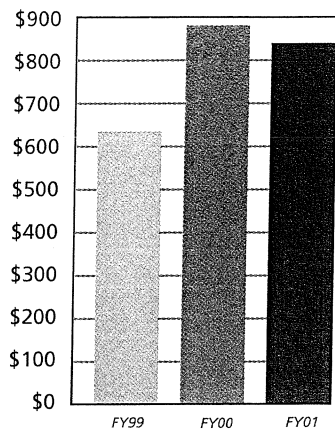
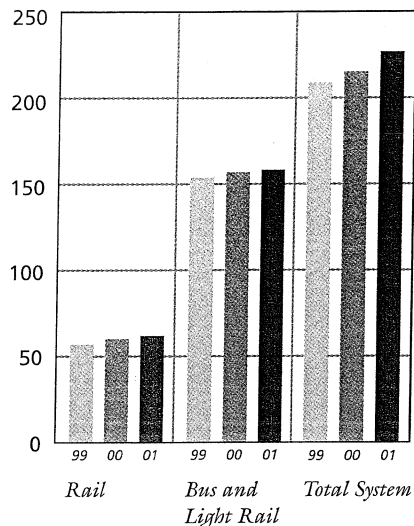


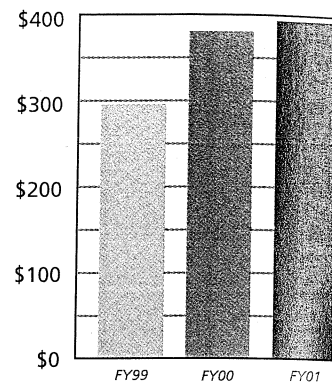
**Capital Program**  
(in millions)



**Ridership**  
(in millions)

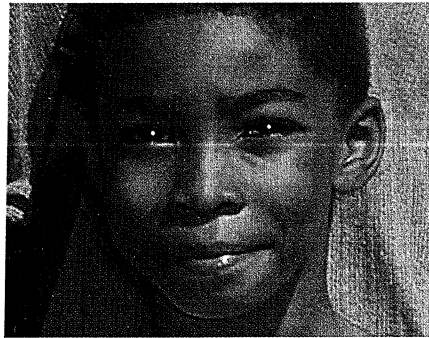


**Transportation Trust Fund**  
(in millions)



***NJ TRANSIT*** is making a difference for the people of New Jersey.

*Following more than 20 years of operation, we have experienced unprecedented ridership growth, with the number of people riding our trains, buses, light rail and paratransit vehicles reaching an all-time high in FY2001. Now we are moving forward on major new initiatives that will improve performance and help increasing numbers of people use the NJ TRANSIT system.*



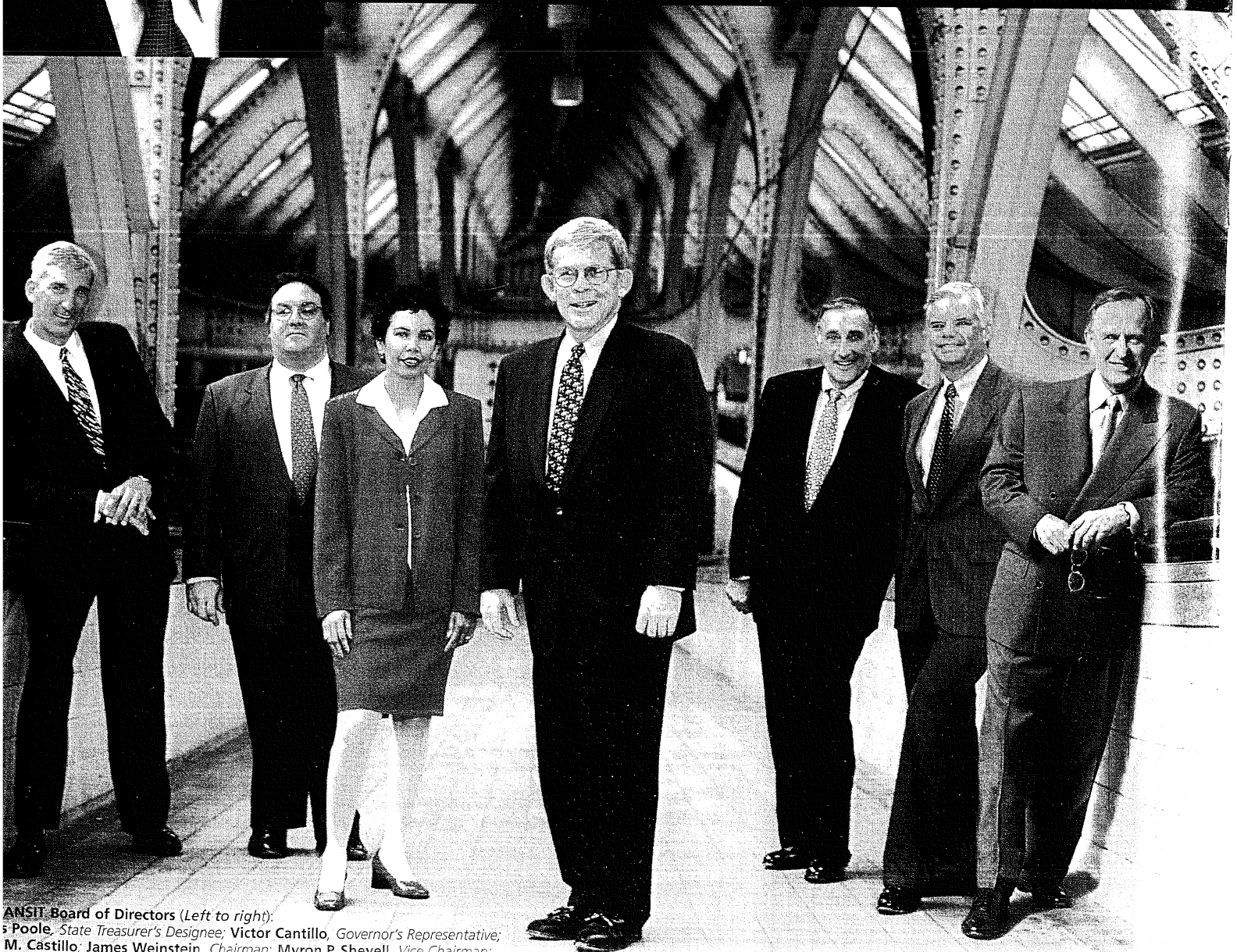
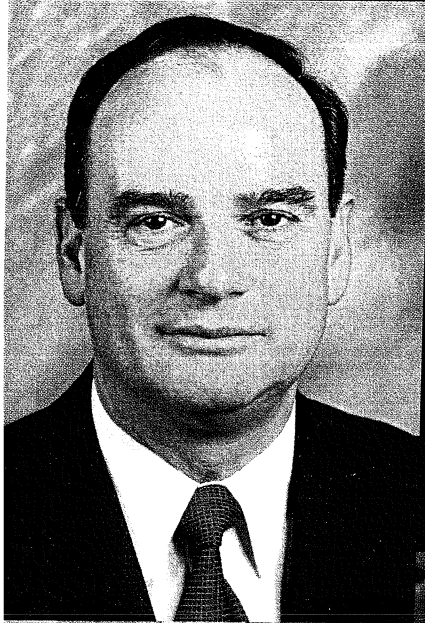
*As the nation's third largest provider of public transit, NJ TRANSIT delivers a cost-effective public transportation network in the New Jersey, New York and Philadelphia region. But we need to do more. Working together with local and state elected officials, community groups and other stakeholders, we look forward to developing solutions that meet the needs of the people of New Jersey, stimulate economic development, and mean more mobility and a better quality of life.*

*NJ TRANSIT is committed to improving mobility while supporting economic progress and measures to safeguard the environment. This endeavor is made possible through the collective efforts of many dedicated individuals, state departments, elected officials and interested members of the public. The hard work and cooperation necessary to develop our strong, successful transportation system has paid off, thanks to the unwavering support of the New Jersey Congressional delegation and the New Jersey State Legislature's intense focus and relentless efforts on behalf of all New Jerseyans.*

*However, challenges remain. NJ TRANSIT must continue to develop and refine its goals in concert with state and local governments as well as regional entities. In doing so, we will ensure that our current infrastructure remains well maintained and emerging opportunities to expand access and mobility are tirelessly pursued. We must be steadfast in our evaluation of the effectiveness of existing resources, and continue to pursue a common, realistic objective—providing a user-friendly, seamless transportation network for the State of New Jersey and the entire region.*

**Donald T. DiFrancesco**

*Acting Governor*



**NJ TRANSIT Board of Directors (Left to right):**  
James P. Poole, State Treasurer's Designee; Victor Cantillo, Governor's Representative;  
M. Castillo; James Weinstein, Chairman; Myron P. Shevell, Vice Chairman;

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# People. Performance and Pride...M



NJ TRANSIT is a worldwide leader in the transportation industry. It isn't the size of our system alone that earns this distinction. Leaders know when growth and change are necessary and they work with others to encourage and shape that growth. It is the care, commitment and service of the men and women of NJ TRANSIT that ensure our position of leadership today, and in the decades ahead.

This organization comprises a dedicated workforce who understand that public transit must do more than respond to the current needs of the State—its residents, workers and businesses. With productivity becoming increasingly tied to technology, it is critical that the organization respond to the people's needs. NJ TRANSIT is positioning itself to better serve its customer base and laying the groundwork to be a stronger, more responsive system in the years to come. Part of the expectation for the future comes from the Corporation's commitment to support the transportation initiatives established by former Governor Christie Whitman and reinforced

by Acting Governor Donald T. DiFrancesco. NJ TRANSIT's investment decisions build on the existing transportation network and move forward with determination into new initiatives.

NJ TRANSIT is actively pursuing options to improve connections within the State and across the rivers. Simultaneously, we are focused on enhancing the ridership experience of our customers while restoring and protecting existing infrastructure. To that end, we are pursuing projects that will improve mobility for residents throughout New Jersey and the Greater New York and Philadelphia metropolitan regions.

Working as a team with public officials, business and community leaders and citizens, we will make New Jersey a national example of intermodal public transportation in the 21st century.

James Weinstein  
*Chairman*

# Making New Jersey a better place

I am proud of the people of NJ TRANSIT and take pride as Executive Director to report to you on the Corporation's accomplishments during the past year.

Fiscal Year 2001 was one in which we advanced many initiatives that will provide long-term benefits. The Hudson-Bergen Light Rail was extended from Exchange Place to Newport Station; remarkable progress continued on the Secaucus Transfer, Penn Station New York, Montclair Connection and Southern New Jersey Light Rail; and structural rehabilitation began on the Bergen Tunnel in Jersey City. These efforts—and more—will ensure continued progress and excellent service.

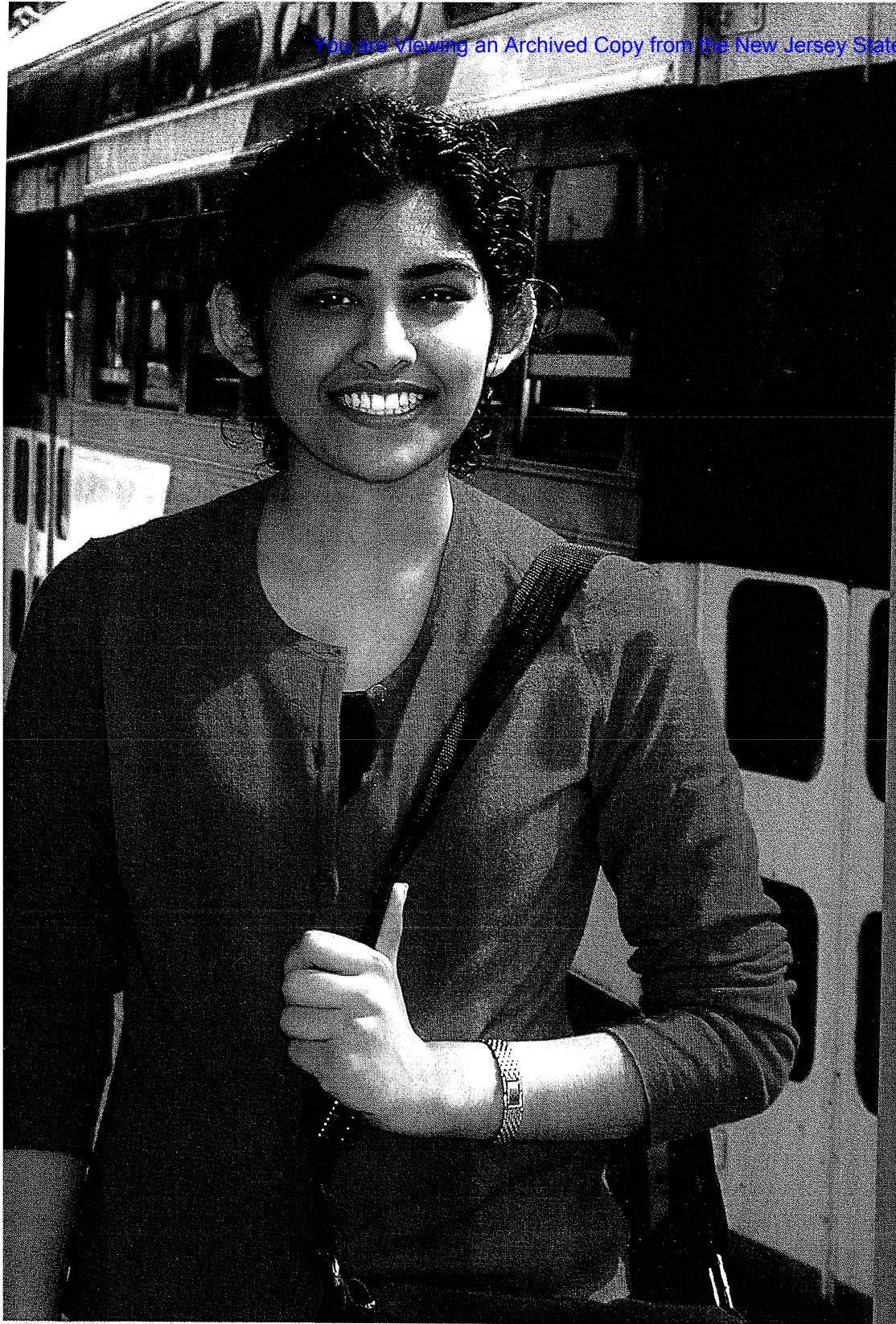
With ridership steadily climbing, NJ TRANSIT is aggressively seeking both the expansion of new public transit opportunities, as well as the addition of seating capacity to the existing system. NJ TRANSIT has taken a number of steps to ensure more efficient, reliable service and is working hard to provide more seats for our customers.

In FY2001, NJ TRANSIT intensified its focus on quality of life for our passengers. Issues of safety and courtesy were addressed with innovative communication strategies. NJ TRANSIT also adopted fundamental improvements to its computer infrastructure so that customers and employees alike could access our Internet site more quickly, easily and reliably. The user-friendly site offers a new home page that is simple to read, and presents useful information right at one's fingertips.

Our employees, and their enormous pride in being a part of NJ TRANSIT, are what drive us to excel. With on-time performance at near record levels, and a record-breaking new construction pace, the caring spirit of NJ TRANSIT employees is evident day in and day out. NJ TRANSIT, with the support of Acting Governor Donald T. DiFrancesco, NJ Department of Transportation Commissioner and NJ TRANSIT Board Chairman James Weinstein, the Board of Directors and state and federal legislators, is working to make travel in and around the State safe, convenient, fast and efficient. The challenges are there. Together we will meet them with innovation and dedication to the people of New Jersey and the greater region.



Jeffrey A. Warsh  
*Executive Director*



Billi Shah believes in public transportation. In the morning, this Rutgers University student is dropped off at the Branch Brook Park Station in Newark for a ride on the Newark City Subway to Newark Penn Station, where she boards a Northeast Corridor train to New Brunswick. After classes she starts her trip back, reversing her travels and adding a bus ride from the subway station. During school breaks she takes the City Subway and then an NJ TRANSIT train to a job in New York.

*“The subway is a reliable link in my daily commute. I like it. I’m used to it, and I never have any problems with connections.”* Billi Shah

## Improving Performance Expanding Transportation Options

Moving forward with work on significant capital initiatives in FY2001, we made substantial progress toward our goal of improving performance through reinvestment in our existing system, and through work on new stations, extensions and rail lines. These investments are evidence of our commitment to maintain our core infrastructure, relieve congestion and give the people of New Jersey greater options for using the NJ TRANSIT system.

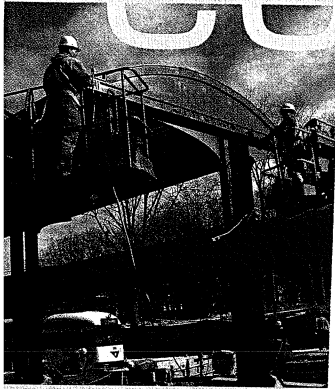
### Core System Renewal

Meeting the needs of New Jersey's public transit system starts with improving and expanding the existing core system. This means reliable and well-maintained infrastructure—equipment, facilities, technology and workforce. For the past two decades, NJ TRANSIT has provided a strong, solid public transportation system. The existing mission is to provide faster service, better access and more comfortable rides to meet the expectations of the public.

