



Consolidated Transportation Services Agency, a local public agency organized as a nonprofit.

BOARD OF DIRECTORS' MEETING

**Paratransit, Inc.
2501 Florin Road
Sacramento, CA 95822**

www.paratransit.org

4:00 P.M. Wednesday, January 30, 2019

The Paratransit Board of Directors welcomes, appreciates, and encourages participation in the Board Meeting. Because there is a great deal of business to conduct, the Board of Directors requests that you limit your presentation to three (3) minutes per person so that all present will have time to participate. The Board of Directors reserves the right to reasonably limit the total time for public comment on any particular noticed agenda item as it may deem necessary. Please fill out a Speaker Card if you wish to address the Board during the meeting. Speaker Cards are provided on the table at the sign-in desk.

AGENDA

- I. **Call to Order/Roll Call** Directors Faust, Fontus, Hansen, Hume, Leventon, Nguyen, Steinert, Vacant, Vacant

OUR MISSION: To expand mobility options by: Advocating for a fully-accessible integrated public transportation system, and by providing innovative community transportation services.

II. **Announce Adjournment to Closed Session**

- A. Conference with Labor Negotiator Pursuant to
(Government Code S54957.6)

Agency Representatives: Tiffani Fink, CEO
Lisa Cappellari, CFO:
Unrepresented Employees: All

- B. Employee Performance Evaluation Goals Pursuant to
(Government Code Section 54957)

1. Title: Chief Executive Officer

III. **Reconvene to Open Session and Report Action, If Any, Taken**



IV. Public Comment (On Items Not on the Agenda)

V. Staff Reports

1. CEO Report (Fink)
2. CFO Report (Cappellari)
 - a. Presentation of 2018 Financial Audit

IV. Consent Calendar

- A. Approve the minutes of the September 19, 2018 Board of Directors Meeting (Parker)
- B. Approve the minutes of the November 19, 2018 Board of Directors Meeting (Parker)
- C. Approve the Paratransit, Inc. Board Meeting Calendar for 2019 (Parker)
- D. Accept and File Financial Audit for 2018 (Fink)

V. Action Items

- A. Discussion and Potential Action on Investment Strategies (Cappellari)
- B. Adopt Resolution No. 02-19 adopting a 45 day Operating Reserve Policy (Fink)

VI. Public Hearing

- A. Discussion and Potential Action on Service Changes to Non-ADA Service (Fink)

VII. Community Partnerships

VIII. Board Comments/Reports/Future Agenda Items

IX. Adjournment

Next Regularly Scheduled Board of Directors' Meeting will be held on

**Monday, March 18, 2019
at 6:00 pm at:**

**Paratransit, Inc.
2501 Florin Road
Sacramento, CA 95822**

ADA COMPLIANCE STATEMENT

The meeting facilities are accessible to persons with disabilities. For requests for interpreting services, assistive listening devices, or other considerations, please contact the Chief Administrative Officer at (916) 429-2009. Requests should be made no later than three (3) working days prior to the meeting.

MEETINGS OF INTEREST

RT Board Meetings: February 25, @ 5:30 pm (4th Monday of the Month) and March 11th @ 5:30 pm (2nd Monday of the Month).

RT Mobility Advisory Council: February 7, @ 2:30 pm. (1st Thursday of the month).

Sacramento County Disability Advisory Commission: February 5th from 5:00- 7:00 pm 4th from 5:00 to 7:00 pm (1st Tuesday of the month).
(700 H Street, Hearing Room 1, County Administration Center)

Sacramento City Disabilities Advisory Commission: February 21, @ 6:00 pm (3rd Thursday of the month),
(New City Hall, 915 I Street, First Floor, Conference Room #1104)

* To access a complete Board of Directors' packet containing all attachments to this Agenda, please refer to the Board of Directors section of Paratransit's website at:
www.paratransit.org.



Consolidated Transportation Services Agency, a local public agency organized as a nonprofit.

MEMORANDUM

TO: BOARD OF DIRECTORS
FROM: TIFFANI FINK, CHIEF EXECUTIVE OFFICER
RE: CHIEF EXECUTIVE OFFICER'S REPORT
DATE: JANUARY 30, 2019

DEPARTMENT UPDATES AND UPCOMING WORK PLAN ITEMS:

Department Updates and Agency Activities and Upcoming Work Plan items will be provided in a PowerPoint presentation at the meeting. This will allow for the items to become a more interactive discussion as new projects are introduced and Board Member input solicited. Following each meeting, a copy of the PowerPoint will be posted to the website on the Board Agenda page.

As noted below, this hard copy report will still be prepared for standing Board initiatives, major agency news and legislative updates.

LEGISLATIVE UPDATES:

The 2019 State Legislative Session is in and the Governor has just released his first budget for initial review. With the passage of Proposition 6 in the Fall, funding for transit was secured although there are still talks of linking these funds to efforts linked to housing and other bills being introduced. Staff is again actively participating in the CalACT Legislative Committee and will be tracking legislation that is introduced and monitoring its impact on Agency operations and policies. The Metro Chamber State Legislative Day is scheduled for March 12th. While not leading the Transportation Team I will be participating in the policy paper development. If any Board members are interested in attending, please let me know so I can register you.

Congress returned to a Federal Government in shutdown. With a change in political leadership in the House, new initiatives are expected and the focus is expected to turn to the next Transportation Authorization Bill, once the Government re-opens. Until then most government agencies, including the Federal Transit Administration, remain closed.



The Metro Chamber Cap to Cap trip will take place in early May and I am pleased to report that I have joined the Leadership Team for Transportation for this year's trip. As part of that team I will be working closely with the other leadership members (from Psomas, SACOG, Teichert and a former congressional staffer) to develop and finalize the policy paper.

BOARD INITIATIVES/PLANNING/POLICIES:

Continuing with the process to formalize existing policies and develop new policies for consideration, tonight the Agenda includes consideration of two financial policies: An Operating Reserve Policy and an Investment Policy. These financial policies once considered and if adopted, will be added to the Spending Limit Authorization Policies and Check Signer policies already in place to round out our financial policies. In March the Board will be presented with a discussion and a request for policy direction on expanded CTSA services, as part of the 2020 budget development. Additionally, March will see the formal introduction of an updated agenda and new staff report template, as well as updated contract templates, and ethics policy training schedules.

LABOR NEGOTIATIONS COMPLETE:

On December 19th the Amalgamated Transit Union members (the Union representing our drivers) ratified a new contract for a three year period extending through December 31, 2021. It officially became effective on December 20th and is the result of 4 months of bargaining between the ATU and Paratransit. As part of the new contract, Paratransit will be rolling out an enhanced driver uniform policy that will take effect March 1st.

GROWTH IN THE ADA SERVICE BOUNDARY:

December 2018 saw the official expansion of two Cities into the Sacramento Regional Transit District boundary: the City of Folsom and the City of Citrus Heights. While the annexation of Citrus Heights did not impact existing service, the annexation of Folsom will. Beginning February 1st Folsom residents, who live within $\frac{3}{4}$ mile of a fixed route in Folsom, will be able to schedule regional ADA rides to anywhere within the RT ADA boundary during hours of ADA service. Conversely, residents within the rest of RT's ADA boundary will now be able to request ADA service to destinations within $\frac{3}{4}$ mile of the fixed routes in Folsom. Previously, Folsom service was only available within $\frac{3}{4}$ mile of the two (2) light rail stations. ADA service within the City of Folsom (starting and stopping in Folsom) will be operated by RT as Folsom Stage Line. Additionally, non-ADA service remains unavailable for trips originating or ending in Folsom.

