2016 ANNUAL REPORT

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Maplewood Station

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LETTER FROM TRANSPORTATION COMMISSIONER *AND* BOARD CHAIRMAN *RICHARD T. HAMMER*

There is no doubt that New Jersey has one of the nation's most complex and challenging transportation infrastructures in the country. Having worked on it for more than 34 years, I fully understand the importance of a transportation system that moves people and goods and supports a growing economy. As a result, we must ensure that New Jersey maintains and expands its already vast and robust road and rail network to remain a competitive and strategic player in the region. The theme of this year's annual report — *We Move New Jersey* — says it all.

Over the past year, NJ TRANSIT has been working hard to do just that, improving the quality of life for its customers and the communities it serves. We opened Wesmont Station on the Bergen County Line in Wood-Ridge, a public-private partnership that links residents and visitors of a new housing and retail development with reliable public transportation. We also opened a new bus plaza at Secaucus Junction, greatly expanding transportation connections for bus and rail customers at our busiest transit hub, with room to grow.

We've increased seating on the Newark Light Rail and Hudson-Bergen Light Rail systems by modifying existing vehicles rather than purchasing new, more costly vehicles. Many bus customers also enjoyed the arrival of new cruiser buses, which offer the latest in customer amenities and comfort, and are more environmentally friendly than the buses they are replacing. The new buses are equipped with seat belts, the first NJ TRANSIT buses equipped with this added safety feature and delivered a year ahead of a federal mandate for transit agencies to include seat belts in all new cruiser bus purchases.

Safety remains a top priority across our system. Positive Train Control (PTC) is in the process of being installed on our rail system. PTC, combined with inward- and outward-facing cameras being installed on train cabs, continues to enhance many layers of safety already in place on the railroad. We also continue to place a strong emphasis on state-of-good-repair projects that keep the system safe and extend the life of our equipment and infrastructure.

Meanwhile, we remain fully committed to building a stronger and more resilient transit system that can withstand the effects of future storms. That includes raising signal and power systems, providing flood

protection for support facilities, building protected storage and inspection facilities, and designing a future microgrid that will provide power to our system when the commercial power grid is compromised.

Each time a new project emerges, I emphasize my "smart solutions" philosophy in an effort to achieve an efficient project delivery system that maximizes the construction value of every transportation dollar we spend.

Finally, while we have made a great deal of progress, more needs to be done. One of our biggest challenges remains the need to increase rail capacity between New Jersey and New York. Both New Jersey Governor Christie and New York Governor Cuomo have expressed support for Amtrak's Hudson River tunnel project and are working with our region's congressional leaders to secure necessary federal funding and ensure that our region's financial interests remain protected.

In closing, I want to personally express my sincere appreciation to the Governor for the opportunity to serve as New Jersey's Transportation Commissioner and NJ TRANSIT Board Chairman. I also would like to extend my thanks to the State Legislature, the New Jersey Congressional delegation, my fellow Board members, our host communities and Interim Executive Director Dennis Martin for their tremendous support. In addition, a special thank you to NJ TRANSIT's dedicated employees, and to the nearly one million daily NJ TRANSIT customers who utilize our service each day — your support and loyalty is greatly appreciated.

Richard T. Hammer
Transportation Commissioner and NJ TRANSIT Board Chairman

LETTER FROM INTERIM EXECUTIVE DIRECTOR *DENNIS MARTIN*

Thanks to an abundant mix of employee innovation, strong transportation partnerships and the use of our metrics-driven Scorecard system, NJ TRANSIT continued to deliver positive results for its customers and the region in Fiscal Year 2016 (FY2016).

Scorecard is our proven management and reporting tool that utilizes a combination of customer feedback and performance data to help NJ TRANSIT manage its bus, rail, light rail and Access Link transportation network. More than 100,000 Scorecard surveys were completed by our customers in FY2016, helping to drive our immediate and long-term business decisions.

This past year, Scorecard feedback from bus customers led to significant improvements, particularly at the Port Authority Bus Terminal (PABT). Thanks to our partnership with the Port Authority of New York & New Jersey, we teamed up to create and expand a Quality of Commute Program that streamlined bus operations and customer flow through the world's busiest bus terminal, improving on-time performance, reducing customer complaints and helping to increase overall bus customer satisfaction. More improvements are planned for FY2017.

Customer satisfaction ratings also improved for rail riders during the fiscal year. In the last quarter alone, the overall score for rail increased dramatically from 5.6 to 6.1, with an increase recorded in overall satisfaction scores for all of our rail lines. Positive marks by rail customers were noted in several areas, including expansion of the Quiet Commute program and upgrades to the popular MyTix mobile ticketing initiative.

We're also responding to feedback from light rail customers. Newark Light Rail (NLR) and Hudson-Bergen Light Rail (HBLR) customers have asked us for more seats and we're delivering on that request in a dramatic but cost-effective way. Working closely with our vehicle manufacturer, we are increasing seating capacity by 50 percent by adding a new seated section in the middle of each vehicle, a much more cost-effective way to add seating than purchasing new vehicles. Ten extended vehicles will be added to the NLR fleet and 25 added to HBLR fleet when the project is completed.

Meanwhile, Access Link customers gave their service strong marks in FY2016. Access Link is NJ TRANSIT's paratransit service for customers with disabilities. When Access Link customers asked us for a more

comfortable ride, we responded with increased seat cushions and added support springs on existing Access Link vehicles. In addition, we also added more than 160 new minibuses and 65 sedans to the Access Link fleet.

Finally, the NJ TRANSIT mobile app made its debut in FY2016, putting many of our customer-friendly technologies — such as MyTix, Departurevision, MyBus, Trip Planner and other popular features — into one convenient mobile application. Look for further refinements and additions to the mobile app in FY2017.

NJ TRANSIT employees continue to be the backbone of our operation. From front-line to back office employees, I take great pride in the work they perform each day, ensuring that we have a safe, reliable, convenient and secure transit system. During the past year, we settled labor contracts for almost 10,000 of our unionized employees — bringing stability to our operations and ultimately our customers' experience. I also would like to personally recognize many of our non-agreement employees who served as ambassadors to guide customers to and from special events. This past year, they successfully supported nearly 100 events, including the Papal visit to New York and Philadelphia

In closing, let me thank Governor Chris Christie, Board Chairman Richard Hammer and the rest of our Board of Directors for their continued support, along with our legislative leaders in Trenton and Washington. Together, we will continue to make investments in our system that make New Jersey an attractive place to live, work and visit.

Dennis Martin
Interim Executive Director
December 28, 2015 – October 13, 2016

Hudson-Bergen Light Rail, Jersey City

IMPROVING the CUSTOMER EXPERIENCE

Service

Building on the success of a **Quality of Commute Program** at the Port Authority Bus Terminal (PABT), NJ TRANSIT, the Port Authority of New York & New Jersey and the Amalgamated Transit Union continued to streamline service in and out of the PABT in FY2016, with a focus on bus traffic flow, improving on-time performance and service reliability, and reducing customer wait lines at the PABT. The service adjustments have led to a significant reduction in customer complaints and an increase in overall customer satisfaction in quarterly Scorecard surveys. Additional operational changes will take at the PABT in FY2017.

The use of **Smart Bus** technology is being used to enhance NJ TRANSIT bus service. The Smart Bus onboard system captures important data such as bus ridership, customer travel patterns, bus locations and vehicle conditions to achieve greater operating efficiencies with scheduling, planning and maintenance. Two bus routes were significantly adjusted in FY2016 thanks to Smart Bus. The No. 316 summer service operation was revised to include new express bus service between Philadelphia, Gloucester Premium Outlets, Wildwood and Cape May. Meanwhile, the No. 119 bus service between Bayonne, Jersey City and New York was upgraded to include new, 24/7 service Monday through Saturday, winning rave reviews from customers, elected officials and community leaders.

Occasionally, **major regional events** require NJ TRANSIT to adjust its service. The largest planning effort in FY2016 required bus, rail, light rail and Access Link service, route and security adjustments when Pope Francis visited New

An emergency response team (ERT) member assists a customer at Port Authority Bus Terminal.

York and Philadelphia in September and October 2015. Even with projected record crowds and strict security measures, NJ TRANSIT successfully accommodated all of its customers with minimal disruption.

AMBASSADORS WERE REQUESTED FOR **94 EVENTS**, WITH THE LARGEST BEING THE **PAPAL VISIT**

Employee Ambassadors help guide NJ TRANSIT customers during major service changes, disruptions, special events, police training and other special activities. In FY2016, ambassadors were requested for **94 events**, with the largest being the **Papal visit** in New York and Philadelphia, including nearly 600 volunteer shifts required for the last three days of the event in Philadelphia. Other significant events supported by ambassadors included major boarding gate changes at Port Authority Bus Terminal, July 4th fireworks at Liberty State Park, Copa America Soccer Games at MetLife Stadium, the Monmouth Park Haskell Invitational horse race featuring American Pharaoh and the Far Hills Steeplechase event.

NJ TRANSIT's **Group Sales** unit had another successful year in FY2016, booking 146 group trips for groups of 20 or more. Meanwhile, the number

Music in Motion gained more fans in FY2016.

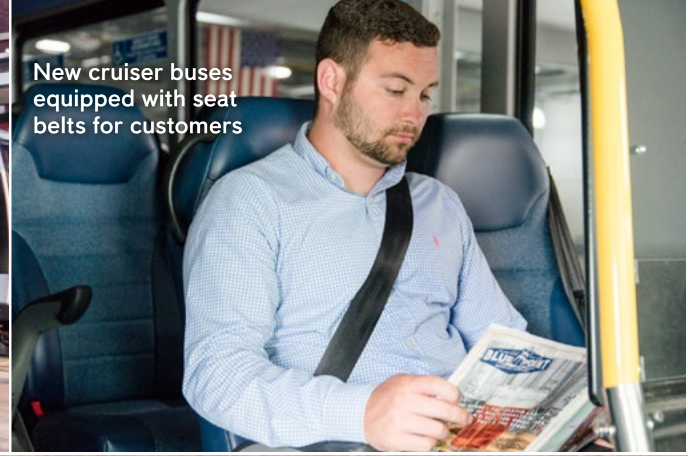
Gate reassignments have eased wait lines at Port Authority Bus Terminal.

of colleges and universities participating in the University Partnership Program increased to 79 this year, with NJ TRANSIT selling more than 40,500 monthly student passes during the period.

During FY2016, NJ TRANSIT launched a six-week **Customer Courtesy Campaign** reminding customers to "mind their manners" while riding NJ TRANSIT services. The *Greetings from the Rude Zone* campaign, which included speaking softly on the phone, avoiding the use of vulgar language, using headphones with electronic devices and other customer-friendly tips — was delivered via social media, digital displays, postcards and posters.

NJ TRANSIT's **"Music in Motion"** is growing in popularity and availability. Music in Motion is a community-based initiative that offers local musicians the opportunity to perform at NJ TRANSIT stations and terminals free of charge. In return, the musicians showcase their talents and material while customers enjoy light entertainment at Music in Motion locations. During FY2016, the Music in Motion concert series featured 25 musicians who rotated between seven different NJ TRANSIT facilities, with further expansion of the program planned for FY2017.

Extended Light Rail Vehicle


New cruiser buses equipped with seat belts for customers

New fuel trucks can ride on roads or rails

NJ TRANSIT partners with communities on transportation initiatives.

Equipment

A **Light Rail Vehicle (LRV) Extension Project** for Newark Light Rail (NLR) and Hudson-Bergen Light Rail (HBLR) continued to advance in FY2016. Following the successful deployment and testing of an extended prototype vehicle on HBLR in FY15, Newark Light Rail received and began testing its first extended vehicle this past year. Ten extended LRVs have been ordered for NLR while 25 have been ordered for HBLR, increasing seating capacity by 50 percent on each expanded car.

Thirty-seven new diesel-electric **hybrid cruiser buses** were delivered to NJ TRANSIT and placed into service in FY2016. These buses are primarily used for long-distance commuter service.

The Board of Directors authorized the purchase of more than 1,100 **clean-diesel cruiser buses** in FY2016, which will replace diesel cruiser buses reaching the end of their useful lives. The 45-foot clean-diesel buses, which will be operated by NJ TRANSIT and private carriers, will increase service reliability and customer comfort, reduce

More than **160 MINIBUSES** and **65 SEDANS** were added to the *Access Link* fleet

operating costs and enhance onboard safety with the installation of new three-point seat belt systems for bus operators and customers. Three prototypes were delivered in FY2016. Production buses are scheduled for delivery in FY2017 and beyond.

NJ TRANSIT began developing vehicle specifications for new articulated buses in FY2016 that will replace **articulated buses** reaching the end of their useful lives. Articulated buses have increased seating capacity and primarily operate in urban areas.

More than 160 minibuses and 65 sedans were added to the **Access Link** fleet in FY2016, replacing aging vehicles and to meet growing demand.

NJ TRANSIT began delivering 200 new **minibuses**, **vans** and **minivans** to counties, municipalities and non-profit organizations in FY2016, including larger buses for county systems in rural and suburban areas with limited bus service. Many of these transportation systems connect with NJ TRANSIT rail and bus service. Deliveries will continue in FY2017.

As part of NJ TRANSIT'S Storm Preparedness Plan, two new **high-rail fuel trucks** were delivered in FY2016 that are capable of traveling on roadways and railroad tracks. The trucks will ensure that fuel deliveries can be made for locomotives, emergency generators and other critical support facilities during major weather events.

Facilities

Wesmont Station on the Bergen County Line opened to customers in May 2016. The new station, part of a public-private partnership built adjacent to a transit-oriented development, includes a center-island platform, pedestrian overpass, elevators, stairs, shelters and a state-of-the-art customer communications system.

A new **bus plaza at Secaucus Junction** opened to customers in March 2016, enhancing intermodal travel through the station. The new bus plaza consists of 14 bus platforms, a 450-foot canopy, a bus layover area, new lighting, a public address system, dynamic signage and traffic signal modifications. The plaza accommodates existing bus customers with room for future growth.

Preliminary design work advanced in FY2016 on upgrades to **Perth Amboy Station** on the North Jersey Coast Line. Modifications to the historic station will include accessibility upgrades to the building and parking lot, installation of two high-level platforms with waiting areas, elevators to and from the platforms and a state-of-the-art, digital audio and visual communications systems.

Design work advanced in FY2016 on accessibility improvements at **Lyndhurst Station** on the Main Line. The project will include new high-level platforms that will be located closer to a parking area constructed several years ago.

Design work continued for a new **Elizabeth Station** on the Northeast Corridor, replacing the existing station. The project includes extending high-level platforms, installing new elevators, reconstructing existing elevators, replacing the existing station building and waiting areas with new and expanded structures, and improving communications and other customer amenities.

NJ TRANSIT completed design work in FY2016 on planned upgrades for the **Avandale Park & Ride** adjacent to the Atlantic City Expressway in Camden County. A construction contract will be advertised in FY2017, which includes reconstructing and expanding the existing parking area, improving bus

The new bus plaza at Secaucus Junction.

Wesmont Station opened in FY2016.


Proper maintenace prolongs the life of NJ TRANSIT infrastructure.

circulation and upgrading customer waiting areas.

Design work on a modernized NJ TRANSIT **Bus Control Center** in Maplewood neared completion in FY2016. The project will give Bus Operations a new control center with improved communications and bus tracking capabilities. The project includes an expanded floor plan, new operating consoles, new computer stations and conference space.

State-of-Good-Repair

NJ TRANSIT advanced design work in FY2016 for upgrades to a **Compressed Natural Gas (CNG) facility at Howell Garage** in Monmouth County. A contractor also was selected to complete design work, as well as build and maintain the upgraded facility.

NJ TRANSIT completed work on a roof replacement project and other state-of-good repair work at **Allendale Station** on the Main/Bergen County Lines.

Final design work was completed in FY2016 for structural repairs at **Norfolk Street Station** on the Newark Light Rail system.

Final design was completed in FY2016 for a project at **New Brunswick Station** on the Northeast Corridor. The project includes structural repair work to bring the station into a state-of-good-repair, as well as improved lighting and heating/air conditioning at the station.

Design work was completed and a contractor selected in FY2016 to perform roof repairs at **Radburn Station** on the Bergen County Line.

Design work and bid specifications were completed in FY2016 for a roof repair project planned for **Mahwah Station** on the Main/Bergen County Lines.

Design work was completed and an advertisement for bids was published in FY2016 to repair the station plaza and lighting at **Rutherford Station** on the Bergen County Line.