During FY2001, we undertook critical infrastructure and rolling stock initiatives to maintain system reliability. For example, we purchased new buses, light rail cars and locomotives, improved parking and built a new state-of-the-art light rail vehicle base facility. We also installed 3.1 miles of continuous welded rail, we upgraded signal systems, and we are in the process of overhauling our Comet II fleet. As public demand for greater access continues to increase, NJ TRANSIT must meet the challenge of providing an effective and efficient operation, putting in place improvements that are expected to make traveling by public transportation easier.

### Expanding Services and Capacity

NJ TRANSIT's services have improved dramatically since we began operation in 1979 and ridership has increased at unparalleled rates. Parking lots are full, platforms and vehicles are crowded and capacity has become a serious issue. Several major projects that are currently under construction and will open within the next two years—a new 50,000-square-foot concourse at Penn Station New York, Hudson-Bergen Light Rail extensions and the Southern New Jersey Light Rail system—respond to current capacity constraints. In addition, we are expanding our services to provide more people with more transportation options with projects such as Newark International Airport Station, Montclair Connection and Secaucus Transfer. We are also planning to procure bi-level rail cars and new buses, a key strategy for sustaining quality performance and meeting future capacity needs on our rail and bus systems.



### Newark City Subway Rehabilitation and Extension, Retirement of PCC Cars and Construction of Vehicle Base Facility

Investment: \$188 million

Funding: Federal Transit Administration, New Jersey Transportation Trust Fund

A one-mile extension and a new fleet of light rail vehicles are part of the Newark City Subway renovation. This new extension will add two new stations, Silver Lake in Belleville and Grove Street in Bloomfield. We activated the extension's 750-volt overhead catenary system between Branch Brook Park and the new vehicle base facility. Testing of the new light rail vehicles—replacing vintage 1946 Presidents' Conference Committee (PCC) cars—was also initiated. The Newark City Subway was built in 1935 and its only other extension was added in 1940.

### Newark International Airport Station

Investment: \$415 million

Funding: Port Authority of New York & New Jersey, FAA-authorized passenger facility charges

The new Northeast Corridor station, under construction by the Port Authority of New York & New Jersey (PANY&NJ) and NJ TRANSIT, is nearly complete. Linking the country's busiest section of railroad with one of its busiest airports, the station will—for the first time—give people access to Newark International Airport via rail transit. In FY2001, workers installed architectural finishes, escalators, elevators, electrical work, plumbing and HVAC systems in prepara-

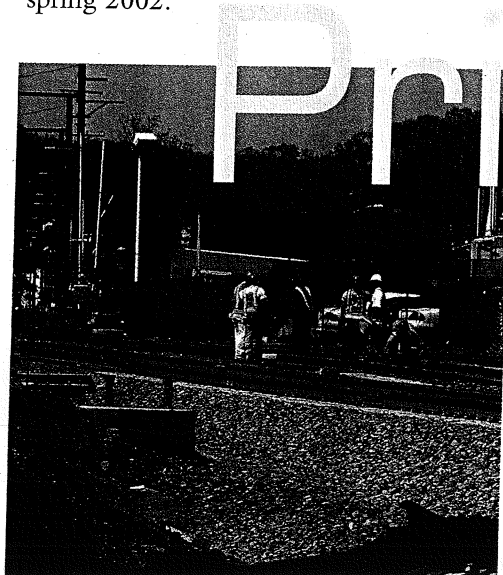
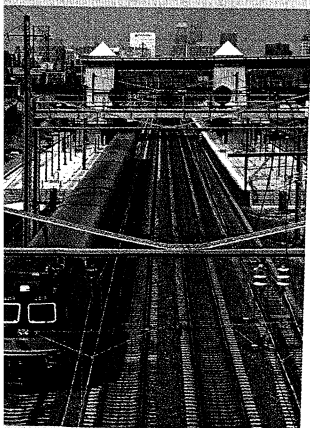
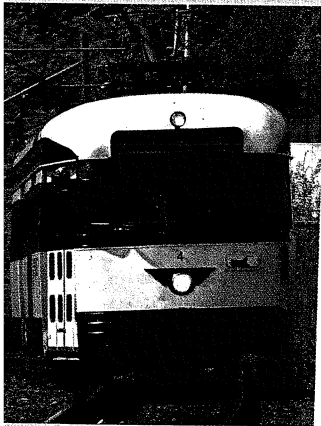
tion for the station's fall 2001 opening. Meanwhile, the PANY&NJ neared completion of a one-mile extension of the airport monorail system, which will transport passengers from the new station to the airport's terminals, rental car areas and parking lots.

### Montclair Connection

Investment: \$60 million

Funding: Federal Transit Administration, New Jersey Transportation Trust Fund

Originally conceived in 1929, the project provides new and improved travel options for Boonton Line and Montclair Branch customers, including MidTOWN DIRECT, a one-seat ride to Manhattan. The first contract, which included construction of catenary poles and wires on the Boonton Line and construction of the Great Notch Yard, has been substantially completed. Work also continued on the second phase of the contract—construction of the 1,500-foot rail link between the Boonton Line and Montclair Branch, and an improved station at Bay Street in Montclair. The service will be available in spring 2002.



re:  
ark City Subway Extension  
ents' Conference Committee  
car  
ark International Airport Station

Right:  
Montclair Connection



Top left:  
Platform work at Secaucus Transfer  
Below:  
Newport Station, Hudson-Bergen  
Light Rail  
Construction along the Hudson-  
Bergen Light Rail  
Penn Station New York East End  
Concourse

### Hudson-Bergen Light Rail Initial Operating Segment

Total system investment: \$992 million

Funding: Federal Transit Administration,  
New Jersey Transportation Trust Fund

The second phase of the Hudson-Bergen Light Rail opened in November 2000, providing three new station stops in Jersey City: Harborside, Harsimus Cove and Newport. Light rail vehicles began operation between West Side Avenue and Newport in Jersey City, and between E. 34th Street in Bayonne and Harborside in Jersey City, with connecting service to Harsimus Cove and Newport. In April 2001, a second track opened between Harborside and Newport stations, giving Bayonne riders a one-seat ride to Newport, more express train service and extended hours of operation on weekdays. Since opening in April 2000, Hudson-Bergen Light Rail has seen more than a tripling of its ridership, which rose to a one-day record of 11,124 passenger trips on June 22, 2001. In December 2000, the system recorded its one millionth rider.

### Hudson-Bergen Light Rail Second Operating Segment

Total system investment: \$1.2 billion

Funding: Federal Transit Administration,  
New Jersey Transportation Trust Fund

Construction of the Second Operating Segment began in November 2000 between Hoboken Terminal and the Weehawken Ferry. Grade separation projects proceeded concurrently at Secaucus and Paterson Plank roads and are scheduled to be completed in the second quarter of 2002.

### Penn Station New York East End Concourse

Investment: \$115 million

Funding: Federal Transit Administration,  
New Jersey Transportation Trust Fund,  
Port Authority of New York & New Jersey,  
Metro-North Railroad

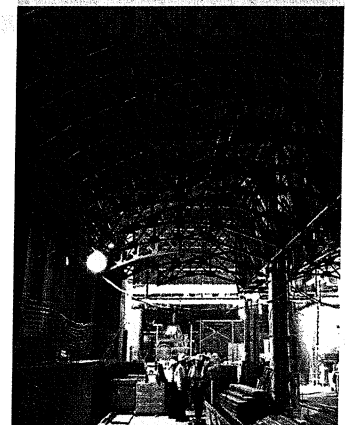
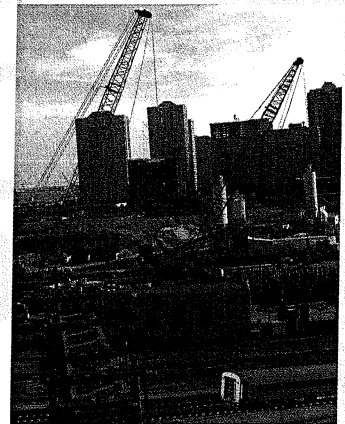
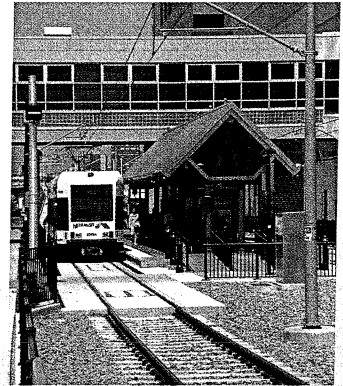
NJ TRANSIT made considerable progress on building the 50,000-square-foot concourse within Penn Station, to accommodate the nearly 20,000 additional riders expected when the Secaucus Transfer, Montclair Connection and Newark International Airport Station start operations. The East End Concourse is scheduled for completion in August 2002. In November 2000, the Board of Directors authorized additional work for a new entranceway to the concourse at the corner of 31st Street and Seventh Avenue.

### Secaucus Transfer

Investment: \$550 million

Funding: Federal Transit Administration,  
New Jersey Transportation Trust Fund

The dream of a unified rail system in northern New Jersey came significantly closer to reality as station contracts were advanced and work on track, bridges, and related catenary, signaling and communication systems moved ahead. Scheduled to open in late 2002, the project includes a high-density signal system that will allow more frequent train service on the Northeast Corridor between Penn Station New York and Newark.



**Hon. Frank Lautenberg presents federal funds for the Newark-Elizabeth Rail Link (Left to right):** Mayor J. Christian Bollwage, Elizabeth; Jeff Warsh, NJ TRANSIT Executive Director; Hon. Frank Lautenberg; Rip N' Ruppert; Hon. Robert Menendez; Rick Cerone, Newark Bears; Hon. Donald Payne; Letitia Thompson, Federal Transit Administration Regional Administrator, Region II; James Weinstein, NJ Department of Transportation Commissioner and NJ TRANSIT Board Chairman; Calvin West, Mayor's representative, Newark



### Union Station

Investment: \$27 million

Funding: Statewide Transportation and Local Bridge Bond Act of 1999

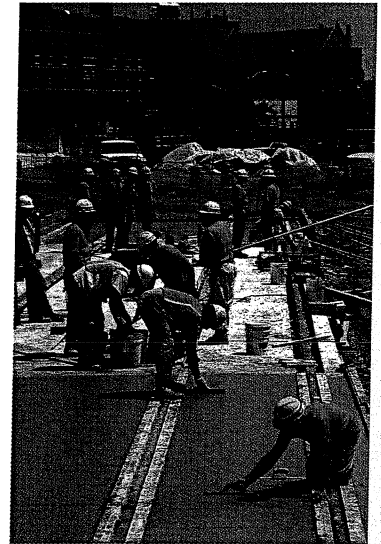
The first contract for this new station, the eastern-most stop before reaching Newark Penn Station on NJ TRANSIT's Raritan Valley Line, was completed with the construction of a steel bridge for new elevated railroad tracks over Morris Avenue, as well as improvements to the right-of-way. In addition, a second construction contract, including work on a 3,000-square-foot station building, a 545-foot, high-level center-island platform and a 484-space parking lot, was awarded. The station is expected to serve as a center of economic development in Union Township and to relieve some of the parking capacity issues at nearby stations. The station is scheduled to open in 2002.

### Southern New Jersey Light Rail

Investment: \$804 million

Funding: New Jersey Transportation Trust Fund, New Jersey Economic Development Agency Bonds

Construction of this 34-mile, 20-station system to serve Trenton, Camden and surrounding communities proceeded on several fronts. Work began on the system's yard and shop, as well as on the bridge over the PATCO rail system. Utility relocation work continued in Camden and track rehabilitation or replacement got underway along the entire alignment. Track and station work also began in Camden at the Waterfront Entertainment Center, the New Jersey State Aquarium and Cooper Street/Rutgers station stops. The system, which is scheduled to open in early spring 2003, will also feature original artwork, the result of NJ TRANSIT's successful Transit Arts program.

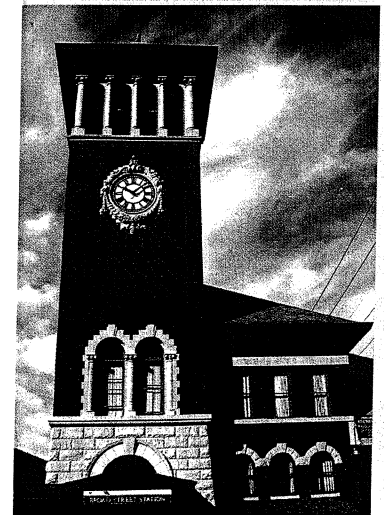


### Newark-Elizabeth Rail Link (NERL)

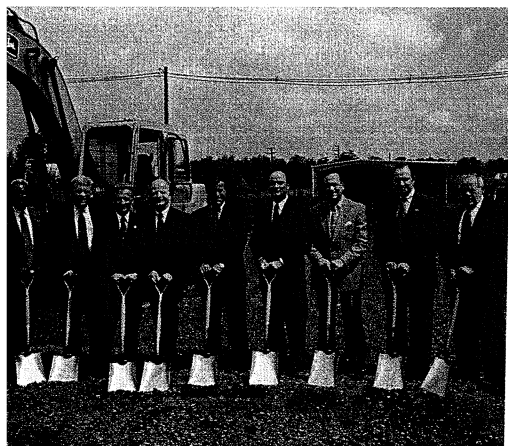
Investment: \$207.5 million

Funding: Federal Transit Administration, New Jersey Transportation Trust Fund

NERL is a light rail transportation link that will, for the first time, allow passengers to transfer between NJ TRANSIT's Morris & Essex and Northeast Corridor lines in Newark. The first segment—extension of the Newark City Subway from Penn Station to Broad Street Station in Newark—will provide improved access to downtown Newark's cultural, recreational and business centers. NJ TRANSIT is working with the New Jersey Department of Transportation to coordinate NERL construction with the concurrent realignment and widening of McCarter Highway (Route 21).



Above:  
Southern New Jersey Light Rail  
Newark Broad Street Station



**Groundbreaking at Union Station (Left to right):** Peter S. Palmer, Somerset County Freeholder; Dr. Ronald Appelbaum, President, Kean University; Lewis Mingo, Jr., Union County Freeholder; James Weinstein, NJ Department of Transportation Commissioner and NJ TRANSIT Board Chairman; Hon. Joseph Florio; Hon. Bob Franks; Hon. C. Louis Passano; Acting Governor Donald T. DiFrancesco; Jeff Warsh, NJ TRANSIT Executive Director; Angel Estrada, Union County Freeholder; William Wright, North Jersey Transportation Advisory Committee and NJ TRANSIT Hall of Fame Member

## Improving Performance Expanding Transportation Options

### Middlesex-Ocean-Monmouth (MOM) Rail Project

Estimated investment: \$400 million

Implementation of a new rail service for central New Jersey—providing a much-needed alternative to highway travel for thousands of residents and workers in Monmouth, Ocean and Middlesex counties—moved a significant step forward with the initiation of the Draft Environmental Impact Statement for the project. The MOM Rail Project's next phase—preparation of the Final Environmental Impact Statement and preliminary engineering work—will, when completed, clear the way to secure funding and begin construction.

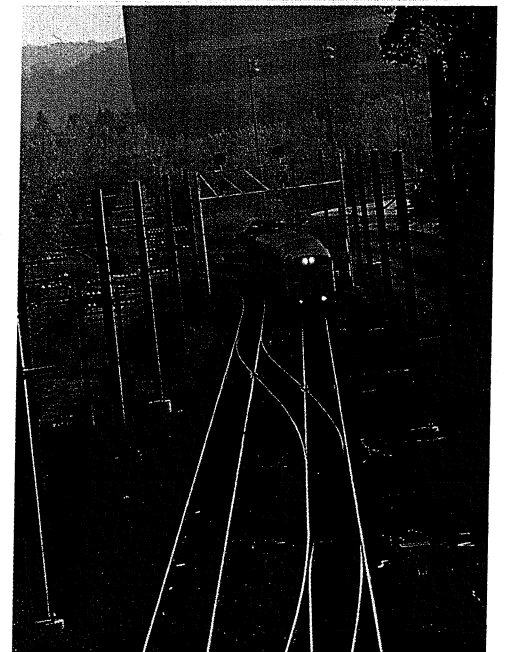
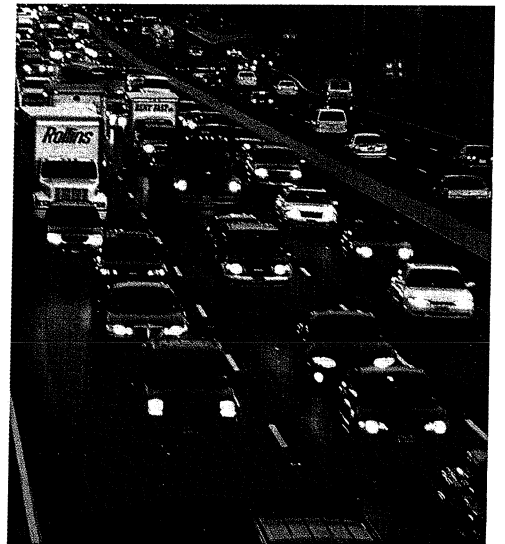
### Montclair State University Project

Estimated investment: \$30 million

The project, which is located in Little Falls Township in Passaic County, includes a 1,000-space parking deck with a new high-level, center-island platform station. A pedestrian overpass connecting to the Montclair State University campus and artwork commissioned by the Transit Arts program is planned as well.



