Committed to

REGIONAL PRO$PERITY

Through Transportation

NJ TRANSIT 2017 ANNUAL REPORT

NJ TRANSIT
The Way To Go.

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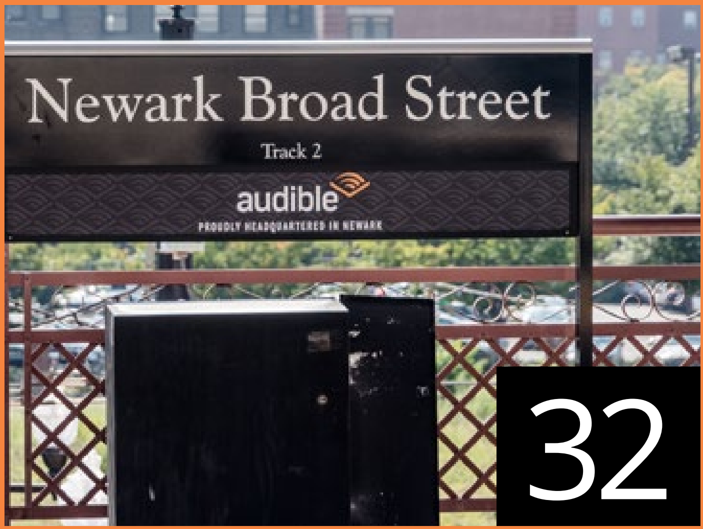

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Letter From Transportation Commissioner and Board Chairman

RICHARD HAMMER

A safe and reliable transportation network remains vital to the economic success of New Jersey and the surrounding region. The theme for this year's NJ TRANSIT annual report — Committed to Regional Prosperity Through Transportation — reminds us that the effective movement of people and products helps New Jersey residents and businesses thrive, and enables our great state to remain competitive in a global marketplace.

NJ TRANSIT has played a fundamental role in supporting New Jersey's economy for nearly four decades. During that time, the Corporation has successfully rebuilt, modernized and expanded its bus, rail and light rail network, and added a highly successful Access Link paratransit system to support people with disabilities.

NJ TRANSIT's success story continued in Fiscal Year 2017. The Corporation received its first shipment of more than 1,100 new cruiser buses during the year, which are being used by private bus carriers to support New Jersey commuter service in partnership with NJ TRANSIT. Nearly 200 more cruiser buses will arrive in the coming year and will be enjoyed by customers on NJ TRANSIT commuter bus routes. Meanwhile, Hudson-Bergen Light Rail and Newark Light Rail customers are finding more seats thanks to the ongoing expansion of existing light rail vehicles. Specifications for the next generation of multilevel railcars are being developed; self-propelled cars that do not need a locomotive. Access Link vehicles also are being upgraded to provide a smoother ride for a growing number of paratransit customers.

On the safety front, plans are moving ahead to install Positive Train Control on the entire rail system by a federally mandated December 2018 deadline. The Corporation also hired 25 new police recruits who will be out on our system protecting customers and employees at terminals, stations, bus stops and support facilities following completion of their training. We opened a new Emergency Operations Center, a centralized location where the New Jersey Transit Police and many of the agency's businesses lines work together during planned events or incidents. Meanwhile, a new 360-degree camera

system is being installed on buses to eliminate blind spots for bus operators and enhance pedestrian safety. Fleet-wide installation of the camera system is now underway.

NJ TRANSIT also continued to partner with many of the communities it serves, particularly through economic development opportunities. Over the past year, Long Branch and Asbury Park joined the Transit Village program while other communities received transit-oriented development assistance to help their downtowns grow and thrive.

This past year, under the leadership of Governor Chris Christie and supported by the State Legislature, New Jersey's Transportation Trust Fund (TTF) was renewed. The eight-year, $16 billion reauthorization provides needed investments in planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the state's transportation system. Over the next several years, many projects will move through the planning, development and construction pipeline that will be supported by the TTF and the federal government, including more new buses and railcars, advanced safety systems, new or rehabilitated stations and terminals, state-of-good repair projects and storm-hardening work that will protect our infrastructure from major storms.

The most important project for our region and the nation is the Gateway Project, which is being advanced through a unique partnership among NJ TRANSIT, Amtrak, the states of New York and New Jersey, the Port Authority of New York & New Jersey and the U.S. Department of Transportation. Gateway includes the construction or rehabilitation of track, bridges, electrical systems, and a new two-track Hudson River tunnel between New Jersey and New York. When completed, Gateway will create additional tunnel, track and station capacity in the busiest section of railroad in North America, offering greater levels of service, increased redundancy and added reliability. Ground was broken in October 2017 for the first major Gateway project, a new Portal Bridge over the Hackensack River.

In closing, I extend my sincere appreciation to Governor Christie for his unwavering support of NJ TRANSIT. I would also like to thank the State Legislature, the New Jersey Congressional delegation, my fellow Board members, our host communities and the many stakeholders that support our mission. Finally, let me thank Executive Director Steve Santoro for his outstanding leadership, and the entire NJ TRANSIT team for their professionalism, loyalty and dedication to nearly one million customers who ride the system each day.

Richard Hammer
Transportation Commissioner and
NJ TRANSIT Board Chairman

Letter From Executive Director

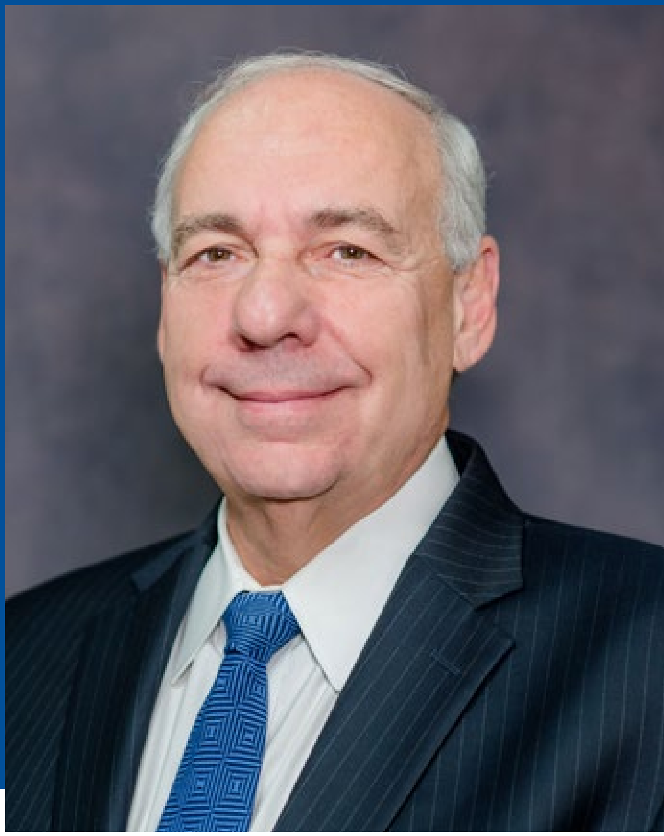
STEVEN SANTORO

I was humbled to learn this past year that I would have the honor and privilege to serve as Executive Director of NJ TRANSIT. Prior to that, I served for nearly a decade as the Assistant Executive Director of Capital Planning & Programs. During my tenure at NJ TRANSIT, I have seen and experienced the great work accomplished by the more than 11,000 men and woman who serve our customers each day. Whether it is on the frontlines or in a support role, their dedication and professionalism across all business lines is second to none.

One of my first orders of business was to enhance customer communications. We accomplished that on several fronts in Fiscal Year 2017 (FY2017). A new program called *One Company, One Voice* was launched, streamlining our entire communications process, particularly during service disruptions and major events, to ensure that our customers and frontline employees receive important information in a timely manner. We also implemented a more robust social media strategy to complement our other communication channels, reaching more of our tech-savvy customers.

Our new communications strategy paid off this past summer during an Amtrak renewal project at Penn Station New York. The work required a significant reduction in service to New York, rerouting of most weekday Morris & Essex Lines trains to Hoboken and a robust alternative service plan. We communicated with customers early and often, and had hundreds of NJ TRANSIT employee ambassadors out on the system before, during and after the service changes were implemented. As a result, we received praise from many customers who did their homework, made educated decisions on their alternatives and found the experience better than expected.

The Amtrak project was supported by our new Emergency Operations Center (EOC), a centralized location managed by the New Jersey Transit Police Office of Emergency Management (OEM). The EOC, which is equipped with computer terminals, large screen displays, conference rooms and more, is staffed by OEM representatives and multiple



NJ TRANSIT business lines to monitor and manage major events or incidents when needed.

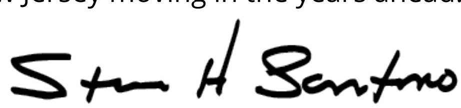
Our mobile app received a makeover this past year. We introduced a more functional home screen and unveiled a new alert feature to notify riders about service issues that may affect their trip. We also offered more mobile ticketing options for customers this past year, with *MyTix* sales growing by an amazing 46 percent over the previous year.

We continued to meet with our customers at bus, rail and light rail stations and terminals. *We're Listening Forums* give our customers the ability to speak directly with operations employees, planners and senior management, including me. That feedback, combined with information gathered through customer satisfaction surveys and other established customer feedback channels, helps us make informed decisions on the use of our resources. Improved communications and customer-friendly upgrades to our mobile app are good examples of how we responded to customer feedback this past year.

We continued to advance several projects that will make our system more resilient in future storms. That includes replacing wood poles with steel structures to support overhead wires along the Gladstone Line; raising power and signal systems in low lying areas; advancing plans for more flood protection initiatives at the Rail Operations Center and Meadows Maintenance Complex; designing a new rail storage and inspection facility on the Northeast Corridor; working on plans to replace the aging Raritan River Bridge on the North Jersey Coast Line; designing a microgrid power system that will support our operations when commercial power fails; and developing a new Coastal Storm Surge Emergency Warning System that will help us plan for and monitor approaching storms and surge threats.

Finally, we planned for or implemented a number of initiatives that will enhance the safety of our system. Those projects include new stub-end friction bumper blocks at Hoboken Terminal; planning for an advanced speed control system for trains entering Hoboken Terminal; implementing enhanced sleep apnea screening and testing; adding personnel to the head-end of trains entering certain stations; and reducing speed limits at those locations. We also remain committed to installing Positive Train Control throughout our rail system by the end of 2018. Safety is something we will not compromise or negotiate on.

In closing, I thank Governor Christie, Board Chairman Hammer and the rest of our Board of Directors for their leadership and ongoing commitment to NJ TRANSIT. I also want to thank our state legislative leaders and congressional delegation for working closely with us in Trenton and Washington to ensure our success. Together, they have helped us make strategic investments that will keep New Jersey moving in the years ahead.



Steven Santoro
Executive Director

Improving the CUSTOMER EXPERIENCE

CUSTOMER COMMUNICATION

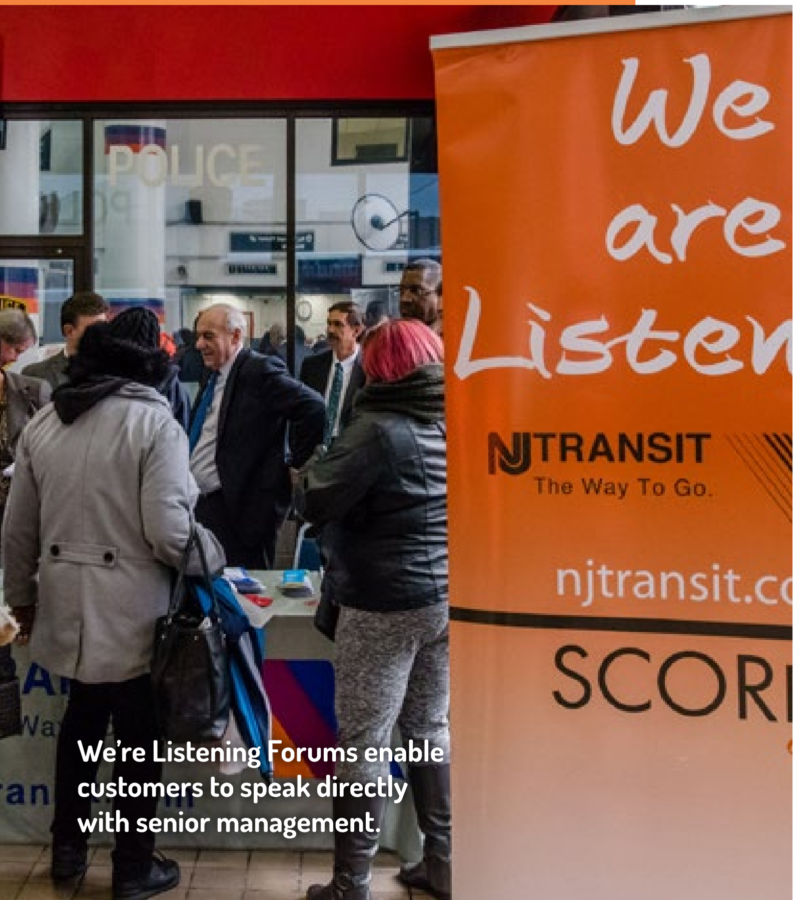
NJ TRANSIT increased its focus on customer communication in FY2017, launching a new initiative called "**One Company, One Voice**." The program streamlines the Corporation's communications process during service disruptions or major events to ensure that accurate, timely and consistent communication reaches its customers through public address and onboard announcements, Customer Service, social media channels, on the njtransit.com website, via service alerts/advisories sent to mobile devices and personal computers, frontline employees, Event Ambassadors, Emergency Response Team members and through radio, television and traffic services.

NJ TRANSIT's fastest growing customer communications platform is **social media**. Facebook, Twitter, Instagram and YouTube are used to provide critical service information, promote NJ TRANSIT services and offer promotional discounts to customers. The most active platforms are Twitter and Facebook. By the end of FY2017, the number of Twitter "followers" was 186,668, up from 120,521 in FY2016. The number of Facebook "likes" was 60,388 in FY2017, up from 53,191 in FY2016.

NJ TRANSIT sends service alerts to cell phones, mobile devices and personal computers during service disruptions for customers who sign up for this service. In FY2017, **alert "pop-ups"** were added to the NJ TRANSIT mobile app, which can be used to inform customers of schedule changes, service updates and special events. Active alerts appear on the mobile app marquee or when customers are using the train schedule or trip planning feature within the app. More information on the upgraded mobile app can be found in the "Technology" section of this report.

In June 2017, NJ TRANSIT launched a comprehensive customer communications plan for a two-month **Amtrak repair project** at Penn Station New York that required significant rail service changes in July and August of 2017. The effort included the development of a special microsite, service alerts, advisories, customer notices at stations, onboard and station announcements, press releases, information sessions with senior staff and an extensive

NJ TRANSIT ambassadors provide additional assistance for customers during major events.



We're Listening Forums enable customers to speak directly with senior management.

More positive changes at the Port Authority Bus Terminal have further streamlined operations at the facility.

ambassador program that trained and deployed more than 900 ambassadors to assist customers traveling through stations and terminals. NJ TRANSIT also provided additional bus service, as well as partnered with private bus carriers, PATH and NY Waterway to increase trans-Hudson capacity during the project.

NJ TRANSIT also relies on **employee ambassadors and Emergency Response Team members** to help direct customers and provide operational support for service interruptions and special events. During FY2017, 130 special events were supported by ambassadors, including a professional golf tournament near Summit Station, concerts at MetLife Stadium, scheduled track outages and more. Another 21 incidents required the support of our Emergency Response Team, including customer assistance for Winter Storm Stella.

NJ TRANSIT relies on customer feedback, field observations, operations analysis and other methods to make informed decisions on service adjustments and improvements. NJ TRANSIT also uses special computer software to **track and analyze customer comments** received at Customer Service offices, and via phone calls and emails received at its Customer Service Department. Additionally, senior management hosted six "We're Listening Forums" at NJ TRANSIT facilities and three "Customer Chats" at the Port Authority Bus Terminal.

@gnallabothula

@NJTRANSIT pleasant surprise on Mon mor to see the #116 bus got a makeover in the weekend. Loving the new seats & lights. Great job guys

7:13 AM - 12 Sept 2016

SERVICE

NJ TRANSIT began serving **new bus markets** in FY2017 that benefit bus customers. Three bus routes have extended their reach beyond 30th Street Station in Philadelphia, now serving employment sites west of City Hall in Center City Philadelphia. Meanwhile, NJ TRANSIT worked with Brookdale Community College in Monmouth County to upgrade bus service to the college with increased frequencies and route extensions for students and faculty on weekdays and Saturdays.

NJ TRANSIT uses **Smart Bus** technology to collect and produce data that will enhance bus service for customers, including bus ridership information, stop-by-stop customer boarding and exiting activity, bus location tracking, schedule adherence and vehicle condition. Smart Bus helps NJ TRANSIT achieve greater operating efficiencies with scheduling, planning and maintenance. During FY2017, NJ TRANSIT used Smart Bus to upgrade weekend on-time performance, increase reliability of bus service along the Boulevard East corridor in Hudson County, and made incremental adjustments to improve service reliability, primarily on local intrastate routes in both Northern and Southern New Jersey.

NJ TRANSIT and the Port Authority of New York & New Jersey continued to build on the success of previous **operational adjustments at the Port Authority Bus Terminal (PABT)**.

In FY2017, a new agreement enabled NJ TRANSIT to begin utilizing five basement-level Greyhound bus gates during the evening rush hour to help expedite boardings and departures at PABT. Additionally, adjustments were made at a second-level gate at PABT to help improve performance and reliability. NJ TRANSIT also implemented **lane assignment changes at Hoboken Terminal** to better match customer loading and queuing.

