)	(4,502)	(4,458)	(3,892)	(3,519)
Administrative Expense	(137)	(97)	(76)	(97)	(123)	-	-
Net change in plan fiduciary net position	2,693	8,297	8,958	3,897	3,982	15,784	16,357
Plan fiduciary net position, beginning	132,253	123,956	114,998	111,101	107,119	91,335	74,978
Plan fiduciary net position, ending	134,946	132,253	123,956	114,998	111,101	107,119	91,335
Net pension liability, ending	$ 10,012	$ 10,036	$ 15,032	$ 18,364	$ 18,031	$ 16,621	$ 30,583
Plan fiduciary net position as a percent of total pension liability	93%	93%	89%	86%	86%	87%	75%
Covered payroll	$ 8,280	$ 9,446	$ 10,593	$ 12,722	$ 12,751	$ 13,142	$ 14,200
Net pension liability as a percent of covered payroll	121%	106%	142%	144%	141%	126%	215%

Schedule of Changes in Net Pension Liability and Related Ratios

(dollars in thousands)

Bargaining Unit DB Plan

	2019	2018	2017	2016	2015	2014	2013
Total pension liability							
Service cost	$ 9,643	$ 9,875	$ 10,851	$ 10,703	$ 11,756	$ 11,406	$ 11,122
Interest cost	46,537	43,494	43,889	43,372	43,025	42,870	41,827
Effect of plan changes		3,286	-	-	-	-	-
Changes of assumptions		-	-	18,776	(16,558)	29,476	15,354
Effect of economic/demographic (gains) losses	(2,453)	21,274	(19,615)	(8,967)	(541)	(11,294)	(8,583)
Benefit payments	(38,905)	(36,394)	(34,163)	(32,680)	(30,677)	(28,846)	(27,373)
Net change in total pension liability	14,822	41,535	962	31,204	7,005	43,612	32,347
Total pension liability, beginning	698,934	657,399	656,437	625,233	618,228	574,616	542,269
Total pension liability, ending	713,756	698,934	657,399	656,437	625,233	618,228	574,616
Plan fiduciary net position							
Contributions	34,718	35,228	35,862	38,027	36,200	47,261	70,380
Net investment income	18,329	41,479	46,645	1,948	12,276	64,461	42,349
Benefit payments	(38,905)	(36,394)	(34,163)	(32,680)	(30,677)	(28,846)	(27,373)
Administrative expense	(104)	(357)	(246)	(281)	(363)	(486)	(223)
Net change in plan fiduciary net position	14,038	39,955	48,098	7,014	17,436	82,390	85,133
Plan fiduciary net position, beginning	560,882	520,927	472,829	465,815	448,379	365,989	280,856
Plan fiduciary net position, ending	574,920	560,882	520,927	472,829	465,815	448,379	365,989
Net pension liability, ending	$ 138,836	$ 138,052	$ 136,472	$ 183,608	$ 159,418	$ 169,849	$ 208,627
Plan fiduciary net position as a percent of total pension liability	81%	80%	79%	72%	75%	73%	64%
Covered payroll	$ 97,406	$ 109,924	$ 106,596	$ 117,666	$ 116,556	$ 124,696	$ 125,143
Net pension liability as a percent of covered payroll	143%	126%	128%	156%	137%	136%	167%

Schedules of Pension Contributions

(dollars in thousands)

Management DB Plan

Actuarial valuation date	Actuarially determined contribution	Contributions	Contribution excess	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2019	$ 2,443	$ 6,240	$ 3,797	$ 8,280	75%
June 30, 2018	3,253	6,497	3,244	9,446	69%
June 30, 2017	3,735	6,330	2,595	10,593	60%
June 30, 2016	4,242	7,036	2,794	12,722	55%
June 30, 2015	4,219	6,559	2,340	12,751	51%
June 30, 2014	4,957	5,602	645	13,142	43%
June 30, 2013	6,491	9,776	3,285	14,200	69%

