2014 NJ TRANSIT ANNUAL REPORT

MANY FACES | ONE MISSION

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Aaron Jordan
Bus Starter

Jonathan Bak
Customer Service Rep

Rocio Munoz
OPRA Specialist

It is an honor and privilege for me to rejoin the NJ TRANSIT team after my last assignment here more than a decade ago as New Jersey Transportation Commissioner and NJ TRANSIT Board Chairman. Under the leadership of Governor Chris Christie, I'm eager to roll up my sleeves and get to work with the Governor, Executive Director Ronnie Hakim, my fellow board members, our elected leaders, the NJ TRANSIT team and a host of others who are supporting our mission to link New Jersey residents with jobs, medical centers, educational institutions, entertainment destinations and other important destinations in the state and surrounding region.

There are a host of transportation challenges before us, but we stand ready to meet those challenges. Over the next year, my biggest priority is to secure bipartisan support for a plan that will replenish the State Transportation Trust Fund, enabling New Jersey to advance critical transportation projects that support mobility and spark economic growth.

Despite these challenges, we made great strides in FY2014 to meet the needs of our customers and the communities we serve. We opened the new Pennsauken Transit Center, expanding travel opportunities for South Jersey residents who can now seamlessly transfer between rail, light rail and bus services at one convenient location. We broke ground on the Wesmont Station project, a public-private partnership that will link the station with an adjacent residential/commercial project at the former Curtiss-Wright plant in Bergen County.

In another public-private partnership, we teamed up with Lt. Governor Kim Guadagno's Business Action Center, Greater Mercer TMA and online retailer Amazon.com to ensure employees of a new Amazon distribution center can travel to their new worksite in Robbinsville. Meanwhile, two New Jersey communities — Summit and Plainfield — joined a growing list of towns that have been designated Transit Villages, giving them special incentives to advance transit-oriented development and pedestrian-friendly projects around their respective train stations.

As part of Governor Christie's commitment to transparency, we began recording our Board of Directors meetings and hosted one Board meeting and one committee meeting during the evening hours in FY2014 to generate more public participation (with more coming in FY2015). The video for these meetings is available on njtransit.com, along with a new Web Library that provides the public with more access to NJ TRANSIT's day-to-day business.

With support from the federal government, NJ TRANSIT is focusing on many projects that will address future ridership growth and make our system more resilient during major storms. We all hope we never have to experience another storm as severe as Sandy, but we are taking every precaution to be ready if needed. I want to thank Governor Christie and our New Jersey Congressional delegation for working tirelessly to secure the federal funding we need to advance these critical projects.

In closing, I am confident that NJ TRANSIT will continue to serve the needs of its dedicated customers, stimulate economic development and revitalize New Jersey's communities. With the continued support of our Governor, State Legislature, Congressional delegation and our Board of Directors, we will get the job done.

Jamie Fox
Transportation Commissioner and NJ TRANSIT Board Chairman

Let me begin by thanking Governor Chris Christie for the tremendous opportunity to serve as Executive Director of NJ TRANSIT. Thanks to the Governor's leadership, and the support of our Board Chairman and the rest of the Board of Directors, I hit the ground running (and riding) in the spring of 2014, touring the system and listening to customers and employees along the way. I've been impressed with the level of passion our customers have shared about their commute, and equally impressed by the level of passion NJ TRANSIT employees bring to their jobs each and every day.

This year's annual report theme — Many Faces, One Mission — represents the great diversity of our customers and employees. That diversity generates excellent customer and employee engagement, bringing many viewpoints that are helping us make NJ TRANSIT stronger and better than ever.

A key component of that engagement is *Scorecard*. Thanks to frequent *Scorecard* customer surveys and forums, combined with the use of *Scorecard* metrics, we are making meaningful changes. In FY2014 alone, we implemented a number of improvements that are making a difference, including:

- Expanding *MyTix* mobile ticketing to the entire NJ TRANSIT rail system (and coming to the bus system in FY2015).
- Expanding the availability of *MyBus Now* for NJ TRANSIT bus customers.
- Offering Wi-Fi to customers at a growing number of rail stations, with a pilot program for Wi-Fi on railcars planned in FY2015.
- Creating an Office of System Safety that reports directly to me, providing an agency-wide approach to safety for customers and employees.

I've also directed staff to address performance issues at the Port Authority Bus Terminal (PABT). In partnership with the Port Authority of New York & New Jersey, we've already made significant changes that are delivering immediate results for PABT bus customers, and are

working on further investments that will bring long-term results.

As I have quickly learned, managing an agency this size is no small task. We literally touch all 21 counties in New Jersey with a rich mix of bus, rail, light rail and/or Access Link service. Thanks to our ongoing equipment modernization program, more customers are riding on newer multilevel railcars, buses, and Access Link vehicles.

Employee development is also at the forefront of our efforts to maintain a strong and productive workforce. As a result, we are moving forward with several programs in FY2015 that provide a firm foundation for our future, including succession planning, a formal mentorship program and a Corporate-wide Leadership Training Program that will help us train the future leaders of NJ TRANSIT.

Finally, NJ TRANSIT marked a new chapter in its post-Sandy recovery efforts in FY2014 — transitioning from immediate repair needs to a more comprehensive storm-hardening program that will make our system more resilient in future storms. In fact, we recently learned that NJ TRANSIT will receive $1.28 billion from the Federal Transit Administration (FTA) to help fund five major storm-hardening projects. I would like to thank Governor Christie and our New Jersey Congressional delegation for working so hard to obtain the federal funding we need to support our post-Sandy efforts.

In closing, in addition to the Governor and our elected leaders, I would like to thank our Board of Directors, our dedicated customers and the men and women of NJ TRANSIT for their ongoing engagement and continued support. We remain committed to our primary objective — improving the quality of life for our customers and the taxpayers of New Jersey by delivering safe, convenient and reliable service, managing our resources effectively and supporting the regional economy, one trip at a time.

Veronique "Ronnie" Hakim

Veronique Hakim

Executive Director

Expanded Hudson-Bergen Light Rail test vehicle.

The MyTix mobile app

Scorecard

NJ TRANSIT customers continued to reap the benefits of the Corporation's ***Scorecard*** initiative in FY2014 (July 1, 2013, to June 30, 2014). ***Scorecard*** utilizes customer feedback, operating data and business metrics to improve the customer experience, safety and security, financial performance, corporate accountability and employee excellence. The information is openly shared with the public on njtransit.com, providing transparency to customers and taxpayers.

A primary driver is the quarterly online customer satisfaction survey, which solicits customer feedback in a variety of categories, including equipment and facility conditions, communications, scheduling, fares and more. The survey is available in both English and Spanish. Additionally, NJ TRANSIT senior management hosts ***Scorecard*** customer forums at major stations and terminals to speak directly with customers.

Among the significant *Scorecard* changes implemented in FY2014 to improve the customer experience:

- **Held fares stable** for four consecutive years (and in a fifth year for FY2015).
- Expanded the availability of ***Quiet Commute*** on the rail system.
- Introduced and quickly expanded ***MyTix*** mobile ticketing to the entire rail system (rolling out to the bus system in FY2015).
- Expanded the availability of ***DepartureVision*** and ***MyBus Now***.
- Launched and expanded **Wi-Fi** access in partnership with Cablevision at several NJ TRANSIT rail stations.
- Deployed **gate agents** at Port Authority Bus Terminal (PABT), providing customers with up-to-date bus route, gate activity and boarding information.
- Installed **fans** to improve air circulation at Penn Station New York and at PABT pull-through platforms (joint project with Port Authority of NY & NJ).
- Advanced plans to **increase seating capacity** on Hudson-Bergen Light Rail and Newark Light Rail vehicles.
- Installed an **onboard camera system** on all River LINE vehicles (coming to Hudson-Bergen and Newark Light Rail vehicles in FY2015).

You can read more about these *Scorecard* projects and others in upcoming sections of the annual report. NJ TRANSIT will continue to use *Scorecard* survey results, metrics and customer feedback to target specific improvements. Detailed survey results are published quarterly on njtransit.com.

Rachel Housman
Rail Conductor

Improving the Customer Experience

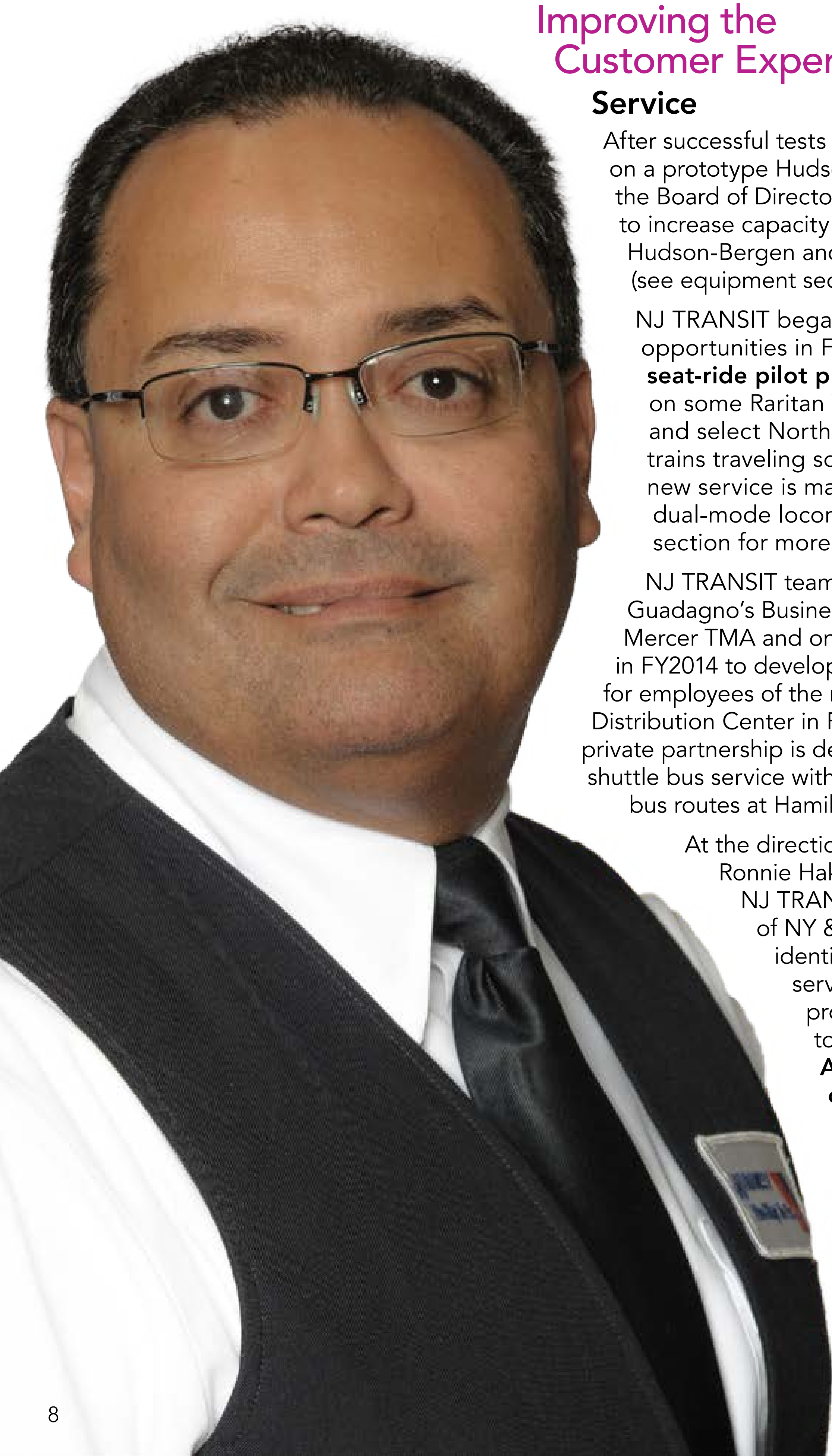
Service

After successful tests to **increase seating capacity** on a prototype Hudson-Bergen Light Rail vehicle, the Board of Directors advanced plans in FY2014 to increase capacity on more than two-dozen Hudson-Bergen and Newark Light Rail vehicles (see equipment section for more information).

NJ TRANSIT began offering new travel opportunities in FY2014 by launching **one-seat-ride pilot programs** to/from New York on some Raritan Valley Line off-peak trains and select North Jersey Coast Line summer trains traveling south of Long Branch. The new service is made possible thanks to new dual-mode locomotives (see equipment section for more information).

NJ TRANSIT teamed up with Lt. Governor Kim Guadagno's Business Action Center, Greater Mercer TMA and online retailer Amazon.com in FY2014 to develop a **shuttle bus service** for employees of the new Amazon Regional Distribution Center in Robbinsville. The public-private partnership is designed to connect the shuttle bus service with four expanded NJ TRANSIT bus routes at Hamilton Marketplace.

At the direction of Executive Director Ronnie Hakim in late-FY2014, NJ TRANSIT and the Port Authority of NY & NJ worked together to identify short- and long-term service adjustments, capital projects and other initiatives to improve service for **Port Authority Bus Terminal customers**. Some have already been implemented in early-FY2015 with dramatic results — such as better management of bus traffic flow in and out of the terminal — with more to come in FY2015.



Luis Rivera
Bus Operator

A dual-powered locomotive provides a one-seat ride to the Jersey Shore.

New CNG cruiser bus.

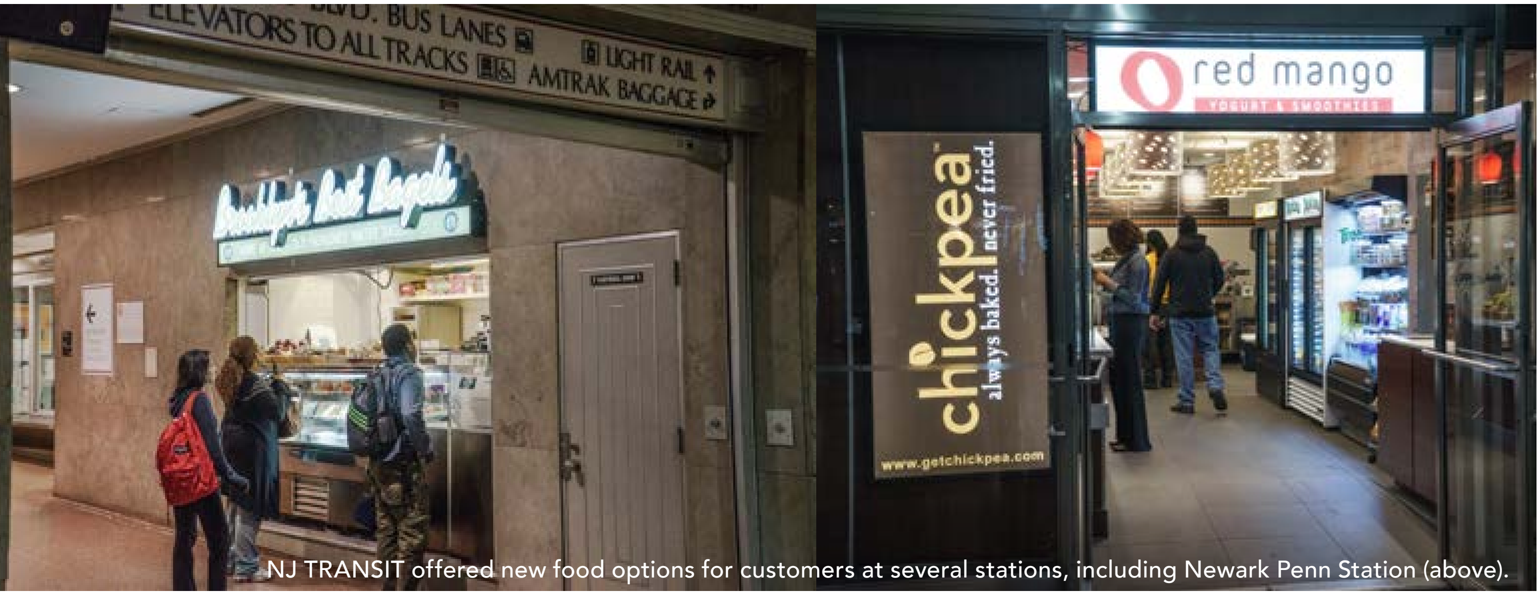
New Access Link bus.

Equipment

NJ TRANSIT received delivery of its 35th and final ALP-45DP **dual-powered locomotive** in FY2014. Dual-powered locomotives operate on both diesel and electric power, offering more operating flexibility. NJ TRANSIT began offering one-seat rides in FY2014 to/from New York for the first time on the Raritan Valley Line and the North Jersey Coast Line south of Long Branch (see service section for more information).

During FY2014, NJ TRANSIT received final delivery of the popular **multilevel vehicle (MLV) railcars** of its 2012 order, bringing the total number of MLVs in the fleet to 429. In addition to many features included in the first generation of the MLV, this latest version is equipped with highly visible LED signage, an external speaker system, newly designed anti-skid vestibule flooring and plexiglas stairway panels for enhanced safety.

NJ TRANSIT purchased 63 **Compressed Natural Gas (CNG) cruiser buses** in FY2014. Most of the buses were delivered in the fiscal year, with the balance scheduled for delivery in FY2015. The



NJ TRANSIT offered new food options for customers at several stations, including Newark Penn Station (above).

buses, which primarily operate along the Route 9 Corridor, will increase seating capacity and replace older buses nearing the end of their service life.

NJ TRANSIT received final delivery of all 1,299 **NABI Suburban and Transit buses** in FY2014. The buses, which operate in urban and suburban areas of New Jersey, are 40 feet long and seat up to 42 customers based on configuration, replacing older vehicles nearing the end of their service life.

NJ TRANSIT approved plans to expand seating capacity on 25 **Hudson-Bergen Light Rail (HBLR) and Newark Light Rail (NLR) vehicles** in FY2014 following a successful prototype test on HBLR, saving time and money when compared to purchasing new vehicles. The vehicle modification, which is accomplished by inserting two new sections into existing vehicles, will increase seating capacity on each vehicle by 40 percent (see service section for more information).

During FY2014, NJ TRANSIT purchased 53 buses and seven sedans for its **Access Link paratransit fleet**, replacing vehicles that reached the end of their useful life. The new vehicles were distributed to contractors who operate Access Link for NJ TRANSIT in 18 New Jersey counties.

Facilities

NJ TRANSIT opened **Pennsauken Transit Center** in FY2014, providing a new intermodal facility that connects the Atlantic City Line, River LINE and NJ TRANSIT bus service at one convenient location. The project included construction of accessible rail and light rail platforms, a bus boarding area, connecting stairs and elevators, sheltered waiting areas, a state-of-the-art customer communications system, stunning artwork and a 280-space surface parking facility.

Four new businesses also opened in FY2014 at NJ TRANSIT facilities, offering more amenities for customers and more income for the Corporation. NJ TRANSIT welcomed Pizza Di Roma at Atlantic City Bus Terminal, ChickPea/Red Mango and Brooklyn's Best Bagels at Newark Penn Station, and PNC Bank at Trenton Transit Center.

