innovation in motion

2015 NJ TRANSIT ANNUAL REPORT

NJ TRANSIT
The Way To Go.

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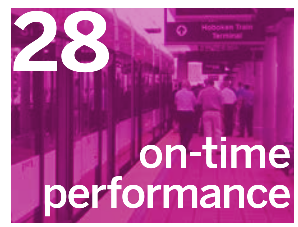

32 board, commitees & management team

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chairman's message

NJ TRANSIT continues to play an important role in New Jersey's transportation system, providing a vital link for residents and visitors traveling to jobs, healthcare facilities, shopping centers, entertainment venues, schools and other important destinations. Thanks to an abundant offering of bus, rail, light rail and Access Link services, the Corporation also helps New Jersey reduce traffic congestion and serves as an economic engine for our communities, the state and the surrounding region.

During Fiscal Year 2015 (FY2015), NJ TRANSIT customers continued to provide valuable information by participating in quarterly Scorecard customer satisfaction surveys. The feedback gathered in these surveys is used to make strategic business decisions that have a positive impact on service quality. In the past year alone, feedback gathered in the surveys led to a variety of improvements and customer amenities, including improved bus flow and reduced waiting lines at Port Authority Bus Terminal, and expansion of mobile ticketing and WiFi availability. Customers have embraced these new initiatives, so much so that NJ TRANSIT set a new ridership record in FY2015.

Meanwhile, new developments continue to emerge around many of our transit facilities. In the past year alone, the New Jersey Department of Transportation and NJ TRANSIT identified two new communities that will serve as Transit Villages — Park Ridge in Bergen County and Irvington in Essex County. These communities will join a host of others who receive special incentives for commercial and residential development projects that create attractive, vibrant and pedestrian-friendly neighborhoods around transit facilities.

Our Board of Directors made some significant decisions this past year to enhance the customer experience and keep the transit system in a state of good repair. Their actions included purchasing new buses and Access Link vehicles, increasing the seating capacity of Hudson-Bergen Light Rail and Newark Light Rail vehicles, purchasing new bus shelters and approving bridge inspections and rehabilitation work.

The Board also remained focused on projects that strengthen and protect our rail system from future catastrophic storms. Thanks to the leadership of Governor Chris Christie and the New Jersey Congressional delegation, much-needed federal funding was secured to advance storm-hardening projects, including plans to fill in Long Slip Canal at Hoboken Terminal and replace it with new tracks and boarding platforms, create more storage and service restoration facilities, build a new train bridge over the Raritan River, storm-harden signal and communications systems and create a first-of-its-kind transit grid that would allow segments of the rail system to continue operating if commercial power is lost.

Additionally, we continue to be good stewards of taxpayer dollars by regularly evaluating existing service and making adjustments to better match service with ridership demand. We also created an extra layer of transparency this past year by creating a growing web library on NJTRANSIT.com with on-time performance and ridership information, Scorecard metrics and survey results, Board of Directors materials, our rail and bus fleet strategy, financial statements and more.

Finally, there is no doubt that transportation challenges remain, including the urgent need for a new rail tunnel between New Jersey and New York. In a truly bipartisan and regional effort, Governor Christie and New York Governor Andrew Cuomo have expressed their support for Amtrak's Hudson River tunnel project and are working proactively with their respective congressional delegations to secure necessary federal funding that will ensure our region's financial interests are protected.

In closing, I want to thank the Governor, our State Legislature, the New Jersey Congressional delegation, my fellow Board members, our host communities and Executive Director Ronnie Hakim and her entire team for their support. Also, let me thank the nearly one million daily NJ TRANSIT customers who choose to ride our service and grow with us each day — your partnership and patronage is greatly appreciated.

Jamie Fox
Transportation Commissioner and
NJ TRANSIT Board Chairman

executive director's message

The theme for this year's annual report — Innovation in Motion — largely symbolizes NJ TRANSIT's ability to excel in rapidly changing business and customer-focused environments. Innovative ideas led the way for us over the past year, including our ability to place more user-friendly technology into the hands of customers, thinking outside of the box to dramatically change the travel experience for New York bus customers, working with a manufacturer to provide more seating space on two light rail systems and protecting our rail system from future storms.

One of our most innovative success stories of Fiscal Year 2015 (FY2015) was the overhaul of bus operations in and out of the Port Authority Bus Terminal (PABT) in New York. You can imagine the complexities of operating bus service in and out of one of the largest bus terminals and cities in the world, particularly during peak periods. In partnership with the Port Authority of New York & New Jersey, New York City DOT and our bus union, we threw out a decades-old playbook in September 2014 and totally changed the way buses flow around and through the terminal. The plan had its share of risks, but it paid off when customers applauded our success. More changes were implemented in early FY2016 that continue to streamline operations and enhance the customer experience.

Meanwhile, a pilot project using new computer software and innovative bus planning techniques helped us better maximize bus capacity and achieve staff efficiencies on select routes, enabling us to serve more customers with existing resources while reducing operating costs. This successful bus planning initiative will now be expanded to additional bus routes in FY2016.

On the rail side, our Board of Directors approved a plan to expand seating capacity on Hudson-Bergen Light Rail (HBLR) and Newark Light Rail vehicles in FY2015. The decision was made after an expanded prototype vehicle operated on HBLR with great success. This innovative idea — a first of its kind for the vehicle manufacturer — allows us to expand seating at substantial savings compared to the cost of purchasing new vehicles.

In the area of technology, our customers enjoyed an expansion of MyTix, which allows them to purchase and display tickets and passes on mobile devices. We also wrapped up development on a new NJ TRANSIT mobile app that launched in FY2016, providing customers the ability to purchase tickets, plan trips, obtain real-time service information and more in one convenient application. More customers can also stay plugged in to WiFi, which is now available at more than 75 stations and terminals.

FY2015 was the first full year of operation for our new Office of System Safety (OSS). The OSS has taken NJ TRANSIT safety to a new level, with more frequent facility inspections, employee training, educational "safety blitzes" at stations, banner-sized safety messages on railcars, and a new cutting-edge "Chicken on the Tracks" safety video for middle school and high school students. We also worked with the New Jersey Department of Transportation to install new safety features at the Midland Avenue grade crossing in Elmwood Park to help prevent vehicles from stopping on the railroad tracks.

Finally, innovation is definitely playing a role in our efforts to strengthen and protect our rail system from future storms. Thanks to the leadership of Governor Chris Christie and with the help of the New Jersey congressional delegation, we are using federal funding to advance several major projects, including the transit industry's first power grid capable of providing our rail system with electricity when commercial power is unavailable.

In closing, I want to thank the Governor, our elected leaders, Chairman Fox and the rest of the Board of Directors, our customers and transit partners for their extraordinary support. I would also like to thank the NJ TRANSIT executive management team and the 11,000 men and women who serve our customers on the front lines or behind the scenes each day for their hard work and dedication to the Corporation and its customers. I am looking forward to another successful year in FY2016.

Veronique "Ronnie" Hakim
Executive Director

the year in review

This year's annual report theme **"Innovation in Motion"** reflects a number of innovative ideas, decisions and business practices that NJ TRANSIT implemented in Fiscal Year 2015 (July 1, 2014 and June 30, 2015). From the evolution of customer-friendly technology to outside-of-the-box operating decisions, NJ TRANSIT set new standards that benefitted customers and the Corporation's bottom line.

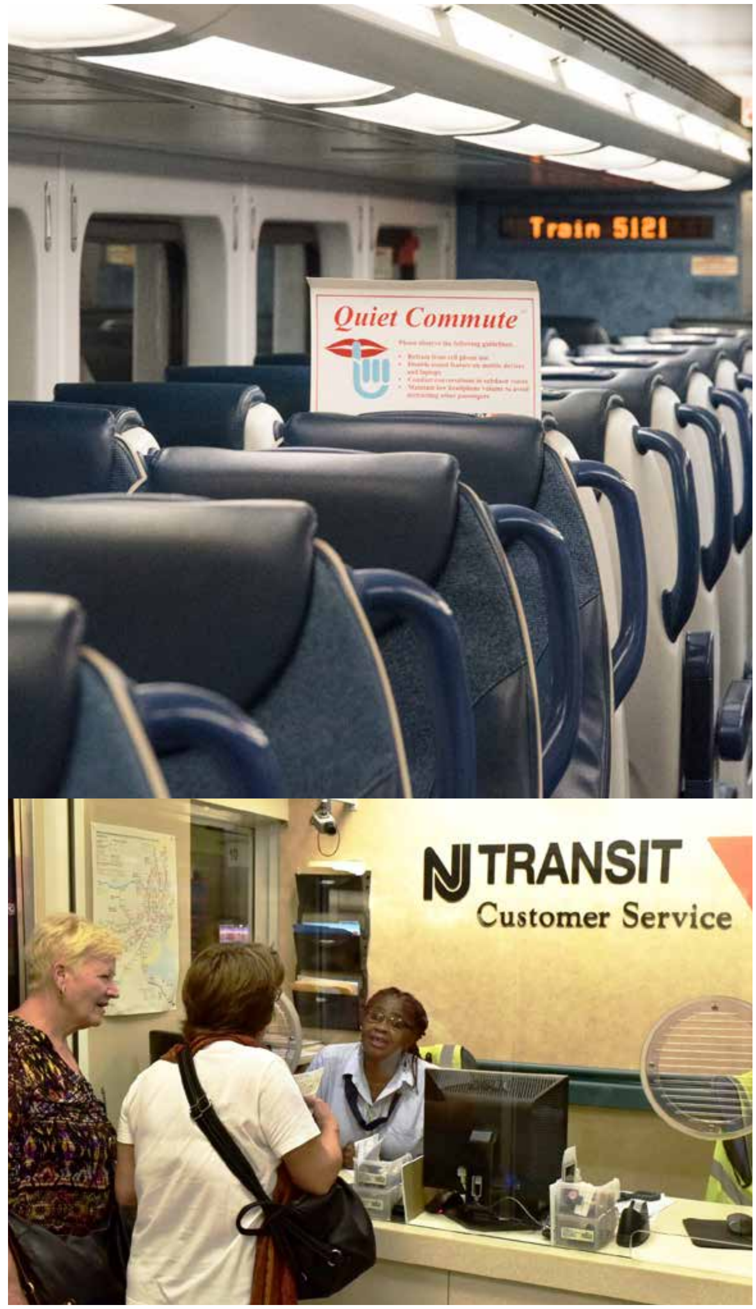
Many innovations were the direct result of feedback provided by customers who participated in quarterly customer satisfaction surveys, a key component of NJ TRANSIT's Scorecard business management tool. **Scorecard** utilizes customer feedback, operating data and business metrics to drive decisions in five key categories: improving the customer experience, safety and security, financial performance, corporate accountability and employee excellence.

During FY2015, NJ TRANSIT let its customers know their feedback was turned into positive change. Among the highlights:

- Customers asked NJ TRANSIT to expand the availability of the **MyTix** mobile ticketing app and the Corporation delivered, moving MyTix beyond the rail system to include mobile ticketing for our bus service.
- Customer feedback also led to the expansion of **WiFi** service, now available at more than 75 stations and terminals.
- To improve on-time performance at Port Authority Bus Terminal (PABT), NJ TRANSIT partnered with the Port Authority of New York & New Jersey and private bus carriers to create a **Quality of Commute Program** at PABT. The management of bus movements in and out of the terminal was totally revamped in September 2014, with customers noting dramatic reductions in crowding and delays.
- The popular **Quiet Commute** program expanded to all rail lines with extended hours, providing customers with a quiet and relaxing atmosphere on select railcars.
- Hudson-Bergen Light Rail customers who experienced crowding conditions on weekends were pleased to find many **two-car trains** operating on Saturdays and Sundays.
- NJ TRANSIT responded to Access Link customers about comfort by **upgrading seats and chassis springs** on Access Link vehicles to produce a smoother ride.

Meanwhile, significant cost savings and improved operating efficiencies were achieved during the fiscal year on several bus routes thanks to the use of **new bus scheduling software**.

The new Office of System Safety (OSS) helped NJ TRANSIT raise the bar on safety by scheduling **"Safety Blitzes"** for customers and motorists, co-hosting joint **safety**



Quiet Commute provides a relaxing environment in select railcars; Customer Service Representative Anna Wleh provides assistance at New York Penn Station.

whoever invented the @NJTRANSIT "quiet commute" car is a genius & my hero. so much gratitude for whoever that is. #commuting

– @erinkaplan_

education campaigns with Operation Lifesaver, **"wrapping" the outside of railcars** with safety messages and producing a new **"Chicken on the Tracks"** safety video.

NJ TRANSIT also advanced plans for several future projects in FY2015 that will make its rail system more **resilient to future storms**, including "safe harbor" equipment storage areas, a new rail bridge over the Raritan River, increasing the number of tracks and boarding platforms at Hoboken Terminal, strengthening train control systems in flood-prone areas and providing an independent source of power for NJ TRANSIT trains if commercial power is lost.

What's coming in FY2016? The NJ TRANSIT **mobile app** debuted in September, MyTix mobile-ticketing will expand to the light rail system, a **WiFi** pilot program will debut on an NJ TRANSIT train, more improvements are coming to **PABT**, the new **Wesmont Station** will open on the Bergen County Line and much more. FY2015 was truly a year of innovation and accomplishment; much more is on the way for FY2016.

Improvements during the last year at Port Authority Bus Terminal dramatically reduced waiting lines for customers.


A new Chicken on the Tracks video made its debut at schools in FY2015.

improving the customer experience

Recent changes at the Port Authority Bus Terminal have improved the flow of buses in and out of the terminal.

SERVICE

NJ TRANSIT teamed up with the Port Authority of New York & New Jersey, the New York City Department of Transportation and the Amalgamated Transit Union in FY2015 to deliver significant changes to **Port Authority Bus Terminal (PABT) operations**, with a focus on improving on-time performance and service reliability, and reducing customer waiting lines at the PABT. The new operating plan — which won rave reviews from customers — included better management of bus diversions at the Lincoln Tunnel, enforcing traffic regulations within PABT, reducing running times of buses, regulating the flow of buses into New York and the PABT, and sending early arriving buses at PABT to a nearby bus storage lot to reduce congestion in the terminal. The changes improved traffic flow on PABT ramps and inside the terminal, reduced the number of buses diverted away from the terminal during the evening rush hour and reduced customer wait lines inside the terminal. Additional changes are being implemented in FY2016 to further streamline operations at PABT.

NJ TRANSIT's popular "**Quiet Commute**" expanded in FY2015, with many more trains added to the program. Quiet Commute was introduced in 2010, offering rail customers a relaxing, quiet environment in dedicated railcars on select trains. The program expanded in FY2015 to include all rail lines on weekdays between 6 a.m. and 8 p.m.

> Why am I geeked out right now? Because I'm on a shiny new bus with @NJTRANSIT! It's got that new bus smell and everything.
>
> – @StephConey

Thanks to a federal grant, the North Jersey Coast Line **Shore Express Service** expanded in FY2015 between Penn Station New York, North Jersey and Bay Head Station. In addition to weekend one-seat rides to/from the Jersey Shore, some weekday service was added on select trains in the morning and evening rush hours. The Shore Express Service utilizes dual-powered locomotives on both electrified and diesel sections of railroad, providing a convenient one-seat ride for customers and a travel time savings of up to 25 minutes.

The NJ TRANSIT **Ambassador Program** was a significant help to customers in FY2015 as NJ TRANSIT employee ambassadors guided customers to 120 special events, including concerts, sporting activities and

Clockwise from top: The North Jersey Coast Line Shore Express Service expanded in FY2015; Customers with disabilities are enjoying a smooth ride in new Access Link vehicles; Many NJ TRANSIT employees, like Terri Purnell, serve as customer ambassadors during special events, service

changes or service disruptions; Expanded section of a light rail vehicle on the assembly line; New Compressed Natural Gas Cruiser Bus; NJ TRANSIT's Music in Motion program entertains customers at several stations and terminals.

more. Ambassadors also handed out safety education materials to our customers during Safety Blitzes in support of a Safety Awareness Day, teamed up with our police department for emergency response training exercises and assisted customers during 13 service disruptions.

NJ TRANSIT encourages the use of public transportation by large groups and college students through special discount programs. During FY2015, the Corporation coordinated 200 **group trips** and sold nearly 42,000 student passes as part of the **University Partnership Program**. More than 75 colleges, universities, technical schools and others in New Jersey and the surrounding region now participate in the University Partnership program.

NJ TRANSIT's popular **Music in Motion Program** continued to expand in FY2015. A variety of musicians entertain NJ TRANSIT customers on Thursday and Fridays at several stations and terminals. The program will continue to expand with new artists and more locations in FY2016.

During FY2015, NJ TRANSIT went through an extensive review of its budget before developing a **fare and service adjustment proposal** for the FY2016 operating budget. Customers provided their feedback on the proposal at public hearings and via njtransit.com before a final plan was adopted by the Board of Directors in July 2015. The fare and service adjustments went into effect in September and October 2015.

EQUIPMENT

During FY2015, NJ TRANSIT purchased 147 **Compressed Natural Gas (CNG) cruiser buses**. The buses, which primarily operate along the Route 9 Corridor, will increase seating capacity and replace older buses nearing the end of their service life.

During FY2015, NJ TRANSIT also added 82 new **minibuses** and 20 **new sedans** to its Access Link paratransit fleet, replacing older vehicles and adding capacity due to growing customer demand. At the request of customers, Access Link is also working on a pilot program to increase customer comfort by replacing cushions and adding support springs on older minibuses to provide a smoother ride.

A **Light Rail Vehicle (LRV) Extension Project** for Newark Light Rail and Hudson-Bergen Light Rail (HBLR) advanced in FY2015, which includes the assembly of 25 extended LRVs for Hudson-Bergen Light Rail and 10 extended LRVs for Newark Light Rail, helping to increase capacity on both light rail lines. A prototype of an extended vehicle continues to operate on HBLR with great success while production work on more vehicles is underway.

FACILITIES

Several NJ TRANSIT facilities were improved in FY2015, including the exterior reconstruction of **Red Bank Station** on the North Jersey Coast Line, one of NJ TRANSIT's oldest stations listed on the State and National Historic Registers. The work included the repair and/or replacement of exterior wood siding, doors, windows and historic gingerbread trim. The project complemented an earlier building stabilization project that was completed in 2012.

Work on two **Newark Light Rail station projects** advanced in FY2015 to make the stations accessible to customers with disabilities. The Davenport Avenue Station project was completed during the fiscal year, which included revisions to the station platforms, installing an accessible ramp, constructing an accessible grade crossing, and installing new lighting, waiting shelters and a new customer communications system. Meanwhile, work was nearing completion at the end of FY2015 at Bloomfield Avenue Station, which included the construction of two new elevators between the street and platforms, raising the height of the station platforms, reconstructing stairs and installing new lighting and a customer communications system.

At **Watsessing Station** on the Montclair-Boonton Line, a station rehabilitation project was completed during FY2015, which included new windows, lighting, structural restoration and streetscape work.

Work on **Wesmont Station** on the Bergen County Line continued in FY2015, with the project nearly 75 percent complete by the end of the fiscal year. The new station, which is scheduled to open in FY16, is part of a public-private partnership being built adjacent to a transit-oriented development and includes a center-island platform, pedestrian overpass with elevators, shelters and parking.

Preliminary design work advanced in FY2015 on a planned accessibility project at **Perth Amboy Station** on the North Jersey Coast Line. The project will include accessibility modifications to the station building and parking lot, the construction of two high-level platforms and elevators on the inbound and outbound sides of the station, and a modern audio/visual station communications system.

A new bus pickup and dropoff area is being constructed at Secaucus Junction; Customers are using new electronic pay stations at Old Bridge Park & Ride and other NJ TRANSIT facilities.

Historic Red Bank Station on the North Jersey Coast Line enjoyed a makeover in FY2015.

Preliminary design work advanced on the planned reconstruction of **Lyndhurst Station** on the Main Line in FY2015. The project will provide the station with a number of new features, including accessible high-level platforms located closer to the parking area.

NJ TRANSIT advanced design work in FY2015 on a new **Elizabeth Station** on the Northeast Corridor. The design work is 30 percent complete and will be advertised as a design-build contract in FY2016. The work will include extending the existing high-level platforms to accommodate 12-car trains, installing two new elevators, reconstructing two existing elevators, replacing the existing station building and waiting areas with new expanded structures, and installing a new audio/visual communications system.

Construction on an expanded bus pick-up/drop-off area at the **Frank R. Lautenberg Station at Secaucus Junction** was 60 percent complete by the end of FY2015. When completed in spring 2016, the pickup/drop-off area will include 14 new bus berths with canopies, electronic passenger signage, curbing, a drainage system and traffic signal modifications.

Work advanced to 30-percent design in FY2015 on the **Avandale Park & Ride project**, which will expand parking, improve bus circulation and upgrade customer waiting areas.

NJ TRANSIT replaced outdated money-collection slot boxes with modern **digital pay equipment** during FY2015 at eight parking facilities throughout the state. The new equipment allows customers to pay for their parking with coins, bills, credit cards, smart cards, coupons, pay-by-phone and contactless payments via their cell phones. More upgrades are planned for FY2016.

NJ TRANSIT also entered into agreements to expand the availability of banking services to customers by adding **new ATMs** at Hoboken Terminal and Newark Penn Station.

Upgrades to the workspace and electronic components of the **South Jersey Bus Control Center** in Camden were completed in FY2015. Meanwhile, design plans to upgrade our **North Jersey Bus Control Center** in Maplewood reached the 90-percent design level, a project that will introduce Smart Bus technology to the control center. The project will replace the existing radio room with a state-of-the-art control center that includes an expanded floor plan, new consoles, new computer work stations and conference space. Among other things, the new control center will improve the customer experience by allowing supervisors to make more informed and faster decisions on bus service adjustments in high-traffic areas and deliver automated onboard announcements.

@NJTRANSIT I LOVE music in motion at Secaucus. LOVE. Whoever came up with it deserves a raise ;-)
– @DwasMyFirstlove

Work is progressing on the new Wesmont Station on the Bergen County Line.

MAJOR PROJECTS

During FY2015, the 7.3-mile **Lackawanna Cutoff** project that will expand rail service from Morris County into Sussex County received permits from the New Jersey Department of Environmental Protection, allowing design work to be finalized before construction begins.

The **Mid-line Loop** project advanced to the 30-percent design stage in FY2015. The Mid-Line Loop will allow trains to change directions on the Northeast Corridor via an overhead bridge near New Brunswick, resulting in greater operating flexibility and efficiencies. When completed, the loop will also increase service reliability by eliminating operating conflicts as trains departing nearby County Yard cross above the busy Northeast Corridor.