Bargaining Unit DB Plan

Actuarial valuation date	Actuarially determined contribution	Contributions	Contribution excess	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2019	$ 26,040	$ 34,718	$ 8,678	$ 97,406	36%
June 30, 2018	24,566	35,228	10,662	109,924	32%
June 30, 2017	28,498	35,862	7,364	106,596	34%
June 30, 2016	28,030	38,027	9,997	117,666	32%
June 30, 2015	31,926	37,793	5,867	116,556	32%
June 30, 2014	35,553	48,689	13,136	124,696	39%
June 30, 2013	34,638	36,766	2,128	125,143	29%

Schedules of Investment Returns

Annual Money-Weighted Rate of Return, Net of Investment Expense

	2019	2018	2017	2016	2015	2014	2013
Management DB Plan	2.97%	6.62%	6.92%	1.30%	1.87%	15.62%	13.10%
Bargaining Unit DB Plan	3.40%	8.04%	9.85%	0.42%	2.73%	17.28%	14.06%

Schedule of Changes in the District's Net OPEB Liability

	2019	2018
Total OPEB Liability		
Service cost	$ 33,512	$ 34,417
Interest cost	27,236	28,333
Change in assumptions	(66,328)	1,192
Experience (gain) loss	(32,503)	1,529
Benefit Payments	(23,022)	(22,647)
Net change in total OPEB liability	(61,106)	42,825
Total pension liability, beginning	786,541	743,717
Total pension liability, ending	$ 725,436	$ 786,541
Plan fiduciary net position		
Contributions	$ 23,022	$ 22,647
Investment Income	8	2
Benefit payments	(23,022)	(22,647)
Net change in plan fiduciary net position	8	2
Plan fiduciary net position, beginning	403	401
Plan fiduciary net position, ending	$ 411	$ 403
Net OPEB liability, ending	$ 725,025	$ 786,138
Plan fiduciary net position as a percent of the total pension liability	0.06%	0.05%
Covered-employee payroll	$ 219,240	$ 198,560
Net OPEB liability as a percent of covered payroll	330.70%	395.92%

Changes of assumptions and other inputs reflect a change in the discount rate from 3.78 percent as of 01/01/2017 to 3.44 percent as of 01/01/2018, and 4.10% as of 01/01/2019. In addition, changes of assumptions were made during the 2017 and 2018 measurement periods to update healthcare costs and trends.

TRIMET

Supplementary Information

Reconciliation of Revenues and Expenses (Budget Basis) to Schedule of Revenues and Expenses (GAAP Basis)

For The Year Ended June 30, 2019
(dollars in thousands)

Budget basis	
Revenues	$ 689,677
Expenses	893,206
Revenues over expenses	(203,529)
Add budget activity not qualifying as revenues/ expenses under GAAP:	
Principal payments on long-term debt	134,280
Capital asset additions	170,352
Add (subtract) adjustments required by GAAP:	
Unfunded pension costs	5,989
Depreciation	(132,943)
Net leveraged lease revenue	906
Claims liability changes	(3,512)
Unfunded OPEB Costs	(24,515)
Subtract budget resources not qualifying as revenues under GAAP:	
Net Book Value of Assets Retired	(5,690)
Debt Issuance	(10,000)
GAAP basis loss presented in statement of revenues, expenses and changes in net position	$ (68,662)

Reconciliation of fund balance (Budget Basis) to Net position (GAAP Basis)

June 30, 2019 (dollars in thousands)

Budget basis ending fund balance	$ 462,923
Reconciliation to GAAP basis:	
Net capital assets	3,014,250
Capital related debt	(704,540)
Other postemployment benefits and deferred amounts	(796,254)
Net pension liability and deferred amounts	(130,377)
Claims liability	(11,625)
Lease leaseback and deferred amounts	(2,619)
GAAP basis net position	$ 1,831,758

Schedule of Revenues and Expenses
Budget (Budget Basis) and Actual

For The Year Ended June 30, 2019
(dollars in thousands)