NJ TRANSIT, Wood-Ridge Development, LLC, and local dignitaries broke ground in FY2014 on **Wesmont Station** on the Bergen County Line. The public/private partnership includes construction of a new train station and a major residential development adjacent to the station in Wood-Ridge, N.J. The station will include a 285-foot, center-island, high-level platform, elevators, a pedestrian overpass, platform shelters, a modern public address system, security cameras, static and dynamic signs, a surface parking lot and landscaping.

State-of-good-repair work advanced at **Newark Penn Station** in FY2014. Work included repair and restoration of passenger boarding platform E (Track 5), roof drainage systems, platform canopy roofing, painting, brick and tile walls, windows, doors, signage, lighting and passenger communications. All work is scheduled for completion in Winter 2015.

NJ TRANSIT completed work on **Anderson Street Station** on the Pascack Valley Line in FY2014. The station was completely replaced after the original historic structure was destroyed by fire in 2009. The project included construction of a weather-protected waiting area with historic features.

The Corporation performed state-of-good-repair renovation work at **Lincoln Park Station** on the Montclair-Boonton Line in FY2014,

Pennsauken Transit Center.


ADA accessibility improvements at Bloomfield Avenue Station on the Newark Light Rail system.

including installation of historically compatible windows and doors, installation of lighting, replacement of flooring in the waiting room, and repair and repainting work on the exterior of the station building.

NJ TRANSIT completed re-grading and reconfiguration work on the **Annandale Station** parking lot on the Raritan Valley Line in FY2014. The project included paving, striping, increased lighting and improved drainage. The work was coordinated with an adjacent transit-friendly residential complex being advanced by a private developer.

NJ TRANSIT advanced the next phase of work at **Watsessing Station** on the Montclair-Boonton Line in FY2014. The project, which includes historic restoration work, new stairs, platform improvements, new lighting, an upgraded customer communications system and new signage, will be completed in FY2015.

The Corporation advanced the second phase of work in FY2014 at historic **Red Bank Station** on the North Jersey Coast Line. The project involves state-of-good-repair stabilization and weather-proofing work, including foundation and structural repairs, window, door and siding reconstruction or replacement, installation of historic ornamental trim and interior ceiling repairs. The project will be completed in FY2015.

NJ TRANSIT advanced accessibility work at **Davenport Avenue Station** on the Newark Light Rail system in FY2014. The project includes Americans with Disabilities Act (ADA) improvements to the platforms, access ramp and pedestrian crossing, new customer shelters, a new customer communications system and removal of a deteriorated bridge structure. Work will be completed in FY2015.

The Corporation also advanced accessibility improvements at **Bloomfield Avenue Station** on the Newark Light Rail system in FY2014. The project includes ADA work on platforms, elevators, and a pedestrian crossing, reconstruction of access stairs, improved lighting and a new customer communications system. The project will be completed in FY2015.

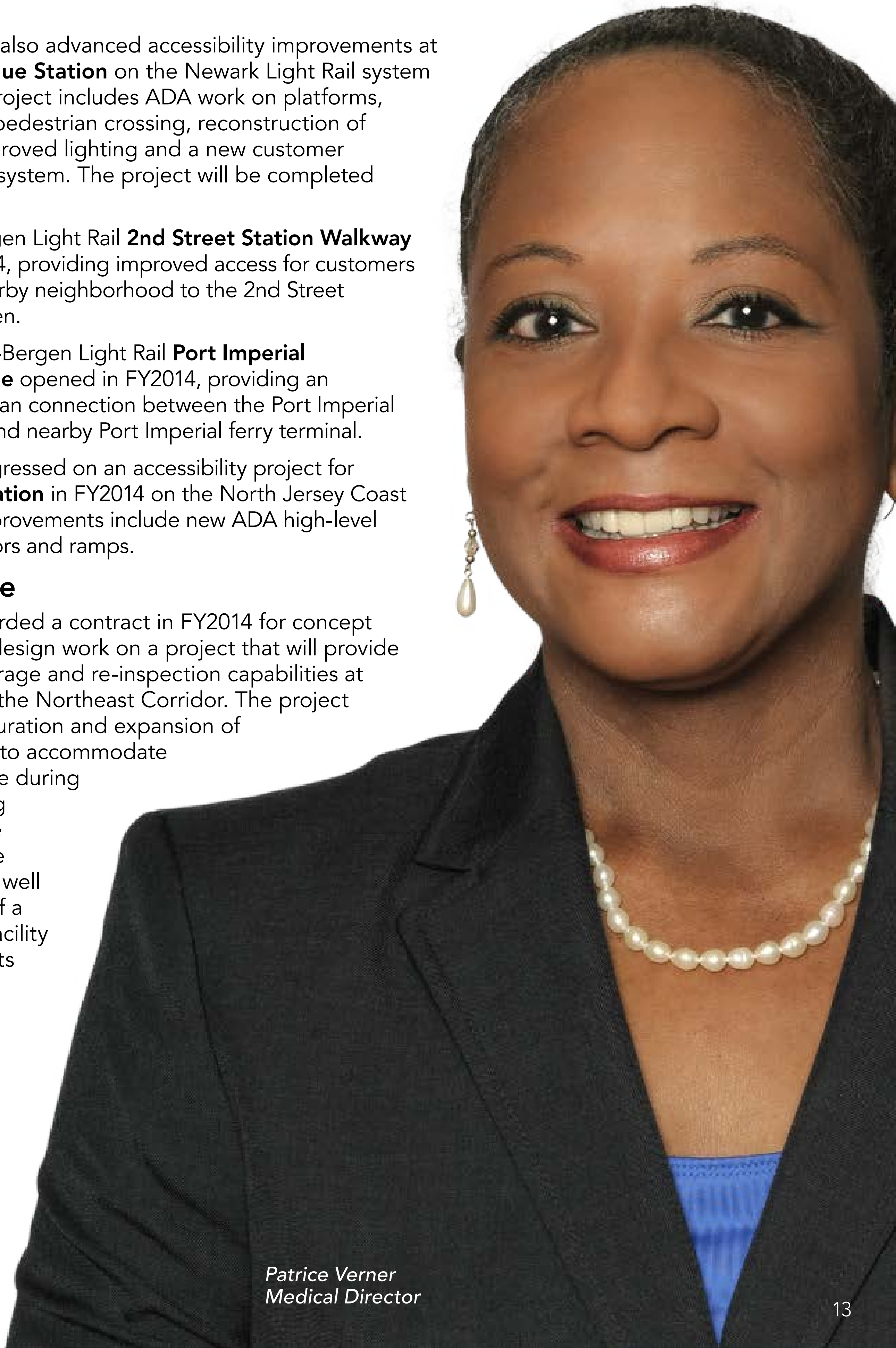
The Hudson-Bergen Light Rail **2nd Street Station Walkway** opened in FY2014, providing improved access for customers to get from a nearby neighborhood to the 2nd Street Station in Hoboken.

The new Hudson-Bergen Light Rail **Port Imperial Pedestrian Bridge** opened in FY2014, providing an elevated pedestrian connection between the Port Imperial light rail station and nearby Port Imperial ferry terminal.

Design work progressed on an accessibility project for **Perth Amboy Station** in FY2014 on the North Jersey Coast Line. Planned improvements include new ADA high-level platforms, elevators and ramps.

Infrastructure

NJ TRANSIT awarded a contract in FY2014 for concept and preliminary design work on a project that will provide increased rail storage and re-inspection capabilities at **County Yard** on the Northeast Corridor. The project involves reconfiguration and expansion of the existing yard to accommodate additional storage during potential flooding events and future expanded service opportunities, as well as construction of a new inspection facility and improvements to nearby **Jersey Avenue Station**, making it fully accessible to customers with disabilities.



Patrice Verner
Medical Director

Studies

NJ TRANSIT and Bergen County have teamed up on the **Bergen County Bus Rapid Transit Implementation Study**. The study will examine opportunities to implement Bus Rapid Transit routes for an expedited and efficient ride around the county, with a focus on linking major employment centers with residential and commuter clusters. The study effort in FY2014 narrowed the initial number of proposed routes, with the selection of final candidates and an implementation plan coming in FY2015.

NJ TRANSIT advanced environmental work in FY2014 on the proposed **South Jersey Bus Rapid Transit (SJBRT)** system, improving transit service along the Atlantic City Expressway, Routes 42 and 55, Interstates 76 and 676 in downtown Camden and in Philadelphia. Bus Rapid Transit uses priority treatments and new technology to enhance the transit experience, making it faster and more reliable than traditional bus service. In FY2015, the project's environmental review process will conclude and initial design work will begin on project elements for the Avandale Park & Ride in Winslow Township.

NJ TRANSIT launched the first phase of the **Route 1 BRT Project** in FY2014 by implementing schedule and route changes for the No. 655 bus service. Study work continues for a new east-

Hudson-Bergen Light Rail's West Side Avenue Station.


Wi-Fi was introduced at many rail stations in FY2014.


The *MyTix* mobile app eases the travel experience.

west bus service along Route 571, which runs through Mercer, southern Middlesex and western Monmouth counties.

NJ TRANSIT evaluated the **Route 440 extension of Hudson-Bergen Light Rail** (HBLR) in Jersey City during FY2014. The extension would serve planned commercial and residential growth along the Hackensack River, including at least 8,000 new housing units and more than one-million-square-feet of commercial space. The study examined alternatives for an HBLR extension from West Side Avenue Station to new growth areas west of Route 440, and performed an environmental assessment of the selected alternative. The Federal Transit Administration (FTA) completed a "Finding of No Significant Impact" for the project, concluding the environmental review process.

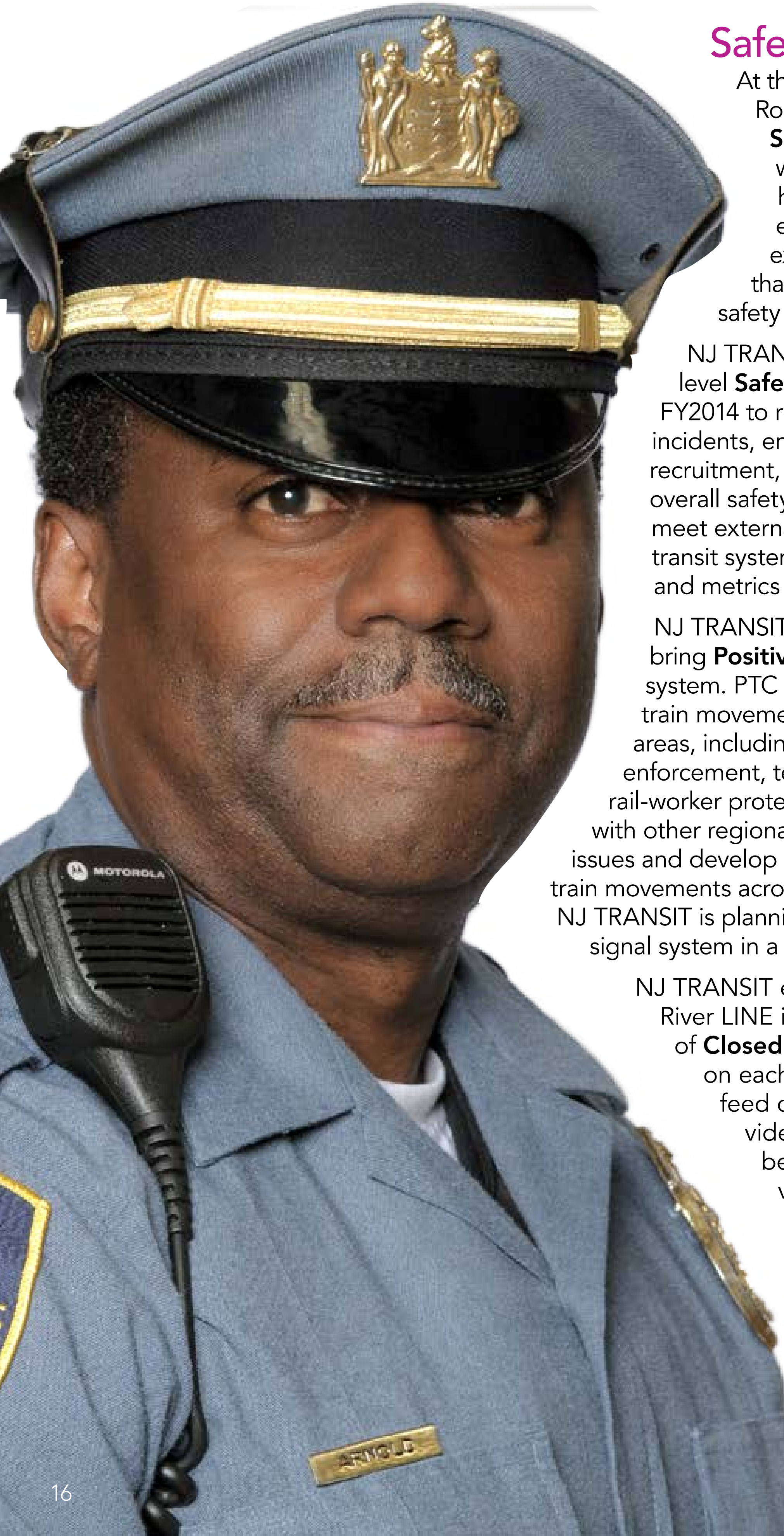
Technology

NJ TRANSIT expanded its **MyBus Now** real-time arrival system in FY2014 to include all lines serving the Port Authority Bus Terminal in New York. With the exception of approximately 95 buses due to be replaced by new buses already equipped with MyBus technology, ***MyBus Now*** is virtually available fleetwide.

Following a successful pilot program for the ***MyTix*** mobile ticketing application on Pascack Valley Line and Meadowlands Rail Line trains in FY2013, NJ TRANSIT gradually expanded the availability of the *MyTix* app to the rest of its rail lines in FY2014. NJ TRANSIT made many improvements to the *MyTix* app based on valuable feedback from customers. *MyTix* is being introduced on South Jersey bus routes in FY2015.

NJ TRANSIT began introducing **Wi-Fi** technology to rail customers in FY2014 in a public-private partnership with Cablevision, offering high-speed wireless internet access at select stations. By the end of FY2014, two-dozen rail stations were equipped with Wi-Fi, with more stations coming on line in FY2015. NJ TRANSIT will launch a Wi-Fi pilot program onboard some railcars in FY2015.

New **digital departure boards** were installed above the NJ TRANSIT ticket windows and in the Customer Service Office at Port Authority Bus Terminal, and a **digital station-by-station destination sign** was installed in the 7th Avenue Concourse at Penn Station New York.



Safety & Security

At the direction of Executive Director Ronnie Hakim, an **Office of System Safety** (OSS) was established in FY2014 with a system-wide focus on the health and safety of customers and employees. The office will promote existing and new programs to ensure that the highest practicable levels of safety are achieved on all transit modes.

NJ TRANSIT also formed a Board of Directors-level **Safety and Security Committee** in FY2014 to review customer and employee incidents, employee lost time, training, recruitment, mean-distance-between-failures and overall safety-related statistics. Members also meet externally with other regional multimodal transit systems to gain insight into best practices and metrics reporting.

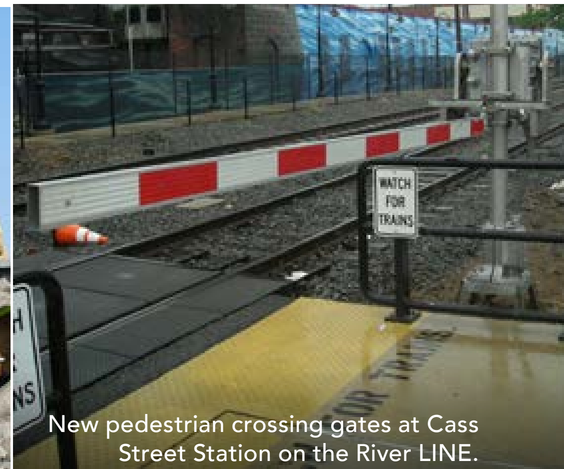
NJ TRANSIT advanced plans in FY2014 to bring **Positive Train Control** (PTC) to the rail system. PTC is used to monitor and control train movements to enhance safety in several areas, including rail-collision avoidance, speed enforcement, temporary speed restrictions and rail-worker protection. NJ TRANSIT has been working with other regional railroads to address interoperability issues and develop formal procedures for seamless train movements across different railroads. In addition, NJ TRANSIT is planning a demonstration of a PTC cab signal system in a locomotive and railcar in FY2015.

NJ TRANSIT enhanced safety and security on the River LINE in FY2014 by completing installation of **Closed-Circuit Television (CCTV) cameras** on each light rail vehicle. The video feed can be viewed live or on a digital video recorder. The same system will be installed on all HBLR and NLR vehicles in FY2015. NJ TRANSIT also upgraded, replaced or added CCTV cameras at stations on the NLR system.

NJ TRANSIT **enhanced pedestrian safety** at Cass Street Station in Trenton on the River

Lennoris Arnold
Police Sergeant


An emergency training exercise on Hudson-Bergen Light Rail.



New pedestrian crossing gates at Cass Street Station on the River LINE.


Positive Train Stop hardware (left) being tested on a railcar.

LINE in FY2014 by installing new crossing gates and warning lights for a pedestrian crossing at the southern end of the station.

Work was completed on a **backup SCADA system** (Supervisory Control and Data Acquisition) for NLR at Newark Penn Station, which can be used if the primary Operations Control Center at the system's Vehicle Base Facility in Bloomfield experiences a system disruption. The SCADA system controls train operations, signals, communications and transfer of data for the light rail line.

NJ TRANSIT's **Safety Education Program** visited all 21 New Jersey counties again in FY2014, bringing its rail, light rail and bus safety message to schools and community events. More than 42,700 students were reached in 186 schools across New Jersey with the free program, which also includes a new driver education safety program for teen drivers. Additionally, the Safety Education Program distributed safety materials at 35 conventions and community activities in FY2014. A new "Chicken on the Tracks" safety video will debut in schools in FY2015.

By the end of FY2014, more than 9,300 NJ TRANSIT employees received **PATRIOT Training**, an in-depth anti-terror training program that gives participants the ability to spot potential suspicious activity around the system and instructions on how to report it.

NJ TRANSIT Police worked with federal, state and local law enforcement agencies and emergency responders in FY2014, sponsoring **emergency training exercises** on the Atlantic City Line, Hudson-Bergen Light Rail, Newark Light Rail and River LINE. The Police Department also conducted more than 15 **fire safety exercises**. During the past four years, more than 400 police personnel received **Transit Terrorist Tools and Tactics Training** and more than 400 additional NJ TRANSIT Police Officers, employees and New Jersey first responders received **advanced emergency preparedness and response training**.

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

Financial Performance

Strong budget and asset management, including opening of new retail establishments, ongoing expansion of marketing and business partnerships, increased website, digital and outdoor advertising, and tight management of labor and fuel costs, paid dividends for NJ TRANSIT and its customers, most noticeably in the area of fares. The Corporation held fares steady for the fourth consecutive year in FY2014 and committed to another year of fare stability through FY2015, all accomplished without service reductions.