Final design of the **Portal Bridge** project on the Northeast Corridor is complete and ready for construction. The Amtrak-led project will replace the existing single-span swing bridge across the Hackensack River in Kearny with a fixed structure that will not require opening for marine traffic.

During FY2015, a Supplemental Draft Environmental Impact Statement advanced, evaluating alignment changes for the **Northern Branch**. The document was submitted to the Federal Transit Administration for review and comment and will be available to the public in FY2016. The approximately 10-mile extension of Hudson-Bergen Light Rail will begin at Tonnelle Avenue Station in North Bergen and end in Englewood.

Work progressed in FY2015 on the final report for the **Bergen County Bus Rapid Transit** Implementation Study. The report is scheduled for completion by late-2015.

The **South Jersey Bus Rapid Transit System**, which will improve bus service along the Atlantic City Expressway, Routes 42 and 55, Interstates 76 and 676 in Downtown Camden and in Philadelphia, advanced during FY2015. The project's environmental review process will conclude and initial project improvements at the Avandale Park & Ride in Winslow Township are slated to begin in FY16.

Planning to replace the outdated Portal Bridge on the Northeast Corridor (top) is underway; NJ TRANSIT is evaluating an extension of Hudson-Bergen Light Rail from this West Side Avenue Station.

Environmental work on the **Hudson-Bergen Light Rail Route 440 Extension** wrapped up in FY2015. The project would extend the system from West Side Avenue Station to new areas of residential and commercial growth west of Route 440.

Plans to refurbish Market Street Garage include artwork, like the above, in the customer ticket office area.

STATE-OF-GOOD-REPAIR

Rehabilitation work on the **Track 5 platform at Newark Penn Station** neared completion in FY2015. The project, which will be completed in FY2016, included the replacement of platform expansion joints, concrete replacement and repairs, new lighting and public address system upgrades, new departure boards and passenger information displays, painting of the platform canopy ceiling, brick and window repairs, stairway upgrades and more.

During FY2015, NJ TRANSIT began a Neoplan reliability program for 85 **articulated buses** that operate in urban areas of the state. The program includes replacement or upgrades of bus engines, transmissions, cooling systems, heating and air conditioning systems, wheelchair lifts, seating, interior and exterior lighting, flooring, entrance doors and more. The work is scheduled for completion in FY2016.

State-of-good-repair work advanced with a **CNG facility upgrade at Howell Garage**. The CNG bus fueling facility is being improved by replacing the three CNG compressor skids.

NJ TRANSIT plans to advertise a project in FY2016 to reconstruct the platforms at **Roselle Park Station** on the Raritan Valley Line. During FY2015, final engineering work was completed. The work will include reconstruction of the station's center-island platform and new windscreens to protect customers waiting on the platform.

NJ TRANSIT completed final engineering work for a project at **Cranford Station** on the Raritan Valley Line. The project will be advertised for bid in fall 2015. Work includes the reconstruction of existing platforms and structural repairs throughout the station.

Design work was completed in FY2015 for a rehabilitation project at **Market Street Garage** in Paterson, with the work scheduled to be advertised for bid in FY2016. The project will replace and/or rehabilitate all major components of the garage's mechanical, electrical and structural systems, provide accessibility upgrades, and modernize the Transportation Office and the communications and security systems.

Plans for significant repairs at **New Brunswick Station** on the Northeast Corridor advanced in FY2015, with design work reaching 90 percent. The project will address needed structural repairs and improve lighting and heating/air conditioning systems in waiting areas.

Final engineering work got underway in FY2015 for repairs at **North Elizabeth Station** on the Northeast Corridor. The project includes repairs to the station's concrete high-level platforms and installation of tactile warning strips on the edge of the platforms.

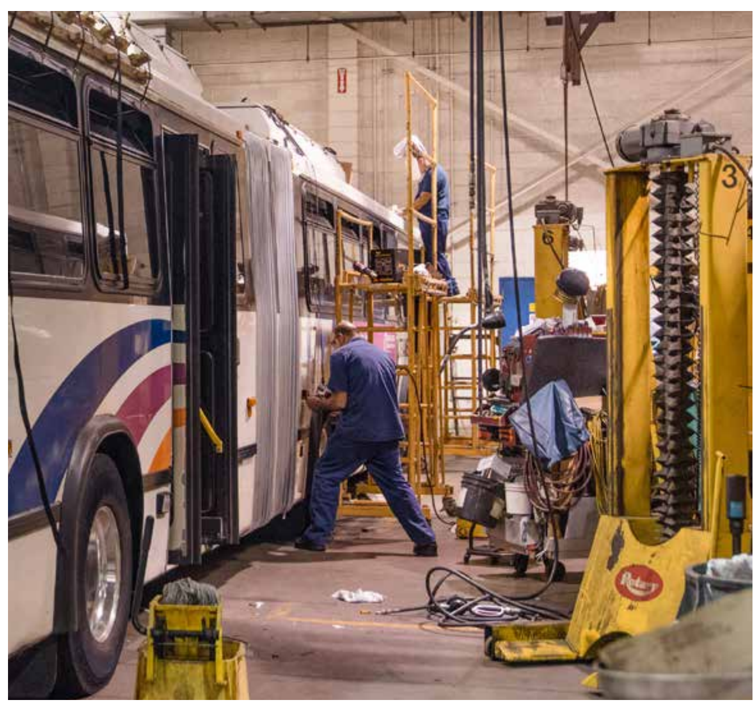
Exterior repair work was completed during FY2015 at **Lincoln Park Station** on the Montclair-Boonton Line.

A roof replacement project and other state-of-good-repair work at **Allendale Station** on the Main/Bergen County Line was completed in FY2015, while design work was completed for roof repair work at **Mahwah Station** on the Main/Bergen County Line and **Radburn Station** on the Bergen County Line.

Design work was completed in FY2015 on plans for plaza and lighting improvements at **Rutherford Station** on the Bergen County Line.

Rail Operations continued other state-of-good-repair work in FY2015, including bathroom remodeling, painting and/or heating and air conditioning upgrades at **Cranford**, **Summit**, **Chatham**, **Allendale**, **New Brunswick**, **Princeton Junction**, **North Elizabeth** and **South Orange**, station exterior work that included landscaping, sidewalk/stair/platform repairs and canopy/roof/shelter repairs at **Absecon**, **Allendale**, **Red Bank**, **Bradley Beach**, **Hamilton**, **North Elizabeth**, **Summit**, **Plainfield**, **Cranford**, **Edison**, **Absecon**, **Elberon**, **Princeton Junction**, **North Elizabeth**, **Maplewood** and **Perth Amboy**, and lighting and landscaping upgrades at **Absecon**, **Egg Harbor**, **Atco**, **Hammonton**, **New Brunswick**, **Metuchen**, **Manasquan**, **Mount Arlington** and **Perth Amboy**.

Meanwhile, Bus Operations completed **state-of-good-repair** and **energy-efficiency** projects at several locations in FY2015, including installation of more energy-efficient lighting at multiple bus locations throughout New Jersey, bus lift replacements in several bus garages, safety upgrades to garage overhead doors, replacement of an air compressor at Orange Garage and rehabilitation of administrative offices in Camden.



Major rehabilitation work was performed in FY2015 on heavily used articulated buses.

TECHNOLOGY

To enhance our customers' abilities to stay connected, NJ TRANSIT improved the customer experience in FY2015 by expanding **WiFi** at facilities, now serving more than 75 stations and terminals. Meanwhile, designs were completed in FY15 for an **onboard WiFi** experience, with Comet V and Multilevel railcars scheduled to go into production in FY2016.

NJ TRANSIT continued to expand the availability of its popular **MyTix** app in FY2015. By the end of the fiscal year, more than 125,000 MyTix accounts were active, accounting for more than 5 million tickets sold. Based on customer feedback, new features are being planned.

Frontline bus employees, like Geronimo Parraga, use a custom "eStarter" app on their iPads to manage bus service in and out of major terminals.

NJ TRANSIT finalized development of its **Mobile App** by the end of in FY2015. The new app, which debuted in September 2015, offers the MyTix mobile ticketing system, schedule and fare information, our popular Trip Planner, DepartureVision real-time train arrival information, MyBus real-time bus scheduling information and more, all in one convenient mobile application. The number of features in the app will continue to grow.

NJ TRANSIT created a mobile app in FY2015 for frontline bus employees who manage bus departures at major terminals. The new **"eStarter"** application provides the employees with instant access to bus performance data, passenger counts and bus identifications to help them make operational decisions to improve bus flow and the overall customer experience.

The @NJTRANSIT #mytix app is the coolest thing ever. Just saved my life!! Let the weekend begin :)

– @avpeckham

NJ TRANSIT used recently purchased computer software and innovative techniques in FY2015 to develop a new approach to **bus scheduling** on select bus routes in northern New Jersey. Service adjustments that were implemented on those select routes enabled NJ TRANSIT to better maximize its available bus capacity for customers and achieve significant cost savings. The new concept is now being expanded to other NJ TRANSIT bus routes in FY16.

NJ TRANSIT increased the number of rail stations in FY2015 that utilize **"multi-station"** software, a centralized passenger communications system that gives Amtrak, Rail Operations and Customer Service the ability to manage announcements and dynamic signage at stations equipped with the software and hardware. While most

The NJ TRANSIT Mobile App will revolutionize the travel experience for customers with mobile devices.

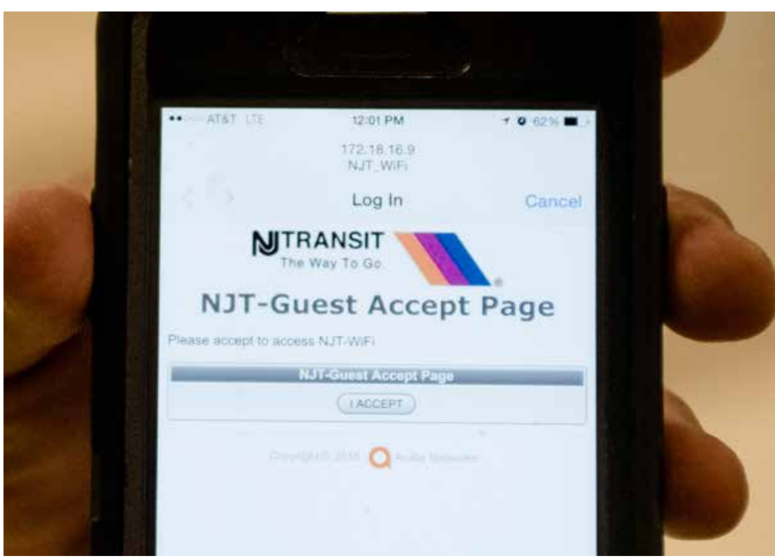
announcements are automated based on Train Control System data, manual changes can be made by text or audio to augment the information provided. Stations added to the multi-station system in FY2015 were Hoboken Terminal, Metuchen, all River LINE stations and the recently completed Princeton Station on the Princeton Branch.

In addition to its long-established customer communication channels, such as station announcements, onboard announcements, MyTransit alerts and the Corporate website, NJ TRANSIT continued to expand its **social media** presence in FY2015. Facebook, Twitter, Instagram and YouTube are used to communicate critical service information, promote NJ TRANSIT services and offer promotional discounts to customers. During FY2015, NJ TRANSIT increased the number of Facebook "Likes" it received by nearly 8,300, now totaling more than 46,740 likes. Twitter grew by more than 33,000 people during the fiscal year, exceeding 84,500 followers. Meanwhile, a dozen educational and safety videos were uploaded to YouTube during FY2015.

RECOVERY AND RESILIENCY

NJ TRANSIT's **Recovery and Resiliency Program** moved forward in FY2015, restoring and fortifying NJ TRANSIT's rail system. In September 2014, NJ TRANSIT received $1.276 billion in federal funds to advance five projects designed to storm-harden rail infrastructure. The federal funding was awarded by the Federal Transit Administration as part of a highly competitive regional process that included 13 states vying for $3 billion in total available funding. NJ TRANSIT's five projects, which are preparing to enter the preliminary engineering and design phases, are:

- **NJTRANSITGRID Project** — A first-of-its-kind electrical microgrid capable of supplying highly-reliable power during storms or other

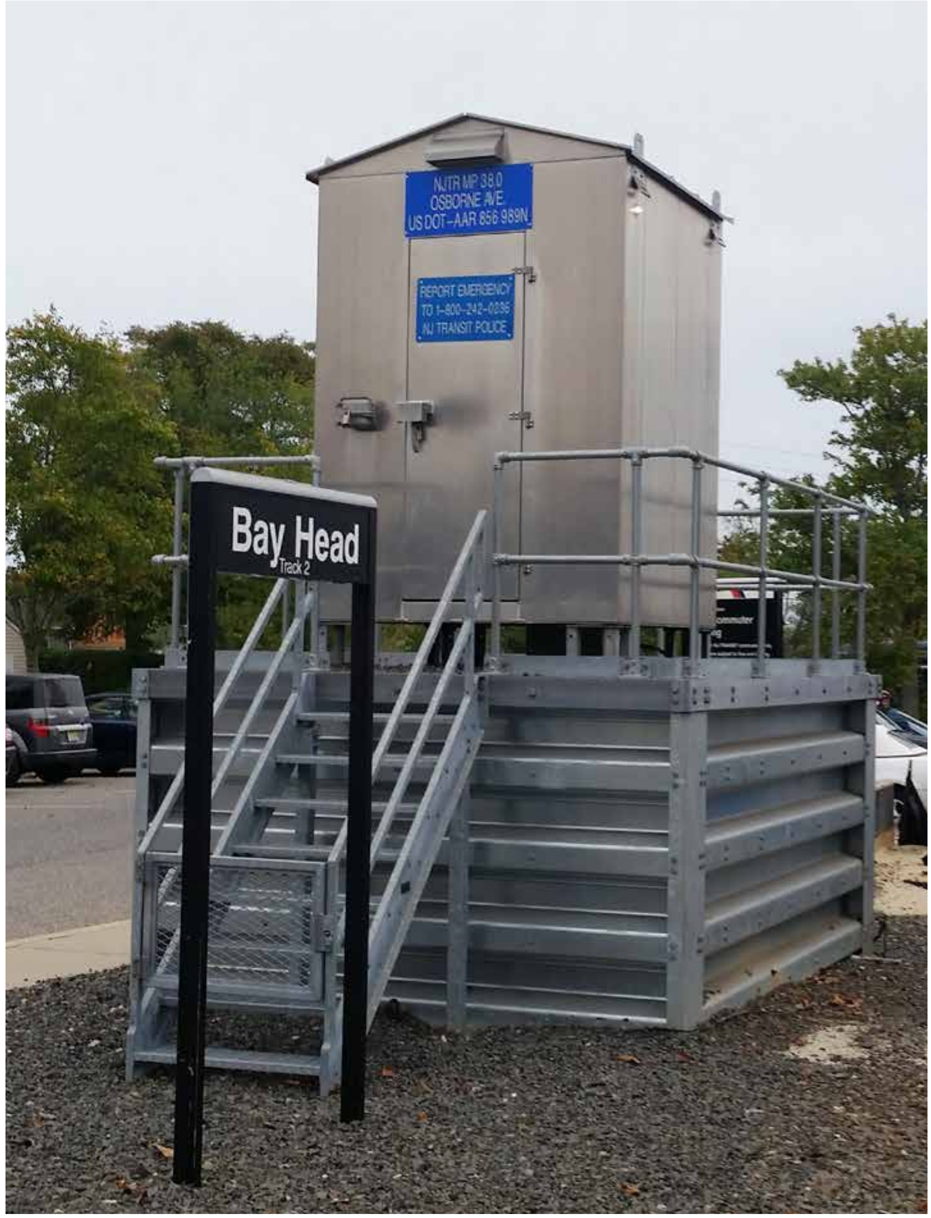


A customer connects to WiFi service at the Port Authority Bus Terminal.

Lian Cinque and Devakaran Hunt use new software to maximize bus seating and reduce operating costs.

times when the centralized power grid is compromised.

- **Hoboken Long Slip Canal Project** — This project will fill in a canal adjacent to Hoboken Yard and construct six new tracks on the filled-in area served by three high-level, ADA-accessible boarding platforms serving Hoboken Terminal.
- **Delco Lead Safe Storage and Service Restoration Project** — Designed to protect equipment from high winds and flooding in severe storms, this project will create a resilient storage area for railcars in the vicinity of County Yard on the Northeast Corridor.
- **Raritan River Drawbridge Project** — This project will replace a century-old bridge that carries North Jersey Coast Line trains across the Raritan River between Perth Amboy and South Amboy with a more resilient structure.



Rail infrastructure in low-lying areas has been raised to help protect the system from storm damage.

- **Train Controls Infrastructure Resiliency Project** — This project will harden certain rail service assets that remain vulnerable to storm events, including critical life-safety signal and communications systems.

NJ TRANSIT has also made significant progress restoring facilities or infrastructure damaged by Superstorm Sandy, including dredging at Port Imperial Ferry Terminal in Weehawken, restoration work at Hoboken Terminal and replacement of wood catenary poles with steel poles mounted in concrete foundations along the Gladstone Line.

Finally, NJ TRANSIT is partnering with Stevens Institute of Technology to develop site-specific, **storm-surge forecasting models** for Hoboken Terminal and the Meadows Maintenance Complex (MMC) in Kearny. Stevens will develop forecasting models using input from the National Weather Service, the National Oceanic Atmospheric Administration and from water depth-measuring buoys that would be installed adjacent to Hoboken Terminal and the MMC. Stevens would provide forecasts of an expected storm surge that would be more accurate than existing regional forecasts. Additionally, NJ TRANSIT is working on a user interface that would allow NJ TRANSIT managers and the Police Department's Office of Emergency Management to visually assess the impact of a predicted storm surge on vulnerable assets.

safety and security

Under the direction of Executive Director Veronique "Ronnie" Hakim, NJ TRANSIT created an **Office of System Safety** (OSS) to renew the agency's focus on safety around its bus, rail and light rail systems and at corporate facilities. OSS focuses on implementation of common and unique safety principles and practices to ensure the health and safety of NJ TRANSIT customers and employees. Among the group's achievements in FY2015:

- Conducting **"Safety Blitzes"** with the New Jersey chapter of Operation Lifesaver and the NJ TRANSIT Police Department to educate customers and motorists about safety around our system.

- Teaming up with the national Operation Lifesaver organization to promote a **"See Tracks? Think Train!" campaign** that appeared in safety education materials, at stations and on rail equipment.
- Debuting a new **"Chicken on the Tracks" safety video** that is shown to middle school and high school students to warn them about the dangers of playing on or walking along railroad tracks. The video is followed by real-life stories shared by police officers and train crew members who have witnessed the end result of train fatalities.
- Working with the New Jersey Department of Transportation to install additional safety features at the **Midland Avenue grade crossing** in Elmwood Park to prevent cars from stopping on the railroad tracks.
- Working on a **safety audit** with Rail Operations that focused on operational and workplace safety, training and train control systems.
- Participating in **diagnostic team meetings** with the New Jersey Department of Transportation to enhance safety at grade crossings around New Jersey.
- Performing detailed **safety inspections** at customer and employee facilities.

During the fiscal year, NJ TRANSIT's Safety Education Program also conducted age-appropriate **school safety presentations** at 137 schools throughout the state, reaching nearly 26,000 students. Safety Education specialists also handed out **safety materials** to nearly 68,000 people at 69 safety blitzes, conventions and community-based events.

During FY2015, installation work was completed on the River LINE **onboard video camera system**. The same onboard video surveillance system is now being installed on Newark Light Rail and Hudson-Bergen Light Rail vehicles in FY2016. The onboard cameras provide a live feed that can be observed by police and operations personnel.

NJ TRANSIT advanced plans in FY2015 to bring **Positive Train Control** (PTC) to the rail system to complement its existing automatic train control system. PTC is used to monitor

See Tracks, Think Train safety campaign.

Police, emergency responder and support personnel training at Texas A&M Engineering Extension Service (TEEX) school; Positive Train Control will enhance safety on the rail system; NJ TRANSIT Safety Blitz at Newark Penn Station.

and control train movements to enhance safety in several areas, including rail-collision avoidance, speed enforcement, temporary speed restrictions and rail-worker protection. NJ TRANSIT has equipped a locomotive and cab car with PTC hardware components, which are undergoing testing. Installation of hardware along a dedicated section of railroad right-of-way will commence in FY2016 when design plans are finalized, followed by full system demonstration testing. Meanwhile, NJ TRANSIT is working with other regional railroads to address interoperability issues and develop formal procedures for seamless train movements across different railroads.

Approximately 1,100 federal, state and local law enforcement officers and emergency responders participated in five **emergency response training exercises** hosted by the NJ TRANSIT Police Department (NJTPD) in FY2015 on rail and light rail lines throughout New Jersey. An additional 1,500 first responders received safety training.

Meanwhile, more than 150 emergency responders and support personnel joined NJ TRANSIT Police and civilian employees for advanced training at three Texas A&M Engineering Extension Service (**TEEX**) courses in FY2015. The TEEX courses, which include large-scale simulated incidents, focus on Incident Command Post and Emergency Operations Center training under the direction of coaches and mentors experienced in emergency management and incident response. The courses are certified and funded by the Department of Homeland Security and Federal Emergency Management Agency.

NJ TRANSIT continued to promote its **"Text Against Terror"** public awareness campaign in FY2015, encouraging customers to text suspicious activity to "NJTPD" (65873).

The NJTPD Intelligence Unit, with support from Department of Homeland Security contractors, Transportation Resources Associates and Binera, Inc., completed the **NJTPD Counterterrorism Risk Assessment, Countermeasure Analysis and Security Cost Benefit Analysis** in FY2015. The information is used as a strategic planning guide and tool to facilitate long-term police department decision-making and homeland security investment planning.

> @NJTRANSIT You have some very nice and helpful people working in Hoboken this evening. #Thankful for their assistance.
>
> – @MarthaLGiancola

financial performance

NJ TRANSIT has been successful in identifying several non-farebox revenue streams to help offset its operating costs. One way the Corporation accomplishes that is by leasing available space to tenants in its stations and terminals. NJ TRANSIT's real estate portfolio grew in FY2015 when the Corporation added three **new tenants** — Café Side Dish at Newark Penn Station's Raymond Boulevard Concourse, Frozenyo in a retired station building in Hackensack's Fairmont Park, and Faber, Coe & Gregg at Hoboken Terminal. In addition to its financial benefits, new vendors also provide added amenities for customers.