THANK YOU TO SHAHID REHIMTOOLA

Board Member Rehimtoola has decided not to seek a second term on the Paratransit, Inc. Board of Directors. We would like to thank him for his service and dedication to the passengers we serve and Congratulate him on his recent retirement.

As always, I am available for any questions.

MEMORANDUM

TO: BOARD OF DIRECTORS

FROM: LISA CAPPELLARI, CHIEF FINANCIAL OFFICER

SUBJECT: NOVEMBER 2018 PERFORMANCE REPORT

DATE: JANUARY 30, 2019



All financial and operating data are through November 2018.

- Rolling year (December 2017 to November 2018) trips provided decreased by 4.6%. Rolling year CTSA trips were down by 18,243 or 4.0% and rolling year DR trips were down 21,234 or 5.3%.
- Year-to-date (YTD) total trips provided decreased by 2.0% or 7,320 trips over November 2017 for a YTD total of 350,596. The YTD decrease was driven by a 2.8% decrease in DR trips and a 1.4% decrease in CTSA trips.
- Overall YTD cost per trip provided increased by 10.1% from FY18. YTD CTSA cost per trip provided increased by 5.1% and YTD DR cost per trip provided increased by 11.2% over prior year.
- The YTD combined fare recovery ratio decreased by 1.3% from FY18 to 10.3% and remains above our goal of 10%, and higher than the TDA-required minimum of 5%.
- The YTD on-time performance rate is 93.8%.

If you have any questions or comments about this Performance Report please contact me at 916-429-2009 ext.7234 or Lisac@paratransit.org.

PARATRANSIT, INC. - CONSOLIDATED
STATEMENT OF OPERATING REVENUE AND EXPENSE AS AT 11/30/2018

	MONTHLY BUDGET	MONTHLY ACTUAL	MONTHLY VARIANCE	YEARLY BUDGET	Y-T-D BUDGET	Y-T-D ACTUAL	Y-T-D \$ VARIANCE	Y-T-D % VARIANCE
OPERATING EXPENSES								
PERSONNEL:								
Transportation Operations	609,151	556,873	(52,279)	7,411,342	3,106,672	2,797,707	(308,965)	(9.95)
Maintenance Operations	78,814	74,079	(4,735)	958,908	401,953	396,217	(5,736)	(1.43)
Administration	141,735	139,460	(2,275)	1,724,443	722,849	698,257	(24,592)	(3.40)
Diversified Services:								
Travel Training	28,291	35,224	6,932	344,213	144,286	174,780	30,494	21.13
Innovative Paradigms	94,675	74,753	(19,921)	1,151,878	482,842	432,319	(50,523)	(10.46)
Destinations Mobility	-	-	-	-	-	-	-	-
Fringe Benefits	398,636	390,656	(7,979)	4,850,066	2,033,041	1,808,566	(224,475)	(11.04)
Workers' Compensation	54,999	59,446	4,447	669,159	280,497	215,898	(64,600)	(23.03)
TOTAL PERSONNEL	1,406,302	1,330,491	(75,811)	17,110,008	7,172,140	6,523,743	(648,397)	(9.04)
FLEET OPERATIONS:								
Fuel	153,944	157,809	3,865	1,872,988	785,115	953,177	168,061	21.41
Insurance	100,530	109,902	9,372	1,223,117	512,704	570,032	57,328	11.18
Cost of Parts & Sublet Service	86,327	48,404	(37,923)	1,050,315	440,269	314,005	(126,264)	(28.68)
TOTAL FLEET OPERATIONS	340,802	316,116	(24,686)	4,146,420	1,738,088	1,837,213	99,125	5.70
NONPERSONNEL:								
Professional Services	63,524	73,391	9,867	772,876	323,973	313,557	(10,416)	(3.21)
Outside Services	40,224	29,197	(11,027)	489,392	205,142	149,568	(55,574)	(27.09)
Rent/Repair	18,483	18,308	(175)	224,873	94,262	114,540	20,278	21.51
Office Expense	18,450	30,319	11,868	224,478	94,096	95,909	1,812	1.93
Interest Expense	10,634	15,006	4,372	129,378	54,233	74,851	20,618	38.02
Telephone/Utilities	20,215	19,192	(1,024)	245,955	103,099	101,415	(1,683)	(1.63)
Tax/License/Dues/Permits	8,483	11,483	2,999	103,212	43,264	40,962	(2,302)	(5.32)
Travel	14,948	12,661	(2,287)	181,872	76,237	88,368	12,131	15.91
Professional Development	4,158	149	(4,009)	50,590	21,206	8,209	(12,997)	(61.29)
Brokered Trans. Services	183,620	237,294	53,674	2,234,042	936,461	1,253,613	317,151	33.87
TOTAL NONPERSONNEL	382,740	446,999	64,259	4,656,668	1,951,973	2,240,992	289,019	14.81
TOTAL OPERATIONS EXPENSE	2,129,843	2,093,606	(36,237)	25,913,096	10,862,202	10,601,949	(260,253)	(2.40)
CAPITAL PROJECTS:								
Florin Road Facility	7,398	7,398	-	90,761	44,582	37,229	(7,354)	(16.49)
Simplivity Server Upgrade	-	-	-	-	-	-	-	-
Security Upgrades	-	-	-	151,625	-	-	-	-
Maintenance CNG upgrades and Building repairs	-	-	-	206,925	-	-	-	-
A/C Replacement Project	-	-	-	-	-	-	-	-
On-Line Reservations Software	-	-	-	81,625	-	-	-	-
Ranger 4 Conversion and Installation	-	-	-	75,000	-	-	-	-
Prop 1B FY12 - Radio Upgrades	-	-	-	-	-	-	-	-
Section 5309 - EAM	-	-	-	150,405	150,405	157,085	6,680	4.44
Vehicle Acquisition Project	-	18,222	18,222	220,472	220,472	528,282	307,810	139.61
Prop 1B FY15 - Backup Camera Project	-	-	-	-	-	-	-	-
Modesto 5316 Grant	-	-	-	-	-	-	-	-
Wheels to Work 5316 Grant	-	-	-	-	-	-	-	-
Destinations Mobility Vehicles	-	-	-	-	-	-	-	-
Office Furniture & Equipment	-	-	-	24,560	-	-	-	-
Network & Telecommunications	-	-	-	34,657	11,095	11,095	-	-
Maintenance Equipment	-	-	-	40,000	-	-	-	-
Miscellaneous Capital Projects	-	-	-	-	-	-	-	-
TOTAL CAPITAL PROJECTS	7,398	25,619	18,222	1,076,030	426,554	733,691	307,136	72.00
TOTAL OPERATING AND CAPITAL EXPENSE	2,137,241	2,119,226	(18,015)	26,989,126	11,288,756	11,335,639	46,883	0.42
NET INCOME (LOSS)	(57,424)	(95,643)	(38,219)	(1)	(316,937)	40,104	357,041	(112.65)

YTD Budget Surplus/(Deficit)