Above:  
Morning commuters at Red Bank Station



Above:  
Typical New Jersey rush hour  
Montclair State University project site



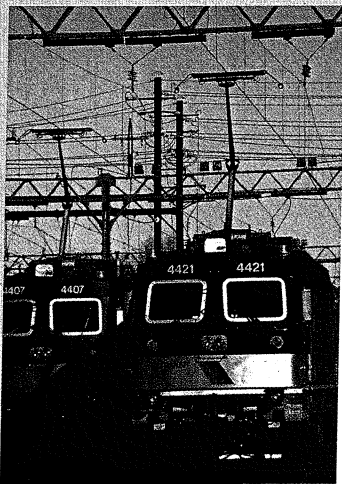
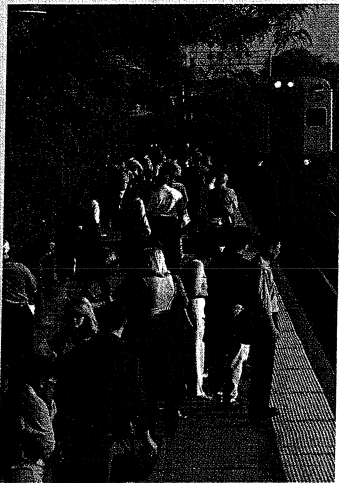
For sisters-in-law Pauline Pelliccio (right) and Jo Mendez, having the Hudson-Bergen Light Rail just blocks away from their homes in Bayonne has opened up a whole new world. No longer dependent on the automobile, the two senior citizens can hop on a light rail vehicle for a trip to Newport Mall in Jersey City and a day of shopping. It's something they do quite often.

*"I take the Hudson-Bergen Light Rail to the mall or to lunch in downtown Jersey City. It's been a real advantage for me. I'm happy it's here."* Pauline Pelliccio

*"I used to have to wait for one of my children to take me somewhere. Now I can go to a lot of places on the light rail. It gives me more freedom."* Jo Mendez

## Improving Performance Making Room for a Growing Ridership

**FY2001 was a record-breaking year for NJ TRANSIT. Ridership on our rail, bus and light rail systems is higher than it has ever been, with an average increase of about 30,000 passenger trips per weekday over the prior year. As more and more people use our system, we are upgrading and expanding our bus, rail and light rail rolling stock, facilities, yards and garages to accommodate our growing fleet, thus ensuring reliability and safety on the existing system. In FY2001, we made exciting progress.**



Above:  
Commuters at Rutherford Station  
Locomotives at Dover Yard  
Right:  
New MCI cruiser

### Capital Program

Investment: \$843 million

Funding: Federal Transit Administration,  
New Jersey Transportation Trust Fund,  
New Jersey Turnpike Authority

The program funds critical infrastructure and rolling stock initiatives; contractual obligations and mandates for safety and accessibility; investments to realize the full benefits of the Montclair Connection, Newark International Airport Station and the Secaucus Transfer; capacity expansion to meet growing service demands; and operating efficiency and effectiveness programs.

### The rail fleet

Expanding our rail fleet on several fronts, we moved ahead with the largest rail equipment purchase in our history. In FY2001, we made progress on:

- A \$123.4 million contract to purchase 24 high-powered ALP-46 electric locomotives, with delivery scheduled for late 2002.
- A \$74 million project to overhaul 116 Comet IIs, purchased between 1982-83, to improve their reliability, safety, maintainability and compatibility with newer Comet III, IV and V fleets.
- A \$209 million contract to purchase up to 200 single-level rail cars: 50 push-pull Comet control cars, with an option to purchase 29 more, and 80 push-pull Comet trailer cars, with an option to purchase 41 more. Delivery is scheduled to begin in the spring of 2002.

We also contracted for the purchase of the first new diesel locomotives in NJ TRANSIT history—33 locomotives with an option to purchase more. The diesel locomotives are to replace 13 GP40PHs and 15 GP40FHs and to accommodate ridership growth expected when the Secaucus Transfer, Montclair Connection and other projects open for service. Delivery is projected to begin in winter 2003-04. Plans also call for the purchase of 231 bi-level cars with an option for an additional 46, which will be used for Amtrak Clocker service.

### The bus fleet

#### *1,400 new cruiser buses*

The \$500 million contract calls for 1,244 fully accessible state-of-the-art cruiser buses, with an option for 156 more, that will replace NJ TRANSIT and private carriers' existing fleet. In the first half of 2001, 325 buses were delivered; 325 more will be delivered between August and December of 2001, and the remaining buses will arrive during 2002 and 2003.



## Improving Performance Making Room for a Growing Ridership

### *188 Flexible Metro buses*

As part of an upgrade of our entire bus fleet, NJ TRANSIT initiated a two-year, \$11.3 million overhaul to bring 188 of these buses, built in 1994-95, up to the latest industry standards. The overhaul is being performed by NJ TRANSIT and is scheduled to be completed by December 2002. The buses will be repainted and outfitted with new upholstery and lighting, reconditioned HVAC systems, engines, transmissions and wheelchair lifts.

### **The ACCESS LINK fleet**

We signed a \$1.2 million contract to purchase 24 accessible minibuses, replacing the existing minibuses serving 18 counties. The new vehicles will reduce vehicle maintenance and overhaul costs.

### **New train storage facilities**

More trains require more facilities and in FY2001 we made significant progress in expanding our storage capacity. Projects include:

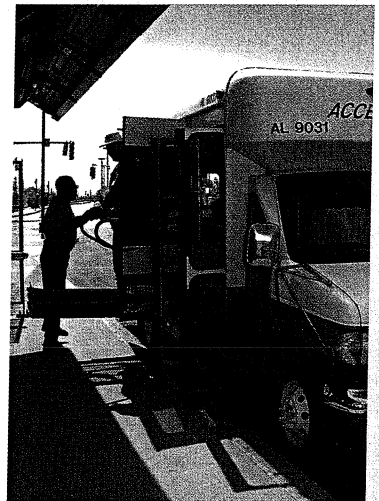
- **Morrisville Train Yard.** Construction on this \$32 million project—which will improve operational reliability of our Northeast Corridor service and allow overnight storage of up to 12 10-car trains—began in January 2001.
- **Hoboken Yard B.** Construction began in March 2001 on this \$25.75 million project near the historic Hoboken Terminal, which will create room for 10 additional diesel train sets and replace maintenance equipment dating back to the early 20th century. The additional train storage is required to accommodate increased ridership through the Secaucus Transfer.

- **Great Notch Yard.** Construction of this new facility in Little Falls Township, between Great Notch and Montclair Heights stations, was substantially completed in FY2001. Serving the Montclair Connection, the yard, including four tracks and a crew facility, will store 43 coaches and electric locomotives and provide light maintenance services.

### **Rail yard rehabilitation**

FY2001 saw improvements at NJ TRANSIT yards throughout New Jersey, including:

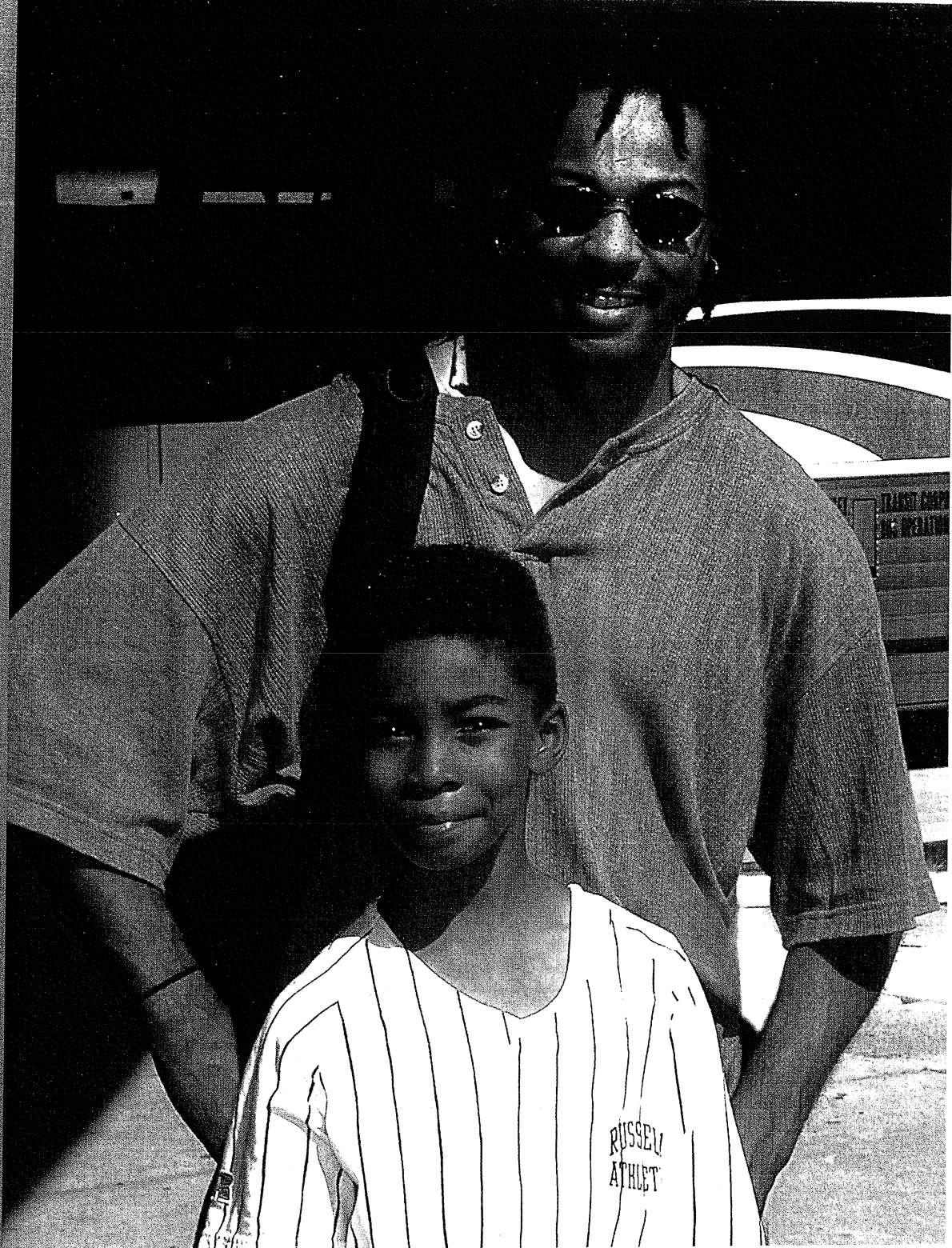
- **Meadows Maintenance Complex.** Preliminary design work began on a \$50 million facility expansion, which will allow NJ TRANSIT to efficiently maintain all of its new rolling stock and comply with new Federal Railroad Administration inspection regulations. The new facility will house washing, servicing and inspection equipment to maintain our rolling stock, including the newest, state-of-the-art vehicles.
- **Suffern Yard.** Track installation, expansion and upgrades will increase the facility's train storage capacity to 60 pieces of equipment.
- **Woodbine Yard.** Installation of sound walls and yard improvements readied the facility for anticipated increases in ridership due to the opening of the Secaucus Transfer.



Above:  
ACCESS LINK  
Ironbound Bus Garage

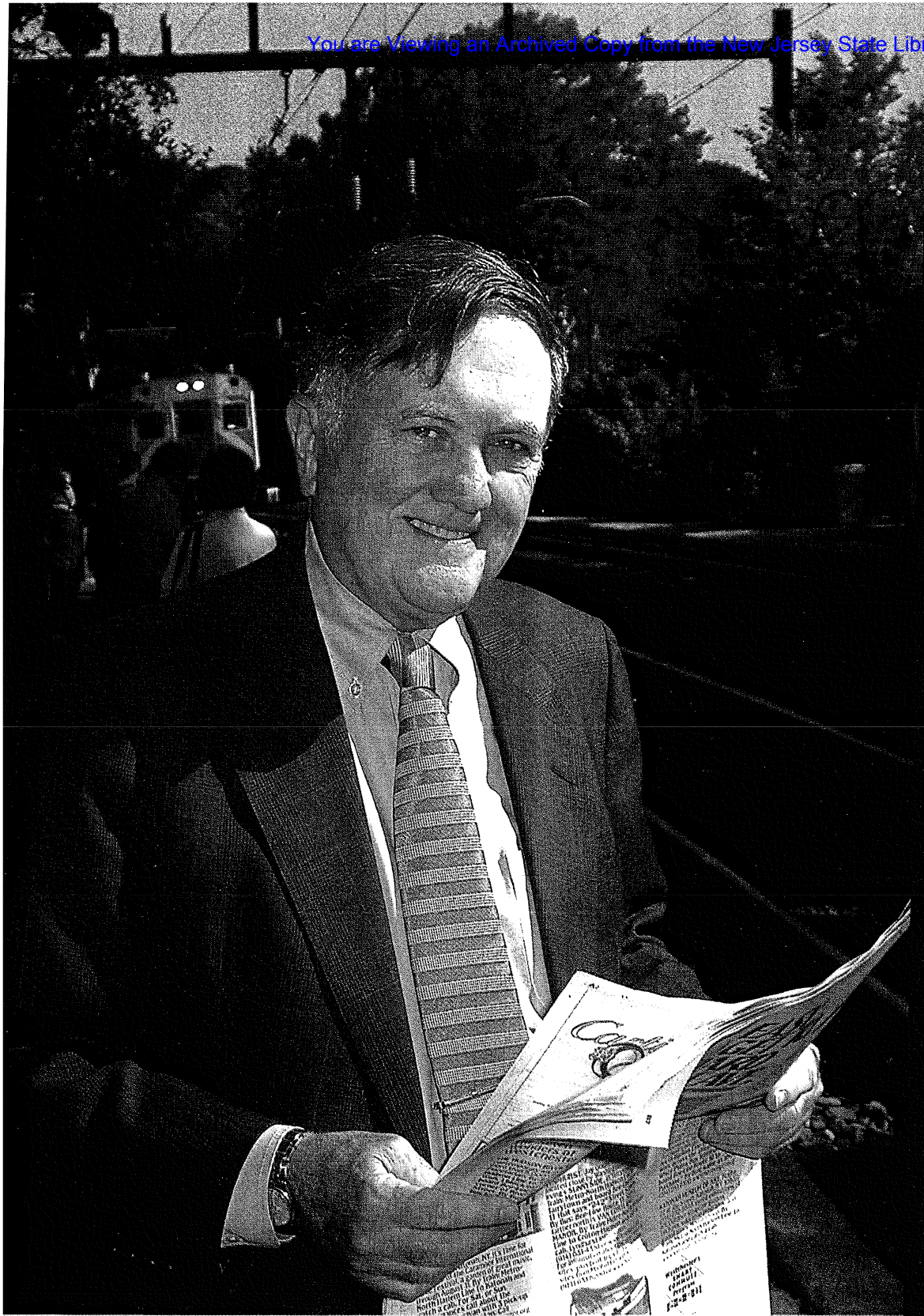
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Spending time with son Cameron is important to Tim Gordon of Atlantic City. So instead of getting in the car for a day trip to Cape May, father and son board an NJ TRANSIT bus for a hassle-free and relaxing ride. This allows them to spend even more quality time together.



*“We take the bus because we can go anywhere with it. It’s easier and a lot less hectic than driving.”*

*Tim Gordon and his son Cameron*

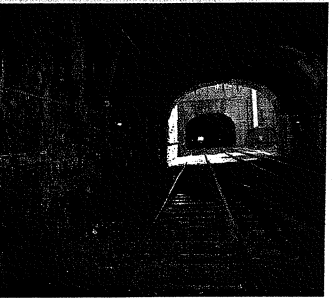
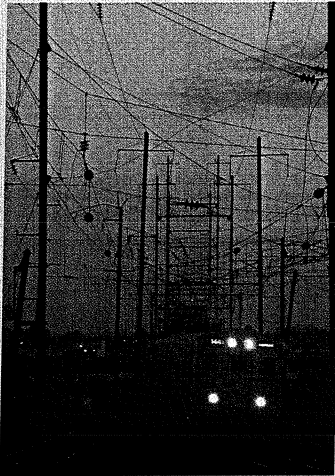


Newspaper in hand, William Ford waits at the Watchung Station for the Boonton Line train that takes him into Hoboken on his way to his New York office. Although the name of the train line has changed from Erie Lackawanna to NJ TRANSIT, William prefers to ride the rails—something he has done for the past 34 years.

*“I like to take the train because it’s faster and cheaper than driving and allows me to relax and read my paper.”* William Ford

## Improving Performance Making Travel More Comfortable, Convenient and Safe

New and expanded facilities and fleets make up just part of NJ TRANSIT's commitment to its customers to meet the transit needs of the State of New Jersey. Station renovations and safety upgrades are equally important. In FY2001, we made significant progress in enhancing the comfort, convenience and safety of NJ TRANSIT travel for the benefit of our ridership statewide.