During FY2016, Rail Operations installed

34,150 **railroad ties**, surfaced more than 44 miles of **track** and rehabilitated 19 rail **grade crossings**. **Civil Speed Enforcement** modifications were made at 15 curves and five bridges. Installation of energy-efficient **switch heaters** also was completed in FY2016, and installation began on new **snow-melter panels** for the switch heaters. Significant **bridge work** also was accomplished in FY2016, including replacement of 500 bridge deck timbers, replacement of bridge spans for two bridges on the Raritan Valley Line in Plainfield, steel rehabilitation work on fifteen bridges and painting of four others.

Rail Operations also focused on **a variety of state-of-good-repair projects** at rail stations in FY2016. The work included stairway improvements at North Elizabeth, Edison, New Brunswick, Glen Ridge and Dunellen; waiting room and shelter work at Princeton Junction, Dunellen, Metuchen, Woodbridge, Long Brach, Middletown, Morris Plains, Summit, Towaco, Ridgewood, Long Branch, Spring Lake, Summit, Murray Hill and Hamilton; platform and sidewalk work at Trenton, North Elizabeth, Millburn, Spring Lake, Metuchen, Millburn, Cranford, New Brunswick and Secaucus Junction; lighting improvements at Elizabeth, Hamilton, Rahway, Metuchen, New Brunswick and North Elizabeth; bathroom upgrades at Allendale and Suffern; roof and tunnel work at Cranford and Long Branch; heating/ventilation/air-conditioning work at Perth Amboy, Bay Street, Metuchen, North Elizabeth, South Amboy and Rahway, landscaping at Elizabeth and Delawanna; and elevator improvements at South Orange and Woodbridge.

During FY2016, NJ TRANSIT Bus Operations began replacing conventional belt-drive cooling systems on NABI transit and suburban buses with more efficient **electric-fan cooling systems**. The work is designed to increase service reliability and fuel economy on the corporation's NABI bus fleet.


Dunellen Stairs before (inset) and after improvements.

Replacement of Portal Bridge is critical to future growth and service reliability between New Jersey and New York.

Major Projects

Wetland mitigation credits were purchased in FY2016 for the **Lackawanna Cutoff** project. Additionally, a request to prequalify contractors for design and construction services to rehabilitate Roseville Tunnel was advertised. The Lackawanna Cutoff will initially extend NJ TRANSIT rail service into Sussex County, NJ, with the long-range potential to extend service into northeastern Pennsylvania funded by the Keystone State.

A plan to replace Amtrak's swing-span **Portal Bridge** with a fixed-span bridge over the Hackensack River — part of the Gateway Program — advanced to final design in FY2016 and is ready for construction. Funding for early action work on the Northeast Corridor project has been obtained through a TIGER Grant. When finished, bridge openings for boating traffic will no longer be necessary, greatly improving service reliability on the Northeast Corridor between Newark and New York. See the "Studies" section below for more information on the Gateway Program.

A project that will provide NJ TRANSIT with greater operating flexibility and efficiency on the Northeast Corridor (NEC) reached 30 percent design in FY2016. The **Mid-Line** Loop will allow some westbound NEC trains to change direction near New Brunswick on a raised structure without impeding other NEC train traffic. Additionally, the Mid-Line Loop will allow trains departing County Yard to cross above the NEC on the same raised structure without impeding other NEC train service.

The Federal Transit Administration (FTA) is completing its review of a Supplemental Draft Environmental Impact Statement for the **Northern Branch** project. After FTA review, the document will be published in FY2017, initiating a public comment period. The Northern Branch project would extend Hudson-Bergen Light Rail service approximately 10 miles from Tonnelle Avenue Station in North Bergen to Englewood.


Bus Rapid Transit is coming to the Avandale Park & Ride.

Studies

NJ TRANSIT is working with the Port Authority of NY & NJ, Amtrak and the United States Department of Transportation to advance the **Gateway Program**. Gateway includes several major transit projects, some of which will support increased rail capacity between New Jersey and New York.

One of those projects is the **Hudson Tunnel Project**. NJ TRANSIT is working jointly with the Federal Railroad Administration to advance the federal environmental review process for a new tunnel under the Hudson River, which would be used by NJ TRANSIT and Amtrak trains between New Jersey and New York. NJ TRANSIT is also working with Amtrak and the Port Authority of NY & NJ to advance the construction of the new Hudson Tunnel. After the new tunnel is operational, an existing century-old tunnel damaged by Superstorm Sandy will be taken out of service and rehabilitated without disrupting existing service. Work on project permitting and project development will advance concurrently.

Design and environmental work advanced in FY2016 on the **South Jersey Bus Rapid Transit** project, with proposed improvements along the Atlantic City Expressway, Routes 42 and 55, Interstates 76 and 676 in Downtown Camden and in Philadelphia. Bus Rapid Transit uses priority treatments and new technology to enhance the transit experience, making it faster and more reliable than traditional bus service.

NJ TRANSIT and Bergen County are working on the **Bergen County Bus Rapid Transit** Implementation Study. During FY2016, work progressed on a final report which may be completed before the end of calendar year 2016. Different routes have been identified. Hackensack and Paramus would be the focal points of the new service, connecting to major activity centers in Bergen County and Secaucus Junction.


Signal platforms are being raised along Hudson-Bergen Light Rail.

EQUIPMENT is being raised in *Hoboken Yard* and elsewhere to protect it from **FUTURE FLOODING.**

NJ TRANSIT began working on the second phase of the **Newark Penn Station Platform Circulation Study** in FY2016 to develop options for improved pedestrian access and circulation to and from the station platforms.

Superstorm Sandy Recovery and Resiliency Projects

NJ TRANSIT completed **system-wide repairs on Hudson-Bergen Light Rail** in FY2016 , which included replacement of 32 main line switches and switch machines, structural foundation repairs on a signal interlocking, installation of a wheel-truing machine and the purchase of spare traction power and signal cable for emergency repairs. A pilot program was also undertaken for a larger cable replacement effort to address damage to signal and power cables caused by Superstorm Sandy.

Emergency ventilation fans were replaced at Newark Light Rail's Newark Penn Station in FY2016, which provide emergency evacuation of smoke in the tunnels and light rail station below Newark Penn Station.

Work continued on a project to install 165 new **steel catenary poles and support arms** between Gladstone and New Providence stations on the **Gladstone Branch** in FY2016. Scheduled for completion in FY2017, the project will replace approximately 30 percent of the existing wooden poles along the Gladstone Line that are most susceptible to wind damage.

Temporary repair work continued in FY2016 on the **Raritan River Bridge** that was damaged during Superstorm Sandy. Plans are being developed to replace the North Jersey Coast Line bridge spanning the Raritan River between Perth Amboy and South Amboy, part of a long-term resiliency project. NJ TRANSIT initiated the environmental review process for this project in FY2016, which has included extensive engagement with federal, state and local stakeholders.

Signal Equipment is being raised in Hoboken Yard and elsewhere to protect it from future flooding. Much of the equipment, currently housed in signal cases at ground level, was damaged during Superstorm Sandy. Some of the equipment will be replaced and moved into an area called Terminal Tower. All other components that need to remain near the tracks will be elevated within existing protective cases. The project is scheduled for completion in FY2018.

Final design work was wrapping up in FY2016 to **raise power cables** supporting the Hoboken Yard signal system. Underground cables will be replaced with aerial cables mounted on steel poles, supported by concrete foundations that can withstand wind and water damage. New transformers will be mounted on the steel poles to protect them from flooding. Construction is scheduled to begin on this project in FY2017.

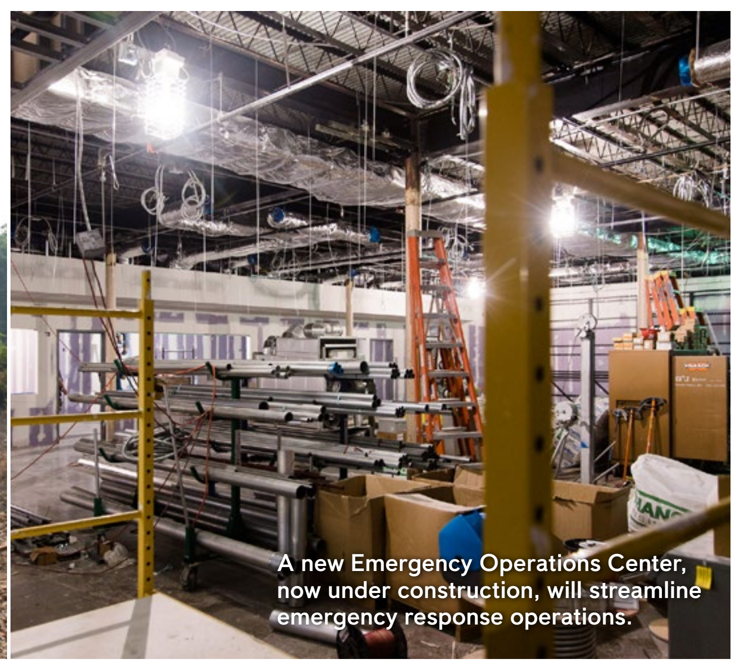
During FY2016, the Federal Transit Administration awarded NJ TRANSIT a federal grant for a **Coastal Storm Surge Emergency Warning System**, declaring it a national demonstration project. The system will monitor approaching extreme weather events and storm surge threats that could impact Hoboken Terminal or the Meadows Maintenance Complex/ Rail Operations Center. The system will also provide weather information to NJ TRANSIT's emergency preparedness personnel if a Comprehensive Emergency Management Plan is activated.

NJ TRANSIT is constructing an **Emergency Operations Center** (EOC) at its General Office Building in Maplewood. The EOC, which is scheduled to be operational by the end of calendar year 2016, will facilitate emergency response operations at a centralized location with operating terminals, large screen displays, conference rooms and more. The EOC would be used by police, operating units, emergency response members and communications and customer service personnel to monitor operations, direct actions and keep customers informed during storms or other significant emergency events.

Design work was completed in FY2016 for two major projects at Hoboken Terminal. One would replace two older boiler plants destroyed by Superstorm Sandy with **two new boiler plants**. Additionally, three **ticket windows and administrative/support offices** at the Hoboken ferry terminal will be replaced. Construction on these projects is scheduled to begin in FY2017.

Final design work advanced in FY2016 to provide **flood protection** for the Meadows Maintenance Complex (MMC) and Rail Operations Center (ROC). The project includes sealing perimeter openings, installing deployable sluice gates, swing gates and stop-log doors, utilizing permanent and deployable pumps, and installing emergency generators for backup power. The MMC is NJ TRANSIT's primary rail maintenance facility and the ROC is the Corporation's main rail control center in Kearny.


Work continued to replace wood catenary poles with steel poles on the Gladstone Branch.


A new Emergency Operations Center, now under construction, will streamline emergency response operations.

Replacement of the aging Raritan River Bridge is a priority.

Design work continued in FY2016 to move an **Uninterrupted Power Supply** at the Rail Operations Center from the ground floor to the second floor of the building. Two existing battery banks will remain on the first floor, installed on elevated racks to protect them from flood risk. Heating, ventilation and air-conditioning work to protect the equipment is also planned. Construction is scheduled to begin in FY18.

Design progressed in FY2016 to **raise bridge controls** for Morgan Draw Bridge, located between South Amboy and Aberdeen-Matawan stations on the North Jersey Coast Line. The project includes installation of new equipment in a raised bungalow adjacent to the right-of-way.

Final design work was completed in FY2016 on a project to replace **rail substations** that were damaged during Superstorm Sandy. The substations are located in flood-prone areas of Bay Head, Kearny and Hoboken.

Plans to construct the new **rail storage and inspection facility** called Delco Lead in Middlesex County advanced in FY2016 with the conclusion of the environmental review process and a Finding of No Significant Impact by the Federal Transit Administration. When completed, the facility will provide resilient storage capacity to for up to 312 railcars that would be relocated there in the event of an approaching severe storm. It also includes a Service & Inspection facility to help Rail Operations quickly return to service after a storm. An additional 112 railcars could be stored at nearby County Yard.

NJ TRANSIT is advancing plans to alleviate flooding conditions at Hoboken Terminal by filling in **Long Slip waterway** adjacent to the terminal and constructing six **new electrified tracks with high-level platforms** on the filled area. The Federal

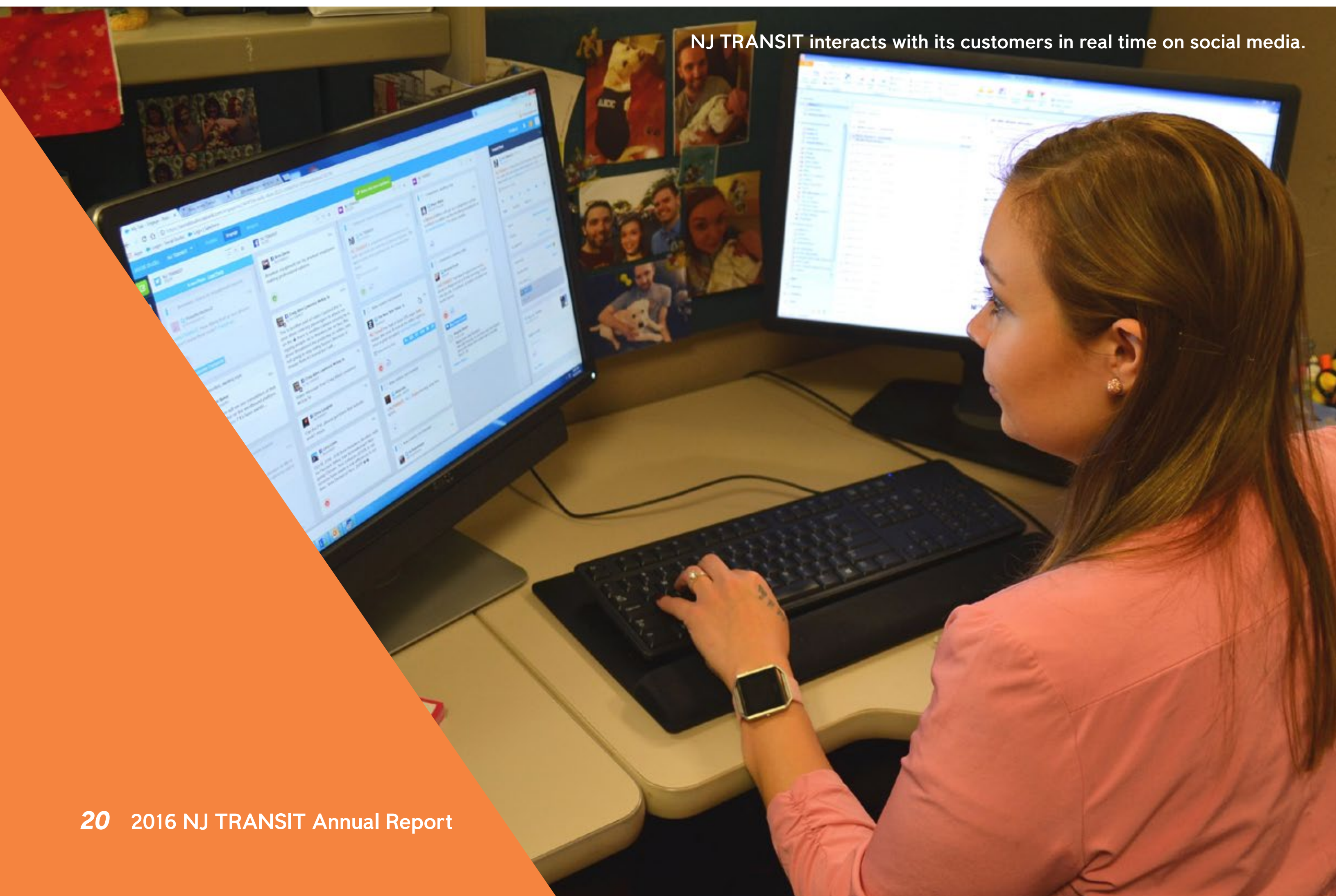
Transit Administration approved a Supplemental Environmental Assessment for the project in FY2016. Completion of the environmental review process is expected in FY2017.

NJ TRANSIT is advancing plans for a first-of-its-kind **microgrid** designed to provide highly reliable power to a core segment of NJ TRANSIT'S critical rail and light rail services and infrastructure during power outages of a commercial electric grid. The project includes a natural gas-fired power plant, a power distribution network and installations of several smaller distributed generation facilities. In non-emergency operation, the power generated by the power plant will be sold to a utility. A federally required environmental review is underway and is expected to be completed in FY2018. A design contract was authorized by the NJ TRANSIT Board of Directors in FY2016 and Preliminary Design for the central power plant and distributed generation will begin in FY2017. Partners on this project include Governor Chris Christie's Office of Recovery and Rebuilding, the U.S. Department of Energy, the New Jersey Board of Public Utilities, the New Jersey Department of Environmental Protection, the New Jersey Office of Homeland Security and Preparedness and other public and private stakeholders.