Community shuttles link local residents to NJ TRANSIT services.

Corporate Accountability

In an effort to increase transparency, NJ TRANSIT hosted one evening **Board of Directors meeting** and one evening **Customer Service Committee meeting** in FY2014 for more customer and taxpayer participation, with more planned for FY2015. Additionally, NJ TRANSIT initiated video recordings of its Board meetings that are made available on the Corporation's website, and opened some Board Committee meetings to the public.

NJ TRANSIT continued work on a three-year strategic **transit-friendly planning initiative** in FY2014 called "Together North Jersey," funded through a U.S. Department of Housing and Urban Development grant. The Corporation is responsible for delivering up to 18 Local Demonstration Projects; three projects were completed in FY2013, three more were completed in FY2014 and six more were

New digital advertising at Princeton Junction Station.

launched in FY2014. The final six projects will get underway in FY2015 and be completed at the end of that fiscal year. The regional planning effort covers 13 counties and is a collaborative effort with Rutgers University, the North Jersey Transportation Planning Authority, Lt. Governor Kim Guadagno's Business Action Center and the NJ Office of Planning Advocacy.

Also in FY2014, the State of New Jersey designated two new **Transit Villages** in Summit and Plainfield. The Transit Village initiative is a collaborative effort between the New Jersey Department of Transportation (NJDOT) and NJ TRANSIT, creating incentives for municipalities to redevelop or revitalize areas with transit-oriented development (TOD) around transit stations. TODs help municipalities create attractive, vibrant, pedestrian-friendly neighborhoods where people can live, shop, work and play without relying on automobiles.

NJ TRANSIT Rail Operations continued state-of-good-repair work in FY2014, including its **station improvement program**. During the fiscal year, waiting rooms were renovated at New Brunswick, Waldwick, Lebanon, Dunellen and Cranford stations, stair repairs were completed at Hazlet, Perth Amboy, New Brunswick, Edison and North Elizabeth stations, canopy repairs were completed at Passaic and Metuchen stations, platform repairs were completed at Gladstone and North Elizabeth stations, and roof repair or replacement work was completed at Walnut Street, Ho-Ho-Kus, Long Branch, Perth Amboy and Elberon stations.

Valerie Rieder
Customer Relations Specialist

Summit Station serves as an anchor for the newly designated Summit Transit Village.

Additional rail infrastructure work included replacing 10 miles of track and 40,000 railroad ties that support the tracks, continuing installation of energy-efficient switch heaters system-wide, and replacing critical components in electric substations in Aberdeen and Red Bank (North Jersey Coast Line). Significant bridge work also was accomplished in FY2014, including replacement of 2,600 bridge deck timbers on the Navesink River Bridge (North Jersey Coast Line), complete bridge-deck replacements on bridges in Plainfield (Raritan Valley Line) and Mahwah (Main Line), steel rehabilitation work on the Rockaway River Bridge (Boonton Line), bearing repair work on the Raritan River Bridge (North Jersey Coast Line), and painting of bridges in Woodbridge and Sayreville (North Jersey Coast Line).

NJ TRANSIT Bus Operations also completed **state-of-good-repair** projects in FY2014, including replacement of a large bus shelter structure on Route 9 in Old Bridge, installation of new ecologically friendly bus lifts in Meadowlands and Orange garages to minimize the use of hydraulics, opening a new fuel lane at Market Street Garage and reconstructing office floors at Oradell Garage. Construction on a new South Jersey Control Center in Camden, which began in FY2014, will be completed in FY2015.

NJ TRANSIT funds local **community transit programs** run by counties, non-profit agencies and municipalities that operate over 1,100 vehicles throughout the state, and another 2,000 vehicles used by human service agencies for mobility needs. In FY2014, NJ TRANSIT completed delivery of more than 280 new minibuses, vans and minivans to these agencies, including larger buses for county systems in rural and suburban areas with limited bus service. Some of these systems provide connections to NJ TRANSIT rail and bus service around the state.

Superstorm Sandy Recovery and Resiliency

NJ TRANSIT made great strides in its recovery from Superstorm Sandy. Immediately after the October 2012 storm, NJ TRANSIT prioritized its repairs on customer facilities and equipment to reestablish service as quickly as possible.

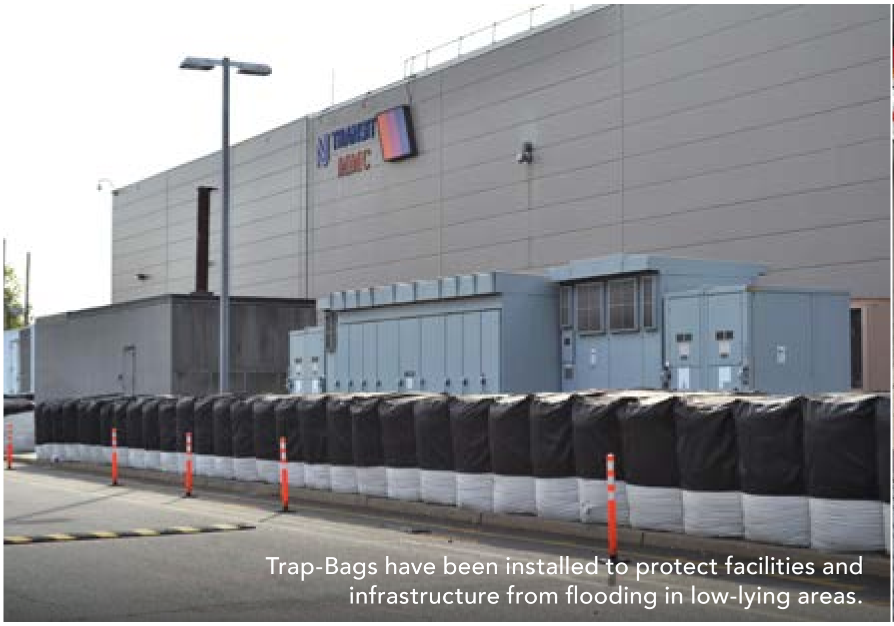
During FY2014, NJ TRANSIT took precautions to protect many multi-million dollar facilities and substations in low-lying areas from future storms and installed flood-proven protective barriers, **Trap-Bags,** that can withstand up to six feet of water. The Corporation also fabricated plates to cover light rail vents susceptible to street flooding.

NJ TRANSIT also advanced resiliency projects to "harden" the system, minimizing potential damage caused by future storms. More than 90 projects are in varying stages of design or further progress, including the raising of substations to protect them from future flooding, establishing safe haven storage yards to evacuate rail equipment, procuring and installing emergency generators, and protecting rail infrastructure from future erosion and scouring.

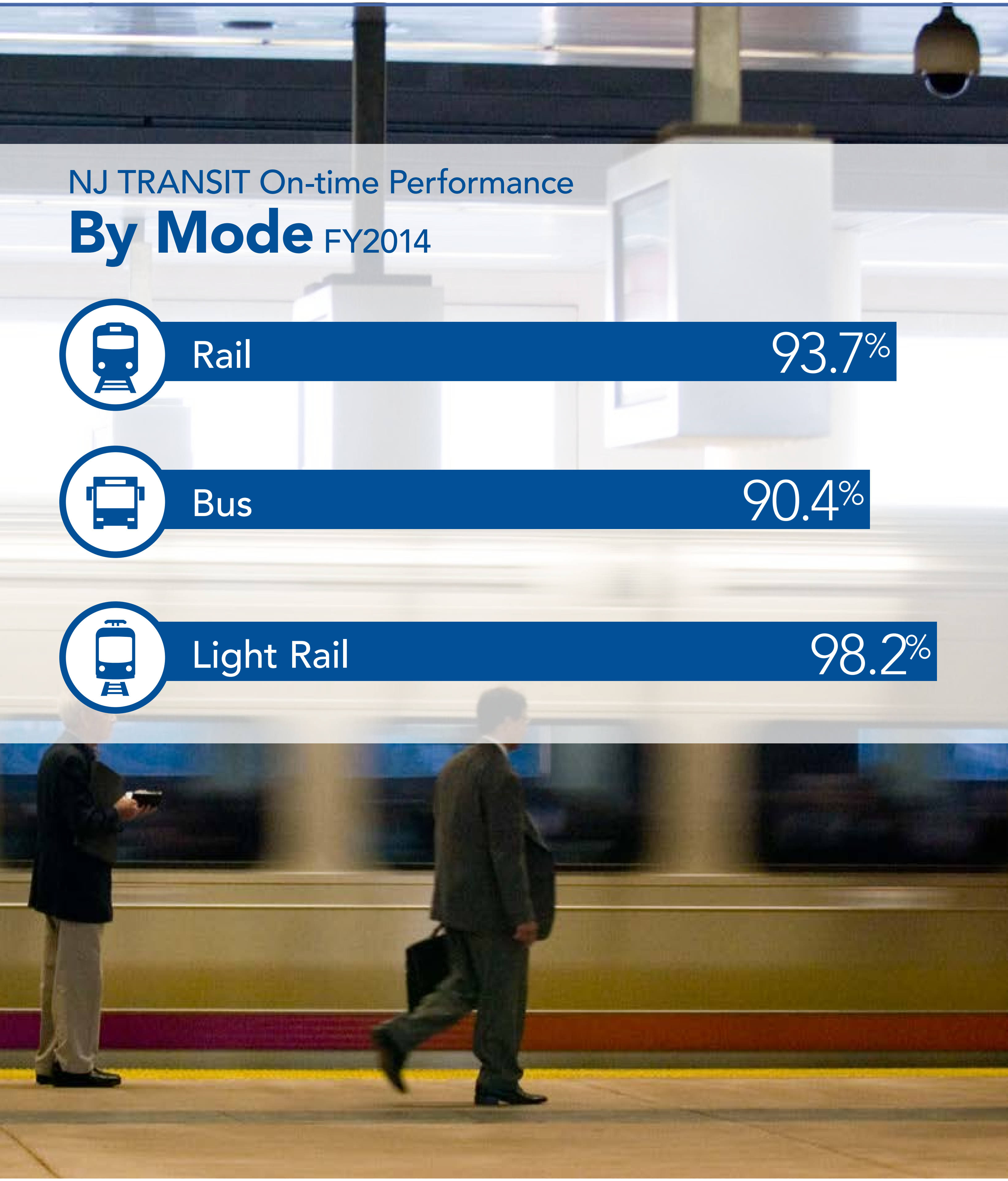
In early FY2015, NJ TRANSIT learned it was awarded $1.28 billion from the Federal Transit Administration (FTA) to fund five projects designed to harden NJ TRANSIT's infrastructure:

- An **electrical microgrid** that will be capable of supporting NJ TRANSIT rail operations during a regional power interruption.
- Replacement of the **Raritan River Bridge** on the North Jersey Coast Line.
- A flood protection project adjacent to **Hoboken Yard**.
- A **"safe-haven" yard and inspection facility** on the Northeast Corridor.
- More resilient **train control and signal systems** for Hudson-Bergen Light Rail and four commuter rail lines located in low-lying areas.

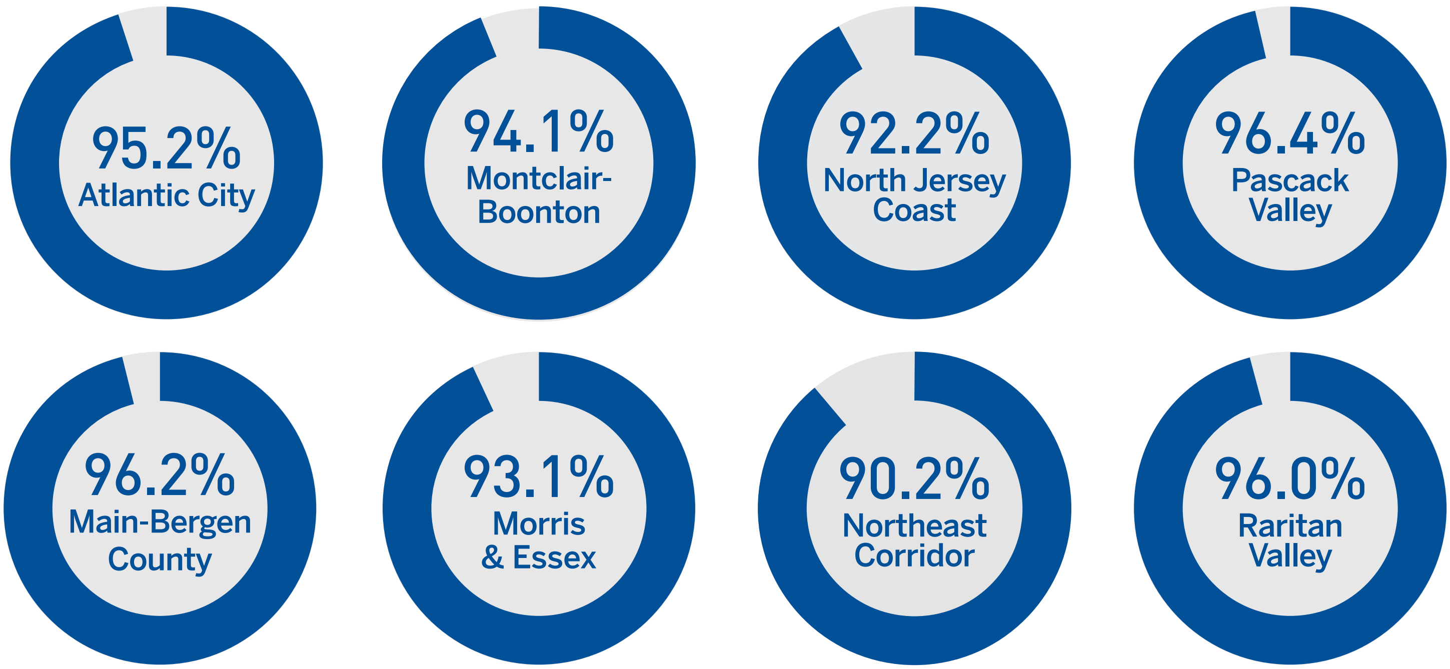
NJ TRANSIT thanks Governor Chris Christie and the New Jersey Congressional delegation for supporting these important initiatives.


Trap-Bags have been installed to protect facilities and infrastructure from flooding in low-lying areas.


Storm-hardening vent covers for Newark Light Rail.


NJ TRANSIT On-time Performance
By Mode FY2014
Rail 93.7%
Bus 90.4%
Light Rail 98.2%

NJ TRANSIT On-time Performance
By Rail Line FY2014



Rail Methodology

NJ TRANSIT considers a train to be on time if it arrives at its final destination within five minutes and 59 seconds of its scheduled time. Trains that fail to depart from their originating station or are canceled en route are considered late for recording purposes. This standard is used by all commuter railroads in the Northeast.

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

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

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

Light Rail Methodology

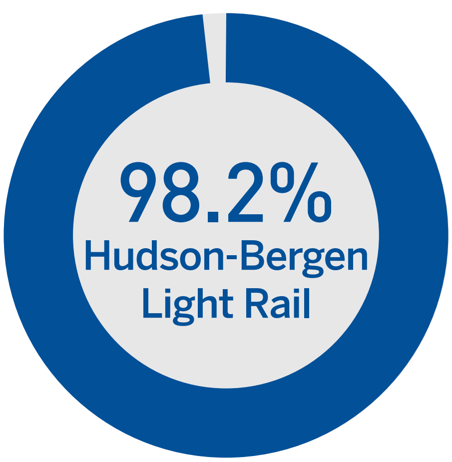
NJ TRANSIT monitors on-time performance using information management systems in its control centers. Train departure and arrival times are automatically tracked by computer systems that compare terminal departure and arrival times to the times posted in the public timetable.

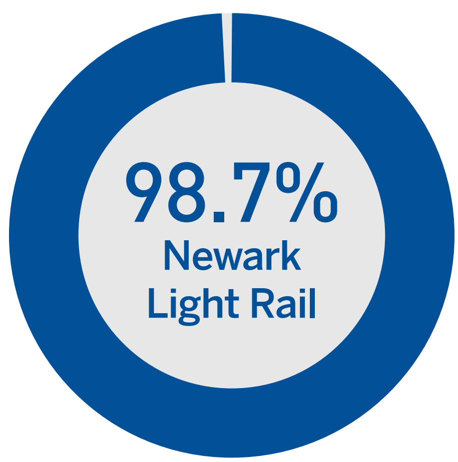
A Hudson-Bergen Light Rail train is not considered on time if it leaves its origin terminal ahead of schedule or arrives at its final destination terminal more than four minutes and 59 seconds late. A River LINE train is not considered on time if it arrives at its final destination terminal more than five minutes and 59 seconds late.

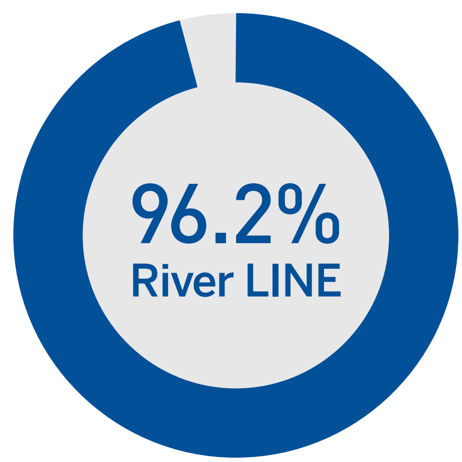
On Newark Light Rail, a train operating as a separate segment between Newark Penn Station and Broad Street Station is not considered on time if it leaves its origin terminal ahead of schedule or arrives at its final destination after three minutes. On the segment between Grove Street Station and Newark Penn Station and on through service from Grove Street Station to Broad Street Station, a train is not considered on time if it leaves its origin terminal ahead of schedule or arrives at its final destination after five minutes.