Congress enacted the **Passenger Rail Investment and Improvement Act (PRIIA)**, which, in part, altered the allocation of operating and capital costs between Amtrak and commuter railroads on the Northeast Corridor (NEC). As a result, Amtrak and NJ TRANSIT executed an agreement that outlines the operating obligations of both parties on the NEC. The agreement allows

Smart Bus technology was used to improve on-time performance and service reliability along the Boulevard East Corridor in Hudson County.

Music in Motion offers customers some light entertainment after a busy work day.

NJ TRANSIT to preserve existing capacity and functionality on the NEC, and requires Amtrak to upgrade the NEC and its infrastructure to provide greater performance and service reliability. In 2017, NJ TRANSIT continued to program capital funds under PRIIA to maintain the NEC.

During FY2017, **Music in Motion** remained a popular customer amenity. The community-based initiative offers local musicians the opportunity to showcase their talents and material, free of charge. In FY2017 the Music in Motion concert series featured 20 performers who rotated through six different stations and terminals. During their commutes, customers told us via social media how much they enjoyed the entertainment as they passed through the stations. In FY2018, NJ TRANSIT plans to add more performers and locations to the Music in Motion roster to reach a wider audience.

During their commutes, customers told us via social media how much they enjoyed the entertainment as they passed through the stations.

EQUIPMENT

NJ TRANSIT is nearing completion on a project to **modify 35 light rail vehicles** on Hudson-Bergen Light Rail (HBLR) and Newark Light Rail (NLR) that will increase seating capacity by 50 percent. Twenty-five cars are being extended on HBLR and 10 cars are being extended on NLR, increasing the number of seats on each car from 68 to 102 seats. This creative project was an innovative, cost-effective solution to add capacity on both lines without requiring a more significant investment in new railcars.

Production of more than 1,100 new 45-foot **cruiser buses** began in FY2017, replacing older buses that have reached the end of their useful lives. One-hundred-eighty-seven buses ordered for first-year production have been delivered to private bus companies who help NJ TRANSIT provide commuter service in New Jersey. NJ TRANSIT also issued a notice to proceed for an additional 185 buses to be delivered to NJ TRANSIT in FY2018. The new buses will increase service reliability and customer comfort, reduce operating costs and meet the requirements of the Americans with Disabilities Act (ADA).

Bid specifications were developed for 80, sixty-foot **articulated buses** and 290 forty-foot clean-diesel **cruiser buses**, replacing buses that are approaching the end of their useful lives. Cruiser buses are primarily used for long-distance bus routes while articulated buses operate in densely populated urban areas. NJ TRANSIT plans to issue bid packages for both types of buses in FY2018, with the scheduled deployment of those buses between FY2019 and FY2022. All of the buses will meet the requirements of the ADA.

NJ TRANSIT advanced development of technical specifications in FY2017 for the procurement of 113 state-of-the-art **Multilevel III Vehicles (MLV III)**, which will replace aging Arrow III railcars. The MLV III fleet will be equipped with all of the popular customer amenities and comfort found in the Corporation's existing MLV fleet, while enhancing reliability and meeting the requirements of the ADA. The MLV III fleet will consist of 58 self-propelled railcars and 55 coaches that can operate in trainsets without the need for locomotives. Arrival of the MLV III railcars will greatly reduce the average age of the NJ TRANSIT rail fleet.

@missmona58

@NJTRANSIT the bus driver got off the bus to help an older couple buy ticket/parking pass !!! EXCELLENT CUSTOMER SERVICE

11:20 AM - 25 Aug 2016

Extended Light Rail Vehicles have added seats to existing Newark Light Rail and Hudson-Bergen Light Rail trains.

Hudson-Bergen Light Rail Exchange Place platform is being extended to accommodate longer light rail trains.

A new parking lot opened in FY2017 for Wesmont Station customers.

FACILITIES

The Port Authority of New York & New Jersey opened the modernized **George Washington Bridge Bus Station** in FY2017. The upgraded terminal, which serves seven NJ TRANSIT bus routes, provides customers with a new waiting area, departure/information boards, ticket windows, restrooms, ADA-compliant arrival/departure gates and other customer amenities. NJ TRANSIT also expedited the boarding process at the terminal by requiring customers to purchase their tickets before boarding their bus at ticket windows, ticket vending machines or with MyTix mobile ticketing.

In tandem with the expanded light rail vehicle project (see Equipment section), NJ TRANSIT began **extending the platform at Exchange Place Station** on Hudson-Bergen Light Rail (HBLR) in FY2017. When completed, the longer platform will provide safe and prompt arrival and departure of the extended HBLR vehicles at this busy HBLR station. The platform will include new tactile paving and comply with all Americans with Disabilities Act (ADA) regulations.

Following the opening of **Wesmont Station** on the Bergen County Line in FY2016, construction was completed in FY2017 on a 215-space commuter parking lot for customers who use the station. A second, 78-space parking lot also was completed in FY2017 and will be used by employees of the adjacent Wood-Ridge maintenance facility.

Plans to upgrade **Perth Amboy Station** on the North Jersey Coast Line advanced in FY2017, which will make the station building, platforms and parking area compliant with the Americans with Disabilities Act (ADA). The State Historic Preservation Office approved design and environmental work for the station.

> NJ TRANSIT also expedited the boarding process at GWB Bus Station by requiring customers to purchase their tickets before boarding their bus at ticket windows, ticket vending machines or with MyTix mobile ticketing.

New destination and departure signs at George Washington Bridge Bus Station.

The modernized George Washington Bridge Bus Station.

The project — which is scheduled to begin in 2019 — includes two high-level platforms with waiting areas, upgrades to elevators and the pedestrian overpass, and a state-of-the-art digital audio and visual communications system.

NJ TRANSIT advertised a design-build contract in FY2017 to replace the existing **Elizabeth Station** on the Northeast Corridor with a new station. The project includes reconstructing and extending existing high-level platforms, installing new elevators, replacing existing elevators, constructing new and expanded station buildings and waiting areas, installation of a state-of-the-art communications system and other customer amenities.

Design work to modernize and upgrade **Lyndhurst Station** on the Main Line continued in FY2017. The project includes two new high-level platforms located closer to the existing parking area. Once completed, the station will comply with the ADA.

NJ TRANSIT advertised a construction contract in FY2017 for improvements at **Avandale Park & Ride** adjacent to the Atlantic City Expressway in Camden County. Work on the park & ride is scheduled to begin in FY2018, which includes reconstructing, expanding, resurfacing and restriping the existing parking area, upgrading lighting and customer waiting areas, and improving bus circulation through the lot.

Design work was completed in FY2017 for plans to modernize the NJ TRANSIT **Bus Control Center** in Maplewood. The project is scheduled to be advertised in Spring 2018 following completion of a roof replacement project at the Maplewood facility. The modernized Bus Control Center will include improved communications and bus tracking capabilities, an expanded floor plan, new operating consoles, new computer stations and conference space.

@KGBenn1

@NJTRANSIT nice job with communication of new schedule changes. Thanks!

8:28 AM - 26 Apr 2017

STATE-OF-GOOD-REPAIR

Twenty-two **ALP-46** electric locomotives were overhauled in FY2017 to help NJ TRANSIT maintain high service reliability, with the seven remaining ALP-46 engines scheduled for completion in FY2018. Additionally, top-deck overhauls were completed on four **ALP-45** dual-mode locomotives in FY2017. Work will continue on the ALP-45 fleet in FY2018. NJ TRANSIT also plans to begin an overhaul off of its **PL-42** diesel locomotives in FY2018.

Rail Operations also completed many **infrastructure projects**, including installation of 53,000 wood railroad ties and 1,500 composite railroad ties, surfacing more than 113 miles of track, replacing three switches in Hoboken and on the North Jersey Coast Line, replacing 3,850 feet of rail, and rehabilitating 20 grade crossings system-wide. Bridge projects included the replacement of 400 bridge deck timbers and steel rehabilitation to nine undergrade railroad bridges, with Civil Speed Enforcement modifications completed at all required curves and bridges. Installation of new snow-melter panels also continued on switch heaters.

Construction began in FY2017 on a project at **New Brunswick Station** on the Northeast Corridor that includes structural improvements and optimization of the lighting, heating and air conditioning systems.

NJ TRANSIT completed work in FY2017 on a roof replacement project at **Radburn Station** in Fair Lawn on the Bergen County Line.

Renovation work began in FY2017 on the station plaza and lighting at **Rutherford Station** on the Bergen County Line.

Construction work on platform improvements commenced at **Cranford** and **Roselle Park** stations on the Raritan Valley Line in FY2017. The work includes replacement of deteriorated sections of the existing platforms and installing new tactile edge protections that complies with the Americans with Disabilities Act (ADA).

Bus Operations performed state-of-good-repair work at three customer facilities in FY2017. That includes installation of a new

ALP-46 electric locomotives were overhauled in FY2017.

Maintaining existing infrastructure enhances safety and service reliability.

Platform improvements were completed at Cranford Station in FY2017.

Rail Operations also completed many infrastructure projects, including installation of 53,000 wood railroad ties and 1,500 composite railroad ties, surfacing more than 113 miles of track, replacing three switches in Hoboken and on the North Jersey Coast Line.

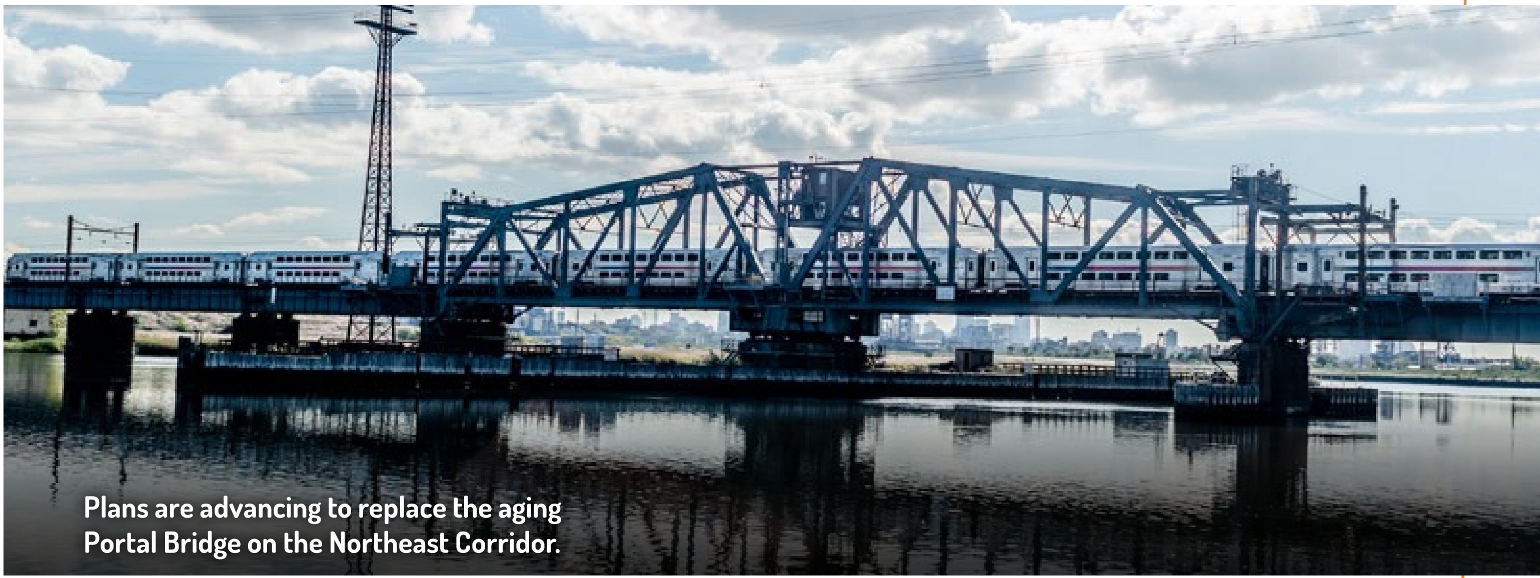
heating and air conditioning unit, installation of exterior LED lighting and rehabilitation of three entrances at **Atlantic City Bus Terminal**; lighting and security upgrades at **Walter Rand Transportation Center** in Camden; and sidewalk replacement at **Lakewood Bus Terminal**.

NJ TRANSIT advanced work in FY2017 to replace compressor equipment for the **Compressed Natural Gas (CNG)** facility at Howell Garage in Monmouth County. The design-build contractor was given the notice to proceed to complete design work, and to begin to build the upgraded facility that supports the garage's CNG bus fleet.

Contracts to replace the aging heating and air conditioning systems at **Howell**, **Hilton**, **Orange** and **Washington Township** bus maintenance facilities were awarded in FY2017.

Bus Operations also performed state-of-good-repair work at **eight support facilities**, including installation of new diesel fuel dispensers at Oradell Garage, new air compressors at Big Tree, Oradell, Howell and Market Street garages, new bus lifts at Morris Garage and the Central Maintenance Facility, and new security upgrades at Washington Township and Newton Avenue garages.

An **Elevator & Escalator Operations & Improvements group** is improving maintenance procedures on elevators and escalators at rail stations and terminals, and working closely with contractors who service them. NJ TRANSIT has 89 elevators and 64 escalators at its rail facilities, all requiring close attention to ensure customers move safely through the system. This new effort has helped to streamline maintenance functions and reduce costs.



Plans are advancing to replace the aging Portal Bridge on the Northeast Corridor.

MAJOR PROJECTS

Portal Bridge plays a critical role in the operation of the Northeast Corridor. As part of the Gateway Program, the **Portal Bridge Project** would replace Amtrak's existing, century-old swing-span bridge with a fixed-span bridge over the Hackensack River. Final design was advanced in FY2017 and the project is ready for construction. Funding for early action work on the Northeast Corridor project has been obtained through a TIGER Grant. When the replacement bridge is finished, bridge openings for boating traffic will no longer be necessary, greatly improving service reliability and speed on the Northeast Corridor between Newark and New York. See the "Studies" section for more information on the Gateway Program.

The **Hudson-Bergen Light Rail (HBLR) Northern Branch Extension** will extend HBLR service from North Bergen in Hudson County to Englewood in Bergen County, improving regional mobility, mitigating traffic congestion and fostering economic investment. The Supplemental Draft Environmental Impact Statement (SDEIS) was published by NJ TRANSIT and the Federal Transit Administration in FY2017, followed by public hearings and an open comment period. A Final Environment Impact Statement (FEIS) is anticipated to be completed before the end of 2017.

The **Hudson-Bergen Light Rail (HBLR) Route 440 Extension** will provide expanded transit access in Jersey City. The project will extend HBLR service from West Side Avenue Station to a new terminus on the west side of State Route 440. NJ TRANSIT has prepared an Environmental Assessment and the Federal Transit Administration has issued a Finding of No Significant Impact (FONSI). Preliminary engineering is scheduled to begin in 2018 and is expected to be completed in 2020.

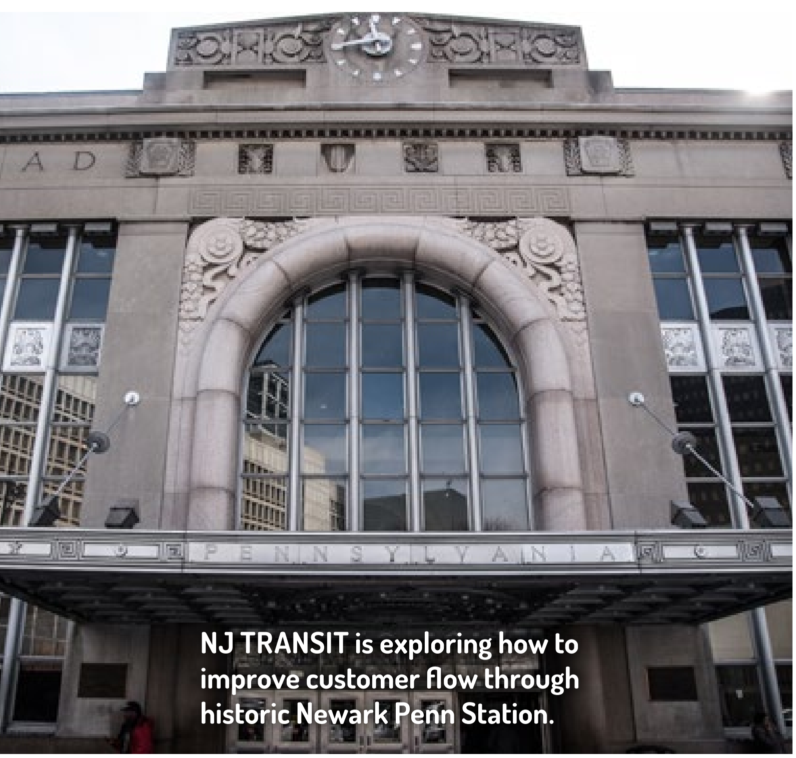
NJ TRANSIT advanced work on the **Lackawanna Cutoff** project in FY2017. That included purchasing the balance of wetland mitigation credits, completing the review of pre-qualification packages for reconstruction of the Roseville Tunnel, ongoing development of a bid package for construction of Andover Station and continued development of a Request for Proposals (RFP) to purchase riparian zone mitigation credits. The Lackawanna Cutoff will initially extend NJ TRANSIT rail service into Sussex County, with long-range plans to extend service into northeastern Pennsylvania, a project that would be funded by the State of Pennsylvania.