Meanwhile, NJ TRANSIT generated additional non-farebox revenue through **licensing** agreements for the Corporation's trademark, and **advertising** at stations and terminals, on rail and bus equipment, and on NJTRANSIT.com. Many advertisers also provided discounts and other incentives to NJ TRANSIT customers, including the New Jersey Devils, Monmouth Park Racetrack, Great Adventure, Radio City Music Hall and Madison Square Garden.

After five years of stable fares, NJ TRANSIT held 10 public hearings throughout New Jersey in FY2015 for a **fare and service adjustment proposal** that was approved at the July 2015 Board of Directors meeting. The proposal, which was finalized after all cost-containment measures could be identified through an exhaustive review process, was designed to maximize operating efficiencies while maintaining a safe and reliable transportation system. The Board authorized an average nine percent fare increase for bus, rail, light rail and Access Link customers, and the elimination of or adjustments to a small number of trains and bus routes due to low ridership.

For a more detailed look at NJ TRANSIT's financial status, turn to the back section of this report.

Faber News is NJ TRANSIT's newest tenant at Hoboken Terminal.

corporate accountability

NJ TRANSIT concluded work on a three-year strategic transit-friendly planning initiative in FY2015 called **"Together North Jersey"** funded through a U.S. Department of Housing and Urban Development grant. The Corporation completed 18 Local Demonstration Projects in 13 counties in a collaborative effort with Rutgers University, the North Jersey Transportation Planning Authority, Lt. Governor Kim Guadagno's Business Action Center and the N.J. Office of Planning Advocacy, as well as numerous non-profit partners, municipalities and counties in the target region. Many municipal partners involved in the Local Demonstration Projects have subsequently received additional state and federal grants to implement project recommendations related to improved access and mobility along local and county transit corridors, safer pedestrian and bicycle movements between neighborhoods and transit, transit-supportive land use and environmental stewardship.

Also in FY2015, two new **Transit Villages** were designated in Park Ridge (Bergen County) and Irvington (Essex County). The Transit Village initiative is a collaborative program created and led by the New Jersey Department of Transportation and NJ TRANSIT that provides incentives to municipalities to redevelop or revitalize the areas around transit stations using design standards of transit-oriented development (TOD). TOD helps municipalities create attractive, vibrant, pedestrian-friendly neighborhoods where people can live, shop, work and play without relying on automobiles. Municipal participation is voluntary and successful designees must be willing to grow in housing, population and jobs, helping to bolster New Jersey's economy and support the statewide transit network. To date, 30 communities have been designated Transit Villages.

NJ TRANSIT was actively involved in the deliberations and actions of the **Northeast Corridor Infrastructure and Operations Advisory Commission** (NEC Commission) in FY2015. The Commission provides the states along the Northeast Corridor and the District of Columbia with an opportunity to partner with Amtrak, the United States Department of Transportation, the Federal Railroad Administration and Federal Transit Administration in planning for the existing and future operation of the Northeast Corridor, and maintain and invest in the Corridor's infrastructure. Accomplishments included the adoption of a Cost Allocation Interim Policy and a five-year Capital Plan. NJ TRANSIT Executive Director Ronnie Hakim is New Jersey's voting representative on the Commission, also serving as the Chairperson of the Commission's Cost Allocation Committee and is a member of the Executive Committee. NJ TRANSIT also co-chaired the Planning Committee in FY2015, which provides critical input to the NEC Future Planning and Tier One Environment Impact Statement that is being managed by the Federal Railroad Administration.

NJ TRANSIT strengthened its relationship with the **Port Authority of New York & New Jersey**, the **New York City DOT**, the **Amalgamated Transit Union** and **private bus carriers** to develop a new operating plan at the Port Authority Bus Terminal, transforming the commute for thousands of bus customers (see the "Service" section of this report for more information).

NJ TRANSIT continued to fund many **community transportation programs** in FY2015, including counties, municipalities, non-profit organizations and human service agencies that operate more than 3,100 vehicles throughout the state.

NJ TRANSIT awarded contracts in FY2015 through the **New Jersey Job Action and Reverse Commute** program, providing connections between NJ TRANSIT bus and rail services and regional employment centers. One of the big success stories of this new program was the implementation of a one-mile bus connection for employees traveling between the NJ TRANSIT No. 600 bus route and the new Amazon distribution center in Robbinsville.

New development projects continue to rise around the Hudson-Bergen Light Rail system in Jersey City.

NJ TRANSIT provided technical assistance and developed relationships with state agencies and private entities to obtain **new revenue sources** that offset the loss of casino revenue funds, which have been on the decline. The Office of Community Services has assisted counties who want to become qualified Medicaid transportation providers for the Statewide Medicaid Broker, generating new revenues on their existing vehicle runs and encouraging advertising brokers to generate revenues through vehicle advertising.

NJ TRANSIT introduced a new **competitive grant program** under an existing federal Rural Public Transportation program to assist counties that develop fixed bus route service in low density rural areas. The new program requires a 25 percent operating match and direct connections to NJ TRANSIT regional bus and rail services in these rural counties.

NJ TRANSIT began participating in a program with the **Environmental Defense Fund** (EDF) Fellowship in FY2015. The 10-week program places top graduate students with proficiencies in business, engineering, environmental science and public policy with large organizations to advance energy management strategies. Two EDF fellows analyzed two NJ TRANSIT train stations and three bus maintenance garages as part of the NJTRANSITGRID project (see "Recovery and Resiliency" section of this report). The students were tasked with identifying energy conservation measures, energy management strategies, and researching, analyzing, and recommending distributed energy-resource systems capable of supplying reliable power during storms or other times when the utility grid is compromised. As a part of the analysis, the students were asked to perform a financial and environmental assessment for the identified measures, strategies and distributed energy resource architectures. Based on their work, several cost-effective energy efficiency (EE) and distributed energy resources (DER) were recommended.

NJ TRANSIT completed installation of nearly 400 **energy-efficient electric switch heaters** in FY2015. Approximately half of the existing switch heaters in the rail system were replaced with a new design that facilitates better heat transfer with added temperature sensors to reduce usage. The new switch heaters provide an estimated 40 percent savings in electricity demand, generating a financial savings of more than $1 million. The project was partially funded by a Federal Transit Administration grant.

New energy-efficient switch heaters, which keep train switches free of snow and ice, conserve electricity.

NJ TRANSIT began participating in a two-year **demand response pilot program** in FY2015, which included its Headquarters Building in Newark and General Office Building in Maplewood. The program is designed to save energy and help maintain power during peak summer days. The technology used in the program automatically reduces electricity consumption of the buildings with cycling strategies for the heating and air conditioning equipment, turning off non-essential lighting, changing temperature set points and taking other actions to reduce usage during periods of peak demand.

NJ TRANSIT continued to promote transparency in FY2015 by creating a new **Scorecard web library.** The library, available on njtransit.com, provides important NJ TRANSIT documentation in one convenient location, such as Scorecard metrics and survey results, the Corporation's annual report and financial statement, Board of Directors materials, capital project information, on-time performance reports, police statistics and more.

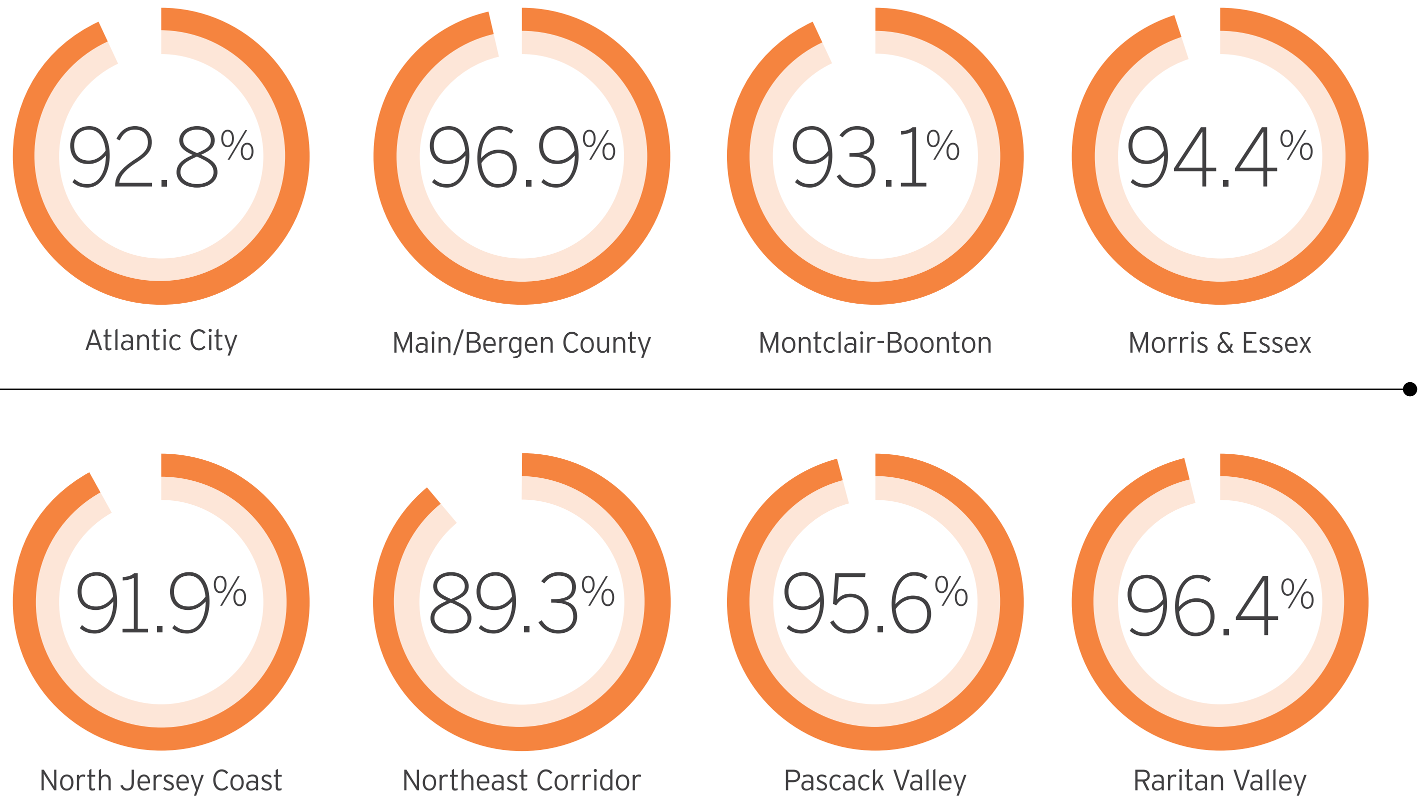
on-time performance

NJ TRANSIT On-time Performance
By Mode FY2015

Rail	93.5%
Bus	90.7%
Light Rail	95.2%

NJ TRANSIT On-time Performance

By Rail Line FY2015



Rail Methodology

NJ TRANSIT considers a train to be on time if it arrives at its final destination within five minutes and 59 seconds of its scheduled time. Trains that fail to depart from their originating station or are canceled en route are considered late for recording purposes. This standard is used by all commuter railroads in the Northeast, however, NJ TRANSIT is exploring a new system that reflects a customer's on-time experience on a specific train. The new system is expected to roll out in FY2016.

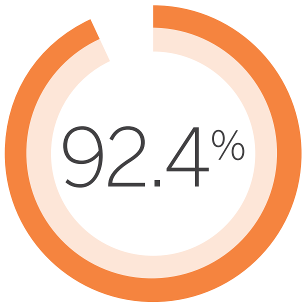
To accurately record on-time performance and maintain a database from which reports can be generated, NJ TRANSIT developed a mainframe-based computer system that calculates on-time performance and provides reports and analyses. It also provides input to other NJ TRANSIT systems.

NJ TRANSIT also uses a computer-based train dispatching system called Train Management and Control (TMAC) at its Rail Operations Center, which is synchronized with the atomic clock located at the Naval Observatory in Colorado. TMAC provides NJ TRANSIT with the ability to accurately record a train's arrival at its final destination.

Arrival times of trains operating on Amtrak's Northeast Corridor are recorded by the Amtrak delay clerk and forwarded to the supervisor at the Rail Operations Center at prescribed times during the day. An NJ TRANSIT supervisor, located at the Amtrak dispatching center in New York, reviews delays to ensure they are accurate before they are transmitted. Amtrak also uses a computerized software system to dispatch trains and record timing locations.

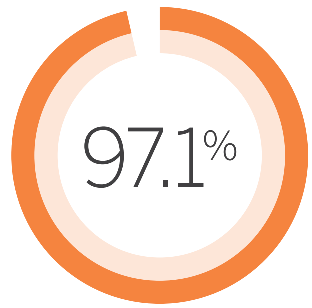
NJ TRANSIT On-time Performance

By Light Rail FY2015



Hudson-Bergen Light Rail

Newark Light Rail



River LINE

Light Rail Methodology

NJ TRANSIT monitors on-time performance using information management systems in its control centers. Train departure and arrival times are automatically tracked by computer systems that compare terminal departure and arrival times to the times posted in the public timetable.

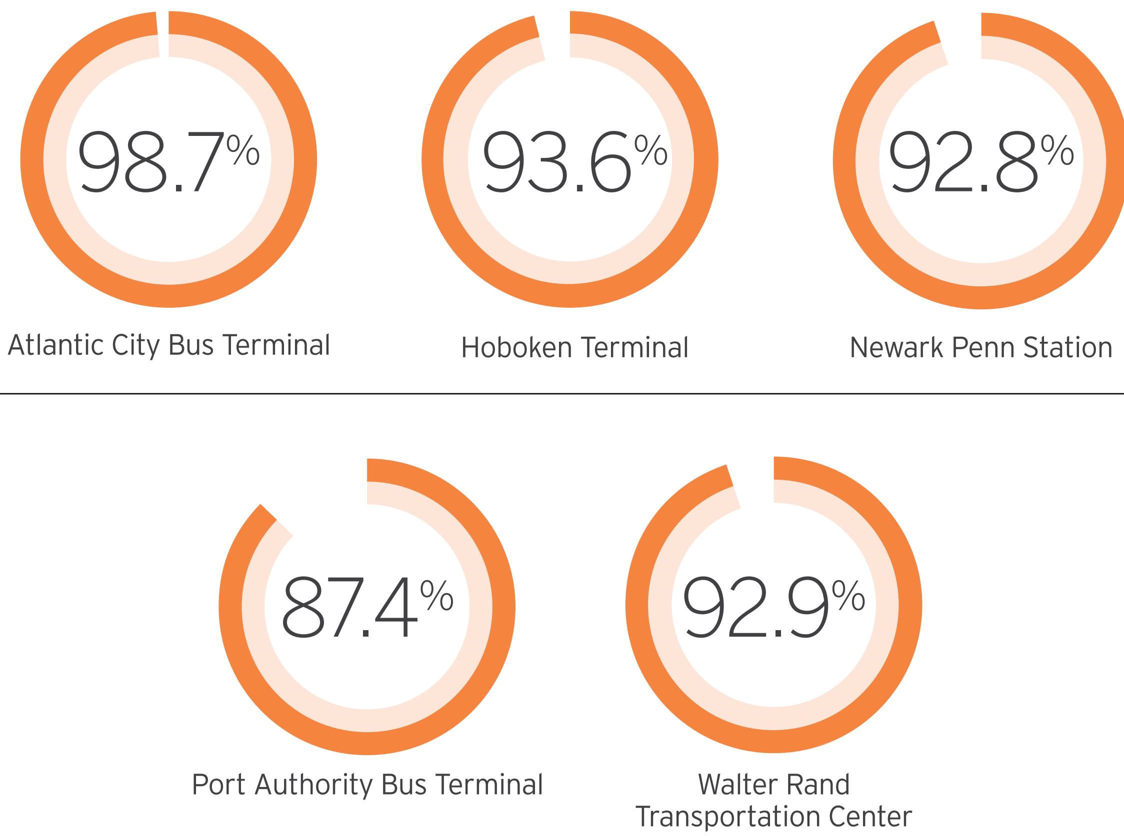
A Hudson-Bergen Light Rail train is counted as late if it leaves its origin terminal ahead of schedule or arrives at its final destination terminal more than four minutes and 59 seconds late. A River LINE train is late if it arrives at its final destination terminal more than five minutes and 59 seconds late.

On Newark Light Rail, a train operated as a separate segment between Newark Penn Station and Broad Street Station is considered late if it leaves its origin terminal ahead of schedule or arrives at its final destination after three minutes. On the segment between Grove Street Station and Newark Penn Station and on through service from Grove Street Station to Broad Street Station, a train is considered late if it leaves its origin terminal ahead of schedule or arrives at its final destination after five minutes.

NJ TRANSIT conducts audits of the information management and reporting systems to ensure the accuracy of the data.

NJ TRANSIT On-time Performance

By Bus Terminal FY2015



Bus Methodology

NJ TRANSIT records on-time performance at the following bus terminals:

- Atlantic City Bus Terminal – seven days a week, 24 hours a day
- Hoboken Terminal – weekdays from 2:30 p.m. to 6:30 p.m.
- Newark Penn Station – weekdays from 2:30 p.m. to 6:30 p.m.
- Port Authority Bus Terminal – weekdays from 3:30 p.m. to 7 p.m.
- Walter Rand Transportation Center – weekdays from 6 a.m. to 9 p.m.

Any bus that departs the terminal within five minutes and 59 seconds of its scheduled departure is considered on time. Station Starters at these locations are responsible for logging passenger counts, delays, and their causes.

In addition to terminal-based on-time performance monitoring, NJ TRANSIT uses Automatic Passenger Counting software to assess Timepoint Schedule Adherence for every scheduled timepoint on all bus routes throughout the system, on a quarterly basis. Using this data, staff can make incremental adjustments to scheduled running times by time of day to reflect current operating conditions. These adjustments improve the reliability of schedules at timepoints along bus routes, improving the customer experience at little or no cost.

board of directors

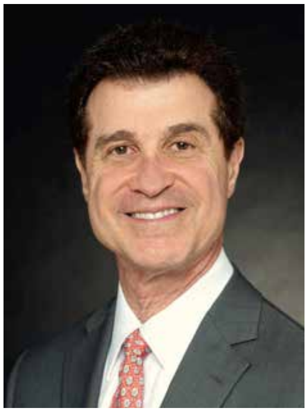
JAMIE FOX

Board Chairman

Jamie Fox was appointed Commissioner of the New Jersey Department of Transportation on September 22, 2014. He has a long and distinguished career in state and federal government serving as a senior public official. Jamie has served in senior positions under five Governors from both parties. Jamie's areas of expertise are in transportation, strategic planning, management, policy development, legislative relations and crisis management.

Prior to coming to the Department of Transportation, Jamie was a partner in Fox & Shuffler. He also served as Commissioner of the Department of Transportation in 2002, Chairman of the Board of NJ TRANSIT, Deputy Executive Director of the Port Authority of New York & New Jersey, as well as Chief of Staff to New Jersey Governor James McGreevey and Deputy Chief of Staff to New Jersey Governor James Florio. During his former tenure at NJDOT, Jamie oversaw several historic and bi-partisan reforms at the NJDOT, including fixing the long troubled E-ZPass system, consolidating the Turnpike and Parkway Authority and a historic legislative overhaul of the New Jersey Division of Motor Vehicles.

Jamie graduated with a B.A. in Political Science from Villanova University. In 1991, he participated in the State and Local Government program at the John F. Kennedy School of Government at Harvard University.



BRUCE M. MEISEL

Vice Chairman

Bruce M. Meisel is the founder and managing member of First Westwood Realty, LLC which owns, develops and manages commercial real estate in northern New Jersey. He is also a founder and Vice Chairman of the Board of Directors of Pascack Community Bank, an eight branch community bank headquartered in Waldwick, New Jersey.

In addition to serving as Vice Chairman of the Board of NJ TRANSIT since 2011, Bruce serves as Vice Chairman of the Board of Directors of Hackensack University Medical Center at Pascack Valley. He was a practicing attorney until 2007. Bruce has a Juris Doctor from Cornell Law School and a B.A. from American University. After graduating from law school, he served as a judicial clerk for the Supreme Court of New Jersey.

ROBERT A. ROMANO

Acting State Treasurer

Robert A. Romano was sworn in as Acting State Treasurer on July 6, 2015. He served as Deputy State Treasurer from 2010 to 2015 and has been involved in the management and operation of all aspects of the Department of the Treasury's activities, including his role as liaison with the Division of Law. He was previously an Assistant Attorney General in Charge of Financial Affairs, which included oversight of legal matters for Treasury and other state agencies.

Mr. Romano is a member of the bars in New York and New Jersey. He earned his juris doctorate degree from Rutgers Law School in Newark and graduated with honors. He earned his Master of Arts degree from the University of Michigan and his Bachelor of Arts degree, Phi Beta Kappa, from Rutgers College in New Brunswick.

JOHN SPINELLO

Governor's Representative

John Spinello currently serves as the Director of the Governor's Authorities Unit, part of the Office of Counsel to the Governor, which oversees more than 50 independent state and bi-state authorities and commissions, including NJ TRANSIT, the NJ Turnpike Authority, the South Jersey Transportation Authority, the Port Authority of New York & New Jersey, the Delaware River Port Authority and the Delaware River & Bay Authority.

Prior to joining the Governor's Office, John practiced law for more than a decade with K&L Gates, where his practice focused on regulatory counseling, project development and appellate advocacy for clients in the energy, transportation and manufacturing industries. He previously served as Associate General Counsel for the United States Environmental Protection Agency in Washington, D.C.

Prior to joining the EPA, John served as Senior Assistant Counsel to Governor Whitman. John also held several senior positions in the New Jersey Department of Environmental Protection.

John earned a Juris Doctor from Temple University School of Law, evening division, while working for the New Jersey State Legislature, and a B.A. from Ramapo College of NJ. He served in the United States Navy Reserve with Electronic Attack Squadron Two Zero Nine, including a deployment to the Middle East in support of Operation Northern Watch. John is a also member of the Order of Malta, Vice Chair of the Board of Overseers of Queen of Peace High School in North Arlington, and a member of the Saint Ann parish finance committee in Hampton, NJ.

MYRON P. SHEVELL

Myron P. "Mike" Shevell was appointed to the Board of Directors in May 1995, presently chairing the Board's Administration Committee, and continues to serve on the Board's Customer Service committee. He served as Vice Chairman of the Board of Directors from 1999 to 2010. He has worked in the transportation industry for more than 60 years.