357,041 3%

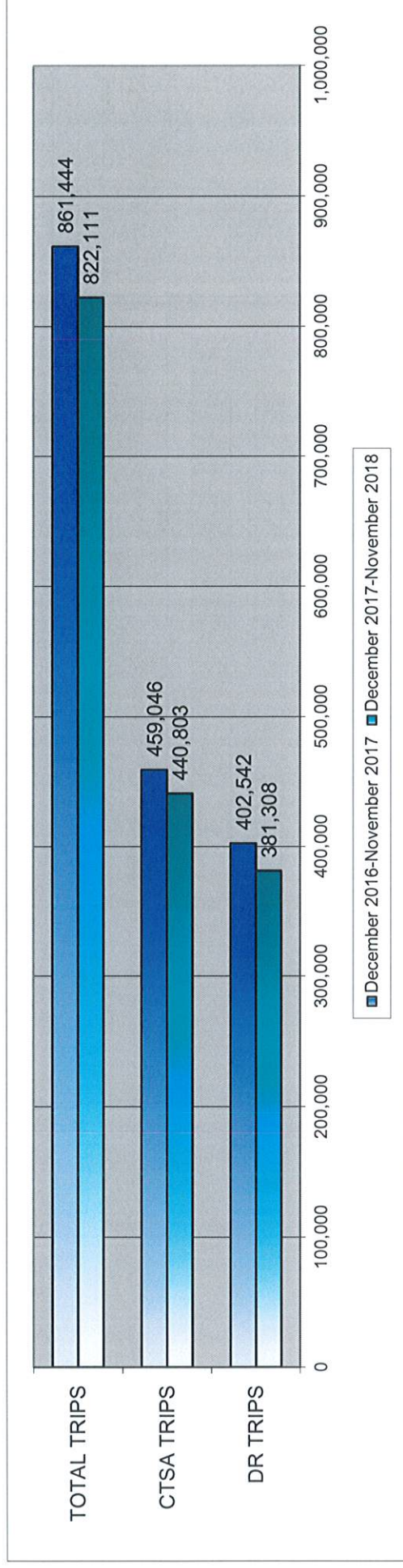
PARATRANSIT, INC. - CONSOLIDATED
STATEMENT OF OPERATING REVENUE AND EXPENSE AS AT 11/30/2018

	MONTHLY BUDGET	MONTHLY ACTUAL	MONTHLY VARIANCE	YEARLY BUDGET	Y-T-D BUDGET	Y-T-D ACTUAL	Y-T-D \$ VARIANCE	Y-T-D % VARIANCE
REVENUE								

OPERATING REVENUE:								
Regional Transit	894,437	894,437	-	11,600,000	4,807,054	4,807,054	-	-
Measure A	350,116	381,989	31,872	4,259,750	1,785,594	1,862,720	77,126	4.32
TDA 4.5	187,515	205,342	17,826	2,281,436	956,328	1,002,102	45,774	4.79
Civic Lab Travel Training Grant	24,658	-	(24,658)	300,000	125,753	-	(125,753)	(100.00)
Section 5304 - Internships	-	-	-	-	-	-	-	-
Section 5307 - Regional Mobility Management	-	-	-	-	-	-	-	-
Section 5310 - Regional Mobility Management	-	-	-	620,047	-	-	-	-
Section 5316 - Wheels to Work	-	-	-	-	-	-	-	-
Section 5317 - Local Mobility Management	-	-	-	-	-	-	-	-
DR Bus Fares	143,632	133,907	(9,726)	1,747,525	732,524	716,153	(16,371)	(2.23)
Agency Bus Fares	52,517	47,622	(4,895)	638,954	267,835	265,701	(2,135)	(0.80)
Diversified Services	426,942	360,287	(66,655)	5,194,465	2,177,406	2,047,224	(130,182)	(5.98)
Applied to Capital Projects	(7,398)	(7,398)	-	(729,081)	(517,150)	(517,150)	-	-
TOTAL OPERATING REVENUE	2,072,420	2,016,185	(56,235)	25,913,096	10,335,345	10,183,805	(151,540)	(1.47)
CAPITAL REVENUE:								
FTA Section 5309 - EAM	-	-	-	120,324	119,324	119,324	-	-
FTA Section 5309 - Vehicle Acquisition	-	-	-	-	-	-	-	-
FTA Section 5310 - Vehicles	-	-	-	-	-	-	-	-
FTA Section 5339 - Rangers	-	-	-	-	-	171,094	171,094	-
FTA Section 5339 - Vehicles	-	-	-	-	-	384,000	384,000	-
Prop 1B FY12 - Radios	-	-	-	-	-	-	-	-
Prop 1B FY13 - Maintenance CNG Upgrades	-	-	-	-	-	-	-	-
Prop 1B FY14 - Rangers	-	-	-	-	-	-	-	-
Prop 1B FY15 - Backup Cameras	-	-	-	-	-	-	-	-
Prop 1B FY16 - Security Upgrades	-	-	-	151,625	-	-	-	-
Prop 1B FY17 - CTSA Rangers	-	-	-	75,000	-	-	-	-
Prop 1B PTMISEA - Rangers	-	-	-	-	-	-	-	-
Refinance Proceeds	-	-	-	-	-	-	-	-
Applied Operating Revenue	7,398	7,398	-	729,081	517,150	517,150	-	-
Gain/(Loss) on Sale of Assets	-	-	-	-	-	370	370	-
TOTAL CAPITAL REVENUE	7,398	7,398	-	1,076,030	636,474	1,191,938	555,464	87.27
TOTAL REVENUE	2,079,818	2,023,583	(56,235)	26,989,126	10,971,819	11,375,743	403,924	3.68

Paratransit, Inc. November 2018 Performance Report

ROLLING YEAR TRIPS PROVIDED

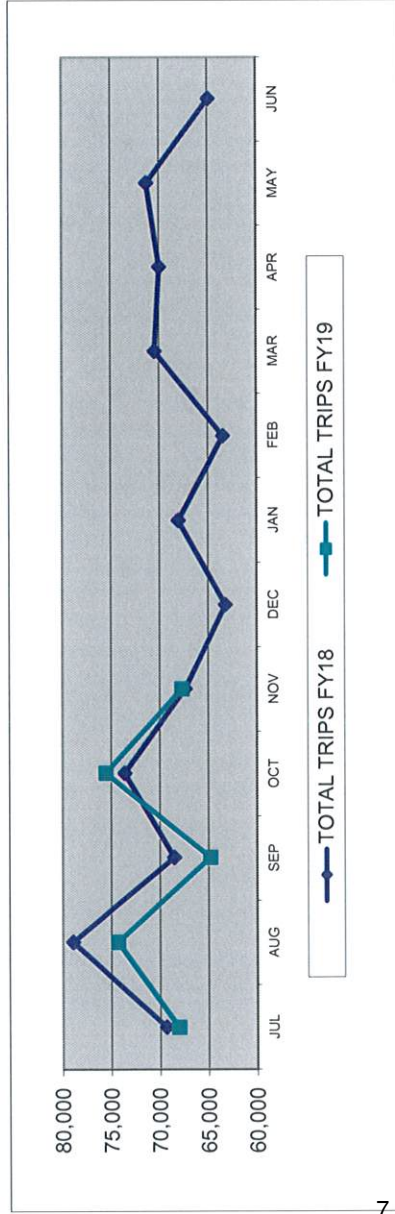


Change	December 2017-November 2018	December 2017-November 2018	December 2017-November 2018
	Total Trips Provided	CTSA Trips Provided	DR Trips Provided
Variance	822,111	440,803	381,308
	(39,333)	(18,243)	(21,234)
	December 2016-November 2017	December 2016-November 2017	December 2016-November 2017
	Total Trips Provided	CTSA Trips Provided	DR Trips Provided
	861,444	459,046	402,542
	-4.6%	-4.0%	-5.3%

Total Trips	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	Jun 2017	Jul 2017	Aug 2017	Sep 2017	Oct 2017	Nov 2017
	67,736	67,522	65,868	79,348	71,211	77,327	74,516	69,356	78,978	68,558	73,626	67,398
	34,677	36,073	34,049	41,831	37,694	41,825	40,663	36,016	44,158	36,499	39,808	35,753
	33,203	31,449	31,819	37,517	33,517	35,502	33,853	33,340	34,820	32,059	33,818	31,645
Total Trips	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018
	63,247	68,069	63,477	70,481	69,997	71,288	64,956	68,083	74,354	64,844	75,593	67,721
	32,236	37,237	34,013	38,066	37,997	38,085	33,644	36,450	40,630	33,699	41,232	37,513
	31,011	30,832	29,464	32,415	32,000	33,203	31,312	31,633	33,724	31,145	34,361	30,208