STUDIES

NJ TRANSIT continues to work with the Port Authority of NY & NJ, Amtrak and the Federal Railroad Administration to advance elements of 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. The Draft Environmental Impact Statement for this project was released in June 2017. When the tunnel becomes operational, the 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 on the **South Jersey Bus Rapid Transit (BRT) Project**, with proposed improvements along the Atlantic City Expressway, Routes 42 and 55, Interstates 76 and 676 in Downtown Camden, and in Philadelphia. BRT uses priority treatments and new technology to enhance the transit experience, making it faster and more reliable than traditional bus service.



NJ TRANSIT is exploring how to improve customer flow through historic Newark Penn Station.

NJ TRANSIT continues to work on a **Preliminary Rail Station Assessment for Accessibility** study, investigating the potential for physical improvements at many NJ TRANSIT rail stations and assessing options for implementing these accessibility improvements through innovative, low-cost techniques.

NJ TRANSIT continues work on the **Newark Penn Station Platform Circulation Study** to consider options for improved pedestrian access and circulation to and from the station platforms. The project may result in a series of options that could be advanced to the next level of design.

NJ TRANSIT received a federal grant to advance the **Passaic Bus Terminal Improvements** project. Working in close coordination with the City of Passaic and Passaic County, the project will significantly improve both the physical and operational presence of NJ TRANSIT bus service along Main Street in the City of Passaic, and is being coordinated with local planning for improvements in the corridor.

Initial work was also performed on the **Boonton Line–Orange Branch Transit Utilization Study** to assess the potential for transit opportunities on existing rights-of-way that currently are not being utilized. This work is being done at a very early concept stage.

Plans are advancing to replace the Raritan River Bridge on the North Jersey Coast Line.

RECOVERY AND RESILIENCY PROJECTS

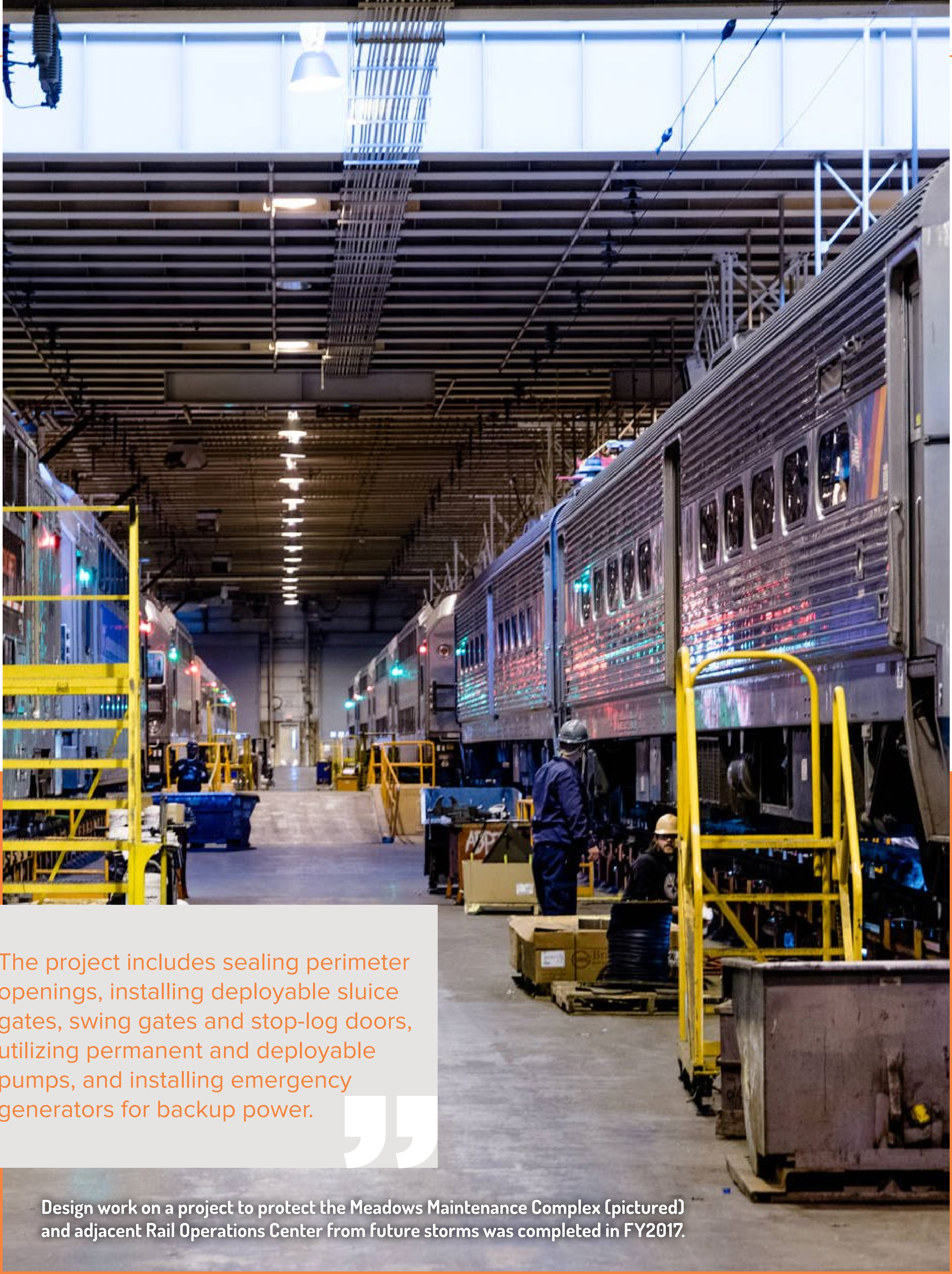
NJ TRANSIT completed a pilot program in FY2017 to replace **Hudson-Bergen Light Rail (HBLR) auxiliary power cables** along the right-of-way and at the system's Vehicle Base Facility in Jersey City affected by Superstorm Sandy. A cable testing program for **Traction Power, Auxiliary Power and Signal and Communication cables** also was initiated to help prioritize cable replacement in storm-affected areas along HBLR.

Work on new **Gladstone Branch steel catenary poles and support arms** between Gladstone and New Providence stations continued in FY2017. The transfer of catenary wire to 165 new poles as well as the removal of old wood poles is scheduled for completion by the end of 2017.

Final design was substantially completed for **repairs to Hoboken Terminal**, including a new hot water heating system, a new Ferry Operations Suite, new employee facilities, and modifications to the Terminal Power Distribution System. Most modifications involve moving critical components above flood elevation into existing or new buildings. A Notice to Proceed will be issued by December 2017.

Final design also advanced in FY2017 for **resiliency modifications for Hoboken Terminal and Yard power distribution systems** for both signal and yard power systems. This work will include aerial cabling on new poles connecting power substations to signal equipment locations and major yard facilities. The design of repairs for **Wayside Power Systems** in Yard B and Days Yard in the terminal complex also advanced to near completion, which will raise equipment above flood elevation and add power outlets and control stations for up to 20 tracks. In addition to their resiliency benefits, these systems will provide stand-by power for stored trains, reducing emissions and noise. Advertisement of these contracts is planned for 2018, with actual field work to start the following year.

The Federal Transit Administration has awarded NJ TRANSIT a federal grant for a **Coastal Storm Surge Emergency Warning System**, declaring it a national demonstration project. In FY2017, a System Dashboard was completed and is currently visualizing NOAA and Stevens Institute forecast data. Final integration of the forecast data with the Dashboard will be completed during winter 2017/2018. The system will enable NJ TRANSIT to monitor approaching extreme weather events and storm surge threats



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.

Design work on a project to protect the Meadows Maintenance Complex (pictured) and adjacent Rail Operations Center from future storms was completed in FY2017.

that could impact Hoboken Terminal and/or the Meadows Maintenance Complex and Rail Operations Center in Kearny. The system will also provide weather information to NJ TRANSIT's emergency preparedness personnel and Executive Management Team.

Final design work was completed and advertised in FY2017 for flood protection work at the **Meadows Maintenance Complex (MMC) and Rail Operations Center (ROC)** in Kearny. A contract was awarded, with a Notice to Proceed scheduled to be issued by the end of 2017. 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.

Final design work was completed in FY2017 to move an **Uninterrupted Power Supply** at the **Rail Operations Center** in Kearny from the ground floor to the second floor of the building. Notice to Proceed with construction will be advanced in 2018. 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.

Design work and bid specifications were completed in 2017 for the rail system's **Henderson**, **Bay Head and ROC Unit substations**, which are being replaced and raised above flood elevation. Additionally, bids were advertised for the **Depot Substation**, **Observer Highway Switch House** and a construction management services contract for Depot Substation. Construction of these substations is expected to begin in 2018. Design work continued for new **Remote Terminal Units (RTUs)** at Kearny, Rare and Morgan bridges, replacing the existing RTUs above flood levels.

Plans to construct the new **Delco Lead rail storage and inspection facility** on the Northeast Corridor (NEC) continued

A project to strengthen the overhead wire system on the Gladstone Branch is nearing completion.

to advance through a Federal Transit Administration Competitive Resilience grant process. The grant supports the design and construction of electrified equipment storage tracks and passing sidings to form a two-track system along the NEC in North Brunswick and New Brunswick. An Early Action Contract was awarded in FY2017 to undertake site cleaning and relocation of sewers. The construction contract will be advanced in 2018. When completed, the facility will provide resilient storage capacity for 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.

Plans to address flooding conditions at Hoboken Terminal's Long Slip waterway are being advanced through an FTA Competitive Resilience grant. The grant will support design and construction for the **Long Slip Fill and Rail Enhancement Project**. Long Slip, which is located adjacent to Hoboken Terminal and Yard, will be filled to a level above base flood elevation. The project also includes construction of six new electrified tracks, three high-level platforms and a rail passenger/personnel structure above the filled area. In addition, the project will supplement rail service from Hoboken Terminal during service disruptions and can provide more operating flexibility by allowing equipment movements under normal conditions between Long Slip and the adjacent terminal and yard.

@tialendo

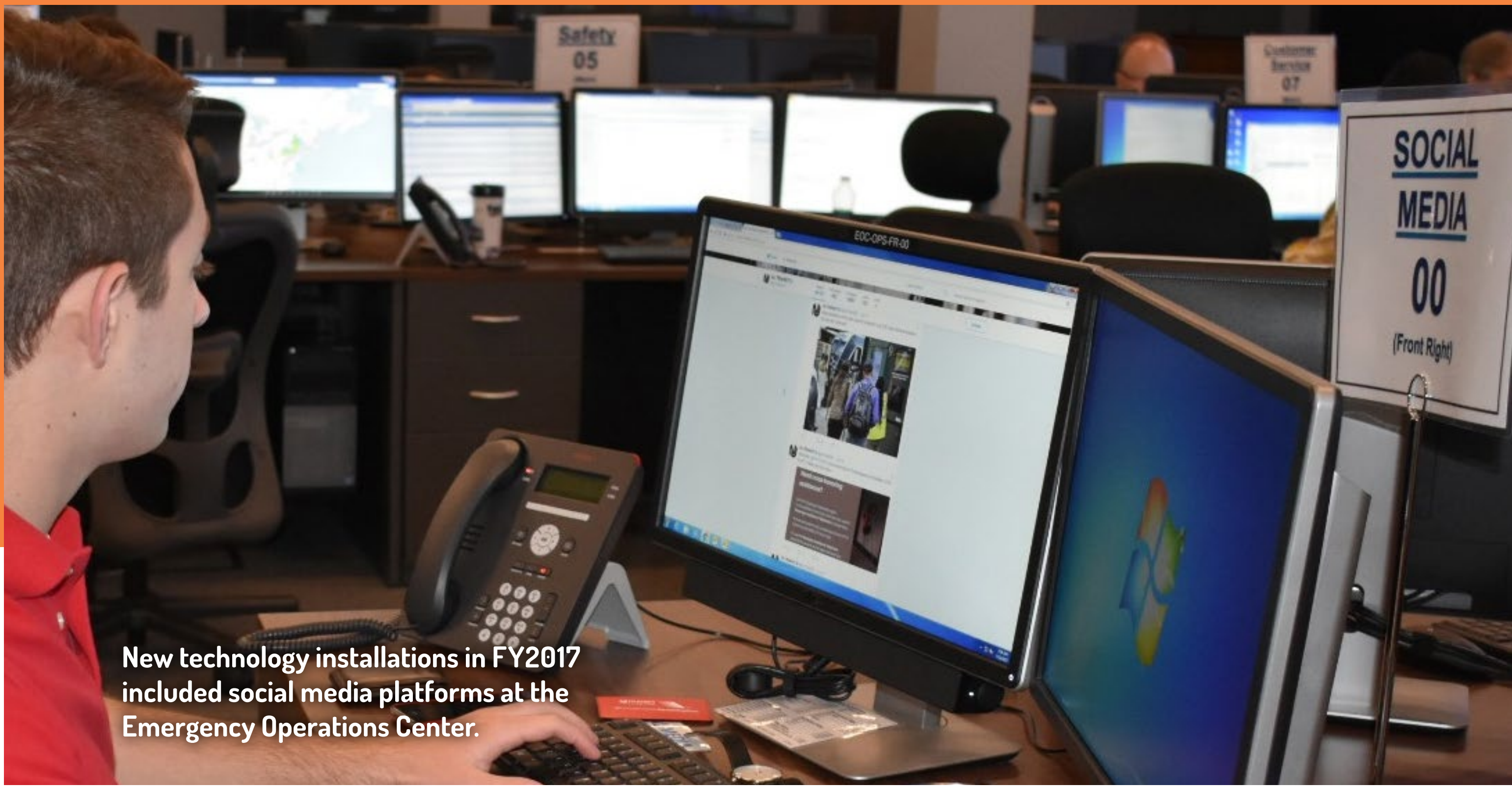
Great to see @NJTRANSIT so responsive on social media today. Thank you for being communicative on a very difficult day.

5:45 PM - 24 Mar 2017

The 110-year-old **Raritan River Bridge** on the North Jersey Coast Line was damaged during Superstorm Sandy. It will be replaced through a Federal Transit Administration (FTA) Competitive Resilience grant that supports design and construction of a new moveable bridge. A Finding of No Significant Impact was issued by the FTA in FY2017. Preliminary design is complete and final engineering is anticipated to be completed by December 2018, with construction getting underway in 2019. The existing swing-span bridge, which crosses the Raritan River between Perth Amboy and South Amboy, will be replaced by a new lift bridge constructed with more durable materials and built at a higher vertical elevation than the existing bridge. In addition to raising the bridge deck, tracks and control systems above flood elevation, portions of the bridge that remain below flood elevation will be designed to withstand storm surges during extreme weather events.

Plans to design and construct a first-of-its-kind **microgrid** are advancing through an FTA Competitive Resilience grant. The grant supports the design and construction of a facility that will provide highly reliable power to a core segment of NJ TRANSIT's critical rail and light rail services and infrastructure during power outages from the commercial electric grid. The project includes a natural gas-fired power plant, a power distribution network and installation of several smaller distributed generation facilities. In non-emergency operation, the power generated by the microgrid will be sold to a utility. A federally required Environmental Impact Statement is underway and is expected to be completed in 2018. A preliminary engineering design contract was authorized by the NJ TRANSIT Board of Directors in 2017 and final design for the central power plant and distributed generation system will begin after a Record of Decision is issued by the FTA. Partners on this project include the State of New Jersey's Office of Recovery and Rebuilding, the FTA, 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 is advancing a **Signals and Communications Resilience** project through an FTA Competitive Resilience grant. The project consists of the elevation, relocation and replacement of signal, power and communications systems to make these systems more resilient to future storm events. Certain wayside components will be raised above flood elevation levels in areas that experience inland flooding or ocean surges along sections of the Morris and Essex, Main, Bergen, Pascack Valley and Raritan Valley lines and Hudson-Bergen Light Rail. The FTA approved environmental Categorical Exclusions and planning grants in 2017 for all of the lines listed above. A construction grant will be submitted to the FTA for approval in Fall 2017. Construction is anticipated to begin in 2018.



New technology installations in FY2017 included social media platforms at the Emergency Operations Center.

TECHNOLOGY

NJ TRANSIT's mobile app was upgraded in FY2017, with a redesigned homepage, more ticketing options for bus customers and an alerts feature that provides customers with service information from the home marquee. The redesigned homepage has several new features, including the ability to display an active ticket, easily access previously purchased tickets and quickly re-purchase tickets based on previous trips. Other popular features on the homepage include DepartureVision (for rail customers), MyBus (for bus customers) and Trip Planner. Rail customers also can check train schedules when purchasing their tickets. The NJ TRANSIT mobile app is available on smartphones and other mobile devices.

Access Link paratransit customers are now enjoying trip planning and other online support at their fingertips. NJ TRANSIT launched **Access Link Online** in FY2017, a designated web page found on njtransit.com that allows Access Link customers to obtain estimated pick-up times, view or cancel reservations, provide feedback and handle more common transactions previously required with a phone call. Access Link Online is available on personal computers, smartphones or other mobile devices with internet access. More online upgrades are planned in FY2018.

NJ TRANSIT **proactively protects its technology assets** against unauthorized use, disclosure, modification, damage or loss, primarily with an established centralized security program. In addition to extensive cyber security training and employee education, NJ TRANSIT continually monitors its systems and implements technical measures to ensure their protection. The Corporation also has developed strict procedures to quickly and effectively respond to potential threats if they arise, and protects customer credit card information and its systems, which are certified as compliant with the Payment Card Industry Data Security Standard (PCI-DSS).