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

NJ TRANSIT On-time Performance
By Light Rail FY2014

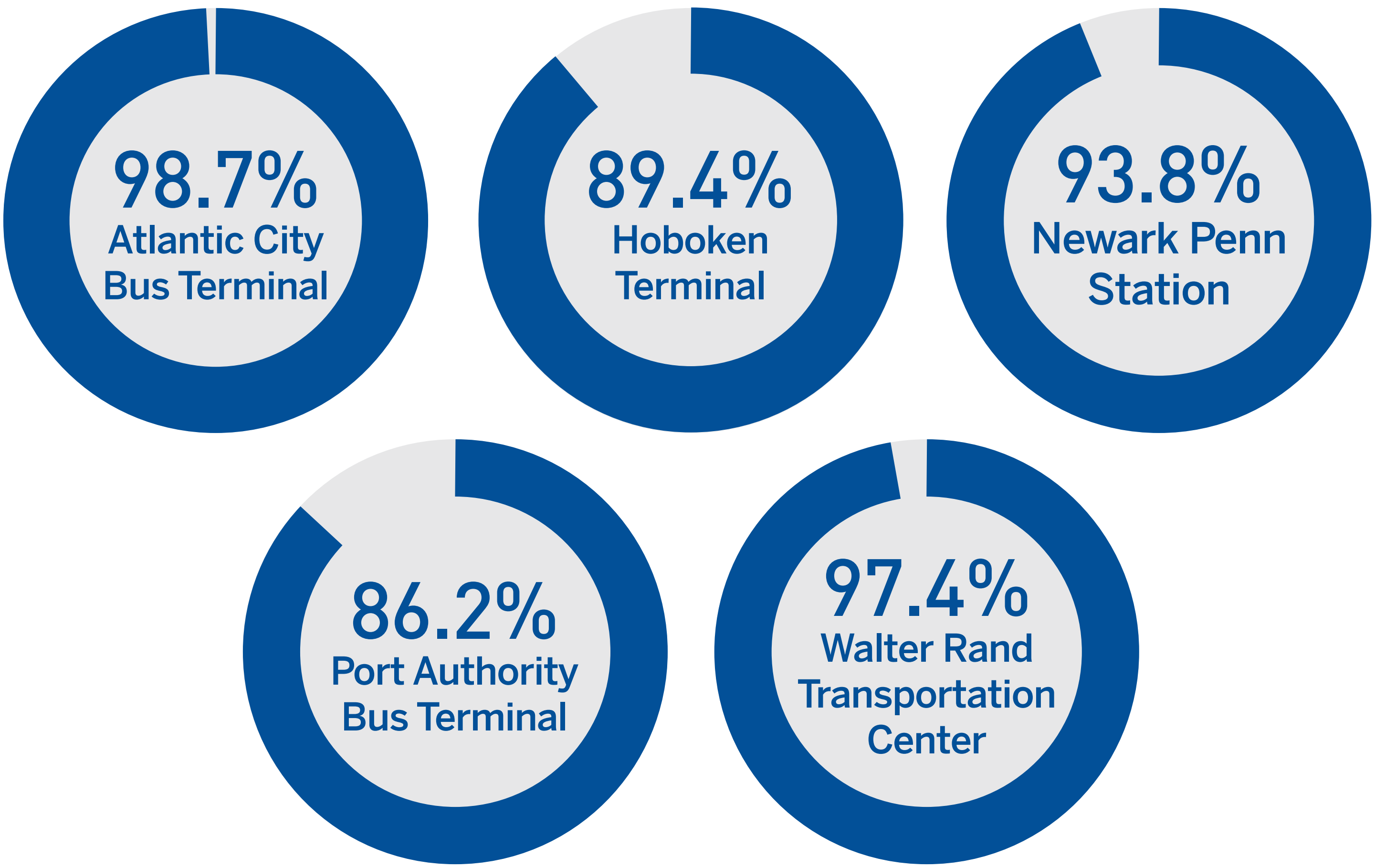






NJ TRANSIT On-time Performance

By Bus Terminal FY2014



Bus Methodology

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

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

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

JAMIE FOX
Board Chairman

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

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

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

BRUCE M. MEISEL
Vice Chairman

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

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

ANDREW P. SIDAMON-ERISTOFF

State Treasurer

Andrew P. Sidamon-Eristoff was sworn in as State Treasurer on March 2, 2010. Prior to that, Andrew served as Commissioner of the N.Y. State Department of Taxation & Finance, the nation's second largest state revenue administration. Andrew previously served as the Department's Executive Deputy Commissioner. His public career also includes service as New York City Commissioner of Finance, a three-time elected member of the New York City Council, and legislative counsel in the New York State Senate. Prior to entering public service, he was an associate at the law firm of Webster and Sheffield specializing in federal and state income tax planning and compliance.

Andrew earned a bachelor's degree, cum laude, in politics from Princeton University and juris doctor degree, cum laude, from Georgetown University Law Center. He earned an Advanced Professional Certificate in Information Technology from New York University.

REGINA M. EGEA

Governor's Representative

Regina M. Egea serves as the Director of the Authorities Unit under Governor Chris Christie. Prior to that, Regina was Chief of Staff to the State Treasurer. Her responsibilities included general management of all Treasury operations, including playing a lead role in developing and implementing the historic pension and benefit reforms that Governor Christie signed into law in June 2011. Before joining state government in February 2010, she was a Senior Vice President at AT&T where she led its global sales segment marketing team. Regina also led other AT&T teams, including business strategy development, product management, core Network Operations, Human Resources leadership and executive succession planning. In local government, Regina served as a Harding Township Committee member – including two years as Deputy Mayor – and as a Harding Board of Education member.

Regina earned an M.B.A. in Marketing from Fordham University and a B.A. from Montclair State University. She also completed the International Executive Program at the International Institute for Management Development in Lausanne, Switzerland.

MYRON P. SHEVELL

Myron P. "Mike" Shevell was appointed to the Board of Directors in May 1995, presently chairing the Board's Administration Committee, and continues to serve on the Board's Customer Service and Safety & Security committees. He served as Vice Chairman of the Board of Directors from 1999 to 2010. Mr. Shevell is Chairman of the Board and Chief Executive Officer of New England Motor Freight (NEMF) and Chairman of the Shevell Group - real estate, trucking and logistics companies. He also is Board Chairman of the New Jersey Motor Truck Association and has worked in the transportation industry for more than 60 years.

Mr. Shevell earned an Associate's Degree from George Washington University and a Bachelor's Degree from New York University.

FLORA M. CASTILLO

Flora M. Castillo has served on the NJ TRANSIT Board of Directors since 1999, presently chairing the Board's Customer Service, Safety and Security committees. Flora Castillo also serves on the American Public Transportation Association's (APTA) Board of Directors, recently completing a term as Board Chair.

Flora is also a member of the NJ Chapter of Conference of Minority Transportation Officials (COMTO) Board of Directors and The Alan M. Voorhees Transportation Center (VTC) Advisory Board at Rutgers University and Transportation Diversity Council. She presently serves as Vice President of Corporate Public Relations at AmeriHealth Caritas Family of Companies (AMFC) of Philadelphia and has an extensive record of not-for-profit service.

JAMES C. FINKLE

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

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

RAYMOND W. GREAVES

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

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

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

North Jersey Transit Advisory Committee

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

South Jersey Transit Advisory Committee

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

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

ADA Task Force

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

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

Private Carrier Advisory Committee

Francis A. Tedesco, Chair
Jonathan DeCamp
Donald Mazzarisi
Dale R. Moser

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

Local Programs Citizens Advisory Committee

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

Michael Gonnella
Deputy Attorney General

Jacqueline Halldow
Chief of Staff

Warren Hersh
Auditor General

Robert Lavell
Vice President/General Manager, Rail Operations

Dennis Martin
Vice President/General Manager, Bus Operations

Kevin Rittenberry
Accountability Officer/Acting Chief,
THE Tunnel Project

Steven Santoro
Assistant Executive Director,
Capital Planning & Programming

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

Kathleen Sharman
Chief Financial Officer/Treasurer

Michael Slack
Chief Information Officer

John Squitieri
Chief, Light Rail and Contract Services

Gardner Tabon
Chief, Office of System Safety

Christopher Trucillo
Chief of Police

Paul Wyckoff
Chief, Government & External Affairs

Neil Yellin
Deputy Executive Director

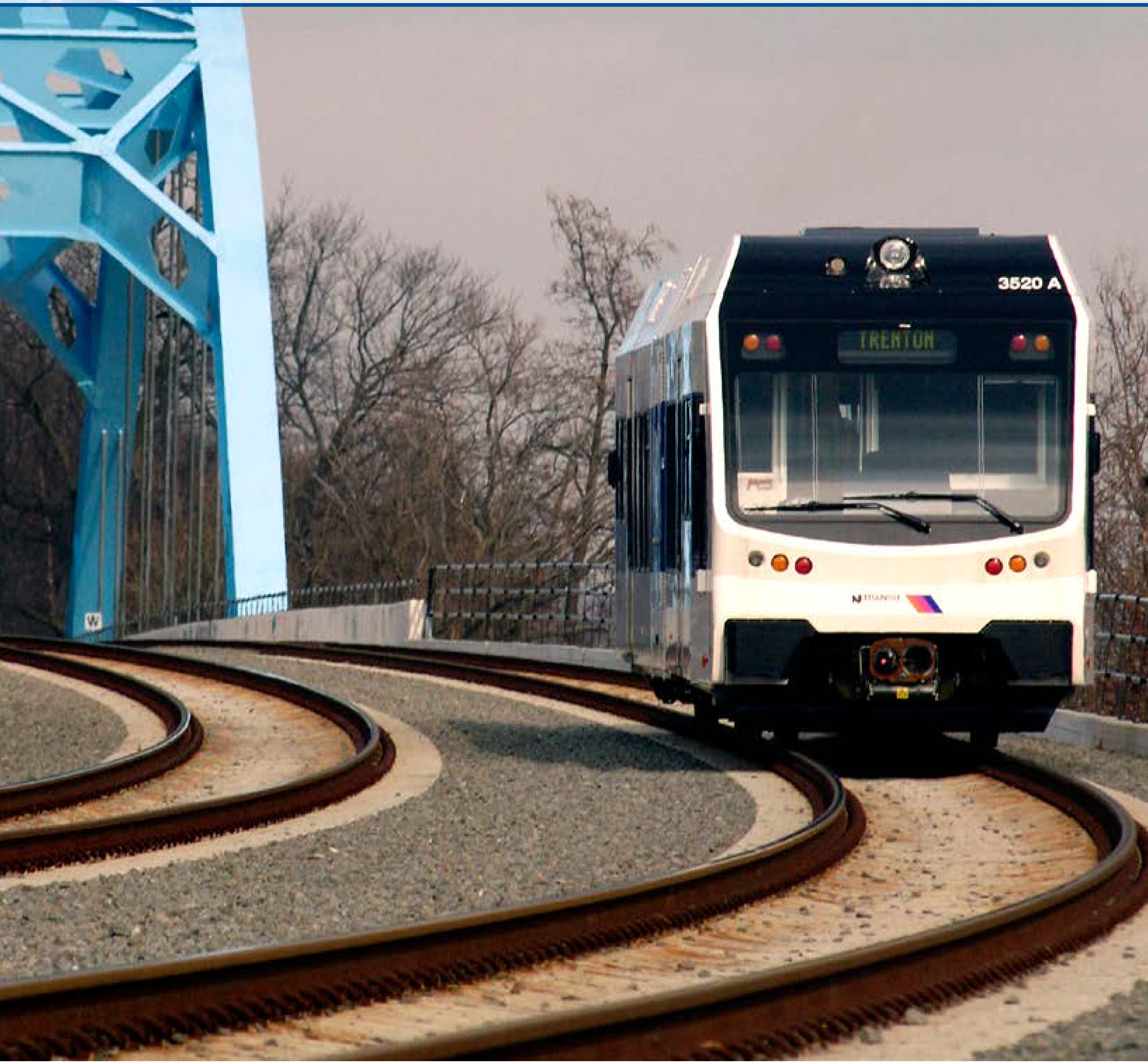
Joyce Zuczek
Acting Board Secretary

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

NJ TRANSIT
The Way To Go.

NJ TRANSIT

FISCAL YEAR 2014
CONSOLIDATED FINANCIAL STATEMENTS



NJ TRANSIT
The Way To Go.

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Building a better working world

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Report of Independent Auditors

Management and Board of Directors
New Jersey Transit Corporation

We have audited the accompanying consolidated financial statements of the New Jersey Transit Corporation and subsidiaries (the "Corporation"), a component unit of the State of New Jersey, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation and subsidiaries as of June 30, 2014 and 2013, and the consolidated changes in its financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis and the Schedules of Funding Progress on pages 3 through 14 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young LLP

October 15, 2014

This section of New Jersey Transit Corporation's (NJ TRANSIT) annual financial report presents a narrative overview and analysis of the financial position and changes in financial position of NJ TRANSIT as of and for the fiscal years ended June 30, 2014 and 2013 with selected comparative information for the fiscal year ended June 30, 2012. This discussion and analysis covers the last three fiscal years and is designed to assist the reader in focusing on the significant financial issues and activities of NJ TRANSIT and to identify any significant changes in financial position and performance. NJ TRANSIT encourages readers to consider the information presented in conjunction with the financial statements as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The **Required Supplementary Information** presents the information regarding NJ TRANSIT's progress in funding its obligation to provide pension benefits and postemployment benefits other than pensions to its employees.

FINANCIAL HIGHLIGHTS – FISCAL YEAR 2014

- Total operating revenues for NJ TRANSIT were $986.8 million in fiscal year 2014, an increase of $40.8 million, or 4.3 percent compared to the prior fiscal year. Passenger revenue increased by $31.6 million, or 3.6 percent. Other operating revenues, net, increased by $9.2 million, or 13.5 percent. This increase, in part, relates to the fact that fiscal year 2013 revenues included losses related to Superstorm Sandy. Ridership, which increased 2.5 percent, was similarly impacted by Superstorm Sandy. However, both revenue and ridership also reflect the impact of continued employment growth in the region.

- Total operating expenses before depreciation and other expenses were $2,098.7 million in fiscal year 2014, an increase of $175.9 million or 9.1 percent, from the prior fiscal year. Additional details are presented beginning on page 9.

- Expenses for the repair of assets damaged during Superstorm Sandy continue to be significant and are reported separately, net of an insurance recovery. Repair and recovery expenses totaled $17.7 million for fiscal year 2014, net of a $50.0 million insurance recovery.

- Total net position at June 30, 2014 was $5,402.3 million, a decrease of $47.2 million, or 0.9 percent from the net position at June 30, 2013.

- Total capital assets (net of depreciation) were $7,225.7 million at June 30, 2014, a net decrease of $163.4 million, or 2.2 percent, below the previous fiscal year. This is indicative of depreciation out pacing the overall increase in assets.

FINANCIAL HIGHLIGHTS – FISCAL YEAR 2013

- Total operating revenues for NJ TRANSIT were $946.0 million in fiscal year 2013, a decrease of $14.3 million, or 1.5 percent compared to the prior fiscal year. Passenger revenue decreased by $11.5 million, or 1.3 percent. Other operating revenues, net, decreased by $2.8 million, or 3.9 percent. Decreases in revenue occurred due to the suspension of service and service disruptions that occurred during and after Superstorm Sandy. It is estimated that Superstorm Sandy caused approximately $18.1 million in passenger revenue loss and approximately $1.5 million in other revenue loss. The other operating revenue loss was mainly comprised of losses of lease revenue from tenants in the flooded Hoboken Terminal and for a reduction in Metro North subsidy payments due to the disruptions in service. Ridership losses of 1.1 percent also resulted mainly from Superstorm Sandy. Employment levels in the region served by NJ TRANSIT exhibited above-average growth during fiscal year 2013, increasing by over 1.5 percent above the prior fiscal year. Passenger revenue and ridership were trending favorably until the storm.

- Total operating expenses before depreciation and other expenses were $1,922.8 million in fiscal year 2013, a decrease of $1.3 million or 0.1 percent, from the prior fiscal year. Decreases in labor, parts, materials and supplies, claims and insurance, fuel and propulsion, and other expenses were partially offset by increases in fringe benefits, services, utilities, tolls, fees and trackage, and purchased transportation. In-house labor costs and other operating expenses for the recovery and restoration efforts following Superstorm Sandy were reclassed from the natural expense accounts and presented on a separate line in the Statement of Revenue, Expenses and Changes in Net Position. Additional details are presented on page 11.

- Total net position at June 30, 2013 was $5,449.5 million, an increase of $129.1 million, or 2.4 percent above total net position at June 30, 2012.

- Total capital assets (net of depreciation) were $7,389.1 million at June 30, 2013, a net decrease of $8.6 million, or 0.1 percent, below the previous fiscal year. The decrease in total capital assets is primarily the result of current year's depreciation more than offsetting the additions to capital assets.

FINANCIAL ANALYSIS

NET POSITION

NJ TRANSIT's total net position at June 30, 2014, was $5,402.3 million, a decrease of $47.2 million, or 0.9 percent, from June 30, 2013 (Table A-1). Total assets decreased $504.1 million, or 5.4 percent, and deferred outflows of resources from unamortized debt refunding decreased by $3.2 million, or 47.1 percent. Total liabilities decreased $460.1 million, or 11.6 percent.

NJ TRANSIT's total net position at June 30, 2013, was $5,449.5 million, an increase of $129.1 million, or 2.4 percent, from June 30, 2012 (Table A-1). Total assets increased $61.0 million, or 0.7 percent, and deferred outflows of resources from unamortized debt refunding decreased by $3.9 million, or 36.4 percent. Total liabilities decreased $72.0 million, or 1.8 percent.

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

	AS OF JUNE 30, 2014	2013	2012	% INC/(DEC) 2014/2013	2013/2012
Current assets	$699.3	$744.0	$546.9	(6.0)	36.0
Restricted non-current assets	960.0	1,256.0	1,383.4	(23.6)	(9.2)
Capital assets, net	7,225.7	7,389.1	7,397.7	(2.2)	(0.1)
Other assets	4.5	4.5	4.6	—	(2.2)
TOTAL ASSETS	**8,889.5**	**9,393.6**	**9,332.6**	**(5.4)**	**0.7**
Refunding of debt	3.6	6.8	10.7	(47.1)	(36.4)
TOTAL DEFERRED OUTFLOW OF RESOURCES	**3.6**	**6.8**	**10.7**	**(47.1)**	**(36.4)**
Current liabilities	842.0	868.6	691.4	(3.1)	25.6
Notes payable	1,194.1	1,416.8	1,631.8	(15.7)	(13.2)
Net OPEB obligation	386.5	340.8	294.7	13.4	15.6
Long-term debt	872.2	1,132.9	1,192.2	(23.0)	(5.0)
Unearned revenue and other non-current liabilities	196.0	191.8	212.8	2.2	(9.9)
TOTAL LIABILITIES	**3,490.8**	**3,950.9**	**4,022.9**	**(11.6)**	**(1.8)**
Net investment in capital assets	5,850.9	5,805.2	5,662.3	0.8	2.5
Restricted for capital projects	6.5	5.1	5.0	27.5	2.0
Unrestricted (deficit)	(455.1)	(360.8)	(346.9)	26.1	4.0
TOTAL NET POSITION	**$5,402.3**	**$5,449.5**	**$5,320.4**	**(0.9)**	**2.4**

FISCAL YEAR 2014

The 6.0 percent decrease in current assets in fiscal year 2014 is primarily due to a decrease in federal grant receivables, offset by an increase in cash and cash equivalents, resulting from the timing of the receipt of fiscal year 2014 Preventive Maintenance grant funds. Restricted assets decreased 23.6 percent as a result of payments for the acquisition of rolling stock and assets relating to service improvements and expansion, as well as the payments made for capital leases, including leveraged leases. Of the $7,225.7 million in capital assets, net, $848.4 million represents construction in progress; $6,009.2 million represents NJ TRANSIT's investment in buildings, structures, track, equipment, locomotives, railcars and buses, net of depreciation; and $368.1 million represents land and other capital assets.

The 3.1 percent decrease in current liabilities was mainly the result of a decrease in trade payables as well as a decrease in current installments under capital leases, as no new lease agreements were entered into during fiscal year 2014.