Above:  
Morning North Jersey Coast Line train  
crossing the Raritan River drawbridge  
Rail Operations Center under  
construction  
Bergen Tunnel interior wall

### Train Management and Control (TMAC) System

Work continued on the development and implementation of the nation's first integrated train, traction power and remote operation of moveable-span bridge control to be located at the new Rail Operations Center in Kearny. The \$15 million TMAC and Overview Display systems will increase operating efficiency through real-time automatic train routing and train arrival information, and through centralized control of moveable-span bridge operation, catenary power management, and railroad switches and signals.

### Automatic Train Control (ATC) Positive Train Stop (PTS)

The traditional train control system detects changes in track signal block conditions, conveys them to the locomotive engineer and detects nonconformity within a prescribed time limit. This system continuously enforces speed and signal restrictions.

The advanced speed enforcement system integrates the traditional train control system with a new radio-frequency transponder system. A transponder located on the right-of-way provides additional information to the on-board system. From this computerized informa-

tion, the integrated system calculates and enforces safe braking and required stop distances in speed-restricted areas and work zones.

NJ TRANSIT is the first transit property in the world to integrate both systems. This state-of-the-art system, in the installation and test phase in FY2001, will afford unparalleled safety to railroad passengers and crews as it is implemented systemwide.

### Bergen Tunnel

The \$65 million rehabilitation of the Bergen Tunnel will reduce commuter delays and maintain the viability of the century-old structure for another century. Crews began work on the north tunnel in June 2001, replacing the original brick liner, constructing a new concrete floor and drainage system, and upgrading lighting, ventilation, emergency exits and other safety systems. The project will be completed in the summer of 2002.



### Track Geometry Inspection Vehicle

Providing complementary visual and automated inspections, our new \$2.5-million self-propelled track geometry and catenary measuring vehicle inspects and maintains track structure at levels well above the minimum allowable standards. The geometry car's automated inspection detects conditions not discernable by the human eye.

### Pocket Track (Same Platform Transfer)/Raritan Valley Line

This proposed 2,561-foot section of track for train storage and movements will give Northeast Corridor trains more maneuverability, allowing riders on up to eight morning peak Raritan Valley Line trains to access Tracks 1 and 2 at Newark Penn Station for easier transfers to PATH and New York transit. It will double the number of passengers who can access New York connections conveniently. The \$8.8 million project will also ease stairway and escalator congestion for Newark-bound passengers at Newark Penn Station. Design will begin in July 2001, with construction estimated to start in late 2003 pending availability of funds.

### Station Rehabilitations

In FY2001, work was underway at various stations throughout New Jersey, as design or construction proceeded to complete upgrades, from facelifts to new construction.

● **Bridgewater.** Construction of a new station building and installation of new platform lighting, landscaping and signage, plus a new inter-track fence and a new right-of-way fence to prevent people from entering the right-of-way.

● **Glen Ridge.** Historic restoration of inbound and outbound canopies, concrete column repairs and new lighting that complements the 1887 structure and the station building restoration work performed by the Borough of Glen Ridge.

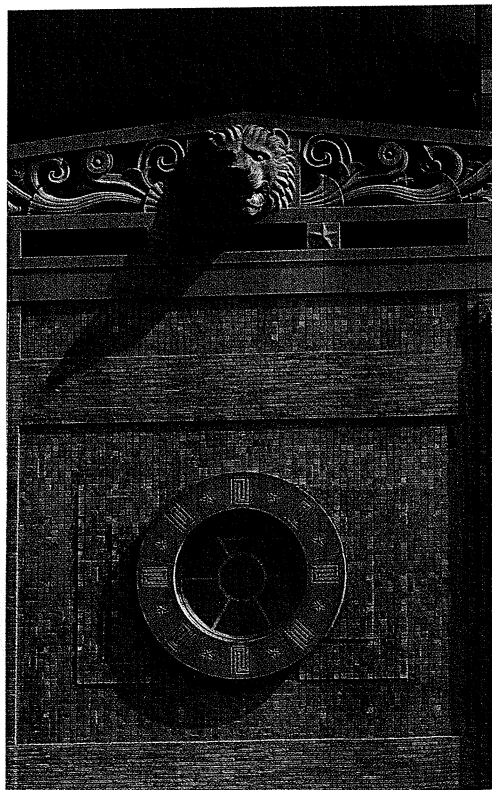
● **Lyons.** Accessibility improvements allowing people with disabilities to use the station as a link to other accessible stations on the line. Upgrades include a new mini-high-level platform, a low-level

platform and pedestrian grade crossing, an accessible restroom and historic-style light poles.

● **Madison.** Design for the construction of two new mini-high-level platforms, with canopy and lighting, as well as two elevators and other improvements required for barrier-free access to station facilities. Design completion is scheduled for 2002.

● **Metropark.** Design for the construction of a new station building, a pedestrian bridge over the Northeast Corridor and an outbound shelter, as well as site work and platform replacement.

● **New Brunswick.** A major overhaul of the escalator to ensure trouble-free operation for many years.



Above:  
Track Geometry Inspection Vehicle at  
Bergen Tunnel south tube  
Right:  
Newark Penn Station facade

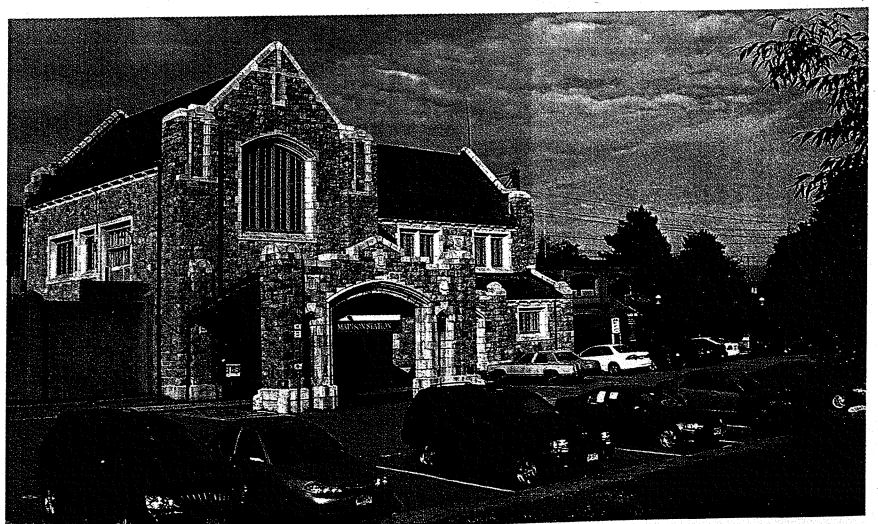
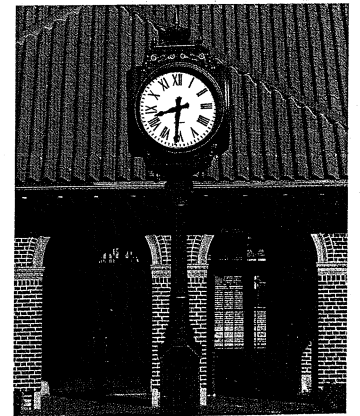
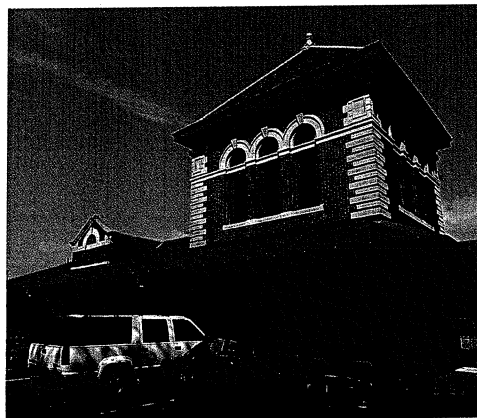
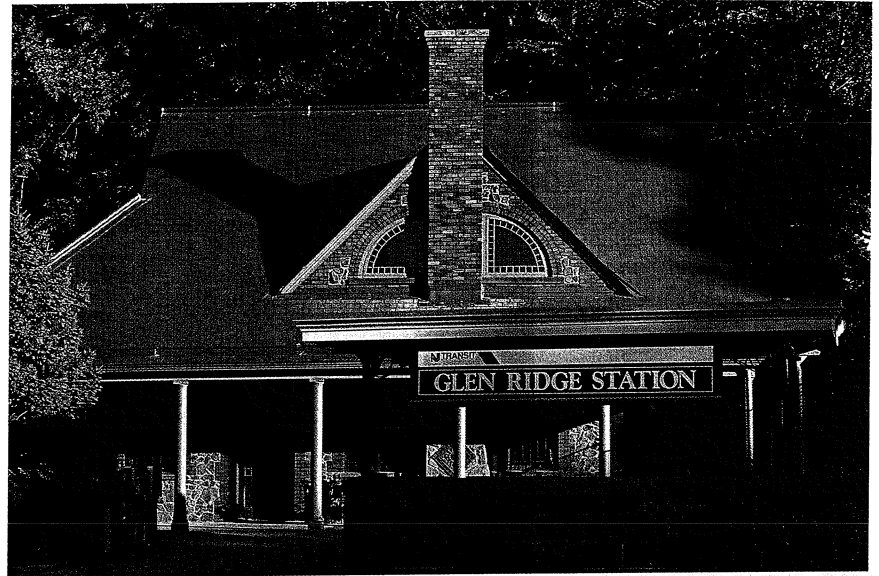
Improving Performance  
Making Travel More Comfortable, Convenient and Safe

● **Newark Penn Station Raymond Plaza Improvements/Market Street Bus Lane project.** Construction of a new bus lane, a bus shelter, concession space, an open-air pedestrian plaza with a sculpture commissioned by the Transit Arts program, plus lighting and accessibility improvements to ease traffic and pedestrian flow around the station. Scheduled to open in the summer of 2001, the project is part of a multi-year, \$38 million upgrade of this historic station.

● **Paterson.** Accessibility improvements for people with disabilities, including a new high-level platform and an elevator.

● **Perth Amboy, Phase Two.** Historic restoration of the outbound station building—including masonry rehabilitation, window and door replacement, site work, exterior lighting and new copper gutters—as part of a three-phase project to restore this 1928 structure, which is listed on the State and National Registers of Historic Places.

● **Plainfield.** Accessibility improvements for people with disabilities as well as restoration work—a rehabilitated inbound building with stained glass commissioned by the Transit Arts program, a new outbound shelter, high-level platforms and more—that respect and enhance the station's historic character. The project is scheduled for completion in mid-2002.



Above:  
Glen Ridge Station  
Plainfield Station  
Perth Amboy Station  
Madison Station



At NJ TRANSIT, we take special pride in programs that reach out directly to the people of New Jersey. Our goal is to make our system safer, more attractive and more convenient. In FY2001, we initiated and expanded several programs.

### Cool Cat Children's Safety Awareness Campaign

"Cool Cat" made her debut, visiting schools, churches and day care centers to spread the word through song, dance and skits about safety on NJ TRANSIT's new light and heavy rail services. "Cool Cat" is part of our Children's Safety Education Program, which we inaugurated to coincide with the opening of the Hudson-Bergen Light Rail system.

### Local and Community Transit

NJ TRANSIT supported New Jersey local and community transit services through:

- \$20 million in grants—funded by casino revenue funds through our Office of Service Contracts, Local Programs Support Unit—to New Jersey's 21 county transit systems. These 21 systems provide approximately 3.8 million trips annually to senior citizens, people with disabilities and other transportation disadvantaged residents traveling within and between communities.

- \$3.5 million in FTA Rural Transportation Assistance grants to 13 county systems and three municipalities. Under this grant program, NJ TRANSIT also provides technical assistance, as well as driver and management training, to small rural and community transportation operators.

- The award of over 40 vehicles, under the FTA Section 5310 grant program, to public and private non-profit organizations that provide service to senior citizens and people with disabilities.

- The initiation of the FTA Jobs Access and Reverse Commute (JARC) grants for local transportation projects that help transport people who are transitioning off welfare to employment and training opportunities.

### Community Shuttle Program

Now in its second year, the Community Shuttle program is a creative, cost-effective approach to improving passenger access to public transportation in New Jersey. Twenty-two minibuses will be added to the 20 secured last year. The vehicles, which include a wheelchair lift and two wheelchair securements, air conditioning, reading lamps and overhead package racks, operate to train stations and bus corridors during peak periods. During off-peak hours and on weekends, communities use the minibuses for municipally sponsored services and for recreational purposes.



Above:  
"Cool Cat" educates children about safety

Children interact with signal display

Right:  
Paratransit vehicle used by seniors and disabled persons

## People and Pride

# PE



### Rack n' Roll

The number of buses equipped with bicycle racks reached 262, allowing passengers traveling on routes in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, Ocean and Salem counties to ride their bikes to bus stops and then hitch them onto racks for the bus portion of their trip. All southern New Jersey buses can now carry bicycles, either on racks or in luggage compartments.

### Transit Arts

Our Transit Arts program is designed to enhance the customer experience with artwork that reflects the surrounding communities. An illuminated, 60-foot beacon at the Hamilton Transit Complex, the third of three public commissions at the facility, was one of several new transit artworks making their debut in FY2001. Artwork was also unveiled at the Hudson-Bergen Light Rail system's Newport, Harsimus and Harborside stations. Commissions were awarded for art at Secaucus Transfer, Paterson Station and the Raymond Plaza Improvements/Market Street project.

### TransitToons™

Through light-hearted animations on posters and seat drops, six cartoon characters—Loud Guy, Seat Hog, Big Foot, Traveling Gourmet, Phil-Harmonic and Trash Man—admonished riders to mind their manners when traveling on NJ TRANSIT buses, trains and light rail vehicles.



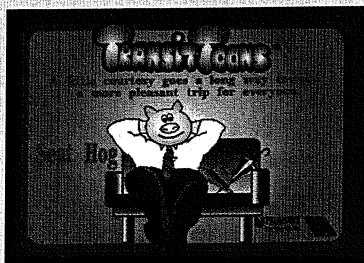
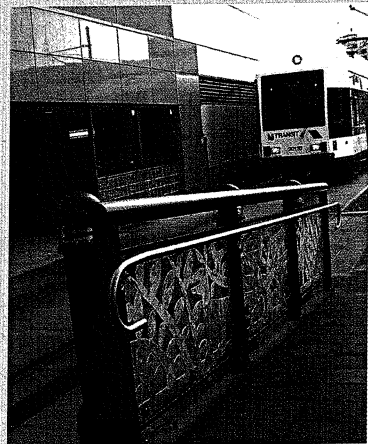
### Transit Villages

Morristown, South Orange, Rutherford, South Amboy and Pleasantville are designated as Transit Villages, communities which improvements by NJ TRANSIT and local municipalities and the private sector in and around the train stations are designed to encourage people to use transit. In pursuit of this goal, we

- Selected a developer for the Morristown Transit Village, a mixed-use development of residential, retail and parking areas on NJ TRANSIT property adjacent to the train station.
- Dedicated a new 273-space parking lot at the South Orange Station that will provide shared parking for a planned arts center.
- Advanced a shared parking project in Rutherford as part of a Transit Village that will include a bank office building, housing, stores and a pedestrian plaza.
- Worked with the City of South Amboy to advance transportation and non-transportation projects in a development area exceeding 100 acres.
- Made a financial contribution toward the opening of Pleasantville's regional bus terminal.

### Website

Based on months of research, NJ TRANSIT redesigned its website, njtransit.com, featuring the most-requested information on the home page and making it easy to navigate to schedules and construction and service advisories. An innovative feature of the new website is "My Transit" from which electronic messages can be



Above:  
Rack n' Roll bike racks  
Railing inserts by Garth Edwards at Newport Station, Hudson-Bergen Light Rail  
Seat Hog from TransitToons™

Top right:  
South Orange Station

sent to registrants when there are peak-period delays in excess of 30 minutes on any rail line or interstate bus. NJ TRANSIT is the largest transportation provider in the country to use this messaging system.

### WorkPass

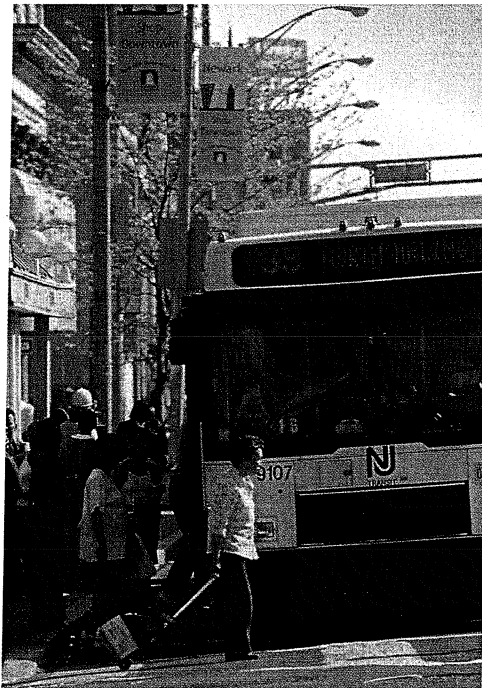
In its fourth year, the award-winning WorkPass program continued to grow beyond expectations, with a membership roster of 100 support and social service agencies that purchase thousands of tickets and passes annually to help eligible New Jersey residents commute to work.