Mr. Shevell is Chairman and Chief Executive Officer of New England Motor Freight (NEMF) and Chairman of The Shevell Group of trucking, real estate and logistics companies (Carrier Industries, Eastern Freight Ways, NEMF Logistics and New England World Transport). NEMF is the largest privately held, northeast-based, Less than Truckload (LTL) carrier, with a network that spans 15 States, Puerto Rico and Canada.

Mr. Shevell has an Associate's Degree from George Washington University and a Bachelor's Degree from New York University. He attended the Academy of Advanced Traffic and the Air University National Security Forum, Maxwell AFB, Alabama. He is Chairman of New Jersey Motor Truck Association; Board Member of Trump Palace Organization; Member of the National Defense Executive Reserve, U.S. Department of Transportation; Member of The Traffic Club of North Jersey and Raritan Traffic Club; and Member of the Defense Orientation Conference Association (DOCA).

FLORA M. CASTILLO

Flora M. Castillo has been a Director of the NJ TRANSIT Board since 1999 and currently chairs its Customer Service Committee. She is a board member and past Chairwoman of the American Public Transportation Association (APTA) and member of the American Public Transportation Foundation (APTF) board. A passionate transportation advocate, Ms. Castillo is also a member of the board of the Women's Transportation Seminar (WTS) based in Washington, DC, the Alan M. Voorhees Transportation Center (VTC) Advisory Board at Rutgers University and the Transportation Diversity Council (TDC). She presently serves as Vice President of Community and Strategic Engagement at UnitedHealthcare Group Community and State and has an extensive record of non-profit service.

board of directors continued

JAMES C. FINKLE

James C. "Jamie" Finkle is a New Jersey attorney, currently serving as General Counsel for several New Jersey corporations. Jamie clerked for the Honorable Richard M. Freid J.S.C. in both Essex County and Passaic County, New Jersey. After completing his clerkship, Jamie joined CBF Trucking Inc., in Ocean, New Jersey, as General Counsel. He has handled a variety of logistics-related matters for CBF Trucking Inc., including, but not limited to, government contracts, compliance with State and Federal regulations and all employee-related matters.

Jamie also serves as General Counsel for Jamie's Cigar Bar, Allwood Realty and Transport Leasing. Mr. Finkle graduated from Gettysburg College with a B.A. in Political Science, and obtained his juris doctor degree from Seton Hall University School of Law.

RAYMOND W. GREAVES

Raymond W. Greaves was appointed to the NJ TRANSIT Board of Directors in March 2013. He is a labor leader, Bayonne's Third Ward Council Member and a trustee on the Bayonne Board of Education. He serves as State Business Agent and Chairman of the New Jersey State Council of the Amalgamated Transit Union, Vice President to the New Jersey State AFL-CIO's Executive Board and an affiliate to the Essex West-Hudson Labor Council. His previous leadership positions with the union included Recording Secretary, Legislative Director, Treasurer/Executive Officer of Division 819 Transit Employees Credit Union and Shop Steward.

Ray received steward leadership and grievance procedure training at Rutgers University, and studied contract negotiations at the George Meany Labor College. In 2013, Greaves was named the Sicilian Citizens Club Man of the Year and became a Humanitarian Award recipient of the Simpson Baber Foundation for the Autistic. He has served several years as a committeeman for the Hudson County Democratic Organization.

To assure citizen representation, two transit advisory committees — one serving North Jersey and another South Jersey — regularly advise the Board of Directors on customers' opinions. Committee members are appointed by the Governor with the approval of the State Senate.

North Jersey Transit Advisory Committee

Suzanne T. Mack, Chair
Ronald Monaco, Vice Chair
Nino Coviello
Michael DeCicco
Kathy Edmond
Margaret Harden
Steven Monetti
Timothy O'Reilly
Ralph White
William R. Wright

South Jersey Transit Advisory Committee

Anna Marie Gonnella-Rosato, Chair
Ruth Byard, Vice Chair
Robert Dazlich, Secretary
Richard D. Gaughan
Calvin O. Iszard Jr.
Daniel Kelly
Jeffrey Marinoff
Val Orsinmarsi
Dominick Paglione

The Local Programs Citizens Advisory Committee advises NJ TRANSIT on public transit decisions regarding accessibility issues.

Local Programs Citizens Advisory Committee

Stephen Thorpe, Chair
David Peter Alan, 1st Chair
Sam Podietz, 2nd Vice Chair
Don Brauckmann Sr.
Robert Dazlich
Marty DeNero
Tony Hall
Gary Johnson
John McGill
Robert Panzer
Marianne Valls
Margaret Vas
Maryann Mason
Richard Bartello
Michael Vieira
William Wright
Sister Linda Delgado, O.P.

The Americans with Disabilities Act (ADA) Task Force includes individuals with disabilities who assist NJ TRANSIT in the implementation of its ADA improvements plan.

ADA Task Force

Frank Coye
Francis Grant
Mark Malone
Sally Myers
Dr. Sal Pizzuro
Bill Smith
Jim Theberry
Marianne Valls
Ina White

The Private Carrier Advisory Committee was created in 1986 to monitor the concerns of New Jersey's private bus carriers.

Private Carrier Advisory Committee

Francis A. Tedesco, Chair
Jonathan DeCamp
Donald Mazzarisi
Scott Sprengel

advisory committees

Michael Drewniak
Chief, Policy & Strategic Planning

Michael Gonnella
Deputy Attorney General

Jacqueline Halldow
Chief of Staff

Frank Savino
Acting Auditor General

Robert Lavell
Vice President/General Manager,
Rail Operations

Dennis Martin
Vice President/General Manager,
Bus Operations

Steven Santoro
Assistant Executive Director,
Capital Planning & Programming

Alma Scott-Buczak
Assistant Executive Director,
Succession Planning & Workforce Development

Warren Hersh
Acting Chief Financial Officer/Treasurer

Michael Slack
Chief Information Officer

John Squitieri
Chief, Light Rail and Contract Services

Gardner Tabon
Chief, Office of System Safety

Christopher Trucillo
Chief of Police

Paul Wyckoff
Chief, Government & External Affairs

Neil Yellin
Deputy Executive Director

Joyce Zuczek
Acting Board Secretary

executive management team

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NJ TRANSIT
FISCAL YEAR 2015
CONSOLIDATED FINANCIAL STATEMENTS

NJ TRANSIT
The Way To Go.®

Chris Christie, Governor
Kim Guadagno, Lieutenant Governor
Richard T. Hammer, Acting Commissioner
Veronique Hakim, Executive Director

NJ TRANSIT
One Penn Plaza East,
Newark, NJ 07105-2246
973-491-7000

REPORT OF MANAGEMENT

The Consolidated Financial Statements of New Jersey Transit Corporation(the Corporation), for the fiscal year ended June 30, 2015, have been audited by Ernst & Young LLP, an independent accounting firm. In performing their audit, Ernst & Young considered the company's internal control structure in determining the extent of audit procedures to be applied. In addition, Ernst & Young was given unrestricted access to all financial records and related data of the Corporation, including minutes of all Board and Audit Committee meetings. The auditor's unqualified opinion, dated December 23, 2015, is presented on page 1-2 of the 2015 consolidated financial statements.

Management of New Jersey Transit Corporation is responsible for both the accuracy of the financial data and completeness and fairness of its presentation, including all disclosures. Management is also responsible for establishing and maintaining adequate internal control over financial reporting of the Corporation. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Additionally, New Jersey Transit has an internal audit department that performs various audits throughout the year. This department reports to the Audit Committee of the Board of Directors.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even an effective internal control system can provide only reasonable assurance that its goals are achieved.

We certify that, to the best of our knowledge, during the fiscal year 2015 New Jersey Transit Corporation has followed all of the Corporation's standards, procedures and internal controls. The financial information provided to the independent auditors in connection with their audit of the 2015 financial statements is accurate, and that such information fairly presents the financial condition and operational results of the Corporation as of June 30, 2015 and for the year then ended.

Warren A. Hersh
CFO and Treasurer (Acting)

December 23, 2015

Building a better working world

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Fax: +1 732 516 4429
ey.com

Report of Independent Auditors

Management and Board of Directors
New Jersey Transit Corporation

We have audited the accompanying consolidated financial statements of the New Jersey Transit Corporation and subsidiaries (the "Corporation"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Corporation'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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation and subsidiaries as of June 30, 2015, and the consolidated changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Change in Method of Accounting for Pensions

As discussed in Note 2 to the financial statements, the Corporation changed its method for accounting and financial reporting for pensions as a result of the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent To the Measurement Date – an Amendment of GASB Statement No. 68*, both effective July 1, 2014. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis, the schedule of funding progress for retiree healthcare plan, the schedule of changes in net pension liability and related ratios, the schedule of pension contributions for NJ TRANSIT sponsored single-employer defined benefit plans, the schedule of NJ TRANSIT's proportionate share of the net pension liability for cost-sharing multiple-employer defined benefit plans, and the schedule of pension contributions for cost-sharing multiple-employer defined benefit plans, as listed in the table of contents, 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 which 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, 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.

Ernst + Young LLP

December 23, 2015

This section of New Jersey Transit Corporation's (NJ TRANSIT) annual financial report presents a narrative overview and analysis of the financial position and changes in financial position of NJ TRANSIT as of and for the fiscal year ended June 30, 2015 with selected comparative information for the fiscal year ended June 30, 2014. This discussion and analysis covers the last two fiscal years and is designed to assist the reader in focusing on the significant financial issues and activities of NJ TRANSIT and to identify any significant changes in financial position and performance. NJ TRANSIT encourages readers to consider the information presented in conjunction with the financial statements as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to NJ TRANSIT's consolidated financial statements and the notes thereto. Since NJ TRANSIT comprises a single enterprise fund, no fund-level financial statements are presented.

NJ TRANSIT's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to government units.

The consolidated financial statements provide both long-term and short-term information about NJ TRANSIT's overall financial status. The consolidated financial statements also include footnotes that provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The **Consolidated Statement of Net Position** reports NJ TRANSIT's net position and the changes thereto. Net position, the difference between NJ TRANSIT's assets, deferred outflows or inflows of resources and liabilities, over time, may serve as a useful indicator of NJ TRANSIT's financial position.

The **Consolidated Statement of Revenues, Expenses and Changes in Net Position** show NJ TRANSIT's operating results and how its net position changed during the fiscal year. All revenues, expenses and changes in net position are reported on the *accrual basis* of accounting, which reports the event as it occurs, rather than when cash changes hands (*cash basis* of accounting).

The **Consolidated Statement of Cash Flows** report how NJ TRANSIT's cash and cash equivalents increased or decreased during the year. The statements show how cash and cash equivalents were provided by and used in NJ TRANSIT's operating, non-capital financing, capital and related financing, and investing activities. The net increase or decrease in NJ TRANSIT's cash and cash equivalents is added to or subtracted from the balance at the beginning of the year to arrive at the cash and cash equivalents balance at the end of the year. NJ TRANSIT uses the direct method of presenting cash flows, which includes a reconciliation of operating income or loss to operating activities.

The **Notes to the Financial Statements** are an integral part of the financial statements and provide information that is essential to a full understanding of the statements.

The **Required Supplementary Information** presents the information regarding NJ TRANSIT's progress in funding its obligation to provide postemployment benefits other than pensions to its employees, changes in net pension liability and actuarial determined contributions for the single-employer plans, the proportionate share of the net pension liability for the multiple-employer cost-sharing plans and the contractually required contributions for the multiple-employer cost-sharing plans.

FINANCIAL HIGHLIGHTS – FISCAL YEAR 2015

- Total operating revenues for NJ TRANSIT were $1,012.9 million in fiscal year 2015, an increase of $26.1 million, or 2.6 percent compared to the prior fiscal year. Passenger revenue increased by $24.3 million, or 2.7 percent. Other operating revenues, net, increased by $1.8 million, or 2.3 percent. This increase in passenger revenue coincides with a 2.0 percent increase in ridership reflected by the impact of continued employment growth in the region.

- Total operating expenses before depreciation and other expenses were $1,973.8 million in fiscal year 2015, a decrease of $124.9 million or 6.0 percent, from the prior fiscal year. Additional details are presented beginning on page 8.

- Expenses for the repair of assets damaged during Superstorm Sandy continue to be significant and are reported separately, net of an insurance recovery. Repair and recovery expenses totaled $18.5 million for fiscal year 2015, net of a $3.4 million insurance recovery.

- Total net position at June 30, 2015 was $4,836.5 million, a decrease of $565.8 million, or 10.5 percent from the net position at June 30, 2014.

- Total capital assets (net of depreciation) were $6,921.1 million at June 30, 2015, a net decrease of $304.6 million, or 4.2 percent, below the previous fiscal year. This is indicative of depreciation outpacing the overall increase in assets.

- As of July 1, 2014, NJ TRANSIT implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*. Both of these statements have had a significant impact on the recording and presentation of NJ TRANSIT's net pension liability and pension expense during the year.

- Due to the implementation of these two standards, NJ TRANSIT has reported a net pension liability, deferred outflow of resources related to pensions and deferred inflows of resources related to pensions in the amounts of $465.7 million, $140.6 million and $8.8 million, respectively, in its statement of net position as of June 30, 2015.

FINANCIAL ANALYSIS

NET POSITION

NJ TRANSIT's total net position at June 30, 2015, was $4,836.5 million, a decrease of $565.8 million, or 10.5 percent, from June 30, 2014 (Table A-1). Total assets decreased $585.9 million, or 6.6 percent, and deferred outflows of resources from unamortized debt refunding and items related to pensions increased by $151.4 million. Total liabilities increased $122.5 million, or 3.5 percent.

TABLE A-1
NJ TRANSIT NET POSITION *($ in millions)*

	AS OF JUNE 30, 2015	2014	% INC/(DEC) 2015/2014
Current assets	$743.2	$659.7	12.7
Restricted non-current assets	639.3	999.6	(36.0)
Capital assets, net	6,921.1	7,225.7	(4.2)
Other assets	—	4.5	—
TOTAL ASSETS	**8,303.6**	**8,889.5**	**(6.6)**
Refunding of debt and pensions	14.4	3.6	300.0
Deferred outflows related to pensions	140.6	—	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**155.0**	**3.6**	**4,205.5**
Current liabilities	919.1	842.0	9.2
Notes payable	1,119.3	1,194.1	(6.3)
Net Pension liability	465.7	—	—
Net OPEB obligation	431.5	386.5	11.6
Obligations under capital leases	509.9	872.2	(41.5)
Unearned revenue and other non- current liabilities	167.8	196.0	(14.4)
TOTAL LIABILITIES	**3,613.3**	**3,490.8**	**3.5**
Deferred inflows related to pensions	8.8	—	—
TOTAL DEFERRED INFLOWS OF RESOURCES	**8.8**	**—**	**—**
Net investment in capital assets	5,692.0	5,850.9	(2.7)
Restricted for capital projects	6.8	6.5	4.6
Unrestricted (deficit)	(862.3)	(455.1)	89.5
TOTAL NET POSITION	**$4,836.5**	**$5,402.3**	**(10.5)**

FISCAL YEAR 2015

The 12.7 percent increase in current assets in fiscal year 2015 is primarily due to an increase in Federal grant receivables, offset by a decrease in cash and cash equivalents, resulting from the timing of the receipt of fiscal year 2015 Preventive Maintenance grant funds. Restricted assets decreased 36.0 percent as a result of payments for the acquisition of rolling stock and assets relating to service improvements and expansion, as well as the payments made for capital leases, including leveraged leases. Of the $6,921.1 million in capital assets, net, $601.1 million represents construction in progress; $5,951.9 million represents NJ TRANSIT's investment in buildings, structures, track, equipment, locomotives, railcars and buses, net of depreciation; and $368.1 million represents land and other capital assets.

The 9.2 percent increase in current liabilities was mainly the result of an increase in the funds advanced from the State of New Jersey. The advanced funds represent funds received for preventive maintenance for which expenditures have not been incurred and/or will be subsequently reimbursed by federal grants.

The 11.6 percent increase in the obligation for postemployment benefits reflects the fiscal year 2015 incremental increase required under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The 41.5 percent decrease in obligations under capital leases was mainly due to NJ TRANSIT terminating $341.5 million of capital lease obligations during the year.

The 14.4 percent decrease in unearned revenue & non-current liabilities is attributable to the payment of the fourth $19.0 million installment under the FTA ARC settlement agreement.

CHANGES IN NET POSITION

Changes in net position reflect the current year's results of operations combined with non-operating revenue and expenses, and capital contributions. The decrease in net position in fiscal year 2015 was $565.8 million (Table A-2). While there are many contributing factors, this was primarily the result of several large unanticipated bus claims.

OPERATING REVENUES

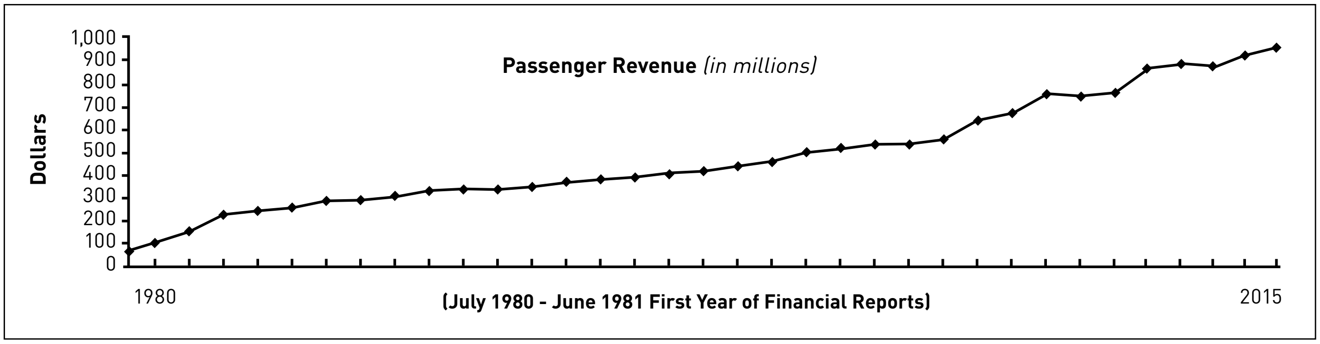
Operating revenues are comprised of passenger fares and other operating revenues, net of a bad debt allowance.

TABLE A-2
CHANGES IN NJ TRANSIT NET POSITION *($ in millions)*

	YEARS ENDED JUNE 30, 2015	2014	% INC/(DEC) 2015/2014
Operating Revenues			
Passenger fares	$933.6	$909.3	2.7
Other, net	79.3	77.5	2.3
Total Operating Revenues	**1,012.9**	**986.8**	**2.6**
Operating Expenses			
Total operating expenses before depreciation	1,973.8	2,098.7	(6.0)
Superstorm Sandy expenses, net	18.5	17.7	4.5
Depreciation	519.7	517.6	0.4
Total Operating Expenses	**2,512.0**	**2,634.0**	**(4.6)**
Operating Loss	**(1,499.1)**	**(1,647.2)**	**(9.0)**
Non-operating revenues, net	1,055.6	1,086.4	(2.8)
Capital contributions, net	321.9	513.6	(37.3)
Change in Net Position	**(121.6)**	**(47.2)**	**(157.6)**
Total Net Position, Beginning as Previously Reported	**5,402.3**	**5,449.5**	**(0.9)**
Cumulative Effect of Accounting Change	(444.2)	—	—
Total Net Position, Beginning, As Restated	**4,958.1**	**5,449.5**	**(9.0)**
Total Net Position, Ending	**$4,836.5**	**$5,402.3**	**(10.5)**

PASSENGER FARE REVENUES

Passenger fare revenue consists of fares earned during the year from the sale of tickets and monthly passes and bus farebox receipts.



Total passenger revenue for fiscal year 2015 increased $24.3 million or 2.7 percent. When major weather conditions, calendar anomalies and special events are factored out of each year, the resulting gain in revenue is only 2.4 percent. This increase can be attributed to continued employment gains. As of June, the region experienced 58 consecutive months of growth, with New York City realizing the biggest improvements. Rail passenger revenue for fiscal year 2015 increased $19.9 million, or 3.8 percent, with ridership increasing by 3.6 million passenger trips, or 4.3 percent. Bus passenger revenue increased $3.1 million, or 0.9 percent, with a slight increase in ridership over last year. Passenger revenues for Light Rail, which include Newark Light Rail, Hudson-Bergen Light Rail and River LINE revenues, increased $0.1 million, or 0.5 percent, with ridership increasing by 0.5 million passenger trips, or 2.3 percent. This increase in Light Rail ridership is due in part to the continuation of NJ TRANSIT's cross-honoring policy, which allows rail and bus passengers to use either a monthly or weekly pass to ride on all Light Rail systems at no additional charge.

The inconsistency between Light Rail revenue and ridership is the result of an increase in the sale of one way senior/disabled tickets as compared to regular full fare tickets. These are discounted at 50 percent. The increase in ridership is also due to the continuation of NJ TRANSIT's cross-honoring policy, which allows rail and bus passengers to use either a monthly or weekly pass to ride on all Light Rail systems at no additional charge.

TABLE A-3
PASSENGER REVENUE *($ in millions)*

	YEARS ENDED JUNE 30, FY15	FY14	% INC/(DEC) 2015/2014
Rail Operations	$540.6	$520.7	3.8
Bus Operations	366.9	363.8	0.9
Light Rail Operations	21.8	21.7	0.5
Special Transit Fares	4.3	3.1	38.7
Total	**$933.6**	**$909.3**	**2.7**

TABLE A-3a
RIDERSHIP *(in millions)*

	YEARS ENDED JUNE 30, FY15	FY14	% INC/(DEC) 2015/2014
Rail Lines			
Newark Division	54.0	52.0	3.8
Hoboken Division	32.7	31.0	5.5
Atlantic City	0.9	1.0	(10.0)
Total	**87.6**	**84.0**	**4.3**
Bus Lines			
Northern Division	71.1	69.6	2.2
Central Division	68.5	68.3	0.3
Southern Division	22.6	23.1	(2.2)
Total	**162.2**	**161.0**	**0.7**
Light Rail Lines			
Newark Light Rail	5.5	5.3	3.8
Hudson-Bergen Light Rail	14.2	13.8	2.9
River LINE	2.8	2.9	(3.4)
Total	**22.5**	**22.0**	**2.3**
Total Ridership	**272.3**	**267.0**	**2.0**

OTHER OPERATING REVENUES

Other operating revenues, net of the allowance for bad debt, consist of contracted service revenues, rental income, station and vehicle advertising, facility leases, parking lot operations and revenue received from operating service on behalf of Metro-North. There was an increase in other operating revenues of $1.8 million, or 2.3 percent due to several factors, including increased revenues related to the operation of the Metro-North Line, increased station concessions and rents as well as an increase in parking fees.