GENERAL FUND

	Original budget	Final budget	Actual	Variance from final budget over (under)
Revenues				
Operating revenue	$ 133,554	$ 133,554	$ 127,210	$ (6,344)
Tax revenue	392,385	392,385	372,751	(19,634)
Operating grant and other revenue	119,944	119,944	122,769	2,825
Capital program resources	55,740	55,740	9,412	(46,328)
Debt proceeds	-	-	10,000	10,000
Federal funds restricted for debt service	65,664	65,664	30,666	(34,998)
Gain on disposal of capital assets	-	-	11,834	11,834
Other non-operating resources	10,976	10,976	5,036	(5,940)
Total revenues	778,263	778,263	689,678	(88,585)
Expenses				
Office of the general manager	2,980	2,980	2,165	(815)
Public affairs	16,819	16,819	16,019	(800)
Safety and security	39,414	39,414	33,843	(5,571)
Information technology	23,264	23,264	19,679	(3,585)
Finance and administration	32,742	32,742	22,734	(10,008)
Labor relations and human resources	5,292	5,292	5,132	(160)
Legal services	4,002	4,002	2,906	(1,096)
Operations	509,604	509,604	478,149	(31,455)
Capital projects	136,044	136,044	86,301	(49,743)
OPEB and UAAL pension	51,067	51,067	50,168	(899)
Regional Funding Exchanges	4,787	6,882	6,882	-
Debt service	148,094	160,094	159,665	(429)
Pass-through requirements	10,976	10,976	9,563	(1,413)
Contingency	21,249	7,154	-	(7,154)
Total expenses	1,006,334	1,006,334	893,206	(113,128)
Revenues over (under) expenses	(228,071)	(228,071)	(203,528)	24,543
Beginning fund balance	661,821	661,821	666,452	4,631
Ending fund balance	$ 433,750	$ 433,750	$ 462,924	$ 29,174

Schedule of Bonds Payable Obligation

June 30, 2019

(dollars in thousands)

	Payroll Tax Revenue Bonds											
Fiscal	**2009 Bonds**		**2012 Bonds**		**2015 Bonds**		**2016 Bonds**		**2017 Bonds**		**2018 Bonds**	
Year	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*
2020	1,720	$ 744	$ 2,605	$ 467	$ 3,345	$ 5,246	$ 365	$ 2,735	$ 2,365	$ 4,366	$ 1,415	$ 7,079
2021	-	718	2,725	347	5,115	5,078	380	2,725	2,450	4,282	1,620	7,010
2022	-	718	2,850	221	5,355	4,846	390	2,719	2,560	4,169	1,695	6,927
2023	-	718	3,000	75	5,600	4,584	395	2,713	2,695	4,037	1,795	6,840
2024	-	718	-	-	5,900	4,329	3,550	2,639	2,815	3,914	1,835	6,749
2025	-	718	-	-	6,125	4,060	3,700	2,476	2,945	3,784	1,990	6,654
2026	-	718	-	-	6,430	3,749	3,890	2,286	3,095	3,633	2,100	6,551
2027	-	718	-	-	6,760	3,419	4,085	2,148	3,255	3,474	2,145	6,445
2028	-	718	-	-	7,100	3,072	4,170	2,003	3,425	3,307	2,325	6,334
2029	-	718	-	-	7,460	2,708	4,385	1,789	3,600	3,131	2,445	6,214
2030	-	718	-	-	7,835	2,326	4,610	1,564	3,785	2,947	2,580	6,089
2031	2,870	636	-	-	5,515	1,992	4,850	1,352	3,975	2,753	2,550	5,960
2032	3,040	466	-	-	5,780	1,725	5,045	1,154	4,180	2,549	2,680	5,830
2033	3,215	287	-	-	3,285	1,514	5,255	948	4,395	2,334	5,595	5,623
2034	3,405	98	-	-	3,455	1,345	5,470	767	4,620	2,109	5,845	5,337
2035	-	-	-	-	3,630	1,168	5,630	615	4,860	1,872	2,335	5,132
2036	-	-	-	-	3,800	996	5,790	451	5,060	1,668	2,460	5,012
2037	-	-	-	-	3,965	831	5,970	274	5,230	1,498	2,585	4,886
2038	-	-	-	-	4,140	659	6,155	92	5,415	1,315	2,710	4,754
2039	-	-	-	-	4,320	480	-	-	5,650	1,079	9,215	4,496
2040	-	-	-	-	4,505	293	-	-	5,940	789	9,645	4,065
2041	-	-	-	-	4,700	99	-	-	6,245	484	10,140	3,571
2042	-	-	-	-	-	-	-	-	6,565	164	1,530	3,279
2043	-	-	-	-	-	-	-	-	-	-	8,510	3,028
2044	-	-	-	-	-	-	-	-	-	-	8,945	2,591
2045	-	-	-	-	-	-	-	-	-	-	9,385	2,152
2046	-	-	-	-	-	-	-	-	-	-	9,825	1,711
2047	-	-	-	-	-	-	-	-	-	-	10,290	1,249
2048	-	-	-	-	-	-	-	-	-	-	10,775	766
2049	-	-	-	-	-	-	-	-	-	-	11,280	259
Totals	**$ 14,250**	**$ 9,411**	**$ 11,180**	**$ 1,110**	**$ 114,120**	**$ 54,519**	**$ 74,085**	**$ 31,450**	**$ 95,125**	**$ 59,658**	**$ 148,245**	**$ 142,593**