Safety and SECURITY

NJ TRANSIT completed and opened its new **Emergency Operations Center (EOC)** in Maplewood at the end of FY2017. Managed by the New Jersey Transit Police Department Office of Emergency Management (OEM), the EOC supports emergency response operations at a centralized location with computer terminals, large screen displays, conference rooms and more. The EOC is staffed with representatives of OEM and multiple NJ TRANSIT business lines, and has the ability to communicate with NJ TRANSIT's Incident Command, its operating units and other agencies during an incident or event. The facility was used for the first time in the summer of 2017 during the Amtrak infrastructure renewal program at Penn Station New York.

The New Jersey Transit Police Department enrolled **25 police recruits** in FY2017, its largest-ever recruiting class. After completing their training, the recruits participate in an additional 16 weeks of field training with a veteran officer before starting their new assignment as New Jersey Transit Police Officers, with a focus on safety, security and counter-terrorism operations.

Following a successful pilot program in FY2017, NJ TRANSIT will be equipping approximately 2,500 new and existing buses with a **360-degree camera system** on the exterior of each bus. The cameras provide bus operators with a 360-degree expanded field of vision to help eliminate blind spots and enhance pedestrian safety. Each new bus NJ TRANSIT receives will already be equipped with this technology while existing buses will be retrofitted with the cameras.

Installation continued in FY2017 on **inward- and forward-facing cameras** on NJ TRANSIT rail locomotives and cab cars. The camera recordings assist with post-incident investigations and ultimately improve safety by identifying root causes of incidents, including vehicular and pedestrian trespasser incidents. By the end of FY2017, 74 percent of the rail fleet was equipped with forward-facing cameras and 66 percent of the rail fleet was equipped with inward-facing cameras. The program will continue in FY2018.

NJ TRANSIT conducts simulated emergency drills with first responders in the communities it serves.

Federal law requires all United States railroads to implement **Positive Train Control (PTC)** by the end of December 2018. PTC is an advanced technology designed to prevent certain types of rail collisions, provide added protection for rail workers, function as a Crash Hardened Event Recorder and offer interoperability capabilities with other railroads. NJ TRANSIT's PTC project is advancing with the installation of all necessary hardware to support operations and onboard equipment. During FY2017, NJ TRANSIT:

- Secured radio spectrum purchases and leases necessary for PTC operation.
- Obtained PTC radio spectrum approval from the Federal Communications Commission (FCC) to facilitate PTC communications.
- Installed track transponder radio antennas and fiber-optic cabling on a seven-mile section of demonstration track on the Morris & Essex Lines.
- Installed three engineer training simulators.

Work is continuing in several other areas as well, including:

- Testing an onboard system on a locomotive and cab car.
- Ongoing installation of onboard equipment on thirteen cab cars.
- Ongoing vehicle modification work.
- Purchasing and installing additional fiber-optic cable for other sections of railroad.
- Designing communication and train-control components.
- Providing PTC training for employees.
- Installing wayside towers.
- Tower permitting and site licensing for FCC compliance.

NJ TRANSIT began installing **deceleration lights** on the back of more than 400 paratransit minibuses in FY2017. The new warning system alerts trailing vehicles when a paratransit bus is slowing down, preparing to stop or is already stopped. This lighting

Twenty-five new recruits will bolster the New Jersey Transit police force.

A new 360-degree camera system provides bus operators with an expanded view around their bus.

This Positive Train Control component embedded in the track bed will communicate with equipment on a train to enhance rail safety.

modification enhances customer safety by reducing rear-end collisions while also reducing collision repairs that require buses to be taken out of service for extended periods of time. NJ TRANSIT has already recorded a significant decrease in rear-end collisions. NJ TRANSIT completed the installation of deceleration lights on 40 percent of the paratransit minibus fleet in FY2017, with work continuing in FY2018.

New Jersey Transit Police worked with federal, state and local law enforcement agencies and emergency responders in FY2017, providing **emergency response training** for 750 first responders. Emergency drills with different scenarios were offered on Newark Light Rail, Hudson-Bergen Light Rail, River LINE and on the commuter rail system. Nearly 550 additional first responders received NJ TRANSIT rail safety training.

NJ TRANSIT Bus Operations also hosted **First Responder Training** for several fire departments and law enforcement agencies, including Caldwell Fire Department, Camden County Sheriff's Department, Stratford Fire Company, Hammonton Volunteer Fire Company and Orange Fire Department. Participants receive hands-on training related to evacuation procedures and safety features found on NJ TRANSIT buses.

During the past six years, more than 1,350 New Jersey Transit Police personnel and police partner agencies have received **Transit Terrorist Tools and Tactics Training**, a Department of Homeland Security-approved course designed to protect transit systems from terrorist attacks. The course is designed to provide participants with the necessary knowledge, skills and abilities to detect, deter, prevent, mitigate and respond to transit systems terrorist threats involving chemical, biological, radiological, nuclear and enhanced conventional weapons.

@jay_mor

Thankful for the NJ TRANSIT Police Department helping commuters feels safer this week. #BackTheBlue

9:29 AM - 20 Sep 2016

Police Officer Victor Ortiz received international recognition for pulling a man off the tracks seconds before a train passed by.

Approximately 40 NJ TRANSIT employees from different business lines received special training in FY2017 with a focus on **mitigating cyberattacks**. Developed by the Texas A&M Engineering Extension Service (TEEX) at Texas A&M University, the course uses simulation software that resembles or imitates actual incident management systems. More than 80 NJ TRANSIT personnel and local first responders attended two additional Texas A&M Engineering Extension Service (TEEX) courses in FY2017.

By the end of FY2017, 10,394 NJ TRANSIT employees received **PATRIOT/SAVE Training**, an in-depth anti-terrorism training program that 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, encouraging customers to text "NJTPD" (65873) to report suspicious activity. In FY 2017, the agency received 1,568 texts.

NJ TRANSIT began offering its bus operators an **online defensive driving course** created by the National Safety Council. The state-of-the-art program is designed to enhance the professional operating skills of agency bus operators who drive on some of the busiest roads in the country.

NJ TRANSIT takes great pride in its employees and the work they perform, day in and day out. Many go above and beyond the call of duty to assist customers. New Jersey Transit **Police Officer Victor Ortiz's** actions were literally heroic this past year when he saved the life of a customer. The distraught individual had jumped from a platform onto the tracks at Secaucus Junction. Knowing that an express train would be traveling through the station at any moment, Officer Ortiz also jumped down to the tracks and pulled the man to safety seconds before the train would have struck both men. Video footage of the incident was broadcast around the world. For his heroic actions, Officer Ortiz was presented with numerous awards and accolades, including the widely acclaimed Carnegie Medal. NJ TRANSIT thanks Officer Ortiz and the rest of the men and women of the New Jersey Transit Police Department for selflessly protecting and serving its customers each and every day.

A new Emergency Operations Center supports multiple departments under the direction of the New Jersey Transit police.

Financial PERFORMANCE

NJ TRANSIT entered into new **retail concession and right-of-way agreements** with different business entities in FY2017. Among the highlights are leases with Bank of America, PNC and Wells Fargo for the installation and operation of automated teller machines (ATMs) across the NJ TRANSIT system. The ATM agreements are a win-win for NJ TRANSIT and its customers, providing a convenient amenity for customers and additional non-farebox revenue for the Corporation.

Meanwhile, **advertising opportunities** also expanded on the NJ TRANSIT system in FY2017, with static and dynamic signage opportunities generating more than $13 million on bus, rail and light rail equipment, and at stations and terminals. That included station sponsorships and newly created media inventory. Newark Broad Street Station alone benefitted from a two-year advertising commitment from Newark-based Audible. Additional revenues were generated with advertising on Hudson-Bergen Light Rail vehicles (Carepoint Health), on Jersey Shore Shuttles serving the North Jersey Coast Line (Anheuser Busch and Lyft) and on the Metropark clock tower on the Northeast Corridor (New Jersey Lottery).

NJ TRANSIT offers **special fares for university students and group trips**. In FY2017, more than 40,000 passes were sold to students at 82 universities through our University Partnership, generating $4.7 million in ticket sales. Meanwhile, 159 group trips were booked during the year, yielding an additional $64,000.

NJ TRANSIT sold vacant property it owns in **Waldwick** to D&R Development for a residential and retail Transit-Oriented Development project adjacent to Waldwick Station on the Main Line, generating $480,000 for the Corporation. NJ TRANSIT also entered into a property-use agreement with Blue Ridge Lumber, in **Fair Lawn** on the Bergen

Carepoint Health rolled along Hudson-Bergen Light Rail in FY2017.

Audible advertising at Newark Broad Street Station.

County Line that is estimated to generate nearly $3.2 million in license fees over the life of the agreement. Finally, NJ TRANSIT entered into property use agreements with Coach USA/Suburban Transit in **North Bergen** and PSE&G in **Hoboken** and **Weehawken**.

> Meanwhile, advertising opportunities also expanded on the NJ TRANSIT system in FY2017, with static and dynamic signage opportunities generating more than $13 million on bus, rail and light rail equipment, and at stations and terminals.

NJ TRANSIT generated nearly $675,000 in revenue in FY2017 through partnerships with external organizations and website and mobile app advertising sales. The unit worked in tandem with ad contractor Intersection, setting two partnerships into motion with NJ Office of Information Technology and the New Jersey Department of Health. Marketing & Business Development also worked with regional entertainment venues such as Six Flags Great Adventure, Monmouth Park, Madison Square Garden, Radio City, The Franklin Institute, The Philadelphia Museum of Art, The Penn Museum and more. These programs provide discounts and added-value incentives to customers for off-peak leisure travel and contributed to the revenue total through advertising dollars, package sales and fare-box revenue through special ticketing.

Many NJ TRANSIT facilities, particularly historic ones, were built with unique architectural designs that are attractive to filmmakers, producers, production companies, photographers and others to use for commercial purposes, generating additional revenue through permit fees for the Corporation. In FY2017, filming was done at

Creative advertising for the New Jersey Lottery at Metropark Station.

Hoboken Terminal, Newark Penn Station and the entrance to the NJ TRANSIT 7th Avenue Concourse at Penn Station New York.

NJ TRANSIT initiated a **lease/purchase agreement** to replace non-revenue vehicles in FY2017, replacing more than 100 fleet vehicles. The newer vehicles increase fuel economy, decrease downtime and significantly reduce maintenance spending by nearly $500,000. NJ TRANSIT also retired and sold many of its trucks and other vehicles online via live auctions, receiving nearly $219,000 from the sale of its oldest high-mileage vehicles.

Corporate ACCOUNTABILITY

NJ TRANSIT coordinates funding for local **community transportation services** operated by counties, municipalities and non-profit organizations throughout the state of New Jersey. A total of $44 million of Federal, State, and NJ TRANSIT funds are provided annually for services designed to the meet the needs of senior citizens, people with disabilities, rural residents and economically disadvantaged residents. Some of these community transportation services provide direct connections to NJ TRANSIT rail and bus services. During 2017, NJ TRANSIT continued to deliver an order of more than 250 new minibuses, minivans and medium transit-style vehicles to community transportation sub-recipients around the state.

Access Link service grew again this past year, up four percent to 1.46 million customers in FY2017. Access Link is NJ TRANSIT's paratransit service for customers with disabilities who are unable to use existing bus, rail or light rail accessible service. In response to Scorecard surveys from customers, NJ TRANSIT continued to install additional seat cushioning and support springs to help smooth the ride in Access Link minibuses. For added safety, all minibuses purchased since 2016 have additional LED stop lights as well as deceleration lights on the rear of each vehicle.

Created in 1999 by NJ TRANSIT and the New Jersey Department of Transportation, the **Transit Village Initiative** recognizes New Jersey communities who zone for and encourage the construction of mixed-use, transit-oriented development (TOD) within a half-mile radius of their transit facilities. To date, 33 NJ communities have been designated transit villages. The most recent transit villages are Long Branch and Asbury Park.

A Tri-Party agreement between NJ TRANSIT, the Mercer County Improvement Authority and Roebling Center advanced a mixed-use development in FY2017. Construction is now underway on 190 residences adjacent to Hamilton Avenue Station on the River LINE in **Trenton**.

Access Link paratransit ridership grew by four percent in FY2017.

NJ TRANSIT partners with outside agencies and community groups to expand paratransit options for New Jersey residents.

Also on the River LINE, a property agreement with the Walters Group in **Delanco** enabled construction of 60 residences, while in **Bordentown**, an agreement with Princewood Properties allows for the use and occupancy of NJ TRANSIT property to accommodate the construction of approximately 650 residences.

During 2017, NJ TRANSIT continued to deliver an order of more than 250 new minibuses, minivans and medium transit-style vehicles to community transportation sub-recipients around the state.

Agreements with **Waldwick** (Main Line) and **Hillsdale** (Pascack Valley Line), as well as historic preservation agents and developers, allowed the communities to restore historic rail structures and create new transit oriented housing. Additionally, a 500-residence community in **Woodbridge** is now connected to Avenel Station on the North Jersey Coast Line thanks to an agreement with Atlantic Realty.

Additionally, NJ TRANSIT's Transit-Friendly Land Use & Development Program supports local communities served by bus, rail and light rail service. In June 2017, NJ TRANSIT, in partnership with the North Jersey Transportation Planning Authority (NJTPA) and Rutgers University, concluded a two-year project developing a system-wide inventory of **Transit Oriented Development (TOD) surrounding Hudson-Bergen Light Rail (HBLR) stations**. The information will be used to gauge the magnitude of TOD along the HBLR system since its inception in 2001, and to identify future capacity enhancements, service frequencies and possible system expansions along the line. Similar efforts are planned for other transit corridors and customer facilities throughout the state.

NJ TRANSIT also teamed up with the U.S. Department of Housing and Urban Development, 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 public, private and non-profit interests and funding toward implementation.

GREEN-FRIENDLY PROJECTS

NJ TRANSIT is continuing a program to install **LED lighting** at its facilities to conserve energy and save money. In FY2017, LED lighting was installed at the Corporation's Headquarters building in Newark, the General Office Building in Maplewood, Meadows Maintenance Complex in Kearny and along sections of the Newark Light Rail (NLR) system. Additionally, 21 electric motors at Headquarters were upgraded to more efficient **variable frequency drive motors**. Combined, both retrofit projects result in energy savings of more than 1.4 million kilowatt hours per year. Both initiatives were partially funded by the New Jersey Clean Energy Program.

NJ TRANSIT is participating in a three-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 is being expanded to include other NJ TRANSIT facilities.

NJ TRANSIT has partnered with Montclair Township in a NJ Board of Public Utilities sponsored microgrid initiative called the **Town Center Distributed Energy Resource Microgrid Feasibility Study Program**. The study will evaluate approximately 2.3 megawatts of new power capacity, which may include solar and dispatchable generation such as combined heat and power, battery storage and other new electric infrastructure. The project would enable critical facilities to operate during normal and emergency conditions. NJ TRANSIT's Bay Street Station on the Montclair-Boonton Line is among the identified critical facilities in the project.

NJ TRANSIT and Montclair are evaluating microgrid possibilities that will benefit both parties.

NJ TRANSIT On-time Performance
BY MODE FY2017

Rail	91.7%
Light Rail	97.3%
Bus	90.4%


NEWARK INTERNATIONAL AIRPORT

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.

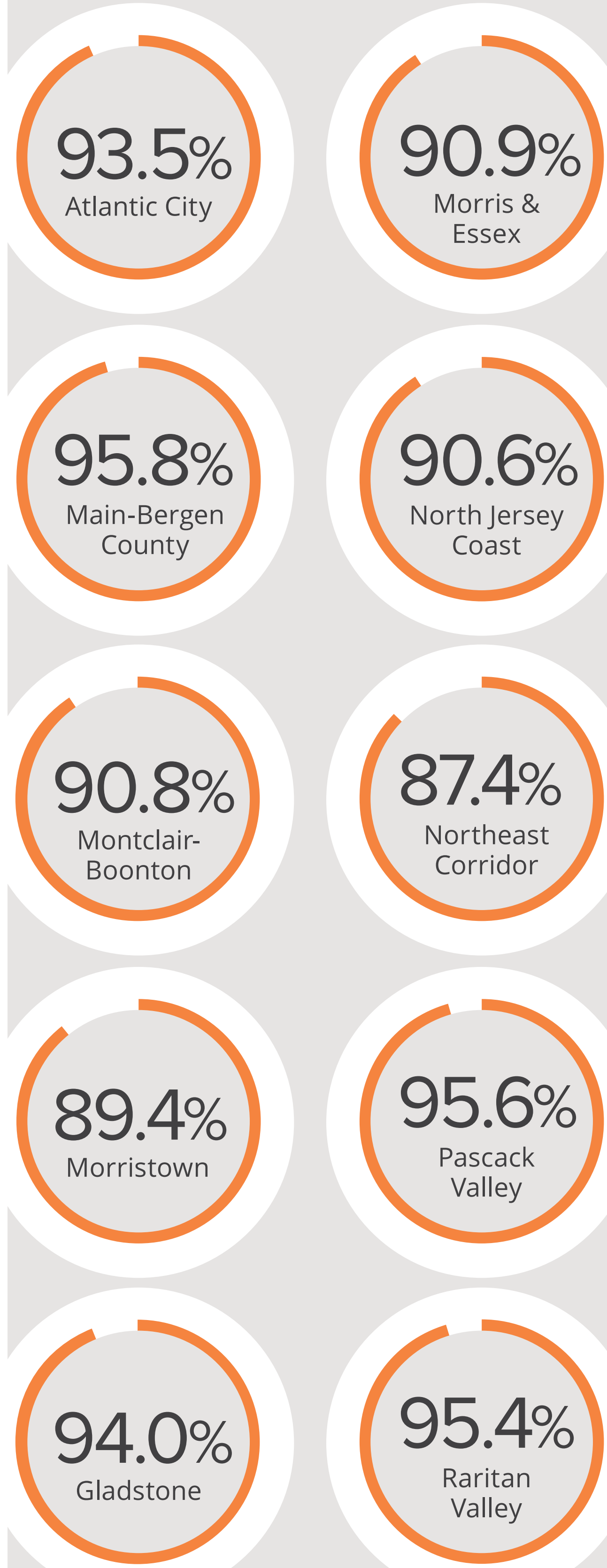
> NJ TRANSIT considers a train to be on time if it arrives at its final destination within five minutes and 59 seconds of its scheduled time.

