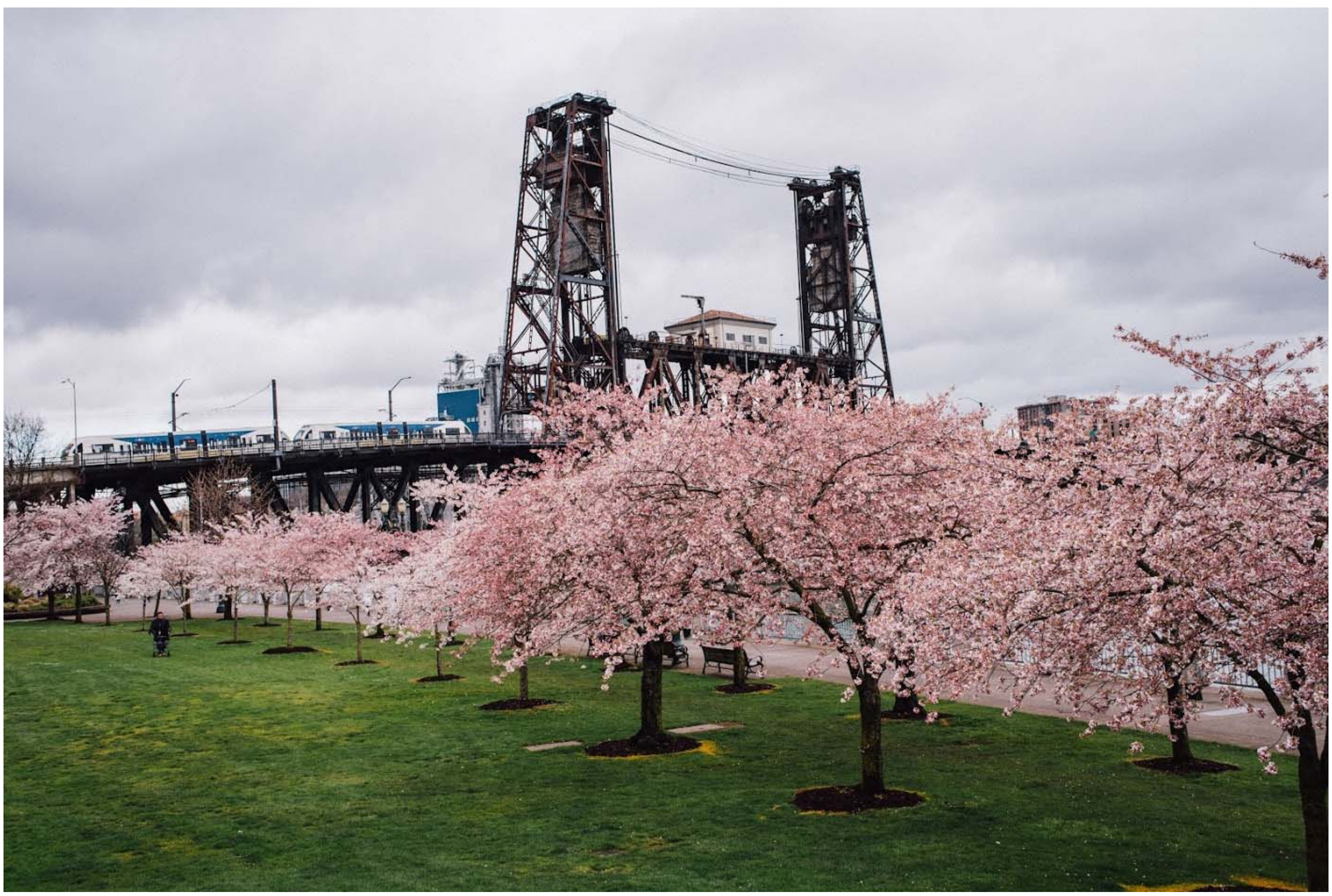
TRIMET

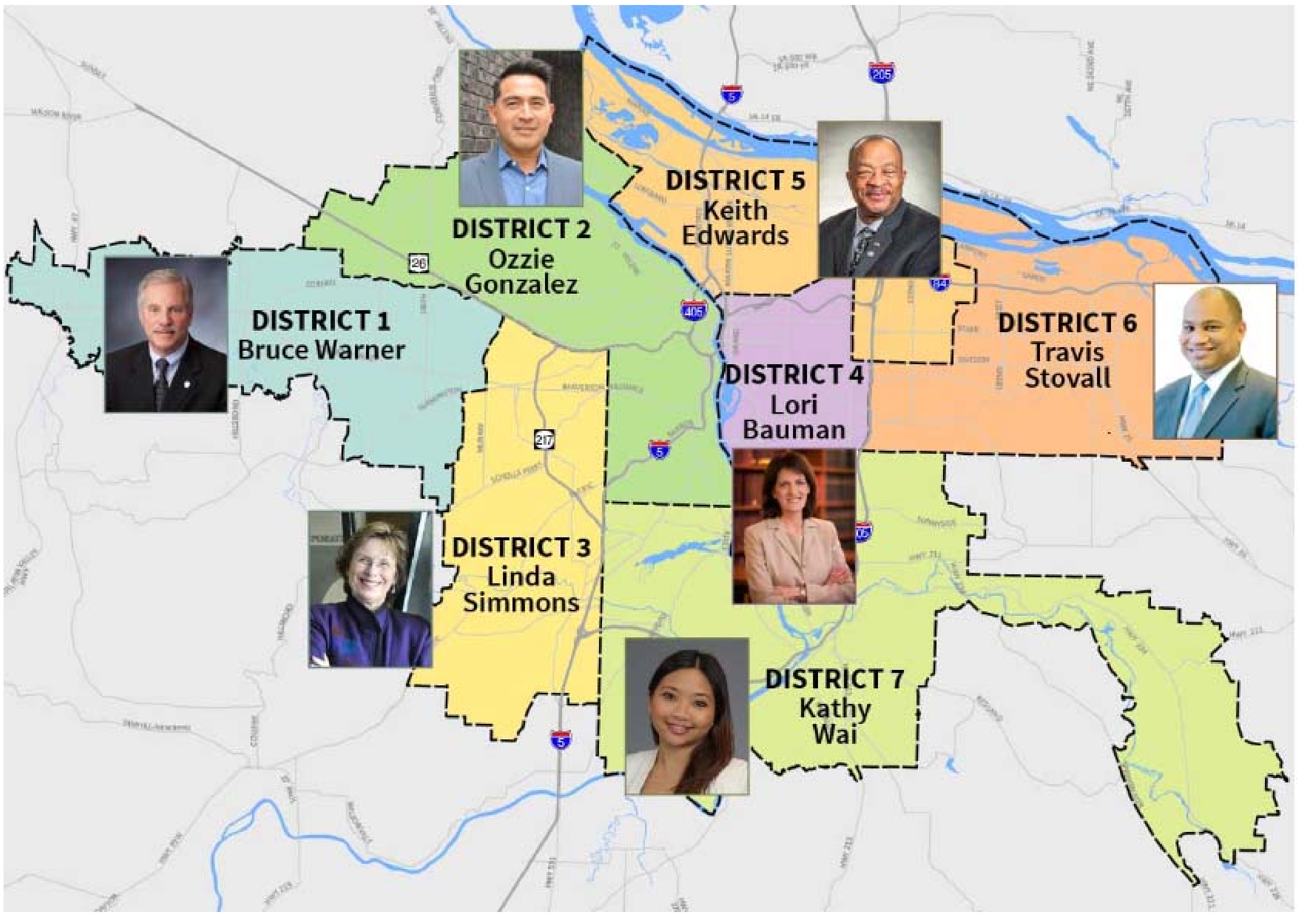
Report of Independent Auditors and Financial Statements with Supplementary Information
June 30, 2020 and 2019
(including Audit Comments and Disclosures Required by State Regulations)



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, 2023
Lori Irish Bauman	#4	May 31, 2023
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*

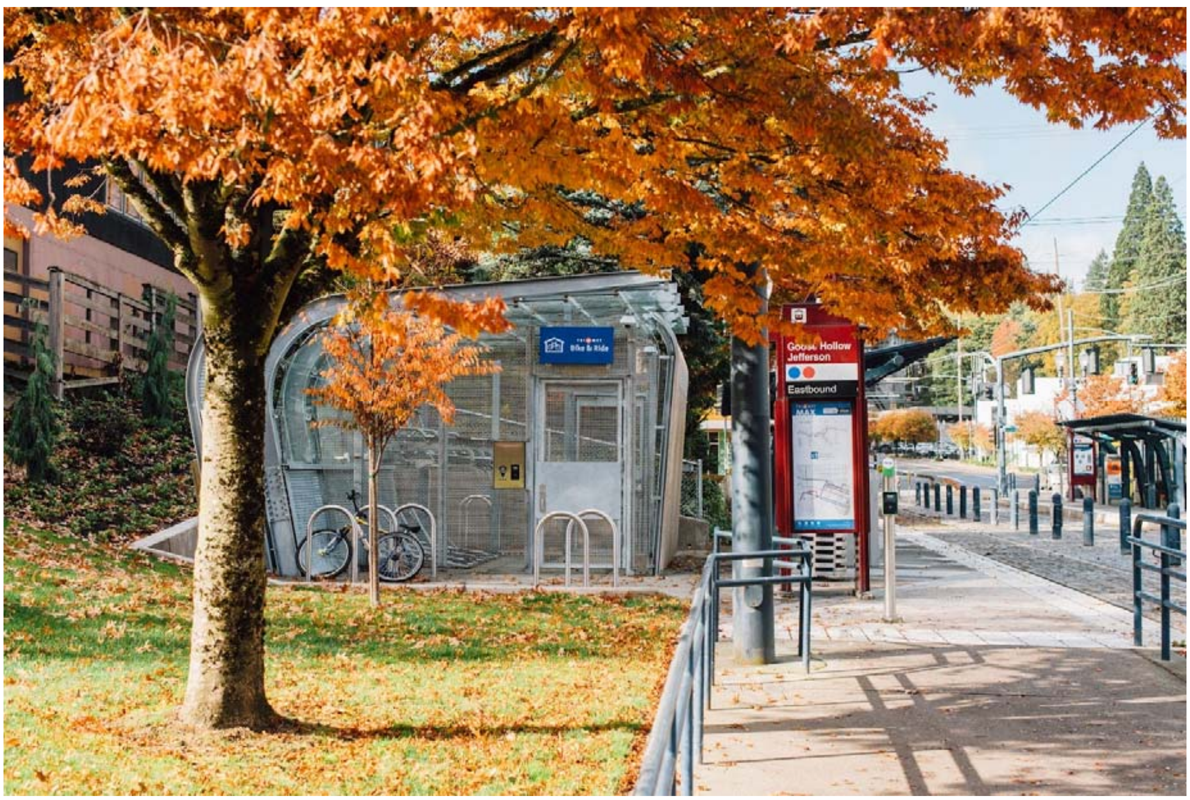


Board of Directors	1800 S.W. 1st Avenue, Suite 300 Portland, Oregon 97201
General Manager	Doug Kelsey 1800 S.W. 1st Avenue, Suite 300 Portland, Oregon 97201
General Counsel and Registered Agent	Shelley Devine 1800 S.W. 1st Avenue, Suite 300 Portland, Oregon 97201

Table of Contents

TRIMET

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, 2020 and 2019, and the statements of revenues, expenses, and changes in net position and cash flows of the Enterprise Fund for the years ended June 30, 2020 and 2019, and the statements of changes in fiduciary net position of the Pension Plan Trust Funds for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, 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, 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 18, 2020 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 18, 2020, 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.

Moss Adams LLP

Julie Desimone, Partner for
Moss Adams LLP
Portland, Oregon
September 18, 2020

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, 2020 and 2019, 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, 2020 and 2019, 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 Fiscal Year 2020

- Net position totaled $1,851,453 at June 30, 2020 as noted in the table below (see Table 1).
- Net position increased $19,695 or 1.1 percent in 2020, which compares to a decrease of $68,662 in net position in 2019.
- Total operating revenues were $114,935 for fiscal year 2020. This is a decrease by $20,887 or 15.4 percent from 2019. The decrease noted in passenger revenues in the current fiscal year is directly due to the impact to ridership as a result of the Coronavirus pandemic (COVID, COVID-19). COVID-19 pandemic in the United States is part of the worldwide pandemic of coronavirus disease 2019. The first confirmed transmission in the USA was recorded in January 2020, while the first known deaths were reported in February 2020. By the end of March 2020, cases of the virus had been confirmed in all fifty U.S. states. On August 31, 2020, the US reached 6 million cases of COVID-19. Ridership in the last quarter of fiscal year 2020 was hit hard as a result of the Coronavirus and the Governor's stay at home order that led to many employees working from home.
- Payroll and other tax revenues were $398,353 for fiscal year 2020. This is an increase of $25,602 or 6.9 percent over the prior fiscal year. The increase is due to the .01 percent increase in the employer payroll tax revenues that was effective on January 1, 2020. It is too early to assess the impact from the pandemic on payroll and other tax revenues.
- Grant revenues for fiscal year 2020 increased by $10,397, which is 10.4 percent over the prior fiscal year. This line item includes federal transit administration grants for preventative maintenance.
- Grant revenues – CARES Act for fiscal year 2020 increased by $118,200 from fiscal year 2019. The increase is directly related to TriMet's award of $184,925 from the Federal government under the Coronavirus Aid, Relief, and Economic Security (CARES) Act in May 2020.
- Pass through revenues were $13,258 in fiscal year 2020, which is an increase of $8,695 or approximately 191.0 percent over the prior fiscal year. This increase is directly related to the House Bill 2017, Keep Oregon Moving, Statewide Transportation Improvement Fund (STIF) and the sub-recipient agreements that were not executed until fiscal year 2020. The HB2017 intergovernmental agreements with the sub-recipients were signed and executed in July 2019. Therefore, fiscal year 2020 includes all of the HB2017 pass through expenses to the sub-recipients.
- Total operating expenses were $737,854 per the Statements of Revenues, Expenses and Changes in Net Position. This is an increase of $36,600 or 5.2 percent from 2019. The increase is noted in fringe benefits, which increased $34,872 or 18.3 percent over the prior year. Fringe benefits increased due to changes in the actuarial valuations for TriMet's defined benefit pension plans and the other postemployment benefits liability (OPEB). The discount rate used in the 2020 valuation for OPEB decreased, resulting in an increase in the OPEB liability, related deferrals and expense. Fringe benefits also increased as a result of the increase in the Union Defined Benefit pension liability and pension expense due to assumption changes used in the 2020 actuarial valuation.

Financial Highlights for Fiscal Year 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.

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, 2020, 2019 and 2018.