NJ TRANSIT has completed a pre-design survey of assets in FY2016 to **raise signal and communication components** on Hudson-Bergen Light Rail, and on the Morris & Essex, Raritan Valley, Main/Bergen and Pascack Valley lines.

Technology

NJ TRANSIT put many new features into the hands of customers with mobile devices in FY2016. The **NJ TRANSIT mobile app** made its debut, offering customers a comprehensive and convenient mobile application that includes MyTix mobile ticketing, train schedules, real-time bus (MyBus) and rail (Departurevision) service information, Trip Planner and New Jersey Transit Police contact information. Additionally, **MyTix** rolled out to more customers in FY2016, with new offerings of light rail monthly passes, interstate bus one-way ticketing, MyTix



NJ TRANSIT interacts with its customers in real time on social media.

alerts, a new PayPal payment option, and new integration of the NJ TRANSIT app and MyTix to give customers the ability to purchase tickets directly from the "Train Schedules" section of the app.

NJ TRANSIT rail customers now enjoy **WiFi** access at 95 percent of the Corporation's rail stations thanks to a partnership with Cablevision. Meanwhile, NJ TRANSIT began testing WiFi service in 11 of its railcars during FY2016. The testing is designed to maximize the onboard WiFi experience for customers. NJ TRANSIT is also evaluating opportunities to offer similar service to its bus and light rail customers.

RAIL CUSTOMERS now enjoy *WiFi access* at **95%** of stations

In addition to station announcements, onboard announcements, MyTransit alerts and njtransit.com, NJ TRANSIT communicates with its customers via **social media**. Facebook, Twitter, Instagram and YouTube are used to provide critical information, promote NJ TRANSIT services and offer promotional discounts to customers. The most active platforms are Facebook and Twitter. During FY2016, NJ TRANSIT increased the number of Facebook "Likes" it received by 6,400, to 53,191 likes. Twitter grew by more than 36,000 users during the fiscal year, now exceeding 120,500.

NJ TRANSIT launched a pilot program in FY2016, offering **cell phone charging stations** at Newark Penn Station, Secaucus Junction, Penn Station New York and Hoboken Terminal. Each charging station can accommodate at least a dozen cell phones at one time.

NJ TRANSIT's mobile app contains many features in one app, including the real time MyBus arrival system.

Cell phone charging stations are a big help to customers on the run.


TRANSIT POLICE
4

SAFETY AND SECURITY

NJ TRANSIT is in the process of developing a **Positive Train Control** (PTC) system for its rail system, an advanced technology designed to prevent certain types of rail collisions, more protection for rail workers, a Crash Hardened Event Recorder and interoperability with other railroads. Federal law requires most United States railroads to implement PTC by the end of December 2018. The project advanced on several fronts in FY2016:

- Testing an onboard system on a locomotive and cab car.
- Ongoing vehicle modification work.
- Ongoing installation of onboard equipment on five production cab cars.
- Installing track transponders, radio antennas and fiber-optic cabling on a six-mile section of demonstration track on the Morris & Essex Lines.
- Securing radio spectrum purchases and leases.
- Working with the Federal Communications Commission to facilitate PTC communications.
- Purchasing and installing additional fiber-optic cable for other sections of railroad.
- Designing communication and train-control components.
- Developing an engineer training simulator.

Safety blitzes at stations and terminals help NJ TRANSIT deliver important safety messages to customers.

Installation continues in FY2016 on **interior and forward-facing cameras** on NJ TRANSIT rail locomotives and cab cars. By the end of FY2016, interior and exterior cameras were installed on nearly all of the locomotive fleet, with work proceeding on cab cars of single-level and multilevel railcars. The camera recordings assist with post-incident investigations and ultimately improve safety by helping to identify root causes of incidents, including vehicular and pedestrian trespasser incidents.

NJ TRANSIT continued advancing security measures on its light rail systems at the request of customers. Installation work has been completed on **onboard security cameras** on River LINE and Newark Light Rail vehicles. Installation of onboard cameras began in FY2016 on Hudson-Bergen Light Rail, which is scheduled for completion in FY2017.

NJ TRANSIT maintained a strong, pro-active **safety education program** for customers, employees and the general public in FY2016. Highlights included the distribution of nearly 50,000 safety materials at 86 school presentations and 51 community events around New Jersey. The fiscal year ended with National Safety Month in June 2016, with NJ TRANSIT conducting nine informational safety blitzes at bus, rail and light rail stations and terminals, audio and visual onboard safety messaging for customers, safety education sessions at more than a dozen employee facilities, hosting employee safety recognition programs and producing the first-ever Distracted Olympics where customers "competed" in interactive events to


Onboard cameras capture video (right) that can be used in post-accident investigations and to improve safety.

The ‘Distracted Olympics’ showed customers the dangers of inattentive behavior around public transportation.

Work got underway in FY2016 to create PTC test track in Morris County.

experience the dangers of being distracted around transit facilities and equipment.

The New Jersey Transit Police Department (NJTPD) worked jointly with federal, state and local law enforcement agencies and emergency responders on **emergency response training exercises** in FY2016. They included an active shooter scenario on Newark Light Rail (NLR), a protester event on NLR, a Hazmat scenario on Hudson-Bergen Light Rail and an explosives ordinance disposal response on

the River LINE. Nine-hundred-fifty first responders participated in those drills and an additional 1,500 first responders received **NJ TRANSIT rail safety training**. During the past five years, more than 1,200 police personnel from the NJTPD and police partner agencies also received **Transit Terrorist Tools and Tactics Training**.

Nearly 160 responders and support personnel attended three Texas A&M Engineering Extension Service (**TEEX**) courses in FY2016. The TEEX courses are delivered in the world-class facilities in College Station, TX, by instructors experienced in emergency management and incident response.

By the end of FY2016, nearly 10,300 NJ TRANSIT employees received **PATRIOT/SAVE Training**, which gives participants the techniques and ability to identify potential suspicious activity around the system and instructions on how to report it.

NJ TRANSIT continued to promote its “**Text Against Terror**” public awareness campaign in FY2016, encouraging customers to text suspicious activity to “NJTPD” (65873).

FINANCIAL PERFORMANCE

NJ TRANSIT generated approximately $800,000 in non-farebox revenue through partnerships, including **advertising placement** with Google for the NJ TRANSIT website and the NJ TRANSIT mobile app, and a similar partnership for ad placement with American Express for the launch of our new mobile app.

NJ TRANSIT continues to identify non-farebox revenue opportunities and customer amenities at its stations and terminals. During FY2016, NJ TRANSIT entered into an agreement with Fishawack 4, LLC, for the operation of a restaurant in the eastbound building at **Chatham Station** on the Morris & Essex Lines. NJ TRANSIT also entered into an agreement with JO'boken, LLC, for the operation of a coffee café at **Hoboken Terminal**. Meanwhile, Brunswick Donuts, Inc., assumed management of a Dunkin' Donuts franchise at **New Brunswick Station** on the Northeast Corridor.

Discounts and added-value incentives for off-peak leisure travel was offered again this year with Six Flags Great Adventure, Monmouth Park Racetrack, New Jersey Devils, Madison Square Garden, Radio City and Jersey Shore beach communities, helping to **increase ridership, revenue and advertising dollars**.

Stations with vendors, like Dunkin' Donuts in New Brunswick Station, are a big hit with customers.

Caption for photo here

CORPORATE ACCOUNTABILITY

NJ TRANSIT's **Access Link** paratransit service continues to grow, providing transportation for customers with disabilities who are unable to use the Corporation's local fixed-route bus service. More than 1.4 million Access Link trips were provided during FY2016, an increase of 10 percent compared to the previous fiscal year.

Responding to customer input gathered during Scorecard surveys, NJ TRANSIT i**ncreased seat cushioning** and **added support springs** to Access Link minibuses for a smoother ride. Minibuses purchased in FY2016 were also equipped with rear **LED stop lights** and **deceleration lights**, both added safety features.

For added convenience, Access Link customers began making **reservations by e-mail** in FY2016, enabling customers to request rides around the clock without speaking to a live agent. Also, the Access Link eligibility process is now more efficient thanks to a new **electronic eligibility processing system**.

NJ TRANSIT and the New Jersey Department of Transportation teamed up to create the **Transit Village** initiative in 1999. The program recognizes New Jersey communities that zone for and encourage mixed-use, transit oriented development within a half mile of a public transit facility. To date, 33 NJ communities have been designated Transit Villages, including the City of Long Branch in FY2016.

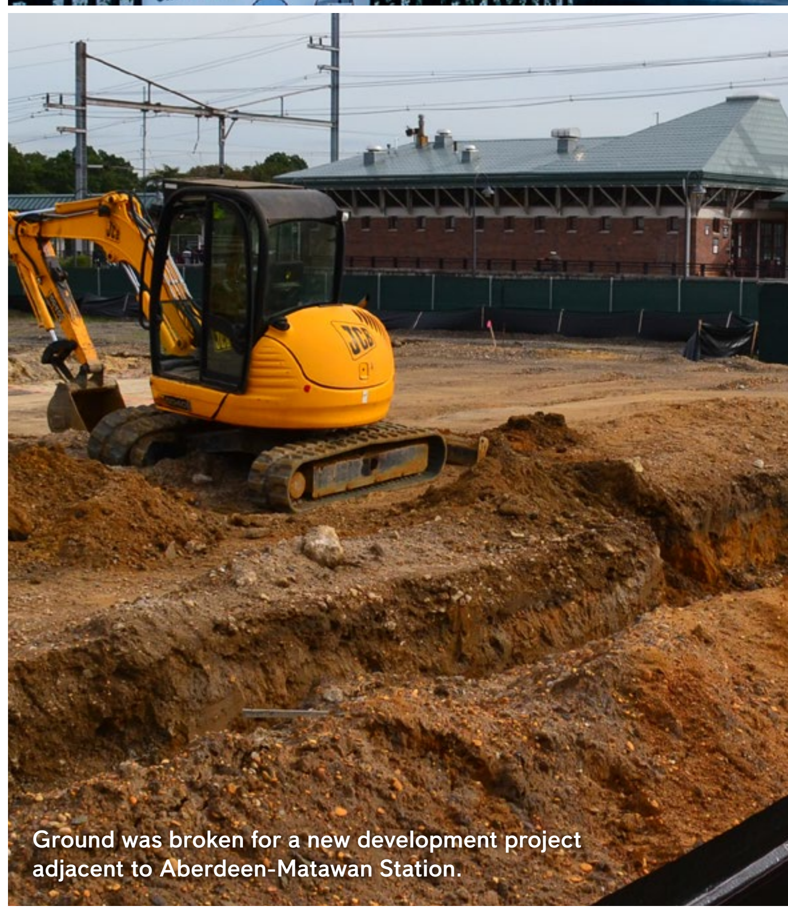
NJ TRANSIT continues to work with many other communities on **transit-oriented development** (TOD) near its stations and terminals, enhancing local economic development, promoting the use of public transportation, reducing auto dependency and boosting ridership and revenue for the Corporation.

NJ TRANSIT finalized a Master Development Agreement with Somerset Development, LLC, in FY2016 to implement a TOD project near **Somerville Station** on the Raritan Valley Line. Approximately 31 acres of property around the station is owned by NJ TRANSIT. Development plans include a mix of residential and commercial uses as well as a new parking deck. Access to Somerset Station also will be enhanced for motorists and pedestrians.

NJ TRANSIT also formalized a contract of sale and related easements to facilitate a TOD project at **Aberdeen-Matawan Station** on the North Jersey Coast Line. The developer broke ground on the Aberdeen side of the station in June 2016. The project includes a mixed-use development that leverages the adjacent station and supports local land-use and economic-development objectives.

NJ TRANSIT sold a vacant lot in FY2016 that once served as a lumberyard in Waldwick. D&R Development will turn the site into a TOD project, which will include 124 residential units and retail space adjacent to **Waldwick Station**. NJ TRANSIT also entered into property-use agreements with Blue Ridge Lumber (**Fair Lawn**), Coach USA/ Suburban Transit (**North Bergen**) and PSE&G (**Hoboken** and **Weehawken**).

NJ TRANSIT's **Transit-Friendly Land Use & Development Program** continues to support local communities served by bus, rail and light rail service. NJ TRANSIT teamed up with the U.S. Department of Housing and Urban Development, North Jersey Transportation Planning Authority (NJTPA), Rutgers University, several not-for-profit smart growth advocacy organizations and countless municipalities and counties to complete "Together North Jersey" producing 28 Local Demonstration Projects. More recently, "Together North Jersey 2.0: Making It Happen!" was launched by NJTPA and Rutgers to move specific plans forward, aligning


Ground was broken for a new development project adjacent to Aberdeen-Matawan Station.

NJ TRANSIT service continues to fuel Transit-Oriented Development near stations and terminals.

Transit-oriented development is coming to Somerville Station.

public, private and non-profit interests and funding toward implementation.

NJ TRANSIT, NJTPA and Rutgers University also have initiated a **system-wide inventory of Transit Oriented Development (TOD)** surrounding Hudson-Bergen Light Rail stations. The project will give NJ TRANSIT a better understanding of HBLR development since its inception and identify current and future capacity enhancements, service frequencies and system expansions along the line. A TOD database will be created and eventually expanded to capture TOD redevelopment around other NJ TRANSIT facilities throughout the state.

NJ TRANSIT, Fair Lawn and Bergen County completed the **Fair Lawn Avenue/Radburn Station Corridor Analysis Project** in FY2016, examining how pedestrians, bicyclists, commuters, residents, businesses and shoppers can be accommodated safely along a congested corridor in Bergen County served by Radburn Station on the Bergen County Line. The Borough and County are now working together to advance recommended improvements that will enhance mobility, parking, local economic revitalization and streetscapes.

Additionally, NJ TRANSIT established a **web link** on njtransit.com for developers interested in learning more about available NJ TRANSIT-owned property and TOD opportunities.

The state and federal governments are committed to providing business opportunities for **Small Business Enterprises** (SBEs) and **Disadvantaged Business Enterprises** (DBEs). During FY2016, NJ TRANSIT awarded 13 percent of its state-funded contracts, or $41.3 million, to SBEs. Between October 31, 2014 and September 30, 2016, NJ TRANSIT awarded 19 percent of contracts funded by the Federal Transit Administration, or $4.95 million, to DBEs.

New CNG (compressed natural gas) cruiser bus operating in Jersey City.

GREEN-FRIENDLY PROJECTS

As a member of the **New Jersey Consolidated Energy Supply Program** (NJCEP), NJ TRANSIT and other state entities continue to reduce energy costs by combining their electricity and natural gas accounts to take advantage of historically low energy prices.

NJ TRANSIT began **upgrading lighting at the Meadows Maintenance Complex** (MMC) in FY2016 with intelligent light-emitting diode (LED) fixtures in around the facility. The new lighting has built-in occupancy and day-light sensors, wireless networking and integrated controls. The project is partially funded by the Large Users Energy program under New Jersey's Clean Energy Program.