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 RAIL LINE FY2017



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.

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. ”

NJ TRANSIT On-time Performance

BY LIGHT RAIL FY2017

95.6% Hudson-Bergen Light Rail

98.8% Newark Light Rail

96.8% River LINE

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.

Any bus that departs the terminal within five minutes and 59 seconds of its scheduled departure is considered on time.

NJ TRANSIT On-time Performance

BY BUS TERMINAL FY2017

99.3% Atlantic City Bus Terminal

92.1% Hoboken Terminal

88.8% Newark Penn Station

89.1% Port Authority Bus Terminal

86.0% Walter Rand Transportation Center

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.

board of DIRECTORS

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 November 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. Mr. Scudder serves as a member of the national Annual Giving Committee at Princeton University.

Mr. Scudder is married to the former Cristina Hession. They have two daughters and reside in Little Silver.

JOHN SPINELLO

Governor's Representative

John Spinello has served since 2014 as the Director of the Governor's Authorities Unit, part of the Office of Counsel to the Governor, which oversees 50 independent state and bi-state authorities, commissions and corporations, including the NJ TRANSIT Corporation, the Port Authority of New York & New Jersey, the NJ Turnpike Authority, the South Jersey Transportation Authority, the Delaware River Port Authority, the Delaware River & Bay Authority, the Delaware River Joint Toll Bridge Commission and the South Jersey Port Corporation.

Prior to joining the Governor's Office, John practiced law for more than eleven years with K&L Gates, where his practice focused on project development, regulatory counseling and related litigation, primarily for clients in energy, transportation and building materials industries. He previously served as Associate General Counsel for the United States Environmental Protection Agency in Washington, D.C. , and Assistant Counsel to Governor Whitman in Trenton, NJ. John also held several senior positions in the New Jersey Department of Environmental Protection.

John earned a J.D. 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 Joint Forces Intelligence Command and Electronic Attack Squadron Two Zero Nine, including a deployment to the Middle East in support of Operation Northern Watch. John is a member of the Order of Malta and catechist for the Saint Ann R.C. School of Religion in Hampton, NJ. A native of Jersey City, he resides with his wife, Jan, and two black labs in Washington, NJ.

FLORA M. CASTILLO

Flora Castillo is a Certified Health Insurance Executive (CHIE) with more than 25 years of health care, transportation, social determinants of health, non-profit/trade association management and managed care experience. Ms. Castillo has served as a member of the NJ TRANSIT Board of Directors since 1999. She was appointed to the board by New Jersey Governor Christine Todd Whitman – making her the first Latina and the youngest member to serve on the Board. She currently chairs the Board's Customer Service Committee and is a member of the Safety and Administration Committees.

An ardent transit advocate, Ms. Castillo has played a vital role in ensuring quality services for NJ TRANSIT customers, including increased seating capacity, cleaner trains and buses and new equipment. Ms. Castillo's advocacy for diversity and inclusion led to the creation of a chief diversity officer role, establishment of a succession plan and enhanced goals and strategies in support of small disadvantaged business enterprises. In 2003, she launched the Corporation's first-ever Transit Academy Workforce Awareness and Readiness Program, formed to introduce high school students and young adults to different career opportunities within the transportation industry.

Ms. Castillo served at the national level as the 2012-2013 chair of The American Public Transportation Association (APTA), the first Latina elected to the position. In this role, she served as the spokesperson for the industry and led its 100-member board, 17-member executive committee and member systems that represent more than 90 percent of the people using public transportation in the United States and Canada. In 2010, APTA honored her as the Outstanding Public Transportation Board Member for her contributions to the industry.

Ms. Castillo is National Vice President of Transportation for UnitedHealthcare Community & State myConnections™, serving over five million Medicaid members in 24 states and Washington D.C. She also is a member of the board of directors of Greater Philadelphia Health Action, Inc., United Way of Philadelphia and Southern New Jersey, Women Transportation Seminar (WTS), PlanW Political Action Committee, and National Urban Fellows. She is an advisory board member of The Alan Voorhees Transportation Center and Transportation Diversity Council.

Ms. Castillo has received numerous awards and recognitions, including the 2016 Women Who Move The Nation Award from the Conference of Minority Transportation Officials; 2013 Latina Trailblazer Award from the Statewide Hispanic Chamber of Commerce of New Jersey; Hispanic Business 50 Influentials; Minority Business Leader Award from the Philadelphia Business Journal; and Transportation Leadership Award from Newark Regional Business Partnership. She also received the Transportation Diversity Council Award for Diversity and The Agent of Change in Public Transportation Award, and was recognized by Metro Magazine as one of public transportation's Movers and Shakers in 2011.

Born and raised in El Salvador, Ms. Castillo immigrated to Long Island, NY in 1981. She went on to receive her Bachelor's Degree in Management Business Administration from Long Island University in Southampton, NY. She is a graduate of the Christine Todd Whitman Excellence in Public Services Series; Leadership, Inc. Program of Philadelphia; and America's Health Insurance Plans Foundation's Executive Leadership Fellowship where she was awarded the CHIE designation, making her one of only 400 national fellows to earn such designation.

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.


7028
NJ TRANSIT

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

South Jersey Transit Advisory Committee

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

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

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

executive management TEAM

Christine Baker
Chief Compliance Officer

Penelope Bassett
Assistant Executive Director,
Communications & Customer Service

Eric Daleo
Assistant Executive Director,
Capital Planning & Programming

Neal Fitzsimmons
Acting Chief, Light Rail
and Contract Services

Jacqueline Halldow
Chief of Staff

Amy Herbold
Deputy Executive Director

Warren Hersh
Auditor General

Michael Kilcoyne
Vice President/General Manager,
Bus Operations

Robert Lavell
Vice President/General Manager,
Rail Operations

Michael Lihvarcik
Acting Chief Financial Officer/Treasurer

Michael Slack
Chief Information Officer

Joseph Snow
Acting Deputy Attorney General

Gardner Tabon
Chief, Office of System Safety

Christopher Trucillo
Chief of Police

Paul Wyckoff
Chief, Government & External Affairs

Joyce Zuczek
Board Secretary

@Paul Paige

It is very rare for people to care in the unique way that he did and I cannot thank your employee, Brian Djar, enough for all of his effort, honesty, and awesomeness!!

February 22 • Newark NJ

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

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The Way To Go.

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NJ TRANSIT
FISCAL YEAR 2017

CONSOLIDATED FINANCIAL STATEMENTS

NJ TRANSIT
The Way To Go.®

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

NJ TRANSIT
One Penn Plaza East
Newark, NJ 07105-2246
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REPORT OF MANAGEMENT

The Consolidated Financial Statements of New Jersey Transit Corporation(the Corporation), for the fiscal year ended June 30, 2017, 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 02, 2017, is presented on page 1-2 of the 2017 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 2017 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 2017 financial statements is accurate, and that such information fairly presents the financial condition and operational results of the Corporation as of June 30, 2017 and for the year then ended.

Steven Santoro
Executive Director

Michael Lihvarcik
Interim CFO and Treasurer

November 02, 2017

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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, 2017 and 2016, 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.

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation and subsidiaries as of June 30, 2017 and 2016, 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 2, 2017

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 years ended June 30, 2017 and 2016 with selected comparative information for the fiscal year ended June 30, 2015. 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 2017

Total operating revenues for NJ TRANSIT were $1,080.0 million in fiscal year 2017, an increase of $3.2 million, or 0.3 percent compared to the prior fiscal year. Passenger revenue decreased by $2.8 million, or 0.3 percent. Other operating revenues, net, increased by $6.0 million, or 7.3 percent.

Total operating expenses before depreciation and other expenses were $2,260.1 million in fiscal year 2017, a decrease of $96.1 million or 4.1 percent, from the prior fiscal year. Additional details are presented beginning on page 6.

Total net position at June 30, 2017 was $4,212.6 million, a decrease of $345.8 million, or 7.6 percent from the net position at June 30, 2016.

Total capital assets (net of depreciation) were $6,346.0 million at June 30, 2017, a net decrease of $296.4 million, or 4.5 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.

NJ TRANSIT has reported the fair value of the fuel commodity swaps in the amount of $7.3 million at June 30, 2017, a decrease of $21.2 million, or 74.4 percent from the prior fiscal year. The "Swaps" are all presented as a "Derivative Instrument Asset" and a corresponding "Deferred Inflow of Resources; Commodity Swap" in the Consolidated Statement of Net Position (See Note 18). During the year, approximately $12.8 million of derivatives matured.

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 6.

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; Derivative instrument liability" in the Consolidated Statement of Net Position (See Note 18).

FINANCIAL ANALYSIS

NET POSITION

NJ TRANSIT's total net position at June 30, 2017, was $4,212.6 million, a decrease of $345.8 million, or 7.6 percent, from June 30, 2016 (Table A-1). Total assets decreased $656.0 million, or 8.2 percent, and deferred outflows of resources from unamortized debt refunding and items related to pensions increased by $159.4 million, or 89.1 percent. Total liabilities decreased $127.3 million, or 3.6 percent.

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.

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

	AS OF JUNE 30, 2017	2016	2015	% INC/(DEC) 2017/2016	2016/2015
Current assets	$547.9	$723.5	$743.2	(24.3)	(2.7)
Restricted non-current assets	414.5	584.7	639.3	(29.1)	(8.5)
Capital assets, net	6,346.0	6,642.4	6,921.1	(4.5)	(4.0)
Other assets	1.9	15.7	—	(87.9)	—
TOTAL ASSETS	**$7,310.3**	**$7,966.3**	**$8,303.6**	**(8.2)**	**(4.1)**
Refunding of debt	38.2	8.6	14.4	344.2	(40.3)
Deferred outflows related to pensions	300.0	170.2	140.6	76.3	21.1
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**338.2**	**178.8**	**155.0**	**89.1**	**15.4**
Current liabilities	622.7	896.7	919.1	(30.6)	(2.4)
Notes payable	981.2	948.1	1,119.3	3.5	(15.3)
Net Pension liability	765.3	549.3	465.7	39.3	18.0
Net OPEB obligation	541.6	483.9	431.5	11.9	12.1
Obligations under capital leases	280.7	481.0	509.9	(41.6)	(5.7)
Unearned revenue and other non-current liabilities	227.0	186.8	167.8	21.5	11.3
TOTAL LIABILITIES	**3,418.5**	**3,545.8**	**3,613.3**	**(3.6)**	**(1.9)**
Deferred inflows related to pensions	10.1	12.4	8.8	(18.5)	40.9
Deferred inflows related to derivative instrument liability	7.3	28.5	—	(74.4)	—
TOTAL DEFERRED INFLOWS OF RESOURCES	**17.4**	**40.9**	**8.8**	**(57.5)**	**364.8**
Net investment in capital assets	5,318.6	5,369.8	5,692.0	(1.0)	(5.7)
Restricted for capital projects	1.2	7.5	6.8	(84.0)	10.3
Unrestricted (deficit)	(1,107.2)	(818.9)	(862.3)	35.2	(5.0)
TOTAL NET POSITION	**$4,212.6**	**$4,558.4**	**$4,836.5**	**(7.6)**	**(5.8)**

FISCAL YEAR 2017

The 24.3 percent decrease in current assets in fiscal year 2017 is primarily due to a decrease in Federal grant receivables. Fuel commodity swaps presented as a derivative instrument asset decreased by $7.4 million or 58.1 percent, and have been reported as a current asset. Restricted non-current assets decreased 29.1 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 $6,346.0 million in capital assets, net, $618.8 million represents construction in progress; $5,316.7 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 344.2 percent increase in deferred outflows of resources – refunding of debt was due to deferred loss on refunding of debt associated with the issuance of New Jersey Economic Development Authority Transportation Project Sublease Revenue and Revenue Refunding Bonds, Series 2017 issued during the year.

The 30.6 percent decrease in current liabilities was mainly due to the paydown of the revolving line of credit.

The 41.6 percent decrease in non-current obligations under capital leases was due to the final payment on four separate lease obligations that totaled $209.8 million.

The 39.3 percent increase in the net pension liability under GASB Statement No. 68, Accounting for Pensions is a result of changes in actuarial assumptions and benefit terms. The discount rates decreased to 7.50 percent for TERP and UWUA and 7.75 percent for ATU, TWU-UTU, and Mercer from prior years' 8.0 percent. The net pension liability also increased as a result of changes of benefit terms due to higher salaries under the union arbitration award.

The 11.9 percent increase in the obligation for postemployment benefits required under GASB Statement No. 45, *Accounting, and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* is due primarily to an increase in the annual required contribution as a result of updated claims and projected medical trends.

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 required under GASB Statement No. 45, *Accounting, and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* is due primarily to an increase in the annual required contribution as a result of updated claims and projected medical trends, as well as updated mortality assumptions and an increase in census.

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.

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 2017 was $345.8 million (Table A-2). While there are many contributing factors, this was primarily the result of a 21.0 percent decrease in federal and state operating grant revenue recognized during the year.

The decrease in net position in fiscal year 2016 was $278.1 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.

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

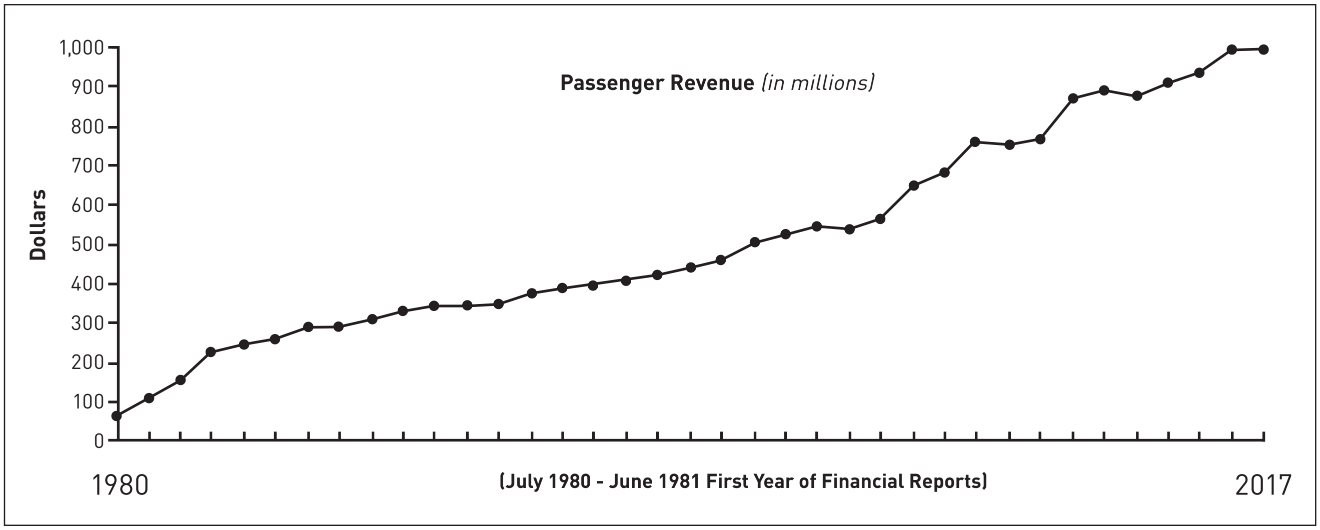
	YEARS ENDED JUNE 30,			% INC/(DEC)	
	2017	2016	2015	2017/2016	2016/2015
Operating Revenues					
Passenger fares	$992.2	$995.0	$933.6	(0.3)	6.6
Other, net	87.8	81.8	79.3	7.3	3.2
Total Operating Revenues	**1,080.0**	**1,076.8**	**1,012.9**	**0.3**	**6.3**
Operating Expenses					
Total operating expenses before depreciation and other expenses	2,260.1	2,356.2	1,973.8	(4.1)	19.4
Superstorm Sandy expenses, net	—	—	18.5	—	(100.0)
Depreciation	498.0	491.6	519.7	1.3	(5.4)
Total Operating Expenses	**2,758.1**	**2,847.8**	**2,512.0**	**(3.1)**	**13.4**
Operating Loss	**(1,678.1)**	**(1,771.0)**	**(1,499.1)**	**(5.2)**	**18.1**
Non-operating revenues, net	1,038.6	1,160.1	1,055.6	(10.5)	9.9
Capital contributions, net	293.7	332.8	321.9	(11.8)	3.4
Change in Net Position	**(345.8)**	**(278.1)**	**(121.6)**	**(24.4)**	**128.7**
Total Net Position, Beginning as Previously Reported	**4,558.4**	**4,836.5**	**5,402.3**	**(5.8)**	**(10.5)**
Cumulative Effect of Accounting Change	—	—	(444.2)	—	—
Total Net Position, Beginning, as Restated	**4,558.4**	**4,836.5**	**4,958.1**	**(5.8)**	**(2.5)**
Total Net Position, Ending	**$4,212.6**	**$4,558.4**	**$4,836.5**	**(7.6)**	**(5.8)**

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 2017 decreased $2.8 million or 0.3 percent. When major weather conditions, calendar anomalies and special events are factored out of each year, the resulting gain in revenue is only 0.06 percent. This increase can be attributed to continued employment gains. As of June, the region experienced 82 consecutive months of growth, with New York City realizing the biggest improvements. Rail passenger revenue for fiscal year 2017 decreased by $4.1 million or 0.7 percent, with ridership decreasing 2.3 million passenger trips, or 2.3 percent. Bus passenger revenue increased by $0.8 million or 0.2 percent, with ridership decreasing by 5.4 million passenger trips. Passenger revenues for Light Rail, which includes Newark Light Rail, Hudson-Bergen Light Rail and River Line revenues, decreased by $0.7 million, or 3.0 percent, with ridership decreasing slightly by 0.8 percent.