Table 1

Net Position
As of June 30
(dollars in thousands)

				Increase (decrease)			
				2020 - 2019		2019 - 2018	
	2020	2019	2018	$	%	$	%
Assets							
Current and other assets	$ 937,881	$ 754,383	$ 923,625	$ 183,498	24.3 %	$ (169,242)	(18.3)%
Capital assets, net of depreciation	3,086,878	3,014,250	2,981,825	72,628	2.4 %	32,425	1.1 %
Total assets	4,024,759	3,768,633	3,905,450	256,126	6.8 %	(136,817)	(3.5)%
Deferred outflows of resources	235,293	54,296	58,882	180,997	333.4 %	(4,586)	(7.8)%
Total assets and deferred outflows of resources	$ 4,260,052	$ 3,822,929	$ 3,964,332	$ 437,123	11.4 %	$ (141,403)	(3.6)%
Liabilities							
Current liabilities	$ 215,918	$ 195,800	$ 197,720	$ 20,118	10.3 %	$ (1,920)	(1.0)%
Noncurrent liabilities	2,082,144	1,684,283	1,829,665	397,861	23.6 %	(145,382)	(7.9)%
Total liabilities	2,298,062	1,880,083	2,027,385	417,979	22.2 %	(147,302)	(7.3)%
Deferred inflows of resources	110,537	111,088	36,527	(551)	(0.5)%	74,561	204.1 %
Net position							
Net investment in capital assets	2,459,273	2,495,838	2,586,479	(36,565)	(1.5)%	(90,641)	(3.5)%
Restricted	42,124	63,209	17,777	(21,085)	(33.4)%	45,432	255.6 %
Unrestricted	(649,944)	(727,289)	(703,836)	77,345	(10.6)%	(23,453)	3.3 %
Total net position	1,851,453	1,831,758	1,900,420	19,695	1.1 %	(68,662)	(3.6)%
Total liabilities, deferred inflows of resources, and net position	$ 4,260,052	$ 3,822,929	$ 3,964,332	$ 437,123	11.4 %	$ (141,403)	(3.6)%

Current and other assets increased $183,498 or 24.3 percent, in 2020, due primarily to an increase in grants receivable at year-end directly related to the outstanding grants receivable balance for the CARES Act award provided to TriMet as relief response to the pandemic. In addition in fiscal year-end 2020, there is a significant increase in the balance for both unrestricted and restricted cash and investments. The increase in unrestricted cash and investments is attributable to draws for eligible expenses that were reimbursed under the CARES Act grant in fiscal year 2020. The increase in the restricted cash and investments is due to 2019 Senior Payroll Tax Bonds that were issued in October 2019.

Current and other assets decreased $169,242 or 18.3 percent, in 2019 primarily due 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

Management's Discussion and Analysis

continued

(dollars in thousands)

prior to year-end as compared to fiscal year 2018, 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.

Deferred outflows of resources increased $180,997 at June 30, 2020 which is 333.0 percent from the prior fiscal year balance. The increase is directly related to change in the discount rate used in the 2020 actuarial valuation for TriMet's Other Post-Employment Benefits (OPEB) liability. The discount rate decreased in the 2020 valuation, which resulted in an increase in the net OPEB obligation as well as the related deferred accounts.

At June 30, 2019, deferred outflows of resources decreased $4,586, or 7.8 percent from 2018. This decrease is due to the amortization of prior year deferrals.

Current liabilities consist primarily of accounts payable, accrued compensation, current portion of bonds payable and unearned revenue. At June 30, 2020, current liabilities increased $20,118 or 10.3 percent over the prior year. The increase is due to a significant increase in the year-end balance for unearned capital project revenue. The increase is a result of unspent HB2017 funds in 2020, primarily due to the pandemic slowing the planned spend for various projects in the last quarter of fiscal year 2020.

The decrease in current liabilities from fiscal year-end 2018 to 2019 of $1,920, or 1.0 percent was due to a decrease in the current portion of long-term debt as debt maturities came due and were paid.

Noncurrent liabilities consist primarily of long-term debt, long-term lease liabilities, net pension liabilities and Other Postemployment Benefits (OPEB) liability. Noncurrent liabilities increased by $397,861, or 23.6 percent in 2020, due to a significant increase in the OPEB liability. The OPEB liability increased as a result of the decrease in the discount rate used in the 2020 actuarial valuation. The discount rate used in the OPEB valuation is tied to the twenty-year high grade municipal bond index yield as TriMet has not yet funded a trust for the OPEB liability. In addition to the increase in OPEB, long-term debt increased in 2020 as a result of the issuance of Senior Lien Payroll Tax revenue bonds in October 2019.

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 decreased due to an increase in the discount rate used in the 2019 actuarial valuation for OPEB.

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 6), 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 the last three fiscal years. 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 $198,223 and $148,848 as of June 30, 2020 and 2019, 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 $901,420 and $725,025 for the years ended June 30, 2020 and 2019, respectively. The increase in OPEB from 2019 is due to a decrease 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 is closed to non-union employees and remains open for union employees.

Changes in Net Position

The District's total revenues increased $143,863, or 22.7 percent, during fiscal year 2020 (see Table 2). Passenger revenue decreased $21,336 or 18.6 percent as the pandemic greatly reduced ridership in the fourth quarter of the fiscal year. Payroll and other tax revenue increased $25,602, or 6.9 percent. Grant revenue – CARES Act increased $118,200 due to the increase for the CARES Act awarded by Federal government to the District as response to the pandemic in fiscal year 2020.

The District's total revenues increased $4,833, or 0.8 percent, during fiscal year 2019 (see Table 2). Passenger revenue increased $1,058, or 0.9 percent, Payroll and other tax revenue increased $13,708, or 3.8 percent, and Grant revenue decreased $19,965, or 16.7 percent, for the reasons discussed previously in the financial highlights for fiscal year 2020.

Management's Discussion and Analysis

continued
(dollars in thousands)

The State's employment and wage growth remained reasonably strong throughout fiscal year 2019 and through fiscal year 2020 until the pandemic hit the area in spring 2020. Prior to the pandemic, the Portland region was strong, creating jobs at a robust pace. The transportation sector remained strong prior to the Coronavirus. The last quarter of fiscal year 2020 experienced the pandemic's impact to the region. The State of Oregon's Governor issued a stay at home order. The result of the order led to a significant drop in ridership. In response to the pandemic, the maximum capacity on the system was reduced for social distancing. In April 2020, service levels were reduced and the District stopped accepting cash fares. The District is still adapting to the ripple effect of the Coronavirus. TriMet received relief from the pandemic in the form of Federal funding for the CARES Act grant. The CARES Act allowed TriMet to seek reimbursement for eligible costs from February 2020 forward. Fiscal year 2020 recorded $118,200 for CARES Act grant revenues. As the ripple effect of the pandemic is yet to materialize, TriMet continues to adapt ensuring the system is clean and personal protective equipment, such as masks and hand sanitizer is available on the system. The District is committed to ensuring safety for passengers and its employees as we navigate in a global pandemic.

Table 2

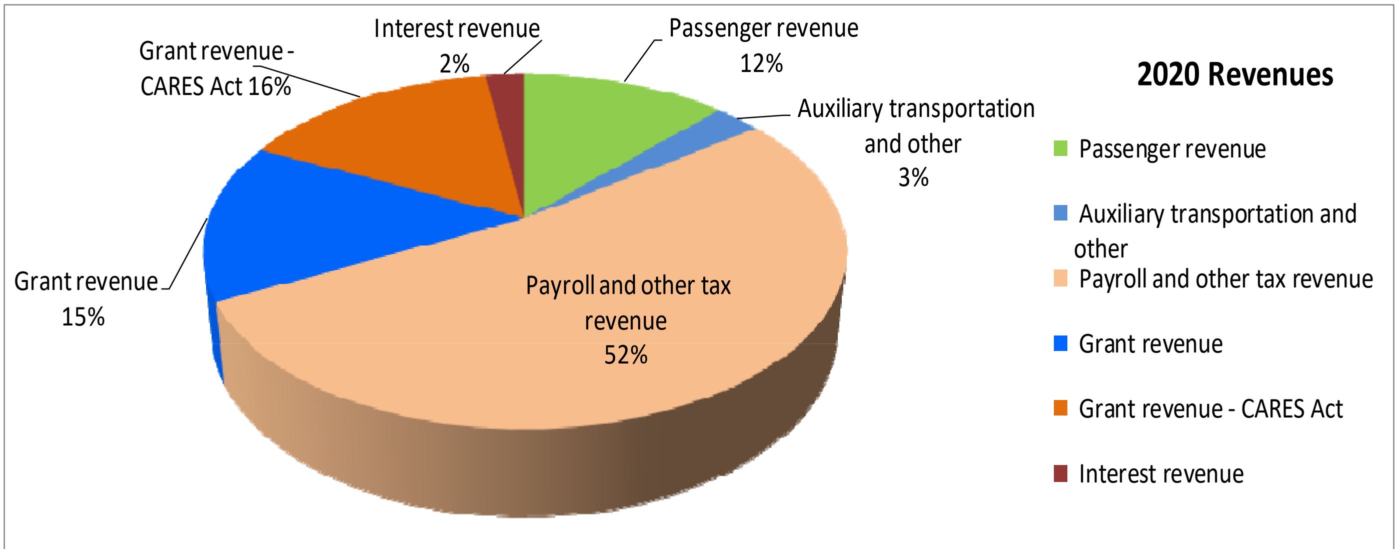
Changes in Net Position
For the Years Ended June 30
(dollars in thousands)

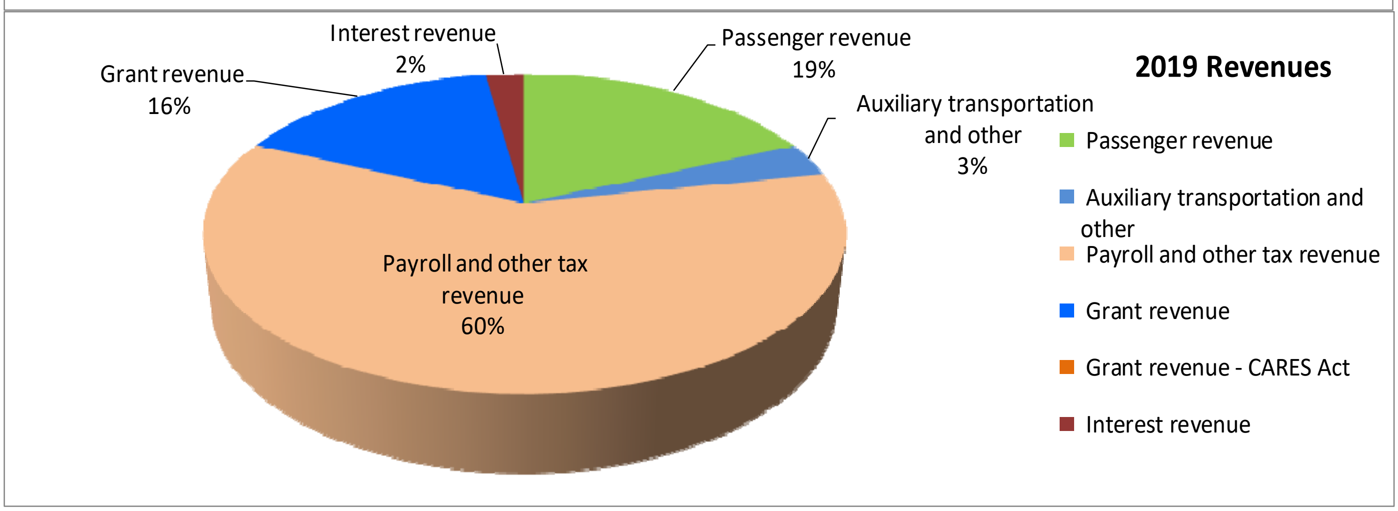
				Increase (decrease)			
				2020 - 2019		2019 - 2018	
	2020	2019	2018	$	%	$	%
Revenues							
Operating revenues							
Passenger revenue	$ 93,558	$ 114,894	$ 113,836	$ (21,336)	(18.6)%	$ 1,058	0.9 %
Auxiliary transportation and other	21,377	20,928	25,164	449	2.1 %	(4,236)	(16.8)%
Non-operating revenues							
Payroll and other tax revenue	398,353	372,751	359,043	25,602	6.9 %	13,708	3.8 %
Grant revenue	110,065	99,668	119,633	10,397	10.4 %	(19,965)	(16.7)%
Grant revenue - CARES Act	118,200	-	-	118,200	0.0 %	-	0.0 %
Gain on disposal of capital assets	4,599	6,144	1,081	(1,545)	(25.1)%	5,063	468 %
Pass through revenue	13,258	4,563	4,041	8,695	190.6 %	522	12.9 %
Interest revenue	17,953	14,490	5,972	3,463	23.9 %	8,518	142.6 %
Net leveraged lease income	844	906	741	(62)	(6.8)%	165	22.3 %
Total operating and non-operating revenues	778,207	634,344	629,511	143,863	22.7 %	4,833	0.8 %
Expenses							
Labor	199,933	194,641	182,834	5,292	2.7 %	11,807	6.5 %
Fringe benefits	225,604	190,732	191,097	34,872	18.3 %	(365)	(0.2)%
Materials and services	120,193	124,317	109,963	(4,124)	(3.3)%	14,354	13.1 %
Utilities	10,886	10,412	9,986	474	4.6 %	426	4.3 %
Purchased transportation	26,497	30,577	30,950	(4,080)	(13.3)%	(373)	(1.2)%
Depreciation expense	137,472	132,943	131,914	4,529	3.4 %	1,029	0.8 %
Other operating expense	17,269	17,632	13,454	(363)	(2.1)%	4,178	31.1 %
Pass through expense	13,258	4,563	4,041	8,695	190.6 %	522	12.9 %
Interest and other expense	28,792	25,384	19,454	3,408	13.4 %	5,930	30.5 %
Funding exchanges and other payments	14,189	11,882	5,459	2,307	19.4 %	6,423	117.7 %
Total expenses	794,093	743,083	699,152	51,010	6.9 %	43,931	6.3 %
Loss before contributions	(15,886)	(108,739)	(69,641)	92,853	(85.4)%	(39,098)	56.1 %
Capital contributions	35,581	40,077	113,870	(4,496)	(11.2)%	(73,793)	(64.8)%
Increase (decrease) in net position	19,695	(68,662)	44,229	88,357	(128.7)%	(112,891)	(255.2)%
Net position-as previously reported	1,831,758	1,900,420	2,024,504	(68,662)	(3.6)%	(124,084)	(6.1)%
Cumulative effect to implement GASB #75	-	-	(168,313)	-	0.0 %	168,313	0.0 %
Net position - beginning restated	1,831,758	1,900,420	1,856,191	(68,662)	(3.6)%	44,229	2.4 %
Total net position - ending	$ 1,851,453	$ 1,831,758	$ 1,900,420	$ 19,695	1.1 %	$ (236,975)	(3.6)%