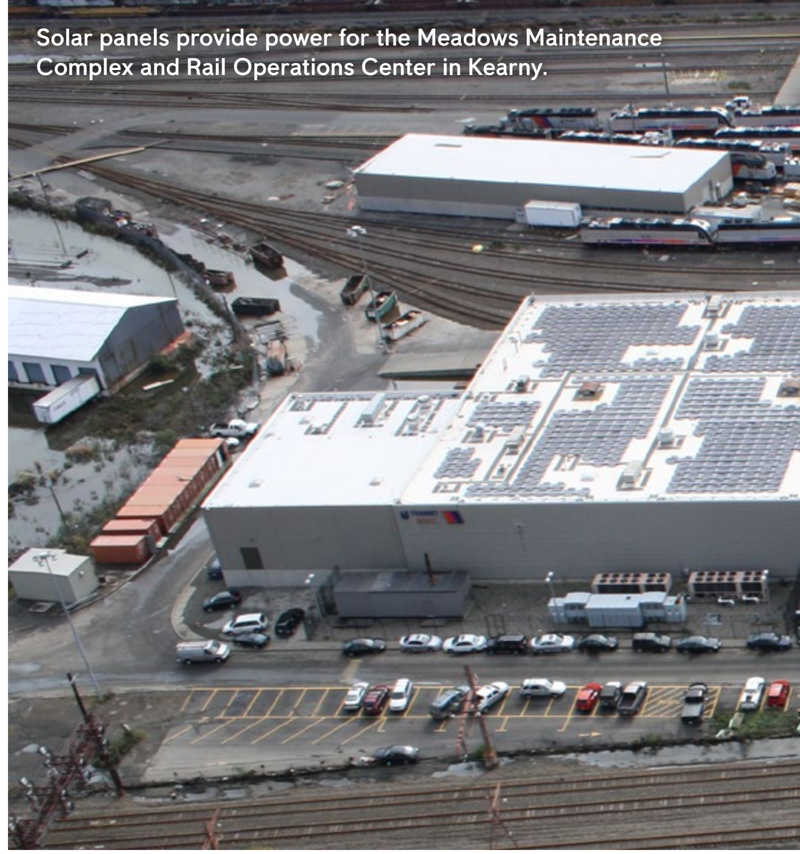
A **solar photovoltaic system** on the roof of the MMC offsets five percent of the electricity consumed at the facility, while preventing 535 tons of greenhouse gas, 874 pounds of nitrogen oxides and 2,162 pounds of sulfur dioxide from being emitted into the atmosphere. NJ TRANSIT also earns **Solar Renewable Energy Certificates** that generate additional revenue for the Corporation.

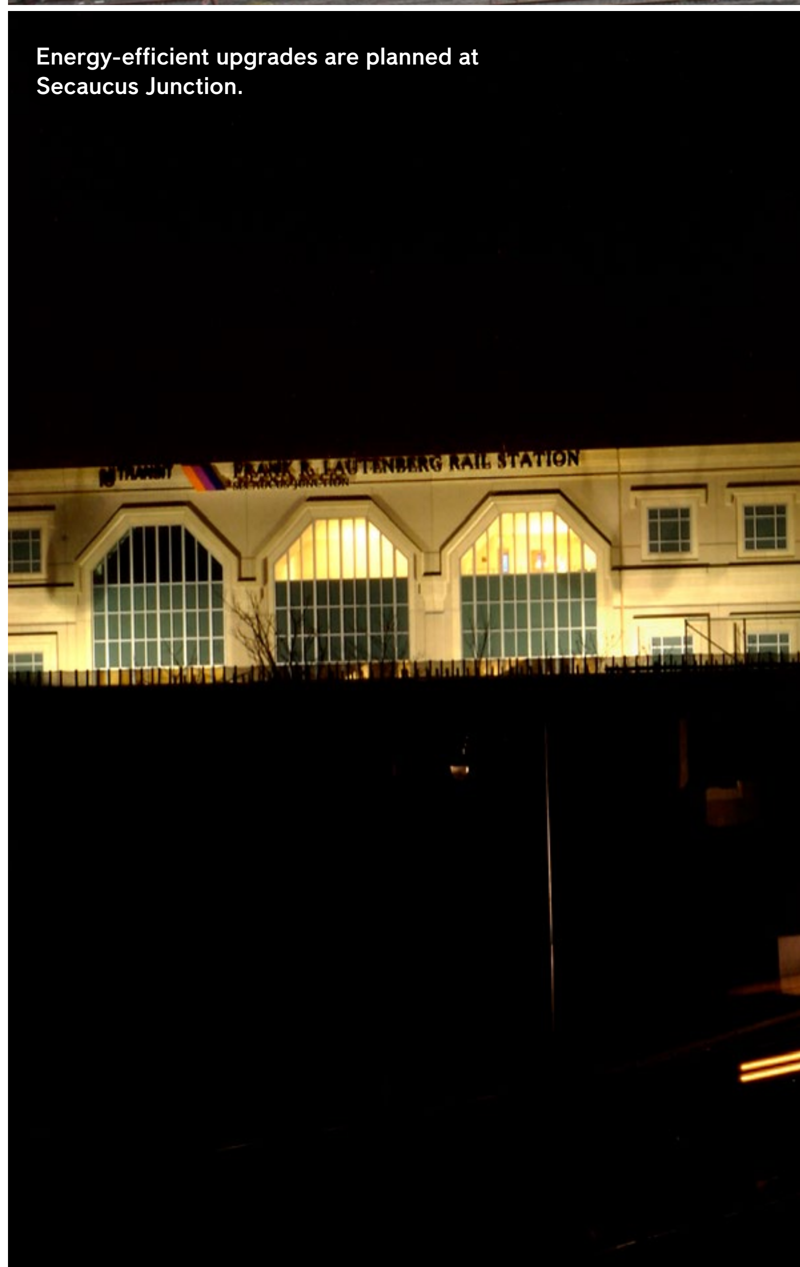
NJ TRANSIT began **upgrading the lighting** at its Headquarters building in Newark and General Office Building in Maplewood with more efficient fluorescent lights in FY2016. Additionally, 21 electric motors at Headquarters are being upgraded to more efficient **variable frequency drive motors**. Both initiatives are partially funded by the New Jersey Clean Energy Program.

NJ TRANSIT is participating in a two-year **demand response pilot program** at several facilities, using advanced technology to save energy and help maintain power during peak summer days. The program also reduces the risk of power outages, reduces greenhouse gas emissions and other harmful pollutants, and helps to delay the replacement of power plants and transmission lines. The program can be expanded to other NJ TRANSIT facilities in the future.

NJ TRANSIT participates in the **Local Government Energy Audit** offered by New Jersey's subsidized Clean Energy Program, identifying energy-efficient cost savings, reducing operating expenses and improving the health and productivity of the buildings' occupants. Audits have been completed at Newark Penn Station, Secaucus Junction, Wayne Bus Garage, Greenville Bus Garage and Meadowlands Bus Garage and upgrades are being implemented at each of the facilities.

NJ TRANSIT began participating in a 10-week Environmental Defense Fund (EDF) Fellowship in FY2016 called "**Climate Corps**." The fellowship, which will be completed in FY2017, places top graduate students with proficiencies in business, engineering, environmental science and public policy into organizations to advance energy management strategies. Fellow Hector Arreola is helping NJ TRANSIT develop a strategic plan that establishes energy and sustainability goals, an action plan, and identifies methods to measure success. The elements of the plan will be evaluated, revised and updated over a three-year period.

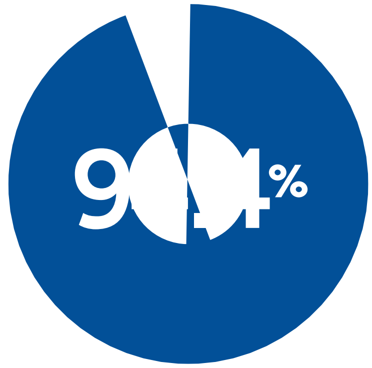

Solar panels provide power for the Meadows Maintenance Complex and Rail Operations Center in Kearny.


Energy-efficient upgrades are planned at Secaucus Junction.

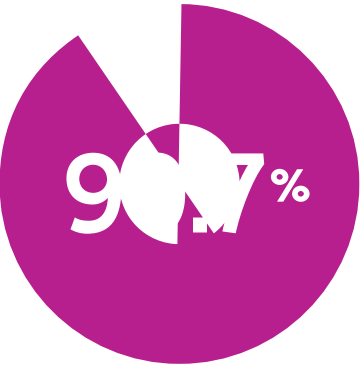
NJ TRANSIT

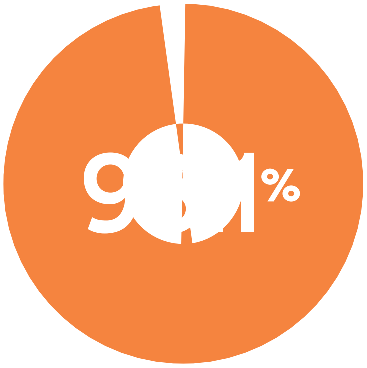
On-time Performance By MODE

FY2016



Rail





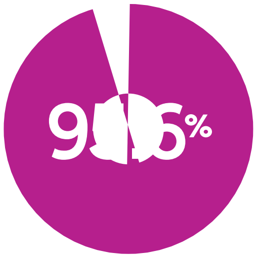
Bus

Light Rail

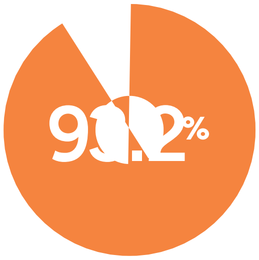
NJ TRANSIT

On-time Performance By RAIL LINE

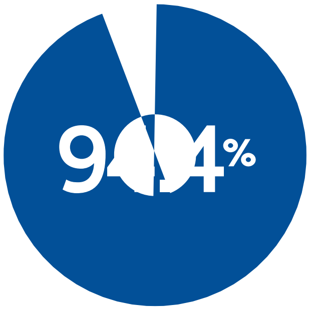
FY2016



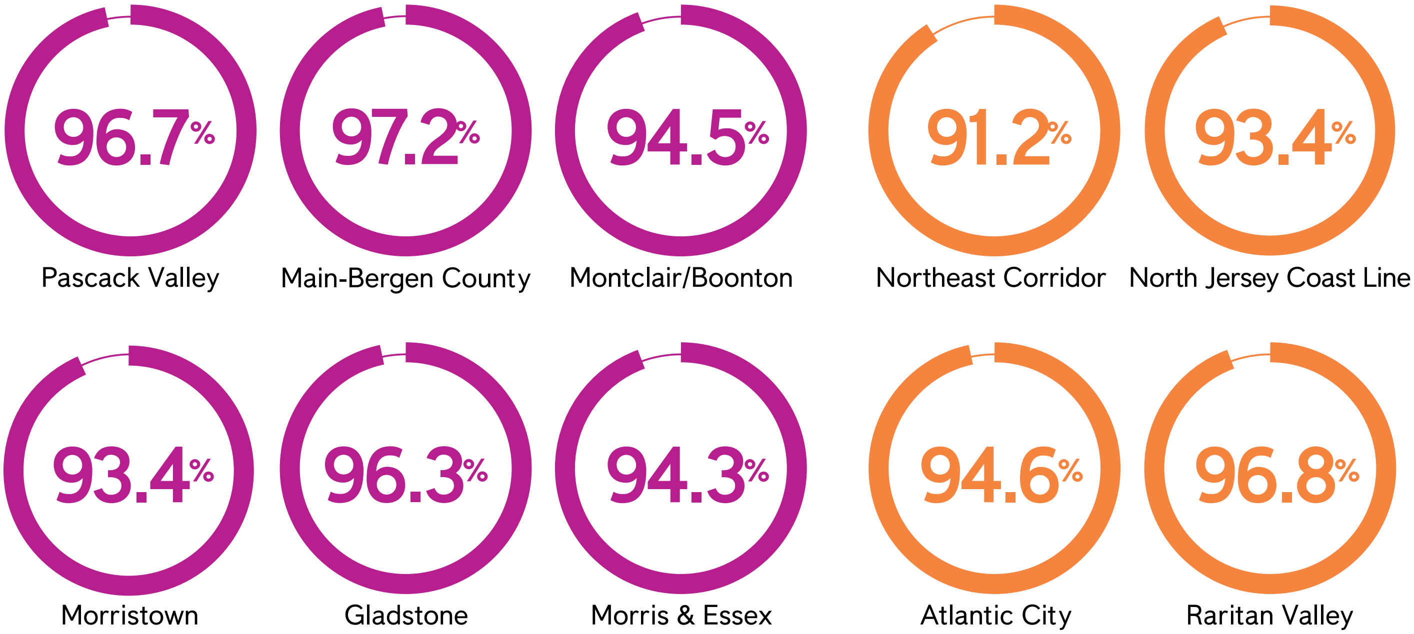
Hoboken Division Total



Newark Division Total



System Total



NJ TRANSIT 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.

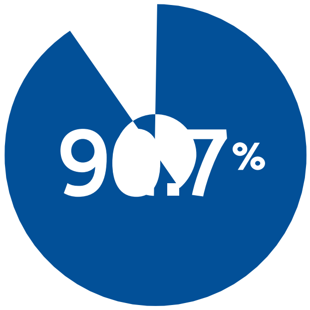
To accurately record on-time performance and maintain a database from which reports can be generated, NJ TRANSIT developed a mainframe-based computer system that calculates on-time performance and provides reports and analyses. It also provides input to other NJ TRANSIT systems.

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 BUS LINE FY2016



Bus Operations

NJ TRANSIT 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.

Atlantic City Bus Terminal | Hoboken Terminal | Newark Penn Station | Port Authority Bus Terminal | Walter Rand Transportation Center

NJ TRANSIT

On-time Performance By LIGHT RAIL FY2016

9[illegible].1%

System Total

97.8%

Hudson-Bergen Light Rail

98.6%

Newark Light Rail

97.2%

River LINE

NJ TRANSIT

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.

BOARD OF DIRECTORS

RICHARD T. HAMMER

Board Chairman

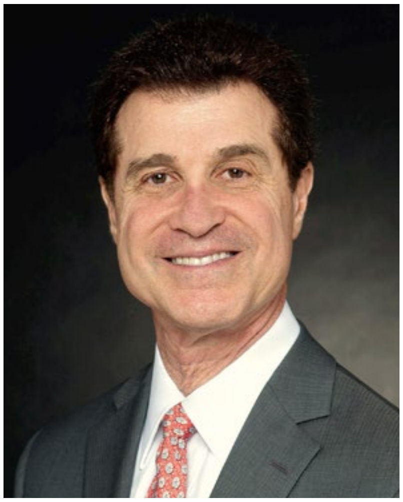
Richard T. Hammer was confirmed by the New Jersey Senate as Commissioner on August 1, 2016. He was appointed Acting Commissioner on October 30, 2015.

Prior to his appointment, Rick led the Department's Capital Program Management (CPM) organization as Assistant Commissioner since March 2006. In this capacity, he was responsible for delivering the annual Capital Program, as well as managing a workforce of about 1,100 employees throughout six Divisions — Right of Way and Access Management; Project Management; Capital Program Support; Highway and Traffic Design; Bridge Engineering and Infrastructure Management; and Construction Services and Materials.

Rick began his career with the Department in May of 1982 upon graduation from Rutgers University, College of Engineering, with a Bachelor of Science degree in Civil Engineering. His lengthy career includes 14 years with the Bureau of Structural Evaluation in the former Division of Bridge Design, and 10 years in the Division of Project Management where he served as a Program Manager overseeing major statewide bridge projects and ultimately as Division Director. Under his leadership as Assistant Commissioner, the Department delivered record-breaking capital programs each fiscal year.

With a focus on creating a solution-oriented environment, Rick implemented a comprehensive restructuring of CPM to address a decreasing workforce and to better utilize the expertise and creativity of staff. Emphasizing purpose and need, with a "smart solutions" philosophy, his goal was to achieve an efficient project delivery system that maximizes the construction value of every transportation dollar. Towards this end, New Jersey has been recognized as a national leader in value-engineered savings.

Rick has received during his career numerous accolades from both the engineering and construction industries, most notably being named New Jersey ASCE "Government Engineer of the Year" in 2007 by the American Society of Civil Engineers. More recently, in February 2016 he received the Government Service Award from the Professional Engineers Society of Mercer County. In July 2016, he was named one of the 50 most influential professionals in South Jersey by "South Jersey Biz," a regional business-to-business publication.



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 primarily in northern New Jersey. He was also the co-founder, initial Chairman of the Board and, from 2007 to 2013, President and CEO of Pascack Community Bank, an eight branch community bank which was sold in 2016.

In addition to serving as Vice Chairman of the Board of NJ TRANSIT since 2011, Bruce is Chairman of the Board of Directors of Hackensack University Medical Center at Pascack Valley.

Bruce was a practicing attorney, specializing in commercial and real estate law, until he retired from the practice of law in 2007. He 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 law clerk for the Supreme Court of New Jersey.

Ford M. Scudder

State Treasurer

Ford M. Scudder was sworn in as State Treasurer on September 20, 2016. He had previously served as Acting State Treasurer since Novembe 9, 2015. For the past decade, he worked in the private sector for Laffer Associates, a macroeconomic research firm, serving as Chief Operating Officer before joining State government.

Laffer Associates was founded by Dr. Arthur B. Laffer, who was a member of President Reagan's Economic Policy Board during two terms of that Administration. The firm analyzes macroeconomic trends and the effect of changes in economic policy for its clientele of institutional investors, in addition to engaging in extensive analysis of state economic policies.