### Z-Card

We celebrated the first anniversary of the Hudson-Bergen Light Rail system with distribution of the Z-Card, a colorful credit-card-sized foldout system map underwritten in part by the TrustCompany Bank of New Jersey. The map highlights intermodal connections and landmarks along the system such as parks, hospitals, universities and shopping centers.

### Bus Safety Award Winners

At NJ TRANSIT, safety always comes first. Each year we present our Safe Driving Award to bus operators with 10, 20 and 30-plus years of accident-free service. In FY2001, we took pride in honoring 94 bus operators with a collective safe-driving record of 1,417 years.



Above:  
Articulated bus along Broad  
Street in Newark  
Z-Card

## Awarded, with Pride

While we are proud of our successful efforts to boost performance for our riding public—the people of New Jersey and surrounding areas—we take special pride when our work is recognized by the transit industry. In FY2001, this recognition included:

- The Innovation Award, presented at the American Public Transportation Association (APTA) 2000 meeting in San Francisco, which recognized NJ TRANSIT as the first public transportation agency in North America to use the design, build, operate and maintain approach to develop a new, state-of-the-art light rail system, the Hudson-Bergen Light Rail system.
- The APTA Welfare to Work Award for our work with state agencies in promoting and implementing public transit as a means to find and hold a job.
- First place in New Jersey's 22nd Annual Bus Roadeo, and third place in the international APTA Bus Roadeo, competition that showcase the driving and repair skills of bus operators and mechanics.
- Winner for the sixth straight year of the E. H. Harriman Memorial Safety Award, presented annually by the Association of American Railroads to railroads with outstanding employee safety records.





**Fiscal Year 2001  
Consolidated Financial  
Statements**

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# Management's Discussion and Analysis

## Operating Results

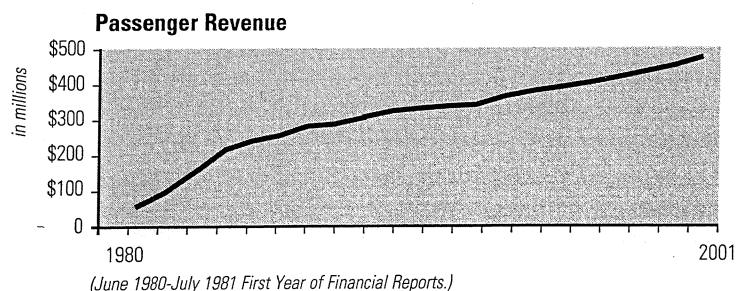
NJ TRANSIT concluded fiscal year 2001 with increases in both revenues and ridership. The steady increase in ridership reflects NJ TRANSIT's aggressive policy to expand new public transit opportunities as well as the addition of seating capacity to the existing system. These steps resulted in increased costs as discussed herein.

NJ TRANSIT's passenger revenue increased by \$23.9 million or 5.2 percent as a result of a 4.5 percent growth in ridership reflecting the impact of the additional passenger service and holding passenger fares constant for an eleventh consecutive year. Likewise, other revenues rose \$20.9 million or 42.5 percent essentially due to increased proceeds from leveraged lease transactions as well as increases in advertising and parking revenues. State operating subsidies together with federal, state and local reimbursements increased \$85.8 million over fiscal year 2000.

Expenses increased by \$117.1 million or 12.0 percent compared to fiscal year 2000. However, \$40.4 million of this increase is interest expense attributed to financial arrangements required to fund revenue fleet and system expansion. Employment, fuel, services and purchased transportation expenses also increased. These increases in turn were the result of labor contract increases, a spike in fuel costs and implementation and expansion of service including the first full year of Hudson-Bergen Light Rail operations. Ridership on the Hudson-Bergen Light Rail system has tripled since the April 2000 opening. As ridership on this and the rest of NJ TRANSIT's system continues to grow so also does the need to upgrade, expand and maintain the revenue fleet and facilities supporting the fleet and our passengers.

### Passenger Revenues

Passenger revenues consist of fares earned from the sale of rail tickets and passes utilized during the year by riders on either NJ TRANSIT or Amtrak trains (under a cross-honoring agreement). Additionally, passenger revenues include bus farebox receipts and tickets and passes sold, which were utilized during the year by riders on NJ TRANSIT buses, subway, contract bus service and the Hudson-Bergen Light Rail system.



NJ TRANSIT's passenger revenue continues to increase as a result of increased ridership while holding fares at a constant level for the past 11 years.

Rail passenger revenue increased \$17.4 million or 7.3 percent over fiscal year 2000, with ridership increasing by 4.3 million passengers. Bus passenger revenue increased \$4.1 million or 1.8 percent over fiscal year 2000, with ridership increasing by 3.6 million passengers. In its first full year of operation, the Hudson-Bergen Light Rail system generated \$2.8 million in passenger revenue and carried 2.1 million riders.

### Ridership

(in millions)	FY01	FY00	% Inc
Newark Division Rail Lines	41.0	38.1	7.6
Hoboken Division Rail Lines	22.0	20.6	6.8
Atlantic City Rail Line	1.0	1.0	—
<b>Total rail ridership</b>	<b>64.0</b>	<b>59.7</b>	<b>7.2</b>
Northern Division Bus Lines	59.1	57.1	3.5
Central Division Bus Lines	76.1	74.9	1.6
Southern Division Bus Lines	25.0	24.6	1.6
<b>Total bus ridership</b>	<b>160.2</b>	<b>156.6</b>	<b>2.3</b>
<b>Hudson-Bergen Light Rail</b>	<b>2.1</b>	<b>0.2</b>	<b>—</b>
<b>Total ridership</b>	<b>226.3</b>	<b>216.5</b>	<b>4.5</b>

### Other Revenues

Other revenues consist of interest, changes in the value of investments, station and vehicle advertising, rental of equipment and facilities, parking lot operations and proceeds from financing arrangements such as leveraged lease transactions.

The increase in other revenues of \$20.9 million was primarily due to leveraged lease activity, an increase in the value of certain investments as well as proceeds from other financial arrangements. In addition, there was an increase in advertising income and parking lot operations revenue.

### Employment Costs

Employment costs consist of full-time and part-time Agreement wages and related overtime, Non-Agreement salaries, employment taxes, health and welfare expenses, retirement costs and other fringe benefits.

Employment costs increased by \$19.9 million or 3.3 percent compared to fiscal year 2000. This is primarily due to labor contract increases for current staff and to a lesser extent staffing increases associated with service expansion. NJ TRANSIT's medical and health care expenses also increased, further impacting overall employment costs.

### Other Costs

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

Outside services expenses increased \$12.6 million or 23.1 percent. A significant portion of this increase was related to environmental remediation activities as compared to fiscal year 2000. The balance of the increase reflects greater contracted maintenance of facilities and snow removal costs related to the inclement weather conditions experienced during fiscal year 2001.

Purchased transportation expenses increased \$26.6 million or 34.0 percent reflecting the cost of contracting for the first full year of operation for the Hudson-Bergen Light Rail system (compared to three months operation for fiscal year 2000). This line item also includes additional costs associated with the program to contract with private carriers for the operation of bus services and the Senior Citizen/Rural Transportation program.

Fuel and propulsion expenses increased \$5.4 million or 11.3 percent over fiscal year 2000. The cost of diesel fuel averaged \$0.22 per gallon higher than fiscal year 2000. In addition, this increase includes an increase in costs for natural gas required to operate NJ TRANSIT's natural gas-powered buses.

Claims and insurance expenses increased \$5.6 million or 21.5 percent reflecting the combined effect of additional costs associated with the Federal Employee Liability Act (FELA) and third-party injury and damage claims. Court awards, which have escalated, required a reevaluation of NJ TRANSIT's reserves for unsettled claims and an increase in these reserves.

Parts, materials and supplies expenses increased \$4.6 million or 4.8 percent above fiscal 2000 levels. This increase was the result of continued emphasis on safety, preventative maintenance and service expansion.

Trackage, tolls and fees expenses increased \$1.4 million or 4.2 percent, reflecting an increase in the payment to Amtrak for access on the Northeast Corridor.

Interest expense increased \$40.4 million over fiscal year 2000 related to the impact of the financing arrangements that occurred during the fiscal year. During fiscal year 2001, NJ TRANSIT completed five financing transactions issuing \$845.7 million of Capital Grant Anticipation Notes and \$693.1 million of Certificates of Participation to fund the construction of the second operating segment of the Hudson-Bergen Light Rail system, the Newark-Elizabeth Rail Link and the purchase of electric locomotives and cruiser buses. As of June 30, 2001, proceeds from the sale of these notes and certificates financed total project expenditures of approximately \$14.6 million and \$208.8 million, respectively.

### Liquidity and Capital Resources

NJ TRANSIT receives operating assistance and other governmental reimbursements. Total operating assistance and reimbursements increased \$85.8 million compared to the prior fiscal year. State of New Jersey general fund appropriations increased \$59.9 million, while other federal, state and local reimbursements increased \$25.9 million for the fiscal year. These funds include support from the New Jersey Transportation Trust Fund, Casino Revenue Fund, federal grants for preventative maintenance and various other federal grants for specific activities.

#### Operating Assistance and Reimbursements

<i>(in millions)</i>	FY01	FY00	Inc
State & Federal Operating Assistance	\$209.6	\$149.7	\$59.9
Federal, State & Local Reimbursements	<u>320.5</u>	<u>294.6</u>	<u>25.9</u>
<b>Total Operating Assistance and Reimbursements</b>	<b><u>\$530.1</u></b>	<b><u>\$444.3</u></b>	<b><u>\$85.8</u></b>

NJ TRANSIT also receives federal, state and local grants for essentially all of its capital construction and acquisitions. The federal, state and local interest in assets acquired and constructed is provided in the Equity footnote number 14. Capital grant receipts totaling \$722.1 million were \$221.8 million or 44.3 percent above fiscal year 2000. In addition to these grants, \$202.0 million of expenditures associated with the Hudson-Bergen Light Rail system, the Newark-Elizabeth Rail Link and the acquisition of buses and rail cars were funded through the issuance of Capital Grant Anticipation Notes and Certificates of Participation. Federal and state grants will be utilized to meet the scheduled debt service.

Major capital project activity during the year included the Hudson-Bergen Light Rail system, Secaucus Transfer, Southern New Jersey Light Rail system, the Amtrak Joint Benefit Capital Program, the purchase of rolling stock, and improvements to passenger and support facilities and rail infrastructure.

The Board of Directors approved a fiscal year 2002 capital program that totals \$1,131.2 million, subject to the availability of funds, and provides for the continuation of the major projects currently underway, as well as new initiatives. Funds have been requested for the replacement and overhaul of rolling stock, the continued construction of the Hudson-Bergen Light Rail system and the Southern New Jersey Light Rail system, passenger and maintenance facilities, as well as payments to Amtrak for improvements to the Northeast Corridor. Provisions

have also been made to comply with all federally mandated accessibility and environmental regulations.

### **Working Capital**

In FY01, NJ TRANSIT's working capital position improved \$52.2 million compared to last year, although it is still a negative \$92.7 million. This was largely due to increases in cash and equivalents essentially attributable to the financing transactions completed during fiscal year 2001.

### **Financing Activities**

In November 2000, NJ TRANSIT issued \$562.2 million of Capital Grant Anticipation Notes, consisting of \$452.2 million Series 2000B and \$110.0 million Series 2000C, bearing interest between 4.50 percent and 5.75 percent. The Series 2000B and 2000C notes have maturity dates of 2011 and 2005, respectively. The proceeds of the notes will fund the costs of constructing the next segment of the Hudson-Bergen Light Rail (MOS-2) and the Newark-Elizabeth Rail Link. As of June 30, 2001, total project expenditures financed through the proceeds from the sale of the notes were approximately \$14.6 million. These notes are special limited obligations of NJ TRANSIT, payable solely from Federal Capital Grant proceeds and investment earnings on undisbursed proceeds held by the trustee. NJ TRANSIT has recorded the project expenditures, the remaining balance of cash received and the payment obligations as transit operating property, restricted funds and notes payable, respectively, in the Consolidated Statements of Financial Position.

In October 2000, NJ TRANSIT issued \$693.1 million of Series 2000B Certificates of Participation bearing interest between 4.50 percent and 6.00 percent with final maturity in 2015. The proceeds of these certificates will fund the purchase of 24 ALP-46 electric locomotives and 1,244 cruiser buses. As of June 30, 2001, total project expenditures financed through the proceeds from the sale of the certificates were approximately \$208.8 million. These certificates are special limited obligations of NJ TRANSIT, payable solely from Federal Capital Grant proceeds and investment earnings on undisbursed proceeds held by the trustee. NJ TRANSIT has recorded the project expenditures, the remaining balance of cash received and the payment obligations as transit operating property, restricted funds and notes payable, respectively, in the Consolidated Statements of Financial Position.

In September 2000, NJ TRANSIT issued \$283.5 million of Series 2000A Capital Grant Anticipation Refunding Notes (Refunding Notes) bearing interest between 4.400 percent and 5.125 percent with final maturity in 2004. The proceeds of these notes

refunded NJ TRANSIT's Capital Grant Anticipation Notes, Series 1997A, which were issued to finance the first segment of the Hudson-Bergen Light Rail system (MOS-1). A portion of the proceeds of the Refunding Notes was deposited into an irrevocable trust with an escrow agent to provide for debt service on the Series 1997A Notes. The remaining proceeds of \$27.4 million were deposited into a debt service reserve to support the timely payment of debt service on the refunding notes. The refunding transaction, which was consummated to provide a structured modification to the original agreement, increases the aggregate debt service payments by approximately \$8.6 million over the life of the issue and resulted in an economic loss of \$2.0 million and a deferral of \$2.7 million of cost at June 30, 2001. These notes are special limited obligations of NJ TRANSIT, payable solely from Federal Capital Grant proceeds and investment earnings on undisbursed proceeds held by the trustee. NJ TRANSIT has recorded the project expenditures, the remaining balance of cash received and the payment obligations as transit operating property, restricted funds and notes payable, respectively, in the Consolidated Statements of Financial Position.

### **Budgetary Integrity, Accounting Systems and Internal Controls**

NJ TRANSIT's financial statements are prepared in accordance with accounting principles generally accepted (GAAP) in the United States as they relate to enterprise funds of state and local governmental units.

NJ TRANSIT's accounts are maintained on the accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when goods and services are received and the related liabilities are incurred.

Budgetary control is exercised at the department level by major types of expenditures and budget to actual performance is regularly reported to the Board of Directors. These reports are reviewed quarterly by NJ TRANSIT's independent auditors who provide a separate report thereon to the Board as well as the Department of Transportation's Inspector General. These reports disclose the difference between accounting principles and budgetary reporting in the areas of capitalization and depreciation expense.

In developing and maintaining NJ TRANSIT's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that financial records are reliable for preparing financial statements and maintaining

accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived from its use and that the evaluation of cost and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework.

### Other Matters

NJ TRANSIT is party to various legal actions and disputes. Although the ultimate effect, if any, of these matters is not presently determinable, management believes that collectively they will not have a material effect on the results of operations or consolidated financial position of NJ TRANSIT.

There are several locations within the State in which by virtue of ownership or use of the railroad or bus facilities, NJ TRANSIT is addressing environmental issues. Management has analyzed all of these matters and has provided for amounts, which it currently believes are adequate and, in its opinion, the ultimate liability if any will have no material effect on the results of operations or consolidated financial position of NJ TRANSIT.

NJ TRANSIT receives Federal and State grants for capital projects and other reimbursable activities which 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 consolidated financial position of NJ TRANSIT.

The Railroad Retirement Board has conducted an examination of NJ TRANSIT's payroll and tax records for prior fiscal years through 1991 and has proposed certain adjustments to increase NJ TRANSIT's payroll tax liability for that period. Management has analyzed all of these matters and has provided for amounts, which it currently believes are adequate and, in its opinion, the ultimate additional liability, if any, will not have a material effect on the results of operations or consolidated financial position of NJ TRANSIT.

The Americans with Disabilities Act (ADA) is a civil rights law passed by the United States Congress in July 1990. The law requires that people with disabilities be guaranteed access to public services, including transportation. The ADA requires that all new equipment, services and facilities be accessible to people with disabilities. Elements of stations or facilities that are undergoing renovations or construction must also be made accessible.

Additionally, NJ TRANSIT was required to identify high usage, strategically located rail stations which were given priority to be made accessible to people with disabilities. These stations were designated as "Key Stations." The Key Stations plan identified 37 stations that would be made accessible, 23 of which were to be made accessible by July 26, 1993. The remaining stations required major renovations and the FTA granted time extensions ranging from 1997 to 2008. A mix of capital funding sources including Federal, State Transportation Trust and Casino Revenue funds is funding these renovations. NJ TRANSIT must complete these renovations as required or face severe sanctions by the Federal Government. Failure to comply with the ADA can result in the termination of all federal funds, as well as civil litigation by private citizens and the United States Department of Justice.