Management's Discussion and Analysis

continued
(dollars in thousands)

The following charts display the allocation of District revenues for fiscal years 2020 and 2019:





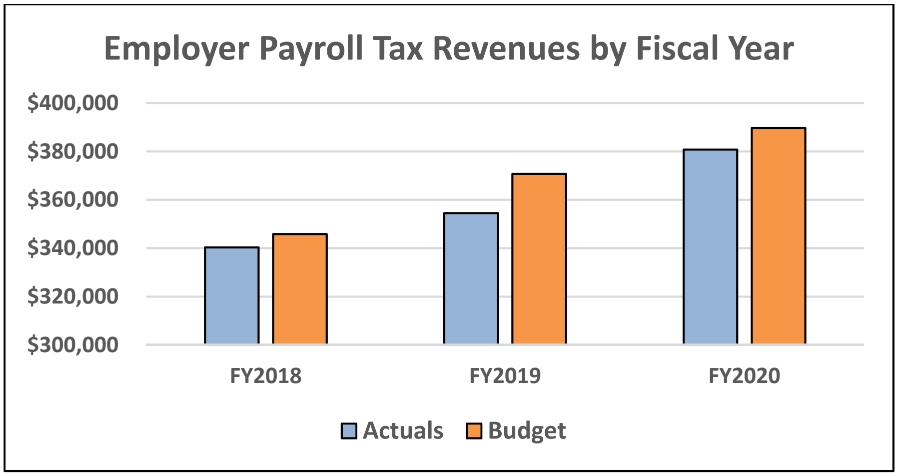
- Total operating and non-operating revenues were $778,207 for fiscal year 2020, an increase of 22.7 percent.
- Total operating and non-operating revenues were $634,344 for fiscal year 2019, an increase of 0.8 percent.
- Total payroll and other tax revenues increased $25,602 or 6.9 percent, totaling $398,353 for fiscal year 2020. Of that amount, Employer payroll tax revenue increased $26,286, or 7.4 percent due to continued strong employment conditions throughout most of fiscal year 2020 and the rate increase effective January 2020. Self-employment and other tax revenues decreased by $1,391, or 8.6 percent over fiscal year 2019. In response to the pandemic, the deadline to file and remit for self employment tax revenues was extended from April 15, 2020 to July 15, 2020 (into fiscal year 2021).
- 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.

Management's Discussion and Analysis

continued

(dollars in thousands)

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. The graph below shows the change in employer payroll tax revenues comparing the budget to actuals for that fiscal year.



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, 2019 effective rate was 0. 7637 percent and on January 1, 2020, the effective rate increased to 0.7737 percent as a result of the 2009 legislation.

- Grant revenue increased $10,397, or 10.4 percent, compared to fiscal year 2019. Revenues in this category include Federal Preventive Maintenance Funds and other operating support. Grant revenue – CARES Act increased by $118,200 over fiscal year 2019. The CARES Act award provides Federal relief for the Coronavirus. 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. The increase in revenues in the current year is a result of the reimbursement for eligible expenses under the CARES Act.

- Passenger revenue was $93,558 for the fiscal year 2020, a decrease of $21,336 or 18.6 percent. The decrease is directly attributable to the impact of the Coronavirus on ridership in the last quarter of fiscal year 2020.

  Passenger revenues increased slightly in 2019 of $1,058 or 0.9 percent. 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 changes are impacted by demographic shifts, fuel prices, Transportation Network Companies (Uber, Lyft) and telecommuting.

- Total net position at June 30, 2020, was $1,851,453, an increase of $19,695 or 1.1 percent from 2019. The change in net position is primarily attributable to the following factors:
  - Increase of $118,200 in grant revenues – CARES Act. As previously reported, TriMet was awarded $184,925 from the CARES Act to help the District bridge funding gaps due to losses in fare revenues as ridership decreased by as much as 70 percent after the pandemic hit the region.

Management's Discussion and Analysis

continued

(dollars in thousands)

- Increase of $8,695 or 190.6 percent in the line items for pass through revenues and pass through expenses in materials and services expenses. The increase is a result of the House Bill 2017 subrecipient programs ramping up. Intergovernmental agreements with subrecipients were not executed until fiscal year 2020.
- Increase of $34,872 or 18.3 percent in fringe benefits. Fringe benefits includes expense for pension and OPEB. With the increases to the pension liabilities and OPEB liabilities, the related expenses increased as well.

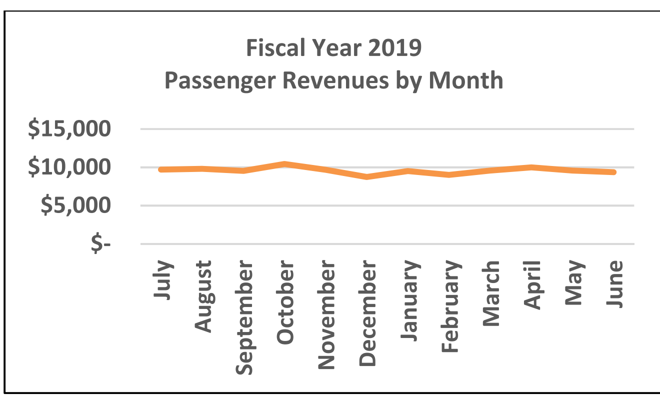
- Total net position at June 30, 2019, was $1,831,758, a decrease of $68,662 or 3.6 percent from 2018. The change in net position is primarily attributable to the following factors:
    - Decrease of $19,965 or 16.7 percent in grant revenues for the State of Good Repair Section 5337 grant funds for preventative 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.

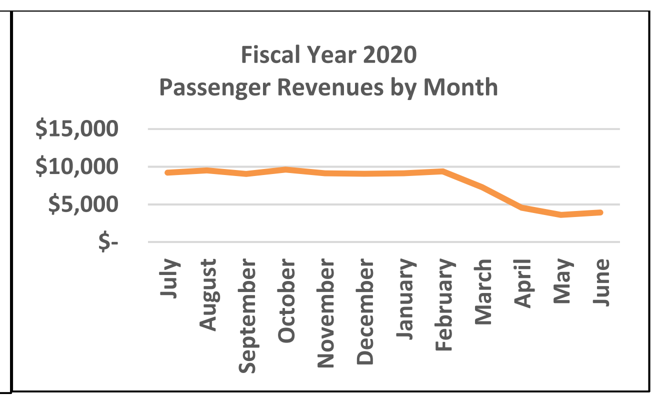
Operating Revenues

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 2020, the District experienced an overall decrease in passenger revenue of 18.6 percent. The graphs below show the actual monthly passenger revenues for fiscal year 2019 and 2020.





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 2020, auxiliary transportation and other

Management's Discussion and Analysis

continued

(dollars in thousands)

revenues noted a slight increase of $449 or 2.1 percent. In fiscal year 2019, auxiliary transportation and other revenues decreased $4,236 or 16.8 percent. Over the past two years, auxiliary revenues have remained relatively constant.

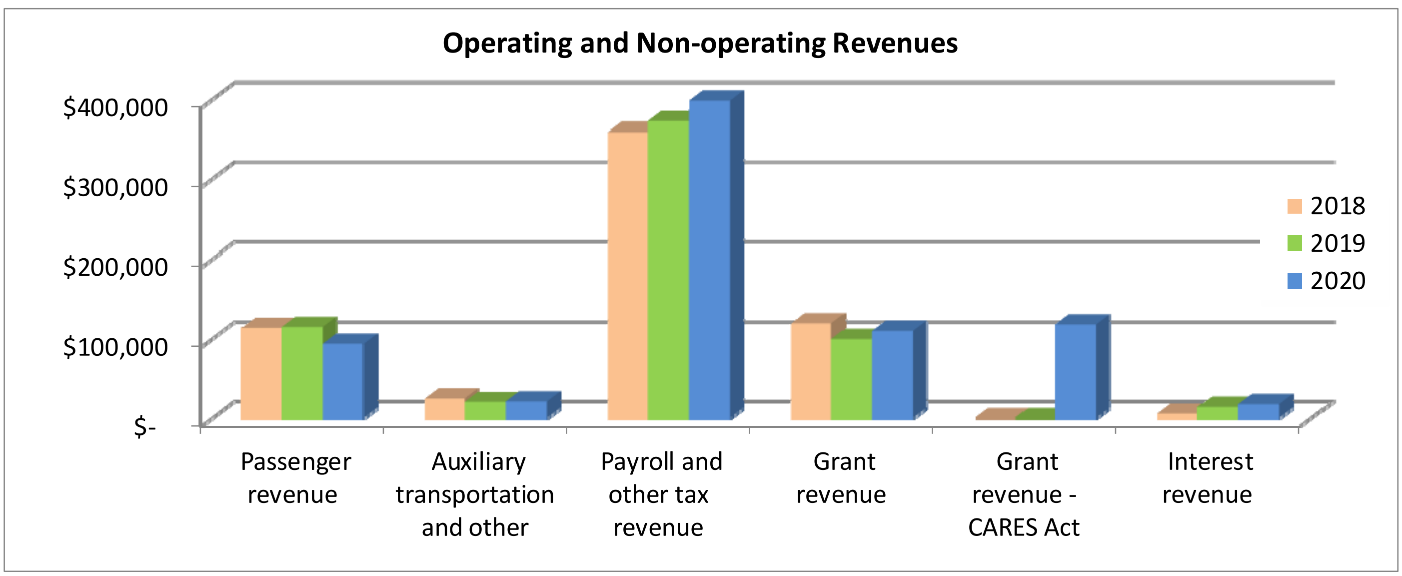
Non-operating Revenues

Non-operating revenues include Payroll and other tax revenue, Grant revenue, Pass-through revenues, Gain on disposal of capital assets and Interest revenue. The largest increase in fiscal year 2020 in non-operating revenues is noted in grant revenues – CARES Act. Fiscal year 2020 includes $118,200 for the CARES Act federal award. In fiscal year 2019, 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 due to strong market conditions and as restricted investment for bond proceeds increased with debt issues.

Payroll and Other Tax Revenues

Payroll tax revenues are the District's main source of revenue. Payroll and other tax revenues increased $25,602, or 6.9 percent in fiscal year 2020, indicating the financial impact from the effect of the massive unemployment across the region due to the pandemic is still yet to materialize. The Portland economy remained strong throughout fiscal year 2019 and for much of fiscal year 2020. In fiscal year 2019, payroll and other tax revenues increased $13,708, or 3.8 percent, compared to fiscal year 2018.

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



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.

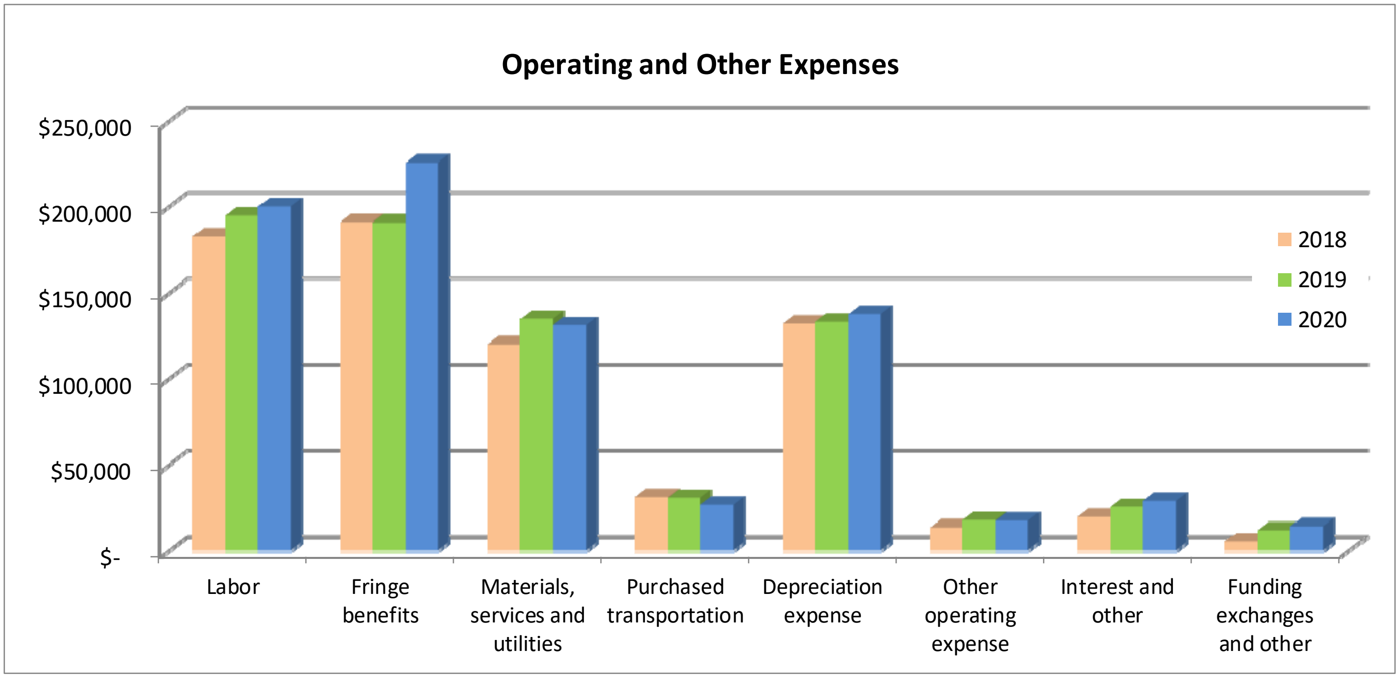
Total operating and non-operating expenses increased $51,010 or 6.9 percent to $794,093, during fiscal year 2020. Fringe benefits increased $34,872, or 18.3 percent. The increase is directly related to an increase in the expense as increases to the defined benefit pension liabilities and the OPEB liability at June 30, 2020. Total operating and non-operating expenses increased $43,931 or 6.3 percent to $743,083, 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.

Management's Discussion and Analysis

continued

(dollars in thousands)

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



Capital Contributions

Capital contributions include federal grants and other local government contributions restricted for purchase or construction of capital assets. Capital contributions decreased by $4,496 or 11.2 percent during fiscal year 2020. Capital contributions decreased by $73,793 or 64.8 percent during fiscal year 2019. The decrease in both fiscal years 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 Assets

At June 30, 2020, the District had invested $3,086,878, in capital assets, net of accumulated depreciation (see Table 3 and Note 4).