The 13.4 percent increase in the obligation for postemployment benefits reflects the fiscal year 2014 incremental increase required under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The discount rate being used was decreased from 4.5 percent to 4.25 percent as a result of a 0.25 percent decrease in the inflation component of this rate.

The 2.2 percent increase in unearned revenue & non-current liablitites is attributable to increases in third party claims reserves, offset by the payment of the third $19 million installment under the FTA ARC settlement agreement. Reserves for third-party claims increased significantly due to actual and potential claim settlements for several large bus claims.

FISCAL YEAR 2013

The 36.0 percent increase in current assets in fiscal year 2013 reflects an increase in federal grant receivables mainly for the timing of fiscal year 2013 Preventive Maintenance as well as an increase in receivables due from the State of New Jersey. These increases in receivables were offset by a decrease in cash and cash equivalents mainly due to the timing of receipt of federal funds. Restricted assets decreased 9.2 percent as a result of payments for the acquisition of rolling stock and assets relating to service improvements and expansion.

Of the $7,389.1 million in capital assets, net, $1,186.4 million represents construction in progress; $5,833.8 million represents NJ TRANSIT's investment in buildings, structures, track, equipment, locomotives, railcars and buses, net of depreciation; and $368.9 million represents land and other capital assets.

The 25.6 percent increase in current liabilities was mainly the result of accruing rail rolling stock repairs in the amount of $55 million for multilevel railcars and locomotives damaged during Superstorm Sandy. Also contributing to this increase is an advance from the State of New Jersey in response to the delay in release of federal funds, which are expected to be received in September 2013.

The 15.6 percent increase in the obligation for postemployment benefits reflects the fiscal year 2013 incremental increase required under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

The 9.9 percent decrease in unearned revenue and other non-current liabilities was the result of the payment of the second $19 million installment under the FTA ARC settlement agreement, as well as decreases in Federal Employee Liability Act and third-party claim reserves reflecting NJ TRANSIT's safety record and claims experience.

CHANGES IN NET POSITION

Changes in net position reflect the current year's results of operations combined with non-operating revenue and expenses, and capital contributions. The decrease in net position in fiscal year 2014 was $47.2 million (Table A-2). While there are many contributing factors, this was primarily the result of several large unanticipated bus claims.

The increase in net position in fiscal year 2013 was $129.1 million (Table A-2) and was primarily the result of an increase in non-operating revenues in the form of federal and state grants, caused by the timing of grant awards. More specifically, the delay by the federal government in awarding fiscal year 2012 preventative maintenance and other grants pushed prior year revenue into fiscal year 2013.

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

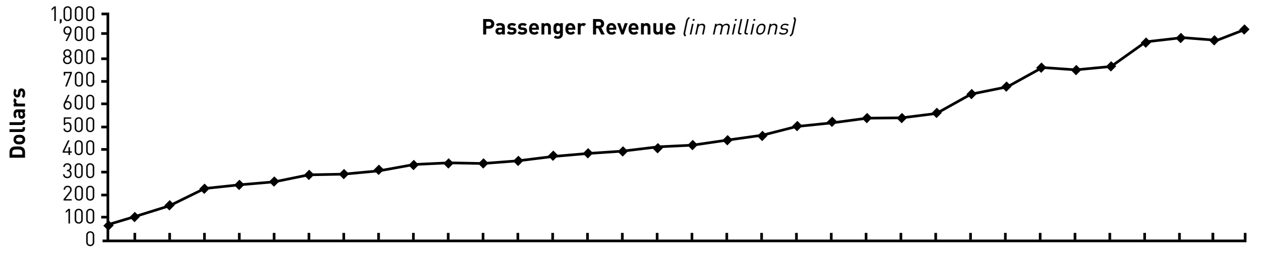
	YEARS ENDED JUNE 30,			% INC/(DEC)	
	2014	**2013**	**2012**	**2014/2013**	**2013/2012**
Operating Revenues					
Passenger fares	$909.3	$877.7	$889.2	3.6	(1.3)
Other, net	77.5	68.3	71.1	13.5	(3.9)
Total Operating Revenues	**986.8**	**946.0**	**960.3**	**4.3**	**(1.5)**
Operating Expenses					
Total operating expenses before depreciation	2,098.7	1,922.8	1,924.1	9.1	(0.1)
Superstorm Sandy expenses, net	17.7	95.3	—	(81.4)	—
Depreciation	517.6	501.7	512.1	3.2	(2.0)
Total Operating Expenses	**2,634.0**	**2,519.8**	**2,436.2**	**4.5**	**3.4**
Operating Loss	**(1,647.2)**	**(1,573.8)**	**(1,475.9)**	**4.7**	**6.6**
Non-operating revenues, net	1,086.4	1,105.0	950.5	(1.7)	16.3
Special items	—	—	(29.8)	—	—
Capital contributions, net	513.6	597.9	498.0	(14.1)	20.1
Change in Net Position	**(47.2)**	**129.1**	**(57.2)**	**(136.6)**	**325.7**
Total Net Position, Beginning	**5,449.5**	**5,320.4**	**5,377.6**	**2.4**	**(1.1)**
Total Net Position, Ending	**$5,402.3**	**$5,449.5**	**$5,320.4**	**(0.9)**	**2.4**

OPERATING REVENUES

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

PASSENGER FARE REVENUES

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



(July 1980 - June 1981 First Year of Financial Reports)

Total passenger revenue for fiscal year 2014 increased $31.6 million or 3.6 percent. When major weather conditions (Superstorm Sandy), calendar anomalies and special events are factored out of each year, the resulting gain in revenue is only 1.63 percent. This increase can be attributed to continued employment gains. As of June, the region experienced forty-six consecutive months of growth, with New York City realizing the biggest improvements. Rail passenger revenue for fiscal year 2014 increased $29.3 million, or 6.0 percent, with ridership increasing by 5.4 million passenger trips, or 6.9 percent. Bus passenger revenue increased $2.2 million, or 0.6 percent, with ridership essentially at the same level as last year. Passenger revenues for Light Rail, which include Newark Light Rail, Hudson-Bergen Light Rail and River LINE revenues, decreased $0.2 million, or 0.9 percent, with ridership increasing by 1.0 million passenger trips, or 4.8 percent. The inconsistency between Light Rail revenue and ridership is the result of an increase in the sale of one way senior/disabled tickets as compared to regular full fare tickets. These are discounted at 50 percent. Also NJ TRANSIT's cross-honoring policy, which allows Rail and Bus passengers to use either a monthly or weekly pass to ride on all Light Rail systems at no additional charge, has increased.

Total passenger revenue for fiscal year 2013 decreased $9.9 million or 1.1 percent as a result of service suspensions and disruptions from Superstorm Sandy. Ridership levels also experienced decreases from fiscal year 2012 as a result of the storm. Employment growth continued in 2013, softening the effects of Sandy. Rail passenger revenue for fiscal year 2013 decreased $12.6 million, or 2.5 percent, with ridership decreasing by 1.8 million passenger trips, or 2.2 percent. Bus passenger revenue increased $3.8 million, or 1.1 percent, with ridership decreasing by 0.4 million passenger trips, or 0.2 percent. Bus service was the least impacted by Sandy as almost all service was restored shortly after the storm. Passenger revenues for Light Rail, which include Newark Light Rail, Hudson-Bergen Light Rail and River LINE revenues, decreased $1.1 million, or 4.8 percent, with ridership decreasing by 0.8 million passenger trips, or 3.7 percent.

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

	YEARS ENDED JUNE 30,			% INC/(DEC)	
	2014	**2013**	**2012**	**2014/2013**	**2013/2012**
Rail Operations	$520.7	$491.4	$504.0	6.0	(2.5)
Bus Operations	363.8	361.6	357.8	0.6	1.1
Light Rail Operations	21.7	21.9	23.0	(0.9)	(4.8)
Total	**$906.2**	**$874.9**	**$884.8**	**3.6**	**(1.1)**

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

	YEARS ENDED JUNE 30,			% INC/(DEC)	
	2014	**2013**	**2012**	**2014/2013**	**2013/2012**
Rail Lines					
Newark Division	52.0	49.4	50.0	5.3	(1.2)
Hoboken Division	31.0	28.2	29.4	9.9	(4.1)
Atlantic City	1.0	1.0	1.0	—	—
Total	**84.0**	**78.6**	**80.4**	**6.9**	**(2.2)**
Bus Lines					
Northern Division	69.6	69.1	68.7	0.7	0.6
Central Division	68.3	68.4	68.5	(0.1)	(0.1)
Southern Division	23.1	23.5	24.2	(1.7)	(2.9)
Total	**161.0**	**161.0**	**161.4**	**—**	**(0.2)**
Light Rail Lines					
Newark Light Rail	5.3	5.3	5.7	—	(7.0)
Hudson-Bergen Light Rail	13.8	12.9	13.3	7.0	(3.0)
River LINE	2.9	2.8	2.8	3.6	—
Total	**22.0**	**21.0**	**21.8**	**4.8**	**(3.7)**
Total Ridership	**267.0**	**260.6**	**263.6**	**2.5**	**(1.1)**

FISCAL YEAR 2014

OTHER OPERATING REVENUES

Other operating revenues, net of the allowance for bad debt, consist of contracted service revenues, rental income, station and vehicle advertising, facility leases, parking lot operations and revenue received from operating service on behalf of Metro-North. There was an increase in other operating revenues of $9.2 million, or 13.5 percent due to several factors, mostly resulting from Superstorm Sandy revenue losses in the prior year. Other contributing factors are additional NJ Department of Transportation (DOT) project billings in fiscal year 2014, as well as increased advertising revenue as a result of Super Bowl and other special advertising campaigns.

OPERATING EXPENSES

Operating expenses consist of employment costs, depreciation and other operating costs. Due to the significance of Superstorm Sandy, in-house labor costs and other operating expenses for the recovery and restoration efforts were reclassed from the natural expense accounts and presented on a separate line in the Statement of Revenue, Expenses and Changes in Net Position. The below table provides the details by major expense category of Storm costs.

DETAIL OF SUPERSTORM SANDY OPERATING EXPENSES/RECOVERABLES

Major expense category	*(in millions)*
Labor	$4.4
Fringe benefits	3.7
Parts, materials and supplies	9.5
Services	37.7
Other	12.4
Total Operating Expenses from Superstorm Sandy	**67.7**
Less Insurance Recoveries	**50.0**
Net Expenses/(Recoverables) from Superstorm Sandy	**$17.7**

EMPLOYMENT COSTS

Employment costs consisting of labor and related fringe benefit expenses represent over 57.3 percent of NJ TRANSIT's total operating costs. These costs include full-time and part-time agreement employees' regular wages and related overtime costs, non-agreement salaries, employment taxes, health and welfare expenses, retirement costs and other fringe benefits.

During fiscal year 2014, labor costs increased $42.3 million, or 7.0 percent, and fringe benefits increased $46.4 million, or 9.1 percent from fiscal year 2013. The increase in labor costs can be partly attributed to the Sandy recovery effort. In 2013, many employees charged time to Sandy-related projects with the total Sandy labor expense in 2013 of $16.9 million. Since Sandy expenses are being reclassed to a separate line item, this reduces the labor expense in the natural expense category. Sandy labor costs were only $4.4 million for fiscal year 2014. Also contributing to this are increased overtime and reimbursable labor charges. All contracts pertaining to agreement employees are currently expired. Wages for non-agreement employees continue to be frozen. The increase in fringe benefits expense for fiscal year 2014 includes the incremental costs for GASB Statement No. 45, which requires the recording of non-pension "Other Postemployment Benefits" (OPEB).

OTHER OPERATING COSTS

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

Parts, materials and supplies expenses increased $20.5 million or 12.9 percent due to an increase in expenses for reimbursable projects, other than Superstorm Sandy. These reimbursable projects included materials for the multilevel truck overhaul and the ALP 46 locomotive overhaul, however, these costs are offset by additional reimbursable revenues.

Services expense increased $15.5 million, or 12.8 percent, reflecting increased contracted service costs associated with various reimbursable project activities such as costs for the multilevel truck overhaul project and the ALP 46 locomotive overhaul, as well as an increase in snow removal costs, and an increase in electronic equipment services.

Claims and insurance expense increased $30.1 million or 63.7 percent due to several large third-party claims related to bus service, as well as an increase in the cost of insurance premiums. The raise in premiums is the result of increased risk assessed by the market throughout the Northeast region as a result of Superstorm Sandy.

Fuel and propulsion expenses increased $6.9 million, or 4.5 percent. Fuel expenses increased $5.1 million, or 4.6 percent, and propulsion increased $1.8 million, or 4.6 percent, mainly due to lower consumption in fiscal year 2013, as compared to fiscal year 2014, as a result of service suspensions and interruptions during and after Superstorm Sandy that occurred in fiscal year 2013.

Trackage, tolls and fees increased $1.4 million, or 2.4 percent, as a result of increased Port Authority Tunnel tolls. Tolls increased on December 31, 2013 by seventy five cents for two and three axle buses.

Utilities increased $2.9 million or 7.0 percent due mainly to increased non-propulsion electricity and telephone charges.

Purchased transportation increased 14.3 million or 7.0 percent resulting from increased costs for the Senior Citizen/Rural Transportation program, which is operated by the counties and municipalities and reimbursed by State casino revenue funds. Overruns associated with the casino fund are offset by an increase in reimbursments. Access Link purchased transportation costs also increased over last year primarily related to the fiscal year 2013 decrease associated with Superstorm Sandy.

Depreciation expense increased by $15.9 million, or 3.2 percent due to recording catch-up depreciation on assets that were placed in service prior to fiscal year 2014.

NON-OPERATING REVENUES (EXPENSES)

Non-operating revenues decreased by $18.6 million, or 1.7 percent, primarily attributable to a decrease in federal and state grant revenue, due to the timing of grant awards. More specifically, the delay by the federal government in awarding fiscal year 2012 preventive maintenance and other grants, pushed prior year revenue into fiscal year 2013, inflating federal revenue realized in that fiscal year. The State appropriation was decreased from $68.2 million in fiscal year 2013 to $58.4 million in 2014. State operating assistance was supplemented with funds from the New Jersey Turnpike Authority as part of an agreement between the Turnpike Authority and the State Treasurer.

CAPITAL CONTRIBUTIONS, NET

NJ TRANSIT receives federal, state and local grants for essentially all of its capital construction and acquisitions. Funding of capital grant expenditures totaling $513.6 million was $84.3 million, or 14.1 percent, below fiscal year 2013.

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

FISCAL YEAR 2013

OTHER OPERATING REVENUES

Other operating revenues, net of the allowance for bad debt, consist of contracted service revenues, rental income, station and vehicle advertising, facility leases, parking lot operations and revenue received from operating service on behalf of Metro-North. There was a decrease in other operating revenues of $2.8 million, or 3.9 percent due to several factors, mostly resulting from Superstorm Sandy: concession revenue was not realized for several tenants of the Hoboken Terminal where flooding occurred and spaces were uninhabitable; a small number of tenants were provided rent relief; and adjustments were made to reduce the subsidy provided by Metro-North for service interruptions.

OPERATING EXPENSES

Operating expenses consist of employment costs, depreciation and other operating costs. Due to the significance of Superstorm Sandy, in-house labor costs and other operating expenses for the recovery and restoration efforts were reclassed from the natural expense accounts and presented on a separate line in the Statement of Revenue, Expenses and Changes in Net Position. The below table provides the details by major expense category of storm costs.

DETAIL OF SUPERSTORM SANDY OPERATING EXPENSES/RECOVERABLES

Major expense category	*(in millions)*
Labor	$16.9
Fringe benefits	13.8
Parts, materials and supplies	20.6
Services	78.6
Utilities	0.1
Purchased transportation	7.7
Other	7.6
Total Operating Expenses from Superstorm Sandy	**145.3**
Less Insurance Recoveries	**50.0**
Net Expenses/(Recoverables) from Superstorm Sandy	**$95.3**

EMPLOYMENT COSTS

Employment costs consisting of labor and related fringe benefit expenses represent over 58.0 percent of NJ TRANSIT's total operating costs. These costs include full-time and part-time agreement employees' regular wages and related overtime costs, non-agreement salaries, employment taxes, health and welfare expenses, retirement costs and other fringe benefits.

During fiscal year 2013, labor costs decreased $7.6 million, or 1.2 percent, while fringe benefits increased $25.8 million, or 5.3 percent from fiscal year 2012. The decrease in labor costs results from the reclass of Superstorm Sandy expenses to a separate line item in the Consolidated Statements of Revenues, Expenses, and Changes in Net Position. When storm costs are included, labor increased by $9.2 million, or 1.5 percent from fiscal year 2012. In-house labor costs for the storm recovery and repair effort totaled $16.9 million for labor and $13.8 million for fringe benefits. All contracts pertaining to agreement employees are currently expired. Wages for non-agreement employees continue to be frozen. The increase in fringe benefits expense for fiscal year 2013 includes the incremental costs for GASB Statement No. 45, which requires the recording of non-pension "Other Postemployment Benefits" (OPEB).

OTHER OPERATING COSTS

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

Parts, materials and supplies expenses decreased $16.7 million or 9.5 percent after the exclusion of Superstorm Sandy expenses. When such expenses are included, this expense category increased by $4.0 million.

Services expense increased $7.1 million, or 6.2 percent, reflecting increased contracted service costs associated with various reimbursable project activities. Including Sandy costs, services increased by $85.7 million. Included in services are the estimated costs to repair rail equipment including multilevel railcars and dual powered locomotives which is estimated to cost approximately $55 million.

Fuel and propulsion expenses decreased $10.8 million, or 6.7 percent. Fuel expenses decreased $6.7 million, or 5.6 percent, and propulsion expenses decreased $4.1 million, or 9.5 percent, mainly due to lower consumption as a result of service suspensions and interruptions during and after Superstorm Sandy.

Trackage, toll and fee expenses increased $1.5 million, or 2.7 percent, as a result of increased Amtrak charges for access fees on the Northeast Corridor Rail Line, as well as increases in tolls and departure fees.

Depreciation expense decreased by $10.4 million, or 2.0 percent, due to certain assets reaching their estimated useful lives and being fully depreciated.

NON-OPERATING REVENUES (EXPENSES)

Non-operating revenues increased $154.5 million, or 16.3 percent, primarily attributable to an increase in federal and state grant revenue, due to the timing of grant awards. More specifically, the delay by the federal government in awarding fiscal year 2012 preventive maintenance and other grants, pushed prior year revenue into fiscal year 2013. The State appropriation was decreased from $285.0 million in fiscal year 2012 to $68.2 million in 2013. State operating assistance was supplemented with funds from the New Jersey Turnpike Authority as part of an agreement between the Turnpike Authority and the State Treasurer.

CAPITAL CONTRIBUTIONS, NET

NJ TRANSIT receives federal, state and local grants for essentially all of its capital construction and acquisitions. Funding of capital grant expenditures totaling $597.9 million was $99.9 million, or 20.1 percent, above fiscal year 2012.