OPERATING EXPENSES

Operating expenses consist of employment costs, outside services, materials and supplies, depreciation and other operating costs. We continue to repair facilities damaged in Superstorm Sandy. The largest expense component related to storm repairs was for outside services, specifically repairs to rail infrastructure and project oversight costs. These costs as well as in-house labor costs and other operating expenses for the recovery and restoration efforts were reclassed from the natural expense accounts and presented on a separate line in the Statement of Revenue, Expenses and Changes in Net Position. The below table provides the details by major expense category of Storm costs.

DETAIL OF SUPERSTORM SANDY OPERATING EXPENSES/RECOVERABLES

Major expense category	*(in millions)*
Labor	$3.0
Fringe benefits	2.5
Parts, materials and supplies	2.8
Services	13.6
Total Operating Expenses from Superstorm Sandy	**21.9**
Insurance Recovery	**(3.4)**
Net Expenses/(Recoverables) from Superstorm Sandy	**$18.5**

EMPLOYMENT COSTS

Employment costs consisting of labor and related fringe benefit expenses represent over 55.4 percent of NJ TRANSIT's total operating costs. These costs include full-time and part-time agreement employees' regular wages and related overtime costs, non-agreement salaries, employment taxes, health and welfare expenses, retirement costs and other fringe benefits.

During fiscal year 2015, labor costs increased $8.3 million, or 1.3 percent, and fringe benefits decreased $118.7 million, or 21.3 percent from fiscal year 2014. Overtime and reimbursible labor charges are contributing factors to this increase. All contracts pertaining to agreement employees are currently expired. Wages for non-agreement employees continue to be frozen. The decrease in fringe benefit costs is mainly attributed to the implementation of two new governmental accounting standards (GASB's 68 and 71), which resulted in a decrease in fringe benefit expense of $120.9 million.

OTHER OPERATING COSTS

Other operating costs include parts, materials and supplies, outside services, claims and insurance, fuel and propulsion, trackage, tolls and fees, utilities, purchased transportation and other expenses.

Parts, materials and supplies expenses decreased $17.0 million or 9.5 percent.

Claims and insurance expense decreased $19.2 million or 24.8 percent. In fiscal year 2014, there was a one-time payment for third party claims in the amount of $22 million. Major contributors to the reduction were lower insurance premium expense and claims being settled during the year for less than anticipated.

Fuel and propulsion expenses decreased $5.7 million, or 3.6 percent. Fuel expenses decreased $6.3 million, or 5.3 percent, and propulsion increased $0.6 million, or 1.4 percent. The decrease in costs is mainly attributed to the ability to obtain fuel at lower costs per gallon in fiscal year 2015, as compared to fiscal year 2014.

Trackage, tolls and fees increased $7.8 million, or 13.5 percent, as a result of increased Port Authority Tunnel tolls and an increase in interlocking maintenance costs on the Northeast Corridor.

Purchased transportation increased $3.2 million or 1.5 percent resulting from increased costs for the Senior Citizen/Rural Transportation program, which is operated by the counties and municipalities and reimbursed by State casino revenue funds.

Other expenses increased $15.7 million, or 66.5 percent, as a result of increased credit cards fees, lease and rental expense and debt refinancing costs.

Depreciation expense increased by $2.0 million, or 0.4 percent due to recording catch-up depreciation on assets that were placed in service prior to fiscal year 2015.

NON-OPERATING REVENUES (EXPENSES)

Non-operating revenues decreased by $30.8 million, or 2.8 percent, primarily attributable to a decrease in federal and state grant revenue, due to the timing of grant awards. The State appropriation was decreased from $58.4 million in fiscal year 2014 to $40.3 million in 2015. State operating assistance was supplemented with funds from the New Jersey Turnpike Authority as part of an agreement between the Turnpike Authority and the State Treasurer.

CAPITAL CONTRIBUTIONS, NET

NJ TRANSIT receives federal, state and local grants for essentially all of its capital construction and acquisitions. Funding of capital grant expenditures totaling $321.9 million was $191.7 million, or 37.3 percent, below fiscal year 2014.

Major capital projects during the year included the acquisition and rehabilitation of revenue vehicles, including railcars, buses, vans and light railcars, construction of and improvements to passenger and support facilities, and rail, bus and light rail infrastructure.

TABLE A-4
NJ TRANSIT CAPITAL ASSETS *(net of depreciation)*
($ in millions)

	AS OF JUNE 30, 2015	2014	% INC/(DEC) 2015/2014
Capital projects in process	$601.1	$848.4	(29.1)
Revenue vehicles	2,150.6	2,177.6	(1.2)
Buildings and structures	2,621.8	2,724.3	(3.8)
Track	1,051.5	1,041.0	1.0
Land	353.8	353.8	—
Equipment	128.0	66.3	93.1
Other	14.3	14.3	—
Total Capital Assets, Net	**$6,921.1**	**$7,225.7**	**(4.2)**

CAPITAL ASSETS

As of June 30, 2015, NJ TRANSIT had invested $14,829.0 million in capital assets. Net of accumulated depreciation, NJ TRANSIT's net capital assets at June 30, 2015 totaled $6,921.1 million (Table A-4). This amount represents a net decrease of $304.6 million, or 4.2 percent, below June 30, 2014 net capital assets.

In fiscal year 2015, NJ TRANSIT's Board of Directors approved a $1.2 billion capital program that called for continued investment in the State of New Jersey's transit infrastructure in order to improve the overall state-of-good-repair of the system, to improve reliability and safety and support future expansions, and to create additional programs to augment the customer service experience and security. The program continued to invest in upgrades to the efficiency and state of good repair of the Northeast Corridor (NEC) with a $76 million installment in fiscal year 2015, part of NJ TRANSIT's 10 year $1 billion NEC investment program.

Looking forward, the fiscal year 2016 Capital Program calls for continued investment in the State's transit infrastructure in order to improve the overall state-of-good repair of the system, improve reliability and safety, and augment the customer service experience. The program continues to invest in upgrades to the efficiency and state-of-good repair of the NEC with a $61 million installment in FY 2016 for both infrastructure and stations, part of NJ TRANSIT's ten-year $1 billion NEC investment program. The program also invests in railroad bridge rehabilitation, track replacement, signal upgrades, repairs to overhead power lines and electrical substations, and improvements to rail station and bus shelter upgrades. Funding is also provided to augment security.

DEBT OBLIGATIONS

Debt obligations outstanding at June 30, 2015, totaled $1,852.5 million compared with $2,345.6 million at June 30, 2014, a decrease of 21.0 percent.

In August 2014, NJ TRANSIT refunded its $484.3 million of outstanding Certificates of Participation ('COPs') by issuing $483.7 million in Grant Anticipation Notes ('GANs') secured by future Section 5307 Federal Transit Administration Grants. As a result of the defeasance, NJ TRANSIT decreased its total debt service requirements over the life of the issue by $2.8 million, which resulted in net present value savings of $11.0 million. As a result of this refunding, NJ TRANSIT's short-term notes payable decreased by over 24 percent and its long-term notes payable obligation decreased by 6 percent.

The following table summarizes the changes in debt between fiscal years 2015 and 2014 *($ in millions)*:

	AS OF JUNE 30, 2015	2014	% INC/(DEC) 2015/2014
Notes payable	$1,281.2	$1,408.1	(9.0)
Obligations under capital leases*	571.3	937.5	(39.1)
Total	**$1,852.5**	**$2,345.6**	**(21.0)**

*Includes $560.6 million and $922.2 million of leveraged lease transactions as of fiscal years 2015 and 2014, respectively. Additional information about NJ TRANSIT's debt is presented in Notes 10 and 11 to the financial statements.

ECONOMIC CONDITIONS AND TRENDS

As the largest statewide transit system in the U.S., NJ TRANSIT serves several primary market areas, including northern New Jersey, southern New Jersey, New York City and Philadelphia. Economic conditions and trends in each of these areas play a major role in the demand for NJ TRANSIT services.

Employment growth in the region served by NJ TRANSIT increased 1.9 percent above the prior fiscal year. This was the fifth consecutive fiscal year in which the region experienced job growth since emerging from recession, and the gains were more than twice the annual average growth rate of the past 20 fiscal years. Overall regional employment during fiscal year 2015 was at its highest level in history.

Regional employment had peaked during September 2008 (fiscal year 2009, then declined for 19 consecutive months before bottoming out in April 2010 (fiscal year 2010), with a net employment decline of almost 4.0 percent in the region. Regional employment by the end of fiscal year 2015 had more than fully recovered from the recession, and exceeded the fiscal year 2009 peak by 3.4 percent.

The various markets served by NJ TRANSIT have experienced differing levels of employment and economic recovery. New York City employment had exhibited a 3.0 percent decline lasting a total of 16 months before its recovery started, and by the end of fiscal year 2015 had not only recovered jobs totaling those lost during fiscal 2009-10 but had added an additional 9.5 percent. Philadelphia had lost just 1.9 percent of its employment during a 14 month period, and has since recovered jobs totaling those lost plus another 2.6 percent above that.

New Jersey's economy, on the other hand, fared significantly worse than its neighbors. New Jersey employment dropped almost 6.0 percent over a 40 month period, lasting from April 2008 (fiscal year 2008) to August 2011 (fiscal year 2012). At the end of fiscal year 2015 New Jersey had recovered only about 6 of every 10 jobs lost during this period, with employment still 2.4 percent below its peak.

NJ TRANSIT ridership trends mirror those of the employment markets. Ridership trends in New York City services such as Rail passengers ticketed to/from New York Penn Station and Bus passengers on New York Interstate Routes have exhibited significantly stronger trends than those in New Jersey services, such as Rail passengers ticketed locally between New Jersey points and Bus passengers on North Jersey Intrastate Routes and South Jersey Intrastate Routes.

CONTACTING NJ TRANSIT FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and other interested parties with a general overview of NJ TRANSIT finances and to demonstrate NJ TRANSIT's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact New Jersey Transit Corporation, Chief Financial Officer and Treasurer, One Penn Plaza East, Newark, New Jersey 07105-2246.

NEW JERSEY TRANSIT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF NET POSITION *(in thousands)*
JUNE 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	$72,817
Investments	40,553
Due from federal government	325,926
Due from State of New Jersey	123,959
Material and supplies	125,570
Other	54,361
Total Current Assets	**743,186**
Non-Current Assets	
Restricted cash and cash equivalents	68,419
Restricted investments	10,317
Restricted leveraged lease deposits	560,557
Other	8
Capital assets not being depreciated	969,264
Capital assets, net of accumulated depreciation	5,951,883
Total Non-Current Assets	**7,560,448**
Total Assets	**8,303,634**
DEFERRED OUTFLOWS OF RESOURCES	
Refunding of debt	14,397
Deferred outflows related to pensions	140,606
Total Deferred Outflows of Resources	**155,003**
LIABILITIES	
Current Liabilities	
Accounts payable	171,897
Accrued payroll and benefits	189,334
Current installments under capital leases	61,365
Short-term notes payable	161,878
Other current liabilities	334,628
Total Current Liabilities	**919,102**
Non-Current Liabilities	
Notes payable	1,119,293
Accrued injury and damage claims	83,707
Obligations under capital leases	509,943
Net pension liability	465,679
Net OPEB obligation	431,480
Unearned revenue and other non-current liabilities	84,071
Total Non-Current Liabilities	**2,694,173**
Total Liabilities	**3,613,275**
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	8,891
Total Deferred Inflows of Resources	**8,891**
NET POSITION	
Net investment in capital assets	5,691,959
Restricted for capital projects	6,863
Unrestricted (deficit)	(862,351)
Total Net Position	**$4,836,471**

See Notes to Consolidated Financial Statements.

NEW JERSEY TRANSIT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION *(in thousands)*
YEAR ENDED JUNE 30, 2015

Operating Revenues	
Passenger fares	$933,550
Other, net	79,312
Total Operating Revenues	**1,012,862**
Operating Expenses	
Labor	653,527
Fringe benefits	439,062
Parts, materials and supplies	162,348
Services	137,132
Claims and insurance	58,218
Fuel and propulsion	152,435
Trackage, tolls and fees	65,400
Utilities	44,541
Purchased transportation	221,874
Other	39,256
Total Operating Expenses, Before Depreciation	**1,973,793**
Loss Before Depreciation and Other Expenses	**(960,931)**
Superstorm Sandy expenses (net of recoveries of $3.4 million)	(18,504)
Depreciation	(519,660)
Operating Loss	**(1,499,095)**
Non-Operating Revenues (Expenses)	
State appropriation	40,284
Federal, state and local reimbursements	1,066,602
Investment income	772
Other non-operating revenues	7,443
Interest expense	(59,538)
Total Non-Operating Revenues (Expenses)	**1,055,563**
Loss Before Capital Contributions	**(443,532)**
Capital contributions, net	321,891
Change in Net Position	**(121,641)**
Total Net Position, Beginning, as Previously Reported	**5,402,346**
Cumulative Effect of Accounting Change	(444,234)
Total Net Position, Beginning, As Restated	**4,958,112**
Total Net Position, Ending	**$4,836,471**

See Notes to Consolidated Financial Statements.

NEW JERSEY TRANSIT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS *(in thousands)*
YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities	
Cash receipts from fares	$931,759
Other cash receipts	105,476
Payments for claims	(64,595)
Payments to employees	(1,145,030)
Payments to suppliers	(857,847)
Net Cash Used in Operating Activities	**(1,030,237)**
Cash Flows from Non-Capital Financing Activities	
Cash receipts from federal, state and local grants and appropriations	1,021,751
Net Cash Provided by Non-Capital Financing Activities	**1,021,751**
Cash Flows from Capital and Related Financing Activities	
Payment of obligations under capital leases	(4,538)
Interest payments	(57,284)
Proceeds received from note issuances	533,788
Repayment of note obligations	(650,984)
Payment for debt refunding costs	(22,760)
Purchase of capital assets	(240,307)
Capital grants	344,610
Net Cash Used by Capital and Related Financing Activities	**(97,475)**
Cash Flows from Investing Activities	
Sales and maturities of investments	573,105
Purchases of investments	(550,129)
Interest on investments	1,465
Net Cash Provided by Investing Activities	**24,441**
Net Decrease in Cash and Cash Equivalents	**(81,520)**
Cash and Cash Equivalents	
Beginning of Year	**222,756**
End of Year	**$141,236**
Non-Cash Investing Activities	
Increase in fair value of investments	$(694)
Non-Cash Investing Activities	**$(694)**

See Notes to Consolidated Financial Statements.

NEW JERSEY TRANSIT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)* *(in thousands)*
YEAR ENDED JUNE 30, 2015

Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	**$(1,499,095)**
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	519,660
Changes in Assets and Liabilities	
Materials and supplies	422
Other current assets	(832)
Other non-current assets	(136,119)
Accounts payable	(16,264)
Accrued payroll and benefits	44,623
Other current liabilities	1,231
Accrued injury and damage claims	(7,936)
Net pension liability	4,012
Net OPEB obligation	45,018
Unearned revenue and other non-current liabilities	15,043
Net Cash Used by Operating Activities	**$(1,030,237)**

See Notes to Consolidated Financial Statements.

1. ORGANIZATIONS AND BUSINESS PURPOSE

Reporting Entity. The New Jersey Transit Corporation (NJ TRANSIT) is a component unit of the State of New Jersey created by the New Jersey Public Transportation Act of 1979. NJ TRANSIT is empowered with the authority to acquire, own, operate and contract for the operation of public passenger transportation services. NJ TRANSIT provides these services through bus operations (NJ TRANSIT Bus Operations, Inc., NJ TRANSIT Mercer, Inc. and NJ TRANSIT Morris, Inc.), and commuter rail operations (NJ TRANSIT Rail Operations Inc.). ARH III Insurance Company, Inc., a non-profit special purpose captive insurance company, is a blended component unit of NJ TRANSIT. NJ TRANSIT also contracts with several third-party providers for certain transportation services including the operation of two light rail lines. Under these contracts, NJ TRANSIT has the right to set fares and coordinate service levels and schedules. In addition, NJ TRANSIT contracts with the National Railroad Passenger Corporation (Amtrak) for the maintenance of certain NJ TRANSIT rolling stock and the use of Amtrak's Northeast Corridor, including propulsion costs, right-of-way maintenance costs and certain transportation management services.

NJ TRANSIT receives operating assistance and capital funds from the State of New Jersey by legislative appropriation; the Federal Government by defined formula; discretionary grants under the Federal Urban Mass Transportation Act of 1964 as most recently amended by the Moving Ahead for Progress Act in the 21st Century Act (MAP-21) of 2012; and, local sources. Most federal grants are administered by the Federal Transit Administration (FTA). These grants are used to support construction, acquisition and operation of public transportation facilities, equipment and services.

NJ TRANSIT is governed by an eight-member Board of Directors. Seven of the members have voting authority and include the Commissioner of Transportation, who serves as Chairman, the State Treasurer and another member of the Executive Branch selected by the Governor, who serve ex officio, and four other public members appointed by the governor with the consent of the State Senate. The eighth non-voting member is appointed by the Governor on the recommendation of the labor organization representing the plurality of the employees of NJ TRANSIT, that organization being the Amalgamated Transit Union. Five transit advisory committees regularly advise the Board of Directors on a number of topics. The North and South Jersey Transit Advisory Committees regularly advise the Board on customers' opinions, the Private Carrier Advisory Committee monitors the concerns of New Jersey's private bus carriers, the ADA Task Force assists NJ TRANSIT in the implementation of its ADA improvements plan, and the Local Programs Citizens Advisory Committee advises NJ TRANSIT on public decisions regarding accessibility issues. NJ TRANSIT employs an executive director who manages the day-to-day operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. The accounts are maintained and financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP) as they relate to enterprise funds of state and local governmental units and accordingly follow all applicable Governmental Accounting Standards Board (GASB) pronouncements.

In accordance with GAAP, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of NJ TRANSIT are included in the Consolidated Statements of Net Position and depreciation of capital assets is recognized in the Consolidated Statement of Revenues, Expenses and Changes in Net Position. The two principal sources of revenue are passenger fares and governmental operating assistance and reimbursements. Operating expenses include the costs of operating the system, administrative expenses and depreciation of capital assets.

New Accounting Pronouncements Recently Adopted. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, were issued in June, 2012. The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The requirements of GASB 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet certain criteria and to the financial statements of state and local governmental non-employer contributing entities that have a legal obligation to make contributions directly to such pension plans. The requirements apply whether the government's financial statements are presented in stand-alone financial reports or are included in the financial reports of another government.

GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement requires governments providing defined pension benefits to recognize their long-term obligation for benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.

GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, was issued in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

On July 1, 2014, NJ TRANSIT adopted GASB Statement No. 68 and GASB Statement No. 71. GASB Statement No. 68 requires cost-sharing employers to recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for their proportionate share of the pension plan's total. As the State of New Jersey Public Employees' Retirement System did not have a practical way to provide each of its cost-sharing employers with all of the information needed to fully restate their prior period financial statements, NJ TRANSIT has elected to apply the "cumulative effect" method, as discussed in GASB Statement No. 68, by restating beginning net position as of July 1, 2014. As of July 1, 2014, NJ TRANSIT recorded an adjustment to reduce beginning net position by $511.6 million in accordance with GASB Statement No. 68, as amended.

GASB Statement No. 71 requires that, at transition, a government recognize a deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the net pension liability and at the end of the government's reporting period. The provisions of GASB Statement No. 71 are required to be applied simultaneously with the provisions of GASB Statement No. 68. As of July 1, 2014, NJ TRANSIT recorded an adjustment to increase beginning net position by $67.4 million for contributions made to the plans from July 1, 2013 through June 30, 2014.

As of July 1, 2014, the cumulative effect of adopting GASB Statement Nos. 68 and 71 was a $444.2 million reduction to beginning net position. The following table shows the impact of the "cumulative effect" method of adopting and implementing GASB Statement Nos. 68 and 71 on beginning net position.

Statement of Revenue, Expenses and Changes in Net Position *(in millions)*

Net position, beginning of period, July 1, 2014 (as previously stated)	$5,402.3
Cumulative effect of adopting GASB Statement Nos. 68 and 71	(444.2)
Net position, beginning of period, July 1, 2014 (as restated)	$4,958.1

Accounting Standards Issued But Not Yet Adopted. GASB Statement No. 72, *Fair Value Measurement and Application*, was issued in February 2015. The scope of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about concepts and definitions established in Concepts Statement No.6, *Measurement of Elements of Financial Statements*, and other relevant literature.

The Statement is effective for fiscal years beginning after June 15, 2015. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68 were issued in June 2015. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities. This Statement also clarifies the application of certain provisions of Statement Nos. 67 and 68 with regard to the following issues:

- Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation.

The Statement is effective for fiscal years beginning after June 15, 2015. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* was issued in June 2015. Statement 74 replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

The Statement is effective for fiscal years beginning after June 15, 2016. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued in June 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity. In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, Non-employer contributing entities, the OPEB plan administrator, and the plan members.

The Statement is effective for fiscal years beginning after June 15, 2017. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* was issued in June 2015. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

The requirements in this Statement improve financial reporting by (i) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (ii) emphasizing the importance of analogies to authoritative literature when accounting treatment for an event is not specified in authoritative GAAP; and (iii) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures* was issued in August 2015. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public.

Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability.

Financial statements users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

The statement is effective for fiscal years beginning after December 15, 2015. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, was issued on December 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this statement are effective for reporting periods beginning after December 15, 2015. This statement will not have an impact on the NJ TRANSIT's financial statements.

Revenue and Expense Classification. NJ TRANSIT distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses primarily result from providing transportation services in connection with NJ TRANSIT's ongoing operations. The principal operating revenues are generated from passenger fares. NJ TRANSIT's operating expenses include employment costs, materials, services, claims and insurance, purchased transportation and other expenses related to the delivery of transportation services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. NJ TRANSIT's primary source of non-operating revenue relates to grants, subsidies and capital contributions. Grants, subsidies and capital contribution revenue is recognized at the time eligible expenses occur and/or NJ TRANSIT has complied with the grant and subsidy requirements, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Non-capital grants and subsidies are reported as non-operating revenue and capital grants are reported as a separate item on the Statements of Revenues, Expenses and Changes in Net Position as capital contributions.