Table 3 — **Capital Assets**
As of June 30
(net of accumulated depreciation, dollars in thousands)

				Increase (decrease)			
				2020 - 2019		2019 - 2018	
	2020	2019	2018	$	%	$	%
Land and other	$ 231,410	$ 235,089	$ 235,191	$ (3,679)	(1.6)%	$ (102)	(0.0)%
Rail right-of-way and stations	1,390,499	1,439,015	1,490,129	(48,516)	(3.4)%	(51,114)	(3.4)%
Buildings	540,561	558,700	524,309	(18,139)	(3.2)%	34,391	6.6 %
Transportation equipment	423,363	410,535	410,125	12,828	3.1 %	410	0.1 %
Furniture and other equipment	141,092	148,721	161,340	(7,629)	(5.1)%	(12,619)	(7.8)%
Construction in progress	359,953	222,190	160,731	137,763	62.0 %	61,459	38.2 %
Total capital assets	$ 3,086,878	$ 3,014,250	$ 2,981,825	$ 72,628	2.4 %	$ 32,425	1.1 %

Total capital assets net of depreciation increased $72,628, or 2.4 percent, during fiscal year 2020; the largest increase was noted in construction in progress. This line item includes construction for a distribution center and bus garage, improvements

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

to a light-rail line and improvements to bus service routes. 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.

Long-Term Debt

Long-term debt includes revenue bonds guaranteed by payroll tax and grant receipt revenues. At June 30, 2020, the District had $853,820 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, 2020	Moody's	Standard & Poor's	Kroll
Payroll Tax Revenue Bonds:					
2009 Series A and B Payroll Tax	$ 49,550	$ 12,530	Aaa	AAA	AAA
2012 Series A Payroll Tax	93,290	8,575	Aaa	AAA	AAA
2015 Series A and B Payroll Tax	134,590	69,435	Aaa	AAA	AAA
2016 Series A Payroll Tax	74,800	73,720	Aaa	AAA	AAA
2017 Series A Payroll Tax	97,430	92,760	Aaa	AAA	AAA
2018 Series A Payroll Tax	148,245	146,830	Aaa	AAA	AAA
2019 Series A and B Payroll Tax	237,815	237,815	Aaa	AAA	AAA
Grant Receipt Revenue Bonds:					
2011 Series A and B Capital Grant Receipt	142,380	22,240	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

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, 2020. The District has one remaining lease transaction (2005 lease transaction) outstanding at year-end June 30, 2020 (further details on the lease are in Note 8).

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, 2020, 2019, and 2018:

Management's Discussion and Analysis

continued

(dollars in thousands)

Table 5

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

	2020	2019	2018
Trust assets	$ 131,317	$ 134,968	$ 132,267
Trust liabilities	25	22	14
Trust net position	$ 131,292	$ 134,946	$ 132,253
Total pension liability	$ 146,953	$ 144,958	$ 138,988
Funded percentage	89%	93%	93%

Total net position as of June 30, 2020 decreased by $3,654 or 2.7 percent as benefit payments to retirees were greater than employer contributions recorded in the plan of $2,327 in fiscal year 2020, along with change in fair market value of investments (see Note 12). Employer contributions decreased by $3,913 or 62.7 percent in fiscal year 2020 as the District elected to redirect contributions from the Management and Staff Trust Fund to the Bargaining Unit Trust Fund. 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. 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, 2020, 2019, and 2018:

Table 6

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

	2020	2019	2018
Employer contributions	$ 2,327	$ 6,240	$ 6,497
Investment earnings	1,727	3,787	8,108
Total additions	4,054	10,027	14,605
Benefit payments	7,564	7,197	6,211
Administrative expenses	144	137	97
Total deductions	7,708	7,334	6,308
Increase in net position	(3,654)	2,693	8,297
Trust net position, beginning	134,946	132,253	123,956
Trust net position, ending	$ 131,292	$ 134,946	$ 132,253

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, 2020, 2019, and 2018:

Management's Discussion and Analysis

continued

(dollars in thousands)

Table 7

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

	2020	2019	2018
Trust assets	$ 574,108	$ 574,982	$ 560,948
Trust liabilities	53	62	66
Trust net position	$ 574,055	$ 574,920	$ 560,882
Total pension liability	$ 756,617	$ 713,756	$ 698,934
Funded percentage	76%	81%	80%

Total net position as of June 30, 2020 decreased by $865 or 0.2 percent due to the payments for retirement benefits were greater than the slight increase in the fair market value of investments along with total employer contributions to the plan of $37,755 in fiscal year 2020 (see Note 13). Total net position as of June 30, 2019 increased by $14,068, 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. 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, 2020, 2019, and 2018:

Table 8

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

	2020	2019	2018
Employer contributions	$ 37,755	$ 34,718	$ 35,228
Investment earnings	3,683	18,621	41,479
Total additions	$ 41,438	53,339	76,707
Benefit payments	$ 41,940	38,905	36,394
Administrative expenses	363	396	358
Total deductions	42,303	39,301	36,752
Increase (decrease) in net position	(865)	14,038	39,955
Trust net position, beginning	574,920	560,882	520,927
Trust net position, ending	$ 574,055	$ 574,920	$ 560,882

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. Complete reports of the actuarial valuations for OPEB can be found on TriMet's website under Accountability and Transparency (https://trimet.org/about/accountability.htm#financial).

Management's Discussion and Analysis

continued

(dollars in thousands)

ECONOMIC FACTORS AND FISCAL YEAR 2021 BUDGET

The District's Board of Directors adopted the fiscal year 2021 budget on June 24, 2020. The fiscal year 2021 budget includes $1,168,848 in total appropriations, a 12.7 percent increase from fiscal year 2020. From the approved budget on March 25, 2020 to the final adopted budget in June, significant changes were implemented in response to the impact of Coronavirus pandemic. The unemployment rate went from 3.7 percent in June 2019 to 11.6 percent in June 2020, nearly three times what it was a year ago. Ridership has also been greatly impacted by the pandemic going from 8 million rides to 3 million rides over the same time period. The impact of COVID-19 on the economy is not fully known, although passenger revenue has had a very immediate impact as too has expenditures in reaction to the pandemic to keep riders and employees safe. Payroll and self-employment taxes continue to be unpredictable, but expected to decline in fiscal year 2021. The 2021 budget focuses on recovering from all aspects of COVID-19, although full recovery from the pandemic may not occur until mid-decade. The fiscal year 2021 adopted budget can be found online under "Financial Information" and "Budgets" at: https://trimet.org/about/accountability.htm#policy

The fiscal year 2021 budget will focus on ridership recovery, service restoration, and outreach to the community while at the same time continuing an intensive capital project period and capital maintenance and replacement.

The 2021 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 development of Hop Fastpass™, capital investments in infrastructure and mid-life overhaul of light rail vehicles and debt service expense. For the eighth consecutive year, the budget does not include any increase in fares. Highlights from the $1.17 billion adopted budget include:

- Operating and tax revenues total $436.3 million.
- Coronavirus Aid, Relief, Economic Security (CARES) Act funding of approximately $126 million.
- Total day-to-day operating requirements of $732.8 million, which includes $610.2 million for all activities required to operate the system (including other postemployment benefits) and $122.6 million for debt service.
- Service changes as a result of COVID-19, TriMet cut bus service by approximately 20.0 percent, retaining its route structure by reducing service hours and headway to a weekend schedule, with rail service hours reduced by approximately 9.0 percent. As revenue streams become clearer and demand increases the District will closely monitor bringing back the service hours lost. There is no planned service expansion in fiscal year 2021 with Bus and MAX service returning to 90.0 percent of its pre-COVID-19 level while Commuter Rail, Streetcar and Ride Connection are closely monitored for restoration as demand grows. LIFT paratransit service is continuous, however, much like fixed route service, has seen a sharp decline in use. Similar to fixed route, demand will be evaluated and added back as needed.
- Low-Income Fare Program: In fiscal year 2019, TriMet launched its Low-Income Fare (LIF) Program with funding through Keep Oregon Moving (HB 2017). More than 30,000 Oregonians, living on a low income of up to 200.0 percent of the federal poverty level, signed up for TriMet's Honored Citizen reduced fare through May 2020. Those enrolled through the Low Income Fare Program have taken nearly 380,000 rides per month on average (through March of 2020), although experiencing sharp declines in more recent months. As jobs begin to recover in the region, the LIF Program will resume to building ridership.
- Capital Improvement Program (CIP) Requirements of $377.8 million. The CIP includes major projects for the design on the new Metropolitan Area Express (MAX) line that would run from downtown Portland to southwest suburbs (https://trimet.org/swcorridor/), light rail expansion to the Fair Complex in Hillsboro on the Red Line (https://trimet.org/betterred/), complete construction on the Division Transit project (https://trimet.org/division/) and continued efforts to build a new bus garage (https://trimet.org/betterbus/pdf/columbia-bus-base.pdf).
- TriMet will also be implementing extensive replacements and upgrades to its existing infrastructure in line with our State of Good Repair program.
- Pass through requirements, funding exchange payments and special payments totaling $18.7 million, under which TriMet receives funds required to be provided to other governmental agencies.
- Contingency is an appropriated amount of a minimum of 3.0 percent of operating requirements and is adjusted for risks and those activities unknown at the time of budget adoption. Fiscal year 2021 contingency totals $39.6 million.
- Ending fund balance totals $471.3 million and is unappropriated and not available for spending in fiscal year 2021. Fund balance includes $286.0 million in restricted bond proceeds and other restrictions to be spent after fiscal year 2021; $47.5 million restricted for future debt service payments; and $137.7 million in unrestricted fund balance, which contains between 2.0 and 2.5 months operating reserves as required by the TriMet Board of Directors.

Management's Discussion and Analysis

continued

(dollars in thousands)

- Carbon Reduction: The District has committed to fully implementing a non-diesel bus fleet by 2040, or before, although COVID-19 may have an impact on the exact timing. TriMet has also recently conducted its first carbon baseline review of the organization as well as a waste audit, from which a long-term carbon reduction strategy is being developed and refined.

The District expects more change over the next year and will have a better idea of what the financial future may hold for major revenue streams and therefore act accordingly on expenditures. Preserving service, keeping riders and employees' safe, and maintaining infrastructure in a state of good repair remain top priorities of the District. Affordability will be key for any expansion in the future.

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, 2020 and 2019
(dollars in thousands)

Assets	2020	2019
Current assets:		
Cash and cash equivalents	$ 181,141	$ 116,896
Investments	3,656	10,281
Taxes and other receivables, net	116,457	112,457
Grants receivable	3,158	7,829
Grants receivable - CARES Act	54,602	-
Prepaid expenses	10,343	10,185
Total current assets	369,357	257,648
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	102,013	58,492
Investments	369,794	300,196
Trade date and interest receivables	1,331	26,855
Grants receivable	14,440	34,636
Prepaid lease expenses	28,892	30,759
Long-term receivable	-	256
Materials and supplies	52,054	45,541
Capital assets:		
Land and other, not being depreciated	231,410	235,089
Construction in process	359,953	222,190
Capital assets, net of accumulated depreciation	2,495,515	2,556,971
Net capital assets	3,086,878	3,014,250
Total noncurrent assets	3,655,402	3,510,985
Total assets	4,024,759	3,768,633
Deferred outflows of resources		
Deferred outflows related to pensions	68,074	30,040
Unamortized loss on refunded debt	11,625	10,766
Deferred outflows related to OPEB	155,594	13,490
Total deferred outflows of resources	235,293	54,296
Total assets and deferred outflows of resources	$ 4,260,052	$ 3,822,929

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Net Position

June 30, 2020 and 2019
(dollars in thousands)
Continued

Liabilities	2020	2019
Current liabilities (unrestricted):		
Accounts payable	$ 27,369	$ 37,833
Accrued payroll	26,686	23,843
Current portion of noncurrent liabilities	6,291	8,785
Unearned revenue	18,486	16,619
Current liabilities (restricted):		
Accounts payable	32,359	16,589
Current portion of long-term debt	24,257	47,206
Unearned revenue	1,000	1,000
Unearned capital project revenue	68,330	34,193
Other accrued liabilities	11,140	9,732
Total current liabilities	215,918	195,800
Noncurrent liabilities:		
Long-term debt	901,261	730,800
Long-term lease liability	64,189	63,151
Net pension liability	198,223	148,848
Other postemployment benefits liability (OPEB)	901,420	725,025
Other long-term liabilities	17,051	16,459
Total noncurrent liabilities	2,082,144	1,684,283
Total liabilities	2,298,062	1,880,083
Deferred inflows of resources		
Deferred inflows related to pensions	6,950	11,569
Unamortized gain on leases	13,887	14,799
Deferred inflows related to OPEB	89,700	84,720
Total deferred inflows of resources	110,537	111,088
Net position		
Net investment in capital assets	2,459,273	2,495,838
Restricted	42,124	63,209
Unrestricted	(649,944)	(727,289)
Total net position	1,851,453	1,831,758
Total liabilities, deferred inflows of resources and net position	$ 4,260,052	$ 3,822,929

See accompanying notes to basic financial statements

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

For the Years Ended June 30, 2020 and 2019
(dollars in thousands)

	2020	2019
Operating revenues		
Passenger revenue	$ 93,558	$ 114,894
Auxiliary transportation and other revenue	21,377	20,928
Total operating revenues	114,935	135,822
Operating expenses		
Labor	199,933	194,641
Fringe benefits	225,604	190,732
Materials and services	120,193	124,317
Utilities	10,886	10,412
Purchased transportation	26,497	30,577
Depreciation expense	137,472	132,943
Other operating expense	17,269	17,632
Total operating expenses	737,854	701,254
Operating loss	(622,919)	(565,432)
Non-operating revenues (expenses)		
Payroll and other tax revenue	398,353	372,751
Grant revenue	110,065	99,668
Grant revenue - CARES Act	118,200	-
Interest income	17,953	14,490
Net leveraged lease income	844	906
Gain on disposal of capital assets	4,599	6,144
Pass through revenue	13,258	4,563
Pass through expense	(13,258)	(4,563)
Interest and other expense	(28,792)	(25,384)
Funding exchanges and other payments	(14,189)	(11,882)
Total non-operating revenues, net	607,033	456,693
Loss before contributions	(15,886)	(108,739)
Capital contributions	35,581	40,077
Changes in net position	19,695	(68,662)
Total net position - beginning	1,831,758	1,900,420
Total net position - ending	$ 1,851,453	$ 1,831,758

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019
(dollars in thousands)