Capital Grant Receipt Revenue Bonds						Payroll Tax Grant Receipt Revenue Bonds			
2011 Bonds		**2017 Bonds**		**2018 Bonds**		**2013 Bonds**		**Total**	
Principal	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*
$ 10,380	$ 1,335	-	$ 3,801	-	$ 5,244	$ 25,000	$ 375	$ 47,195	$ 31,392
10,850	830	-	3,801	395	5,235	-	-	23,535	30,026
11,390	281	-	3,801	410	5,214	-	-	24,650	28,896
-	-	11,175	3,521	1,660	5,163	-	-	26,320	27,652
-	-	11,735	2,949	1,730	5,078	-	-	27,565	26,376
-	-	12,320	2,347	1,785	4,990	-	-	28,865	25,029
-	-	12,940	1,716	1,855	4,899	-	-	30,310	23,551
-	-	13,585	1,053	1,930	4,804	-	-	31,760	22,061
-	-	14,260	357	2,010	4,706	-	-	33,290	20,496
-	-	-	-	12,620	4,340	-	-	30,510	18,901
-	-	-	-	13,235	3,694	-	-	32,045	17,337
-	-	-	-	13,875	3,016	-	-	33,635	15,709
-	-	-	-	14,550	2,305	-	-	35,275	14,029
-	-	-	-	15,245	1,561	-	-	36,990	12,266
-	-	-	-	15,990	860	-	-	38,785	10,516
-	-	-	-	16,610	270	-	-	33,065	9,057
-	-	-	-	-	-	-	-	17,110	8,127
-	-	-	-	-	-	-	-	17,750	7,489
-	-	-	-	-	-	-	-	18,420	6,820
-	-	-	-	-	-	-	-	19,185	6,055
-	-	-	-	-	-	-	-	20,090	5,147
-	-	-	-	-	-	-	-	21,085	4,154
-	-	-	-	-	-	-	-	8,095	3,443
-	-	-	-	-	-	-	-	8,510	3,028
-	-	-	-	-	-	-	-	8,945	2,591
-	-	-	-	-	-	-	-	9,385	2,152
-	-	-	-	-	-	-	-	9,825	1,711
-	-	-	-	-	-	-	-	10,290	1,249
-	-	-	-	-	-	-	-	10,775	766
-	-	-	-	-	-	-	-	11,280	259
$ 32,620	**$ 2,446**	**$ 76,015**	**$ 23,346**	**$ 113,900**	**$ 61,379**	**$ 25,000**	**$ 375**	**$ 704,540**	**$ 386,283**

Audit Comments and Disclosures Required by State Regulations

MOSSADAMS

Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Municipal Auditing Standards*

The Board of Directors
Tri-County Metropolitan Transportation District of Oregon

We have audited the basic financial statements of Tri-County Metropolitan Transportation District of Oregon (District), as of and for the year ended June 30, 2019, and have issued our report thereon dated September 11, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-0000 to 162-10-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2020 and 2019.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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 test disclosed one instance of noncompliance that is required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

- During the year under audit, the District did not timely report the opening of a bank account with an authorized financial institution in accordance with ORS 295.006.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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.