Net Position. Net position equals assets, plus deferred outflows of resources, minus liabilities, minus deferred inflows of resources and are classified into three categories:

- Net Investment in Capital Assets - This reflects the net position of NJ TRANSIT that is invested in capital assets, net of related debt. This indicates that this net position is not accessible for other purposes.
- Restricted for Capital Projects – This represents the net position that is not accessible for general use because their use is subject to restrictions enforceable by third parties.
- Unrestricted (Deficit) – This relates to net position that does not meet the definition of "net investment in capital assets" or "restricted," as discussed above, such as the recognition of the liability for postretirement benefits other than pensions that exceed the net position for general use.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand, demand deposits and other short-term investments with maturities of three months or less when purchased. The Corporation considers cash and cash equivalents and investments held for the repayment of the non-current portion of notes payable and debt to be non-current assets.

Investments. All investments, except for investment agreements, are stated at fair value based on quoted market prices, as available (see Note 3). Investment agreements are collateralized, non-participating guaranteed investment contracts, which are carried at cost. Income from investments is recognized on the accrual basis. Realized gains or losses on sales of investment securities are accounted for using the specific identification method. NJ TRANSIT has elected to combine realized and unrealized gains and losses on investments. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments. Realized gains and losses include unrealized amounts from prior years.

Accounts Receivable. Accounts receivable, primarily amounts due from federal and state governments, are included with other current assets and are recorded net of an allowance for uncollectible amounts.

Capital Assets. All capital assets are recorded at cost and include revenue and non-revenue vehicles, buildings, stations, furniture, fixtures, other equipment and infrastructure assets (right-of-way, track work and bridges). Capital assets, which were acquired by the State of New Jersey, Department of Transportation and subsequently transferred to NJ TRANSIT at cost, are included in capital assets.

Capitalization Policy. Under NJ TRANSIT's policy, purchases exceeding $5,000 representing additions or betterments, with a useful life greater than one year, are capitalized. Ordinary maintenance and repairs are charged to expense as incurred.

Depreciation Policy. Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the assets as follows:

	YEARS
Buildings, structures and trackwork	25
Railcars and locomotives	22-25
Buses, vans and light railcars	5-15
Furniture, fixtures and equipment	3-10
Computer software and licenses	3

Capital Projects in Process. These are costs incurred by NJ TRANSIT for capital projects in various stages of completion and include all activities designed to construct, acquire or extend useful lives of existing capital assets.

Net Capitalized Interest. Net interest costs on funds borrowed to finance the construction or acquisition of certain capital assets, during the period of construction or acquisition, are capitalized and depreciated over the life of the related assets once placed in service.

Materials and Supplies. Fuel, spare parts and supplies purchased are recorded as inventories at average cost, net of a reserve for slow-moving and obsolete parts.

Deferred Outflows/Inflows of Resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. NJ TRANSIT has two items that qualify for reporting in this category. The first deferred outflow results from refunding long-term debt and is the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item relates to the contributions made to the pension plans, subsequent to the measurement date of NJ TRANSIT's beginning net pension liability and changes of assumptions in calculating the total pension liability. Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. NJ TRANSIT has deferred inflows of resources related to the net deferred gains on pension plan investments which are being amortized over a five year period.

Injury and Damage Claims. Injury and damage claims are accrued at estimated award or settlement amounts when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. NJ TRANSIT is insured against public liability, property damage and Federal Employee Liability Act (FELA) claims through various levels of coverage placed with commercial insurance carriers and its wholly owned subsidiary, ARH III Insurance Company, Inc. Such coverage includes self-insured retention.

Pollution Remediation Obligations. Pollution remediation costs are being expensed in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. An operating expense provision and corresponding liability measured at current value using the expected cash flow method has been recognized for certain pollution remediation obligations. Pollution remediation obligations occur when any one of the obligating events takes place (see Note 12).

Note Premiums and Discounts. Premiums and discounts, which are recorded net with Notes Payable, are amortized over the life of the debt in the financial statements using the effective interest method.

Income Taxes. NJ TRANSIT is exempt from federal income taxes under the Internal Revenue Code, Section 115 and from state income taxes under N.J.S.A. 27:25-16. Accordingly, no provision is recorded for federal and state income taxes.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the five defined benefit, single-employer plans that NJ TRANSIT sponsors, the New Jersey Public Employee Retirement System (PERS) and the New Jersey Police and Firemen's System (PFRS) and additions to/deductions from these plans' fiduciary net position have been determined on the same basis as they are reported by these plans. For this purpose, benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits. Other Postemployment Benefits (OPEB) cost for health care is measured and disclosed using the accrual basis of accounting. The annual OPEB cost is equal to the annual required contributions to the OPEB plan, calculated in accordance with certain parameters (see Note 7).

Compensated Absences. Accumulation and payment of vacation and sick leave for agreement employees is based on the collective bargaining agreements with the various unions. Non-agreement employees are permitted to carryover one year's worth of vacation days. Sick days earned for non-agreement employees after January 1, 2012 are not eligible for cash-in upon retirement. As required under GASB Statement No. 16, *Accounting for Compensated Absences*, the compensated absences should be accrued as a liability when earned and the liability should be measured using the pay rates in effect at the statement of net position date.

3. DEPOSITS AND INVESTMENTS

NJ TRANSIT's deposits and investments follow *(in millions)*:

	AS OF JUNE 30, 2015
Current	
Cash on hand	$16.9
Cash equivalents	55.9
Total cash and cash equivalents	**72.8**
Investments	40.6
Total current cash and investments	**113.4**
Non-current	
Restricted cash on hand	5.0
Restricted cash equivalents	63.4
Total restricted cash and cash equivalents	**68.4**
Restricted investments	10.3
Restricted total non-current	**78.7**
Total Deposits and Investments	**$192.1**

NJ TRANSIT's cash on deposit with various entities as of June 30, 2015 totaled $21.9 million.

ACCOUNT TYPE	BALANCE *(in millions)* 2015
Insured	$1.4
Insured held at NJ TRANSIT's locations	8.1
Uncollateralized held by health care providers	5.0
Uninsured held by banks	7.4
Total	**$21.9**

Custodial Credit Risk. Custodial credit risk is the risk that a bank failure would result in the forfeiture of NJ TRANSIT deposits. NJ TRANSIT does not have a policy for custodial credit risk. As of June 30, 2015, $12.4 million of NJ TRANSIT's cash balance was exposed to custodial credit risk.

The following schedule lists the allocation of cash and investments by financial institution *($ in millions)*:

	June 30, 2015	
Institution/Issuer	**AMOUNT**	**% OF PORTFOLIO**
Bank of America	$31.1	16.2*
BNY Mellon	15.5	8.1*
City National Bank	2.5	1.3
Fidelity Investments	10.1	5.3*
Merrill Lynch	42.3	22.0*
Morgan Stanley	1.3	0.7
PNC Institutional Investments	0.6	0.3
State Street Bank and Trust	2.2	1.1
The Bank of New York	4.9	2.6
US Bank	69.0	35.8*
Wachovia	2.3	1.2
Wells Fargo Securities	8.4	4.4
Working Funds/Petty Cash	1.9	1.0
Total	**$192.1**	

*Majority of the investments held include government securities.

NJ TRANSIT's investments as of June 30, 2015 totaled $170.2 million.

Investments	**Fair Value** *($ in millions)*	**Weighted Average Maturity in Years**
State of NJ Cash Management Fund	$45.1	0.08
Money Markets	74.3	0.13
U.S. Treasury/Securities	10.3	0.04
Bonds	10.8	0.47
Common Stocks	18.9	—
Other	10.8	—
Total	**$170.2**	
Portfolio weighted average maturity (inclusive of proceeds from debt issuance)		0.14

Interest Rate Risk. In accordance with NJ TRANSIT's investment policy, NJ TRANSIT manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year. However, up to 25 percent of all investments may be invested in eligible securities, which mature within two years provided that the average maturity of all investments shall not exceed one year. Investments associated with the proceeds of debt issuance are governed by the related bond covenant agreements.

Credit Risk. NJ TRANSIT's investments are restricted to (a) United States Treasury Securities; (b) corporate obligations, provided they are rated Baa/BBB or better; (c) senior debt securities, provided such securities are rated at least AA; (d) commercial paper, which must have the highest prime rating and must be issued by a company incorporated in the United States; (e) certificates of deposit, both collateralized and uncollateralized (in the case of collateralization, the market value of the collateral must be 120 percent of the purchased price at the time of purchase); (f) repurchase agreements; (g) banker's acceptances; (h) loan participation notes; and (i) money market mutual funds. The restrictions pertaining to each class of these securities are outlined in NJ TRANSIT's investment policy and are strictly adhered to. Any deviation from the established risk is authorized by the Board of Directors.

NJ TRANSIT investment policy limits exposure to any single issuer to 20 percent of the investment portfolio. This restriction does not apply to issues of the U.S. government or its agencies that are explicitly guaranteed by the U.S. government or the State of New Jersey Cash Management Fund.

The investment of NJ TRANSIT funds is governed by NJ TRANSIT's By-Laws. The Treasurer is authorized to invest and deposit funds of NJ TRANSIT in obligation and/or depositories, which are generally consistent with the investment policies of the State of New Jersey Cash Management Fund as permitted under Public Law 1950 c.270 and subsequent legislation or as otherwise prescribed by the Board of Directors of NJ TRANSIT. Investee institutions and organizations qualify as depositories based on such criteria as minimum capital, credit ratings and other evaluation factors.

U.S. government and agency obligations are guaranteed by the full faith and credit of the issuing entity and are held by NJ TRANSIT's escrow agent in an account for NJ TRANSIT. Repurchase agreements are uncollateralized and uninsured and are limited to investment-grade paper. The State of New Jersey Cash

Management Fund is a common trust fund administered by the New Jersey Department of Treasury, Division of Investment and is an unrated investment.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Corporation's investment in a single issuer. As of June 30, 2015, no exposure of the concentration of credit risk existed since the Corporation did not hold any investments in any one issuer that would represent five percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this regulation.

4. RESTRICTED ASSETS

Restricted assets include cash, investments and amounts on deposit with lessors that have been restricted from use for normal operations as a result of agreements with outside parties.

Since April 1997, certain proceeds, primarily from the issuance of Grant Anticipation Notes, Certificates of Participation and New Jersey Economic Development Authority Bonds, financed portions of NJ TRANSIT's capital projects. These proceeds are restricted by applicable agreement covenants. As of June 30, 2015, the balance of restricted assets related to these proceeds was $65.9 million.

Since fiscal year 1996, NJ TRANSIT has entered into leveraged leases with certain domestic and overseas lessors. Restricted leveraged lease deposits as of June 30, 2015 were $560.6 million for these lease agreements that represent investment agreements made to meet NJ TRANSIT's payment obligations throughout the term of the leases.

As these transactions do not meet the definition of an "in-substance defeasance," NJ TRANSIT has recorded Obligations Under Capital Leases and the related assets as Restricted Leveraged Lease Deposits in the Consolidated Statements of Net Position.

Other restricted amounts are made up primarily of deposit requirements for NJ TRANSIT health insurance plans, sale of fixed asset reserves and reserve requirements for Metropark parking deck. The proceeds of other restricted amounts totaled $12.8 million as of June 30, 2015.

5. CAPITAL ASSETS

A summary of all capital assets of NJ TRANSIT as of June 30, 2015 follows *(in millions)*:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets not being Depreciated				
Land	$353.8	$ —	$—	$353.8
Capital projects in process	848.4	224.9	472.2	601.1
Operating rights	14.3	—	—	14.3
Total	**1,216.5**	**224.9**	**472.2**	**969.2**
Capital Assets being Depreciated				
Buildings and structures	5,728.3	108.0	9.0	5,827.3
Track	2,255.8	89.3	—	2,345.1
Railcars and locomotives	3,059.4	28.0	43.0	3,044.4
Buses, vans and light railcars	1,728.9	138.3	3.8	1,863.4
Furniture, fixtures and equipment	651.7	105.3	0.1	756.9
Computer software & licenses	20.4	3.3	1.0	22.7
Total	**13,444.5**	**472.2**	**56.9**	**13,859.8**
Less Accumulated Depreciation				
Buildings and structures	3,004.0	203.6	2.1	3,205.5
Track	1,214.8	80.5	1.7	1,293.6
Railcars and locomotives	1,410.5	95.8	42.8	1,463.5
Buses, vans and light railcars	1,200.2	97.4	3.9	1,293.7
Furniture, fixtures and equipment	585.4	45.5	0.1	630.8
Computer software & licenses	20.4	1.4	1.0	20.8
Total	**7,435.3**	**524.2**	**51.6**	**7,907.9**
Total Capital Assets, Net of Depreciation	**6,009.2**	**(52.0)**	**5.3**	**5,951.9**
Total Net Capital Assets	**$7,225.7**	**$172.9**	**$477.5**	**$6,921.1**

Cash paid for capital assets was $240.3 million, of that amount $24.2 million was related to the assets transferred to other government entities.

As of June 30, 2015, capital assets include capitalized interest costs of $487.4 million, net of interest income of $359.4 million, related to the issuance of Grant Anticipation Notes and Certificates of Participation (see Note 10). No interest was capitalized during 2015, as the respective projects were completed and placed into service during the year.

During fiscal year 2015, NJ TRANSIT received capital contributions of $346.1 million, of which $24.2 million were passed through to other entities, respectively. These amounts are considered to be passed through since NJ TRANSIT transferred ownership of the assets upon completion of the projects. For fiscal year 2015, these projects consisted primarily of the betterment of Amtrak's Northeast Corridor Rail Line, Broadband Technology Opportunity Program and the 69th Street Bridge Renovation Project.

6. PENSION AND EMPLOYEE BENEFIT PLANS

Employees of NJ TRANSIT participate in either the NJ TRANSIT sponsored defined benefit plans, which are single-employer pension plans, the PERS, or the PFRS. PERS and PFRS are cost-sharing multiple-employer defined benefit plans, which are administered by the State of New Jersey, Division of Pensions and Benefits.

NJ TRANSIT SPONSORED SINGLE-EMPLOYER DEFINED BENEFIT PLANS

General Information About the Plans

Plan Descriptions. NJ TRANSIT sponsors five defined benefit, single-employer pension plans for the employees. Of the five single-employer defined benefit pension plans, four cover bus agreement employees and one plan covers non-agreement employees. The four agreement plans are the Amalgamated Transit Union (ATU) Employees Retirement Plan, the Transport Workers Union Employees (TWU) Retirement Plan, the Utility Workers' Union of America (UWUA) Employees Retirement Plan, and the Mercer Employees Retirement Plan. The plan covering all non-agreement employees, hired prior to July 1, 2006, is the Transit Employees Retirement Plan (TERP).

Benefits Provided. Each single-employer pension plan provides retirement, disability and death benefits for plan members and beneficiaries with the exception of the TERP plan, which has no disability provision and was closed to non-agreement employees hired on or after July 1, 2006. NJ TRANSIT maintains the authority to establish and amend benefit provisions of the non-agreement plan while the agreement plans are subject to the collective bargaining process. Separate audited financial statements are issued for the five pension plans. For more information, go to www.njtransit.com/pp2014.

The Plans provide retirement, death and disability benefits with full vesting of the accrued benefits to a participant who terminates employment with 10 or more years of vesting service. A participant is credited with one year of vesting service for each calendar year in which he completes 1,000 hours of service or more. The standard form of pension payment to a retiring participant is a 50 percent actuarially equivalent reduced surviving spouse annuity unless the participant elects to have the benefits paid in some other form. For ATU and TERP, the retirement benefits rate is based on 2.125 percent for each year of service multiplied by the average of the highest three years earnings in the past ten years of service. For UWUA, employees retiring on November 1, 2007 and thereafter the retirement benefit rate increased from previous 2.0 percent to 2.125 percent for each year of service multiplied by the average of the highest three years earnings in the last ten years of service. For Mercer, employees retiring on September 1, 2008 and thereafter, the retirement benefit rate increased to 2.125 percent from previous 2.0 percent for each year of service multiplied by the average of the highest three years earnings in the last ten years of service. Participants are always fully vested for their own contributions.

Employees covered by benefit terms. At July 1, 2014, the following employees were covered by the benefit terms:

	ATU	TERP	TWU	MERCER	UWUA(UCA)
Active participants	4,477	1,144	189	155	18
Inactive plan participants or beneficiaries currently receiving benefits	2,871	1,137	170	114	24
Inactive plan participants entitled to but not yet receiving benefits	319	244	22	13	8
Total	**7,667**	**2,525**	**381**	**282**	**50**

Contributions. Under the provisions of four of the single-employer pension plans, the contribution requirements of plan members and NJ TRANSIT are established as a result of bargaining agreements between the unions and NJ TRANSIT. In accordance with the TERP plan document, the TERP contributions shall be paid in such intervals and in such amounts as directed by the Company under the advice of an actuary. Plan members are required to contribute 2 to 4 percent of their annual covered salary. For the year ended June 30, 2014, NJ TRANSIT average contribution rate is 17.4 percent of annual covered payroll.

Net Pension Liability. NJ TRANSIT's liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions for the five defined benefit plans, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.00% plus age and service based merit increases
Investment rate of return	8.00%, Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Blue Collar Mortality Tables for annuitants and non-annuitants. These tables are adjusted to future years using generational projection under one-half Scale MP-2014 to anticipate future mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation ATU	Target Allocation Other*	Long-Term Expected Real Rate of Return
Domestic large cap equity	41.0%	40.4%	6.6%
Domestic small cap equity	9.0%	7.1%	6.6%
Foreign equity	10.0%	10.0%	7.1%
Fixed income	38.5%	40.5%	2.2%
Cash	1.5%	2.0%	0%

***TERP, TWU, Mercer and UWUA(UCA)**

Discount rate. The discount rate used to measure the total pension liability for the plans was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the actuarially determined amount. Based on those assumptions, the pension 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 the total pension liability.

Changes in the Net Pension Liability for the year ended June 30, 2015 *(in millions):*

	ATU	TERP	TWU	MERCER	UWUA(UCA)
Total Pension Liability					
Service cost	$23.4	$6.6	$1.1	$0.9	$0.1
Interest	80.2	48.4	3.5	3.1	0.6
Changes of assumptions	32.0	16.4	1.5	1.3	0.3
Benefit payments, including refunds of employee contributions	(58.9)	(34.8)	(2.8)	(2.4)	(0.5)
Net change in total pension liability	**76.7**	**36.6**	**3.3**	**2.9**	**0.5**
Total pension liability – beginning	**1,031.9**	**622.8**	**45.3**	**39.5**	**7.1**
Total pension liability – ending (a)	**$1,108.6**	**$659.4**	**$48.6**	**$42.4**	**$7.6**
Plan fiduciary net position					
Contributions – employer	$44.8	$19.3	$1.3	$1.8	$0.2
Contributions – employee	6.5	1.8	0.3	0.2	—
Net investment income	134.5	65.4	6.0	3.9	1.0
Benefit payments, including refunds of employee contributions	(58.9)	(34.8)	(2.8)	(2.4)	(0.5)
Administrative expense	(3.1)	(1.9)	(0.2)	(0.1)	—
Net change in plan fiduciary Net position	**123.8**	**49.8**	**4.6**	**3.4**	**0.7**
Plan fiduciary net position – beginning	**801.4**	**438.7**	**38.2**	**24.9**	**6.4**
Plan fiduciary net position – ending (b)	**$925.2**	**$488.5**	**$42.8**	**$28.3**	**$7.1**
Net pension liability – beginning	**230.5**	**184.1**	**7.1**	**14.6**	**0.7**
Net pension liability – ending (a) – (b)	**$183.4**	**$170.9**	**$5.8**	**$14.1**	**$0.5**

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability, calculated using the discount rate of 8.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate *(in millions):*

	1% Decrease (7.0%)	Current Discount (8.0%)	1% Increase (9.00%)
ATU	$304.5	$183.4	$80.4
TERP	241.7	170.9	110.5
TWU	10.8	5.8	1.5
MERCER	18.4	14.1	10.4
UWUA(UCA)	1.3	0.5	(0.2)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued pension financial reports.

COST-SHARING MULTIPLE-EMPLOYER PLANS

Plan Descriptions. NJ TRANSIT and its subsidiaries contribute to the New Jersey Public Employees Retirement System (PERS) and the Police and Firemen's System (PFRS). These cost-sharing multiple-employer, defined benefit pension plans are administered by the State of New Jersey. Each plan provides retirement, disability and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the State Legislature. The State of New Jersey issues separate, standalone financial reports for the PERS and PFRS plans. Information on the total plan funding status and progress, contribution required and trend information can be found in the Comprehensive Annual Financial Report of State of New Jersey, Division of Pensions and Benefits, available on the State's website.

A special funding situation exists for the Local employers of the Police and Firemen's Retirement System of New Jersey. Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation.

Benefits Provided. *PERS* - The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

PFRS - The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2 percent of final compensation for each year of creditable service, as defined, up to 30 years plus 1 percent for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65 percent (tiers 1 and 2 members) and 60 percent (tier 3 members) of final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2 percent of final compensation for each year of service.

Contributions Made. PERS - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years beginning in July 2012. The member contribution rate was 6.78 percent in State fiscal year 2014. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5 percent of base salary to 10 percent. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Contributions to the PERS plan from NJ TRANSIT for the fiscal year 2015 were $0.5 million, or 13.89 percent of annual covered payroll.

PFRS - The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5 percent to 10 percent in October 2011. NJ TRANSIT's required contribution rate to the PFRS plan for the fiscal year 2015 was 24.6 percent of annual covered payroll of which 22.8 percent of payroll was required by NJ TRANSIT and 1.8 percent of payroll was required from the State. NJ TRANSIT's contributions to the PFRS plan were $5.2 million.

Pension Liabilities Related to Pensions

PERS - At June 30, 2015, NJ TRANSIT reported a liability of $9.4 million for its proportionate share of the net pension liability.

PFRS - At June 30, 2015, NJ TRANSIT reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to NJ TRANSIT. The amount recognized by NJ TRANSIT as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with NJ TRANSIT were as follows *(in millions)*:

NJ TRANSIT's proportionate share of the net pension liability	$81.6
State's proportionate share of the net pension liability associated with NJ TRANSIT	8.8
Total	**$90.4**

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The NJ TRANSIT's proportion of the net pension liability was based on a projection of the long-term share of contribution to the pension plans relative to the projected contributions of all participating State agencies, actuarially determined. At June 30, 2015, NJ TRANSIT's proportion was 0.05007 percent and 0.64913 percent for PERS and PFRS, respectively. At June 30, 2014, NJ TRANSIT's proportion was 0.04865 percent and 0.62489 percent for PERS and PFRS, respectively.