	2020	2019
Cash flows from operating activities		
Receipts from passengers	$ 98,753	$ 91,104
Receipts from other sources	20,816	29,220
Payments to employees	(375,801)	(365,469)
Payments to suppliers	(177,856)	(169,760)
Net cash used in operating activities	(434,088)	(414,905)
Cash flows from noncapital financing activities		
Receipts from payroll taxes	391,944	372,657
Receipts from operating grants	178,649	159,585
Other noncapital financing	(14,190)	(11,881)
Net cash provided by noncapital financing activities	556,403	520,361
Cash flows from capital and related financing activities		
Receipts from capital grants	89,600	132,791
Receipts from (Increase in) property taxes	(60)	98
Payments on leases	2,693	-
Receipts from sales or lease of capital assets	6,495	11,128
Acquisition and construction of capital assets	(211,995)	(170,352)
Issuance of debt	250,048	10,000
Principal payments on long-term debt	(88,546)	(134,290)
Interest payments on long-term debt	(42,234)	(32,644)
Net cash provided (used) by capital and related financing activities	6,001	(183,269)
Cash flows from investing activities		
Purchases of investment securities	(1,152,145)	(698,898)
Proceeds from sales and maturities of investment securities	1,127,682	783,068
Interest received	3,913	5,875
Net cash provided (used) by investing activities	(20,550)	90,045
Net increase in cash and cash equivalents	107,766	12,232
Cash and cash equivalents, beginning of year	175,388	163,156
Cash and cash equivalents, end of year	$ 283,154	$ 175,388
Reconciliation of cash and cash equivalents		
Unrestricted cash and cash equivalents	$ 181,141	$ 116,896
Restricted cash and cash equivalents	102,013	58,492
Total cash and cash equivalents	$ 283,154	$ 175,388

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019
(dollars in thousands)
Continued

Reconciliation of operating loss to net cash used in operating activities

	2020	2019
Operating loss	$ (622,919)	$ (565,432)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	137,472	132,943
(Increase) decrease in taxes and other receivables	2,469	(17,295)
Decrease in long-term receivable	256	171
(Increase) decrease in prepaid and other assets	1,041	(218)
Increase (decrease) in materials, supplies and other	(6,513)	(3,989)
Increase (decrease) in operating accounts payable	5,307	14,140
Increase (decrease) in accrued payroll	2,843	916
Increase (decrease) in unearned revenue	1,867	1,636
Increase (decrease) in net pension liability and related deferrals	6,720	(5,985)
Increase (decrease) in OPEB and related deferrals	39,271	24,515
Increase (decrease) in other liabilities	(1,902)	3,693
Total adjustments	188,831	150,527
Net cash used in operating activities	$ (434,088)	$ (414,905)

Supplemental Disclosures of Non-Cash Operating, Investing and Financing Activities
(dollars in thousands)

	2020	2019
Net leveraged lease income	$ 844	$ 906
Accretion/amortization of investments	3,544	5,734
Fiber optic lease	339	380

See accompanying notes to basic financial statements

Trust Fund
Statement of Pension Plan Fiduciary Net Position

June 30, 2020
(dollars in thousands)

	2020		
	Trust Fund		
	Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
Assets			
Cash and cash equivalents	$ 357	$ 315	$ 672
Investments:			
Domestic large/mid cap equity	27,312	164,783	192,095
Domestic small cap equity	2,511	17,106	19,617
International equity	20,241	128,183	148,424
Domestic fixed income	31,989	86,721	118,710
Tactical asset allocation	11,092	47,763	58,855
Real estate	11,757	56,908	68,665
Absolute return	20,305	55,355	75,660
Private credit	3,546	4,217	7,763
Private equity	2,207	12,757	14,964
Total investments	130,960	573,793	704,753
Total assets	131,317	574,108	705,425
Liabilities			
Accounts payable	25	53	78
Total liabilities	25	53	78
Net position			
Held in trust for pension benefits	$ 131,292	$ 574,055	$ 705,347

See accompanying notes to basic financial statements

Trust Fund
Statement of Pension Plan Fiduciary Net Position

June 30, 2019
(dollars in thousands)
Continued

	2019 Trust Fund: Retirement Plan for Management and Staff Employees	2019 Trust Fund: Pension Plan for Bargaining Unit Employees	2019 Trust Fund: 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 Changes in Pension Plan Fiduciary Net Position

For the Year Ended June 30, 2020
(dollars in thousands)

	2020 Trust Fund		
	Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
Additions			
Employer contributions	$ 2,327	$ 37,755	$ 40,082
Investment income (loss):			
Interest	13	70	83
Dividends	1,153	3,327	4,480
Other income	444	2,987	3,431
Net increase (decrease) in fair value of investments	300	(1,831)	(1,531)
Less investment expense	(183)	(870)	(1,053)
Net investment income	1,727	3,683	5,410
Total additions	4,054	41,438	45,492
Deductions			
Benefits	7,564	41,940	49,504
Administrative expenses	144	363	507
Total deductions	7,708	42,303	50,011
Change in net position	(3,654)	(865)	(4,519)
Net position held in trust for pension benefits:			
Beginning of year	134,946	574,920	709,866
End of year	$ 131,292	$ 574,055	$ 705,347

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)
Continued

	2019 Trust Fund: Retirement Plan for Management and Staff Employees	2019 Trust Fund: Pension Plan for Bargaining Unit Employees	2019 Trust Fund: 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			
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

Notes to Financial Statements
June 30, 2020
(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, 2020, the OPEB plan had $424 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. The long-term receivable due from Portland Streetcar was paid in full in fiscal year 2020.

(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 0.7737 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. Materials 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.

Grants receivable – CARES Act. Grants receivable are recorded in accordance with the non-exchange guidance and represent Federal Transit Administration relief for the pandemic. In April 2020, TriMet was awarded $184,925 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

(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 stated in the statement of revenues, expenses and changes in net position.

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.

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

(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.

(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 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, 2020, the District was in budget compliance at all division levels.

In fiscal year 2020, the District changed to the budgetary basis of accounting for debt service from the GAAP to cash basis. On the Budgetary basis, principal and interest on long-term debt is recognized when due. The amortization of premiums, discounts, deferred loss/gain on refundings are recognized on the GAAP basis. The impact of this change was to increase the beginning of the year fund balance on a budgetary basis by $72,395. This change includes the balances of deferred gains and losses from various debt refundings, bond premiums and interest payable amounts. See *Schedule of Revenues and Expenses Budget (Budget Basis) and Actual* in Supplementary Information.

(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 certain passenger revenues. Reclassifications had no impact on net position or the changes in net position.

(t) 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, 2020:

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, 2021. This Statement does not have a material effect on TriMet.

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

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 District fiscal year ending June 30, 2021. This Statement does not have a material effect on TriMet.

GASB Statement No. 92, *Omnibus 2020*. This Statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement does not have a material effect on TriMet.

GASB Statement No. 95, ***Postponement of the Effective Dates of Certain Authoritative Guidance****.* The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. TriMet plans to utilize the additional implementation time afforded by this standard.

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's fiscal year ending June 30, 2022.

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's fiscal year ending June 30, 2022.

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's fiscal year ending June 30, 2022.

GASB Statement No. 93, Replacement of Interbank Offered Rates. This Statement requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. GASB 93 will be effective for the District's fiscal year ending June 30, 2022.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). GASB 94 will be effective for the District's fiscal year ending June 30, 2023.

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB 96 will be effective for the District's fiscal year ending June 30, 2023.

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, 2020 and 2019, consisted of the following:

	2020			2019		
	Fair value	% of portfolio	Weighted average maturity (years)	Fair value	% of portfolio	Weighted average maturity (years)
Cash and cash equivalents:						
Cash on hand	$ 289	0.0 %	-	$ 426	0.1 %	-
Demand deposits with financial institutions	72,103	11.0 %	-	24,917	5.1 %	-
Oregon local government investment pool (LGIP)	74,807	11.4 %	-	48,822	10.0 %	-
U.S. Agencies - Federal Home Loan Bank	24,998	3.8 %	0.08	27,062	5.6 %	0.04
U.S. Treasuries	110,958	16.9 %	0.08	74,161	15.3 %	0.10
Total cash and equivalents	$ 283,155			$ 175,388		
Investments:						
U.S. Agencies - Federal Home Loan Bank	14,841	2.3 %	0.38	4,252	0.9 %	0.43
U.S. Treasuries	358,608	54.6 %	2.00	306,225	63.0 %	2.39
	$ 373,449			$ 310,477		
Total Cash, Cash Equivalents, and Investments	$ 656,604			$ 485,865		

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

	2020	2019
Cash and cash equivalents		
Unrestricted	$ 181,141	$ 116,896
Restricted	102,013	58,492
Total restricted cash and cash equivalents	$ 283,154	$ 175,388
Investments		
Unrestricted	$ 3,656	$ 10,281
Restricted	369,794	300,196
Total restricted investments	$ 373,450	$ 310,477
Total Cash, Cash Equivalents, and Investments	$ 656,604	$ 485,865

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 the reporting entity. 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, 2020 and 2019. The categorization is based on pricing transparency of the investments, and not an indication of the risks associated with investing in the security.

(dollars in thousands)

Investment Type	Balance at June 30, 2020	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurement Using: Significant Other Observable Inputs (Level 2)	Fair Value Measurement Using: Significant Unobservable Inputs (Level 3)	Not Measured At Fair Value: Amortized Cost Measurement
U.S. Treasuries	$ 469,566	$ 469,566	$ -	$ -	$ -
U.S. Agencies (FHLB)	39,839	-	39,839	-	-
LGIP	74,807	-	-	-	74,807
Demand deposits	72,103	-	-	-	72,103
Cash on hand	289	-	-	-	289
Total	$ 656,604	$ 469,566	$ 39,839	$ -	$ 147,199

Investment Type	Balance at June 30, 2019	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurement Using: Significant Other Observable Inputs (Level 2)	Fair Value Measurement Using: Significant Unobservable Inputs (Level 3)	Not Measured At Fair Value: 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

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.

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, 2020.

(dollars in thousands)

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, 2020 and 2019, TriMet's investments were rated as follows:

Investment Type	Moody's	S&P	Fair Value at June 30, 2020	Fair Value at June 30, 2019
U.S. Treasury	Aaa	AA+	$ 358,608	$ 306,225
US Agency	Aaa	AA+	14,841	4,252
			$ 373,449	$ 310,477

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, 2020, the District had 71.5 percent invested in U.S. government securities, 6.1 percent in agency securities, 11.0 percent in demand deposits and 11.4 percent in local government investment pool.

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, 2020, the carrying amount of the District's deposits (excluding amounts held in trust for debt service) was $51,729 and the bank balance was $82,388. 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.

(dollars in thousands)

3. Receivables

At June 30, 2020 and 2019, the District had the following receivables under various federal and state grant agreements:

2020	Unrestricted	Restricted	Total
Federal pass through	$ -	$ 3,283	$ 3,283
Other federal	855	8,517	9,372
State grants	2,303	2,640	4,943
	$ 3,158	$ 14,440	$ 17,598

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

In addition to the Federal grants noted above, at June 30, 2020 TriMet recorded $54,602 in Coronavirus Aid, Relief Emergency Secure (CARES) Act. The CARES Act was Federal Transportation Administration grant awarded to TriMet in response to the Coronavirus pandemic. The outstanding balance of the CARES Act is unrestricted.

Taxes and other receivables at June 30, 2020 and 2019, including the applicable allowances for uncollectible accounts, are as follows:

2020	Receivable	Allowance for uncollectible accounts	Net receivable
Unrestricted:			
Payroll tax	$ 91,824	$ 3,640	$ 88,184
Self-employment tax	15,063	750	14,313
Trade accounts	2,854	400	2,454
Other	11,506	-	11,506
Total unrestricted	121,247	4,790	116,457
Restricted:			
Other	1,331	-	1,331
Total restricted	1,331	-	1,331
Total taxes and other receivables	$ 122,578	$ 4,790	$ 117,788

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	$ 2,836	$ 139,312

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

4. Capital Assets

Capital assets at June 30, 2020 and 2019 consisted of the following:

2020	Lives (in years)	Beginning balance	Additions	Deletions	Transfers	Ending balance
Capital assets, not being depreciated						
Land and other		$ 235,089	$ -	$ (1,786)	$ (1,893)	$ 231,410
Construction in process		222,190	211,894	-	(74,131)	359,953
Total capital assets, not being depreciated		457,279	211,894	(1,786)	(76,024)	591,363
Capital assets, being depreciated						
Rail right-of-way and stations	5-70	2,419,114	-	-	14,603	2,433,717
Buildings	40	805,886	-	-	996	806,882
Transportation equipment	5-30	764,276	-	(24,714)	54,275	793,837
Furniture and other equipment	3-20	317,965	-	(1,575)	6,150	322,540
Total capital assets, being depreciated		4,307,241	-	(26,289)	76,024	4,356,976
Less accumulated depreciation for						
Rail right-of-way and stations		(980,099)	(63,119)	-	-	(1,043,218)
Buildings		(247,186)	(19,135)	-	-	(266,321)
Transportation equipment		(353,741)	(41,447)	24,714	-	(370,474)
Furniture and other equipment		(169,244)	(13,771)	1,567	-	(181,448)
Total accumulated depreciation		(1,750,270)	(137,472)	26,281	-	(1,861,461)
Total capital assets, being depreciated, net		2,556,971	(137,472)	(8)	76,024	2,495,515
Total capital assets, net		$ 3,014,250	$ 74,422	$ (1,794)	$ -	$ 3,086,878

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

(dollars in thousands)

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. As of June 30, 2020, there were no draws on the line of credit.

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, 2020, there were no draws on the RCA.

Short-term debt activity for the year ended June 30, 2020 and 2019 was as follows:

June 30, 2020	Beginning Balance	Draws	Repayments	Ending Balance
Bank Line of Credit	$ -	$ -	$ -	$ -

June 30, 2019	Beginning Balance	Draws	Repayments	Ending Balance
Bank Line of Credit	$ -	$ 10,000	$ (10,000)	$ -

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

6. Long-Term Debt

Long-Term Debt at June 30, 2020 and 2019 consists of the following:

2020	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Payroll Tax Bonds:					
2009 Revenue Bonds, Series A and B	$ 14,250	$ -	$ (1,720)	$ 12,530	$ -
2012 Senior Lien Payroll Tax Bonds, Series A	11,180	-	(2,605)	8,575	2,725
2015 Senior Lien Revenue and Refunding Bonds, Series A and B	114,120	-	(44,685)	69,435	5,115
2016 Senior Lien Revenue Refunding Bonds, Series A	74,085	-	(365)	73,720	380
2017 Senior Lien Payroll Tax Bonds, Series A	95,125	-	(2,365)	92,760	2,450
2018 Senior Lien Payroll Tax Bonds, Series A	148,245	-	(1,415)	146,830	1,620
2019 Senior Lien Revenue and Refunding Bonds, Series A and B	-	237,815		237,815	710
Subtotal Payroll Tax Bonds	457,005	237,815	(53,155)	641,665	13,000
Payroll Tax and Capital Grant Receipt Revenue Bonds:					
2013 Payroll Tax and Grant Receipt Revenue Bonds	25,000	-	(25,000)	-	-
Capital Grant Receipt Revenue Bonds:					
2011 Capital Grant Receipt Revenue Bonds	32,620	-	(10,380)	22,240	10,850
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	395
Subtotal Capital Grant Receipt Revenue Bonds	222,535	-	(10,380)	212,155	11,245
Capital Leases:					
Other	38	-	(11)	27	12
Total	704,578	237,815	(88,546)	853,847	24,257
Add (deduct):					
Unamortized bond premium	73,428	12,233	(13,990)	71,671	
Current portion of long-term debt	(47,206)			(24,257)	
Long-term debt, net	$ 730,800			$ 901,261	

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)	
	$ 817,701			$ 730,800	

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

Total interest cost on all outstanding debt was $28,792 and $25,385 in fiscal years 2020 and 2019, 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.