Mr. Scudder is a holder of the right to use the Chartered Financial Analyst® designation. He also has analyzed and invested in public equities as a senior analyst at Laffer Investments, a global asset manager. He also has experience investing in private equity, serving as an observer or proxy on the boards of directors of a number of privately held companies.

He was born in Princeton and his family has a long history in New Jersey. He graduated magna cum laude from Princeton University, earning a bachelor's degree in economics while also receiving certificates in finance and political economy. He earned his MBA from Vanderbilt University's Owen Graduate School of Management.

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.

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 National Vice President of myConnections at UnitedHealthcare Communityand State and has an extensive record of non-profit service.

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 former Third Ward Council Member and a former 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.

Advisory COMMITTEES

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 Wright

South Jersey Transit Advisory Committee

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

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

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
Richard Bartello
Don Brauckmann Sr.
Robert Dazlich
Sister Linda Delgado, O.P.
Marty DeNero
Tony Hall
Philip B. Harrison
Gary Johnson
Maryann Mason
John McGill
Robert Panzer
Marianne Valls
Margaret Vas
Michael Vieira
William Wright

2016 Executive ***MANAGEMENT*** Team

Michael Drewniak
Interim Chief of Staff

Michael Gonnella
Deputy Attorney General

Amy Herbold
Deputy Executive Director

Warren Hersh
Auditor General

Michael Kilcoyne
Acting Vice President/General Manager,
Bus Operations

Robert Lavell
Vice President/General Manager,
Rail Operations

Michael Lihvarcik
Acting Chief Financial Officer/Treasurer

Ken Rotter
Ethics Liaison/C.E.P.A. Officer

Steven Santoro
Assistant Executive Director,
Capital Planning & Programming

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

Joyce Zuczek
Board Secretary

One Penn Plaza East
Newark, New Jersey 07105-2246
NJTRANSIT.com

NJTRANSIT
The Way To Go.

NJ TRANSIT
FISCAL YEAR 2016
CONSOLIDATED FINANCIAL STATEMENTS

NJTRANSIT
The Way To Go.

Chris Christie, Governor
Kim Guadagno, Lieutenant Governor
Richard T. Hammer, Commissioner
Steven H. Santoro, Executive Director

NJTRANSIT
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, 2016, 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 unmodified opinion, dated November 22, 2016, is presented on page 1-2 of the 2016 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 2016 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 2016 financial statements is accurate, and that such information fairly presents the financial condition and operational results of the Corporation as of June 30, 2016 and for the year then ended.

Michael Lihvarcik
CFO and Treasurer

November 22, 2016

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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 years ended June 30, 2016 and 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 audits. We conducted our audits 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.

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, 2016 and 2015, and the consolidated changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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 for NJ TRANSIT sponsored single-employer defined benefit plans, 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

November 22, 2016

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, 2016 and 2015 with selected comparative information for the fiscal year ended June 30, 2014. This discussion and analysis covers the last three 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 2016

- Total operating revenues for NJ TRANSIT were $1,076.8 million in fiscal year 2016, an increase of $63.9 million, or 6.3 percent compared to the prior fiscal year. Passenger revenue increased by $61.4 million, or 6.6 percent. Other operating revenues, net, increased by $2.5 million, or 3.2 percent.
- Total operating expenses before depreciation and other expenses were $2,356.2 million in fiscal year 2016, an increase of $382.4 million or 19.4 percent, from the prior fiscal year. Additional details are presented beginning on page 8.
- Total net position at June 30, 2016 was $4,558.4 million, a decrease of $278.1 million, or 5.8 percent from the net position at June 30, 2015.
- Total capital assets (net of depreciation) were $6,642.4 million at June 30, 2016, a net decrease of $278.7 million, or 4.0 percent, below the previous fiscal year. This is a result of depreciation outpacing the overall increase in assets, as well as an increase in asset disposals.
- During the year, NJ TRANSIT entered into fuel commodity swap agreements. These agreements were entered into to hedge changes in cash flow due to market price fluctuations related to expected purchases of diesel fuel for NJ TRANSIT trains and buses. NJ TRANSIT has reported the fair value of the swaps in the amount of $28.5 million at June 30, 2016 as a "Derivative Instrument Asset" and a corresponding "Deferred Inflow of Resources; Commodity Swap" in the Consolidated Statement of Net Position (See Note 18).

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 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 9. 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, 2016, was $4,558.4 million, a decrease of $278.1 million, or 5.8 percent, from June 30, 2015 (Table A-1). Total assets decreased $337.3 million, or 4.1 percent, and deferred outflows of resources from unamortized debt refunding and items related to pensions increased by $23.8 million, or 15.4 percent. Total liabilities decreased $67.5 million, or 1.9 percent.

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,		% INC/(DEC)	
	2016	2015	2014	2016/2015	2015/2014
Current assets	$723.5	$743.2	$659.7	(2.7)	12.7
Restricted non-current assets	584.7	639.3	999.6	(8.5)	(36.0)
Capital assets, net	6,642.4	6,921.1	7,225.7	(4.0)	(4.2)
Other assets	15.7	—	4.5	—	—
TOTAL ASSETS	**$7,966.3**	**$8,303.6**	**$8,889.5**	**(4.1)**	**(6.6)**
Refunding of debt and pensions	8.6	14.4	3.6	(40.3)	300.0
Deferred outflows related to pensions	170.2	140.6	—	21.1	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**178.8**	**155.0**	**3.6**	**15.4**	**4,205.5**
Current liabilities	896.7	919.1	842	(2.4)	9.2
Notes payable	948.1	1,119.3	1,194.1	(15.3)	(6.3)
Net Pension liability	549.3	465.7	—	18.0	—
Net OPEB obligation	483.9	431.5	386.5	12.1	11.6
Obligations under capital leases	481.0	509.9	872.2	(5.7)	(41.5)
Unearned revenue and other non- current liabilities	186.8	167.8	196.0	11.3	(14.4)
TOTAL LIABILITIES	**3,545.8**	**3,613.3**	**3,490.8**	**(1.9)**	**3.5**
Deferred inflows related to pensions	12.4	8.8	—	40.9	—
Deferred inflows related to derivative instrument liability	28.5	—	—	—	—
TOTAL DEFERRED INFLOWS OF RESOURCES	**40.9**	**8.8**	**—**	**364.8**	**—**
Net investment in capital assets	5,369.8	5,692.0	5,850.9	(5.7)	(2.7)
Restricted for capital projects	7.5	6.8	6.5	10.3	4.6
Unrestricted (deficit)	(818.9)	(862.3)	(455.1)	14.6	89.5
TOTAL NET POSITION	**$4,558.4**	**$4,836.5**	**$5,402.3**	**(5.0)**	**(10.5)**

FISCAL YEAR 2016

The 2.7 percent decrease in current assets in fiscal year 2016 is primarily due to a decrease in Federal grant receivables, offset by increases in materials and supplies, and a derivative instrument asset. Fuel commodity swaps with a fair value of $28.5 million were entered into during the year and have been reported as a current asset. Restricted non-current assets decreased 8.5 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 $6,642.4 million in capital assets, net, $674.2 million represents construction in progress; $5,557.7 million represents NJ TRANSIT's investment in buildings, structures, track, equipment, locomotives, railcars and buses, net of depreciation; and $410.5 million represents land and other capital assets.

The 12.1 percent increase in the obligation for postemployment benefits reflects the fiscal year 2016 incremental increase required under GASB Statement No. 45, *Accounting, and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

The 5.7 percent decrease in obligations under capital leases was mainly due to the pay down of its short-term obligations.

The 11.3 percent increase in unearned revenue & non-current liabilities is due to an increase in insurance reserves for third party injury and damage claims.

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 2016 was $276.8 million (Table A-2). While there are many contributing factors, this was primarily the result of additional labor and fringe benefit costs associated with the settlement of the Bus Workers Amalgamated Transit Union ("ATU") labor contract, as well as, several large unanticipated bus claims.

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 the impact of the adoption of GASB Statement No. 68.

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

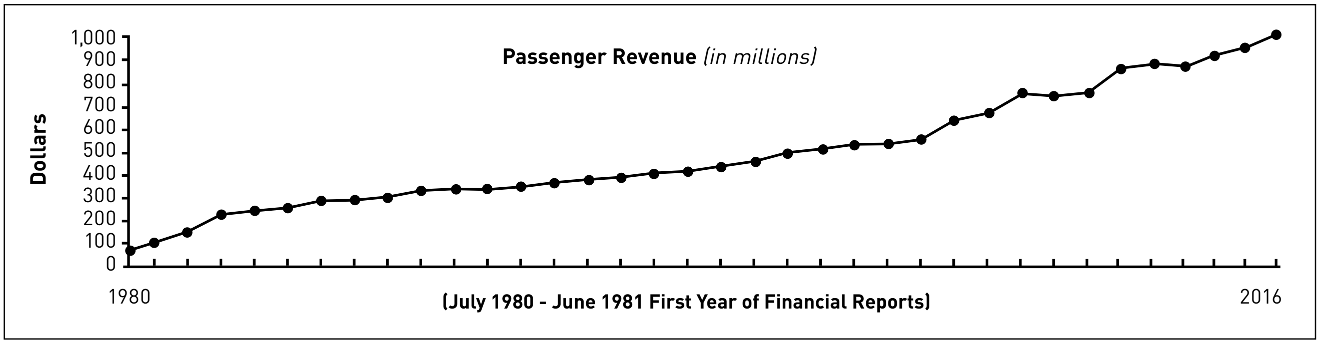
	YEARS ENDED JUNE 30, 2016	2015	2014	% INC/(DEC) 2016/2015	2015/2014
Operating Revenues					
Passenger fares	$995.0	$933.6	$909.3	6.6	2.7
Other, net	81.8	79.3	77.5	3.2	2.3
Total Operating Revenues	**1,076.8**	**1,012.9**	**986.8**	**6.3**	**2.6**
Operating Expenses					
Total operating expenses before depreciation and other expenses	2,356.2	1,973.8	2,098.7	19.4	(6.0)
Superstorm Sandy expenses, net	—	18.5	17.7	—	4.5
Depreciation	491.6	519.7	517.6	(5.4)	0.4
Total Operating Expenses	**2,847.8**	**2,512.0**	**2,634.0**	**13.4**	**(4.6)**
Operating Loss	**(1,771.0)**	**(1,499.1)**	**(1,647.2)**	**18.1**	**(9.0)**
Non-operating revenues, net	1,160.1	1,055.6	1,086.4	9.9	(2.8)
Capital contributions, net	332.8	321.9	513.6	3.4	(37.3)
Change in Net Position	**(278.1)**	**(121.6)**	**(47.2)**	**128.7**	**(157.6)**
Total Net Position, Beginning as Previously Reported	**4,836.5**	**5,402.3**	**5,449.5**	**(10.5)**	**(0.9)**
Cumulative Effect of Accounting Change	—	(444.2)	—	—	—
Total Net Position, Beginning, as Restated	**4,836.5**	**4,958.1**	**5,449.5**	**(2.5)**	**(9.0)**
Total Net Position, Ending	**$4,558.4**	**$4,836.5**	**$5,402.3**	**(5.8)**	**(10.5)**

OPERATING REVENUES

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

PASSENGER FARE REVENUES

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



Total passenger revenue for fiscal year 2016 increased $61.4 million or 6.6 percent. When major weather conditions, calendar anomalies and special events are factored out of each year, the resulting gain in revenue is only 6.1 percent. This increase can be attributed to continued employment gains. As of June, the region experienced 70 consecutive months of growth, with New York City realizing the biggest improvements. Rail passenger revenue for fiscal year 2016 increased $41.2 million, or 7.6 percent, with ridership increasing by 1.5 million passenger trips, or 1.7 percent. Bus passenger revenue increased $18.1 million, or 4.9 percent, with a slight reduction in ridership below last year of 1.6 percent. Passenger revenues for Light Rail, which include Newark Light Rail, Hudson-Bergen Light Rail and River LINE revenues, increased $1.7 million, or 7.8 percent, with ridership increasing by 1.4 million passenger trips, or 6.2 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 difference between the slight increase in Light Rail revenues compared to the larger increase in Light Rail ridership is the result of an increase in the sale of one way senior/disabled tickets as compared to regular full fare tickets which are discounted at 50 percent.

On October 1, 2015, NJ TRANSIT approved an approximate 9 percent increase on both rail and bus passenger fares. A portion of the $61.4 million increase in passenger fares from 2015 to 2016 is attributable to this fare increase. Although revenue increased significantly, ridership system-wide was relatively flat between 2015 and 2016. This was due to more customers opting for shorter less expensive rail trips and the fact that gasoline prices throughout the year have remained substantially lower than prior years.

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

	YEARS ENDED JUNE 30,			% INC/(DEC)	% INC/(DEC)
	FY16	FY15	FY14	2016/2015	2015/2014
Rail Operations	$581.8	$540.6	$520.7	7.6	(3.8)
Bus Operations	385.0	366.9	363.8	4.9	0.9
Light Rail Operations	23.5	21.8	21.7	7.8	0.5
Special Transit Fares	4.7	4.3	3.1	9.3	38.7
Total	**$995.0**	**$933.6**	**$909.3**	**6.6**	**2.7**

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

	YEARS ENDED JUNE 30, FY16	FY15	FY14	% INC/(DEC) 2016/2015	% INC/(DEC) 2015/2014
Rail Lines					
Newark Division	54.8	54.0	52.0	0.2	3.8
Hoboken Division	33.6	32.7	31.0	2.8	(5.5)
Atlantic City	0.8	0.9	1.0	(11.1)	(10.0)
Total	**89.2**	**87.6**	**84.0**	**1.8**	**4.3**
Bus Lines					
Northern Division	71.9	71.1	69.6	1.1	2.2
Central Division	66.7	68.5	68.3	(2.6)	0.3
Southern Division	21.1	22.6	23.1	(6.6)	(2.2)
Total	**159.7**	**162.2**	**161.0**	**(1.5)**	**0.7**
Light Rail Lines					
Newark Light Rail	5.7	5.5	5.3	3.6	3.8
Hudson-Bergen Light Rail	15.5	14.2	13.8	9.2	2.9
River LINE	2.7	2.8	2.9	(3.6)	(3.4)
Total	**23.9**	**22.5**	**22.0**	**6.2**	**2.3**
Total Ridership	**272.8**	**272.3**	**267.0**	**0.2**	**2.0**

FISCAL YEAR 2016

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 $2.5 million, or 3.2 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. NJ TRANSIT continues to upgrade facilities damaged in Superstorm Sandy. These upgrades are part of NJ TRANSIT's Resilience Program that is designed to make the transportation system stronger, more durable, and more reliable. The largest expense component related to storm repairs was for outside services, specifically repairs to rail infrastructure and project oversight costs. These costs are reported in the natural operating expense accounts in the Statement of Revenue, Expenses, and Changes in Net Position.

EMPLOYMENT COSTS

Employment costs consisting of labor and related fringe benefit expenses represent over 59.6 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 2016, labor costs increased $75.9 million, or 11.6 percent, and fringe benefits increased $235.4 million, or 53.6 percent from fiscal year 2015. During the year, NJ TRANSIT settled the Bus Workers Amalgamated Transit Union (ATU) labor contract. The payment of current year retroactive wages related to the settlement, as well as overtime and reimbursable labor charges, are contributing factors to this increase. All other contracts pertaining to agreement employees are currently expired. Wages for non-agreement employees continue to be frozen.

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.

Cost of services increased $34.7 million or 25.3 percent due to increased costs for professional and technical services, electronic equipment services and contracted maintenance services.

Parts and materials increased by $7.7 million or 4.7 percent due to an increase in expenses for reimbursable projects and resiliency program costs.

Claims and insurance expense increased $35.7 million or 61.3 percent. A significant portion of the increase was due to unanticipated increases to insurance reserves from pending third party injury and damage cases.

Fuel and propulsion expenses decreased $20.5 million, or 13.5 percent. Fuel expenses decreased $21.1 million, or 19.0 percent, and propulsion increased $0.5 million, or 1.3 percent. The decrease in costs is mainly attributed to the ability to obtain fuel at lower costs per gallon in Fiscal Year 2016, as compared to Fiscal Year 2015.

Trackage, tolls, and fees increased $14.8 million, or 22.6 percent, as a result of increased Port Authority Tunnel tolls and an increase in interlocking maintenance costs on the Northeast Corridor.

Utilities expense decreased $2.8 million or 6.4 percent, due to lower costs for non-propulsion electricity.

Purchased transportation increased $1.7 million or 0.8 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.

Depreciation expense decreased by $28.0 million, or 5.4 percent due to the timing of assets additions and disposals.