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

CAPITAL ASSETS

As of June 30, 2014, NJ TRANSIT had invested $14,661.0 million in capital assets. Net of accumulated depreciation, NJ TRANSIT's net capital assets at June 30, 2014 totaled $7,225.7 million (Table A-4). This amount represents a net decrease of $163.4 million, or 2.2 percent, below June 30, 2013 net capital assets.

As of June 30, 2013, NJ TRANSIT had invested $14,394.6 million in capital assets. Net of accumulated depreciation, NJ TRANSIT's net capital assets at June 30, 2013 totaled $7,389.1 million (Table A-4). This amount represents a net decrease of $8.6 million, or 0.1 percent, below June 30, 2012 net capital assets.

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

	AS OF JUNE 30,			% INC/(DEC)	
	2014	**2013**	**2012**	**2014/2013**	**2013/2012**
Capital projects in process	$848.4	$1,186.4	$1,003.4	(28.5)	18.2
Revenue vehicles	2,177.6	1,746.4	1,800.7	24.7	(3.0)
Buildings and structures	2,724.3	2,888.5	2,961.4	(5.7)	(2.5)
Track	1,041.0	1,114.3	1,167.2	(6.6)	(4.5)
Land	353.8	353.8	352.4	—	0.4
Equipment	66.3	84.6	95.8	(21.6)	(11.7)
Other	14.3	15.1	16.8	(5.3)	(10.1)
Total Capital Assets, Net	**$7,225.7**	**$7,389.1**	**$7,397.7**	**(2.2)**	**(0.1)**

In fiscal year 2014, NJ TRANSIT's Board of Directors approved a $1.23 billion capital program that called for continued investment in the State of New Jersey's transit infrastructure in order to improve the overall state-of-good-repair of the system, to improve reliability and safety and support future expansions, and to create additional programs to augment the customer service experience and security. The program continued to invest in upgrades to the efficiency and state-of-good-repair of the Northeast Corridor (NEC) with a $60 million installment in fiscal year 2014, part of NJ TRANSIT's 5-year $600 million NEC investment program.

Looking forward, the fiscal year 2015 Capital Program calls for continued investment in the State's transit infrastructure in order to improve the overall state-of-good-repair of the system, improve reliability and safety, and augment the customer service experience. The program continues to invest in upgrades to the efficiency and state-of-good-repair of the NEC with a $76 million installment in fiscal year 2015 for both infrastructure and stations, part of NJ TRANSIT's ten-year $1 billion NEC investment program. The program also invests in railroad bridge rehabilitation, track replacement, signal upgrades, repairs to overhead power lines and electrical substations, and improvements to rail station and bus shelter upgrades. Funding is also provided to augment security.

DEBT OBLIGATIONS

Debt obligations outstanding at June 30, 2014, totaled $2,345.6 million compared with $2,835.2 million at June 30, 2013, a decrease of 17.3 percent.

Debt obligations outstanding at June 30, 2013, totaled $2,835.2 million compared with $3,107.0 million at June 30, 2012, a decrease of 8.7 percent.

The following table summarizes the changes in debt between fiscal years 2014, 2013 and 2012 *(in millions)*:

	AS OF JUNE 30,			% INC/(DEC)	
	2014	**2013**	**2012**	**2014/2013**	**2013/2012**
Notes payable	$1,408.1	$1,621.7	$1,827.6	(13.2)	(11.3)
Obligations under capital leases*	937.5	1,213.5	1,279.4	(22.7)	(5.2)
Total	**$2,345.6**	**$2,835.2**	**$3,107.0**	**(17.3)**	**(8.7)**

*Includes $922.2 million, $1,179.1 million and $1,226.5 million of leveraged lease transactions as of fiscal years 2014, 2013 and 2012, respectively.

Additional information about NJ TRANSIT's debt is presented in Notes 10 and 11 to the financial statements.

ECONOMIC CONDITIONS AND TRENDS

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

Employment levels in the region served by NJ TRANSIT exhibited above-average growth during fiscal year 2014, increasing 1.3 percent above the prior fiscal year. This was the fourth consecutive fiscal year in which the region experienced job growth since emerging from recession, and the gains were almost twice the annual average growth rate of the past 20 fiscal years. Overall regional employment during fiscal year 2014 was at its highest level in history.

Regional employment had peaked during September 2008 (fiscal year 2009), then declined for 19 consecutive months before bottoming out in April 2010 (fiscal year 2010), with a net employment decline of almost 4.0 percent in the region. Regional employment by the end of fiscal year 2014 had fully recovered, and exceeded the fiscal year 2009 peak by 1.0 percent.

The various markets served by NJ TRANSIT have experienced differing levels of employment and economic recovery. New York City employment exhibited a 3.0 percent decline lasting a total of 16 months before its recovery started, and by the end of fiscal year 2014 had not only recovered jobs totaling those lost during fiscal 2009-10 but had added another 5.6 percent on top of that. Philadelphia lost just 1.9 percent of its employment during a 14-month period, and has since recovered jobs totaling those lost plus another gain of 0.8 percent above that.

New Jersey's economy, on the other hand, fared significantly worse than its neighbors. NJ employment dropped almost 6.0 percent over a 40 month period, lasting from April 2008 (fiscal year 2008) to August 2011 (fiscal year 2012). At the end of fiscal year 2014, New Jersey had recovered only about 4 of every 10 jobs lost during this period, with employment still 3.6 percent below its peak.

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

NJ TRANSIT continuously monitors economic trends to gain insight on how the economy will impact operations and finances.

CONTACTING NJ TRANSIT FINANCIAL MANAGEMENT

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

NEW JERSEY TRANSIT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF NET POSITION *(in thousands)*

	AS OF JUNE 30, 2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$183,133	$38,775
Restricted cash and cash equivalents	39,623	19,402
Investments	36,804	32,394
Due from federal government	141,792	359,431
Due from State of New Jersey	120,352	125,068
Inventories, net	125,992	122,919
Other	51,652	46,009
Total Current Assets	**699,348**	**743,998**
Non-Current Assets		
Restricted investments	37,736	76,932
Restricted leveraged lease deposits	922,235	1,178,986
Other	4,496	4,496
Capital assets not being depreciated	1,216,529	1,554,601
Capital assets, net of accumulated depreciation	6,009,186	5,834,543
Total Non-Current Assets	**8,190,182**	**8,649,558**
Total Assets	**8,889,530**	**9,393,556**
DEFERRED OUTFLOWS OF RESOURCES		
Refunding of Debt	3,651	6,842
Total Deferred Outflows of Resources	**3,651**	**6,842**
LIABILITIES		
Current Liabilities		
Accounts payable	188,161	241,685
Accrued payroll and benefits	162,144	121,202
Current installments under capital leases	65,301	80,556
Short-term notes payable	213,975	204,955
Other current liabilities	212,412	220,233
Total Current Liabilities	**841,993**	**868,631**
Non-Current Liabilities		
Notes payable	1,194,152	1,416,794
Accrued injury and damage claims	91,643	64,096
Obligations under capital leases	872,223	1,132,913
Net OPEB obligation	386,462	340,782
Unearned revenue and other non-current liabilities	104,362	127,722
Total Non-Current Liabilities	**2,648,842**	**3,082,307**
Total Liabilities	**3,490,835**	**3,950,938**
NET POSITION		
Net investment in capital assets	5,850,890	5,805,179
Restricted for capital projects	6,593	5,148
Unrestricted (deficit)	(455,137)	(360,867)
Total Net Position	**$5,402,346**	**$5,449,460**

See Notes to Consolidated Financial Statements.

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

	YEARS ENDED JUNE 30, 2014	2013
Operating Revenues		
Passenger fares	$909,301	$877,671
Other, net	77,481	68,342
Total Operating Revenues	**986,782**	**946,013**
Operating Expenses		
Labor	645,206	602,870
Fringe benefits	557,795	511,439
Parts, materials and supplies	179,355	158,825
Services	136,947	121,417
Claims and insurance	77,406	47,275
Fuel and propulsion	158,117	151,253
Trackage, tolls and fees	57,639	56,263
Utilities	43,949	41,066
Purchased transportation	218,701	204,369
Other	23,575	28,059
Total Operating Expenses, Before Depreciation	**2,098,690**	**1,922,836**
Loss Before Depreciation and Other Expenses	**(1,111,908)**	**(976,823)**
Superstorm Sandy expenses (net of recoveries of $50 million)	(17,674)	(95,305)
Depreciation	(517,657)	(501,723)
Operating Loss	**(1,647,239)**	**(1,573,851)**
Non-Operating Revenues (Expenses)		
State appropriation	58,373	68,173
Federal, state and local reimbursements	1,091,527	1,112,551
Investment income	3,778	2,174
Other non-operating revenues	7,455	7,223
Interest expense	(74,702)	(85,098)
Total Non-Operating Revenues (Expenses)	**1,086,431**	**1,105,023**
Loss Before Capital Contributions	**(560,808)**	**(468,828)**
Capital contributions, net	513,694	597,907
Change in Net Position	**(47,114)**	**129,079**
Total Net Position, Beginning	**5,449,460**	**5,320,381**
Total Net Position, Ending	**$5,402,346**	**$5,449,460**

See Notes to Consolidated Financial Statements.

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

	YEARS ENDED JUNE 30, 2014	2013
Cash Flows from Operating Activities		
Cash receipts from fares	$910,715	$877,904
Other cash receipts	71,447	84,597
Payments for claims	(47,356)	(55,429)
Payments to employees	(1,116,379)	(1,059,629)
Payments to suppliers	(900,883)	(769,332)
Net Cash Used by Operating Activities	**(1,082,456)**	**(921,889)**
Cash Flows from Non-Capital Financing Activities		
Cash receipts from federal, state and local grants and appropriations	1,290,470	1,048,289
Net Cash Provided by Non-Capital Financing Activities	**1,290,470**	**1,048,289**
Cash Flow from Capital and Related Financing Activities		
Payment of obligations under capital leases	(19,193)	(18,468)
Interest payments	(80,158)	(91,287)
Repayment of note obligations	(204,977)	(195,705)
Purchase of capital assets	(375,773)	(535,721)
Capital grants	598,101	558,754
Net Cash Used by Capital and Related Financing Activities	**(82,000)**	**(282,427)**
Cash Flows from Investing Activities		
Sales and maturities of investments	50,092	88,540
Purchases of investments	(13,761)	(10,247)
Interest on investments	2,234	2,000
Net Cash Provided by Investing Activities	**38,565**	**80,293**
Net Increase (Decrease) in Cash and Cash Equivalents	**164,579**	**(75,734)**
Cash and Cash Equivalents		
Beginning of Year	**58,177**	**133,911**
End of Year	**$222,756**	**$58,177**
Non-Cash Investing Activities		
Increase in fair value of investments	1,544	174
Non-Cash Investing Activities	**$1,544**	**$174**

See Notes to Consolidated Financial Statements.

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

	YEARS ENDED JUNE 30, 2014	2013
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	**$(1,647,239)**	**$(1,573,851)**
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation	517,657	501,723
Changes in Assets and Liabilities		
Inventories	(3,073)	(8,388)
Other current assets	(10,342)	2,505
Other non-current assets	—	9
Accounts payable	(53,524)	101,555
Accrued payroll and benefits	40,943	8,636
Other current liabilities	(3,200)	(5,362)
Accrued injury and damage claims	27,547	(9,264)
Net OPEB obligation	45,680	46,043
Unearned revenue and other non-current liabilities	3,095	14,505
Net Cash Used by Operating Activities	**$(1,082,456)**	**$(921,889)**

See Notes to Consolidated Financial Statements.

1. ORGANIZATIONS AND BUSINESS PURPOSE

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Accounting Standards Issued But Not Yet Adopted. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, was issued in June, 2012. The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

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

The requirements of GASB Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet certain criteria and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. The requirements apply whether the government's financial statements are presented in stand-alone financial reports or are included in the financial reports of another government.

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

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

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

This Statement is effective for fiscal years beginning after June 15, 2014. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, was issued in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68, which is effective for fiscal years beginning after June 15, 2014. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

Revenue and Expense Classification. NJ TRANSIT distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses primarily result from providing transportation services in connection with NJ TRANSIT's ongoing operations. The principal operating revenues are generated from passenger fares. NJ TRANSIT's operating expenses include employment costs, materials, services, claims and insurance, purchased transportation and other expenses related to the delivery of transportation services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NJ TRANSIT's primary source of non-operating revenue relates to grants, subsidies and capital contributions. Grants, subsidies and capital contribution revenue is recognized at the time eligible expenses occur and/or NJ TRANSIT has complied with the grant and subsidy requirements, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Non-capital grants and subsidies are reported as non-operating revenue and capital grants are reported as a separate item on the Statements of Revenues, Expenses and Changes in Net Position as capital contributions.

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

- Net Investment in Capital Assets - This reflects the net position of NJ TRANSIT that is invested in capital assets, net of related debt. This indicates that this net position is not accessible for other purposes.

- Restricted for Capital Projects – This represents the net position that is not accessible for general use because their use is subject to restrictions enforceable by third parties.

- Unrestricted (Deficit) – This relates to net position that does not meet the definition of "net investment in capital assets" or "restricted," as discussed above, such as the recognition of the liability for postretirement benefits other than pensions that exceed the net position for general use.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand, demand deposits and other short-term investments with maturities of three months or less when purchased.

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

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

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

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

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

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

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

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

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

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

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

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

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

Pension Plans. In November 1994, GASB issued Statement No. 27, *Accounting for Pensions by State and Local Governmental Employer*s, which was amended by GASB Statement No. 50, *Pension Disclosures,* which established standards for measurement, recognition, and display of pension expense and the related accounting for assets, liabilities, disclosures, and required supplementary information, as applicable. NJ TRANSIT has adopted these standards for its pension plans. Pension cost is required to be measured and disclosed using the accrual basis of accounting. Annual pension cost should be equal to the Annual Required Contributions (ARC) to the pension plan, calculated in accordance with certain parameters (see Note 6).

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

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

Reclassifications. Certain reclassifications have been reflected in the fiscal year 2013 Consolidated Financial Statements to conform to the current year's presentation.

3. DEPOSITS AND INVESTMENTS

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

	AS OF JUNE 30, 2014	2013
Current		
Cash on hand	$16.3	$14.9
Cash equivalents	166.8	23.9
Restricted cash on hand	11.2	9.0
Restricted cash equivalents	28.4	10.4
Total cash and cash equivalents	**222.7**	**58.2**
Investments	36.8	32.4
Total current cash and investments	**259.5**	**90.6**
Non-current		
Restricted investments	37.7	76.9
Restricted total non-current	**37.7**	**76.9**
Total Deposits and Investments	**$297.2**	**$167.5**

NJ TRANSIT's cash on deposit with various entities as of June 30, 2014 and 2013 totaled $21.0 million and $18.9 million, respectively.

ACCOUNT TYPE	BALANCE (*in millions*) 2014	2013
Insured	$1.6	$1.6
Insured held at NJ TRANSIT's locations	5.5	5.0
Uncollateralized held by health care providers	4.6	3.9
Uninsured held by banks	9.3	8.4
Total	**$21.0**	**$18.9**

Custodial Credit Risk. Custodial credit risk is the risk that a bank failure would result in the forfeiture of NJ TRANSIT deposits. NJ TRANSIT does not have a policy for custodial credit risk. As of June 30, 2014 and 2013, $13.9 million and $12.3 million, respectively, of NJ TRANSIT's cash balance was exposed to custodial credit risk.

NJ TRANSIT's investments as of June 30, 2014 and 2013 totaled $269.7 million and $143.6 million, respectively.

Investments	Fair Value (*in millions*) 2014	2013	Weighted Average Maturity in Years 2014	2013
State of NJ Cash Management Fund	$11.6	$1.7	0.01	—
Repurchase Agreements	211.3	99.1	0.98	2.19
U.S. Treasury/Securities	16.1	10.4	0.02	0.02
Bonds	9.4	13.9	0.32	0.70
Common Stocks	17.3	16.8	—	—
Other	4.0	1.7	—	—
Total	**$269.7**	**$143.6**		
Portfolio weighted average maturity (inclusive of proceeds from debt issuance)			0.85	1.81

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

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

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

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

U.S. government and agency obligations are guaranteed by the full faith and credit of the issuing entity and are held by NJ TRANSIT's escrow agent in an account for NJ TRANSIT. Repurchase agreements are uncollaterized and uninsured and are limited to investment-grade paper. The State of New Jersey Cash Management Fund is a common trust fund administered by the New Jersey Department of Treasury, Division of Investment and is an unrated investment.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Corporation's investment in a single issuer. As of June 30, 2014, no exposure of the concentration of credit risk existed since the Corporation did not hold any investments in any one issuer that would represent five percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this regulation.

4. RESTRICTED ASSETS

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

Since April 1997, certain proceeds, primarily from the issuance of Grant Anticipation Notes, Certificates of Participation and New Jersey Economic Development Authority Bonds, financed portions of NJ TRANSIT's capital projects. These proceeds are restricted by applicable agreement covenants. As of June 30, 2014 and 2013, the balance of restricted assets related to these proceeds was $60.4 million and $83.3 million, respectively.

Since fiscal year 1996, NJ TRANSIT has entered into leveraged leases with certain domestic and overseas lessors. Restricted leveraged lease deposits as of June 30, 2014 and 2013, were $922.2 million and $1,179.0 million, respectively, for these lease agreements that represent investment agreements made to meet NJ TRANSIT's payment obligations throughout the term of the leases. As these transactions do not meet the definition of an "in-substance defeasance," NJ TRANSIT has recorded Obligations Under Capital Leases and the related assets as Restricted Leveraged Lease Deposits in the Consolidated Statements of Net Position.

Other restricted amounts are made up primarily of deposit requirements for NJ TRANSIT health insurance plans, sale of fixed asset reserves and reserve requirements for Metropark parking deck. The proceeds of other restricted amounts totaled $17.0 million and $13.0 million as of June 30, 2014 and 2013, respectively.