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

	YEARS ENDED JUNE 30,			% INC/(DEC)	% INC/(DEC)
	2017	2016	2015	2017/2016	2016/2015
Rail Operations	$577.7	$581.8	$540.6	(0.7)	7.6
Bus Operations	385.8	385.0	366.9	0.2	4.9
Light Rail Operations	22.8	23.5	21.8	(3.0)	7.8
Special Transit Fares	5.9	4.7	4.3	25.5	9.3
Total	**$992.2**	**$995.0**	**$933.6**	**(0.3)**	**6.6**

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

	YEARS ENDED JUNE 30, 2017	2016	2015	% INC/(DEC) 2017/2016	% INC/(DEC) 2016/2015
Rail Lines					
Newark Division	53.4	54.8	54.0	(2.6)	1.5
Hoboken Division	32.8	33.6	32.7	(2.4)	2.8
Atlantic City	0.7	0.8	0.9	(12.5)	(11.1)
Total	**86.9**	**89.2**	**87.6**	**(2.3)**	**1.8**
Bus Lines					
Northern Division	70.5	71.9	71.1	(1.9)	1.1
Central Division	64.4	66.7	68.5	(3.4)	(2.6)
Southern Division	19.4	21.1	22.6	(8.1)	(6.6)
Total	**154.3**	**159.7**	**162.2**	**(3.4)**	**(1.5)**
Light Rail Lines					
Newark Light Rail	5.5	5.7	5.5	(3.5)	3.6
Hudson-Bergen Light Rail	15.5	15.5	14.2	—	9.2
River LINE	2.7	2.7	2.8	—	(3.6)
Total	**23.7**	**23.9**	**22.5**	**(0.8)**	**6.2**
Total Ridership	**264.9**	**272.8**	**272.3**	**(2.9)**	**0.2**

FISCAL YEAR 2017

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 $6.0 million, or 7.3 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. 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 Statements of Revenue, Expenses, and Changes in Net Position.

EMPLOYMENT COSTS

Employment costs consisting of labor and related fringe benefit expenses represent 59.8 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 2017, labor costs decreased $40.6 million, or 5.6 percent, and fringe benefits decreased $12.5 million, or 1.9 percent from fiscal year 2016. The difference is a result of NJ TRANSIT settling the Bus Workers Amalgamated Transit Union (ATU) labor contract in 2016.

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 and materials increased by $7.0 million or 4.1 percent due to an increase in expenses for reimbursable projects and resiliency program costs.

Cost of services decreased $13.5 million or 7.9 percent due to decreased costs for professional and technical services, electronic equipment services and contracted maintenance services.

Claims and insurance expense increased $8.1 million or 8.6 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 $37.6 million, or 28.5 percent. Fuel expenses decreased $40.2 million, or 44.8 percent, and propulsion increased $2.6 million, or 6.1 percent. The decrease in costs is mainly attributed to the ability to obtain fuel at lower costs per gallon in Fiscal Year 2017, as compared to Fiscal Year 2016.

Trackage, tolls, and fees increased $2.8 million, or 3.5 percent, as a result of increased Port Authority Tunnel tolls and an increase in interlocking maintenance costs on the Northeast Corridor.

Purchased transportation decreased $11.0 million or 4.9 percent resulting from decreased 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 increased by $6.4 million, or 1.3 percent due to the timing of assets additions and disposals.

NON-OPERATING REVENUES (EXPENSES)

Non-operating revenues decreased by $121.5 million, or 10.5 percent, primarily attributable to a decrease in federal and state grant revenue, due to the timing of grant awards. This decrease was slightly offset by an increase in the State appropriations from $33.2 million in fiscal year 2016 to $140.9 million in 2017. 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 $293.7 million was $39.1 million, or 11.8 percent, below fiscal year 2016.

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 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 an 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.

CAPITAL ASSETS

As of June 30, 2017, NJ TRANSIT had invested $14,972.2 million in capital assets. Net of accumulated depreciation, NJ TRANSIT's net capital assets at June 30, 2017 totaled $6,346.0 million (Table A-4). This amount represents a net decrease of $296.4 million, or 4.5 percent, below June 30, 2016 net 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.

In Fiscal Year 2017, NJ TRANSIT's Board of Directors approved a $1.7 billion capital program that called for continued investment in the State of New Jersey's transit

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

	AS OF JUNE 30,			% INC/(DEC)	
	2017	**2016**	**2015**	**2017/2016**	**2016/2015**
Capital projects in process	$618.8	$674.2	$601.1	(8.2)	12.2
Revenue vehicles	1,964.8	2,024.4	2,150.6	(2.9)	(5.9)
Buildings and structures	2,296.6	2,418.3	2,621.8	(5.0)	(7.8)
Track	941.4	1,005.5	1,051.5	(6.4)	(4.4)
Land	396.3	396.3	353.8	—	12.0
Equipment	113.9	109.5	128.0	4.0	(14.5)
Other	14.2	14.2	14.3	—	(0.7)
Total Capital Assets, Net	**$6,346.0**	**$6,642.4**	**$6,921.1**	**(4.5)**	**(4.0)**

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 $64 million installment in Fiscal Year 2017, part of NJ TRANSIT's 10 year $1 billion NEC investment program.

Looking forward to fiscal year 2018, NJ TRANSIT's Board of Directors approved a $1.37 billion capital program that calls for continued investment in the State's transit infrastructure in order to improve 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 NEC for both infrastructure and stations, part of NJ TRANSIT's ten-year $1 billion NEC investment program. This program also provides a financial commitment for the completion and implementation of Positive Train Control, as well as continued investment in the Newark and Hudson-Bergen Light Rail systems, including an investment in bus passenger and bus support facility improvements.

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, 2017, totaled $1,457.6 million compared with $1,828.7 million at June 30, 2016, a decrease of 20.3 percent.

The following table summarizes the changes in debt between fiscal years 2017, 2016 and 2015 *($ in millions)*:

	AS OF JUNE 30,			% INC/(DEC)	
	2017	**2016**	**2015**	**2017/2016**	**2016/2015**
Notes payable	$1,084.8	$1,105.2	$1,281.2	(1.9)	(13.7)
Obligations under capital leases*	297.8	523.5	571.3	(43.1)	(8.4)
Revolving line of credit**	75.0	200.0	—	(62.5)	100.0
Total	**$1,457.6**	**$1,828.7**	**$1,852.5**	**(20.3)**	**(1.3)**

* Includes $296.3 million and $517.4 million of leveraged lease transactions as of fiscal years 2017 and 2016, respectively.
** 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, 2017, $75.0 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 1.7 percent above the prior fiscal year. This was the seventh 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 2017 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 2017 had more than fully recovered from the recession, and exceeded the pre-recession peak by 7.5 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 2017 had not only recovered jobs totaling those lost during fiscal 2009-10, but had added an additional 14.8 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 7.0 percent above that.

New Jersey's economy, on the other hand, fared significantly worse than its neighbors, both in depth and duration. New Jersey employment dropped almost 6.0 percent over a 40 month period, lasting from April 2008 (fiscal year 2008) to August 2011 (fiscal year 2012). New Jersey employment only fully recovered during fiscal year 2017, finishing the year with a net 0.5 percent increase above pre-recession levels.

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 and continued into fiscal 2017 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 41.0 percent since fiscal year 2012, with the far majority of the decline occurring during fiscal years 2015, 2016 and 2017.

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, 2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$106,594	$72,902
Investments	48,875	44,087
Due from federal government	75,923	281,227
Due from State of New Jersey	130,884	132,934
Material and supplies	135,392	134,568
Other	44,865	45,016
Derivative instrument asset	5,345	12,759
Total Current Assets	**547,878**	**723,493**
Non-Current Assets		
Restricted cash and cash equivalents	118,104	67,327
Restricted leveraged lease deposits	296,346	517,386
Other	—	8
Capital assets not being depreciated	1,029,304	1,084,741
Capital assets, net of accumulated depreciation	5,316,723	5,557,643
Derivative instrument asset	1,945	15,736
Total Non-Current Assets	**6,762,422**	**7,242,841**
Total Assets	**7,310,300**	**7,966,334**
DEFERRED OUTFLOWS OF RESOURCES		
Refunding of debt	38,220	8,582
Deferred outflows related to pensions	299,951	170,233
Total Deferred Outflows of Resources	**338,171**	**178,815**
LIABILITIES		
Current Liabilities		
Accounts payable	174,445	191,850
Accrued payroll and benefits	154,752	197,564
Current installments under capital leases	17,057	42,538
Short-term notes and line-of-credit payable	178,570	357,105
Other current liabilities	97,897	107,711
Total Current Liabilities	**622,721**	**896,768**
Non-Current Liabilities		
Notes payable	981,209	948,086
Accrued injury and damage claims	147,998	108,448
Obligations under capital leases	280,744	480,986
Net pension liability	765,288	549,339
Net other post-employment benefit obligation	541,584	483,923
Unearned revenue and other non-current liabilities	78,953	78,321
Total Non-Current Liabilities	**2,795,776**	**2,649,103**
Total Liabilities	**3,418,497**	**3,545,871**
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	10,099	12,420
Derivative instrument liability	7,290	28,495
Total Deferred Inflows of Resources	**17,389**	**40,915**
NET POSITION		
Net investment in capital assets	5,318,558	5,369,785
Restricted for capital projects	1,240	7,541
Unrestricted (deficit)	(1,107,213)	(818,963)
Total Net Position	**$4,212,585**	**$4,558,363**

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, 2017	2016
Operating Revenues		
Passenger fares	$992,225	$995,050
Other, net	87,807	81,769
Total Operating Revenues	**1,080,032**	**1,076,819**
Operating Expenses		
Labor	688,819	729,447
Fringe benefits	661,959	674,493
Parts, materials and supplies	176,986	170,028
Services	158,257	171,800
Claims and insurance	101,965	93,906
Fuel and propulsion	94,264	131,916
Trackage, tolls and fees	83,011	80,194
Utilities	41,347	41,711
Purchased transportation	212,548	223,527
Other	40,975	39,193
Total Operating Expenses, Before Depreciation	**2,260,131**	**2,356,215**
Loss Before Depreciation and Other Expenses	**(1,180,099)**	**(1,279,396)**
Depreciation	(497,989)	(491,607)
Operating Loss	**(1,678,088)**	**(1,771,003)**
Non-Operating Revenues (Expenses)		
State appropriation	140,856	33,156
Federal, state and local reimbursements	922,112	1,165,743
Investment income	4,016	1,980
Other non-operating revenues	18,113	12,421
Interest expense	(46,478)	(53,217)
Total Non-Operating Revenues (Expenses)	**1,038,619**	**1,160,083**
Change in Net Position Before Capital Contributions	**(639,469)**	**(610,920)**
Capital contributions, net	293,691	332,812
Change in Net Position	**(345,778)**	**(278,108)**
Total Net Position, Beginning	**4,558,363**	**4,836,471**
Total Net Position, Ending	**$4,212,585**	**$4,558,363**

See Notes to Consolidated Financial Statements.

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

	YEARS ENDED JUNE 30, 2017	2016
Cash Flows from Operating Activities		
Cash receipts from fares	$993,440	$995,547
Other cash receipts	101,371	91,225
Payments for claims	(60,340)	(66,366)
Payments to employees	(1,252,057)	(1,286,191)
Payments to suppliers	(842,736)	(822,884)
Net Cash (Used in) Operating Activities	**(1,060,322)**	**(1,088,669)**
Cash Flows from Non-Capital Financing Activities		
Cash receipts from federal, state and local grants and Appropriations	1,262,974	989,242
Net Cash Provided by Non-Capital Financing Activities	**1,262,974**	**989,242**
Cash Flows from Capital and Related Financing Activities		
Payment of obligations under capital leases	(4,683)	(4,613)
Interest payments	(42,829)	(60,316)
Proceeds received from issuances of note and line of credit	1,084,601	300,000
Repayment of note and line of credit obligations	(1,214,342)	(263,064)
Payment for debt refunding costs	(37,018)	—
Purchase of capital assets	(272,455)	(211,022)
Capital grants	369,315	328,673
Net Cash (Used by) Provided by Capital and Related Financing Activities	**(117,411)**	**89,658**
Cash Flows from Investing Activities		
Sales and maturities of investments	2,091	53,605
Purchases of investments	(4,941)	(46,190)
Interest on investments	2,078	1,347
Net Cash (Used in) Provided by Investing Activities	**(772)**	**8,762**
Net Increase (Decrease) in Cash and Cash Equivalents	**84,469**	**(1,007)**
Cash and Cash Equivalents		
Beginning of Year	**140,229**	**141,236**
End of Year	**$224,698**	**$140,229**
Non-Cash Investing Activities		
Increase in fair value of investments	**$1,938**	**$632**

See Notes to Consolidated Financial Statements.

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

	YEARS ENDED JUNE 30, 2017	2016
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	**$(1,678,088)**	**$(1,771,003)**
Adjustment to Reconcile Operating Loss to Net Cash Used in Operating Activities		
Depreciation	497,989	491,607
Changes in Assets and Liabilities		
Materials and supplies	(824)	(8,998)
Other current assets	(273)	7,591
Other non-current assets	(129,710)	(29,626)
Accounts payable	(29,345)	19,953
Accrued payroll and benefits	(42,812)	8,230
Other current liabilities	(6,841)	22,534
Accrued injury and damage claims	39,550	24,741
Net pension liability	215,949	83,659
Net OPEB obligation	57,661	52,443
Unearned revenue and other non-current liabilities	16,422	10,200
Net Cash (Used in) Operating Activities	**$(1,060,322)**	**$(1,088,669)**

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 Statements 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. 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 beginning after June 15, 2016. 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. 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. 83, *Certain Asset Retirement Obligations,* was issued in March 2016. The primary objective of this Statement is to provide financial statement users with information about asset retirement obligations (ARO's) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for those obligations. The requirements of this Statement apply to financial statements of all state and local governments. For purposes of applying this Statement, an ARO is a legally enforceable liability associated with the retirement of a tangible capital asset (that is, the tangible capital asset is permanently removed from service). The retirement of a tangible capital asset encompasses its sale, abandonment, recycling, or disposal in some other manner; however, it does not encompass the temporary idling of a tangible capital asset. This Statement also applies to legally enforceable liabilities of a lessor in connection with the retirement of its leased property if those liabilities meet the definition of an ARO.

The Statement is effective for fiscal years beginning after June 15, 2018. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 84, *Fiduciary Activities,* was issued in January 2017. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The Statement is effective for fiscal years beginning after December 15, 2018. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 85, *Omnibus 2017,* was issued in March 2017. The primary objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). Among the various topics that may pertain to NJ TRANSIT financial reporting include; blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation, measuring certain money market investments and participating interest-earning investment contracts at amortized cost, timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus, and classifying employer-paid member contributions for OPEB.

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. 86, *Certain Debt Extinguishment,* was issued in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole-purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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. 87, *Leases*, was issued in June 2017. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lease is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Statement is effective for fiscal years beginning after December 15, 2019. NJ TRANSIT is in the process of evaluating the impact of its adoption on the 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 are stated at fair value based on quoted market prices, as available (see Note 3). 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,	
	2017	**2016**
Current		
Cash on hand	$11.6	$15.1
Cash equivalents	95.0	57.8
Total cash and cash equivalents	**106.6**	**72.9**
Investments	48.9	44.1
Total current cash and investments	**155.5**	**117.0**
Non-current		
Restricted cash on hand	5.2	5.0
Restricted cash equivalents	112.9	62.3
Total restricted cash and cash equivalents	**118.1**	**67.3**
Restricted investments	—	—
Restricted total non-current	**118.1**	**67.3**
Total Deposits and Investments	**$273.6**	**$184.3**

NJ TRANSIT's cash on deposit with various entities as of June 30, 2017 and June 30, 2016 totaled $16.8 million and $20.1 million, respectively.

ACCOUNT TYPE	**BALANCE** *(in millions)*	
	2017	**2016**
Insured	$1.1	$1.1
Insured held at NJ TRANSIT's locations	3.0	7.0
Uncollateralized held by health care providers	5.2	5.0
Uninsured held by banks	7.5	7.0
Total	**$16.8**	**$20.1**

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, 2017, and 2016, $12.7 million and $12.0 million, respectively, of NJ TRANSIT's cash balance were 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	$30.7	11.2*	$25.6	13.9*
BNY Mellon	23.3	8.5*	12.8	6.9*
Chase	0.1	0.1	0.1	0.1
City National Bank	2.5	0.9	2.5	1.4
ETF – ARH	48.9	17.9	44.1	23.9
Fidelity Investments	6.4	2.3	7.8	4.2
Morgan Stanley	9.3	3.4	9.9	5.4
PNC Institutional Investments	0.6	0.2	0.6	0.3
State Street Bank and Trust	23.8	8.7*	3.6	2.0
The Bank of New York	0.0	0.0	4.6	2.5
US Bank	112.9	41.3*	57.7	31.3
Wachovia	2.0	0.7	2.0	1.1
Wells Fargo Bank	1.8	0.7	0.0	0.0
Wells Fargo Securities	9.6	3.5	11.3	6.1
Working Funds/Petty Cash	1.7	0.6	1.7	0.9
Total	**$273.6**		**$184.3**	

*Majority of the investments held are money market mutual funds that invest primarily in 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, 2017 and 2016 totaled $256.8 million and $164.2 million, respectively.