Paratransit, Inc. November 2018 Performance Report

TOTAL TRIPS PROVIDED

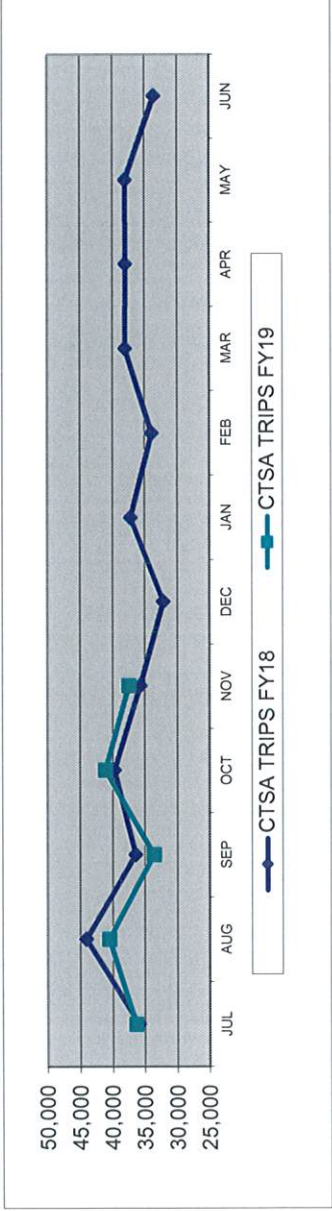


Total Trips		NOV	YTD
FY19	Total Trips	67,721	350,596
FY18	Total Trips	67,398	357,916
Variance		323	(7,320)
		0.5%	-2.0%

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
FY18	68,083	74,354	64,844	75,593	67,398	63,247	68,069	63,477	70,481	69,997	71,288	64,956
FY19	69,356	78,978	68,558	73,626	67,398	63,247	68,069	63,477	70,481	69,997	71,288	64,956

Paratransit, Inc. November 2018 Performance Report

CTSA TRIPS PROVIDED

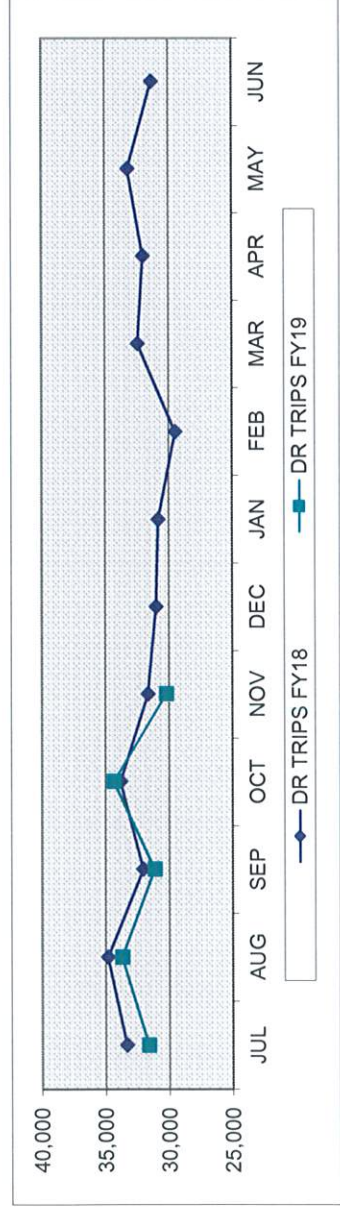


CTSA Trips		NOV	YTD
FY19	CTSA Trips	37,513	189,525
FY18	CTSA Trips	35,753	192,234
Variance		1,760 4.9%	(2,709) -1.4%

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
FY18	36,016	44,158	36,499	39,808	35,753	32,236	37,237	34,013	38,066	37,997	38,085	33,644
FY19	36,450	40,630	33,699	41,232	37,513							

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DEMAND RESPONSE TRIPS PROVIDED



Demand Response Trips		NOV	YTD
FY19	DR Trips	30,208	161,071
FY18	DR Trips	31,645	165,682
Variance		(1,437) -4.5%	(4,611) -2.8%

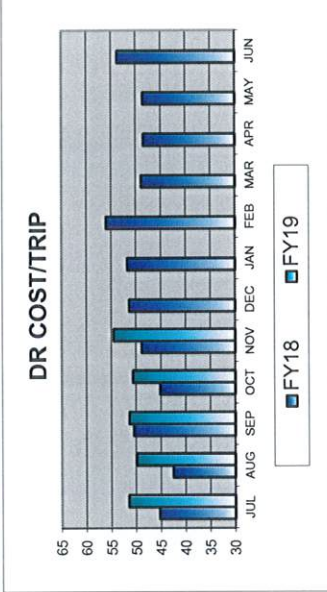
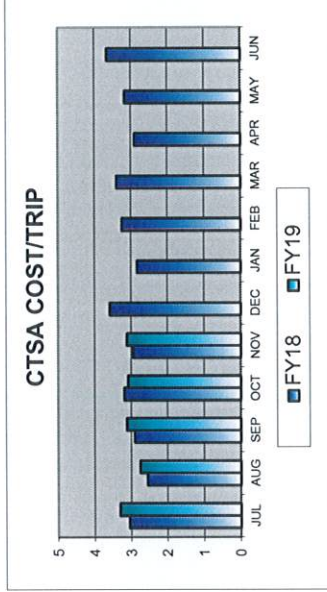
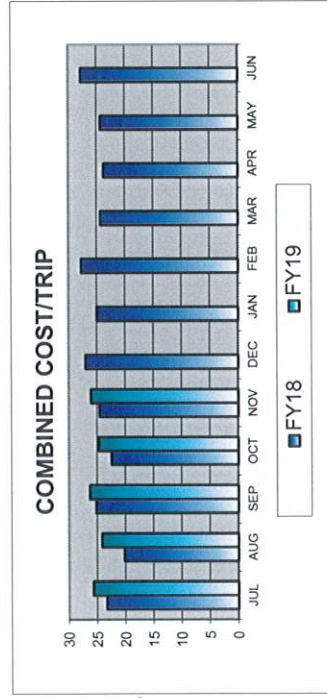
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
FY18	33,340	34,820	32,059	33,818	31,645	31,011	30,832	29,464	32,415	32,000	33,203	31,312
FY19	31,633	33,724	31,145	34,361	30,208	32,000	32,415	32,000	33,203	32,000	33,203	31,312

Paratransit, Inc. November 2018 Performance Report

COST PER TRIP

Cost per Trip

	FY19	FY18	
	NOV	YTD	YTD
Combined	\$26.06	\$25.32	\$23.01
CTSA	\$3.11	\$3.07	\$2.92
DR	\$54.55	\$51.50	\$46.31
			Variance
			10.1%
			5.1%
			11.2%



FY18	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Combined	\$23.32	\$20.14	\$25.12	\$22.44	\$24.50	\$27.00	\$24.97	\$27.74	\$24.32	\$23.72	\$24.30	\$27.80
CTSA	\$3.05	\$2.55	\$2.90	\$3.19	\$2.95	\$3.58	\$2.83	\$3.25	\$3.40	\$2.90	\$3.17	\$3.65
DR	\$45.22	\$42.45	\$50.42	\$45.09	\$48.86	\$51.34	\$51.71	\$55.97	\$48.90	\$48.45	\$48.55	\$53.75