New Jersey Transit Corporation and Subsidiaries

**Consolidated Statements of Revenues, Expenses and Changes in Equity**

(in thousands)

Years Ended June 30,

2001

2000

**Revenues:**

Passenger Fares	\$484,684	\$460,758
Other	<u>69,946</u>	<u>49,090</u>
<b>Total Revenues</b>	<b>554,630</b>	<b>509,848</b>

**Expenses:**

Labor	394,690	382,374
Fringe Benefits	222,781	215,227
Parts, Materials and Supplies	102,041	97,409
Services	67,148	54,538
Claims and Insurance	31,694	26,079
Fuel and Propulsion	52,536	47,181
Trackage, Tolls and Fees	34,355	32,962
Utilities	22,533	19,149
Purchased Transportation	104,748	78,156
Interest	50,276	9,829
Other	<u>12,578</u>	<u>15,355</u>
<b>Total Expenses</b>	<b>1,095,380</b>	<b>978,259</b>

Loss Before Operating Assistance and Reimbursements and Depreciation

(540,750)	(468,411)
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**Operating Assistance and Reimbursements:**

State Appropriation	209,097	149,237
Federal Appropriation	464	428
Federal, State and Local Reimbursements	<u>320,524</u>	<u>294,669</u>
<b>Total Operating Assistance and Reimbursements</b>	<b>530,085</b>	<b>444,334</b>

Loss Before Depreciation	(10,665)	(24,077)
Depreciation	<u>225,855</u>	<u>192,174</u>
Loss Before Depreciation Transfer	(236,520)	(216,251)
Depreciation Transferred to Contributed Capital	<u>222,297</u>	<u>188,342</u>
Loss Before Contributed Capital	(14,223)	(27,909)
Contributed Capital, Net	<u>461,048</u>	<u>169,686</u>
Changes in Equity	446,825	141,777
Equity, Beginning of Year	<u>3,181,774</u>	<u>3,039,997</u>
Equity, End of Year	<u><b>\$3,628,599</b></u>	<u><b>\$3,181,774</b></u>

See Notes to Consolidated Financial Statements.

New Jersey Transit Corporation and Subsidiaries

**Consolidated Statements of Cash Flows**

(in thousands)

**Years ended June 30,  
2001                      2000**

<b>Cash Flows from Operating Activities:</b>		
Loss Before Operating Assistance and Depreciation	\$(540,750)	\$(468,411)
Adjustments to Reconcile Loss Before Operating Assistance and Depreciation to Net Cash Used in Operating Activities:		
Interest on Investments	(10,422)	(11,592)
Interest Expense	50,276	9,829
Changes in Assets and Liabilities:		
Inventories	(3,677)	(11,286)
Other Current Assets	(5,547)	(1,143)
Other Assets	(3,091)	(3,751)
Accounts Payable	12,821	43,736
Accrued Payroll and Benefits	(14,327)	(1,074)
Post-Retirement Benefits Other than Pensions	15,100	12,600
Other Current Liabilities	4,143	5,592
Accrued Injury and Damage Claims	5,072	(5,423)
Deferred Revenue and Other Non-Current Liabilities	<u>(479)</u>	<u>(10,287)</u>
<b>Net Cash Used in Operating Activities</b>	<b>(490,881)</b>	<b>(441,210)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Operating Assistance and Reimbursements Received	530,279	438,831
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition of Transit Operating Property, Plant and Equipment, and Construction in Progress	(813,223)	(894,616)
Receipts from Capital Grants	759,281	449,644
Increase in Obligations under Capital Leases	159,461	4,808
Repayment of Obligations under Capital Leases	(158,565)	(4,279)
Interest Payments	(50,276)	(9,829)
Transfers to Restricted Funds	(962,195)	(535,772)
Proceeds from Issuance of Notes	1,255,360	913,206
Proceeds from Issuance of Refunding Notes	283,540	—
Repayment of Note Obligations	<u>(465,369)</u>	<u>(15,653)</u>
<b>Net Cash From/(Used in) Capital and Related Financing Activities</b>	<b>8,014</b>	<b>(92,491)</b>
<b>Cash Flows From Investing Activities:</b>		
Interest Received on Cash, Cash Equivalents and Investments	10,422	11,592
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>57,834</b>	<b>(83,278)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of Year	<u>142,346</u>	<u>225,624</u>
End of Year	<u><u>\$200,180</u></u>	<u><u>\$142,346</u></u>

See Notes to Consolidated Financial Statements.

## Notes to Consolidated Financial Statements Years Ended June 30, 2001 and 2000

### 1. Organization and Business Purpose

The New Jersey Transit Corporation (NJ TRANSIT) was created by the New Jersey Public Transportation Act of 1979 and is empowered with the authority to acquire, own, operate and contract for the operation of public transportation services. NJ TRANSIT is a component unit of the State of New Jersey.

NJ TRANSIT receives operating assistance and capital funds from the State of New Jersey by legislative appropriation, the Federal Government by defined formula grants and discretionary funding under the Urban Mass Transportation Act of 1964 as amended by the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 and the Transportation Equity Act for the 21st Century (TEA-21) of 1998 and Local sources. The federal grants are administered by the Federal Transit Administration (FTA). These government grants are used to support construction, acquisition and operation of public transportation facilities, equipment and services.

NJ TRANSIT provides these services through the operation of wholly owned bus and commuter rail subsidiaries. NJ TRANSIT also contracts with several motor bus carriers for certain transportation services. 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 services. NJ TRANSIT also contracts with a third-party provider to operate service on the Hudson-Bergen Light Rail system.

### 2. Summary of Significant Accounting Policies

#### General

The accounts are maintained on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States as they relate to fund accounting for enterprise funds of State and Local governmental units. Also, all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, except those that conflict with or contradict Government Accounting Standards Board (GASB) pronouncements, have been applied.

#### Principles of Consolidation

The Consolidated Financial Statements include the accounts of NJ TRANSIT and its wholly owned subsidiaries.

#### Reclassifications

Certain reclassifications have been made to the fiscal year 2000 Consolidated Financial Statements to conform to the current year's presentation.

#### 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.

#### Investment Valuation

Investments are stated at fair value based on quoted market prices, when available (see Note 6).

#### Capital Grants

NJ TRANSIT receives designated funds from Federal, State and Local sources for a substantial portion of its capital acquisitions and construction. The receivables for these capital grants and the related contributed capital are recorded when eligible expenditures are incurred on projects funded by such grants. Assets acquired in connection with capital grants are included in Transit Operating Property, Plant and Equipment (Transit Operating Property). Certain grants require a State or Local match at an agreed upon percentage of the total project costs.

#### Revenue Recognition

The two principal sources of revenue are passenger fares and governmental operating assistance and reimbursements. Passenger fares are recorded primarily in the period in which the transportation services are provided to the customer. State of New Jersey appropriations represent the largest single source of operating assistance revenue. It is NJ TRANSIT's policy to record all operating assistance revenue in the year for which the funds are appropriated and earned. Federal, State and Local Reimbursements for planning and operating projects and leases are recorded as related expenditures are incurred.

### Accounts Receivable

Accounts receivable are recorded net of an allowance for uncollectible amounts of \$2.2 million and \$2.6 million as of June 30, 2001 and 2000, respectively.

### Transit Operating Property

Transit Operating Property is recorded at cost and depreciated using the straight-line method based on the estimated useful lives of the related assets:

	Years
Buildings, stations and trackwork	25
Rail cars and locomotives	22-25
Buses, vans and light rail cars	5-15
Furniture, fixtures and equipment	3-10

Transit Operating Property, which was acquired by the State of New Jersey, Department of Transportation, and subsequently transferred to NJ TRANSIT at cost, is recorded as Contributed Capital. Depreciation is included as an expense in the Consolidated Statements of Revenues, Expenses and Changes in Equity with that portion of depreciation relating to assets funded by Federal, State or other Local contributions transferred as a reduction of Contributed Capital. Ordinary maintenance and repairs are charged to expense as incurred. Expenditures over \$5,000 determined to represent additions or betterments with a useful life greater than one year are capitalized.

### Inventories

Fuel, spare parts and supplies purchased are recorded as Inventories at average cost, net of a reserve for slow-moving and obsolete parts of \$10.4 million and \$9.9 million as of June 30, 2001 and 2000, respectively.

### Injury and Damage Claims

Injury and damage claims resulting from NJ TRANSIT operations 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. Such coverages include self-insurance retention.

### Pension Costs

Current service costs, determined on an actuarial basis, are accrued. Prior service costs are amortized over a 30-year period.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Income Taxes

NJ TRANSIT is exempt from Federal income taxes under the Internal Revenue Code, Section 115 and from State income taxes under NJSA 27:25-16. Accordingly, no provision is recorded for Federal and State income taxes.

### New Pronouncement

During 2001, NJ TRANSIT adopted the accounting provisions of GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*. In accordance with Statement No. 33, NJ TRANSIT has recorded capital contributions as revenue.

In 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement establishes new accounting and financial reporting standards for State and Local governments. This statement requires management to include a management discussion and analysis of specific financial activities of NJ TRANSIT in addition to the basic financial statements. This pronouncement will also require specific financial statements as well as the presentation of financial information in particular formats. NJ TRANSIT will implement this statement as required for the fiscal year beginning on July 1, 2001, but does not believe these changes will materially affect the financial position.

### 3. Other Revenues

Other Revenues comprise the following:

<i>(in millions)</i>	For the years ended June 30,	
	2001	2000
Investment Income, Net	\$10.4	\$11.2
Leveraged Lease Benefits (Note 12)	8.6	—
Lease and Rental Revenues	12.1	10.1
Advertising Revenues	10.6	9.2
Other Operating Revenues	12.1	11.3
Other Non-Operating Revenues	<u>16.1</u>	<u>7.3</u>
<b>Total</b>	<b><u>\$69.9</u></b>	<b><u>\$49.1</u></b>

#### 4. Injury and Damage Claims

As of June 30, 2001, NJ TRANSIT's self-insurance retention was \$5 million per occurrence with commercial excess liability insurance coverage for the amounts in excess of \$5 million to \$200 million. Additionally, NJ TRANSIT is self-insured for workers' compensation and employment practice claims. NJ TRANSIT has recorded an estimated liability of \$93.3 million and \$88.0 million as of June 30, 2001 and 2000, respectively, for outstanding public liability, property damage, FELA, workers' compensation and employment practice claims. Of this amount, \$35.5 million and \$35.2 million are included in Other Current Liabilities as of June 30, 2001 and 2000, respectively.

A reconciliation of total claims liability follows:

<i>(in millions)</i>	As of June 30,	
	2001	2000
Balance, Beginning of Year	\$88.0	\$92.7
Claims Expense	28.3	23.0
Payment of Claims	<u>(23.0)</u>	<u>(27.7)</u>
<b>Balance, End of Year</b>	<b><u>\$93.3</u></b>	<b><u>\$88.0</u></b>

#### 5. Federal Grants

The Urban Mass Transportation Act of 1964, as amended by ISTEA and TEA-21, provides for the funding of a portion of NJ TRANSIT's operating costs and capital needs based upon a defined formula grant program. Generally, such funds may be utilized for no more than 80 percent of 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.

#### 6. Cash, Cash Equivalents and Investments

As of June 30, 2001, NJ TRANSIT's cash balance was \$8.5 million. Of the cash balance, \$400,000 was covered by Federal Depository Insurance and \$8.1 million was covered by a collateral pool maintained by the bank as required by New Jersey statutes (Category 1).

The investment of NJ TRANSIT funds is governed by the by-laws of NJ TRANSIT. The Treasurer is authorized to invest and deposit funds of

NJ TRANSIT in obligations 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 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.

Cash, Cash Equivalents and Investments consist of the following:

<i>(in millions)</i>	As of June 30,	
	2001	2000
Cash on Hand	\$5.7	\$5.6
Short-Term Investments	<u>194.5</u>	<u>136.8</u>
Total Cash and Cash Equivalents	<u>200.2</u>	<u>142.4</u>
Restricted Funds		
Cash	2.8	1.6
Investments	<u>2,785.0</u>	<u>1,724.1</u>
Total Restricted Funds	<u>2,787.8</u>	<u>1,725.7</u>
	2,988.0	1,868.1
Less: Leveraged Lease Deposits	<u>(1,039.7)</u>	<u>(939.0)</u>
<b>Total Cash, Cash Equivalents and Investments</b>	<b><u>\$1,948.3</u></b>	<b><u>\$929.1</u></b>

Government Accounting Standards Board (GASB) Statement No. 3 requires disclosure of the level of investment risk assumed by NJ TRANSIT as of June 30, 2001 and 2000. Category 1 includes investments that are insured or registered, or held by NJ TRANSIT or its agent in its name. Category 3 includes uninsured and unregistered investments held by a broker or dealer, by its trust department or agent, but not in the entity's name.

NJ TRANSIT's portfolio of investments includes the following:

<i>(in millions)</i>	GASB Category	As of June 30,	
		2001	2000
Categorized:			
Commercial Paper	3	\$1,476.3	\$891.4
U.S. Government and Agencies Obligations	1	—	11.8
Collateralized Investment Agreements	1	<u>349.8</u>	<u>6.2</u>
		1,826.1	909.4
Uncategorized:			
State of New Jersey Cash Management Fund	N/A	<u>113.7</u>	<u>12.5</u>
<b>Total</b>		<b><u>\$1,939.8</u></b>	<b><u>\$921.9</u></b>

All investments, except for investment agreements, are carried at fair value. Investment agreements are collateralized, non-participating guaranteed investment contracts, which are carried at cost. U.S. Government and Agencies 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. Commercial paper is uncollateralized and uninsured and is limited to investment-grade paper. The New Jersey Cash Management Fund is a common trust fund administered by the New Jersey Department of Treasury, Division of Investment. Securities in the fund are insured, registered or held by the Division or its agent in the fund's name.

## 7. Restricted Funds

Restricted Funds consist of cash, investments and amounts on deposit with various lessors restricted from use for normal operations and held for the following:

<i>(in millions)</i>	<b>As of June 30,</b>	
	<b>2001</b>	<b>2000</b>
Restricted Funds:		
Grant Anticipation Notes	\$617.5	\$6.2
Certificates of Participation	1,054.8	242.2
Sublease Revenue Bonds	—	464.1
Secaucus Transfer Project	48.8	47.2
Newark Penn Station	9.5	9.4
All Other Restricted Funds	<u>17.5</u>	<u>17.6</u>
	<b>1,748.1</b>	<b>786.7</b>
Leveraged Lease Deposits	<u>1,039.7</u>	<u>939.0</u>
<b>Total</b>	<b><u>\$2,787.8</u></b>	<b><u>\$1,725.7</u></b>

In October 1997, NJ TRANSIT entered into a funding agreement with Metro-North Commuter Railroad Company for the Secaucus Transfer Project and the right-of-way modifications to the Main/Bergen and Northeast Corridor rail lines. This agreement provided for an initial cash payment to NJ TRANSIT. Such payment, along with interest earnings on investment of funds, has been recorded as Restricted Funds and Deferred Revenue.

Since fiscal year 1996, NJ TRANSIT has entered into leveraged leases with certain domestic and overseas lessors. Restricted funds for these lease agreements represent investment arrangements made to meet NJ TRANSIT's payment obligations throughout the term of the leases.

In May 1984, NJ TRANSIT purchased the land under and adjacent to Newark Penn Station along with air rights above the land and acquired opera-

tional control of the station. This arrangement also provides cash proceeds to NJ TRANSIT, which management projects will assist in the funding of net station operating expenses. Such proceeds have been recorded as Restricted Funds and Deferred Revenue.

## 8. Transit Operating Property

Transit Operating Property is summarized as follows:

<i>(in millions)</i>	<b>As of June 30,</b>	
	<b>2001</b>	<b>2000</b>
Buildings, stations, land, trackwork and right-of-way	\$2,903.4	\$2,858.0
Rail cars and locomotives	1,120.0	1,121.0
Buses, vans and light rail cars	862.5	774.2
Furniture, fixtures and equipment	255.5	278.3
Capital projects in progress	<u>2,048.7</u>	<u>1,417.8</u>
Transit operating property (at cost)	7,190.1	6,449.3
Accumulated depreciation	<u>(2,284.3)</u>	<u>(2,116.4)</u>
<b>Net Transit Operating Property</b>	<b><u>\$4,905.8</u></b>	<b><u>\$4,332.9</u></b>

As of June 30, 2001, capital projects in progress include net capitalized interest expense and income of \$92.5 million and \$89.4 million, respectively, related to the Grant Anticipation Notes and Certificates of Participation (see Notes 11 and 12).

During fiscal years 2001 and 2000, NJ TRANSIT transferred \$35.5 million and \$139.2 million of assets, respectively, from Transit Operating Property and Contributed Capital to other entities. These amounts represented assets for which NJ TRANSIT has no ownership interest, primarily contributions to the betterment of Amtrak's Northeast Corridor rail line and amounts received to fund construction of the Newark International Airport Northeast Corridor Monorail Station.