	June 30, 2020		
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	$ 21,197	$ 2,464	
2012 Senior Lien Payroll Tax Bonds, Series A	9,218	3,072	
2013 Payroll Tax and Grant Receipts Bonds - Interest	-	302	
2015 Revenue Bonds, Series A and B	94,112	7,776	
2016 Revenue Bonds, Series A	102,434	3,100	
2017 Revenue Bonds, Series A	148,049	6,731	
2018 Revenue Bonds, Series A	282,435	8,494	
2019 Revenue Bonds, Series A and B	392,886	2,945	
	$ 1,050,331	$ 34,884	$ 386,553
Capital Grant Receipt Revenue Bonds - pledged: Section 5307, STP, and CMAQ grant receipts			
2011 Capital Grant Receipt Revenue Bonds	$ 23,351	$ 11,715	
2017 Capital Grant Receipt Revenue Refunding Bonds, Series A	95,559	3,801	
2018 Capital Grant Receipt Revenue Bonds, Series A	170,035	5,244	
	$ 288,945	$ 20,760	$ 71,372
Capital Grant Receipt Revenue Bonds - pledged: Section 5309 full funding grant agreement revenues			
2013 Payroll Tax and Grant Receipts Bonds - Principal	$ -	$ 25,000	$ -

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, 2020 and 2019.

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, 2018 Revenue Bonds Series A, and 2019 Revenue Bonds Series A & B. 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, 2020, there were $27,300, in defeased bonds with scheduled maturities annually on September 1, 2020 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 Series A Revenue Bonds. As of June 30, 2020 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, 2020, 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.

On October 9, 2019, TriMet defeased in substance future principal and interest payments on a portion of its 2015 Senior Lien Payroll Tax Bonds, Series A and B. As of June 30, 2020, there were $41,340, in defeased bonds with scheduled maturities annually on September 1, 2028 through 2040.

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.

2019 Revenue Bonds, Series A and B

On October 9, 2019, TriMet issued $188,390 in Senior Lien Payroll Tax Revenue Bonds, Series A to fund capital projects including Columbia Bus Base, replacement of buses and light rail vehicles, the red line extension to the fair complex, division transit, and ruby junction expansion. TriMet also issued $49,425 in Senior Lien Payroll Tax Revenue Refunding Bonds, Series B (taxable) to refinance certain series of revenue bonds currently outstanding. The District completed this advance refunding to reduce its total debt service payments over the next 21 years by $2,937 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $2,263.

The 2019 Revenue Bonds mature serially each September 1, beginning September 1, 2020 through 2049, with $16,235 in term bonds maturing on September 1, 2049. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 1.8 percent to 5.0 percent on outstanding maturities. The 2019 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, 2029, at a price of par (100%) plus accrued interest thereon to the date of redemption.

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

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.

The final $25,000 of principal on the 2013 bonds were paid during the fiscal year ending June 30, 2020.

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, 2020, 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.

(dollars in thousands)

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.

Bond Debt Service Requirements to Maturity:

The District's various bonds outstanding and related interest requirements as of June 30, 2020, are as follows:

	Payroll Tax Bonds			Capital Grant Receipt Bonds			Total All Bonds		
Fiscal Year ending June 30:	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	$ 13,000	$ 25,551	$ 38,551	$ 11,245	$ 9,865	$ 21,110	$ 24,245	$ 35,416	$ 59,661
2022	13,575	24,979	38,554	11,800	9,296	21,096	25,375	34,275	59,650
2023	14,225	24,333	38,558	12,835	8,684	21,519	27,060	33,017	60,077
2024	14,855	23,700	38,555	13,465	8,027	21,492	28,320	31,727	60,047
2025	15,530	23,027	38,557	14,105	7,337	21,442	29,635	30,364	59,999
2026-2030	89,175	103,605	192,780	72,435	25,568	98,003	161,610	129,173	290,783
2031-2035	109,915	82,863	192,778	76,270	8,013	84,283	186,185	90,876	277,061
2036-2040	133,950	58,812	192,762	-	-	-	133,950	58,812	192,762
2041-2045	118,760	31,845	150,605	-	-	-	118,760	31,845	150,605
2046-2050	118,680	9,951	128,631	-	-	-	118,680	9,951	128,631
Totals	$ 641,665	$ 408,666	$ 1,050,331	$ 212,155	$ 76,790	$ 288,945	$ 853,820	$ 485,456	$ 1,339,276

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. The limits are subject to per claims per occurrence based on changes to the consumer price index. At June 30, 2020, the per claims limit was $749 and the per occurrence limit was $1,498. Effective July 1, 2020, those limits raise to $769 per claim and $1,538 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.

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

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 as of and for the years ended June 30, 2020 and 2019:

	2020		2019	
	Industrial accident claims	Public liability	Industrial accident claims	Public liability
Liability at beginning of year	$ 5,286	$ 7,316	$ 5,531	$ 4,130
Current year claims	2,316	428	2,158	982
Changes in estimates for claims of prior periods	201	2,019	340	3,790
Payments of claims	(2,617)	(4,786)	(2,743)	(1,586)
Liability at end of year	$ 5,186	$ 4,977	$ 5,286	$ 7,316

Based on historical experience, the District has classified $4,000 and $6,282 of the industrial accident and public liability claims liabilities as current liabilities, at June 30, 2020 and 2019, 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:

2020	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Uninsured claims liability:					
Industrial accident claims	$ 5,280	$ 2,523	$ (2,617)	$ 5,186	$ 1,693
Employee dental insurance	465	-	(213)	252	252
Employee health insurance	2,044	1	-	2,045	2,045
Public liability	7,316	2,447	(4,786)	4,977	2,307
Total claims liability	15,105	4,971	(7,616)	12,460	6,297
Long-term employee sick leave	6,478	1,212	-	7,690	-
Rent payable	1,508	-	(439)	1,069	-
Unearned lease revenue	2,153	-	(24)	2,129	-
Total other liabilities	25,244	6,183	(8,079)	23,348	6,297
Deduct current portion	(8,785)			(6,297)	
Other long-term liabilities	$ 16,459			$ 17,051	

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	

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

8. Lease Transactions

Office and equipment leases

The District leases office space under non-cancelable operating leases. Total costs for such leases were $1,693 and $1,618 in 2020 and 2019, respectively. The future minimum lease payments for these leases are as follows:

Fiscal year ending June 30:		
2021	$	1,585
2022		1,621
2023		1,653
2024		9
2025		9
Thereafter		551
	$	5,428

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, 2020. As of June 30, 2020, 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:

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

	FSA uncollateralized	US Treasuries in trust	TriMet obligation	Total payment obligations
Fiscal year ending June 30:				
2021	-	-	865	865
2022	-	-	-	-
2023	-	110	-	110
2024	-	-	-	-
2025	-	-	-	-
2026-2030	-	135	-	135
2031-2035	71,562	68,561	9,586	149,709
	$ 71,562	$ 68,806	$ 10,451	$ 151,819

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, 2020, 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:	2020	2019
Restricted Cash and Investments - Lease Collateral	$ 62,727	$ 52,402
Prepaid lease expense	$ 28,501	$ 29,167
Total assets	$ 91,228	$ 81,569
Liabilities:		
Long-term lease liability	$ 64,189	$ 63,151
Total liabilities	$ 64,189	$ 63,151
Deferred Inflows of Resources:		
Unamortized gain on leases	$ 13,887	$ 14,799
Total liabilities and deferred inflows of resources	$ 78,076	$ 77,950
Net leveraged lease revenue	$ 844	$ 906

9. Commitments and Contingencies

TriMet has authorized commitments unexpended as of June 30, 2020 of $1,082,568 that represent contracts awarded with future performance obligations. The most significant commitments include contracts for new articulated buses and other Division Bus Rapid Transit Project construction, standard bus fleet replacements and expansions, Type VI light rail vehicle purchases, Type II and IIV light rail vehicle mid-life overhauls, Powell Bus Garage renovation, construction of Columbia Bus Base Facility construction, MAX Red Line extension, fuel purchases, along with other capital projects and funding commitments. 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, 2020 and 2019, there were 1,643 and 1,517 active employees, respectively, covered by the Union DC Plan. District contributions to the Union DC Plan were $6,813 and $5,864 for the years ended June 30, 2020 and 2019, respectively. Employee contributions to the Union DC Plan were $5,110 and $4,360 for the years ended June 30, 2020 and 2019, 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).

As of June 30, 2020 and 2019 there were 487 and 449 active employees, respectively, covered by the Management DC Plan. District contributions to the Management DC Plan were $3,771 and $3,316 for the years ended June 30, 2020 and 2019, respectively. Employee contributions to the Management DC Plan were $1,645 and $1,347 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the District's vacation pay liability was $14,344 and $12,971, respectively, all of which was classified as a current liability in accrued payroll.

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 $424 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:

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

	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 and before May 1, 2009	Must be at least 55 and have 10 years of credited service.
Non-Union	Hired after May 1, 2009	Must be at least 62 and have 3 years of credited service.

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, 2020, the following employees (union and non-union) were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,935
Inactive employees entitled to but not yet receiving benefits	-
Active Employees	3,179
Total	5,114

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

Net OPEB Liability

The District's net OPEB liability of $901,420 was measured as of January 1, 2020, 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:	2.74% (4.10% at January 1, 2019)

The discount rate was based on Bond Buyer 20-Bond GO Index, December 27, 2019.

Healthcare cost trend rates:

Union Plans			Non Union Plans	
Pre-Medicare	**Medicare**	**Medicare Part B**	**Pre-Medicare**	**Medicare**
8.02% in 2020, trending down to 4% in 2040 thereafter.	*4.6% in 2020 trending down to 4% in 2040 and thereafter.*	*3.73% in 2020 increasing to 7.28% in 2026, then trending down to 3.9% in 2040 and thereafter.*	*6.3% in 2020 trending down to 4% in 2040 and thereafter.*	*4.6% in 2020 trending down to 4% in 2040 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

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

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, 2020 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.

Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at January 1, 2019	$ 725,436	$ 411	$ 725,025
Changes for the year:			
Service cost	27,059	-	27,059
Interest	29,811	-	29,811
Differences between expected and actual experience	(22,272)	-	(22,272)
Changes in assumptions or other inputs	165,525	-	165,525
Contributions	-	23,715	(23,715)
Benefit payments	(23,715)	(23,715)	-
Net Investment Income	-	13	(13)
Net Changes	176,408	13	176,395
Balance at January 1, 2020	$ 901,844	$ 424	$ 901,420

	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

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

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 3.44 percent as of January 1, 2018 to 4.10 percent as of January 1, 2019, and to 2.74 percent as of January 1, 2020. 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 $15,007 during the measurement period ending January 1, 2020 and $14,281 during the period ended January 1, 2019. 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 2020	1% Decrease	Discount Rate	1% Increase
	1.74%	2.74%	3.74%
Net OPEB Liability	$1,036,880	$901,420	$789,925

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 higher than the current healthcare cost trend rates:

Fiscal Year 2020	1% Decrease	Healthcare Trend	1% Increase
Net OPEB Liability	$780,315	$901,420	$1,051,745

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

For the years ended June 30, 2020 and 2019 the District recognized OPEB expense of $63,600 and $47,016, respectively. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	
	2020	2019
Differences between actual and expected experience	$ 874	$ 1,092
Changes of assumptions or other inputs	142,560	852
Contributions subsequent to the measurement date	12,160	11,546
Total	$ 155,594	$ 13,490
	Deferred Inflows of Resources	
	2020	2019
Differences between actual and expected experience	$ (42,307)	$ (5,857)
Changes of assumptions or other inputs	(47,377)	(78,856)
Net difference between projected and actual earnings on OPEB plan investments	(16)	(7)
Total	$ (89,700)	$ (84,720)

(dollars in thousands)

$12,160 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, 2021. Other amounts reported as deferred outflows of resources and deferred will be recognized in expense as follows:

Fiscal year ending June 30:		Amortization
2021	$	6,730
2022		6,730
2023		6,731
2024		6,732
2025		6,346
Thereafter	$	20,465

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 $4,622 and $4,497 in pension expense for the Management DB Plan in the years ended June 30, 2020 and 2019, respectively.

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.

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

The following is a summary of plan participants at June 30, 2020 and 2019:

	2020	2019
Active employees	71	76
Retirees and beneficiaries:		
Receiving benefits	335	314
Deferred Retirement benefits		
Terminated employees	59	74
Transfers to union plan	14	16
Disabled employees	1	2
Total Participants	480	482

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, 2020
(dollars in thousands)
continued

The Plan has the following fair value measurements by fair value level at June 30, 2020:

		Fair Value Measurement Using		
	Balance at June 30, 2020	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	$ 31,989	$ 31,989	$ -	$ -
U.S. large-mid cap equities	27,312	27,312	-	-
U.S. small cap equities	2,511	2,511	-	-
International equity	20,241	20,241	-	-
	$ 82,053	$ 82,053	-	-
Measured at Net Asset Value				
Tactical asset allocation	$ 11,092			
Absolute return	20,305			
Private real estate	11,756			
Private equity	2,207			
Private credit	3,546			
Cash and accrued income	358			
	$ 49,264			
Total Fair Value of Assets	$ 131,317			

Notes to Financial Statements
June 30, 2020
(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			

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.

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

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, 2020 and 2019 are as follows:

Measured at Net Asset Value	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
As of June 30, 2020:				
Private real estate	$ 11,756	$ -	Quarterly	45 days
Private equity	$ 2,207	$ 286	N/A	N/A
Private credit	$ 3,546	$ 1,801	N/A	N/A
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

Rate of Return

For the years ended June 30, 2020 and 2019, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.4 percent and 3.0 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 are the trustee adopted asset allocation policies as of June 30, 2020 and 2019.