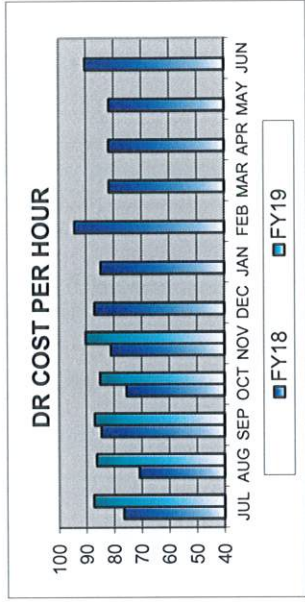
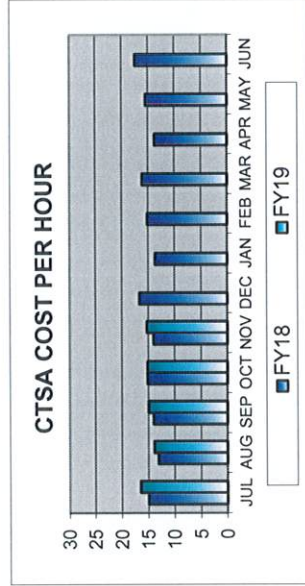
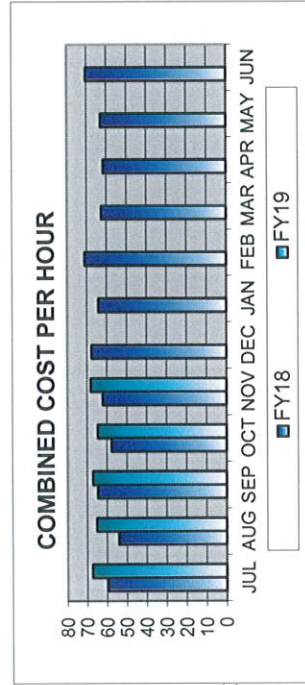
FY19	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Combined	\$25.67	\$24.13	\$26.27	\$24.69	\$26.06							
CTSA	\$3.31	\$2.75	\$3.12	\$3.08	\$3.11							
DR	\$51.44	\$49.89	\$51.33	\$50.61	\$54.55							

Paratransit, Inc. November 2018 Performance Report

COST PER VEHICLE SERVICE HOUR

Cost per Vehicle Service Hour

	FY19	FY18	
	NOV	YTD	Variance
Combined	\$68.06	\$59.46	11.6%
CTSA	\$15.26	\$14.21	6.3%
DR	\$90.19	\$77.51	12.3%



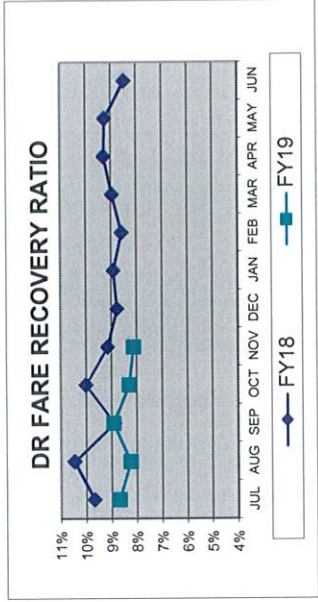
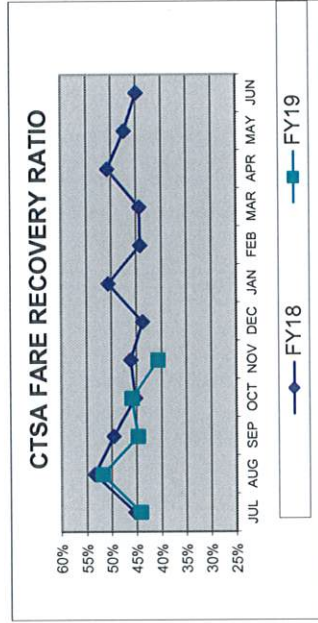
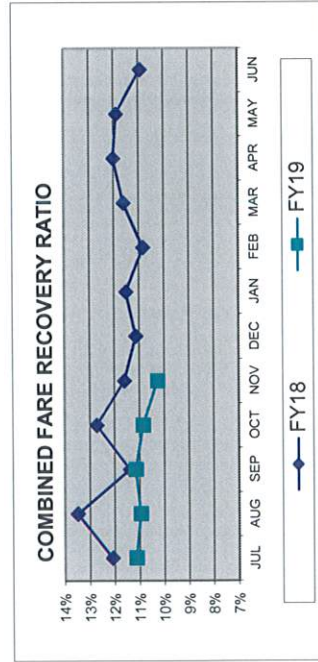
FY18	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Combined	\$59.74	\$53.94	\$64.53	\$57.74	\$62.08	\$67.63	\$64.05	\$70.91	\$62.49	\$61.50	\$62.89	\$70.31
CTSA	\$14.94	\$13.06	\$14.00	\$15.12	\$13.98	\$16.67	\$13.67	\$15.11	\$16.11	\$13.73	\$15.44	\$17.42
DR	\$76.41	\$70.86	\$84.50	\$75.45	\$81.08	\$86.91	\$84.67	\$94.23	\$81.69	\$81.71	\$81.66	\$90.35

FY19	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Combined	\$67.32	\$65.04	\$67.02	\$64.64	\$68.06							
CTSA	\$16.45	\$13.83	\$14.92	\$15.13	\$15.26							
DR	\$87.33	\$86.28	\$86.96	\$84.96	\$90.19							

Paratransit, Inc. November 2018 Performance Report

FARE RECOVERY RATIO

Fare Recovery Ratio		NOV	YTD	Goal	Variance	TDA minimum
FY19	Total Fare Recovery	10.3%	11.0%	10.0%	1%	5.0%
FY18	Total Fare Recovery	11.6%	12.3%	10.0%	2.3%	5.0%
Variance		-1.3%	-1.2%			



FY18	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Combined	12.1%	13.5%	11.4%	12.7%	11.6%	11.1%	11.5%	10.8%	11.6%	12.0%	11.9%	10.9%
CTSA	45.4%	53.4%	49.6%	45.3%	46.2%	43.8%	50.6%	44.3%	44.4%	50.8%	47.4%	45.0%
DR	9.7%	10.5%	8.9%	10.0%	9.2%	8.8%	8.9%	8.6%	9.0%	9.3%	9.2%	8.5%

FY19	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Combined	11.2%	11.0%	11.2%	10.9%	10.3%							
CTSA	44.3%	51.8%	44.8%	46.0%	40.8%							
DR	8.7%	8.3%	8.9%	8.3%	8.1%							

Paratransit, Inc.
November 2018 Performance Report

TRANSPORTATION DEVELOPMENT ACT PERFORMANCE CRITERIA

Cost per Vehicle Service Mile			Trips Provided per 100 Vehicle Service Miles		
FY19	NOV	YTD	FY19	NOV	YTD
Combined	\$4.33	\$4.17	Combined	16.6	16.5
CTSA	\$0.85	\$0.82	CTSA	27.3	26.8
DR	\$6.10	\$5.83	DR	11.2	11.3

Trips Provided per Vehicle Service Hour			DR On-Time Performance		
FY19	NOV	YTD	FY19	NOV	YTD
Combined	2.6	2.6	DR	93.7%	93.8%
CTSA	4.9	4.9			
DR	1.7	1.7			

PARATRANSIT, INC.
COMBINED BALANCE SHEET
11/30/2018
UNAUDITED

ASSETS

CURRENT ASSETS:

Cash	3,501,753
Medical Annuity	230,000
Accounts Receivable	1,871,673
Grants Receivable	(337,097)
Inventory	115,671
Deposits and Prepaid Expenses	1,513,676
TOTAL CURRENT ASSETS	<u>6,895,676</u>

CAPITAL ASSETS:

Grant Equipment	12,548,787
Non-Grant Equipment	9,892,810
Work in Progress	611,105
TOTAL COST	<u>23,052,702</u>
Less Accumulated Depreciation	(12,521,091)
Net Capital Assets	<u>10,531,611</u>