NON-OPERATING REVENUES (EXPENSES)

Non-operating revenues increased by $104.5 million, or 9.9 percent, primarily attributable to a increase in federal and state grant revenue, due to the timing of grant awards. This increase was slightly offset by a decrease in the State appropriations from $40.3 million in fiscal year 2015 to $33.2 million in 2016. 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 $332.8 million was $10.9 million, or 3.4 percent, above fiscal year 2015.

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.

FISCAL YEAR 2015

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 reimbursable 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 (2) 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.

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

	AS OF JUNE 30,			% INC/(DEC)	
	2016	**2015**	**2014**	**2016/2015**	**2015/2014**
Capital projects in process	$674.2	$601.1	$848.4	12.2	(29.1)
Revenue vehicles	2,024.4	2,150.6	2,177.6	(5.9)	(1.2)
Buildings and structures	2,418.3	2,621.8	2,724.3	(7.8)	(3.8)
Track	1,005.5	1,051.5	1,041.0	(4.4)	1.0
Land	396.3	353.8	353.8	12.0	—
Equipment	109.5	128.0	66.3	(14.5)	93.1
Other	14.2	14.3	14.3	—	—
Total Capital Assets, Net	**$6,642.4**	**$6,921.1**	**$7,225.7**	**(4.0)**	**(4.2)**

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.

CAPITAL ASSETS

As of June 30, 2016, NJ TRANSIT had invested $14,960.5 million in capital assets. Net of accumulated depreciation, NJ TRANSIT's net capital assets at June 30, 2016 totaled $6,642.4 million (Table A-4). This amount represents a net decrease of $278.7 million, or 4.0 percent, below June 30, 2015 net 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 2016, NJ TRANSIT's Board of Directors approved a $2.1 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 $61 million installment in Fiscal Year 2016, part of NJ TRANSIT's 10 year $1 billion NEC investment program.

Looking forward, the Fiscal Year 2017 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 $64 million installment in FY 2017 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.

Additional information about NJ TRANSIT's capital assets is presented in Note 5 to the financial statements.

DEBT OBLIGATIONS

Debt obligations outstanding at June 30, 2016, totaled $1,828.7 million compared with $1,852.5 million at June 30, 2015, a decrease of 1.3 percent.

The following table summarizes the changes in debt between fiscal years 2016, 2015 and 2014 *($ in millions)*:

	AS OF JUNE 30,			% INC/(DEC)	
	2016	**2015**	**2014**	**2016/2015**	**2015/2014**
Notes payable	$1,105.2	$1,281.2	$1,408.1	(13.7)	(9.0)
Obligations under capital leases*	523.5	571.3	937.5	(8.4)	(39.1)
Revolving line of credit**	200.0	—	—	—	—
Total	**$1,828.7**	**$1,852.5**	**$2,345.6**	**(1.3)**	**(21.0)**

*Includes $517.4 million and $560.6 million of leveraged lease transactions as of fiscal years 2016 and 2015, respectively.
**During the year 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. As of June 30, 2016; $200.0 million of loan borrowings remain outstanding.

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 2.0 percent above the prior fiscal year. This was the sixth 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 2016 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 pre-recession peak by 5.8 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 2016 had not only recovered jobs totaling those lost during fiscal 2009-10 but had added an additional 12.7 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 4.3 percent above that.

New Jersey's economy, on the other hand, fared significantly worse than its neighbors. NJ 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 2016 New Jersey had recovered only about 9 of every 10 jobs lost during this period, with employment still (0.7) 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.

An additional factor that impacted ridership trends during fiscal year 2016 was the dramatic fall in retail gasoline prices, which effects potential riders' decision-making between driving or taking transit services. Inflation-adjusted gasoline prices in the region have fallen almost 43.0 percent since fiscal year 2012, with the majority of the decline occurring during fiscal years 2015 and 2016.

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 STATEMENTS OF NET POSITION *(in thousands)*

	AS OF JUNE 30, 2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	$72,902	$72,817
Investments	44,087	40,553
Due from federal government	281,227	325,926
Due from State of New Jersey	132,934	123,959
Material and supplies	134,568	125,570
Other	45,016	54,361
Derivative instrument asset	12,759	—
Total Current Assets	**723,493**	**743,186**
Non-Current Assets		
Restricted cash and cash equivalents	67,327	68,419
Restricted investments	—	10,317
Restricted leveraged lease deposits	517,386	560,557
Other	8	8
Capital assets not being depreciated	1,084,741	969,264
Capital assets, net of accumulated depreciation	5,557,643	5,951,883
Derivative instrument asset	15,736	—
Total Non-Current Assets	**7,242,841**	**7,560,448**
Total Assets	**7,966,334**	**8,303,634**
DEFERRED OUTFLOWS OF RESOURCES		
Refunding of debt	8,582	14,397
Deferred outflows related to pensions	170,233	140,606
Total Deferred Outflows of Resources	**178,815**	**155,003**
LIABILITIES		
Current Liabilities		
Accounts payable	191,850	171,897
Accrued payroll and benefits	197,564	189,334
Current installments under capital leases	42,538	61,365
Short-term notes and line-of-credit payable	357,105	161,878
Other current liabilities	107,711	334,628
Total Current Liabilities	**896,768**	**919,102**
Non-Current Liabilities		
Notes payable	948,086	1,119,293
Accrued injury and damage claims	108,448	83,707
Obligations under capital leases	480,986	509,943
Net pension liability	549,339	465,679
Net Other Post-Employment Benefit Obligation	483,923	431,480
Unearned revenue and other non-current liabilities	78,321	84,071
Total Non-Current Liabilities	**2,649,103**	**2,694,173**
Total Liabilities	**3,545,871**	**3,613,275**
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	12,420	8,891
Derivative instrument liability	28,495	—
Total Deferred Inflows of Resources	**40,915**	**8,891**
NET POSITION		
Net investment in capital assets	5,369,785	5,691,959
Restricted for capital projects	7,541	6,863
Unrestricted (deficit)	(818,963)	(862,351)
Total Net Position	**$4,558,363**	**$4,836,471**

See Notes to Consolidated Financial Statements.

NEW JERSEY TRANSIT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION *(in thousands)*

	YEARS ENDED JUNE 30, 2016	2015
Operating Revenues		
Passenger fares	$995,050	$933,550
Other, net	81,769	79,312
Total Operating Revenues	**1,076,819**	**1,012,862**
Operating Expenses		
Labor	729,447	653,527
Fringe benefits	674,493	439,062
Parts, materials and supplies	170,028	162,348
Services	171,800	137,132
Claims and insurance	93,906	58,218
Fuel and propulsion	131,916	152,435
Trackage, tolls and fees	80,194	65,400
Utilities	41,711	44,541
Purchased transportation	223,527	221,874
Other	39,193	39,256
Total Operating Expenses, Before Depreciation	**2,356,215**	**1,973,793**
Loss Before Depreciation and Other Expenses	**(1,279,396)**	**(960,931)**
Superstorm Sandy expenses, net	—	(18,504)
Depreciation	(491,607)	(519,660)
Operating Loss	**(1,771,003)**	**(1,499,095)**
Non-Operating Revenues (Expenses)		
State appropriation	33,156	40,284
Federal, state and local reimbursements	1,165,743	1,066,602
Investment income	1,980	772
Other non-operating revenues	12,421	7,443
Interest expense	(53,217)	(59,538)
Total Non-Operating Revenues (Expenses)	**1,160,083**	**1,055,563**
Change in Net Position Before Capital Contributions	**(610,920)**	**(443,532)**
Capital contributions, net	332,812	321,891
Change in Net Position	**(278,108)**	**(121,641)**
Total Net Position, Beginning, as Previously Reported	**4,836,471**	**5,402,346**
Cumulative Effect of Accounting Change	—	(444,234)
Total Net Position, Beginning, As Restated	**4,836,471**	**4,958,112**
Total Net Position, Ending	**$4,558,363**	**$4,836,471**

See Notes to Consolidated Financial Statements.

NEW JERSEY TRANSIT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS *(in thousands)*

	YEARS ENDED JUNE 30, 2016	2015
Cash Flows from Operating Activities		
Cash receipts from fares	$995,547	$931,759
Other cash receipts	91,225	105,476
Payments for claims	(66,366)	(64,595)
Payments to employees	(1,286,191)	(1,145,030)
Payments to suppliers	(822,884)	(857,847)
Net Cash Used in Operating Activities	**(1,088,669)**	**(1,030,237)**
Cash Flows from Non-Capital Financing Activities		
Cash receipts from federal, state and local grants and appropriations	989,242	1,021,751
Net Cash Provided by Non-Capital Financing Activities	**989,242**	**1,021,751**
Cash Flows from Capital and Related Financing Activities		
Payment of obligations under capital leases	(4,613)	(4,538)
Interest payments	(60,316)	(57,284)
Proceeds received from note issuances	300,000	533,788
Repayment of note obligations	(263,064)	(650,984)
Payment for debt refunding costs	—	(22,760)
Purchase of capital assets	(211,022)	(240,307)
Capital grants	328,673	344,610
Net Cash Used by Capital and Related Financing Activities	**89,658**	**(97,475)**
Cash Flows from Investing Activities		
Sales and maturities of investments	53,605	573,105
Purchases of investments	(46,190)	(550,129)
Interest on investments	1,347	1,465
Net Cash Provided by Investing Activities	**8,762**	**24,441**
Net Decrease in Cash and Cash Equivalents	**(1,007)**	**(81,520)**
Cash and Cash Equivalents		
Beginning of Year	**141,236**	**222,756**
End of Year	**$140,229**	**$141,236**
Non-Cash Investing Activities		
Increase /(Decrease) in fair value of investments	**$632**	**$(694)**

See Notes to Consolidated Financial Statements.

NEW JERSEY TRANSIT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS *(continued)* *(in thousands)*

	YEARS ENDED JUNE 30, 2016	2015
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	**$(1,771,003)**	**$(1,499,095)**
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation	491,607	519,660
Changes in Assets and Liabilities		
Materials and supplies	(8,998)	422
Other current assets	7,591	(832)
Other non-current assets	(29,626)	(136,119)
Accounts payable	19,953	(16,264)
Accrued payroll and benefits	8,230	44,623
Other current liabilities	22,534	1,231
Accrued injury and damage claims	24,741	(7,936)
Net pension liability	83,659	4,012
Net OPEB obligation	52,443	45,018
Unearned revenue and other non-current liabilities	10,200	15,043
Net Cash Used by Operating Activities	**$(1,088,669)**	**$(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. 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, (See Note 3).

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 has determined that implementation of this statement has no impact on its financial statements.

GASB Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73* was issued in March of 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67and 68. Specifically, this Statement addresses issues regarding:

- the presentation of pay-roll-related measures in required supplementary information
- the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes
- the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for periods after June 15, 2016. On July 1, 2015, NJ TRANSIT adopted this statement. The adoption of this statement did not have a significant impact on the financial statements.

Accounting Standards Issued But Not Yet Adopted. GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68 were issued in June 2015. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 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 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 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 Statements 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, 2016. 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 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. 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 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 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. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* was issued in December of 2015. The scope of this statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address:

- how the external investment pool transacts with participants
- requirements for portfolio maturity, quality, diversification, and liquidity
- calculation and requirements of a shadow price

Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

The requirements of this Statement are effective for periods after December 15, 2015 NJ TRANSIT is in the process of evaluating the impact this statement will have on its financial statements.

GASB Statement No. 80, *Blending Requirements For Certain Component Units-An Amendment of GASB Statement No. 14* was issued in January of 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. *The Financial Reporting Entity*, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statements No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for periods after June 15, 2016. NJ TRANSIT is in the process of evaluating the impact this statement will have on its financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* was issued in March of 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts – or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements – in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

The requirements of this Statement are effective for periods after December 15, 2016. NJ TRANSIT is in the process of evaluating the impact this statement will have on its 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 track work	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 represent 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, and a derivative instrument asset which relates to fuel commodity swaps entered into during the year.

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, 2016	2015
Current		
Cash on hand	$15.1	$16.9
Cash equivalents	57.8	55.9
Total cash and cash equivalents	**72.9**	**72.8**
Investments	44.1	40.6
Total current cash and investments	**117.0**	**113.4**
Non-current		
Restricted cash on hand	5.0	5.0
Restricted cash equivalents	62.3	63.4
Total restricted cash and cash equivalents	**67.3**	**68.4**
Restricted investments	—	10.3
Restricted total non-current	**67.3**	**78.7**
Total Deposits and Investments	**$184.3**	**$192.1**

NJ TRANSIT's cash on deposit with various entities as of June 30, 2016 and June 30, 2015 totaled $20.1 million and $21.9 million, respectively.

ACCOUNT TYPE	BALANCE *(in millions)* 2016	2015
Insured	$1.1	$1.4
Insured held at NJ TRANSIT's locations	7.0	8.1
Uncollateralized held by health care providers	5.0	5.0
Uninsured held by banks	7.0	7.4
Total	**$20.1**	**$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, 2016, and 2015, $12.0 million and $12.4 million, respectively, of NJ TRANSIT's cash balance was exposed to custodial credit risk. The following schedule lists the allocation of cash and investments by financial institution ($ in millions):

	June 30, 2016		June 30, 2015	
Institution/Issuer	**AMOUNT**	**% OF PORTFOLIO**	**AMOUNT**	**% OF PORTFOLIO**
Bank of America	$25.6	13.9*	$31.1	16.2*
BNY Mellon	12.8	6.9*	15.5	8.1*
Chase	0.1	0.1	—	—
City National Bank	2.5	1.4	2.5	1.3
ETF - ARH	44.1	23.9	—	—
Fidelity Investments	7.8	4.2*	10.1	5.3*
Merrill Lynch	—	—	42.3	22.0*
Morgan Stanley	9.9	5.4	1.3	0.7
PNC Institutional Investments	0.6	0.3	0.6	0.3
State Street Bank and Trust	3.6	1.9	2.2	1.1
The Bank of New York	4.6	2.5	4.9	2.6
US Bank	57.7	31.3*	69.0	35.8*
Working Funds/Petty Cash	1.6	0.9	1.9	1.0
Total	**$184.3**		**$192.1**	

*Majority of the investments held include government securities.

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.

NJ TRANSIT's investments as of June 30, 2016 and 2015 totaled $164.2 million and $170.2 million, respectively.

	Fair Value *($ in millions)*		**Weighted Average Maturity in Years**	
Investments	**2016**	**2015**	**2016**	**2015**
State of NJ Cash Management Fund	$46.8	$45.1	0.07	0.08
Money Markets	68.9	74.3	0.11	0.13
Exchange Traded Funds (ARH)	44.1	—	0.07	—
U.S. Treasury/Securities	—	10.3	—	0.04
Bonds	—	10.8	—	0.47
Common Stocks	—	18.9	—	—
Other	4.4	10.8	—	—
Total	**$164.2**	**$170.2**		
Portfolio weighted average maturity (inclusive of proceeds from debt issuance)			0.09	0.14

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, 2016, 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.

Effective in fiscal year 2016, NJ TRANSIT adopted the provisions of GASB 72, *Fair Value Measurement, and Application*. 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.

Fair Value Measurements. NJ TRANSIT categorizes its fair value measurement within the fair value hierarchy established by generally accepted governmental standards. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NJ TRANSIT has the following recurring fair value measurements as of June 30, 2016 (in millions):

	Total	Quoted Prices in Active Markets for Identical Assets (Level1)	Significant Other Observable Inputs (Level2)	Significant Unobservable Inputs (Level3)
Investments by fair value level:				
State of NJ cash management fund	$46.8	$46.8	$—	$—
Money market funds	68.9	68.9	—	—
Exchange traded funds (ARH) *	44.1	44.1	—	—
Fuel commodity swaps	28.5	—	28.5	—
Total investments by fair value level	**$188.3**	**$159.8**	**$28.5**	**$—**

The following table presents fair value measurement information for NJ TRANSIT's captive insurance company's ("ARH III Insurance Company Inc.") marketable securities available-for-sale at June 30, 2016 (in millions):

***EXCHANGE TRADED FUNDS:**	
iShares Intermediate Credit Bond	$4.2
iShares 1-3 Year Credit Bond	3.9
iShares Russell 1000 Growth	3.9
iShares Russell 1000 Value	3.7
iShares iBoxx Investment Grade Corporate Bond	3.3
iShares 3-7 Year Treasury Bond	3.3
Vanguard FTSE Developed Markets	2.7
iShares Core S&P Small-Cap	2.3
Others, less than five percent	16.8
Total ARH III Insurance Company ETF's	**$44.1**

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, 2016 and 2015, the balance of restricted assets related to these proceeds was $52.4 million, and $65.9 million, respectively.