Management DB Plan	Allocation Policy	
	2020	2019
Aggressive growth	1.0%	2.0%
Traditional growth	37.0%	41.0%
Stablized growth	12.0%	14.0%
Inflation protection	5.0%	0.0%
Principal protection	15.0%	14.0%
Diversifying strategies	30.0%	29.0%
Total	100.0%	100.0%

Diversifying strategies is a blend of Alternative Risk Premia, Systematic Trend following and Long Duration Treasuries.

(dollars in thousands)

As of June 30, 2020 and 2019, the plan had investments of more than 5% of the total Plan fiduciary net position, as follows:

	2020	2019
Ryan Labs Core Bond Fund	15.1%	16.2%
Graham Tactical Trend	8.5%	6.8%
State Street RAFI US 1000 Fund	19.6%	11.1%
Vanguard Russell 1000 Index Fund	10.5%	11.7%
Vanguard Total International Stock Fund	7.7%	8.9%
RREEF America REIT II	7.8%	7.5%
Capital Guardian International Fund	7.6%	9.6%
AQR Enhanced Style Premia Fund, L.P.	4.2%	5.2%
Millennium	7.5%	7.0%
Wellington	3.8%	6.6%

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

	2020	2019
Total pension liability	$ 146,953	$ 144,958
Plan fiduciary net position	$ 131,292	$ 134,946
Net pension liability	15,661	10,012
Plan fiduciary net position as a percent of total pension liability	89.3%	93.1%
Annual covered payroll	$ 8,105	$ 8,280
Net Pension Liability as a percentage of covered payroll	193.2%	120.9%

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 6.0 percent, discount rate on plan liabilities of 6.0 percent, an annual post-retirement benefit increase of 2.03 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, 2020.

The long-term expected rate of return on pension plan investments of 6.0 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, 2020:

Long-Term Expected Real Rate of Return Asset Class	
U.S. Equity	5.0%
International Equity	5.6%
Fixed Income	-0.1%
Diversifying Strategies	1.4%
Private Equity	6.9%
Private Credit	4.5%
Private Real Estate	3.6%

The discount rate used to measure the total pension liability was 6.0 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, 2020
(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, 2020 and 2019:

Management DB Plan

	2020	2019
Total pension liability		
Service cost	$ 650	$ 685
Interest cost	8,939	8,784
Benefit payments	(7,563)	(7,197)
Experience loss	928	397
Changes of assumptions	(959)	-
Net change in total pension liability	1,995	2,669
Total pension liability, beginning	144,958	142,289
Total pension liability, ending	146,953	144,958
Plan fiduciary net position		
Contributions	2,327	6,240
Net Investment Income	1,727	3,787
Benefit payments	(7,563)	(7,197)
Administrative Expense	(145)	(137)
Net change in plan fiduciary net position	(3,654)	2,693
Plan fiduciary net position, beginning	134,946	132,253
Plan fiduciary net position, ending	131,292	134,946
Net pension liability, ending	$ 15,661	$ 10,012
Plan fiduciary net position as a percent of total pension liability	89%	93%
Covered payroll	$ 8,105	$ 8,280
Net pension liability as a percent of covered payroll	193%	121%

(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 (5.0%)	$	33,580
Current discount rate (6.0%)	$	15,661
1% increase (7.0%)	$	681

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, 2020 and 2019:

Deferred outflows:	2020		2019	
Differences between projected and actual earnings on pension investments	$	7,732	$	4,308
Differences between expected and actual experience in the measurement of total pension liability		84		65
Total deferred outflows	$	7,816	$	4,373
Deferred inflows:				
Changes in assumptions	$	(87)	$	-
Total deferred inflows	$	(87)	$	-

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

For the Year Ended	Deferred Amounts	
2021	$	2,018
2022		2,165
2023		2,224
2024		1,322
	$	7,729

(dollars in thousands)

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 $42,181 and $30,476 in pension expense for the Bargaining Unit DB Plan in the years ended June 30, 2020 and 2019, 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, 2020 and 2019:

	2020	2019
Active employees	1,052	1,186
Retirees and beneficiaries:		
Receiving benefits	2,059	1,975
Deferred Retirement benefits:		
Terminated employees	138	133
Transfers to management plan	47	50
Total Participants	3,296	3,344

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, 2020
(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, 2020:

		Fair Value Measurement Using		
Measured at Fair Value Level	**Balance at June 30, 2020**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Fixed income	$ 86,721	$ 86,721	$ -	$ -
U.S. large-mid cap equities	164,783	164,783	-	-
U.S. small cap equities	17,106	17,106	-	-
International equity	128,183	128,183	-	-
	$ 396,793	$ 396,793	$ -	$ -
Measured at Net Asset Value				
Tactical asset allocation	$ 47,763			
Absolute return	55,355			
Private real estate	56,908			
Private equity	12,756			
Private credit	4,217			
Cash and accrued income	316			
	$ 177,315			
Total Fair Value of Assets	$ 574,108			

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

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			

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, 2020
(dollars in thousands)
continued

Outstanding commitments and redemption limitations for each investment class as of June 30, 2020 and 2019 are as follows:

Measured at Net Asset Value	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
As of June 30, 2020:				
Private real estate	$ 56,908	$ -	Quarterly	45 days
Private equity	$ 12,756	$ 1,724	N/A	N/A
Private credit	$ 4,217	$ 1,907	N/A	N/A
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

Rate of Return

For the years ended June 30, 2020 and 2019, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.7 percent and 3.4 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, 2020 and 2019:

Bargaining Unit DB Plan	Allocation Policy	
	2020	2019
Aggressive growth	2.0%	3.0%
Traditional growth	52.0%	52.0%
Stablized growth	12.0%	12.0%
Inflation protection	4.0%	0.0%
Principal protection	8.0%	10.0%
Diversifying strategies	22.0%	23.0%
Total	100.0%	100.0%

Diversifying strategies is a blend of Alternative Risk Premia, Systematic Trend following and Long Duration Treasuries.

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

As of June 30, 2020 and 2019, the plan had the following investments of more than 5% of the total Plan fiduciary net position:

	2020	2019
State Street RAFI US 1000 Index Fund	21.3%	12.8%
Vanguard Russell 1000 Index Fund	14.7%	15.0%
Vanguard Total International Stock Index Fund	11.2%	10.9%
Capital Guardian International All Countries Equity Class Db	11.2%	12.7%
AFL/CIO Housing Trust	7.9%	8.9%
Graham	5.1%	4.7%
RREEF America REIT II	7.4%	7.4%
Millennium	5.8%	5.6%

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

	2020	2019
Total pension liability	$ 756,617	$ 713,756
Plan fiduciary net position	574,055	574,920
Net pension liability	$ 182,562	$ 138,836
Plan fiduciary net position as a percent of total pension liability	75.9%	80.5%
Annual covered payroll	$ 90,089	$ 97,406
Net Pension Liability as a percentage of covered payroll	202.6%	142.5%

Actuarial methods and assumptions

Significant actuarial assumptions used in the 2020 valuation were based on an experience study as of June 30, 2019. From the experience study, the long term rate of return on the investment of present and future assets is at 6.5 percent, MP-2019 mortality tables, price inflation of 2.25 percent and annual salary increases of 2.75 percent. The benefit cost of living increase is 2.37 percent annually for participants who retired prior to August 1, 2012 and 2.13 percent annually for participants who retire after August 1, 2012. Mortality rates were based on the MP-2019 scale, released in October 2019 that represents the Society's Retirement Plans Experience Committee's current best estimate of future mortality improvement. Net pension liability has been measured and reported as of June 30, 2020.

Significant actuarial assumptions used in the 2019 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. The benefit cost of living increase is 3.00 percent annually for participants who retired prior to August 1, 2012 and 2.70 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.

(dollars in thousands)

The long-term expected rate of return on pension plan investments of 6.5 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, 2020:

Long-Term Expected Real Rate of Return

Risk Based Class/Components	Expected Return
Private Equity	6.9%
U.S. Equity	5.0%
International Equity	5.6%
Private Real Estate	3.6%
Private Credit	4.5%
Diversifying Strategies	1.1%
Fixed Income	-0.1%

The discount rate used to measure the total pension liability was 6.5 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, 2020
(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, 2020 and 2019:

Bargaining Unit DB Plan

	2020	2019
Total pension liability		
Service cost	$ 8,675	$ 9,643
Interest cost	47,372	46,537
Changes in benefit terms	-	-
Effect of economic/demographic gains	(5,375)	(2,453)
Benefit payments	(41,940)	(38,905)
Changes in assumptions	34,129	-
Net change in total pension liability	42,861	14,822
Total pension liability, beginning	713,756	698,934
Total pension liability, ending	756,617	713,756
Plan fiduciary net position		
Contributions	37,755	34,718
Net investment income	3,683	18,620
Benefit payments	(41,940)	(38,905)
Administrative expense	(363)	(395)
Net change in plan fiduciary net position	(865)	14,038
Plan fiduciary net position, beginning	574,920	560,882
Plan fiduciary net position, ending	574,055	574,920
Net pension liability, ending	$ 182,562	$ 138,836
Plan fiduciary net position as a percent of total pension liability	76%	80%
Covered payroll	$ 90,089	$ 97,406
Net pension liability as a percent of covered payroll	203%	143%

Notes to Financial Statements
June 30, 2020
(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 (5.5%)	$	269,420
Current discount rate (6.5%)	$	182,562
1% increase (7.5%)	$	109,412

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, 2020 and 2019:

Deferred outflows		2020		2019
Differences between projected and actual earnings on pension investments	$	33,939	$	11,711
Changes in assumptions		21,489		3,755
Differences between expected and actual experience in the measurement of total pension liability		4,831		10,201
Total deferred outflows	$	60,259	$	25,667
Deferred inflows				
Changes in assumptions	$	-	$	(1,227)
Differences between expected and actual experience in the measurement of total pension liability		(6,862)		(10,342)
Total deferred inflows	$	(6,862)	$	(11,569)

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

For the Year Ended	Deferred Amounts	
2021	$	18,750
2022		16,840
2023		10,812
2024		6,995
	$	53,397

Notes to Financial Statements
June 30, 2020
(dollars in thousands)
continued

14. Subsequent Events and Impact of the Coronavirus (COVID-19)

The outbreak of COVID-19, a respiratory disease caused by a new strain of the coronavirus, was declared a global pandemic by the World Health Organization. In March 2020, the President of the United States and the State of Oregon Governor declared the pandemic a national emergency and a state of emergency. In March 2020, the Governor enacted an executive order directing residents to stay at home with the exception of essential employees (the "Stay Home Save Lives Order"). In May 2020, the Governor enacted the Oregon Safe and Strong executive order (the "Reopening Order") that repealed and replaced the Stay Home Save Lives Order, established new requirements for all State residents and businesses, and set forth a process through which those requirements could be altered through a phased reopening of the economy.

TriMet's response to the impact from the pandemic was to enact cost reduction measures for the remaining fiscal year 2020 and continue through fiscal year 2021. These measures included a hiring freeze on all but essential positions, discontinuing out-of-town travel, reduction of one percent to the 2021 budgets for automatic inflationary items and a 20 percent reduction in bus service. In addition, fiscal year 2021 suspended pay increases for non-union employees. Bus drivers were not laid off because service lines were not cut completely. TriMet plans to hire over 100 cleaners to provide surface cleaning for all touch points in the system on all vehicles, stations and platforms. Bus driver shield panels have been ordered and are being installed to provide additional protection for operators. Seats on buses and light rail vehicles have been blocked to maintain social distancing requirements. TriMet stopped accepting cash on buses to minimize contact and increase space between drivers and passengers. Passengers are asked to use the Hop Card to pay for service. Also, the use of masks is required on all TriMet service and masks as well as hand sanitizer dispensers have been installed on the system.

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

(dollars in thousands)

Management DB Plan

	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability								
Service cost	$ 650	$ 685	$ 919	$ 1,162	$ 1,224	$ 505	$ 793	$ 906
Interest cost	8,939	8,784	8,621	8,309	8,327	7,931	8,454	7,903
Benefit payments	(7,563)	(7,197)	(6,211)	(5,286)	(4,502)	(4,458)	(3,892)	(3,519)
Changes of benefit terms	-	-	-	-	-	-	-	1,711
Change in assumptions	(959)	-	-	-	474	(2,178)	(531)	1,015
Experience (gain) loss	928	397	(29)	1,441	(1,293)	3,592	(3,002)	152
Net change in total pension liability	1,995	2,669	3,300	5,626	4,230	5,392	1,822	8,168
Total pension liability, beginning	144,958	142,289	138,988	133,362	129,132	123,740	121,918	113,750
Total pension liability, ending	146,953	144,958	142,288	138,988	133,362	129,132	123,740	121,918
Plan fiduciary net position								
Contributions	2,327	6,240	6,497	6,330	7,036	6,559	5,602	9,776
Net Investment Income	1,727	3,787	8,108	7,990	1,460	2,004	14,074	10,100
Benefit payments	(7,563)	(7,197)	(6,211)	(5,286)	(4,502)	(4,458)	(3,892)	(3,519)
Administrative Expense	(145)	(137)	(97)	(76)	(97)	(123)	-	-
Net change in plan fiduciary net position	(3,654)	2,693	8,297	8,958	3,897	3,982	15,784	16,357
Plan fiduciary net position, beginning	134,946	132,253	123,956	114,998	111,101	107,119	91,335	74,978
Plan fiduciary net position, ending	131,292	134,946	132,253	123,956	114,998	111,101	107,119	91,335
Net pension liability, ending	$ 15,661	$ 10,012	$ 10,035	$ 15,032	$ 18,364	$ 18,031	$ 16,621	$ 30,583
Plan fiduciary net position as a percent of total pension liability	89%	93%	93%	89%	86%	86%	87%	75%
Covered payroll	$ 8,105	$ 8,280	$ 9,446	$ 10,593	$ 12,722	$ 12,751	$ 13,142	$ 14,200
Net pension liability as a percent of covered payroll	193%	121%	106%	142%	144%	141%	126%	215%

Schedule of Changes in Net Pension Liability and Related Ratios

(dollars in thousands)