TOTAL ASSETS	<u><u>17,427,287</u></u>
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LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts Payable	1,100,223
Workers' Compensation Payable	-
Accrued Payroll & Benefits	152,294
Sales Tax Payable	7,282
Lease/Notes Payable	1,370,637
Unredeemed Bus Scrip	45,349
Deferred Revenue	443,970
Other Payables	753
TOTAL CURRENT LIABILITIES	<u>3,120,508</u>

LONG-TERM LIABILITIES:

Long Term Liabilities	4,177,558
TOTAL LONG TERM LIABILITIES	<u>4,177,558</u>

TOTAL LIABILITIES	7,298,066
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FUND EQUITY

Contributed Capital	1,249,367
Restricted for lease collateral	-
Restricted for grant administration	12,998
Retained Earnings (Loss)	8,866,856
TOTAL FUND EQUITY	<u>10,129,220</u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>17,427,287</u></u>
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MANAGEMENT LETTER

To the Board of Directors
Paratransit, Inc.
Sacramento, California

In planning and performing our audit of the financial statements of the Paratransit, Inc. (Paratransit) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Paratransit's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Paratransit's internal control. Accordingly, we do not express an opinion on the effectiveness of Paratransit's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. We communicated material weaknesses in a separate communication dated December 31, 2018.

We noted the following other items in the current year audit that we present for your consideration that are not considered material weaknesses.

Stale-dated Deposits: In the June 30, 2018 operating account bank reconciliation, we noted a deposit in transit of \$11,445 that is the sum of 36 individual deposits that were recorded in February 2016. These amounts were apparently the result of errors in the posting of deposits. We recommend that the accounting staff write-off these deposits in the accounting system, so they will not continue to appear on the reconciliations.

General ledger account classification: Included in the June 30, 2018 accounts payable trial balance was a \$27,482 debit balance to Wasserman & Associates for an insurance premium amount paid prior to June 30, 2018 for fiscal 2019 coverage. This amount should have been recorded as a prepaid expense. We recommend that Paratransit review the individual vendor postings in the accounts payable trial balance and make corrections if necessary, to reclassify similar amounts in the future. An adjustment was made during the audit to reclassify this amount.

We noted the following items in our prior year audit that continue to be presented for your consideration.

Capital asset listing classification: The capital asset classification between land and building on the detailed asset listing does not agree to reported balances for financial statement purposes. A \$600,000 adjustment reducing building cost and an increase in land cost is required each year. We recommend that Paratransit create a reclassification entry within the detailed capital asset listings to agree the land and building cost to the amounts reported in the financial statements.

Restricted Cash Reconciliation: Paratransit receives Proposition 1b funding through CalOES in advance of when the funds are expended. Such funds are deposited in a separate bank account since the funds are restricted for specific purposes, and are also deferred until the related expenditures are incurred. We noted during our audit that the restricted cash balance was higher than the deferred revenue balance. We recommend that the funds be transferred out of the restricted cash account as soon as the expenditures are incurred and that a reconciliation of the restricted cash account to the deferred revenue account be prepared at the end of each fiscal year.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the audit. This report is intended solely for the information and use of the Board of Directors, management, and others within the organization that does not affect our report dated December 31, 2018 on the financial statements of Paratransit.

Richardson & Company, LLP

December 31, 2018

PARATRANSIT, INC.

**Audited Financial Statements, Additional
Financial Information and Compliance Reports**

June 30, 2018

PARATRANSIT, INC.

Audited Financial Statements,
Additional Financial Information and Compliance Reports

June 30, 2018 and 2017

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Compliance Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> , the Transportation Development Act and the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) Guidelines	19
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Paratransit, Inc.
Sacramento, California

Report on the Financial Statements

We have audited the accompanying statutory-basis financial statements of Paratransit, Inc. (a nonprofit organization) as of and for the years ended June 30, 2018 and 2017, and the related notes to the 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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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.

Basis for Qualified Opinion

As described in Note A, these financial statements were prepared in conformity with the accounting principles prescribed by the Transportation Development Act, which requires Paratransit, Inc. to prepare its financial statements in the same manner as an enterprise fund in a governmental agency. This method follows accounting principles generally accepted for governmental agencies, but is a comprehensive basis of accounting other than accounting principles generally accepted for nonprofit organizations.

Opinion

In our opinion, because Paratransit, Inc. is required to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted for nonprofit organizations, the financial position of Paratransit, Inc. as of June 30, 2018 and 2017, or the results of its operations or its cash flows for the fiscal years then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Paratransit, Inc. as of June 30, 2018 and 2017, and the results of its operations and cash flows for the fiscal years then ended, on the basis of accounting described in Note A.

Other Matters

Required Supplementary Information

Paratransit, Inc. has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018 on our consideration of the Paratransit Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, including the Transportation Development Act and other state program guidelines. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control over financial reporting and compliance.

Richardson & Company, LLP

December 31, 2018

PARATRANSIT, INC.

BALANCE SHEETS – STATUTORY BASIS

June 30, 2018 and 2017

	2018	Restated 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents – Note C	\$ 4,247,822	\$ 3,021,385
Accounts and grants receivable – Note D	2,447,687	2,033,959
Inventory	130,013	356,548
Deposits and prepaid expenses	727,747	555,493
TOTAL CURRENT ASSETS	7,553,269	5,967,385
RESTRICTED CASH – Note B	458,785	272,386
CAPITAL ASSETS, NET – Notes E and F	9,822,110	5,059,212
TOTAL ASSETS	<u>\$ 17,834,164</u>	<u>\$ 11,298,983</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 1,288,966	\$ 1,016,054
Accrued payroll and related benefits	187,141	177,681
Other current liabilities	58,979	87,872
Line of credit - Note G	675,000	
Uncarned revenue – Note H	497,555	465,888
Current portion of long-term liabilities	311,233	197,888
TOTAL CURRENT LIABILITIES	3,018,874	1,945,383
LONG-TERM LIABILITIES – Note I	4,186,716	2,205,360
TOTAL LIABILITIES	7,205,590	4,150,743
NET POSITION		
Net investment in capital assets	5,191,625	3,235,596
Restricted for grant administration	12,998	12,996
Restricted for lease collateral		33,160
Unrestricted	5,423,951	3,866,488
TOTAL NET POSITION	10,628,574	7,148,240
TOTAL LIABILITIES AND NET POSITION	<u>\$ 17,834,164</u>	<u>\$ 11,298,983</u>

The accompanying notes are an integral part of these financial statements.

PARATRANSIT, INC.

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION – STATUTORY BASIS

For the Years Ended June 30, 2018 and 2017

	2018	Restated 2017
OPERATING REVENUES		
Fares – Note J	\$ 2,419,214	\$ 2,472,109
Regional Transit	11,924,999	14,257,509
Diversified transportation services	3,346,350	3,688,236
Mobility training	632,267	642,212
Maintenance fees	944,237	798,506
Destinations Mobility	282,219	2,343,436
Advertising	4,200	4,200
Other	4,391	3,375
TOTAL OPERATING REVENUES	19,557,877	24,209,583
OPERATING EXPENSES		
Elderly and disabled transportation	21,320,862	22,942,137
Mobility training services	883,669	1,031,898
Diversified services and outside maintenance	4,234,361	5,077,120
Destinations Mobility	253,277	2,569,947
TOTAL OPERATING EXPENSES	26,692,169	31,621,102
NET LOSS FROM OPERATIONS	(7,134,292)	(7,411,519)
NONOPERATING REVENUES (EXPENSES)		
Measure A Funds	4,192,019	3,969,870
Local Transportation Funds - Sacramento Area COG	2,253,021	2,070,438
Local Transportation Fund - Stanislaus COG	208,750	693,982
Job Access-Reverse Commute /New Freedom programs	48,470	181,207
Gain on disposal of capital assets	28,513	325
Interest income	837	26,560
TOTAL NONOPERATING REVENUES	6,731,610	6,942,382
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(402,682)	(469,137)
CAPITAL CONTRIBUTIONS		
Federal Transit Administration	3,851,272	21,924
CalEMA (Proposition 1B)	31,744	276,979
PTMISEA (Proposition 1B)		52,879
TOTAL CAPITAL CONTRIBUTIONS	3,883,016	351,782
CHANGE IN NET POSITION	3,480,334	(117,355)
Net position at beginning of year, as originally reported	7,148,240	7,419,506
Restatement		(153,911)
Net position at beginning of year, as restated	7,148,240	7,265,595
NET POSITION AT END OF YEAR	\$ 10,628,574	\$ 7,148,240

The accompanying notes are an integral part of these financial statements.