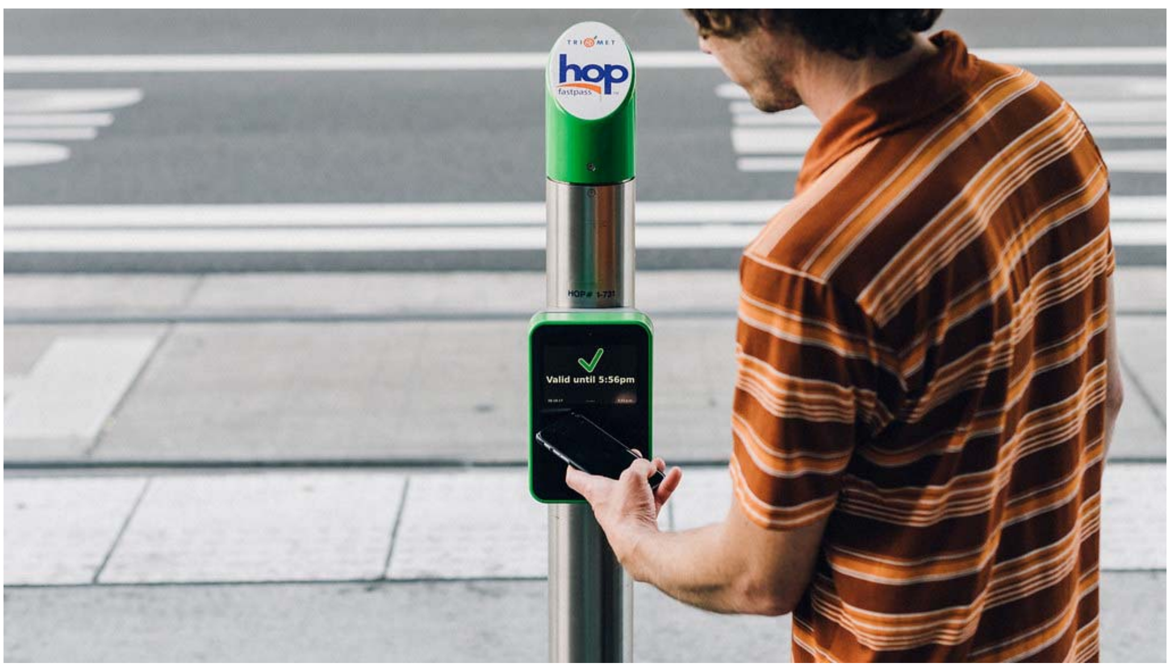
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information of the Board of Directors, management, and the State of Oregon, and is not intended to be and should not be used by anyone other than those specified parties.

Julie Desimone

Julie Desimone, Partner
for Moss Adams LLP
Portland, Oregon
September 11, 2019

Federal Grant Programs



MOSSADAMS

Report of Independent Auditors 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*

The Board of Directors
Tri-County Metropolitan Transportation District of Oregon

We have audited, in accordance with the 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, the financial statements of the Enterprise Fund, Retirement Plan for Management Staff Employees, Pension Plan for Bargaining Unit Employees, and Total Trust Fund of Tri-County Metropolitan Transportation District of Oregon (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Moss Adams LLP

Portland, Oregon
September 11, 2019

MOSSADAMS

Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Directors
Tri-County Metropolitan Transportation District of Oregon

Report on Compliance for Each Major Federal Program

We have audited the financial statements of the Enterprise Fund, Retirement Plan for Management Staff Employees, Pension Plan for Bargaining Unit Employees, and Total Trust Fund of Tri-County Metropolitan Transportation District of Oregon's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of and for the year ended June 30, 2019, and have issued our report thereon dated September 11, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams LLP

Portland, Oregon
September 11, 2019

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019
(dollars in thousands)