5. CAPITAL ASSETS

A summary of all capital assets of NJ TRANSIT as of June 30, 2014 follows *(in millions)*:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets not being Depreciated				
Land	$353.8	$ —	$ —	$353.8
Capital projects in process	1,186.4	354.4	692.4	848.4
Operating rights	14.4	—	0.1	14.3
Total	**1,554.6**	**354.4**	**692.5**	**1,216.5**
Capital Assets being Depreciated				
Buildings and structures	5,693.9	34.4	—	5,728.3
Track	2,251.4	4.4	—	2,255.8
Railcars and locomotives	2,463.6	597.7	1.9	3,059.4
Buses, vans and light railcars	1,764.8	49.9	85.8	1,728.9
Furniture, fixtures and equipment	646.1	5.8	0.2	651.7
Computer software & licenses	20.2	0.2	—	20.4
Total	**12,840.0**	**692.4**	**87.9**	**13,444.5**
Less Accumulated Depreciation				
Buildings and structures	2,805.4	198.6	—	3,004.0
Track	1,137.1	77.7	—	1,214.8
Railcars and locomotives	1,303.7	108.7	1.9	1,410.5
Buses, vans and light railcars	1,178.3	107.6	85.7	1,200.2
Furniture, fixtures and equipment	561.5	24.0	0.1	585.4
Computer software & licenses	19.5	0.9	—	20.4
Total	**7,005.5**	**517.5**	**87.7**	**7,435.3**
Total Capital Assets, Net of Depreciation	**5,834.5**	**174.9**	**0.2**	**6,009.2**
Total Net Capital Assets	**$7,389.1**	**$529.3**	**$692.7**	**$7,225.7**

A summary of all capital assets of NJ TRANSIT as of June 30, 2013 follows *(in millions)*:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets not being Depreciated				
Land	$352.4	$ 2.2	$0.8	$353.8
Capital projects in process	1,003.4	496.3	313.3	1,186.4
Operating rights	14.2	0.2	—	14.4
Total	**1,370.0**	**498.7**	**314.1**	**1,554.6**
Capital Assets being Depreciated				
Buildings and structures	5,563.2	130.7	—	5,693.9
Track	2,225.3	26.1	—	2,251.4
Railcars and locomotives	2,479.3	—	15.7	2,463.6
Buses, vans and light railcars	1,681.7	140.8	57.7	1,764.8
Furniture, fixtures and equipment	630.5	15.7	0.1	646.1
Computer software & licenses	20.2	—	—	20.2
Total	**12,600.2**	**313.3**	**73.5**	**12,840.0**
Less Accumulated Depreciation				
Buildings and structures	2,601.8	203.6	—	2,805.4
Track	1,058.1	79.0	—	1,137.1
Railcars and locomotives	1,244.4	72.7	13.4	1,303.7
Buses, vans and light railcars	1,115.9	117.7	55.3	1,178.3
Furniture, fixtures and equipment	534.7	26.8	—	561.5
Computer software & licenses	17.6	1.9	—	19.5
Total	**6,572.5**	**501.7**	**68.7**	**7,005.5**
Total Capital Assets, Net of Depreciation	**6,027.7**	**(188.4)**	**4.8**	**5,834.5**
Total Net Capital Assets	**$7,397.7**	**$310.3**	**$318.9**	**$7,389.1**

For the years ended June 30, 2014 and 2013, capital assets include capitalized interest costs of $487.4 million and $486.1 million, respectively, net of interest income of $359.4 million and $358.1 million, respectively, related to the issuance of Grant Anticipation Notes and Certificates of Participation (see Note 10).

During fiscal years 2014 and 2013, NJ TRANSIT received capital contributions of $535.0 million and $637.3 million, respectively, of which $21.4 million and $39.4 million were passed through to other entities, respectively. These amounts are considered to be passed through since NJ TRANSIT transferred ownership of the assets upon completion of the projects. For fiscal year 2014, these projects consisted primarily of the betterment of Amtrak's Northeast Corridor Rail Line and 69th Street Bridge Renovation.

6. PENSION AND EMPLOYEE BENEFIT PLANS

Plan Descriptions. NJ TRANSIT and its subsidiaries contribute to the New Jersey Employee Retirement System (PERS) and the Police and Firemen's System (PFRS). These cost-sharing multiple-employer, defined benefit pension plans are administered by the State of New Jersey. Each plan provides retirement, disability and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the State Legislature. The State of New Jersey issues separate, standalone financial reports for the PERS and PFRS plans that can be obtained through the Division of Pensions, State of New Jersey.

NJ TRANSIT sponsors five defined benefit, single-employer pension plans for the employees not participating in PERS and PFRS. Of the five single-employer defined benefit pension plans, four cover bus agreement employees and one plan covers non-agreement employees. The four agreement plans are the Amalgamated Transit Union Employees Retirement Plan, the Transport Workers Union Employees Retirement Plan, the Utility Workers' Union of America Employees Retirement Plan, and the Mercer Employees Retirement Plan. The plan covering all non-agreement employees, hired prior to July 1, 2006, is the Transit Employees Retirement Plan (TERP).

Each single-employer pension plan provides retirement, disability and death benefits for plan members and beneficiaries with the exception of the TERP plan, which has no disability provision and was closed to non-agreement employees hired on or after July 1, 2006. NJ TRANSIT maintains the authority to establish and amend benefit provisions of the non-agreement plan while the agreement plans are subject to the collective bargaining process. Separate audited financial statements are issued for the five pension plans, copies of which can be obtained from NJ TRANSIT.

Funding Policy and Annual Pension Cost. For the cost-sharing PERS and PFRS plans, the contribution requirements of plan members and NJ TRANSIT are established and may be amended by the State legislature. Prior to 2011, plan members were required to contribute 5.5 and 8.5 percent of their covered salary to the PERS and PFRS, respectively. Chapter 78, P.L. 2011, the Pension and Health Benefit Reform Law, increased the PERS and PFRS member contribution rate. The contribution rate increased to 6.5 percent of base salary for PERS and 10 percent of base salary for PFRS effective with the first payroll paid on or after October 1, 2011. Subsequent increases for PERS will then be phased in over 7 years (each July 1st) to bring the total pension contribution rate to 7.5 percent of base salary as of July 1, 2018. NJ TRANSIT is required to contribute an amount based on a fixed percentage of applicable compensation as determined by the respective plan sponsors. NJ TRANSIT's contributions to these plans for the years ended June 30, 2014, 2013 and 2012 were $5.2 million, $5.3 million and $5.0 million, respectively, equal to the required contributions for each year.

Under the provisions of four of the single-employer pension plans, the contribution requirements of plan members and NJ TRANSIT are established as a result of bargaining agreements between the unions and NJ TRANSIT. In accordcance with the TERP plan document, the TERP contributions shall be paid in such intervals and in such amounts as directed by the Company under the advice of an actuary. Plan members are required to contribute 2 to 4 percent of their annual covered salary. NJ TRANSIT is required to contribute at an actuarially determined rate; the current rate is 21.7 percent of annual covered payroll. NJ TRANSIT's annual pension cost was $84.8 million for fiscal year 2014.

THREE-YEAR TREND INFORMATION *(in millions)*

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Non-Agreement Employees Retirement Plan			
06/30/2014	$36.7	52.6%	$17.4
06/30/2013	35.1	100	0
06/30/2012	34.0	100	0
Amalgamated Transit Union Employees Retirement Plan			
06/30/2014	$44.8	100%	$0
06/30/2013	41.5	100	0
06/30/2012	43.4	100	0
Transport Workers Union Employees Retirement Plan			
06/30/2014	$1.3	100%	$0
06/30/2013	1.1	100	0
06/30/2012	0.9	100	0
Utility Workers' Union of America Employees Retirement Plan			
06/30/2014	$0.2	100%	$0
06/30/2013	0.2	100	0
06/30/2012	0.2	100	0
Mercer Employees Retirement Plan			
06/30/2014	$1.8	100%	$0
06/30/2013	1.9	100	0
06/30/2012	1.9	100	0

Actuarial Methods and Assumptions. In the July 1, 2013, actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included (a) 8 percent investment rate of return and (b) projected salary increase ranging from 3.5 percent to 5.3 percent per year. Both (a) and (b) included an inflation component of 3.5 percent. The assumptions did not include postretirement benefit increases. Contributions to sponsored plans covering union employees during fiscal year 2014 were in accordance with actuarially determined requirements computed through actuarial valuations performed as of July 1, 2013. The Plan assets are held in a variety of investment instruments including common stock, fixed-income securities and corporate bonds, all of which are reported at fair value. The actuarial value of assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liabilities are being amortized as a level-dollar amount over various periods on a closed basis. The remaining amortization periods at July 1, 2013 ranged from 1 to 26 years.

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the plans were 81.0 percent funded. The actuarial accrued liability for benefits was $1,650.6 million, and the actuarial value of assets was $1,337.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of $313.5 million. The annual payroll of active employees covered by the plans was $387.3 million, and the ratio of the UAAL to the covered payroll was 80.9 percent.

The following is the funded status information for each plan as of July 1, 2013, the most recent actuarial valuation date *(in millions)*:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (Excess of AAL over Assets) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of AAL over Assets) as a Percentage of Covered Payroll ((b-a)/c)
Non-Agreement Employees Retirement Plan	$464.1	$590.9	$126.8	78.5%	$97.2	130.5%
Amalgamated Transit Union Employees Retirement Plan	803.6	971.5	167.9	82.7	268.4	62.6
Transport Workers Union Employees Retirement Plan	37.4	42.8	5.4	87.4	11.2	48.2
Utility Workers' Union of America Employees Retirement Plan	6.2	7.0	0.8	88.6	1.1	72.7
Mercer Employees Retirement Plan	25.8	38.4	12.6	67.2	9.4	134.0

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

In addition to the defined benefit plans, NJ TRANSIT provides an employee savings and protection plan 401(k) for all eligible non-agreement employees. NJ TRANSIT provides a maximum 50 percent matching contribution on the first six percent contributed by the employees. This plan permits employees to contribute up to 50 percent of their salary not to exceed $17,500 annually on a pre-tax basis.

NJ TRANSIT also provides money purchase pension plans 401(a) and employee savings/deferred compensation plans (457) for eligible agreement and non-agreement employees. NJ TRANSIT contributed 1 to 6 percent of annual compensation to certain employees' accounts in the 401(a) plan. (Effective 1/1/09, newly hired employees in the conductors union (RAIL) get a 1 percent contribution in their first year of employment, with an additional contribution of 1 percent per year up to a maximum of 5 percent.) The 457 plan permits employees to contribute up to 50 percent of their salary not to exceed $17,500 annually on a pre-tax basis.

Beginning in 2002, a pre-tax contribution was added for participants of the 401(k) and 457 plans. The Economic

Growth and Tax Relief Act of 2001 permits individuals who are age 50 (or older) by the end of the calendar year to elect to make additional "catch up" contributions to the plan. This is in addition to the pre-tax employee contribution limit. Pursuant to the act, participants in the 401(k) and 457 plans who are over 50 years of age can contribute an additional $5,500 above the $17,500 limit.

NJ TRANSIT's expense for the defined contribution plans totaled $19.6 million and $19.9 million in fiscal years 2014 and 2013, respectively.

Recorded expenses for all plans (including PERS and PFRS) amount to $109.6 million and $104.9 million for the fiscal years ended June 30, 2014 and 2013, respectively.

7. OTHER POSTEMPLOYMENT BENEFITS

NJ TRANSIT sponsors a single-employer defined benefit health care plan that provides postemployment medical, dental and life insurance benefits for eligible retirees and their spouses. NJ TRANSIT does not issue a financial report for this plan. Contribution requirements are negotiated between NJ TRANSIT and union representatives for Rail and Bus agreement employees. NJ TRANSIT establishes and may amend the contribution requirements and benefit provisions for non-agreement employees. NJ TRANSIT's required contribution is based on projected pay-as-you-go financing requirements. NJ TRANSIT's payments under the plan were $37.6 million for fiscal year 2014. Plan members receiving benefits contributed $5.4 million or approximately 12.6 percent of total premiums.

NJ TRANSIT's annual Other Postemployment Benefit (OPEB) cost is calculated based on the employer Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the components of the annual OPEB cost for the year, the amount contributed to the plan, and changes in NJ TRANSIT's net OPEB obligation for fiscal years 2014 and 2013 *(in millions)*:

	YEARS ENDED JUNE 30,	
	2014	**2013**
Annual required contribution	$92.9	$90.5
Interest on net OPEB obligation	14.5	13.3
Adjustment to annual required contribution	(24.1)	(20.8)
Annual OPEB cost	83.3	83.0
Contributions made	(37.6)	(36.9)
Increase in net OPEB obligation	45.7	46.1
Net OPEB Obligation, Beginning of Year	**340.8**	**294.7**
Net OPEB Obligation, End of Year	**$386.5**	**$340.8**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013 and 2012 are as follows *(in millions)*:

Fiscal Year Ended	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
2014	$83.3	45.1%	$386.5
2013	83.0	44.5	340.8
2012	79.3	40.2	294.7

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

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

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

The July 1, 2013, actuarial valuation utilized the projected unit-credit method. The actuarial assumptions included a 4.25 percent discount rate and an annual health care cost trend rate of 8.5 percent. This assumed trend rate starts at 8.5 percent and trends down to 5 percent by 2018. The unfunded actuarial accrued liability is being amortized on a level-dollar amount over a thirty-year period on a closed basis. The remaining amortization period at July 1, 2013 was 22 years.

8. OTHER CURRENT LIABILITIES

Other current liabilities totaled $212.4 million and $220.2 million at June 30, 2014 and 2013, respectively and are comprised of the following *(in millions)*:

	AS OF JUNE 30,	
	2014	**2013**
Advance funds-State/Port Authority	$117.2	$120.8
Injury and damage claims (Note 14)	38.0	35.5
Retainage on construction projects	6.8	8.0
Pollution remediation obligations	4.2	9.9
ARC settlement S/T payable	19.0	19.0
ARC insurance refunds payable	—	1.1
Other	27.2	25.9
Total	**$212.4**	**$220.2**

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

9. UNEARNED REVENUE AND OTHER NON-CURRENT LIABILITIES

Unearned revenue and other non-current liabilities totaled $104.3 million and $127.7 million as of June 30, 2014 and 2013, respectively. These amounts relate to unearned lease and permit revenues, reserves for future environmental clean-up costs, ARC settlement payments and funds designated for future asset purchases *(in millions)*.

	AS OF JUNE 30,	
	2014	**2013**
Inventory – capital spare parts	$13.8	$15.4
Leases and permits	16.6	20.1
Federal interest on capital assets	9.8	17.4
ARC settlement payable	19.0	38.0
Non-Federal interest on capital assets	16.6	10.2
Other	3.3	3.2
Total Unearned Revenue	**79.1**	**104.3**
Sick leave	5.3	5.5
Pollution remediation obligations	19.9	17.9
Total Other Non-current Liabilities	**25.2**	**23.4**
Total	**$104.3**	**$127.7**

10. LONG-TERM DEBT AND OTHER OBLIGATIONS

In April 2009, the State of New Jersey issued $394.3 million of Series 2009A Certificates of Participation (COPs) bearing interest between 3.00 to 5.375 percent with a maturity of 2030. Under the COPs, NJ TRANSIT entered into a sublease with the State to acquire 181 multilevel railcars, 4 dual-power locomotives and spare parts.

In September 2008, NJ TRANSIT entered into an eleven year refinancing agreement to defease the New Jersey Economic Development Authority (NJEDA) 2003A & B SWAP deals by issuing $342.1 million of NJEDA Series 2008A Sublease Revenue Bonds. The refunding transaction, which was consummated in order to eliminate the exposure to interest rate swings on the SWAPs, will result in additional cash outflows of approximately $28.4 million over the life of the debt. The NJEDA Series 2008A bond will accrue interest between 4.00 to 5.25 percent with a maturity date of 2019.

In April 2008, the State of New Jersey issued $309.2 million of Series 2008A Certificates of Participation, accruing interest at 5.0 percent with maturity in 2023. Under the COPs, NJ TRANSIT entered into a sublease with the State to acquire 27 electric locomotives and 37 multilevel railcars.

In September 2005, NJ TRANSIT issued $253.5 million of Series 2005A Certificates of Participation accruing interest at 5.0 percent with a final maturity in 2021. The funds are being used to acquire twenty dual-power locomotives.

In March 2004, NJ TRANSIT issued $253.2 million of Series 2004A Certificates of Participation, accruing interest between 1.9 percent and 4.1 percent, with the final maturity date in 2016. The proceeds are being used to acquire articulated buses, diesel locomotives and Metro B replacement buses.

In September 2003, NJ TRANSIT issued $149.8 million of Series 2003A COPs, accruing interest between 1.0 percent and 4.1 percent. The proceeds were used to refinance the Series 2000B COPs. The bond proceeds were placed in an irrevocable trust and will satisfy designated debt servicing. The debt matures in 2015. As of June 30, 2014, $99.4 million of defeased COPs remain outstanding.

In February 2003, NJ TRANSIT issued $61.5 million of Refunding COPs bearing interest between 2.0 percent and 5.5 percent with final maturity in 2016. The proceeds from the sale of these certificates were deposited into an irrevocable trust with an escrow agent to provide debt service on the 1991 COPs notes. The refunding transaction, which was consummated to take advantage of low interest rates, decreased the aggregate debt service payments and resulted in an economic benefit of approximately $2.0 million over the life of the transaction with a $10.8 million deferral of refunding costs. As of June 30, 2014, $14.1 million of defeased notes remain outstanding.

In June 2002, NJ TRANSIT issued $162.8 million of Series 2002A Refunding COPs bearing interest between 3.0 percent and 5.5 percent with a final maturity in 2015. The proceeds from the sale of these certificates provided advance refunding of $158.7 million of certain maturities of NJ TRANSIT's Series 2000A COPs. The proceeds of the refunding notes were deposited into an irrevocable trust with an escrow agent to provide for the debt service on certain Series 2000A notes. The refunding transaction was consummated to provide a structural modification to the original agreement. As of June 30, 2014, $69.7 million of defeased COPs remain outstanding.

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

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

The following schedule summarizes notes payable obligations, by issue, as of June 30, 2014 *(in millions)*:

	Inception Date	Balance June 30, 2013	Additions	Payments/ Reductions	Balance June 30, 2014	Due Within One Year
Federal						
COPs 2000B	10/00	$11.7	$—	$2.9	$8.8	$2.0
COPs 2002A	06/02	101.9	—	32.2	69.7	34.0
COPs 2002B	06/02	77.3	—	24.4	52.9	25.8
COPs 2003A	10/03	146.5	—	47.1	99.4	50.6
COPs 2005A	09/05	253.5	—	—	253.5	—
State of NJ						
COPs 2004A	03/04	115.3	—	19.3	96.0	19.2
COPs 2008A	04/08	241.0	—	19.2	221.8	20.2
NJEDA 2008A	10/09	253.2	—	39.8	213.4	41.2
COPs 2009A	04/09	367.6	—	14.3	353.3	14.9
NJT COPs						
COPs 2003	02/03	19.9	—	5.8	14.1	6.1
Total		**1,587.9**	**—**	**205.0**	**1,382.9**	**$214.0**
Unearned Bond Premium		33.8	—	8.6	25.2	
Total Notes Payable		**$1,621.7**	**$—**	**$213.6**	**$1,408.1**	

The following schedule summarizes notes payable obligations, by issue, as of June 30, 2013 *(in millions)*:

	Inception Date	Balance June 30, 2012	Additions	Payments/ Reductions	Balance June 30, 2013	Due Within One Year
Federal						
COPs 2000B	10/00	$79.3	$—	$67.6	$11.7	$2.9
COPs 2002A	06/02	132.5	—	30.6	101.9	32.2
COPs 2002B	06/02	80.0	—	2.7	77.3	24.4
COPs 2003A	10/03	146.7	—	0.2	146.5	47.1
COPs 2005A	09/05	253.5	—	—	253.5	—
State of NJ						
COPs 2004A	03/04	134.0	—	18.7	115.3	19.3
COPs 2008A	04/08	259.3	—	18.3	241.0	19.2
NJEDA 2008A	10/09	291.7	—	38.5	253.2	39.8
COPs 2009A	04/09	381.3	—	13.7	367.6	14.3
NJT COPs						
COPs 2003	02/03	25.4	—	5.5	19.9	5.8
Total		**1,783.7**	**—**	**195.8**	**1,587.9**	**$205.0**
Unearned Bond Premium		43.9	—	10.1	33.8	
Total Notes Payable		**$1,827.6**	**$—**	**$205.9**	**$1,621.7**	

Long-term notes payable maturities as of June 30, 2014 *(in millions)*:

Fiscal Years	Principal	Interest	Total
2015	$214.0	$67.2	$281.2
2016	225.2	55.8	281.0
2017	139.4	46.4	185.8
2018	147.1	39.4	186.5
2019	139.9	32.0	171.9
2020-2024	351.0	84.9	435.9
2025-2029	135.0	30.4	165.4
2030-2034	31.3	1.6	32.9
Total	**$1,382.9**	**$357.7**	**$1,740.6**

11. LEASES AND OTHER COMMITMENTS

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

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

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

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

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

In September 2008 Standard & Poor's lowered the credit rating for AIG, the parent of AIG Financial Products, to A- from AA. At June 30, 2014 Standard and Poor's credit rating for AIG Senior Debt remained at A- with a Negative Outlook on its Senior Debt. In December 2012 the federal government ended its investment in AIG with its sixth sale of AIG stock. AIG is both the third party lender and payment undertaker in several of these transactions. Under the applicable transaction documents, the lessor may require NJ TRANSIT to replace AIG in these transactions.