	Fair Value *($ in millions)*		**Weighted Average Maturity in Years**	
Investments	**2017**	**2016**	**2017**	**2016**
State of NJ Cash Management Fund	$67.3	$46.8	0.07	0.07
Money Markets	140.6	68.9	0.14	0.11
Exchange Traded Funds (ARH)	48.9	44.1	0.05	0.07
Other	—	4.4	—	—
Total	**$256.8**	**$164.2**		
Portfolio weighted average maturity (inclusive of proceeds from debt issuance)			0.10	0.09

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, 2017, 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 assessment.

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, 2017 *(in millions)*:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Money market funds	$140.6	$140.6	$ —	$ —
Exchange traded funds (ARH) *	48.9	48.9	—	—
Total investments by fair value level	**$189.5**	**$189.5**	**$—**	**$—**
Investments in Local Government Investment Pool				
State of NJ Cash Management Fund	67.3			
Total investments measured at fair value	**$256.8**			

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 (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Money market funds	$68.9	$68.9	$ —	$ —
Exchange traded funds (ARH) *	44.1	44.1	—	—
Total investments by fair value level	**$113.0**	**$113.0**	**$—**	**$—**
Investments in Local Government Investment Pool				
State of NJ Cash Management Fund	46.8			
Total investments measured at fair value	**$159.8**			

The following table presents fair value measurement information for NJ TRANSIT's captive insurance company ("ARH III Insurance Company Inc.") at June 30, 2017 and June 30, 2016 *(in millions)*:

EXCHANGE TRADED FUNDS:	**2017**	**2016**
iShares Intermediate Credit Bond	$4.6	$4.2
iShares 1-3 Year Credit Bond	4.4	3.9
iShares Russell 1000 Growth	4.5	3.9
iShares Russell 1000 Value	4.1	3.7
iShares iBoxx Investment Grade Corporate Bond	3.7	3.3
iShares 3-7 Year Treasury Bond	3.6	3.3
Vanguard FTSE Developed Markets	3.2	2.7
iShares Core S&P Small-Cap	2.6	2.3
Others, less than five percent	18.2	16.8
Total ARH III Insurance Company ETF's	**$48.9**	**$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, 2017 and 2016, the balance of restricted assets related to these proceeds was $107.0 million, and $52.4 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, 2017, and 2016 were $296.3 million, and $517.4 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 $11.1 million, and $14.9 million as of June 30, 2017, and 2016, respectively.

5. CAPITAL ASSETS

A summary of all capital assets of NJ TRANSIT as of June 30, 2017 follows *(in millions)*:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets not being Depreciated				
Land	$396.3	$ —	$ —	$396.3
Capital projects in process	674.2	295.3	350.7	618.8
Operating rights	14.2	—	—	14.2
Total	**1,084.7**	**295.3**	**350.7**	**1,029.3**
Capital Assets being Depreciated				
Buildings and structures	5,819.6	100.4	23.2	5,896.8
Track	2,376.7	43.4	29.2	2,390.9
Railcars and locomotives	3,007.9	—	84.2	2,923.7
Buses, vans and light railcars	1,875.6	132.5	115.4	1,892.7
Furniture, fixtures and equipment	770.6	66.4	29.0	808.0
Computer software & licenses	25.4	8.0	2.6	30.8
Total	**13,875.8**	**350.7**	**283.6**	**13,942.9**
Less Accumulated Depreciation				
Buildings and structures	3,401.3	202.4	3.5	3,600.2
Track	1,371.2	80.6	2.3	1,449.5
Railcars and locomotives	1,521.9	93.7	84.2	1,531.4
Buses, vans and light railcars	1,337.2	89.5	106.5	1,320.2
Furniture, fixtures and equipment	663.3	44.2	11.2	696.3
Computer software & licenses	23.2	8.0	2.6	28.6
Total	**8,318.1**	**518.4**	**210.3**	**8,626.2**
Total Capital Assets, Net of Depreciation	**5,557.7**	**(167.7)**	**73.3**	**5,316.7**
Total Net Capital Assets	**$6,642.4**	**$127.6**	**$424.0**	**$6,346.0**

As of June 30, 2017, 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 2017, as the respective projects were completed and placed into service during the year.

During fiscal year 2017, NJ TRANSIT received capital contributions of $364.5 million and paid for capital assets of $272.5 million.

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.

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. On May 25, 2016, the members of the Transport Workers Union of America Employees voted to join the Amalgamated Transit Union, New Jersey State Council (ATU, NJ State Council). In fiscal year 2017, the agreements to merge Mercer and Transport Workers Union of America Employees with ATU, NJ State Council were executed. As a result of the merger, the Retirement Plan for Mercer and Transport Workers Union of America Employees were merged with the Retirement Plan for NJ TRANSIT Bus Operations, Inc. Amalgamated Transit Union Employees.

On June 30, 2017, the Transport Workers Union of America and Mercer trusts were dissolved. All investments were removed from the Master Trust and transferred to ATU, NJ State Council effective June 30, 2017.

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, 2016, the following employees were covered by the benefit terms:

	ATU	TERP	TWU	MERCER	UWUA(UCA)
Active participants	4,339	998	188	143	9
Inactive plan participants or beneficiaries currently receiving benefits	3,090	1,289	174	121	27
Inactive plan participants entitled to but not yet receiving benefits	291	243	16	16	6
Total	**7,720**	**2,530**	**378**	**280**	**42**

Contributions. Under the provisions of four bus 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, 2017, NJ TRANSIT average contribution rate is 19.8 percent of annual covered payroll.

Net Pension Liability. NJ TRANSIT's liability was measured as of July 1, 2016, 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, 2016, 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	7.50% for TERP and UWUA, 7.75% for ATU, TWU-UTU, and Mercer, 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, 2017 are summarized in the following table:

	Target Allocation		Long-Term Expected Real Rate of Return	
Asset Class	**ATU/Mercer**	**Other***	**ATU/Mercer**	**Other***
Domestic large cap equity	41.0%	40.4%	6.8%	6.8%
Domestic small cap equity	9.0%	7.1%	6.8%	6.8%
Foreign equity	10.0%	10.0%	7.5%	7.5%
Fixed income	33.5%	40.5%	1.8%	1.8%
Real estate	5.0%	0.0%	4.6%	0.0%
Cash	1.5%	2.0%	0.0%	0.0%

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

Discount rate. The discount rate used to measure the total pension liability was 7.50% for TERP and UWUA and 7.75% for ATU, TWU-UTU, and Mercer. 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, 2017** (in millions):**

For the year ended June 30, 2017	ATU	TERP	TWU	MERCER	UWUA(UCA)
Total pension liability					
Service cost	$25.5	$6.7	$1.1	$1.0	$0.1
Interest	88.7	53.5	3.8	3.4	0.6
Change of benefit terms	45.0	—	—	(0.8)	—
Differences between expected and actual experience	2.6	0.5	(0.5)	—	—
Change of assumptions	31.4	35.2	1.2	1.0	0.3
Benefit payments, including refunds of employee contributions	(69.5)	(41.5)	(3.0)	(2.5)	(0.6)
Net change in total pension liability	**123.7**	**54.4**	**2.6**	**2.1**	**0.4**
Total pension liability – beginning	**1,146.9**	**691.2**	**49.3**	**43.8**	**7.8**
Total pension liability – ending (a)	**$1,270.6**	**$745.6**	**$51.9**	**$45.9**	**$8.2**
Plan fiduciary net position					
Contributions – employer	$44.9	$30.7	$1.8	$2.5	$0.2
Contributions – employee	11.0	1.6	0.3	0.2	—
Net investment income	4.0	4.1	0.5	0.4	0.1
Benefit payments, including refunds of employee contributions	(69.5)	(41.5)	(3.0)	(2.5)	(0.6)
Administrative expense	(0.3)	(0.3)	—	—	—
Net change in plan fiduciary net position	**(9.9)**	**(5.4)**	**(0.4)**	**0.6**	**(0.3)**
Plan fiduciary net position – beginning	**942.3**	**489.1**	**41.9**	**28.5**	**6.8**
Plan fiduciary net position – ending (b)	**$932.4**	**$483.7**	**$41.5**	**$29.1**	**$6.5**
Net pension liability – ending (a) – (b)	**$338.2**	**$261.9**	**$10.4**	**$16.8**	**$1.7**

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 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate *(in millions)*:

Asset Class	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
ATU	$477.7	$338.2	$219.8
TWU	15.8	10.4	5.9
MERCER	21.5	16.8	12.9

The following presents the Net Pension Liability, calculated using the discount rate of 7.50%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate *(in millions)*:

Asset Class	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
TERP	$341.4	$261.9	$194.1
UWUA (UCA)	2.5	1.7	1.0

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 7.2 percent in State fiscal year 2017. 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 2017 were $0.6 million, or 14.63 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 2017 was 30.84% of annual covered payroll of which 25.11% of payroll was required by NJ TRANSIT and 5.73% of payroll was required from the State. NJ TRANSIT's contributions to the PFRS plan were $5.7 million.

Pension Liabilities Related to Pensions
PERS - At June 30, 2017, NJ TRANSIT reported a liability of $15.1 million for its proportionate share of the net pension liability.

PFRS - At June 30, 2017, 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, 2017
NJ TRANSIT's proportionate share of the net pension liability	$121.1
State's proportionate share of the net pension liability associated with NJ TRANSIT	10.1
Total	**$131.2**

The net pension liability was measured as of June 30, 2016, 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, 2016, NJ TRANSIT's proportion was 0.050920 percent and 0.633814 percent for PERS and PFRS, respectively.

For the year ended June 30, 2016, NJ TRANSIT recognized pension expense of $1.3 million and revenue of $1.3 million for support provided by the State related to PFRS.

Actuarial assumptions. *PERS*: The total pension liability in the June 30, 2016 actuarial valuation was determined based on the results of an actuarial experience study for the period July 1, 2011–June 30, 2014. The key actuarial assumptions are summarized below:

Inflation:	3.08%
Salary increase:	1.65% – 5.15%
Investment rate of return:	7.65%
Cost of living adjustment	No cost of living adjustment is assumed

Pre-retirement mortality rates were based on the RP-2000 Pre-retirement Mortality Table and Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables. The tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Plan actuary's modified MP-2014 projection scale.

PFRS: The total pension liability in the June 30, 2016 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:	3.08%
Salary increase:	2.10% – 9.98%
Investment rate of return:	7.65%
Cost of living adjustment	No cost of living adjustment is assumed

Pre-retirement mortality rates were based on the RP-2000 Pre-retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the Plan actuary's modified 2014 projection scales. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales.

Discount rate. *PERS:* The discount rates used to measure the total pension liability were 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, 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 at the current member contribution rates and that contribution from employers will be made based on the contribution rate in the most recent fiscal year. 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

PFRS: The discount rates used to measure the total pension liability were 5.55 and 5.79 percent as of June 30, 2016 and 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65 percent, and a municipal bond rate of 2.85 percent and 3.80 percent as of June 30, 2016 and 2015, 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 at the current member contribution rates and that contributions from employers and nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. 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 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Extended Real Rate of Return
PERS/PFRS:		
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	(0.25%)
REIT	5.25%	5.63%

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 3.98 percent and 5.55 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 (2.98%, 3.98%, 4.98%)	$18.5	$15.1	$12.3
PFRS (4.55%, 5.55%, 6.55%)	156.1	121.1	92.5

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, 2017, NJ TRANSIT recognized pension expense of $170.9 million.

At June 30, 2017, 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	$140.0	$—
Changes of assumptions or other inputs	71.5	—
Changes in proportion	1.9	1.7
Differences between expected and actual experience	6.7	8.4
NJ TRANSIT contributions subsequent to the measurement date	79.9	—
Total	**$300.0**	**$10.1**

Deferred outflows of resources of $79.9 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, 2018. 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 (2018)	$63.4
Year 2 (2019)	59.4
Year 3 (2020)	49.7
Year 4 (2021)	31.4
Year 5 (2022)	6.1
Total	**$210.0**

Defined Contribution Plans

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

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

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

NJ TRANSIT's expense for the defined contribution plans totaled $20.9 million in fiscal year 2017.

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 $46.4 million for fiscal year 2017. Plan members receiving benefits contributed $6.9 million or approximately 12.9 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)*:

	2017	2016
Annual required contribution	$121.1	$114.2
Interest on net OPEB obligation	20.6	18.3
Adjustment to annual required contribution	(37.6)	(32.4)
Annual OPEB cost	104.1	100.1
Contributions made	(46.4)	(47.7)
Increase in net OPEB obligation	57.7	52.4
Net OPEB Obligation, Beginning of Year	**483.9**	**431.5**
Net OPEB Obligation, End of Year	**$541.6**	**$483.9**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017, 2016, and 2015 are as follows *($ in millions)*:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$104.1	44.6%	$541.6
2016	100.1	47.7	483.9
2015	86.7	48.1	431.5

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 19 years.

8. OTHER CURRENT LIABILITIES

Other current liabilities totaled $97.9 million and $107.7 million at June 30, 2017 and 2016, respectively, are comprised of the following *(in millions)*:

	AS OF JUNE 30,	
	2017	**2016**
Advance funds-State/Port Authority	$4.8	$7.8
Injury and damage claims (Note 14)	44.5	42.4
Retainage on construction projects	8.6	8.8
Pollution remediation obligations	8.1	3.3
Other	31.9	45.4
Total	**$97.9**	**$107.7**

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 $79.0 million and $78.3 million as of June 30, 2017 and 2016, 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,	
	2017	**2016**
Materials and supplies – capital spare parts	$12.2	$12.4
Leases and permits	7.8	11.9
Federal interest on capital assets	5.5	5.9
Non-Federal capital project advances	24.5	19.8
Other	4.6	3.8
Total unearned revenue	**54.6**	**53.8**
Sick leave	3.9	4.0
Pollution remediation obligations	20.5	20.5
Total other non-current liabilities	**24.4**	**24.5**
Total	**$79.0**	**$78.3**

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, 2017; the end of the federal fiscal year.

During fiscal year 2017, NJ TRANSIT has drawn $425 million on the Line and has repaid $550 million. Total outstanding loan balance at June 30, 2017 and June 30, 2016 were $75 million and $200 million, respectively.

Bonds Payable

In January 2017, the New Jersey Economic Development Authority (NJEDA) issued $627.7 million of Series 2017 Transportation Project Sublease Revenue and Refunding Bonds. This issue consisted of $64.1 million of 2017 Series A; Transportation Project Sublease Revenue Bonds and $563.6 million of 2017 Series B; Transportation Project Sublease Revenue Refunding Bonds. The Series 2017A Bonds were issued to finance the cost of "New Money Projects" related to the Traction Power High Voltage Substation Circuit Breaker Replacement Project, Long Slip Fill and Rail Enhancement Project and the Bus Radio System Replacement Project as well as the payment of capitalized interest and the payment of the cost of issuance of the 2017 Series A Bonds. The Series 2017B Bonds were issued to finance the refunding advance of prior obligations specifically the Series 2004A Certificates of Participation, dated April 1, 2004, the Series 2008A, Certificates of Participation, dated April 1, 2008 and Series 2009A Certificates of Participation, dated April 1, 2009 as well as the payment of cost of issuance of the 2017 Series B Bonds. As a result of this refunding, NJ TRANSIT increased its total debt service requirements over the life of the issue by $13.7 million, which resulted in a net present value loss of $5.6 million.

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, 2017, $318.0 million of the 2014A GANs remain 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 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. As of June 30, 2017, $85.3 million of the NJEDA 2008A Bonds remain outstanding.

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, 2017, no balance of the 2003 COPs remain outstanding.

The following schedule summarizes notes payable, and other obligations, by issue, as of June 30, 2017 *(in millions)*:

	Inception Date	Balance June 30, 2016	Additions	Payments/ Reductions	Balance June 30, 2017	Due Within One Year
Federal						
GANS 2014A	09/15	$373.0	$—	$55.0	$318.0	$57.8
State of NJ						
COPs 2004A	03/04	56.0	—	56.0	—	—
COPs 2008A	04/08	180.4	—	180.4	—	—
NJEDA 2008A	09/08	129.5	—	44.2	85.3	45.8
COPs 2009A	04/09	322.8	—	322.8	—	—
NJEDA 2017A	01/17	—	64.1	—	64.1	—
NJEDA 2017B	01/17	—	563.6	—	563.6	—
NJT COPs						
COPs 2003	02/03	1.7	—	1.7	—	—
OTHER						
Revolving Line of Credit	06/15	200.0	425.0	550.0	75.0	75.0
Total		**1,263.4**	**1,052.7**	**1,210.1**	**1,106.0**	**$178.6**
Unamortized Bond Premium		41.8	31.9	19.9	53.8	
Total Notes Payable		**$1,305.2**	**$1,084.6**	**$1,230.0**	**$1,159.8**	

The following schedule summarizes notes payable 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**	

Long-term notes payable maturities as of June 30, 2017
(in millions):

Fiscal Years	Principal	Interest	Total
2018	$103.6	$57.5	$161.1
2019	114.0	43.6	157.6
2020	120.8	36.8	157.6
2021	126.9	30.6	157.5
2022	131.7	24.2	155.9
2023-2027	366.1	60.8	426.9
2028-2031	67.9	1.5	69.4
Total	**$1,031.0**	**$255.0**	**$1,286.0**

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.