For the year ended June 30, 2015, NJ TRANSIT recognized pension expense of $1.1 million and revenue of $1.1 million for support provided by the State related to PFRS.

Actuarial assumptions. *PERS*: The total pension liability in the June 30, 2014 actuarial valuation was determined based on the results of an actuarial experience study for the period July 1, 2008–June 30, 2011. The key actuarial assumptions are summarized below:

Inflation:	3.01%
Salary increase:	2.15% – 5.40%
Investment rate of return:	7.90%
Cost of living adjustment	No cost of living adjustment is assumed

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

PFRS: The total pension liability in the June 30, 2014 actuarial valuation was determined based on the results of an actuarial experience study for the period July 1, 2007–June 30, 2010. The key actuarial assumptions are summarized below:

Inflation:	3.01%
Salary increase:	3.95% – 9.62%
Investment rate of return:	7.90%
Cost of living adjustment	No cost of living adjustment is assumed

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Discount rate. *PERS*: The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

PFRS: The discount rate used to measure the total pension liability was 6.32 percent as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9 percent, and a municipal bond rate of 4.29 percent and 4.63 percent as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Expected rate of return on investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Extended Real Rate of Return
PERS/PFRS:		
Cash	6.00%	0.80%
Core Bonds	1.00	2.49
Intermediate-Term Bonds	11.20	2.26
Mortgages	2.50	2.17
High Yield Bonds	5.50	4.82
Inflation-Indexed Bonds	2.50	3.51
Broad US Equities	25.90	8.22
Developed Foreign Equities	12.70	8.12
Emerging Market Equities	6.50	9.91
Private Equity	8.25	13.02
Hedge Funds/Absolute Return	12.25	4.92
Real Estate (Property)	3.20	5.80
Commodities	2.50	5.35

Sensitivity of the net pension liability to changes in the discount rate. The following presents NJ TRANSIT's proportionate share of the net pension liability calculated using the discount rate of 5.39 percent and 6.32 percent for PERS and PFRS, respectively, as well as the proportionate share of the net pension liability using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate *(in millions)*:

	1% Decrease	Current Discount Rate	1% Increase
PERS (4.39%, 5.39%, 6.39%)	$11.8	$9.4	$7.3
PFRS (5.32%, 6.32%, 7.32%)	110.0	81.6	58.2

Fiduciary plan net position. Detailed information about the PERS and PFRS fiduciary net position is available in the separately issued Comprehensive Annual Financial Report of State of New Jersey, Division of Pensions and Benefits, available on the State's website.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Single-Employer and Cost-Sharing Multiple-Employer Plans). For the year ended June 30, 2015, NJ TRANSIT recognized pension expense of ($120.9) million. At June 30, 2015, NJ TRANSIT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources *(in millions):*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$–	$8.9
Changes of assumptions or other inputs	55.0	—
Changes in proportion	2.9	—
NJ TRANSIT contributions subsequent to the measurement date	82.7	—
Total	**$140.6**	**$8.9**

Deferred outflows of resources of $82.7 million resulted from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows *(in millions):*

	TOTAL
Year 1 (2016)	$9.3
Year 2 (2017)	9.3
Year 3 (2018)	9.3
Year 4 (2019)	9.3
Year 5 (2020)	11.6
Year 6 (2021)	0.2
Total	**$49.0**

Defined Contribution Plans

In addition to the defined benefit plans, NJ TRANSIT provides an employee savings and protection plan 401(k) for all eligible non-agreement employees. NJ TRANSIT provides a maximum 50 percent matching contribution on the first six percent contributed by the employees. This plan permits employees to contribute up to 50 percent of their salary not to exceed $18,000 annually on a pre-tax basis.

NJ TRANSIT also provides money purchase pension plans 401(a) and employee savings/deferred compensation plans (457) for eligible agreement and non-agreement employees. NJ TRANSIT contributed 1 to 6 percent of annual compensation to certain employees' accounts in the 401(a) plan. (Effective 1/1/09, newly hired employees in the conductors union (RAIL) get a 1 percent contribution in their first year of employment, with an additional contribution of 1 percent per year up to a maximum of 5 percent.) The 457 plan permits employees to contribute up to 50 percent of their salary not to exceed $18,000 annually on a pre-tax basis.

Beginning in 2002, a pre-tax contribution was added for participants of the 401(k) and 457 plans. The Economic Growth and Tax Relief Act of 2001 permits individuals who are age 50 (or older) by the end of the calendar year to elect to make additional "catch up" contributions to the plan. This is in addition to the pre-tax employee contribution limit. Pursuant to the act, participants in the 401(k) and 457 plans who are over 50 years of age can contribute an additional $6,000 above the $18,000 limit.

NJ TRANSIT's expense for the defined contribution plans totaled $20.3 million in fiscal year 2015.

7. OTHER POSTEMPLOYMENT BENEFITS

NJ TRANSIT sponsors a single-employer defined benefit health care plan that provides postemployment medical, dental and life insurance benefits for eligible retirees and their spouses. NJ TRANSIT does not issue a financial report for this plan. Contribution requirements are negotiated between NJ TRANSIT and union representatives for Rail and Bus agreement employees. NJ TRANSIT establishes and may amend the contribution requirements and benefit provisions for non-agreement employees. NJ TRANSIT's required contribution is based on projected pay-as-you-go financing requirements. NJ TRANSIT's payments under the plan were $41.7 million for fiscal year 2015. Plan members receiving benefits contributed $5.6 million or approximately 11.8 percent of total premiums.

NJ TRANSIT's annual Other Postemployment Benefit (OPEB) cost is calculated based on the employer Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the components of the annual OPEB cost for the year, the amount contributed to the plan, and changes in NJ TRANSIT's net OPEB obligation for fiscal year 2015 *(in millions):*

	2015
Annual required contribution	$98.5
Interest on net OPEB obligation	16.4
Adjustment to annual required contribution	(28.2)
Annual OPEB cost	86.7
Contributions made	(41.7)
Increase in net OPEB obligation	45.0
Net OPEB Obligation, Beginning of Year	**386.5**
Net OPEB Obligation, End of Year	**$431.5**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2014 and 2013 are as follows *($ in millions)*:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$86.7	48.1%	$431.5
2014	83.3	45.1	386.5
2013	83.0	44.5	340.8

As of July 1, 2013, the most recent actuarial valuation date, the Actuarial Accrued Liability (AAL) for benefits was $795.4 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $387.3 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 205.4 percent.

The projection of future benefits payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subjected to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress provided as required supplemental information following the notes to the financial statements presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan member) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculation.

The July 1, 2013, actuarial valuation utilized the projected unit-credit method. The actuarial assumptions included a 4.25 percent discount rate and an annual health care cost trend rate of 7.0 percent. This assumed trend rate starts at 7.0 percent and trends down to 5 percent by 2018. The unfunded actuarial accrued liability is being amortized on a level-dollar amount over a thirty-year period on a closed basis. The remaining amortization period at July 1, 2013 was 22 years.

8. OTHER CURRENT LIABILITIES

Other current liabilities totaled $334.6 million at June 30, 2015 and are comprised of the following *(in millions)*:

	AS OF JUNE 30, 2015
Advance funds-State/Port Authority	$238.2
Injury and damage claims (Note 14)	39.6
Retainage on construction projects	9.0
Pollution remediation obligations	3.1
ARC settlement S/T payable	19.0
Other	25.7
Total	**$334.6**

The Advanced funds represent funds received for capital projects for which expenditures have not yet been incurred and/or will be subsequently reimbursed by federal grants. Other current liabilities includes unearned passenger revenue for bulk ticket and monthly sales related to future periods.

9. UNEARNED REVENUE AND OTHER NON-CURRENT LIABILITIES

Unearned revenue and other non-current liabilities totaled $84.1 million as of June 30, 2015. These amounts relate to unearned lease and permit revenues, reserves for future environmental clean-up costs, ARC settlement payments and funds designated for future asset purchases *(in millions)*:

	AS OF JUNE 30, 2015
Inventory – capital spare parts	$13.0
Leases and permits	12.0
Federal interest on capital assets	9.9
Non-Federal interest on capital assets	17.1
Other	6.9
Total Unearned Revenue	**58.9**
Sick leave	4.4
Pollution remediation obligations	20.8
Total Other Non-current Liabilities	**25.2**
Total	**$84.1**

10. LONG-TERM DEBT AND OTHER OBLIGATIONS

In August 2014, NJ TRANSIT refunded its $484.3 million of outstanding Certificates of Participation ('COPs') by issuing $483.7 million in Grant Anticipation Notes ('GANs') secured by future Section 5307 Federal Transit Administration Grants. The COPs issued between 2000 and 2005 financed the acquisition of heavy and light rail rolling stock. As a result of the defeasance, NJ TRANSIT decreased its total debt service requirements over the life of the issue by $2.8 million, which resulted in a net present value savings of $11.0 million.

The 2014 GANs were issued as two series. The $381.8 million Series 2014A tax-exempt Notes refunded all of the outstanding 2000B, 2002B and 2005A COPs as well as certain maturities of the 2002A and 2003A COPs. The $101.9 million Series B taxable Notes refunded certain maturities of the 2002A and 2003A COPs. As of June 30, 2015, $46.4 million of the Series B taxable Notes remain outstanding.

The 2014A Notes were issued at yields between 0.43 per cent and 2.55 per cent with a final maturity of September 2021. The 2014B Notes were issued at yields between 0.35 per cent and 0.8 per cent with a final maturity of September 2015.

In April 2009, the State of New Jersey issued $394.3 million of Series 2009A Certificates of Participation (COPs) at yields between 2.65 per cent and 5.47 per cent with a final maturity of 2030. Under the COPs, NJ TRANSIT entered into a sublease with the State to acquire 184 multilevel railcars, 4 dual-power locomotives and spare parts.

In September 2008, the New Jersey Economic Development Authority ('NJEDA') issued $342.1 million of Series 2008A River Line Sublease Revenue Bonds at yields between 1.95 per cent and 4.41 per cent with a final maturity of 2019. The proceeds were used to refund the NJEDA 2003A River Line Sublease Revenue Bonds. The 2008A Notes were issued on a fixed rate basis and eliminated the financial exposure of the 2003A Notes which included interest rate swaps.

In April 2008, the State of New Jersey issued $309.2 million of Series 2008A Certificates of Participation at yields between 2.98 per cent and 4.83 per cent with a final maturity of 2023. Under the COPs, NJ TRANSIT entered into a sublease with the State to acquire 27 ALP46 electric locomotives and 37 multilevel railcars.

In September 2005, NJ TRANSIT issued $253.5 million of Series 2005A Certificates of Participation accruing interest at 5.0 percent with a final maturity in 2021. The funds are being used to acquire 20 dual-power locomotives. This debt was refinanced with the issuance of the 2014 GANs.

In March 2004, NJ TRANSIT issued $253.2 million of Series 2004A Certificates of Participation at a weighted average yield of 3.66 per cent with a final maturity of 2019. The proceeds were used to acquire transit buses and diesel locomotives.

In September 2003, NJ TRANSIT issued $149.8 million of Series 2003A COPs, accruing interest between 1.0 percent and 4.1 percent. The proceeds were used to refinance the Series 2000B COPs. The bond proceeds were placed in an irrevocable trust and will satisfy designated debt servicing. This debt was refinanced with the issuance of the 2014 GANs.

In February 2003, NJ TRANSIT refunded its September 1991 COPs for the NJ TRANSIT Headquarters building by issuing $61.5 million of COPs at yields between 1.09 per cent and 4.31 per cent with a final maturity in 2016. The proceeds from the sale of these certificates were deposited into an irrevocable trust with an escrow agent to provide debt service on the 1991 COPs notes.

The refunding transaction, which was consummated to take advantage of low interest rates, decreased the aggregate debt service payments and resulted in an economic benefit of approximately $2.0 million over the life of the transaction with a $10.8 million deferral of refunding costs. As of June 30, 2015, $8.1 million of defeased notes remain outstanding.

In June 2002, NJ TRANSIT issued $162.8 million of Series 2002A Refunding COPs bearing interest between 3.0 percent and 5.5 percent with a final maturity in 2015. The proceeds from the sale of these certificates provided advance refunding of $158.7 million of certain maturities of NJ TRANSIT's Series 2000A COPs. The proceeds of the refunding notes were deposited into an irrevocable trust with an escrow agent to provide for the debt service on certain Series 2000A notes. The refunding transaction was consummated to provide a structural modification to the original agreement. This debt was refinanced with the issuance of the 2014 GANs.

In June 2002, NJ TRANSIT issued $94.7 million of Series 2002B COPs bearing interest between 4.0 percent and 5.75 percent with a final maturity in 2015. The proceeds of these certificates were used to purchase 28 light railcars. This debt was refinanced with the issuance of the 2014 GANs.

In October 2000, NJ TRANSIT issued $693.1 million of Series 2000B COPs, bearing interest between 4.5 percent and 6.0 percent with a final maturity in 2016. The proceeds of these certificates were used to fund the purchase of 24 ALP-46 electric locomotives and 1,244 cruiser buses. This debt was refinanced with the issuance of the 2014 GANs.

The following schedule summarizes notes payable obligations, by issue, as of June 30, 2015 *(in millions)*:

	Inception Date	Balance June 30, 2014	Additions	Payments/ Reductions	Balance June 30, 2015	Due Within One Year
Federal						
COPs 2000B	10/00	$8.8	$—	$8.8	$0.0	$ —
COPs 2002A	06/02	69.7	—	69.7	0.0	—
COPs 2002B	06/02	52.9	—	52.9	0.0	—
COPs 2003A	10/03	99.4	—	99.4	0.0	—
COPs 2005A	09/05	253.5	—	253.5	0.0	—
GANS 2014A	09/15	—	381.8	—	381.8	8.8
GANS 2014B	09/15	—	101.9	55.5	46.4	46.4
State of NJ						
COPs 2004A	03/04	96.0	—	19.2	76.8	20.8
COPs 2008A	04/08	221.8	—	20.2	201.6	21.2
NJEDA 2008A	10/09	213.4	—	41.2	172.2	42.7
COPs 2009A	04/09	353.3	—	14.9	338.4	15.6
NJT COPs						
COPs 2003	02/03	14.1	—	6.0	8.1	6.4
Total		**1,382.9**	**483.7**	**641.3**	**1,225.3**	**$161.9**
Unamortized Bond Premium		25.2	50.1	19.4	55.9	
Total Notes Payable		**$1,408.1**	**$533.8**	**$660.7**	**$1,281.2**	

Long-term notes payable maturities as of June 30, 2015 *(in millions)*:

Fiscal Years	Principal	Interest	Total
2016	$161.9	$59.2	$221.1
2017	157.1	52.2	209.3
2018	165.6	44.3	209.9
2019	159.4	36.0	195.4
2020	108.4	28.1	136.5
2021-2025	330.7	70.7	401.4
2026-2030	142.1	23.2	165.3
Total	**$1,225.2**	**$313.7**	**$1,538.9**

11. LEASES AND OTHER COMMITMENTS

Leveraged Lease Transactions. NJ TRANSIT has entered into a number of leveraged lease transactions with certain domestic and foreign lessors. These transactions entail the sale/leaseback (SILO) or lease/leaseback (LILO) of various NJ TRANSIT commuter and light rail vehicles, buses, equipment and facilities to third party lessors.

In connection with the leveraged lease transactions, NJ TRANSIT has made investment arrangements to meet its payment obligations throughout the term of the respective leases. As these transactions do not meet the definition of an "in-substance defeasance," NJ TRANSIT has recorded Obligations under Capital Leases and the related assets as Restricted Leveraged Lease Deposits in the Consolidated Statements of Net Position (see Note 4).

Leveraged Lease Risk Exposures. Under the terms of these agreements, a significant portion of the initial amount received by NJ TRANSIT from the third party (approximately 80 percent) is paid to an affiliate of the third party's lender which has the obligation to make an equivalent portion of the sublease rent payments, eliminating the need for NJ TRANSIT to make these payments to the third party. This portion of the lease rent payments is equal to the debt service on the related third party loan.

NJ TRANSIT also pays an amount to and enters into an Equity Payment Undertaking Agreement with a third party whereby that party has the obligation to provide the amounts necessary to make the remainder of the basic lease rent payments and pay the purchase price due upon exercise by NJ TRANSIT at the end of the lease. The amount remaining after payment of transaction expenses is NJ TRANSIT's net benefit from these transactions.

Counterparty Risk. Counterparty risk is the risk of a party to a leveraged lease agreement failing to fulfill their contractual obligation. Each leveraged lease transaction involves a variety of parties and counterparties. Counterparty risk is a type of credit risk that closely relates to the credit quality of the parties involved in the transactions. It is reduced by having an organization with good credit act as a guarantor between the two or more parties.

In September 2008 Standard & Poor's lowered the credit rating for AIG, the parent of AIG Financial Products, to A- from AA. At June 30, 2015, Standard and Poor's credit rating for AIG Senior Debt remained at A- with a Negative Outlook on its Senior Debt. In December 2012, the federal government ended its investment in AIG with its sixth sale of AIG stock. AIG is both the third party lender and payment undertaker in several of these transactions. Under the applicable transaction documents, the lessor may require NJ TRANSIT to replace AIG in these transactions.

Collateral and Surety Risk. Collateral is a security or guarantee (usually an asset) pledged for the repayment of a loan if one cannot or is unable to repay. In the event of deterioration in the credit ratings of the counterparty, the agreement may require that collateral be posted to secure the party's obligations. Further ratings deterioration below levels agreed to in the Equity Payment Undertaking Agreement could result in additional collateral being posted with a third-party custodian. In most cases, collateral must be cash, U.S. Treasuries or certain federal agency securities. Additional insurance coverage of possible early termination payments is provided by separate surety policies in most contracts, which protects the counterparties from financial loss should the guarantors fail to perform in accordance with contract terms and conditions. Furthermore, if the credit ratings of the companies that provide the surety protections fall below the rating trigger associated with the early termination surety, NJ TRANSIT may also be required to replace the surety company. If the required replacement of either a surety or counterparty is not performed, it could trigger a termination event requiring a cash settlement.

Termination Risk. A leveraged lease agreement could be terminated if one party does not fulfill the obligations set forth in the contract. When an Event of Default or a Termination Event has occurred, either NJ TRANSIT or the counterparties could be required to make a termination payment according to the contract terms. Events of Default include non-payment, false or misleading representations, or the bankruptcy of NJ TRANSIT or the counterparties. Termination Events include a downgrade of the counterparty's credit rating to below that stated in the agreement. For example, under a current Equity Payment Undertaking Agreement, with respect to ratings of the equity payment undertaker, the counterparty, which may be a bank or other financial institution, must have a Credit Rating of at least AA by Standard & Poor's and of at least Aa2 by Moody's at all times before the final maturity of a leveraged lease. A party has the right to terminate the lease agreement earlier when there is a downgrading of the counterparty's credit ratings.

Interest Rate Risk. The interest rate risk goes up when the market interest rate goes down and the returns on the investment decline. Accounts initially deposited together with the aforementioned obligation of the third party's lender, result in a financial defeasance of all sublease obligations, including the cost of purchasing the third party's remaining rights at the end of the sublease period if the purchase option is exercised. Should an event occur that changes the initial deposit instruments, it is possible that the amount earned on the deposit account balance may not match the option price stated in the agreement at the end of the lease period. Under the terms of the agreement, should there be less interest earned on deposits than scheduled to make related payments, NJ TRANSIT would be liable for the shortfall.

The American International Group, Inc. (AIG) is a primary guarantor in a number of leases. Due to the downgrading of AIG by the rating agencies in the fall of 2008, NJ TRANSIT is required under the lease agreement to replace AIG as the financial guarantor. Such replacement is not economically practicable and NJ TRANSIT remains in technical default for not replacing AIG.

Despite the existence of the technical defaults, AIG has made all of the required payments under all of the leases. While NJ TRANSIT believes the risk of an AIG bankruptcy is low, NJ TRANSIT management estimates that its termination liability, under AIG bankruptcy could amount to $100 million.

Capital Leases
NJ TRANSIT did not enter into any new capital leases in Fiscal Year 2015. A summary of each capital lease follows. All other leases represent leveraged leases.

In 2012, NJ TRANSIT entered into a five-year capital lease with Bank of America for 53 MCI Cruiser Buses. The balance of this lease obligation is $3.3 million at June 30, 2015.

In 1994, NJ TRANSIT entered into a 23-year lease/sublease agreement for the land adjacent to its Metropark Train Station for the purpose of constructing an aboveground parking facility. A portion of the financing for this facility was provided by the NJEDA through the issuance of parking facility sublease revenue bonds. NJ TRANSIT has committed in substance to make rental payments in an amount equal to the NJEDA bond obligations. The remaining balance of this lease obligation is $1.3 million as of June 30, 2015.

In total, NJ TRANSIT has recorded obligations under capital leases of $571.3 million as of June 30, 2015, of which $61.4 million represents current installments under capital leases as of June 30, 2015.