PARATRANSIT, INC.

STATEMENTS OF CASH FLOWS – STATUTORY BASIS

For the Years Ended June 30, 2018 and 2017

	2018	Restated 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 20,376,017	\$ 24,713,424
Cash paid to suppliers for goods and services	(8,840,912)	(10,618,522)
Cash paid to employees for services	(16,751,961)	(19,483,611)
NET CASH FLOWS USED FOR OPERATING ACTIVITIES	(5,216,856)	(5,388,709)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Non-operating grants and subsidies	6,578,290	6,876,316
NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	6,578,290	6,876,316
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants received for capital acquisitions	2,806,785	109,490
Acquisition of property and equipment	(5,632,562)	(871,473)
Proceeds from line of credit	675,000	
Proceeds from long-term debt issuance	4,133,301	
Refinance of existing long-term debt	(1,823,616)	
Payments on long-term debt	(177,815)	(188,388)
Proceeds from disposition of assets	69,472	325
NET CASH FLOWS PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	50,565	(950,046)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	837	26,560
NET CASH FLOWS PROVIDED BY BY INVESTING ACTIVITIES	837	26,560
NET INCREASE IN CASH	1,412,836	564,121
Cash and cash equivalents at beginning of year	3,293,771	2,729,650
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,706,607	\$ 3,293,771
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Cash and cash equivalents	\$ 4,247,822	\$ 3,021,385
Restricted cash	458,785	272,386
	\$ 4,706,607	\$ 3,293,771

(Continued)

PARATRANSIT, INC.

STATEMENTS OF CASH FLOWS – STATUTORY BASIS (Continued)

For the Years Ended June 30, 2018 and 2017

	2018	Restated 2017
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED FOR OPERATING ACTIVITIES		
Net loss from operations	\$ (7,134,292)	\$ (7,411,519)
Adjustments to reconcile net loss from operations to net cash used for operating activities:		
Depreciation	828,705	997,839
Change in operating assets and liabilities:		
Accounts receivable	818,140	503,841
Inventory	226,535	539,029
Deposits and prepaid expenses	(172,254)	(69,674)
Accounts payable	272,912	61,956
Accrued payroll and related benefits	9,460	28,803
Other current liabilities	(28,893)	46,258
Compensated absences	(37,169)	(85,242)
NET CASH FLOWS USED FOR OPERATING ACTIVITIES	<u>\$ (5,216,856)</u>	<u>\$ (5,388,709)</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest expense	\$ 124,736	\$ 122,818
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Fleet vehicles transferred to Destinations Mobility inventory		\$ 84,450

The accompanying notes are an integral part of these financial statements.

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Paratransit, Inc. (Paratransit) is a nonprofit organization that provides coordinated special transportation services within Sacramento Regional Transit District's (Regional Transit) activated boundary to people who are unable to use public transit due to age or disability. Paratransit fulfills two major transportation functions in the Sacramento area: 1) that of the provider of specialized transportation service to the elderly and disabled, and 2) that of the designated Consolidated Transportation Service Agency (CTSA). As a CTSA, Paratransit is responsible for the coordination and consolidation of social-service agency transportation programs in order to maximize the use of their transportation dollars. Paratransit has expanded its services to include specialized transportation and maintenance services for nontraditional markets such as suburban, residential, business and industrial parks, transportation management associations, business district associations and public agencies.

Innovative Paradigms is the consulting and operations division of Paratransit, Inc. The division was created to broaden the Agency's involvement in the human service coordination and ADA fields outside the Sacramento area as well as to offer other transit and paratransit-related consulting services. Some of the Innovative Paradigms' engagements are short-term consulting agreements primarily with public agency clients. Other engagements are long-term contracts that in certain cases include opening offices in field locations including Modesto, California, Honolulu, Hawaii and Boston, Massachusetts. All activities of the division are structured to generate net income for Paratransit, Inc.

The Destinations Mobility Program provides affordable new and used wheelchair accessible vehicles and mobility equipment to physically challenged individuals, both to those who are independently driving and those who are passengers. Paratransit has an available inventory of vehicles on hand for sale at their main location in Sacramento, California. The Destinations Mobility program was discontinued in fiscal year 2017.

Basis of Presentation: The financial statements of Paratransit have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. To comply with the Transportation Development Act (TDA) and the Uniform System of Accounts for Public Transit Operators, Paratransit must report its operations in the form of an enterprise fund of a governmental agency. Therefore, Paratransit follows GAAP as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In addition, Paratransit follows Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting: Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Net position is segregated into amounts invested in capital assets, net of related debt, restricted and amounts unrestricted. Enterprise fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Paratransit uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received they are recorded as unearned revenues until earned. TDA funds are recorded when all eligibility requirements have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Paratransit are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is Paratransit's policy to use restricted resources first, then unrestricted resources as they are needed.

Paratransit is funded through various grant and other funding agreements with local and federal governmental agencies that provide for returning of excess funds, which are standard in the public transit industry in California. Eligibility for funding is generally restricted to qualifying expenditures, which means that the funds have to be spent in order to be earned. Any excess funding received would be recorded as unearned revenue due to the grant terms or restrictions.

Cash and Cash Equivalents: For the purposes of reporting cash flows, cash and cash equivalents are defined as those amounts included in the balance sheets captions "Cash and Cash Equivalents" and "Restricted Cash" and consist of amounts held in checking accounts.

Inventories: Inventories are valued at cost, which approximates market, determined by the moving average method. Inventories consist of tires, fuel, repair parts, and wheelchair accessible vehicles and mobility equipment that are available for sale.

Capital Assets: Capital assets are stated at cost. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Capital assets are defined as assets with an initial cost of \$500 or more and an estimated useful life in excess of one year. Provision is made for depreciation by the straight-line method over the estimated useful lives of the individual assets, which generally is five to thirty years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Unearned Revenues: Unearned revenues arise when resources are received before Paratransit has legal claim to them, such as when cost reimbursement grant and other intergovernmental revenues are received prior to the incurrence of qualifying expenses.

Compensated Absences: Paratransit's personnel policy allows employees to accumulate earned but unused vacation. Unused accrued vacation time will be paid to employees upon separation from Paratransit's service, subject to a vesting policy. The cost of vacation is recorded in the period accrued.

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status: Paratransit is a tax exempt organization under Section 501(c)(3) of the United States Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and, accordingly, is not subject to federal or state income taxes except on unrelated business income. Paratransit receives unrelated business income from providing advertising. However, such income is offset with net operating losses carried forward from the prior year. As a result, no income tax expenses were recorded for the years ended June 30, 2018 and 2017. Paratransit is not classified as a private foundation.