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. As of June 30, 2017, NJ TRANSIT management has terminated the majority of leveraged leases associated with AIG.

Capital Leases

NJ TRANSIT did not enter into any new capital leases in fiscal year 2017. 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. Final payment of $3.3 million was made during fiscal year 2017.

In 1994, NJ TRANSIT entered into a 23-year lease/sublease agreement for the land adjacent to its Metropark Train Station for the purpose of constructing an aboveground parking facility. A portion of the financing for this facility was provided by the NJEDA through the issuance of parking facility sublease revenue bonds. NJ TRANSIT has committed in substance to make rental payments in an amount equal to the NJEDA bond obligations. The remaining balance of this lease obligation is $1.5 million as of June 30, 2017.

In total, NJ TRANSIT has recorded obligations under capital leases of $297.8 million as of June 30, 2017, of which $17.1 million represents current installments under capital leases as of June 30, 2017.

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,	
	2017	**2016**
Land	$—	$8.9
Buildings	34.5	189.4
Railcars and Locomotives	382.5	382.4
Buses and Light Railcars	139.6	139.6
Capital Assets Under Capital Leases (at cost)	**556.6**	**720.3**
Less Accumulated Depreciation	372.7	492.5
Net Capital Assets Under Capital Leases	**$183.9**	**$227.8**

The following schedule summarizes the capital lease obligations, including leveraged lease obligations, as of June 30, 2017 *(in millions)*:

	Inception Date	Balance June 30, 2016	Additions	Payments/ Reductions	Balance June 30, 2017	Due Within One Year
Metropark Parking Facility	03/94	$2.8	$—	$1.3	$1.5	$1.6
MMC, Locos. & Railcars	01/97	5.5	—	5.5	—	—
Bus Garages	07/97	5.5	—	5.5	—	—
HBLR	12/00	195.5	—	195.5	—	—
Comet IV Coaches	09/03	26.4	—	—	26.4	—
Light Railcars	09/03, 10/03	45.8	—	2.8	43.0	2.9
Articulated Buses	07/04	12.4	—	2.8	9.6	2.9
Diesel Locomotives	12/05	81.4	—	4.6	76.8	4.9
Multilevel Railcars	12/06	16.9	—	0.5	16.4	0.5
Multilevel Railcars	06/07	32.2	—	0.7	31.5	0.8
Multilevel Railcars	12/07	56.5	—	1.5	55.0	1.7
Multilevel Railcars	01/08	39.3	—	1.7	37.6	1.8
MCI Cruiser Buses	06/12	3.3	—	3.3	—	—
Total Capital Lease Obligations		**$523.5**	**$—**	**$225.7**	**$297.8**	**$17.1**

Minimum capital lease maturities as of June 30, 2017 *(in millions)*:

Fiscal Years	Principal	Interest	Total
2018	$17.1	$16.8	$33.9
2019	53.7	13.1	66.8
2020	15.0	10.4	25.4
2021	12.2	9.8	22.0
2022	13.2	9.3	22.5
2023-2027	145.5	61.9	207.4
2028-2031	41.1	0.2	41.3
Total Capital Lease Obligations	**$297.8**	**$121.5**	**$419.3**

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	—	2.2	—	—
Bus Garages	07/97	6.0	—	0.5	5.5	0.4
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**

As of June 30, 2017, 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)*:

	2017
Casino Revenue Transportation Program	$16.5
Rail Infrastructure	62.7
Bus AVL Radio System Replacement	14.6
Rail Passenger Facilities	32.4
Superstorm Sandy Reconstruction	56.0
Bus Rolling Stock	102.1
Positive Train Stop Stage 2	111.8
Rail Rolling Stock	16.1
Other, for commitments less than $10 million	96.2
Total Capital Projects and Special Service Commitments	**$508.4**

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 2017, 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 $28.6 million, measured at its current value utilizing the expected cash flow method. The total liability of $31.3 million was reduced by $2.7 million for expected recoveries from other responsible parties, potentially responsible parties (PRPs) and insurers. The cumulative liability increased by $4.8 million in fiscal year 2017, attributable primarily to the costs for additional liabilities related to new locations.

The following table summarizes the changes in NJ TRANSIT's liability for pollution remediation for the years June 30, 2017 and 2016 *(in millions)*:

	AS OF JUNE 30	
	2017	2016
Balance, Beginning of Year	**$23.8**	**$23.9**
Current year costs	6.4	1.4
Payment made during the year	(1.6)	(1.5)
Balance, End of Year	**$28.6**	**$23.8**

The pollution remediation liability of $28.6 million at June 30, 2017, 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, $8.1 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) $3.8 million associated with pre-cleanup activities including engineering studies, site investigation, corrective measures feasibility study, and the design of a remediation plan; (b) $22.9 million related to cleanup activities, such as neutralization, containment, removal and disposal of pollutants, and restoration; (c) $0.8 million for the external government oversight and enforcement-related activities; and, (d) $3.8 million for the post-remediation monitoring.

13. OTHER OPERATING REVENUES

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

	YEARS ENDED JUNE 30,	
	2017	2016
Lease and rental	$31.5	$29.1
Advertising	17.8	16.8
Metro-North operations	14.0	14.6
Other	26.1	23.7
Total	**$89.4**	**$84.2**
Less Bad Debt Expense	(1.6)	(2.4)
Net Other Operating Revenue	**$87.8**	**$81.8**

14. INJURY AND DAMAGE CLAIMS

As of June 30, 2017, NJ TRANSIT maintains $340 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 $192.5 million and $150.8 million as of June 30, 2017 and June 30, 2016, respectively for outstanding public liability, property damage, FELA, workers' compensation, and employment practice claims. Of this amount, $44.5 million is included in other current liabilities as of June 30, 2017 (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, 2017 and 2016 was as follows (in millions):

	AS OF JUNE 30, 2017	2016
Balance, Beginning of Year	**$150.8**	**$123.3**
Claims expense	65.3	81.1
Payment of claims	(23.6)	(53.6)
Balance, End of Year	**$192.5**	**$150.8**

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 portfolio 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 83% in 2017 and 84% in 2016 (and 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.

Effective July 1, 2016, the Company began insuring the Parent at an excess layer of liability for the $15 million excess $25 million level. The excess layer of coverage includes coverages the Company currently provides to the Parent, as well as general liability and employer's liability. Effective July 1, 2017, the limits for this excess layer of liability changed to $12.5 million excess $25 million.

The financial results for ARH III Insurance Company, Inc. for the years ended June 30, 2017 and 2016 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, 2017 and 2016 are as follows (in millions):

STATEMENTS OF NET POSITION

	AS OF JUNE 30, 2017	2016
Current assets	$51.0	$45.9
Non-current assets	—	—
Total Assets	**51.0**	**45.9**
Non-current liabilities	29.9	4.7
Total Liabilities	**29.9**	**4.7**
Total Net Position	**$21.1**	**$41.2**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	YEARS ENDED JUNE 30, 2017	2016
Operating revenues	$2.0	$1.5
Operating expenses	25.2	0.1
Operating income/(loss)	(23.2)	1.4
Non-operating revenues	3.1	1.6
Change in Net Position	**(20.1)**	**3.0**
Total Net Position, Beginning	**41.2**	**38.2**
Total Net Position, Ending	**$21.1**	**$41.2**

STATEMENT OF CASH FLOWS

	YEARS ENDED JUNE 30, 2017	2016
Cash Flows from Operating Activities		
Operating Income/(Loss)	($23.2)	$1.4
Changes in assets and liabilities	25.2	0.2
Net Cash Provided by Operating Activities	**2.0**	**1.6**
Cash Flows from Investing Activities		
Sales and maturities of investments	1.8	41.7
Purchases of investments	(4.9)	(46.2)
Interest on investments	1.3	2.7
Net Cash Used in Investing Activities	**(1.8)**	**(1.8)**
Net Decrease in Cash and Cash Equivalents	**0.2**	**(0.2)**
Cash and Cash Equivalents Beginning of Year	**1.9**	**2.1**
End of Year	**$2.1**	**$1.9**

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 had 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 36.0 million and 36.7 million gallons of diesel fuel to operate revenue vehicles during fiscal years 2017 and 2016, 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, 2017, the fair value of NJ TRANSIT's commodity swaps which are within the Level 2 category of the fair value hierarchy are as follows:

Notional Amount (Gallons)	Effective Date	Maturity Date	Fair Value 06/30/17	Terms (Per Gallon) Receive	Terms (Per Gallon) Pay
Counterparty: Goldman Sachs					
2,940,000	07/01/17	08/31/17	$489,731	Floating	1.3200
5,880,000	09/01/17	12/31/17	737,607	Floating	1.3865
2,940,000	01/01/18	02/28/18	589,479	Floating	1.3300
5,888,000	03/01/18	06/30/18	838,552	Floating	1.3875
4,410,000	07/01/18	09/30/18	563,294	Floating	1.4215
2,940,000	10/01/18	10/01/18	202,797	Floating	1.4950
8,820,000	04/01/19	06/30/19	(82,710)	Floating	1.5870
9,072,000	10/01/19	12/31/19	165,145	Floating	1.6097
6,048,000	10/01/20	02/29/20	320,985	Floating	1.5875
			$3,824,880		
Counterparty: Bank of America Merrill Lynch					
1,470,000	07/01/17	07/31/17	$251,215	Floating	1.3120
1,470,000	08/01/17	08/31/17	262,104	Floating	1.3120
1,470,000	09/01/17	09/30/17	168,520	Floating	1.3840
1,470,000	10/01/17	10/31/17	181,222	Floating	1.3840
1,470,000	11/01/17	11/30/17	195,078	Floating	1.3840
1,470,000	12/01/17	12/21/17	207,860	Floating	1.3840
1,470,000	01/01/18	01/31/18	291,680	Floating	1.3320
1,470,000	02/01/18	02/28/18	292,551	Floating	1.3320
1,470,000	03/01/18	03/31/18	205,019	Floating	1.3875
1,470,000	04/01/18	04/30/18	205,207	Floating	1.3875
1,470,000	05/01/18	05/31/18	210,195	Floating	1.3875
1,470,000	06/01/18	06/30/18	219,361	Floating	1.3875
1,470,000	07/01/18	07/31/18	185,041	Floating	1.4175
1,470,000	08/01/18	08/31/18	193,603	Floating	1.4175
1,470,000	09/01/18	09/30/18	203,083	Floating	1.4175
3,024,000	07/01/19	07/31/19	(77,767)	Floating	1.6185
3,024,000	08/01/19	08/31/19	(46,881)	Floating	1.6185
3,024,000	09/01/19	09/30/19	(19,020)	Floating	1.6185
			$3,128,071		
Counterparty: Cargill Inc.					
2,940,000	11/01/18	11/30/18	191,853	Floating	1.5053
2,940,000	12/01/18	12/31/18	212,123	Floating	1.5053
2,940,000	01/01/19	01/31/19	(14,063)	Floating	1.5867
2,940,000	02/01/19	02/28/19	(17,771)	Floating	1.5867
2,940,000	03/01/19	03/31/19	(34,919)	Floating	1.5867
			$337,223		
		Total Commodity Swaps	**$7,290,174**		

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:

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		
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	374,756	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	08/01/116	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**		

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, 2017	ATU	TERP	TWU	MERCER	UWUA (UCA)
Total pension liability					
Service cost	$25.5	$6.7	$1.1	$1.0	$0.1
Interest	88.7	53.5	3.8	3.4	0.6
Change of benefit terms	45.0	—	—	(0.8)	—
Differences between expected and actual experience	2.6	0.5	(0.5)	—	—
Change of assumptions	31.4	35.2	1.2	1.0	0.3
Benefit payments, including refunds of employee contributions	(69.5)	(41.5)	(3.0)	(2.5)	(0.6)
Net change in total pension liability	**123.7**	**54.4**	**2.6**	**2.1**	**0.4**
Total pension liability – beginning	**1,146.9**	**691.2**	**49.3**	**43.8**	**7.8**
Total pension liability – ending (a)	**$1,270.6**	**$745.6**	**$51.9**	**$45.9**	**$8.2**
Plan fiduciary net position					
Contributions – employer	$44.9	$30.7	$1.8	$2.5	$0.2
Contributions – employee	11.0	1.6	0.3	0.2	—
Net investment income	4.0	4.1	0.5	0.4	0.1
Benefit payments including refunds of employee contributions	(69.5)	(41.5)	(3.0)	(2.5)	(0.6)
Administrative expense	(0.3)	(0.3)	—	—	—
Net change in plan fiduciary net position	**(9.9)**	**(5.4)**	**(0.4)**	**0.6**	**(0.3)**
Plan fiduciary net position – beginning	**942.3**	**489.1**	**41.9**	**28.5**	**6.8**
Plan fiduciary net position – ending (b)	**$932.4**	**$483.7**	**$41.5**	**$29.1**	**$6.5**
Net pension liability – ending (a) – (b)	**$338.2**	**$261.9**	**$10.4**	**$16.8**	**$1.7**
Plan fiduciary net position as a percentage of the total pension liability	**73.38%**	**64.87%**	**79.96%**	**63.40%**	**79.27%**
Covered payroll	**$268.2**	**$86.9**	**$12.0**	**$9.6**	**$0.7**
Net pension liability as percentage of covered payroll	**126.10%**	**301.38%**	**86.67%**	**175.00%**	**242.86%**

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	—
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)	—
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 payroll	**$268.9**	**$92.3**	**$11.9**	**$9.5**	**$1.0**
Net pension liability as percentage of covered payroll	**76.09%**	**218.96%**	**62.18%**	**161.05%**	**100.00%**

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 payroll	**$268.4**	**$97.2**	**$11.2**	**$9.5**	**$1.1**
Net pension liability as percentage of covered 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 Payroll	Contribution as a Percentage of Covered Payroll
2017	$45.2	$41.7	$3.5	$289.8	14.39%
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

Non-Agreement Employees Retirement Plan

Years Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2017	$33.9	$33.9	$—	$81.3	41.70%
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

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 Payroll	Contribution as a Percentage of Covered Payroll
2017	$1.6	$1.6	$—	$12.0	13.33%
2016	1.6	1.8	(0.2)	12.0	15.00
2015	1.8	1.3	0.5	11.9	10.92
2014	1.3	1.3	—	11.2	11.61
2013	1.3	1.3	—	10.8	12.04
2012	1.1	1.1	—	10.5	10.48
2011	0.9	0.9	—	11.1	8.20
2010	1.3	1.3	—	10.9	11.92
2009	1.1	1.1	—	10.8	10.19
2008	0.9	0.9	—	9.7	9.27

Mercer Employees Retirement Plan

Years Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2017	$2.4	$2.4	$—	$9.6	25.00%
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	18.95
2013	1.8	1.8	—	9.1	19.78
2012	1.9	1.9	—	9.0	21.11
2011	1.8	1.8	—	9.2	19.56
2010	2.6	2.6	—	9.6	27.08
2009	2.0	2.0	—	7.7	25.97
2008	2.0	2.0	—	7.5	26.67

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 Payroll	Contribution as a Percentage of Covered Payroll
2017	$0.2	$0.2	$—	$0.5	40.00%
2016	0.2	0.2	—	1.0	20.00
2015	0.2	0.2	—	1.0	20.00
2014	0.2	0.2	—	1.1	18.18
2013	0.2	0.2	—	1.0	20.00
2012	0.2	0.2	—	1.0	20.00
2011	0.2	0.2	—	1.1	18.18
2010	0.2	0.2	—	1.5	13.33
2009	0.2	0.2	—	1.6	12.50
2008	0.2	0.2	—	1.6	12.50

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	13 Years as of July 1, 2016 for TERP and UWUA; 15 Years as of July 1, 2016 for ATU, TWU-UTU, and Mercer
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	7.50% for TERP and UWUA; 7.75% for ATU, TWU-UTU, and Mercer Net of pension plan investment expense, including inflation
Inflation	3.00%
Salary Increases	3.00% plus age and service based merit increases
Mortality	In July 1, 2016 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.

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

For the years ended June 30,	**2017**	**2016**	**2015**
PERS			
The Proportion of Net Pension Liability	0.0509198%	0.0505610%	0.0500749%
The Proportionate Share of Net Pension Liability	$15.1	$11.3	$9.4
Covered Payroll	$4.1	$3.8	$3.5
Proportionate Share of Net Pension Liability as a Percentage of its covered payroll	368.3%	297.4%	268.6%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	31.20%	38.21%	42.74%
PFRS			
The Proportion of Net Pension Liability	0.6338143%	0.6457926%	0.6491325%
The Proportionate Share of Net Pension Liability	$121.1	$107.6	$81.6
The State's Proportionate Share of the Net Pension Liability Associated with NJ TRANSIT	10.1	9.4	8.8
Total	$131.2	$117.0	$90.4
Covered Payroll	$22.7	$21.7	$20.6
Proportionate Share of Net Pension Liability as a Percentage of its covered payroll	578.0%	539.2%	438.8%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	48.55%	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 Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2017	$0.6	$0.6	$—	$4.1	14.63%
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

Police and Firemen's Retirement System

Years Ended June 30	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2017	$5.7	$5.7	$—	$22.7	25.11%
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

Notes to Schedule
Changes in benefit terms: None.

Changes in assumptions: The discount rate changed from the rate as of June 30, 2015 to the rate as of June 30, 2016, in accordance with GASB Statement No. 67.

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