The cost of capital assets under capital leases, including leveraged leases, is summarized as follows and is included in capital assets (see Note 5) *(in millions)*:

	AS OF JUNE 30, 2015
Land	$13.9
Buildings	302.4
Railcars and Locomotives	382.4
Buses and Light Railcars	139.6
Capital Assets Under Capital Leases (at cost)	**838.3**
Less Accumulated Depreciation	(558.2)
Net Capital Assets Under Capital Leases	**$280.1**

The following schedule summarizes the capital lease obligations, including leveraged lease obligations, as of June 30, 2015 *(in millions)*:

	Inception Date	Balance June 30, 2014	Additions	Payments/ Reductions	Balance June 30, 2015	Due Within One Year
Metropark Parking Facility	03/94	$5.4	$—	$1.3	$4.1	$1.3
MMC, Locos. & Railcars	01/97	38.5	—	2.5	36.0	25.1
Comet IV Coaches	07/97	10.2	—	8.0	2.2	2.2
Bus Garages	07/97	6.5	—	0.5	6.0	0.5
Bus Garages	09/98	98.9	—	98.9	—	—
HBLR	12/00	188.0	17.3	13.7	191.6	15.3
MCI Buses	12/01	21.1	—	21.1	—	—
MCI Buses	10/02	221.5	—	221.5	—	—
Comet IV Coaches	09/03	26.4	—	—	26.4	—
Light Railcars	09/03, 10/03	51.1	—	2.6	48.5	2.7
Articulated Buses	07/04	17.8	—	2.6	15.2	2.7
Diesel Locomotives	12/05	89.9	—	4.2	85.7	4.4
Multilevel Railcars	12/06	17.6	—	0.3	17.3	0.4
Multilevel Railcars	06/07	33.3	—	0.5	32.8	0.6
Multilevel Railcars	12/07	58.9	—	1.0	57.9	1.3
Multilevel Railcars	01/08	42.5	—	1.5	41.0	1.6
MCI Cruiser Buses	06/12	9.9	—	3.3	6.6	3.3
Total Capital Lease Obligations		**$937.5**	**$17.3**	**$383.5**	**$571.3**	**$61.4**

Minimum capital lease maturities as of June 30, 2015 *(in millions)*:

Fiscal Years	Principal	Interest	Total
2016	$61.4	$96.8	$158.2
2017	46.4	53.2	99.6
2018	33.4	18.3	51.7
2019	70.3	14.6	84.9
2020	32.0	11.9	43.9
2021-2025	192.9	69.7	262.6
2026-2030	134.9	38.8	173.7
Total Capital Lease Obligations	**$571.3**	**$303.3**	**$874.6**

As of June 30, 2015, NJ TRANSIT was committed to future purchases under the following capital projects and special services which will be funded from federal, state, local or other capital sources *(in millions)*:

Northern Branch DMU	$10.0
Rail Support Facilities and Equipment	12.5
Casino Revenue Transportation Program	19.2
Rail Infrastructure	46.3
Bus AVL Radio System Replacement	21.2
Rail Passenger Facilities	21.1
Superstorm Sandy Reconstruction	62.1
Bus Rolling Stock	52.2
Positive Train Stop Stage 2	105.3
Rail Rolling Stock	113.6
Other, for commitments less than $10 million	118.6
Total Capital Projects and Special Service Commitments	**$582.1**

12. POLLUTION REMEDIATION OBLIGATIONS

NJ TRANSIT has implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* The Statement establishes standards for determining when expected pollution remediation outlays should be accrued as a liability or, if appropriate, capitalized. In 2015, an operating expense and corresponding liability, measured at their current value using the expected cash flow method, have been recognized for certain pollution remediation obligations. Pollution remediation obligations, which are estimates and subject to changes in price, technology, or applicable laws and regulations, occur when any one of the following obligating events takes place:

- NJ TRANSIT is compelled to take pollution remediation action because of an imminent endangerment.
- NJ TRANSIT is in violation of a pollution prevention-related permit or license.
- NJ TRANSIT is named by a regulator as a responsible or potentially responsible party to participate in remediation.
- NJ TRANSIT is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities.
- NJ TRANSIT commences, or legally obligates itself to commence remediation efforts.

In accordance with GASB Statement No. 49, a net pollution remediation reserve amount totaling $23.9 million, measured at its current value utilizing the expected cash flow method. The total liability of $28.3 million was reduced by $4.4 million for expected recoveries from other responsible parties, potentially responsible parties (PRPs) and insurers. The cumulative liability decreased by $1.4 million in fiscal year 2015, attributable primarily to the costs for Bergen County Line Row Remediation.

The following table summarizes the changes in NJ TRANSIT's liability for pollution remediation for the year ended June 30, 2015 *(in millions)*:

	2015
Balance, Beginning of Year	**$25.3**
Current year costs	2.1
Payment made during the year	(3.5)
Balance, End of Year	**$23.9**

The pollution remediation liability of $23.9 million at June 30, 2015, essentially consists of future remediation activities associated with asbestos removal, cleanup of contamination, and wastewater treatment at NJ TRANSIT stations, garages and other facilities. Of this amount, $3.1 million represents the current portion of the liability, which is included in accounts payable and other current liabilities, and $20.8 million represents the noncurrent obligation, which is included in unearned revenue and other noncurrent liabilities.

The estimated outlays include costs of: (a) $4.5 million associated with pre-cleanup activities including engineering studies, site investigation, corrective measures feasibility study, and the design of a remediation plan; (b) $19.3 million related to cleanup activities, such as neutralization, containment, removal and disposal of pollutants, and restoration; (c) $0.6 million for the external government oversight and enforcement-related activities; and, (d) $3.9 million for the post-remediation monitoring.

13. OTHER OPERATING REVENUES

Other operating revenues comprise the following *(in millions)*:

	YEAR ENDED JUNE 30, 2015
Lease and rental	$29.4
Advertising	16.7
Metro-North operations	14.0
Other	20.8
Total	**$80.9**
Less Bad Debt Expense	(1.6)
Net Other Operating Revenues	**$79.3**

14. INJURY AND DAMAGE CLAIMS

As of June 30, 2015, NJ TRANSIT's continued to maintain a $240 million excess commercial general liability program with a self-insured retention of $10 million. Settlements have not exceeded this insurance coverage for each of the past three years. Additionally, NJ TRANSIT maintains an excess workers' compensation program with a self-insured retention of $2 million. Employment-practice claims exceeding $500,000 up to $10 million are covered by a stand-alone commercial insurance policy. On October 14, 2004, ARH III Insurance Company, Inc., a wholly owned subsidiary of NJ TRANSIT, was formed. This captive insurance company provides coverage for Federal Employers Liability Act (FELA) and Third Party Rail Excess Liability, Terrorism and Excess Workers Compensation consequently reducing NJ TRANSIT's self-insured retention and transferring the agency's financial liability in these areas.

NJ TRANSIT has recorded an estimated liability of $123.3 million as of June 30, 2015 for outstanding public liability, property damage, FELA, workers' compensation and employment practice claims. Of this amount, $39.6 million is included in other current liabilities as of June 30, 2015 (see Note 8).

The liability is based on NJ TRANSIT's past loss experience. NJ TRANSIT believes the liability established is reasonable and appropriate to provide for settlement of losses and related loss expenses. Management believes that its reserves for claims incurred but not reported is determined in accordance with generally accepted actuarial principles and practices. However, estimating the ultimate liability is a complex and judgmental process inasmuch as the amounts are based on management's informed estimates and judgments using data currently available. As additional experience and data become available regarding claim payments and reporting patterns, legislative developments and economic conditions, the estimates are revised accordingly and the impact is reflected currently in NJ TRANSIT's financial statements.

The total claims liability activity for the year ended June 30, 2015 was as follows *(in millions)*:

	AS OF JUNE 30, 2015
Balance, Beginning of Year	**$129.7**
Claims expense	43.7
Payment of claims	(50.1)
Balance, End of Year	**$123.3**

15. FEDERAL GRANTS The Urban Mass Transportation Act of 1964, as amended by ISTEA, TEA-21, SAFETEA-LU, and MAP-21, provides funding to NJ TRANSIT primarily for capital needs, based upon a defined formula grant program. Generally, such funds may be utilized for no more than 80 percent of the project costs for capital assistance or 50 percent for operating assistance. Funds are apportioned to NJ TRANSIT annually, and generally are available until expended.

NJ TRANSIT also receives discretionary capital grant awards to supplement the capital assistance obtained from the defined formula grant programs. Such discretionary awards are generally limited to projects for equipment acquisition, continued system expansion and modernization, or construction of major facilities.

16. BLENDED COMPONENT UNIT – ARH III INSURANCE COMPANY, INC.

ARH III Insurance Company, Inc. (the Company), a non-profit special purpose captive insurance company domiciled in the State of South Carolina, was established to limit certain risk exposures of NJ TRANSIT Corporation. ARH III has entered into insurance contracts with NJ TRANSIT which provide coverage to NJ TRANSIT in the following areas: Federal Employers' Liability Act and Third Party Rail Excess Liability, Certified Terrorism Risk Insurance Act (TRIA) for casualty exposures, excess workers' compensation and stand-alone terrorism for property exposures including nuclear, biological and chemical terrorism (NBC).

In a prior year, the Company entered into a loss portfolio transfer with Liberty Mutual Insurance Company (Liberty) assuming reserves related to claims for NJ TRANSIT's workers compensation policy with Liberty for policy years 2007 and prior. This transfer of liability included certain open claims, which remain open, from prior to the beginning of the policy, although no claims have entered the Company's coverage layer. The Company's limits under each loss portfolios are $2.5 million excess $5.0 million per occurrence.

The Company has entered into facultative reinsurance agreements with various reinsurers from 2006 through 2013 for "all risk" property coverage. The terms of the agreements stipulate that the Company cede a proportional share of annual premiums ranging from 40 percent to 100 percent to the assuming reinsurers. Under the agreements, reinsurance coverage is limited to a quota-share with an ultimate net loss layer ranging from $50 million to $125 million in excess of retentions ranging from $50 million to $275 million. Amounts are subject to certain sub-limits as outlined by the issued policies and reinsurance agreements. Reinsurance related to this coverage expired July 1, 2014.

The Company has entered into reinsurance agreements with various reinsurers since 2009 for Certified Acts of Terrorism coverage. The terms of the agreements stipulate that the Company cedes 15 percent of the stand-alone terrorism related coverages to the reinsurer. Reinsurance related to this coverage expired July 1, 2014.

The financial results for ARH III Insurance Company, Inc. for the year ended June 30, 2015 is set forth below. Since the Company prepares the financial statements under FASB guidance, the amounts and format of financial statements have been adjusted to reflect GASB requirements. The condensed statements of net position and the statements of revenues, expenses, and changes in net position as of and for the year ended June 30, 2015 is as follows *(in millions)*:

STATEMENTS OF NET POSITION

	AS OF JUNE 30, 2015
Current assets	$2.2
Non-current assets	40.5
Total Assets	**42.7**
Non-current liabilities	4.5
Total Liabilities	**4.5**
Total Net Position	**$38.2**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	YEAR ENDED JUNE 30, 2015
Operating revenues	$0.8
Operating expenses	0.1
Operating income	0.7
Non-operating revenues	0.6
Change in Net Position	**1.3**
Total Net Position Beginning of Year	**36.9**
End of Year	**$38.2**

STATEMENT OF CASH FLOWS

	YEAR ENDED JUNE 30, 2015
Cash Flows from Operating Activities	
Operating Income	$0.7
Changes in assets and liabilities	0.9
Net Cash Provided by Operating Activities	**1.6**
Cash Flows from Investing Activities	
Sales and maturities of investments	11.9
Purchases of investments	(16.3)
Interest on investments	1.4
Net Cash Provided (Used) by Investing Activities	**(3.0)**
Net Decrease in Cash and Cash Equivalents	**(1.4)**
Cash and Cash Equivalents Beginning of Year	**3.5**
End of Year	**$2.1**

17. CONTINGENCIES

NJ TRANSIT is a defendant in a number of lawsuits arising from claims for personal injury, property damage, breach of contract, civil rights and personnel matters. Management believes that the ultimate resolution of these matters will not have a material adverse impact on the financial position of NJ TRANSIT.

NJ TRANSIT is addressing environmental issues at several locations within the State whereby virtue of ownership or use, NJ TRANSIT has a remediation responsibility. Management has analyzed all of these matters and has provided for amounts, which it currently believes are adequate. In management's opinion, the ultimate liability, if any, will have no material effect on the results of operations or the consolidated financial position of NJ TRANSIT (see Note 12).

NJ TRANSIT receives federal and state grants and appropriations for capital projects and other reimbursable activities that are subject to audit by the grantor agency. Although the outcome of any such audits cannot be predicted, it is management's opinion that these audits will not have a material effect on the results of operations or the consolidated financial position of NJ TRANSIT.

18. SUPERSTORM SANDY

On October 29, 2012, Superstorm Sandy made landfall near Atlantic City and caused significant damage in New Jersey as well as other states and cities along the eastern seaboard. NJ TRANSIT sustained significant damage to its assets including washed-out track, flooded rail stations and terminals, downed catenary, and damaged rail equipment. In Fiscal Year 2015, NJ TRANSIT continued to make repairs, and commenced resiliency projects. During Fiscal Year 2015, NJ TRANSIT incurred additional Superstorm Sandy expenses of $21.9 million for repairs to buildings, rail infrastructure, rail cars, locomotives and equipment.

These expenses included initial response activities and ongoing repair costs and were comprised of in-house labor costs, materials and supplies, purchased transportation (for running supplemental transportation services), and outside services. Expenses will be recognized when costs can be reasonably estimated.

Substantially all costs related to Superstorm Sandy are expected to be reimbursed by insurance recoveries or through the Federal Transit Administration's Public Transportation Emergency Relief Program. During fiscal year 2015, NJ TRANSIT realized revenue in the amount of $55.6 million consisting of an insurance advance of $3.4 million and $52.2 million in revenue received or accrued from grants.

SUPERSTORM SANDY RELATED LOSSES

(in millions)

	YEAR ENDED JUNE 30, 2015
Repair and response expenses	$21.9
Less insurance recoveries	(3.4)
Total loss, net of insurance recoveries	**$18.5**

19. REVOLVING LINE OF CREDIT

In June, 2015, NJ TRANSIT entered into a Revolving Credit Agreement with the Royal Bank of Canada (RBC) for the purposes of obtaining a $300 million Line of Credit (Line). The Revolving Credit Agreement and Line is secured by a NJT Corporation Federally Taxable Grant Anticipation Note, Series 2015 (the Series 2015 Note) dated June 9, 2015. The Series 2015 Note evidences the revolving loans made by RBC to NJT and were issued to RBC in anticipation of the receipt of certain grant funds from the Federal Transit Administration (FTA). The Revolving Credit Agreement and Line will terminate September 30, 2018.

The Line will assist NJ TRANSIT in meeting its operating cash requirements for expenditures that are eligible for reimbursement from FTA, Section 5307 and 5337 Formula Funds.

NJ TRANSIT will pay a commitment fee of 30 basis points (based upon NJ TRANSIT's current ratings) on undrawn amounts and a floating interest rate based upon LIBOR plus 60 basis points (based upon the current rating) on drawn amounts. NJ TRANSIT is required to repay all outstanding amounts within 45 days of the end of the federal fiscal year. As of June 30, 2015, there have been no draws against the Line.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress For Retiree Health Care Plan *($ in millions)*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2013	$—	$795.4	$795.4	—%	$387.3	205.4%
7/1/2011	—	753.8	753.8	—	402.9	187.1
7/1/2009	—	649.1	649.1	—	392.4	165.4

Schedules of Changes in Net Pension Liability for NJ TRANSIT Sponsored Single-Employer Defined Benefit Plans
Last Ten Fiscal Years *($ in millions)*

For the year ended June 30, 2015	ATU	TERP	TWU	MERCER	UWUA (UCA)
Total pension liability					
Service cost	$23.4	$6.6	$1.1	$0.9	$0.1
Interest	80.2	48.4	3.5	3.1	0.6
Changes of assumptions	32.0	16.4	1.5	1.3	0.3
Benefit payments, including refunds of employee contributions	(58.9)	(34.8)	(2.8)	(2.4)	(0.5)
Net change in total pension liability	**76.7**	**36.6**	**3.3**	**2.9**	**0.5**
Total pension liability – beginning	**1,031.9**	**622.8**	**45.3**	**39.5**	**7.1**
Total pension liability – ending (a)	**$1,108.6**	**$659.4**	**$48.6**	**$42.4**	**$7.6**
Plan fiduciary net position					
Contributions – employer	$44.8	$19.3	$1.3	$1.8	$0.2
Contributions – employee	6.5	1.8	0.3	0.2	—
Net investment income	134.5	65.4	6.0	3.9	1.0
Benefit payments	(58.9)	(34.8)	(2.8)	(2.4)	(0.5)
Administrative expense	(3.1)	(1.9)	(0.2)	(0.1)	—
Net change in plan fiduciary net position	**123.8**	**49.8**	**4.6**	**3.4**	**0.7**
Plan fiduciary net position – beginning	**801.4**	**438.7**	**38.2**	**24.9**	**6.4**
Plan fiduciary net position – ending (b)	**$925.2**	**$488.5**	**$42.8**	**$28.3**	**$7.1**
Net pension liability – ending (a) – (b)	**$183.4**	**$170.9**	**$5.8**	**$14.1**	**$0.5**
Plan fiduciary net position as a percentage of the total pension liability	**83.46%**	**74.08%**	**88.07%**	**66.75%**	**93.42%**
Covered employee payroll	**$268.4**	**$97.2**	**$11.2**	**$9.5**	**$1.1**
Net pension liability as percentage of covered employee payroll	**68.33%**	**175.82%**	**51.79%**	**148.42%**	**45.45%**

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Pension Contributions for NJ TRANSIT Sponsored Single-Employer Defined Benefit Plans
Last Ten Fiscal Years *($ in millions)*
Amalgamated Transit Union Employees Retirement Plan

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2015	$44.9	$44.9	$—	$268.9	16.69%
2014	44.0	44.8	(0.8)	268.4	16.69
2013	44.8	44.8	—	266.2	16.82
2012	41.5	41.5	—	259.9	15.98
2011	43.4	43.4	—	269.9	16.09
2010	42.8	42.6	0.2	254.6	16.73
2009	34.6	34.9	(0.3)	245.6	14.19
2008	36.2	37.9	(1.7)	240.1	15.78
2007	31.8	31.8	—	229.1	13.90
2006	30.9	30.9	—	223.2	13.84

Non-Agreement Employees Retirement Plan

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2015	$29.5	$29.5	$—	$92.3	31.98%
2014	36.4	19.3	17.1	97.2	19.84
2013	36.7	36.7	—	102.9	35.69
2012	35.1	35.1	—	106.9	32.81
2011	34.0	34.0	—	111.5	30.51
2010	34.6	34.8	(0.2)	115.7	30.09
2009	29.5	30.0	(0.5)	122.5	24.51
2008	27.7	27.7	—	122.3	22.63
2007	27.7	27.7	—	125.4	22.07
2006	26.0	26.0	—	125.1	20.79

Transport Workers Union Employees Retirement Plan

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2015	$1.8	$1.8	$—	$11.9	15.06%
2014	1.3	1.3	—	11.2	11.58
2013	1.3	1.3	—	10.8	12.04
2012	1.1	1.1	—	10.5	10.10
2011	0.9	0.9	—	11.1	8.20
2010	1.3	1.3	—	10.9	12.33
2009	1.1	1.1	—	10.8	9.63
2008	0.9	0.9	—	9.7	8.88
2007	1.6	1.6	—	9.2	16.89
2006	1.2	1.2	—	9.2	12.97

Mercer Employees Retirement Plan

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2015	$2.5	$2.5	$—	$9.5	26.36%
2014	2.1	1.8	0.3	9.5	19.35
2013	1.8	1.8	—	9.1	20.11
2012	1.9	1.9	—	9.0	21.35
2011	1.8	1.8	—	9.2	19.99
2010	2.6	2.6	—	9.6	27.12
2009	2.0	2.0	—	7.7	25.62
2008	2.0	2.0	—	7.5	27.17
2007	2.2	2.2	—	7.5	29.94
2006	2.6	2.6	—	8.9	28.66

Utility Worker's Union of America Employee Retirement Plan

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2015	$0.2	$0.2	$—	$1.1	20.18%
2014	0.2	0.2	—	1.1	20.82
2013	0.2	0.2	—	1.0	21.14
2012	0.2	0.2	—	1.0	17.90
2011	0.2	0.2	—	1.1	15.82
2010	0.2	0.2	—	1.5	15.48
2009	0.2	0.2	—	1.6	13.79
2008	0.2	0.2	—	1.6	11.88
2007	0.2	0.2	—	1.4	14.06
2006	0.3	0.3	—	1.9	13.41

NOTES TO SCHEDULE

Valuation date: Actuarial determined contribution rates are calculated as of July 1, of each year in which contributions are reported.

Methods and assumptions used to determine the actuarially determined employer contributions rates:

Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	15 Years as of July 1, 2014
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.0%, Net of pension plan investment expense, including inflation
Inflation	3.00%
Salary Increases	3.00% plus age and service based merit increases
Mortality	In the 2015 valuation, RP-2014 Blue Collar Mortality Tables for annuitants and non-annuitants were used. These tables are adjusted to future years using generational projection under one-half Scale MP-2014 to anticipate future mortality improvement. In prior years, those assumptions were based on the 1994 Group Annuity Mortality Table.

Schedule of NJ TRANSIT's Proportionate Share of The Net Pension Liability for Cost-Sharing Multiple-Employer Defined Benefit Plans *($ in millions)*

For the year ended June 30, 2015	**PERS**
The Proportion of Net Pension Liability	0.0500749%
The Proportionate Share of Net Pension Liability	$9.4
Covered-Employee Payroll	$3.5
Proportionate Share of Net Pension Liability as a Percentage of its covered-employee payroll	268.6%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	42.74%
For the year ended June 30, 2015	**PFRS**
The Proportion of Net Pension Liability	0.6491325%
The Proportionate Share of Net Pension Liability	$81.6
The State's Proportionate Share of the Net Pension Liability Associated with NJ TRANSIT	8.8
Total	$90.4
Covered-Employee Payroll	$20.6
Proportionate Share of Net Pension Liability as a Percentage of its covered-employee payroll	438.8%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.86%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Contributions for Cost-Sharing Multiple-Employer Defined Benefit Plans
Last Ten Fiscal Years *($ in millions)*
Public Employees Retirement System

Year Ended June 30	Contractually Required Contributions	Contributions in Relation to the Contractually Determined Contributions	Contribution Deficiency (Excess)	NJT Covered-Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2015	$0.5	$0.5	$—	$3.6	13.89%
2014	0.4	0.4	—	3.5	11.43%
2013	0.4	0.4	—	3.5	11.43%
2012	0.5	0.5	—	3.1	16.13%
2011	0.4	0.4	—	3.1	12.90%
2010	0.3	0.3	—	3.9	7.69%
2009	0.2	0.2	—	3.8	5.26%
2008	0.2	0.2	—	3.6	5.56%
2007	0.2	0.2	—	3.5	5.71%
2006	0.1	0.1	—	3.4	2.94%

Police and Firemen's Retirement System

Year Ended June 30	Contractually Required Contributions	Contributions in Relation to the Contractually Determined Contributions	Contribution Deficiency (Excess)	NJT Covered-Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2015	$5.2	$5.2	$—	$20.3	25.62%
2014	4.8	4.8	—	20.6	23.30%
2013	4.9	4.9	—	20.6	23.79%
2012	4.6	4.6	—	20.0	23.00%
2011	4.2	4.2	—	19.6	21.43%
2010	4.8	4.8	—	18.7	25.67%
2009	4.5	4.5	—	17.3	26.01%
2008	3.7	3.7	—	14.4	25.69%
2007	3.6	3.6	—	14.2	25.35%
2006	3.6	3.6	—	14.1	25.53%

Notes to Schedule

Changes in benefit terms: None.

Changes in assumptions: The discount rate changed from the rate as of June 30, 2013 to the rate as of June 30, 2014, in accordance with GASB Statement No. 67.

NJ TRANSIT
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