## 9. Pension and Employee Benefit Plans

NJ TRANSIT and its subsidiaries have pension plans covering substantially all employees who participate in the New Jersey Public Employee Retirement System (PERS), certain police employees who participate in the Police and Fireman's Retirement System (PFRS) and certain rail operations employees who participate in the Railroad Retirement Fund. NJ TRANSIT contributes to the PERS plan, the PFRS plan and Railroad Retirement Fund based upon a fixed percentage of applicable compensation as determined by the respective plan sponsors. The PERS, PFRS and Railroad Retirement plans are cost-sharing multiple employers'

defined benefit pension plans and require employee contributions. Contributions to these plans for the years ended June 30, 2001, 2000 and 1999 were \$28.7 million, \$29.1 million and \$27.4 million, respectively. The State of New Jersey issues separate, stand-alone financial reports for the PERS and PFRS plans that can be obtained through the Division of Pensions, State of New Jersey.

NJ TRANSIT employees not participating in PERS, PFRS or the Railroad Retirement Fund as defined above are covered by five defined benefit, single-employer pension plans. Total payroll used for benefits and cost calculations for employees covered by the five NJ TRANSIT-sponsored plans was \$285.2 million, \$261.2 million and \$266.6 million for the 2000, 1999 and 1998 plan years, respectively.

Under the provisions of the five pension plans, pension benefits vest after 10 years of full-time employment. Employees are 100 percent vested if they are age 55 and have five years of full-time employment. As of June 30, 2001, an employee who retires at age 65 with 10 years of credited service is entitled to an annual retirement benefit equal to 1-3/4 percent for each year of service multiplied by the average of the highest three years earnings, excluding overtime, in the last 10 years of service. The sponsored pension plans also provide early retirement programs and death benefits.

Presented hereinafter is the total pension benefit obligation of the NJ TRANSIT-sponsored pension plans as of June 30, 2000. A variety of significant actuarial assumptions are used to determine the valuation of the pension benefit obligation at the pension plan valuation dates. The current assumptions include (a) a weighted average assumed rate of return of 8.0 percent for all plans, (b) annual salary increases ranging from 4.9 percent to 6.4 percent and (c) no post-retirement benefit increases. For fiscal year 2001,

there were no changes in actuarial assumptions or funding method.

Periodic employer contributions to the pension plans are also determined on an actuarial basis using the projected unit credit actuarial method. Normal costs are accrued on a current basis. The prior service costs are amortized over a 30-year period. Contributions to sponsored plans during fiscal year 2001, were made in accordance with actuarially determined requirements computed through actuarial valuations performed as of July 1, 2000.

The plan assets are held in a variety of investment instruments including common stock, fixed income securities and corporate bonds.

The significant actuarial assumptions used to compute the contribution requirements are the same as those used to determine the pension benefit obligations. The pension benefit obligations of all NJ TRANSIT-sponsored plans are summarized below.

Pension expense for defined benefit plans (excluding PERS, PFRS and Railroad Retirement) totaled \$26.6 million, \$28.1 million and \$29.4 million for fiscal years 2001, 2000 and 1999, respectively.

For the three plan years ended June 30, 2000, 1999 and 1998, available assets were sufficient to fund 96.5, 109.8 and 107.5 percent, respectively, of the pension benefit obligation. The (funded excess)/unfunded pension benefit obligation represented (7.6), 20.0 and 14.2 percent of the annual payroll for employees covered by NJ TRANSIT pension plans for fiscal years 2000, 1999 and 1998, respectively. Disclosing the (funded excess)/unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes. NJ TRANSIT's contributions to the plans for the three plan years June 30, 2000, 1999 and 1998, all made in accordance with actuarially determined requirements, were 9.5, 10.6

## Pension Benefit Obligation

<i>(in millions)</i>	As of June 30,				
	2000	1999	1998	1997	1996
<b>Accrued benefit obligation:</b>					
Participants currently receiving payments	\$205.2	\$182.6	\$168.5	\$170.5	\$137.1
Employer-financed vested benefits	243.1	197.1	186.0	165.1	166.7
Employer-financed non-vested benefits	74.6	64.0	60.2	11.5	10.3
	<u>\$522.9</u>	<u>\$443.7</u>	<u>\$414.7</u>	<u>\$347.1</u>	<u>\$314.1</u>
<b>Pension funding:</b>					
Pension benefit obligation	\$621.2	\$535.1	\$506.7	\$420.0	\$382.2
Fair value of net assets available for plan benefits	599.5	587.5	544.6	448.4	369.6
<b>(Funded Excess)/Unfunded Pension Benefit Obligation</b>	<u>\$21.7</u>	<u>\$(52.4)</u>	<u>\$(37.9)</u>	<u>\$(28.4)</u>	<u>\$12.6</u>

and 11.0 percent, respectively, of applicable fiscal year covered payroll.

Of the five single-employer defined benefit pension plans, four cover Bus Agreement employees and the fifth plan covers all Non-Agreement employees. The four agreement plans are the Amalgamated Transit Union Employees Retirement Plan, the Transport Union Employees Retirement Plan, the Utility Co-Workers Association Employees Retirement Plan and the Mercer Employees Retirement Plan. The plan covering all Non-Agreement employees is the Non-Agreement Employees Retirement Plan. Each plan provides retirement, disability and death benefits to plan members and beneficiaries. 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, which can be obtained from NJ TRANSIT.

In addition to the defined benefit plans, NJ TRANSIT provides an employee savings and protection plan (401k) for all eligible Non-Agreement employees. This plan permits employees to contribute up to 22 percent of their salary not to exceed \$10,500 annually on a pre-tax basis. NJ TRANSIT provides a maximum 50-percent matching contribution on the first six percent contributed by the employee.

NJ TRANSIT also provides a money purchase pension plan (401a) and an employee savings/deferred compensation plan (457) for eligible agreement employees. The 457 plan permits employees to contribute up to 25 percent of their salary not to exceed \$8,000 annually on a pre-tax basis. NJ TRANSIT contributed three to five percent of annual compensation to certain employees' accounts in the 401a plan.

NJ TRANSIT's expense for the defined contribution plans totaled \$11.2 million and \$10.8 million in fiscal years 2001 and 2000, respectively.

Recorded expenses for all plans (including PERS, PFRS and Railroad Retirement) amounted to \$66.5 million and \$68.2 million in fiscal years 2001 and 2000, respectively.

In addition, NJ TRANSIT sponsors a health care plan that provides post-retirement medical, dental and life insurance benefits for retired Agreement and Non-Agreement employees.

Bus Agreement retirees are eligible for benefits upon attainment of age 55 with 10 years of service or once the sum of their age plus their years of service is equal to or greater than 80. These benefits

include retiree and spousal coverage for medical and life insurance. Dental coverage is also available for Bus Agreement retirees until the age of 65.

Rail Agreement retirees are eligible for benefits once they reach age 60 with 30 years of service. These benefits include retiree and spousal coverage for medical benefits and life insurance. The spousal coverage becomes 100 percent contributory once the retiree reaches age 65.

Non-Agreement retirees are eligible for benefits upon attainment of the earlier of either age 55 with 10 years of service or once the sum of their age plus their years of service is equal to or greater than 80. These benefits include retiree and spousal coverage for medical and life insurance.

Dental coverage is also available for Non-Agreement retirees until the age of 65 and for those Non-Agreement employees who retired under a prior year Voluntary Special Retirement Program.

The Accumulated Post-Retirement Benefit Obligation of NJ TRANSIT's Post-Retirement Benefit plan is summarized as follows:

<i>(in millions)</i>	<b>As of June 30,</b>	
	<b>2001</b>	<b>2000</b>
Retirees	\$76.4	\$80.8
Fully Eligible Active Plan Participants	37.5	32.7
Other Active Plan Participants	<u>116.5</u>	<u>95.6</u>
Accumulated Post-Retirement Benefit Obligation	230.4	209.1
Unrecognized Net Actuarial Gain	<u>17.9</u>	<u>24.1</u>
<b>Total Accumulated Post-Retirement Benefit Obligation</b>	<b><u>\$248.3</u></b>	<b><u>\$233.2</u></b>

The Accumulated Post-Retirement Benefit Obligation was determined using the unit credit method and an assumed discount rate of 7.5 percent. The assumed health care trend rate used for Bus Agreement employees was 5.5 percent for pre-age 65 retirees and 5.5 percent for post-age 65 retirees; for Non-Agreement employees it was 5.5 percent for pre-age 65 retirees and 5.5 percent for post-age 65 retirees; and for Rail Agreement employees it was 5.5 percent for pre-age 65 retirees only.

The net periodic Post-Retirement Benefit Cost for fiscal years 2001 and 2000 follows:

<i>(in millions)</i>	<b>For the years ended June 30,</b>	
	<b>2001</b>	<b>2000</b>
Service Costs	\$8.7	\$7.9
Interest Costs	15.7	14.8
Amortization of Actuarial (Gain)	<u>(.2)</u>	<u>—</u>
<b>Total Post-Retirement Benefit Cost</b>	<b><u>\$24.2</u></b>	<b><u>\$22.7</u></b>

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effect:

<i>(in millions)</i>	<b>1 Percentage Point Increase</b>	<b>1 Percentage Point Decrease</b>
Effect on Total of Service and Interest Cost Components	\$3.4	\$2.7
Effect on the Post-Retirement Benefits Obligation	\$25.3	\$20.7

## 10. Other Current Liabilities

Other Current Liabilities comprise the following:

<i>(in millions)</i>	<b>As of June 30,</b>	
	<b>2001</b>	<b>2000</b>
Injury and Damage Claims (Note 4)	\$35.5	\$35.2
Miscellaneous	<u>33.7</u>	<u>29.8</u>
<b>Total</b>	<b><u>\$69.2</u></b>	<b><u>\$65.0</u></b>

## 11. Long-Term Debt and Other Obligations

In November 2000, NJ TRANSIT issued \$562.2 million of Capital Grant Anticipation Notes, consisting of \$452.2 million Series 2000B and \$110.0 million Series 2000C, bearing interest between 4.50 percent and 5.75 percent. The Series 2000B and 2000C notes have maturity dates of 2011 and 2005, respectively. The proceeds of the notes will fund the costs of constructing the next segment of the Hudson-Bergen Light Rail (MOS-2) and the Newark-Elizabeth Rail Link. As of June 30, 2001, total project expenditures financed through the proceeds from the sale of the notes were approximately \$14.6 million. These notes are special limited obligations of NJ TRANSIT, payable solely from Federal Capital Grant proceeds and investment earnings on undisbursed proceeds held by the trustee.

NJ TRANSIT has recorded the project expenditures, the remaining balance of cash received and the payment obligations as transit operating property, restricted funds and notes payable, respectively.

In October 2000, NJ TRANSIT issued \$693.1 million of Series 2000B Certificates of Participation bearing interest between 4.50 percent and 6.00 percent with final maturity in 2015. The proceeds of these certificates will fund the purchase of 24 ALP-46 electric locomotives and 1,244 cruiser buses. As of June 30, 2001, total project expenditures financed through the proceeds from the sale of the certificates

were approximately \$208.8 million. These certificates are special limited obligations of NJ TRANSIT, payable solely from Federal Capital Grant proceeds and investment earnings on undisbursed proceeds held by the trustee. NJ TRANSIT has recorded the project expenditures, the remaining balance of cash received and the payment obligations as transit operating property, restricted funds and notes payable, respectively.

In September 2000, NJ TRANSIT issued \$283.5 million of Series 2000A Capital Grant Anticipation Refunding Notes (Refunding Notes) bearing interest between 4.400 percent and 5.125 percent with final maturity in 2004. The proceeds of these notes refunded NJ TRANSIT's Capital Grant Anticipation Notes, Series 1997A, which were issued to finance the first phase of the Hudson-Bergen Light Rail project (MOS-1). A portion of the proceeds of the Refunding Notes was deposited into an irrevocable trust with an escrow agent to provide for debt service on the Series 1997A Notes. The remaining proceeds of \$27.4 million were deposited into a debt service reserve to support the timely payment of debt service on the Refunding Notes. The refunding transaction, which was consummated to provide a structural modification to the original agreement, increases the aggregate debt service payments by approximately \$8.6 million over the life of the issue and resulted in an economic loss of \$2.0 million and a deferral of \$2.7 million of cost at June 30, 2001. As of June 30, 2001, \$250.3 million of defeased Series 1997A Notes remain outstanding. These notes are special limited obligations of NJ TRANSIT, payable solely from Federal Capital Grant proceeds and investment earnings on undisbursed proceeds held by the trustee. NJ TRANSIT has recorded the project expenditures, the remaining balance of cash received and the payment obligations as transit operating property, restricted funds and notes payable, respectively.

In January 2000, NJ TRANSIT issued \$234.1 million of Certificates of Participation bearing interest between 4.400 percent and 6.125 percent and maturing on September 15 of the years 2002 through 2015. The proceeds of the certificates shall be used to purchase 200 rail cars and spare parts. As of June 30, 2001, total project expenditures financed through the proceeds from the sale of the certificates were approximately \$44.7 million. These certificates are special limited obligations of NJ TRANSIT, payable solely from Federal Capital Grant proceeds and investment earnings on undisbursed proceeds held by the trustee. NJ TRANSIT has recorded the project expenditures, the remaining balance of cash

received and the payment obligations as transit operating property, restricted funds and notes payable, respectively.

In August 1999, NJ TRANSIT entered into a 20-year lease/sublease agreement with the New Jersey Economic Development Authority (Authority) as required for the issuance by the Authority of its Transportation Project Sublease Revenue Bonds, consisting of \$486.7 million in 1999 Series A Bonds and \$147.2 million in 1999 Series B Bonds, bearing interest between 4.375 percent and 5.750 percent and maturing on May 1 of the years 2001 through 2011. The Series A Bonds were issued to provide funds for the Southern New Jersey Light Rail Transit system while the Series B Bonds were issued to provide funds for the second phase of the Hudson-Bergen Light Rail project. As of June 30, 2001, total project expenditures financed through the bond proceeds were approximately \$442.8 million. NJ TRANSIT has committed to rental payments in an amount equal to the bond obligations and has recorded the project expenditures, the remaining balance of the bond proceeds and the payment obligations as transit operating property, restricted funds and notes payable, respectively.

In March 1999, NJ TRANSIT issued \$151.5 million of Certificates of Participation bearing interest between 3.625 percent and 5.000 percent and maturing on September 15 of the years 2001 through 2008. The proceeds of the certificates were used to purchase 500 transit buses. As of June 30, 2001, total project expenditures financed through the proceeds from the sale of the certificates were \$151.5 million. These certificates are special limited obligations of NJ TRANSIT, payable solely from Federal Capital Grant proceeds and investment earnings on undisbursed proceeds held by the trustee. NJ TRANSIT has recorded the project expenditures and the payment obligations as transit operating property and notes payable, respectively.

In April 1997, NJ TRANSIT issued \$351.6 million of Capital Grant Anticipation Notes bearing interest between 4.625 percent and 5.500 percent and maturing on September 1 of the years 2000 through 2003. The proceeds of the notes were used to design, acquire, construct and equip a portion of the first phase of the Hudson-Bergen Light Rail project. As of June 30, 2001, total project expenditures were \$351.6 million financed through note proceeds. These notes are special limited obligations of NJ TRANSIT, payable solely from note proceeds, Federal Capital Grant proceeds and investment earnings on undisbursed proceeds held by the trustee.

NJ TRANSIT has recorded the project expenditures and the payment obligations as transit operating property and notes payable, respectively.

Long-Term Debt Maturities as of June 30, 2001 are as follows:

<i>(in millions)</i>			
<b>Fiscal Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2002	\$31.1	\$127.5	\$158.6
2003	138.6	128.7	267.3
2004	267.0	119.1	386.1
2005	173.9	105.6	279.5
2006	162.4	96.8	259.2
Thereafter	<u>1,662.3</u>	<u>473.3</u>	<u>2,135.6</u>
<b>Total</b>	<b>2,435.3</b>	<b>\$1,051.0</b>	<b>\$3,486.3</b>
Unamortized Premium	43.1		
Unamortized Deferral on Refunding	<u>(2.7)</u>		
<b>Total Debt and Other Obligations</b>	<b><u>\$2,475.7</u></b>		

## 12. Leases and Other Commitments

### Leveraged Lease Transactions

In fiscal year 2001, NJ TRANSIT entered into leveraged lease arrangements with certain domestic lessors. NJ TRANSIT has made investment arrangements to meet its payment obligations throughout the terms of the lease. Effective January 1, 1997, NJ TRANSIT changed its method of accounting for extinguishment of leveraged leased obligations to conform with Statement of Financial Accounting Standards (SFAS) No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. In accordance with SFAS No. 125, NJ TRANSIT no longer records "in-substance" defeasance of its leveraged lease obligations as extinguished. Effective March 31, 2001, SFAS No. 125 was replaced by SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. SFAS No. 140 did not change NJ TRANSIT's method of accounting for the leveraged lease transactions. Accordingly, NJ TRANSIT has recorded the payment of obligations as obligations under capital leases and the related investments as restricted funds in the Consolidated Statements of Financial Position (Notes 6 and 7).

The fiscal year 2001 leveraged lease agreement is summarized as follows:

Lease type	Domestic
Lease term	26 years
Assets leased	44 light rail cars
Present value of lease obligations (in millions)	\$147.9

NJ TRANSIT received a benefit of \$8.6 million for fiscal year 2001 related to the above agreement. This amount has been included in Other Revenues (Note 3).

In connection with the above agreement, NJ TRANSIT has made certain indemnification provisions and must comply with certain lease covenants. NJ TRANSIT is in compliance with such covenants through June 30, 2001.