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, 2016, and 2015 were $517.4 million, and $560.6 million, respectively 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 $14.9 million, and $12.8 million as of June 30, 2016, and 2015, respectively.

5. CAPITAL ASSETS

A summary of all capital assets of NJ TRANSIT as of June 30, 2016 follows *(in millions)*:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets not being Depreciated				
Land	$353.8	$42.5	$—	$396.3
Capital projects in process	601.1	283.5	210.4	674.2
Operating rights	14.3	—	0.1	14.2
Total	**969.2**	**326.0**	**210.5**	**1,084.7**
Capital Assets being Depreciated				
Buildings and structures	5,827.3	50.4	58.1	5,819.6
Track	2,345.1	31.6	—	2,376.7
Railcars and locomotives	3,044.4	2.5	39.0	3,007.9
Buses, vans and light railcars	1,863.4	86.8	74.6	1,875.6
Furniture, fixtures and equipment	756.9	36.4	22.7	770.6
Computer software & licenses	22.7	2.7	—	25.4
Total	**13,859.8**	**210.4**	**194.4**	**13,875.8**
Less Accumulated Depreciation				
Buildings and structures	3,205.5	200.4	4.6	3,401.3
Track	1,293.6	78.9	1.3	1,371.2
Railcars and locomotives	1,463.5	95.0	36.6	1,521.9
Buses, vans and light railcars	1,293.7	87.9	44.4	1,337.2
Furniture, fixtures and equipment	630.8	38.5	6.0	663.3
Computer software & licenses	20.8	2.4	—	23.2
Total	**7,907.9**	**503.1**	**92.9**	**8,318.1**
Total Capital Assets, Net of Depreciation	**5,951.9**	**(292.7)**	**101.5**	**5,557.7**
Total Net Capital Assets	**$6,921.1**	**$33.3**	**$312.0**	**$6,642.4**

As of June 30, 2016, capital assets include capitalized interest costs of $488.6 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 2016, as the respective projects were completed and placed into service during the year.

During fiscal year 2016, NJ TRANSIT received capital contributions of $326.8 million and paid for capital assets of $211.0 million.

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).

On December 20, 2015, the members of the Amalgamated Transit Union, Local 540 (ATU, Local 540) voted to join the Amalgamated Transit Union, New Jersey State Council (ATU, NJ State Council). On April 2, 2016, the agreement to accrete ATU, Local 540 with ATU, State Council was executed. As a result of the accretion, the Retirement Plan for Mercer Employees will be merged during FY2017 with the Retirement Plan for NJ TRANSIT Bus Operations, Inc. Amalgamated Transit Union Employees.

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, copies of which are available on the internet at www.njtransit.com.

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% 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% 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% to 2.125% 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% from previous 2.0% 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, 2015, the following employees were covered by the benefit terms:

	ATU	TERP	TWU	MERCER	UWUA(UCA)
Active participants	4,470	1,078	192	159	13
Inactive plan participants or beneficiaries currently receiving benefits	2,990	1,216	174	112	27
Inactive plan participants entitled to but not yet receiving benefits	299	231	20	14	6
Total	**7,759**	**2,525**	**386**	**285**	**46**

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, 2016, NJ Transit average contribution rate is 21.2 percent of annual covered payroll.

Net Pension Liability. NJ TRANSIT's liability was measured as of July 1, 2015, 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, 2015, 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%	6.7%
Domestic small cap equity	9.0%	7.1%	6.7%
Foreign equity	10.0%	10.0%	7.4%
Fixed income	38.5%	40.5%	1.6%
Cash	1.5%	2.0%	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, 2016 *(in millions)*:

	ATU	TERP	TWU	MERCER	UWUA(UCA)
Service cost	$25.3	$7.2	$1.1	$1.0	$0.1
Interest	85.9	51.1	3.8	3.3	0.6
Differences between expected and actual experience	(9.2)	11.6	(1.3)	(0.4)	0.1
Benefit payments, including refunds of employee contributions	(63.7)	(38.1)	(2.9)	(2.5)	(0.6)
Net change in total pension liability	**38.3**	**31.8**	**0.7**	**1.4**	**0.2**
Total pension liability – beginning	**1,108.6**	**659.4**	**48.6**	**42.4**	**7.6**
Total pension liability – ending (a)	**$1,146.9**	**$691.2**	**$49.3**	**$43.8**	**$7.8**
Plan fiduciary net position					
Contributions – employer	44.0	29.5	1.3	2.1	0.2
Contributions – employee	6.9	1.8	0.3	0.2	0.0
Net investment income	33.0	9.2	0.6	0.5	0.1
Benefit payments, including refunds of employee contributions	(63.7)	(38.1)	(2.9)	(2.5)	(0.6)
Administrative expense	(3.2)	(1.8)	(0.2)	(0.1)	0.0
Net change in plan fiduciary net position	**17.0**	**0.6**	**(0.9)**	**0.2**	**(0.3)**
Plan fiduciary net position – beginning	**925.2**	**488.5**	**42.8**	**28.3**	**7.1**
Plan fiduciary net position – ending (b)	**$942.3**	**$489.1**	**$41.9**	**$28.5**	**$6.8**
Net pension liability – beginning	**183.4**	**170.9**	**5.8**	**14.1**	**0.5**
Net pension liability – ending (a) – (b)	**$204.6**	**$202.1**	**$7.4**	**$15.3**	**$1.0**

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)*:

Asset Class	1% Decrease (7.0%)	Current Discount (8.0%)	1% Increase (9.0%)
ATU	$328.4	$204.6	$99.3
TERP	274.9	202.1	139.9
TWU	12.4	7.4	3.1
MERCER	19.7	15.3	11.5
UWUA (UCA)	1.7	1.0	0.4

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

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 6.92 percent in State fiscal year 2015. 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 2016 were $0.5 million, or 13.16 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 2016 was 29.49% of annual covered payroll of which 23.96% of payroll was required by NJ TRANSIT and 5.53% 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, 2016, NJ TRANSIT reported a liability of $11.3 million for its proportionate share of the net pension liability.

PFRS — At June 30, 2016, 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)*:

	June 30, 2016
NJ TRANSIT's proportionate share of the net pension liability	$107.6
State's proportionate share of the net pension liability associated with NJ TRANSIT	9.4
Total	**$117.0**

The net pension liability was measured as of June 30, 2015, 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 0.050561 percent and 0.6457926 percent for PERS and PFRS, respectively.

For the year ended June 30, 2016, NJ TRANSIT recognized pension expense of $1.2 million and revenue of $1.2 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, 2015 actuarial valuation was determined based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2013. The key actuarial assumptions are summarized below:

Inflation:	3.04%
Salary increase:	2.60% – 10.48%
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 4.90% and 5.39% as of June 30, 2015 and 2014, 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 3.80% and 4.29% as of June 30, 2015 and 2014, 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.

PFRS: The discount rate used to measure the total pension liability was 5.79 percent as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90 percent, and a municipal bond rate of 3.80 percent and 4.29 percent as of June 30, 2015 and 2014, 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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Extended Real Rate of Return
PERS/PFRS:		
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/ Absolute Return	12.00%	4.72%
Real Estate (Property)	2. 00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	(0.40%)
REIT	4.25%	5.12%

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 4.90 percent and 5.79 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 (3.90%, 4.90%, 5.90%)	$14.0	$11.3	$9.0
PFRS (4.79%, 5.79%, 6.79%)	141.9	107.6	79.7

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, 2016, NJ TRANSIT recognized pension expense of $138.0 million.

At June 30, 2016, 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	$58.6	$2.1
Changes of assumptions or other inputs	21.1	—
Changes in proportion	2.4	0.4
Differences between expected and actual experience	8.0	9.9
NJ TRANSIT contributions subsequent to the measurement date	80.1	—
Total	**$170.2**	**$12.4**

Deferred outflows of resources of $80.1 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, 2017. 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 (2017)	$20.7
Year 2 (2018)	20.6
Year 3 (2019)	16.7
Year 4 (2020)	19.0
Year 5 (2021)	0.7
Total	**$77.7**

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 $19.1 million in fiscal year 2016.

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 $47.7 million for fiscal year 2016. Plan members receiving benefits contributed $5.8 million or approximately 10.8 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 years *(in millions)*:

	2016	2015
Annual required contribution	$114.2	$98.5
Interest on net OPEB obligation	18.3	16.4
Adjustment to annual required contribution	(32.4)	(28.2)
Annual OPEB cost	100.1	86.7
Contributions made	(47.7)	(41.7)
Increase in net OPEB obligation	52.4	45.0
Net OPEB Obligation, Beginning of Year	**431.5**	**386.5**
Net OPEB Obligation, End of Year	**$483.9**	**$431.5**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2016, 2015, and 2014 and are as follows *($ in millions)*:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$100.1	47.7%	$483.9
2015	86.7	48.1	431.5
2014	83.3	45.1	386.5

As of July 1, 2015, the most recent actuarial valuation date, the Actuarial Accrued Liability (AAL) for benefits was $921.8 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $565.4 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 163.0 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, 2015, 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 5.9 percent. This assumed trend rate starts at 5.9 percent and trends down to 3.9 percent by 2075. 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, 2015 was 20 years.

8. OTHER CURRENT LIABILITIES

Other current liabilities totaled $107.7 million and $334.6 million at June 30, 2016 and 2015, respectively, are comprised of the following *(in millions)*:

	AS OF JUNE 30,	
	2016	**2015**
Advance funds-State/Port Authority	$7.8	$238.2
Injury and damage claims (Note 14)	42.4	39.6
Retainage on construction projects	8.8	9.0
Pollution remediation obligations	3.3	3.1
ARC settlement S/T payable	—	19.0
Other	45.4	25.7
Total	**$107.7**	**$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 state transportation trust funds. Other current liabilities include 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 $78.3 million and $84.1 million as of June 30, 2016 and 2015, respectively. These amounts relate to unearned lease and permit revenues, reserves for future environmental clean-up costs, and funds designated for future asset purchases *(in millions)*:

	AS OF JUNE 30,	
	2016	**2015**
Materials and supplies – capital spare parts	$12.4	$13.0
Leases and permits	11.9	12.0
Federal interest on capital assets	5.9	9.9
Non-Federal capital project advances	19.8	17.1
Other	3.8	6.9
Total unearned revenue	**53.8**	**58.9**
Sick leave	4.0	4.4
Pollution remediation obligations	20.5	20.8
Total other non-current liabilities	**24.5**	**25.2**
Total	**$78.3**	**$84.1**

10. DEBT AND OTHER OBLIGATIONS

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 are secured by a NJ TRANSIT 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 NJ TRANSIT 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 the 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 September 30, 2016; the end of the federal fiscal year.

During FY2016, NJ TRANSIT has drawn $300 million on the Line and has repaid $100 million. Total outstanding loan balance at June 30, 2016 is $200 million. As of the date of this report, only $50 million remains to be paid.

Bonds Payable

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, 2016, no balance of the Series B taxable notes remains outstanding.

The 2014A Notes were issued at yields between 0.43 percent and 2.55 percent with a final maturity of September 2021. The 2014B Notes were issued at yields between 0.35 percent and 0.8 percent 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 percent and 5.47 percent 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 percent and 4.41 percent 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 percent and 4.83 percent 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 March 2004, NJ TRANSIT issued $253.2 million of Series 2004A Certificates of Participation at a weighted average yield of 3.66 percent with a final maturity of 2019. The proceeds were used to acquire transit buses and diesel locomotives.

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 percent and 4.31 percent 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, 2016, $1.7 million of defeased notes remain outstanding.

The following schedule summarizes notes payable, and other obligations, by issue, as of June 30, 2016 *(in millions)*:

	Inception Date	Balance June 30, 2015	Additions	Payments/ Reductions	Balance June 30, 2016	Due Within One Year
Federal						
GANS 2014A	09/15	$381.8	$—	$8.8	$373.0	$55.0
GANS 2014B	09/15	46.4	—	46.4	—	—
State of NJ						
COPs 2004A	03/04	76.8	—	20.8	56.0	17.6
COPs 2008A	04/08	201.6	—	21.2	180.4	22.2
NJEDA 2008A	09/08	172.2	—	42.7	129.5	44.2
COPs 2009A	04/09	338.4	—	15.6	322.8	16.4
NJT COPs						
COPs 2003	02/03	8.1	—	6.4	1.7	1.7
OTHER						
Revolving Line of Credit	06/15	—	300.0	100.0	200.0	200.0
Total		**1,225.3**	**300.0**	**261.9**	**1,263.4**	**357.1**
Unamortized Bond Premium		55.9	—	14.1	41.8	
Total Notes Payable		**$1,281.2**	**$300.0**	**$276.0**	**$1,305.2**	

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, 2016 *(in millions)*:

Fiscal Years	Principal	Interest	Total
2017	$157.1	$52.2	$209.3
2018	165.6	44.3	209.9
2019	159.4	36.0	195.4
2020	108.4	28.0	136.4
2021	113.8	22.6	136.4
2022-2026	242.5	55.6	298.1
2024-2030	116.6	15.7	132.3
Total	**$1,063.4**	**$254.4**	**$1,317.8**

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 2016. 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, 2016.

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 $2.8 million as of June 30, 2016.

In total, NJ TRANSIT has recorded obligations under capital leases of $523.5 million as of June 30, 2016, of which $42.5 million represents current installments under capital leases as of June 30, 2016.

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,	
	2016	**2015**
Land	$8.9	$13.9
Buildings	189.4	302.4
Railcars and Locomotives	382.4	382.4
Buses and Light Railcars	139.6	139.6
Capital Assets Under Capital Leases (at cost)	**720.3**	**838.3**
Less Accumulated Depreciation	(492.5)	(558.2)
Net Capital Assets Under Capital Leases	**$227.8**	**$280.1**

The following schedule summarizes the capital lease obligations, including leveraged lease obligations, as of June 30, 2016 *(in millions)*:

	Inception Date	Balance June 30, 2015	Additions	Payments/ Reductions	Balance June 30, 2016	Due Within One Year
Metropark Parking Facility	03/94	$4.1	$—	$1.3	$2.8	$1.4
MMC, Locos. & Railcars	01/97	36.0	—	30.5	5.5	5.5
Comet IV Coaches	07/97	2.2	—	0.5	—	—
Bus Garages	07/97	6.0	—	0.5	5.5	0.7
HBLR	12/00	191.6	19.2	15.3	195.5	17.3
Comet IV Coaches	09/03	26.4	—	—	26.4	—
Light Railcars	09/03, 10/03	48.5	—	2.7	45.8	2.8
Articulated Buses	07/04	15.2	—	2.8	12.4	2.8
Diesel Locomotives	12/05	85.7	—	4.3	81.4	4.6
Multilevel Railcars	12/06	17.3	—	0.4	16.9	0.5
Multilevel Railcars	06/07	32.8	—	0.6	32.2	0.7
Multilevel Railcars	12/07	57.9	—	1.4	56.5	1.5
Multilevel Railcars	01/08	41.0	—	1.7	39.3	1.7
MCI Cruiser Buses	06/12	6.6	—	3.3	3.3	3.3
Total Capital Lease Obligations		**$571.3**	**$19.2**	**$67.0**	**$523.5**	**$42.5**

Minimum capital lease maturities as of June 30, 2016 *(in millions)*:

Fiscal Years	Principal	Interest	Total
2017	$42.5	$53.2	$95.7
2018	35.2	18.3	53.5
2019	72.1	14.6	86.7
2020	33.8	11.9	45.7
2021	31.3	11.0	42.3
2022-2026	242.4	81.4	323.8
2027-2031	66.2	16.0	82.2
Total Capital Lease Obligations	**$523.5**	**$206.4**	**$729.9**

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**

As of June 30, 2016, NJ TRANSIT 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)*:

	2016
Light Rail Vehicle Capacity Extender	$15.7
Casino Revenue Transportation Program	13.0
Rail Infrastructure	45.4
Bus AVL Radio System Replacement	16.6
Rail Passenger Facilities	28.1
Superstorm Sandy Reconstruction	76.6
Bus Rolling Stock	91.6
Positive Train Stop Stage 2	87.0
Rail Rolling Stock	22.4
Other, for commitments less than $10 million	82.7
Total Capital Projects and Special Service Commitments	**$479.1**

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 2016, 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 $23.8 million, measured at its current value utilizing the expected cash flow method. The total liability of $28.2 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 $0.1 million in fiscal year 2016, 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 years June 30, 2016 and 2015 *(in millions)*:

	2016	2015
Balance, Beginning of Year	**$23.9**	**$25.3**
Current year costs	1.4	2.1
Payment made during the year	(1.5)	(3.5)
Balance, End of Year	**$23.8**	**$23.9**

The pollution remediation liability of $23.8 million at June 30, 2016, 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, $3.3 million represents the current portion of the liability, which is included in accounts payable and other current liabilities, and $20.5 million represents the noncurrent obligation, which is included in unearned revenue and other noncurrent liabilities.