Bargaining Unit DB Plan

	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability								
Service cost	$ 8,675	$ 9,643	$ 9,875	$ 10,851	$ 10,703	$ 11,756	$ 11,406	$ 11,122
Interest cost	47,372	46,537	43,494	43,889	43,372	43,025	42,870	41,827
Effect of plan changes	-	-	3,286	-	-	-	-	-
Changes of assumptions	34,129	-	-	-	18,776	(16,558)	29,476	15,354
Effect of economic/demographic (gains) losses	(5,375)	(2,453)	21,274	(19,615)	(8,967)	(541)	(11,294)	(8,583)
Benefit payments	(41,940)	(38,905)	(36,394)	(34,163)	(32,680)	(30,677)	(28,846)	(27,373)
Net change in total pension liability	42,861	14,822	41,535	962	31,204	7,005	43,612	32,347
Total pension liability, beginning	713,756	698,934	657,399	656,437	625,233	618,228	574,616	542,269
Total pension liability, ending	756,617	713,756	698,934	657,399	656,437	625,233	618,228	574,616
Plan fiduciary net position								
Contributions	37,755	34,718	35,228	35,862	38,027	36,200	47,261	70,380
Net investment income	3,683	18,329	41,479	46,645	1,948	12,276	64,461	42,349
Benefit payments	(41,940)	(38,905)	(36,394)	(34,163)	(32,680)	(30,677)	(28,846)	(27,373)
Administrative expense	(363)	(104)	(357)	(246)	(281)	(363)	(486)	(223)
Net change in plan fiduciary net position	(865)	14,038	39,955	48,098	7,014	17,436	82,390	85,133
Plan fiduciary net position, beginning	574,920	560,882	520,927	472,829	465,815	448,379	365,989	280,856
Plan fiduciary net position, ending	574,055	574,920	560,882	520,927	472,829	465,815	448,379	365,989
Net pension liability, ending	$ 182,562	$ 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	76%	81%	80%	79%	72%	75%	73%	64%
Covered payroll	$ 90,089	$ 97,406	$ 109,924	$ 106,596	$ 117,666	$ 116,556	$ 124,696	$ 125,143
Net pension liability as a percent of covered payroll	203%	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, 2020	$ 2,327	$ 2,327	$ -	$ 8,105	29%
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, 2020	$ 25,173	$ 37,755	$ 12,582	$ 90,089	42%
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

	2020	2019	2018	2017	2016	2015	2014	2013
Management DB Plan	1.41%	2.97%	6.62%	6.92%	1.30%	1.87%	15.62%	13.10%
Bargaining Unit DB Plan	0.71%	3.40%	8.04%	9.85%	0.42%	2.73%	17.28%	14.06%

Schedule of Changes in the District's Net OPEB Liability

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 27,059	$ 33,512	$ 34,417
Interest cost	29,811	27,236	28,333
Change in assumptions	165,525	(66,328)	1,192
Experience (gain) loss	(22,272)	(32,503)	1,529
Benefit Payments	(23,715)	(23,022)	(22,647)
Net change in total OPEB liability	176,408	(61,105)	42,824
Total OPEB liability, beginning	725,436	786,541	743,717
Total OPEB liability, ending	$ 901,844	$ 725,436	$ 786,541
Plan fiduciary net position			
Contributions	$ 23,715	$ 23,022	$ 22,647
Investment Income	13	8	2
Benefit payments	(23,715)	(23,022)	(22,647)
Net change in plan fiduciary net position	13	8	2
Plan fiduciary net position, beginning	411	403	401
Plan fiduciary net position, ending	$ 424	$ 411	$ 403
Net OPEB liability, ending	$ 901,420	$ 725,025	$ 786,138
Plan fiduciary net position as a percent of the total pension liability	0.05%	0.06%	0.05%
Covered-employee payroll	$ 236,032	$ 219,240	$ 198,560
Net OPEB liability as a percent of covered payroll	381.91%	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, 4.10% as of 01/01/2019, and 2.74% as of 01/01/2020. In addition, changes of assumptions were made during the 2017 and 2018 measurement periods to update healthcare costs and trends.

Supplementary Information

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

For The Year Ended June 30, 2020
(dollars in thousands)

Budget basis	
Revenues	$ 1,064,341
Expenses	926,354
Revenues over expenses	137,987
Add budget activity not qualifying as revenues/ expenses under GAAP:	
Par value of debt retired	88,535
Capital asset additions	211,894
Add (subtract) adjustments required by GAAP:	
Unfunded pension costs	(6,721)
Depreciation expense	(137,472)
Net leveraged lease revenue	844
Leveraged lease payment	159
Change in interest payable	(1,408)
Claims liability changes	2,140
Unfunded OPEB Costs	(39,272)
Differences due to bond premiums	1,758
Differences due to deferred losses on refunding	860
Subtract budget resources not qualifying as revenues under GAAP:	
Net Book Value of Assets Retired	(1,794)
Par value of bond proceeds	(237,815)
GAAP basis income presented in statement of revenues, expenses and changes in net position	$ 19,695

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

June 30, 2020 (dollars in thousands)

Budget basis ending fund balance	$ 673,306
Reconciliation to GAAP basis:	
Net capital assets	3,086,878
Bonds payable and related amounts	(925,006)
Other postemployment benefits and deferred amounts	(835,526)
Net pension liability and deferred amounts	(137,098)
Claims liability	(9,485)
Lease leaseback and deferred amounts	(1,616)
GAAP basis net position	$ 1,851,453

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

For The Year Ended June 30, 2020
(dollars in thousands)

GENERAL FUND

	Original budget	Final budget	Actual		Variance from final budget over (under)
Revenues					
Operating revenue	$ 130,934	$ 130,934	$ 105,176		$ (25,758)
Tax revenue	411,410	411,410	398,353		(13,057)
Operating grant and other revenue	139,040	139,040	229,697		90,657
Capital program resources	48,404	48,404	35,581		(12,823)
Debt proceeds	200,000	200,000	250,048		50,048
Gain on disposal of capital assets	-	-	6,495		6,496
Interest income	1,450	1,450	17,953		16,503
Other non-operating resources	20,782	20,782	21,038		257
Total revenues	952,020	952,020	1,064,341		112,322
Expenses					
Office of the general manager	953	953	942		(11)
Public affairs	23,578	23,578	16,521		(7,057)
Safety and security	39,312	39,312	31,878		(7,434)
Information technology	20,947	20,947	19,938		(1,009)
Finance and administration	37,090	37,090	28,465		(8,625)
Labor relations and human resources	5,675	5,675	4,812		(863)
Legal services	6,917	6,917	5,330		(1,587)
Chief operating officer	13,319	13,319	11,700		(1,619)
Transportation	259,501	259,501	246,520		(12,981)
Maintenance	298,427	298,427	264,351		(34,076)
Engineering and construction	124,523	124,523	86,734		(37,789)
OPEB and UAAL pension	50,839	51,139	50,788		(352)
Regional Funding Exchanges	12,689	14,189	14,189		-
Debt service	104,556	104,556	130,928	**1***	26,372
Pass-through requirements	14,572	14,572	13,258		(1,314)
Contingency	24,019	22,219	-		(22,219)
Total expenses	1,036,918	1,036,918	926,354		(110,564)
Revenues over (under) expenses	(84,898)	(84,898)	137,987		222,886
Beginning fund balance	576,860	576,860	462,924		(113,936)
Change in basis of accounting - debt service	-	-	72,395	**2***	72,395
Beginning fund balance, restated	576,860	576,860	535,319		(41,541)
Ending fund balance	$ 491,962	$ 491,962	$ 673,306		$ 181,345

1* Included in the actuals line item of $130,928 for debt service is a refunding in the amount of $49,481. Per ORS, debt refundings are not subject to Oregon budget law. Therefore, this over-expenditure is not a budget violation.

2* In fiscal year 2020, the District changed from accounting for debt services on the GAAP basis to the cash basis. The impact of this change was an increase to the beginning of the year fund balance of $72,395. This amount includes balances for bond premiums, bond deferrals and accrued interest payable on long-term debt.

Schedule of Bonds Payable Obligation

June 30, 2020

(dollars in thousands)

	Payroll Tax Revenue (PRT) Bonds									
Fiscal	**2009 Bonds**		**2012 Bonds**		**2015 Bonds**		**2016 Bonds**		**2017 Bonds**	
Year	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*
2021	$ -	$ 718	$ 2,725	$ 347	$ 5,115	$ 3,011	$ 380	$ 2,725	$ 2,450	$ 4,282
2022	-	718	2,850	221	5,355	2,779	390	2,719	2,560	4,169
2023	-	718	3,000	75	5,600	2,517	395	2,713	2,695	4,037
2024	-	718	-	-	5,900	2,262	3,550	2,639	2,815	3,914
2025	-	718	-	-	6,125	1,993	3,700	2,476	2,945	3,784
2026	-	718	-	-	6,430	1,682	3,890	2,286	3,095	3,633
2027	-	718	-	-	6,760	1,352	4,085	2,148	3,255	3,474
2028	-	718	-	-	7,100	1,005	4,170	2,003	3,425	3,307
2029	-	718	-	-	-	828	4,385	1,789	3,600	3,131
2030	-	718	-	-	-	828	4,610	1,564	3,785	2,947
2031	2,870	636	-	-	-	828	4,850	1,352	3,975	2,753
2032	3,040	466	-	-	1,620	803	5,045	1,154	4,180	2,549
2033	3,215	287	-	-	-	777	5,255	948	4,395	2,334
2034	3,405	98	-	-	-	777	5,470	767	4,620	2,109
2035	-	-	-	-	-	777	5,630	615	4,860	1,872
2036	-	-	-	-	2,800	721	5,790	451	5,060	1,668
2037	-	-	-	-	2,965	606	5,970	274	5,230	1,498
2038	-	-	-	-	3,140	484	6,155	92	5,415	1,315
2039	-	-	-	-	3,320	355	-	-	5,650	1,079
2040	-	-	-	-	3,505	218	-	-	5,940	789
2041	-	-	-	-	3,700	74	-	-	6,245	484
2042	-	-	-	-	-	-	-	-	6,565	164
2043	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-	-	-
Totals	**$ 12,530**	**$ 8,667**	**$ 8,575**	**$ 643**	**$ 69,435**	**$ 24,677**	**$ 73,720**	**$ 28,714**	**$ 92,760**	**$ 55,289**

2018 Bonds		2019 Bonds		Total PRT Bonds	
Principal	*Interest*	Principal	Interest	*Principal*	*Interest*
$ 1,620	$ 7,010	$ 710	$ 7,459	$ 13,000	$ 25,551
1,695	6,927	725	7,446	13,575	24,979
1,795	6,840	740	7,432	14,225	24,333
1,835	6,749	755	7,418	14,855	23,700
1,990	6,654	770	7,403	15,530	23,027
2,100	6,551	785	7,387	16,300	22,256
2,145	6,445	800	7,370	17,045	21,507
2,325	6,334	820	7,352	17,840	20,719
2,445	6,214	8,200	7,247	18,630	19,927
2,580	6,089	8,385	7,050	19,360	19,195
2,550	5,960	5,910	6,876	20,155	18,405
2,680	5,830	4,440	6,746	21,005	17,547
5,595	5,623	3,480	6,643	21,940	16,613
5,845	5,337	3,580	6,549	22,920	15,637
2,335	5,132	11,070	6,266	23,895	14,662
2,460	5,012	8,690	5,900	24,800	13,752
2,585	4,886	8,905	5,636	25,655	12,900
2,710	4,754	9,210	5,281	26,630	11,926
9,215	4,496	9,605	4,829	27,790	10,759
9,645	4,065	9,985	4,403	29,075	9,475
10,140	3,571	10,280	4,053	30,365	8,182
1,530	3,279	12,770	3,708	20,865	7,150
8,510	3,028	13,160	3,319	21,670	6,346
8,945	2,591	13,560	2,918	22,505	5,509
9,385	2,152	13,970	2,505	23,355	4,657
9,825	1,711	14,395	2,079	24,220	3,791
10,290	1,249	14,835	1,641	25,125	2,890
10,775	766	15,290	1,189	26,065	1,955
11,280	259	15,755	723	27,035	982
-	-	16,235	334	16,235	334
$ 146,830	**$ 135,515**	**$ 237,815**	**$ 155,161**	**$ 641,665**	**$ 408,666**

Schedule of Bonds Payable Obligation (continued)

June 30, 2020

(dollars in thousands)

Capital Grant Receipt (CGR) Revenue Bonds									
2011 Bonds		**2017 Bonds**		**2018 Bonds**		**Total CGR Bonds**		**Totals**	
Principal	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*
$ 10,850	$ 830	-	$ 3,801	$ 395	$ 5,235	$ 11,245	$ 9,865	$ 24,245	$ 35,416
11,390	281	-	3,801	410	5,214	11,800	9,296	25,375	34,275
-	-	11,175	3,521	1,660	5,163	12,835	8,684	27,060	33,017
-	-	11,735	2,949	1,730	5,078	13,465	8,027	28,320	31,726
-	-	12,320	2,347	1,785	4,990	14,105	7,337	29,635	30,364
-	-	12,940	1,716	1,855	4,899	14,795	6,615	31,095	28,871
-	-	13,585	1,053	1,930	4,804	15,515	5,857	32,560	27,364
-	-	14,260	357	2,010	4,706	16,270	5,062	34,110	25,781
-	-	-	-	12,620	4,340	12,620	4,340	31,250	24,267
-	-	-	-	13,235	3,694	13,235	3,694	32,595	22,889
-	-	-	-	13,875	3,016	13,875	3,016	34,030	21,421
-	-	-	-	14,550	2,305	14,550	2,305	35,555	19,853
-	-	-	-	15,245	1,561	15,245	1,561	37,185	18,173
-	-	-	-	15,990	860	15,990	860	38,910	16,497
-	-	-	-	16,610	271	16,610	271	40,505	14,933
-	-	-	-	-	-	-	-	24,800	13,752
-	-	-	-	-	-	-		25,655	12,900
-	-	-	-	-	-	-		26,630	11,926
-	-	-	-	-	-	-		27,790	10,759
-	-	-	-	-	-	-		29,075	9,475
-	-	-	-	-	-	-		30,365	8,182
-	-	-	-	-	-	-		20,865	7,150
-	-	-	-	-	-	-		21,670	6,346
-	-	-	-	-	-	-		22,505	5,509
-	-	-	-	-	-	-		23,355	4,657
-	-	-	-	-	-	-		24,220	3,791
-	-	-	-	-	-	-		25,125	2,890
-	-	-	-	-	-	-		26,065	1,955
-	-	-	-	-	-	-		27,035	982
-	-	-	-	-	-	-		16,235	334
$ 22,240	**$ 1,111**	**$ 76,015**	**$ 19,544**	**$ 113,900**	**$ 56,136**	**$ 212,155**	**$ 76,790**	**$ 853,820**	**$ 485,456**

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, 2020, and have issued our report thereon dated September 18, 2020. 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 2021 and 2020.
- 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 no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

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.

Moss Adams LLP

Julie Desimone, Partner
for Moss Adams LLP
Portland, Oregon
September 18, 2020