**Extinguished Leveraged Lease Obligations**

Since fiscal year 1991, NJ TRANSIT has entered into a number of leveraged leasing arrangements with overseas investors for transit operating equipment. NJ TRANSIT has made investment arrangements to meet all of its payment obligations throughout the term of the leases for all of these agreements and in some instances has been released as the primary obligor. Accordingly, these lease obligations have not been recorded in the Consolidated Statements of Financial Position.

Extinguished Leveraged Lease Obligations as of June 30, 2001 follow (in millions):

Fiscal Year	Lease Years	Equipment	Amount
1997	18 years	12 locomotives	\$39.9
1995	15 years	17 Arrow III cars and 5 locomotives	\$57.2
1995	15 years	46 Arrow III cars	\$80.2
1994	15 years	46 Arrow III cars	\$68.6
1994	15 years	48 Arrow III cars	\$76.0
1993	15 years	43 Arrow III cars	\$68.0
1993	10 years	16 Arrow III cars	\$25.9

In connection with these lease agreements, NJ TRANSIT has made certain indemnification provisions and must comply with certain lease covenants. NJ TRANSIT is in compliance with such covenants through June 30, 2001.

**Capital Leases**

In 1996, NJ TRANSIT entered into a Design, Build, Operate and Maintain Agreement for the design, building, operation and maintenance of the Hudson-Bergen Light Rail system. In 1998, NJ TRANSIT entered into a contract for the purchase of 45 light rail cars for the Hudson-Bergen Light Rail system and the Newark City Subway system. These cars were financed through a sale of Certificates of Participation by the State of New Jersey in May 1998. The cars were subleased by the State of New Jersey, Department of Transportation to NJ TRANSIT pursuant to an Equipment Sublease Purchase Agreement. NJ TRANSIT will repay the financed amount of \$156.2 million over 15 years beginning June 2000 and ending June 2014.

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 above-ground parking facility. A portion of the financing for this facility was provided by the New Jersey Economic Development Authority 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 New Jersey Economic Development Authority bond obligations. The remaining rental payments have a present value of approximately \$16.1 million as of June 30, 2001.

In fiscal year 1991, NJ TRANSIT entered into a 25-year, \$66.7 million capital lease for its headquarters building in Newark, New Jersey. NJ TRANSIT will own this facility at the end of the lease. Rent increases every five years beginning at \$15.80 per square foot and rising to \$22.85 per square foot in year 21 of the lease.

In 1986, NJ TRANSIT entered into a \$35.9 million lease agreement for land and building facilities to be utilized for bus maintenance and storage. The initial lease term is 25 years and the lease contains options for an additional 25 years.

NJ TRANSIT has recorded Obligations under Capital Leases of \$1,279.6 million and \$1,182.5 million as of June 30, 2001 and 2000, respectively, of which \$113.2 million and \$69.5 million represent Current Installments under Capital Leases as of June 30, 2001 and 2000, respectively.

The cost of Transit Operating Property under Capital Leases, including leveraged leases, is summarized as follows and is included in Net Transit Operating Property (Note 8):

<i>(in millions)</i>	<b>As of June 30,</b>	
	<b>2001</b>	<b>2000</b>
Land and buildings	\$535.4	\$535.4
Rail cars and locomotives	580.6	581.5
Buses	<u>205.3</u>	<u>205.3</u>
Transit Operating Property under Capital Leases (at cost)	1,321.3	1,322.2
Accumulated depreciation	<u>(501.7)</u>	<u>(436.5)</u>
<b>Net Transit Operating Property under Capital Leases</b>	<b><u>\$819.6</u></b>	<b><u>\$885.7</u></b>

Minimum Capital Lease commitments as of June 30, 2001 follow:

<i>(in millions)</i>			
<b>Fiscal Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2002	\$113.2	\$38.0	\$151.2
2003	77.6	38.4	116.0
2004	74.9	41.9	116.8
2005	77.9	44.0	121.9
2006	99.4	34.6	134.0
Thereafter	<u>836.6</u>	<u>1,005.9</u>	<u>1,842.5</u>
<b>Total Capital Lease Commitments</b>	<b><u>\$1,279.6</u></b>	<b><u>\$1,202.8</u></b>	<b><u>\$2,482.4</u></b>

As of June 30, 2001, NJ TRANSIT was committed for future expenditures under the following capital projects and special services which will be funded from Federal, State, Local or other capital sources:

<i>(in millions)</i>	
Rail Infrastructure	\$92.3
Rail Passenger Facilities	84.2
Secaucus Transfer	77.3
Hudson-Bergen Light Rail	62.3
Rolling Stock Improvements	55.8
Rail Support Facilities & Equipment	50.1
Special Services	23.5
Bus and Light Rail Infrastructure	18.7
Ticket Vending Machines	14.3
Newark International Airport <sup>NEC</sup> Connection	9.0
ACCESS LINK Paratransit Computer System	8.6
Other	<u>69.2</u>
<b>Total Capital Projects and Special Services Commitments</b>	<b><u>\$565.3</u></b>

### 13. Contingencies

NJ TRANSIT is party to various legal actions and disputes. Although the ultimate effect, if any, of these matters is not presently determinable, management believes that collectively they will not have a material effect on the results of operations or consolidated financial position of NJ TRANSIT.

There are several locations within the State in which by virtue of ownership or use of the railroad or bus facilities, NJ TRANSIT is addressing environmental issues. Management has analyzed all of these matters and has provided for amounts, which it currently believes are adequate and, in its opinion, the ultimate liability if any will have no material effect on the results of operations or consolidated financial position of NJ TRANSIT.

NJ TRANSIT receives Federal and State grants for capital projects and other reimbursable activities which 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 consolidated financial position of NJ TRANSIT.

The Railroad Retirement Board has conducted an examination of NJ TRANSIT's payroll and tax records for prior fiscal years through 1991 and has proposed certain adjustments to increase NJ TRANSIT's payroll tax liability for that period. Management has analyzed all of these matters and has provided for amounts which it currently believes are adequate and, in its opinion, the ultimate additional liability, if any, will not have a material effect on the results of operations or consolidated financial position of NJ TRANSIT.

The Americans with Disabilities Act (ADA) is a civil rights law passed by Congress in July 1990. The law requires that people with disabilities be guaranteed access to public services, including transportation. The ADA requires that all new equipment, services and facilities be accessible to people with disabilities. Elements of stations or facilities that are undergoing renovations or construction must also be made accessible.

Additionally, NJ TRANSIT was required to identify high usage, strategically located rail stations which were assigned priority to be made accessible to people with disabilities. These stations were designated as "Key Stations." The Key Stations plan identified 37 stations that would be made accessible, 23 of which were to be made accessible by July 26, 1993. The remaining stations required major reno-

ventions and the FTA granted time extensions ranging from 1997 to 2008. A mix of capital funding sources including Federal, State Transportation Trust and Casino Revenue funds is funding these renovations. NJ TRANSIT must complete these renovations as required or face severe sanctions by the Federal Government. Failure to comply with the

ADA can result in the termination of all federal funds, as well as civil litigation by private citizens and the United States Department of Justice.

#### 14. Equity

For the years ended June 30, 2001 and 2000, changes in total equity consisted of the following:

<i>(in thousands)</i>	<b>Net (Deficiency) in Facilities</b>	<b>Contributed Capital</b>		
		Federal	State, Local and Other	Total
<b>Balance June 30, 1999</b>	<b><u>\$(87,665)</u></b>	<b><u>\$1,965,556</u></b>	<b><u>\$1,162,106</u></b>	<b><u>\$3,039,997</u></b>
Loss Before Depreciation Transfer	(216,251)	—	—	(216,251)
Capital Grants	—	283,225	217,103	500,328
Capital Grants Pass-Throughs	—	(65,738)	(73,531)	(139,269)
Assets Removed from Service	—	(2,155)	(876)	(3,031)
Depreciation on Capital Improvements	<u>188,342</u>	<u>(125,443)</u>	<u>(62,899)</u>	<u>—</u>
<b>Balance June 30, 2000</b>	<b><u>\$(115,574)</u></b>	<b><u>\$2,055,445</u></b>	<b><u>\$1,241,903</u></b>	<b><u>\$3,181,774</u></b>
Loss Before Depreciation Transfer	(236,520)	—	—	(236,520)
Capital Grants	—	461,667	260,438	722,105
Capital Grants Pass-Throughs	—	(3,899)	(31,647)	(35,546)
Assets Removed from Service	—	(2,027)	(1,187)	(3,214)
Depreciation on Capital Improvements	<u>222,297</u>	<u>(154,432)</u>	<u>(67,865)</u>	<u>—</u>
<b>Balance June 30, 2001</b>	<b><u>\$(129,797)</u></b>	<b><u>\$2,356,754</u></b>	<b><u>\$1,401,642</u></b>	<b><u>\$3,628,599</u></b>



■ Ernst & Young LLP  
MetroPark  
99 Wood Avenue South  
P.O. Box 751  
Iselin, NJ 08830

■ Phone: (732) 516-4200  
www.ey.com

## Report of Independent Auditors

Board of Directors  
New Jersey Transit Corporation

We have audited the accompanying consolidated financial statements of the New Jersey Transit Corporation, a component unit of the State of New Jersey, and subsidiaries as of and for the years ended June 30, 2001 and 2000. These financial statements are the responsibility of the Corporation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of New Jersey Transit Corporation and subsidiaries as of June 30, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the accompanying consolidated financial statements, in 2001 New Jersey Transit Corporation has adopted Government Accounting Standards Board Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*.

*Ernst & Young LLP*

October 5, 2001

**JAMES WEINSTEIN, *Chairman***

Prior to his appointment as State Commissioner of Transportation in December 1998, James Weinstein was president of Riverfront Associates, Inc., a strategic communications, government and public affairs firm. Mr. Weinstein spent a decade as a journalist for *The Philadelphia Bulletin*, *The Newark Evening News* and *The Courier News*. Between 1983 and 1989, he held a variety of positions in state government, including Executive Assistant to the Commissioner of the New Jersey Department of Transportation (NJDOT), Director of Communications and Community Relations for NJDOT, Senior Director of Majority Office of the New Jersey General Assembly and Special Assistant to the Governor and Director of the Governor's Independent Authorities Unit. Mr. Weinstein also served as a member of Governor Whitman's Transition Team and was appointed as the first Chair of the Port of Philadelphia and Camden. He is a former Commissioner of the Delaware River Port Authority, where he served as Vice Chair from March 1994 to June 1996. Mr. Weinstein is a member of the Board of Directors of the Maritime Exchange of the Delaware River and Bay and serves on the Board of the New Jersey Alliance for Action.

**MYRON P. SHEVELL, *Vice Chairman***

Mr. Shevell was appointed to the Board in May 1995. He is Chairman of the Board of New England Motor Freight and Chairman of the Shevell Group – real estate, trucking and logistic companies. He is also Board Chairman of New Jersey Motor Truck Association and Regional Director of the Bank of New York. A resident of Long Branch, Mr. Shevell has worked in the trucking industry for more than 40 years.

**VICTOR CANTILLO, *Governor's Representative***

Mr. Cantillo, who serves as the Governor's Representative, joined the Board in January 1994. He has served as Financial Advisor to the Governor and currently holds the position of Executive Director of the New Jersey Educational Facilities Authority, which raises capital to fund facility infrastructure projects for the state's colleges and universities. Mr. Cantillo currently resides in Brick.

**JAMES POOLE, *State Treasurer's Designee***

Appointed to represent the State Treasurer on the Board, Mr. Poole has served since 1997 as Director of the Department of Treasury's Office of Public Finance and has been with the department in various positions for the last 16 years. A resident of New Providence, he also serves on the Board of Directors of the New Jersey Transportation Trust Fund, as well as on the Board of New Jersey Mortgage Finance Agency.

**JOHN L. MCGOLDRICK**

Mr. McGoldrick is the longest serving member of the Board of Directors, having served since the Agency's establishment in December 1979. He is Executive Vice President and General Counsel of Bristol-Myers Squibb Company, as well as President of the company's Medical Devices Group. Previously a partner in the law firm of McCarter & English, Mr. McGoldrick is a resident of Princeton.

**PATRICK W. PARKINSON**

Mr. Parkinson, a resident of Middletown, was appointed to the Board in September 1994. He is Executive Director of the Middletown Sewerage Authority and a member of the Middletown Township Committee.

**FLORA M. CASTILLO**

Appointed in April 1999, Ms. Castillo is the first and only Latina to serve on the NJ TRANSIT Board. She is also the youngest Board member in the Corporation's history. Ms. Castillo is an Associate Vice President of Public Affairs and Marketing with Keystone Mercy Health Plan, a managed care company headquartered in Philadelphia. A resident of Ventnor, she is active in community organizations including the Sun National Bank Community Advisory Board, Hispanic Alliance of Atlantic County, the United Way of Atlantic County and the LPGA's Urban Youth Golf Program.

## NJ TRANSIT Advisory Committees

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*To assure citizen representation, two transit advisory committees – one serving North Jersey and another in South Jersey – regularly advise the Board of Directors on passengers' 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 Chairman  
Nino Coviello  
Michael DeCicco  
John Del Colle  
Robert Dinardo  
Kathy Edmond  
Margaret Harden  
Peter Koelsch  
Maria LoRe  
Ralph White  
Audrey S. Wilson  
William R. Wright

### **South Jersey Transit Advisory Committee**

Anna Marie Gonnella, Chair  
Ruth Byard, 1st Vice Chair  
Jeffrey Marinoff, 2nd Vice Chair  
Robert Dazlich, Secretary  
Stephen J. Cesare  
Richard D. Gaughan  
Carl Howell  
Calvin O. Iszard Jr.  
Daniel Kelly  
Val Orsinmarsi  
Dominick Paglione  
Fred Winkler

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

### **Americans with Disabilities Act Task Force**

Nina Edwards  
Harriet Findlay  
Robbie Friedner  
Luke Koppisch  
Lee Nash  
Charlie Newman  
Robert Paige  
Virginia Peters  
Kenneth Wedeen  
Ina White

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*The Business Transit Alliance advises public and private sector employers about public transportation options.*

### **Business Transit Alliance**

Joseph F. Luste Jr., Chairman  
Michael Egenton, Vice Chairman  
Robert Bocchino  
Louis V. Capadona  
Elaine Cooper  
MariLou Cruz  
Michael C. Cabbage  
Paul Dickard  
Richard Diegnan  
Gregory Dunlap  
Isidor Farash  
S. Thomas Gagliano  
Joseph Gazzara  
Jerry Keenan  
Dawn Keiser  
Brian McClean  
Michael Perrette  
Louis J. Pignataro  
Charlotte Tomaszewski  
Jeffrey A. Warsh  
Melanie Willoughby

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*The Transit Plus Advisory Board advises public and private sector employers in Essex and Union counties on the requirements of the Federal Clean Air Act.*

### **Transit Plus Advisory Board**

Al Trenton, Vice Chairman  
George Dredden  
Paul Dreifuss  
Raul J. Mendes  
Nancy Munson  
Patricia Ott  
Nancy Schmatz  
Stephen J. Schmidt  
Gene A. Vincenti  
Jeffrey A. Warsh  
Ronald S. Weening

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

### **Private Carrier Advisory Committee**

Gary D. Mariano, Co-chairperson  
Francis Tedesco, Co-chairperson  
Robert DeCamp  
John Failla  
Marta Mazzarisi

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*The Special Services Citizens Advisory Committee advises the Corporation on public transit decisions regarding accessibility issues.*

### **Special Services Citizens Advisory Committee**

Frank Herbert, Chair  
Ann Burns, 1st Vice Chair  
Sigmund A. Kay, 2nd Vice Chair  
Kathleen Belles  
Donald Boeri  
Christina Brino  
Thomas Crawford  
Harriet Findlay  
Leroy Nash  
Joseph Phillips  
Richard Pinho  
Dorothy Richardson  
John Stanik  
William R. Wright

**NJ TRANSIT Executive Committee**

Jeffrey A. Warsh, *Executive Director*

Stanley J. Rosenblum, *Deputy Executive Director  
and Chief Operating Officer*

Matthew J. Stanton, *Chief of Staff*

Dan Censullo, *Assistant Executive Director,  
New Rail Construction*

Rebecca Fields, *Deputy Attorney General*

Robert J. Guarnieri, *Auditor General*

Albert Hasbrouck III, *Senior Director, Corporate Affairs*

Frank Hopper, *Assistant Executive Director,  
Procurement and Support Services*

Z. Wayne Johnson, *Assistant Executive Director,  
Human Resources*

William R. Knapp, *Vice President and General Manager,  
Rail Operations*

Maureen A. Milan, *Vice President and General Manager,  
Bus Operations*

Mary Rabadeau, *Chief, NJ TRANSIT Police*

James Redeker, *Assistant Executive Director, Planning*

Peter Saklas, *Assistant Executive Director, Engineering,  
Development and Construction*

Cesar Vergara, *Chief Designer*

Herman Volk, *Assistant Executive Director,  
Corporate Communications and External Affairs*

Gwen A. Watson, *Board Secretary*

H. Charles Wedel, *Chief Financial Officer and Treasurer*