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

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

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

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

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

Capital Leases

NJ TRANSIT did not enter into any new capital leases in fiscal year 2014. A summary of each capital lease follows. All other leases represent leveraged leases.

In 2012 NJ TRANSIT entered into a five-year capital lease with Bank of America for 53 MCI Cruiser Buses. The balance of this lease obligation is $9.9 million at June 30, 2014.

In 1998, NJ TRANSIT entered into a contract for the purchase of 45 light railcars for the Hudson-Bergen Light

Rail and Newark Light Rail systems. These cars were financed through a sale of COPs by the State of New Jersey in May 1998. The cars were subleased by the New Jersey Department of Transportation to NJ TRANSIT pursuant to an equipment sublease purchase agreement. NJ TRANSIT repaid the financed amount of $156.2 million over 15 years, with the last payment made in 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 aboveground parking facility. A portion of the financing for this facility was provided by the NJEDA through the issuance of parking facility sublease revenue bonds. NJ TRANSIT has committed in substance to make rental payments in an amount equal to the NJEDA bond obligations. The remaining balance of this lease obligation is $5.4 million as of June 30, 2014.

In total, NJ TRANSIT has recorded obligations under capital leases of $937.5 million and $1,213.5 million as of June 30, 2014 and 2013, respectively, of which $65.3 million and $80.5 million represent current installments under capital leases as of June 30, 2014 and 2013, respectively.

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

	AS OF JUNE 30, 2014	2013
Land	$13.9	$25.1
Buildings	302.4	431.3
Railcars and Locomotives	382.4	551.0
Buses and Light Railcars	467.8	727.3
Capital Assets Under Capital Leases (at cost)	**1,166.5**	**1,734.7**
Less Accumulated Depreciation	851.7	1,314.9
Net Capital Assets Under Capital Leases	**$314.8**	**$419.8**

The following schedule summarizes the capital lease obligations, including leveraged lease obligations, as of June 30, 2014 *(in millions)*:

	Inception Date	Balance June 30, 2013	Additions	Payments/ Reductions	Balance June 30, 2014	Due Within One Year
Metropark Parking Facility	03/94	$6.6	$—	$1.2	$5.4	$1.2
MMC, Locos. & Railcars	01/97	57.8	—	19.3	38.5	2.5
ALP-44 Locomotives	06/97	7.2	—	7.2	—	—
Comet IV Coaches	07/97	11.7	—	1.5	10.2	7.9
Bus Garages	07/97	41.2	—	34.7	6.5	0.5
Light Railcars	06/98	14.6	—	14.6	—	—
Bus Garages	09/98	100.6	5.5	7.2	98.9	2.2
HBLR	12/00	184.6	15.7	12.3	188.0	13.7
MCI Buses	12/01	99.7	—	78.6	21.1	21.1
MCI Buses	10/02	326.4	—	104.9	221.5	—
Comet IV Coaches	09/03	26.6	—	0.2	26.4	—
Light Railcars	09/03, 10/03	53.6	—	2.5	51.1	2.6
Articulated Buses	07/04	20.3	—	2.5	17.8	2.6
Diesel Locomotives	12/05	93.8	—	3.9	89.9	4.1
Multilevel Railcars	12/06	18.0	—	0.4	17.6	0.5
Multilevel Railcars	06/07	33.7	—	0.4	33.3	0.4
Multilevel Railcars	12/07	60.0	—	1.1	58.9	1.2
Multilevel Railcars	01/08	43.9	—	1.4	42.5	1.5
MCI Cruiser Buses	06/12	13.2	—	3.3	9.9	3.3
Total Capital Lease Obligations		**$1,213.5**	**$21.2**	**$297.2**	**$937.5**	**$65.3**

Minimum capital lease maturities as of June 30, 2014 *(in millions)*:

Fiscal Years	Principal	Interest	Total
2015	$65.3	$47.5	$112.8
2016	145.7	96.8	242.5
2017	104.3	53.2	157.5
2018	86.3	18.3	104.6
2019	103.1	14.6	117.7
2020-2024	261.0	73.2	334.2
2025-2029	171.8	47.1	218.9
Total Capital Lease Obligations	**$937.5**	**$350.7**	**$1,288.2**

The following schedule summarizes the capital lease obligations, including leveraged lease obligations, as of June 30, 2013 *(in millions)*:

	Inception Date	Balance June 30, 2012	Additions	Payments/ Reductions	Balance June 30, 2013	Due Within One Year
Metropark Parking Facility	03/94	$7.7	$—	$1.1	$6.6	$1.2
MMC, Locos. & Railcars	01/97	82.6	—	24.8	57.8	19.2
ALP-44 Locomotives	06/97	7.2	—	--	7.2	--
Comet IV Coaches	07/97	13.5	—	1.8	11.7	1.7
Bus Garages	07/97	45.0	—	3.8	41.2	3.5
Light Railcars	06/98	28.7	—	14.1	14.6	14.6
Bus Garages	09/98	102.3	—	1.7	100.6	7.2
HBLR	12/00	181.4	14.4	11.2	184.6	12.4
MCI Buses	12/01	106.9	—	7.2	99.7	5.3
MCI Buses	10/02	326.4	—	--	326.4	--
Comet IV Coaches	09/03	26.6	—	--	26.6	--
Light Railcars	09/03, 10/03	56.0	—	2.4	53.6	2.5
Articulated Buses	07/04	22.8	—	2.5	20.3	2.5
Diesel Locomotives	12/05	97.4	—	3.6	93.8	3.9
Multilevel Railcars	12/06	18.3	—	0.3	18.0	0.3
Multilevel Railcars	06/07	34.0	—	0.3	33.7	0.4
Multilevel Railcars	12/07	60.8	—	0.8	60.0	1.0
Multilevel Railcars	01/08	45.3	—	1.4	43.9	1.5
MCI Cruiser Buses	06/12	16.5	—	3.3	13.2	3.3
Total Capital Lease Obligations		**$1,279.4**	**$14.4**	**$80.3**	**$1,213.5**	**$80.5**

As of June 30, 2014, NJ TRANSIT was committed to future purchases under the following capital projects and special services which will be funded from federal, state, local or other capital sources *(in millions)*:

Bus & Light Rail Infrastructure Improvements	$14.3
69th Street Bridge Renovation	13.5
Casino Revenue Transportation Program	19.6
Rail Infrastructure	38.0
Bus AVL Radio System Replacement	18.6
Rail Passenger and Support Facilities & Equipment	39.4
Superstorm Sandy Reconstruction	69.5
Bus Rolling Stock	72.4
Positive Train Stop Stage 2	114.0
Rail Rolling Stock	121.6
Other, for commitments less than $10 million	72.3
Total Capital Projects and Special Service Commitments	**$593.2**

12. POLLUTION REMEDIATION OBLIGATIONS

NJ TRANSIT has implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The Statement establishes standards for determining when expected pollution remediation outlays should be accrued as a liability or, if appropriate, capitalized. In 2014, an operating expense and corresponding liability, measured at their current value using the expected cash flow method, have been recognized for certain pollution remediation obligations. Pollution remediation obligations, which are estimates and subject to changes in price, technology, or applicable laws and regulations, occur when any one of the following obligating events takes place:

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

In accordance with GASB Statement No. 49, a net pollution remediation provision totaling $25.3 million, measured at its current value utilizing the expected cash flow method, was recognized in fiscal year 2014. The total liability of $26.7 million was reduced by $1.4 million for expected recoveries from other responsible parties, potentially responsible parties (PRPs) and insurers. The cumulative liability decreased by $2.5 million in fiscal year 2014, attributable primarily to the costs for Bergen County Line Row Remediation.

The following table summarizes the changes in NJ TRANSIT's liability for pollution remediation for the years ended June 30, 2014 and 2013 *(in millions)*:

	AS OF JUNE 30,	
	2014	**2013**
Balance, Beginning of Year	**$27.8**	**$21.6**
Current year costs	0.4	8.9
Payment made during the year	(2.9)	(2.7)
Balance, End of Year	**$25.3**	**$27.8**

The pollution remediation liability of $25.3 million at June 30, 2014, essentially consists of future remediation activities associated with asbestos removal, cleanup of contamination, and wastewater treatment at NJ TRANSIT stations, garages and other facilities. Of this amount, $5.4 million represents the current portion of the liability, which is included in accounts payable and other current liabilities, and $19.9 million represents the noncurrent obligation, which is included in unearned revenue and other noncurrent liabilities.

The estimated outlays include costs of: (a) $5.2 million associated with pre-cleanup activities including engineering studies, site investigation, corrective measures feasibility study, and the design of a remediation plan; (b) $16.8 million related to cleanup activities, such as neutralization, containment, removal and disposal of pollutants, and restoration; (c) $0.6 million for the external government oversight and enforcement-related activities; and, (d) $4.1 million for the post-remediation monitoring.

13. OTHER OPERATING REVENUES

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

	YEARS ENDED JUNE 30,	
	2014	**2013**
Lease and rental	$29.4	$27.5
Advertising	16.8	17.7
Metro-North operations	13.2	11.7
Other	18.8	14.2
Total	**$78.2**	**$71.1**
Less Bad Debt Expense	0.7	2.8
Net Other Operating Revenues	**$77.5**	**$68.3**

14. INJURY AND DAMAGE CLAIMS

As of June 30, 2014, NJ TRANSIT's continued to maintain a $240 million excess commercial general liability program with a self-insured retention of $10 million. Settlements have not exceeded this insurance coverage for each of the past three years. Additionally, NJ TRANSIT maintains an excess workers' compensation program with a self-insured retention of $2 million. Employment-practice claims exceeding $500,000 up to $10 million are covered by a stand-alone commercial insurance policy. On October 14, 2004, ARH III Insurance Company, Inc., a wholly owned subsidiary of NJ TRANSIT, was formed. This captive insurance company provides coverage for FELA and Third Party Rail Excess Liability, Terrorism and Excess Workers Compensation consequently reducing NJ TRANSIT's self-insured retention and transferring the agency's financial liability in these areas.

NJ TRANSIT has recorded an estimated liability of $129.7 million and $99.6 million as of June 30, 2014 and 2013, respectively, for outstanding public liability, property damage, FELA, workers' compensation and employment practice claims. Of this amount, $38.0 million and $35.5 million are included in other current liabilities as of June 30, 2014 and 2013, respectively (see Note 8).

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

The total claims liability activity for the years ended June 30, 2014 and 2013 was as follows (in millions):

	AS OF JUNE 30,	
	2014	**2013**
Balance, Beginning of Year	**$99.6**	**$107.6**
Claims expense	68.5	40.8
Payment of claims	(38.4)	(48.8)
Balance, End of Year	**$129.7**	**$99.6**

15. FEDERAL GRANTS

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

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

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

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

In a prior year, the Company entered into a loss portfolio transfer with Liberty Mutual Insurance

Company (Liberty) assuming reserves related to claims for NJ TRANSIT's workers compensation policy with Liberty for policy years 2007 and prior and policy years July 1, 2008 through June 30, 2013. As of July 1, 2013, the Company entered into a loss portfolio transfer with Safety National Casualty Corporation for any claims arising during the period of July 1, 2013 – June 30, 2014. This transfer of liability included certain open claims, which remain open, from prior to the beginning of the policy period and throughout the policy periods although no claims have entered the Company's layer. The Company's limits under each loss portfolios are $3 million excess $2 million per occurrence.

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

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

The financial results for ARH III Insurance Company, Inc. for the years ended June 30, 2014 and 2013 are set forth below. Since the Company prepares the financial statements under FASB guidance, the amounts and format of financial statements have been adjusted to reflect GASB requirements. The condensed statements of net position and the statements of revenues, expenses, and changes in net position as of and for the years ended June 30, 2014 and 2013 are as follow *(in millions)*:

STATEMENTS OF NET POSITION

	AS OF JUNE 30, 2014	2013
Current assets	$3.7	$2.7
Non-current assets	36.8	32.4
Total Assets	**40.5**	**35.1**
Non-current liabilities	3.6	3.9
Total Liabilities	**3.6**	**3.9**
Total Net Position	**$36.9**	**$31.2**

STATEMENTS OF REVENUE, EXPENSE AND CHANGES IN NET POSITION

	YEARS ENDED JUNE 30, 2014	2013
Operating revenues	$2.1	$1.5
Operating expenses	0.1	0.1
Operating income	2.0	1.4
Non-operating revenues	3.7	2.0
Change in Net Position	**5.7**	**3.4**
Total Net Position Beginning of Year	**31.2**	**27.8**
End of Year	**$36.9**	**$31.2**

STATEMENTS OF CASH FLOWS

	YEARS ENDED JUNE 30, 2014	2013
Cash Flows from Operating Activities		
Operating Income	$2.0	$1.4
Changes in assets and liabilities	(0.2)	0.3
Net Cash Provided by Operating Activities	**1.8**	**1.7**
Cash Flows from Investing Activities		
Sales and maturities of investments	10.8	6.5
Purchases of investments	(13.8)	(10.2)
Interest on investments	2.1	1.8
Net Cash Provided (Used) by Investing Activities	**(0.9)**	**(1.9)**
Net Increase in Cash and Cash Equivalents	**0.9**	**(0.2)**
Cash and Cash Equivalents Beginning of Year	**2.6**	**2.8**
End of Year	**$3.5**	**$2.6**

17. CONTINGENCIES

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

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

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

18. SUBSEQUENT EVENT

On August 6, 2014, NJ TRANSIT refunded all of the agency's outstanding federal Certificates of Participation (COP'S) through the issuance of Grant Anticipation Notes. The Grant Anticipation Notes will be payable from and secured by future Federal Section 5307 grant receipts from the Federal Transit Administration. A total of $483,685,000 in Grant Anticipation Notes was issued. This was comprised of $381,790,000 in GANS, Series 2014A (Tax-exempt), and $101,895,000 in GANS, Series 2014B (Federally Taxable). The transaction was structured to produce net present value savings and cash flow savings in fiscal year 2015.

19. SUPERSTORM SANDY

On October 29, 2012, Superstorm Sandy made landfall near Atlantic City and caused significant damage in New Jersey as well as other states and cities along the eastern seaboard. NJ TRANSIT sustained significant damage to its assets including washed-out track, flooded rail stations and terminals, downed catenary, and damaged rail equipment. In fiscal year 2014, NJ TRANSIT continued to make repairs, and commenced resiliency projects. During fiscal year 2014, NJ TRANSIT incurred additional Sandy expenses of $67.7 million for repairs to buildings, rail infrastructure, rail cars, locomotives, and equipment. As of June 30, 2013, NJ TRANSIT recognized expenses related to Superstorm Sandy in the amount of $145.3 million. These expenses included initial response activities and ongoing repair costs and were comprised of in-house labor costs, materials and supplies, purchased transportation (for running supplemental transportation services), and outside services. While it is anticipated that significant additional expenses will be incurred to complete repairs system-wide, these expenses cannot be reasonably estimated at this time. Expenses will be recognized when costs can be reasonably estimated. Substantially all costs related to Superstorm Sandy are expected to be reimbursed by insurance recoveries or through the Federal Transit Administration's Public Transportation Emergency Relief Program. The FTA has allocated $448.2 million to date to NJ TRANSIT for recovery, restoration and resiliency projects. During fiscal year 2014, NJ TRANSIT realized revenue in the amount of $121.5 million consisting of an insurance advance of $50 million and $71.5 million in revenue received or accrued from grants. Additional insurance recoveries will be recognized as claims are acknowledged and confirmed by the carriers.

SUPERSTORM SANDY RELATED LOSSES
(in millions)

	YEARS ENDED,	
	2014	**2013**
Repair & response expenses	$67.7	$145.3
Less insurance recoveries	50.0	50.0
Total loss, net of insurance recoveries	**$17.7**	**$95.3**

REQUIRED SUPPLEMENTARY INFORMATION

GASB STATEMENT NO. 45
SCHEDULE OF FUNDING PROGRESS
FOR RETIREE HEALTH CARE PLAN *(in millions)*

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

GASB STATEMENT NO. 50
SCHEDULE OF FUNDING PROGRESS
FOR RETIREMENT PENSION PLANS *(in millions)*

Non-Agreement Employees Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2013	$464.1	$590.9	$126.8	78.5%	$97.2	130.5%
7/1/2012	432.3	577.8	145.5	74.8	102.9	141.4
7/1/2011	410.6	555.6	145.0	73.9	106.9	135.6

Amalgamated Transit Union Employees Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2013	$803.6	$971.5	$167.9	82.7%	$268.4	62.6%
7/1/2012	761.5	946.7	185.2	80.4	266.2	69.6
7/1/2011	742.2	896.2	154.0	82.8	259.9	59.3

Transport Workers Union Employees Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2013	$37.4	$42.8	$5.4	87.4%	$11.2	48.2%
7/1/2012	36.4	42.0	5.6	86.7	10.8	51.9
7/1/2011	36.7	40.5	3.8	90.6	10.5	36.2

Utility Workers' Union of America Employees Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2013	$6.2	$7.0	$0.8	88.6%	$1.1	72.7%
7/1/2012	6.1	7.1	1.0	85.9	1.0	100.0
7/1/2011	6.1	6.8	0.7	89.7	1.0	70.0

Mercer Employees Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2013	$25.8	$38.4	$12.6	67.2%	$9.4	134.0%
7/1/2012	24.7	36.6	11.9	67.5	9.1	130.8
7/1/2011	23.8	34.4	10.6	69.2	9.0	117.8

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