The estimated outlays include costs of: (a) $4.0 million associated with pre-cleanup activities including engineering studies, site investigation, corrective measures feasibility study, and the design of a remediation plan; (b) $17.9 million related to cleanup activities, such as neutralization, containment, removal and disposal of pollutants, and restoration; (c) $0.9 million for the external government oversight and enforcement-related activities; and, (d) $5.4 million for the post-remediation monitoring.

13. OTHER OPERATING REVENUES

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

	YEARS ENDED JUNE 30,	
	2016	2015
Lease and rental	$29.1	$29.4
Advertising	16.8	16.7
Metro-North operations	14.6	14.0
Other	23.7	20.8
Total	**$84.2**	**$80.9**
Less Bad Debt Expense	(2.4)	(1.6)
Net Other Operating Revenue	**$81.8**	**$79.3**

14. INJURY AND DAMAGE CLAIMS

As of June 30, 2016, NJ TRANSIT 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 $150.8 million and $123.3 million as of June 30, 2016 and June 30, 2015, respectively for outstanding public liability, property damage, FELA, workers' compensation, and employment practice claims. Of this amount, $42.4 million is included in other current liabilities as of June 30, 2016 (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 years ended June 30, 2016 and 2015 was as follows *(in millions)*:

	AS OF JUNE 30, 2016	2015
Balance, Beginning of Year	**$123.3**	**$129.7**
Claims expense	81.1	43.7
Payment of claims	(53.6)	(50.1)
Balance, End of Year	**$150.8**	**$123.3**

15. FEDERAL GRANTS

The Urban Mass Transportation Act of 1964, as amended by ISTEA, TEA-21, SAFETEA-LU, MAP-21, and FAST ACT 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, and workers compensation.

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 year July 1, 2007 through July 1, 2008.

This transfer of liability included certain open claims, which remain open, from prior to the beginning of the policy period, 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 employee.

The Company has entered into insurance contracts with NJ TRANSIT which insure NJ TRANSIT for the following coverages: Federal Employee Liability Act and Third Party Rail and Property, Certified Terrorism Risk Insurance Act ("TRIA") casualty exposures, and workers compensation. The Company's limits of liability range from $2 million to $9 million in excess of retentions ranging from $1 million to $10 million. Under the TRIA coverage, reinsurance is provided by the United States Government on a quota share basis for 85% (and beginning on January 1, 2016, shall then decrease by 1 percentage point per calendar year until equal to 80%) of any certified loss as provided by TRIA, as amended. If, at any time during the policy period, TRIA is cancelled or not renewed, the Company's policy will automatically be cancelled at the same date and time.

The financial results for ARH III Insurance Company, Inc. for the years ended June 30, 2016 and 2015 are 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 years ended June 30, 2016 and 2015 are as follows *(in millions)*:

STATEMENTS OF NET POSITION

	AS OF JUNE 30, 2016	2015
Current assets	$45.9	$2.2
Non-current assets	—	40.5
Total Assets	**45.9**	**42.7**
Non-current liabilities	4.7	4.5
Total Liabilities	**4.7**	**4.5**
Total Net Position	**$41.2**	**$38.2**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	YEARS ENDED JUNE 30, 2016	2015
Operating revenues	$1.5	$0.8
Operating expenses	0.1	0.1
Operating income	1.4	0.7
Non-operating revenues	1.6	0.6
Change in Net Position	**3.0**	**1.3**
Total Net Position Beginning of Year	**38.2**	**36.9**
End of Year	**$41.2**	**$38.2**

STATEMENT OF CASH FLOWS

	YEARS ENDED JUNE 30, 2016	2015
Cash Flows from Operating Activities		
Operating Income	$1.4	$0.7
Changes in assets and liabilities	0.2	0.9
Net Cash Provided by Operating Activities	**1.6**	**1.6**
Cash Flows from Investing Activities		
Sales and maturities of investments	41.7	11.9
Purchases of investments	(46.2)	(16.3)
Interest on investments	2.7	1.4
Net Cash Provided (Used) by Investing Activities	**(1.8)**	**(3.0)**
Net Decrease in Cash and Cash Equivalents	**(0.2)**	**(1.4)**
Cash and Cash Equivalents Beginning of Year	**2.1**	**3.5**
End of Year	**$1.9**	**$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. ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES

During the year, NJ TRANSIT negotiated three (3) separate commodity swap agreements with financial institutions to protect against market fluctuations in the price of diesel fuel and heating oil. These fuel related derivative transactions are executed in accordance with the policies and procedures established by NJ TRANSIT's Swap Management Plan (SMP). The primary objective of the SMP Policy was to set forth policies and procedures for the execution and management of interest rate swaps, fuel swaps and related agreements, provide for security and payment provisions and set forth certain other provisions related to swap agreements between NJ TRANSIT and qualified swap counterparties.

The SMP policy explicitly prohibits NJ TRANSIT from entering into new interest or payment swaps. Existing swaps may be amended or terminated as determined by senior management of NJ TRANSIT. Under the terms of this plan, NJ TRANSIT will only enter into new fuel swaps.

NJ TRANSIT will competitively bid fuel swaps to financial institutions subject to compliance with applicable state and federal laws with the assistance of its Qualified Independent Representative (QIR).

NJ TRANSIT may enter into one or more fuel swaps from time to time to protect itself from uncontrolled variations in the price of diesel fuel. NJ TRANSIT will not enter into fuel swaps for speculative purposes.

NJ TRANSIT used 36.7 million and 38.3 million gallons of diesel fuel to operate revenue vehicles during FY2016 and FY2015, respectively, NJ TRANSIT has entered into fuel commodity swap contracts to hedge changes in cash flow due to market price fluctuations related to expected purchases of diesel fuel for NJ TRANSIT buses.

The following risks are generally associated with commodity swap agreements:

Counterparty Risk — The risk that the swap counterparty will not fulfill its obligations under the swap contract. To mitigate such exposure NJ TRANSIT will consider limiting exposure to any one counterparty.

Termination Risk — The risk that the underlying swap transactions will not run to maturity due to a counterparty event. To minimize this risk, NJ TRANSIT will not enter into swaps where the counterparty has an option to terminate absent a default by NJ TRANSIT.

If a swap does terminate prior to maturity because of a counterparty default or ratings event, a mark-to-market termination payment may be required. Prior to NJ TRANSIT making any termination payment, NJ TRANSIT will examine all options to eliminate or reduce the amount of the termination payment.

The procedure for the posting of collateral including the acceptable securities and ratings for the third party Trustee, to the extent practicable, shall be detailed in the Credit Support Annex agreed upon in advance of entering into the swap transaction.

As a counterparty, NJ TRANSIT will be required to post collateral should the calculated amount of all open positions exceed an agreed upon "Threshold" level.

Basis Risk — Refers to the risk that price fluctuations of the indexed product do not correlate perfectly to those of the physical product. To minimize this risk, the price index upon which the diesel fuel swaps will be based will be the monthly average settlement price for diesel fuel futures on the New York Mercantile Exchange ("NYMEX") for the delivery of physical diesel fuel in New York Harbor.

Cash Flow Risk — Refers to the risk that NJ TRANSIT may (in the short term) experience a cash flow outflow even though fuel prices are falling. Should there be a very significant drop in the price of all open contracts (exceeding the threshold amount) NJ TRANSIT would have to post collateral for all contracts but would only see the benefits of falling prices on current deliveries.

As of June 30, 2016, the fair value of NJ TRANSIT'S commodity swaps which are within the Level 2 category of the fair value hierarchy are as follows:

COMMODITY SWAPS

Notional Amount (Gallons)	Effective Date	Maturity Date	Fair Value 06/30/16	Terms (Per Gallon) Receive	Terms (Per Gallon) Pay
Counterparty: Goldman Sachs					
2,940,000	07/01/17	08/31/17	$843,588	Floating	1.3200
5,880,000	09/01/17	12/31/17	1,448,274	Floating	1.3865
2,940,000	01/01/18	02/28/18	916,877	Floating	1.3300
5,888,000	03/01/18	06/30/18	1,501,498	Floating	1.3875
4,410,000	07/01/18	09/30/18	1,116,152	Floating	1.4215
2,940,000	10/01/18	10/01/18	591,376	Floating	1.4950
8,820,000	04/01/19	06/30/19	1,211,249	Floating	1.5870
			$7,629,014		

As of June 30, 2016 the fair value of NJ TRANSIT's commodity swaps are as follows: *(continued)*

Notional Amount (Gallons)	Effective Date	Maturity Date	Fair Value 06/30/16	Terms (Per Gallon) Receive	Terms (Per Gallon) Pay
Counterparty: Bank of America Merrill Lynch					
1,470,000	08/01/17	08/31/17	$441,952	Floating	1.3120
1,470,000	07/01/17	07/31/17	427,798	Floating	1.3120
1,470,000	12/01/17	12/21/17	381,643	Floating	1.3840
1,470,000	11/01/17	11/30/17	373,039	Floating	1.3840
1,470,000	09/01/17	09/30/17	350,242	Floating	1.3840
1,470,000	10/01/17	10/31/17	362,956	Floating	1.3840
1,470,000	02/01/18	02/28/18	453,588	Floating	1.3320
1,470,000	01/01/18	01/31/18	458,138	Floating	1.3320
1,470,000	03/01/18	03/31/18	363,693	Floating	1.3875
1,470,000	06/01/18	06/30/18	387,557	Floating	1.3875
1,470,000	04/01/18	04/30/18	366,599	Floating	1.3875
1,470,000	05/01/18	05/31/18	3,274,756	Floating	1.3875
1,470,000	09/01/18	09/30/18	389,743	Floating	1.4175
1,470,000	07/01/18	07/31/18	358,532	Floating	1.4175
1,470,000	08/01/18	08/31/18	374,335	Floating	1.4175
			$5,864,571		
Counterparty: Cargill Inc.					
3,066,000	07/01/16	07/31/16	$847,432	Floating	1.2122
3,066,000	08/01/16	08/31/16	906,980	Floating	1.2122
3,066,000	09/01/16	09/30/16	963,260	Floating	1.2122
3,066,000	10/01/16	10/31/16	1,012,877	Floating	1.2122
3,066,000	11/01/16	11/30/16	1,057,695	Floating	1.2122
3,066,000	12/01/16	12/31/19	1,103,482	Floating	1.2122
3,066,000	01/01/17	01/31/17	1,136,672	Floating	1.2122
3,066,000	02/01/17	02/28/17	1,150,375	Floating	1.2122
3,066,000	03/01/17	03/31/17	1,137,663	Floating	1.2122
3,066,000	04/01/17	04/30/17	1,136,577	Floating	1.2122
3,066,000	05/01/17	05/31/17	1,143,330	Floating	1.2122
3,066,000	06/01/17	06/30/17	1,162,839	Floating	1.2122
2,940,000	11/01/18	11/30/18	568,693	Floating	1.5053
2,940,000	12/01/18	12/31/18	589,876	Floating	1.5053
2,940,000	01/01/19	01/31/19	367,764	Floating	1.5867
2,940,000	02/01/19	02/28/19	364,615	Floating	1.5867
2,940,000	03/01/19	03/31/19	351,384	Floating	1.5867
			$15,001,514		
		Total Commodity Swaps	**$28,495,099**		

19. SUBSEQUENT EVENTS

On August 19, 2016 a NJ TRANSIT bus collided with another NJ TRANSIT bus on Broad Street in Newark. This accident resulted in two fatalities and 15 other injuries. The investigation by the Essex County Prosecutor's Office is ongoing.

On September 29, 2016 a NJ TRANSIT train went through the bumping block in Hoboken Terminal, causing the lead cab car to enter the platform and terminal area. There was one fatality on the platform, more than 100 injuries on the train, and extensive property damage to a portion of the terminal. The National Transportation Safety Board (NTSB) is leading the investigation.

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
7/1/2015	$—	$921.8	$921.8	—%	$565.4	163.0%
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, 2016	ATU	TERP	TWU	MERCER	UWUA (UCA)
Total pension liability					
Service cost	$25.3	$7.2	$1.1	$1.0	$0.1
Interest	85.9	51.1	3.8	3.3	0.6
Differences between expected and actual experience	(9.2)	11.6	(1.3)	(0.4)	0.1
Benefit payments, including refunds of employee contributions	(63.7)	(38.1)	(2.9)	(2.5)	(0.6)
Net change in total pension liability	**38.3**	**31.8**	**0.7**	**1.4**	**0.2**
Total pension liability – beginning	**1,108.6**	**659.4**	**48.6**	**42.4**	**7.6**
Total pension liability – ending (a)	**$1,146.9**	**$691.2**	**$49.3**	**$43.8**	**$7.8**
Plan fiduciary net position					
Contributions – employer	$44.0	$29.5	$1.3	$2.1	$0.2
Contributions – employee	6.9	1.8	0.3	0.2	0.0
Net investment income	33.0	9.2	0.6	0.5	0.1
Benefit payments	(63.7)	(38.1)	(2.9)	(2.5)	0.6
Administrative expense	(3.2)	(1.8)	(0.2)	(0.1)	0.0
Net change in plan fiduciary net position	**17.0**	**0.6**	**(0.9)**	**0.2**	**(0.3)**
Plan fiduciary net position – beginning	**925.3**	**488.5**	**42.8**	**28.3**	**7.1**
Plan fiduciary net position – ending (b)	**$942.3**	**$489.1**	**$41.9**	**$28.5**	**$6.8**
Net pension liability – ending (a) – (b)	**$204.6**	**$202.1**	**$7.4**	**$15.3**	**$1.0**
Plan fiduciary net position as a percentage of the total pension liability	**82.16%**	**70.76%**	**84.99%**	**65.07%**	**87.18%**
Covered employee payroll	**$268.9**	**$92.3**	**$11.9**	**$9.5**	**$1.0**
Net pension liability as percentage of covered employee payroll	**76.09%**	**218.96%**	**62.18%**	**161.05%**	**100.00%**

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
Differences between expected and actual experience	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

Years 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
2016	$41.7	$44.9	($3.2)	$268.2	16.74%
2015	44.9	44.0	0.9	268.9	16.36
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

Non-Agreement Employees Retirement Plan

Years 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
2016	$30.7	$30.7	$—	$86.9	35.33%
2015	29.5	29.5	—	92.3	31.96
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

Transport Workers Union Employees Retirement Plan

Years 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
2016	$1.6	$1.8	($0.2)	$12.0	15.00%
2015	1.8	1.3	0.5	11.9	10.54
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

Mercer Employees Retirement Plan

Years 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
2016	$2.4	$2.5	($0.1)	$9.6	26.04%
2015	2.5	2.1	0.4	9.5	22.11
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

Utility Worker's Union of America Employee Retirement Plan

Years 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
2016	$0.2	$0.2	$—	$1.0	20.00%
2015	0.2	0.2	—	1.0	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

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	14 Years as of July 1, 2015
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 years ended June 30,	**2016**	**2015**
PERS		
The Proportion of Net Pension Liability	0.0505610%	0.0500749%
The Proportionate Share of Net Pension Liability	$11.3	$9.4
Covered-Employee Payroll	$3.8	$3.5
Proportionate Share of Net Pension Liability as a Percentage of its covered-employee payroll	297.4%	268.6%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	38.21%	42.74%
PFRS		
The Proportion of Net Pension Liability	0.6457926%	0.6491325%
The Proportionate Share of Net Pension Liability	$107.6	$81.6
The State's Proportionate Share of the Net Pension Liability Associated with NJ TRANSIT	9.4	8.8
Total	$117.0	$90.4
Covered-Employee Payroll	$21.7	$20.6
Proportionate Share of Net Pension Liability as a Percentage of its covered-employee payroll	539.2%	438.8%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	52.84%	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

Years 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
2016	$0.5	$0.5	$—	$3.8	13.16%
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%

Police and Firemen's Retirement System

Years 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
2016	$5.5	$5.5	$—	$21.7	25.35%
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%

Notes to Schedule

Changes in benefit terms: None.

Changes in assumptions: The discount rate changed from the rate as of June 30, 2014 to the rate as of June 30, 2015, in accordance with GASB Statement No. 67.

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