Federal grantor/program title	Federal CFDA number	Pass Through/ Grant number	Total expenditures	Passed through to subrecipients
U.S. Department of Transportation				
Federal Transit Cluster:				
U.S. Department of Transportation - Direct Programs				
Federal Transit - Capital Investment Grants	20.500	OR-03-0126	$ 30,666	$ -
			30,666	-
Federal Transit - Formula Grants	20.507	OR-2017-012	2,019	-
Federal Transit - Formula Grants	20.507	OR-2017-011	139	-
Federal Transit - Formula Grants	20.507	OR-2016-011	420	-
Federal Transit - Formula Grants	20.507	OR-2016-013	186	-
Federal Transit - Formula Grants	20.507	OR-2016-015	196	196
Federal Transit - Formula Grants	20.507	OR-2019-020	486	486
Federal Transit - Formula Grants	20.507	OR-2019-010	20,380	-
	20.507	OR-2019-012	41,347	
	20.507	OR-2019-019	4,786	
			69,959	682
				-
State of Good Repair Grants Program	20.525	OR-2019-009	17	
State of Good Repair Grants Program	20.525	OR-2019-011	26,440	-
			26,457	-
				-
Bus and Bus Facilities Formula Program	20.526	OR-2017-018	2,517	-
			2,517	-
Passed through from METRO				
Federal Transit - Formula Grants	20.507	METRO # 931908	19	-
Total Federal Transit Cluster			129,618	682
Transit Services Program Cluster:				
U.S. Department of Transportation - Direct Programs				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	OR-2017-031	674	674
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	OR-2019-005	827	827
Passed through from Oregon Department of Transportation:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ODOT 31474	537	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ODOT 32218	2,239	116
Total Passed through from Oregon Department of Transportation			2,776	116
Total Transit Services Program Cluster			4,277	1,617
U.S. Department of Transportation - Direct Programs				
Railroad Safety Technology	20.321	OR-2018-005	297	-
Public Transportation Research, Technical Assistance, and Training	20.514	OR-2017-005	269	-
Clean Fuels	20.519	OR-58-0002	86	-
Total U.S. Department of Transportation Programs			**134,547**	**2,299**
U.S. Department of Homeland Security - Direct Programs				
Rail and Transit Security Grant Program	97.075	EMW-2016-RA-00012	863	-
Rail and Transit Security Grant Program	97.075	EMW-2017-RA-00013	223	-
Total U.S. Department of Homeland Security Programs			**1,086**	**-**
Total Expenditures of Federal Awards			**$ 135,633**	**$ 2,299**

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019
(dollars in thousands)

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes all federal grant activity of Tri-County Metropolitan Transportation District of Oregon (the District), under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because this Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

2. Summary of Significant Accounting Policies and Revenue and Expense Recognition

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is consistent with the financial statements, as described in Note 1 to the District's June 30, 2019 financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District does not utilize the 10 percent deminimus rate for overhead allocation.

3. Relationship to the Basic Financial Statements

Federal awards are reported in the District's financial statements as operating grant revenue and capital contributions.

4. Subrecipients

Included within the federal expenditures presented in the Schedule of Federal Awards are federal awards to subrecipients as follows:

Subrecipient	Federal CFDA Number	Grant Number/TriMet Contract number	Total Expenditures
Ride Connection	20.507	TriMet #16-0051	$ 196
Ride Connection	20.513	TriMet #17-0346	674
Ride Connection	20.513	TriMet #17-0346	827
Ride Connection	20.513	TriMet #18-0015	116
Ride Connection	20.507	TriMet #19-0060	131
Ride Connection	20.507	TriMet #19-0060	192
Portland Community College	20.507	TriMet #17-00817	115
Ride Connection	20.507	TriMet #16-0051	48
Total subrecipient expenditures			$ 2,299

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	☐ Yes ☒ No
• Significant deficiency(ies) identified?	☐ Yes ☒ None reported
Noncompliance material to financial statements noted?	☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	☐ Yes ☒ No
• Significant deficiency(ies) identified?	☐ Yes ☒ None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ Yes ☒ No

Identification of Major Federal Programs and type of auditor's report issued on compliance for major federal programs

CFDA Numbers	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued*
20.500, 20.507, 20.525, 20.526	Federal Transit Cluster	Unmodified
20.513	Transit Services Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: $3,000,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Schedule of Prior Federal Findings

For the Year Ended June 30, 2019

Schedule of Prior Federal Award Findings

None reported