NOTE B - RESTRICTED CASH

Paratransit has bank deposits that are restricted for the following at June 30, 2018 and 2017:

	2018	2017
California Transit Security Grant		
Program (CTSGP) projects	\$ 445,787	\$ 226,230
Caltrans local match funds	12,998	12,996
Security deposit		33,160
	<u>\$ 458,785</u>	<u>\$ 272,386</u>

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of balances held in financial institutions. Paratransit maintains cash balances at two banks, which are federally insured up to \$250,000 each. At June 30, 2018 and 2017, respectively, Paratransit had uninsured bank balances of \$4,819,751 and \$3,503,586, respectively.

NOTE D – ACCOUNTS AND GRANTS RECEIVABLE

Receivable balances consist of the following at June 30:

	2018	2017
Trade receivables	\$ 689,636	\$ 1,388,822
Grants and other intergovernmental receivables	1,784,047	665,028
Miscellaneous	4,004	10,109
Allowance for doubtful accounts	(30,000)	(30,000)
	<u>\$ 2,447,687</u>	<u>\$ 2,033,959</u>

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE E – CAPITAL ASSETS

Capital asset activity was as follows for the years ended June 30:

	Balance at July 1, 2017	Additions	Retirements	Transfers	Balance at June 30, 2018
Capital assets, not being depreciated					
Land	\$ 924,736				\$ 924,736
Construction in progress	127,816	\$ 30,020			157,836
Total capital assets, not being depreciated	1,052,552	30,020			1,082,572
Capital assets, being depreciated:					
Building	5,064,982	26,128			5,091,110
Motor vehicles and related equipment	6,998,620	5,488,585	\$ (430,752)		12,056,453
Office furniture and equipment	2,905,463	68,602	(38,878)	\$ (1,432)	2,933,755
Maintenance equipment	809,296	19,227		1,432	829,955
Total capital assets being depreciated	15,778,361	5,602,542	(469,630)		20,911,273
Less accumulated depreciation for:					
Building	(2,765,595)	(244,833)			(3,010,428)
Motor vehicles and related equipment	(5,847,582)	(361,009)	392,671		(5,815,920)
Office equipment and information systems	(2,393,522)	(200,249)	36,000	1,281	(2,556,490)
Maintenance equipment	(765,002)	(22,614)		(1,281)	(788,897)
Total accumulated depreciation	(11,771,701)	(828,705)	428,671		(12,171,735)
Total capital assets being depreciated, net	4,006,660	4,773,837	(40,959)		8,739,538
Capital assets, net	\$ 5,059,212	\$ 4,803,857	\$ (40,959)	\$ -	\$ 9,822,110
	Balance at July 1, 2016	Additions	Retirements	Transfers	Balance at June 30, 2017
Capital assets, not being depreciated					
Land	\$ 924,736				\$ 924,736
Construction in progress	64,848	\$ 62,968			127,816
Total capital assets, not being depreciated	989,584	62,968			1,052,552
Capital assets, being depreciated:					
Building	4,886,363	178,619			5,064,982
Motor vehicles and related equipment	8,272,190	323,578	\$(1,597,148)		6,998,620
Office equipment and information systems	3,838,065	305,087	(1,237,689)		2,905,463
Maintenance equipment	808,076	1,220			809,296
Total capital assets being depreciated	17,804,694	808,504	(2,834,837)		15,778,361
Less accumulated depreciation for:					
Building	(2,530,585)	(235,010)			(2,765,595)
Motor vehicles and related equipment	(6,847,776)	(512,504)	1,512,698		(5,847,582)
Office equipment and information systems	(3,405,563)	(225,648)	1,237,689		(2,393,522)
Maintenance equipment	(740,325)	(24,677)			(765,002)
Total accumulated depreciation	(13,524,249)	(997,839)	2,750,387		(11,771,701)
Total capital assets being depreciated, net	4,280,445	(189,335)	(84,450)		4,006,660
Capital assets, net	\$ 5,270,029	\$ (126,367)	\$ (84,450)	\$ -	\$ 5,059,212

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE F – LEASING ARRANGEMENTS

Paratransit is currently leasing 102 buses from Regional Transit under a 48 month lease. The lease commenced March 1999, and was last amended December 2012, and provides for monthly payments of \$1,180 per month per bus; however, Regional Transit has agreed to waive these payments as long as the buses are used to provide paratransit services, as described in the Collaborative Agreement for the Provision of ADA Complementary Paratransit Services, between Regional Transit and Paratransit. The value of the 102 buses leased as of June 30, 2018 and 2017 was \$6,120,000. The leases may be canceled by either party upon thirty days notice or upon the termination or expiration of the Collaborative Agreement. The buses are not included in capital assets on the balance sheet.

Paratransit leases certain equipment and a parking lot adjacent to its main facility at 2401 Florin Road under month-to-month agreements. Paratransit has a lease agreement for office space in Honolulu, Hawaii, that expires in January 2019. Rent expense for the years ended June 30, 2018 and 2017 for all operating leases amounted to \$203,258 and \$294,703, respectively.

Future rental payments relating to the office rental lease agreement as of June 30, 2018 are as follows:

Fiscal year ending June 30:

2019	<u>\$ 51,158</u>
Total	<u><u>\$ 51,158</u></u>

NOTE G – LINE OF CREDIT

Paratransit has a line of credit for operating purposes that expires May 31, 2019. The total amount available under this line of credit was \$1,000,000 at June 30, 2018 and 2017, with \$675,000 outstanding under this agreement at June 30, 2018. No amount was outstanding on this agreement at 2017. The interest rate is variable and equal to the bank's index rate plus 0.75%. The current interest rate at June 30, 2018 is 6%. The loan is secured by all inventory and equipment.

NOTE H – UNEARNED REVENUES

Unearned revenue balances consist of the following at June 30:

	<u>2018</u>	<u>Restated 2017</u>
CalOES Proposition 1b	\$ 485,182	\$ 241,738
Stanislaus Council of Governments		
Transportation Development Act		208,750
Passes	<u>12,373</u>	<u>15,400</u>
	<u><u>\$ 497,555</u></u>	<u><u>\$ 465,888</u></u>

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE I – LONG-TERM LIABILITIES

Long-term debt consists of the following at June 30, 2018:

	Original Debt	Balance at June 30, 2018
WELLS FARGO BANK FACILITY LOAN		
Entered into on August 17, 2017 to refinance an earlier loan used to purchase the Paratransit building, and perform repairs on the facility. The interest rate is 3.659% through September 1, 2037. Monthly principal and interest payments of approximately \$14,731 are due through September 1, 2037. The loan is secured by Paratransit's facility, located at 2501 Florin Road, Sacramento, CA.	\$ 2,500,000	\$ 2,429,828
WELLS FARGO BANK EQUIPMENT LOAN		
Entered into on August 17, 2017 to finance the purchase of fifteen vehicles. The interest rate is 3.220% through October 1, 2024. Monthly principal and interest payments of \$22,250.64 are due through October 1, 2024. The loan is secured by fifteen Paratransit vehicles.	1,633,301	1,525,658
CITY OF SACRAMENTO LOAN		
Entered into on March 1, 2005 to refinance several earlier loans used to purchase the Paratransit building, Paratransit buses, and to install a solar panel system on the main Paratransit facility. This loan was refinanced with the Wells Fargo loan.	4,235,001	
	<u>\$ 8,368,302</u>	<u>\$ 3,955,486</u>

Long term debt activity for the years ended June 30, 2018 and 2017 was as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Within One Year
Long-term debt:					
Wells Fargo Mortgage Loan		\$ 2,500,000	\$ (70,172)	\$ 2,429,828	\$ 90,761
Wells Fargo Vehicle Loan		1,633,301	(107,643)	1,525,658	220,472
City of Sacramento loans	\$ 1,823,616		(1,823,616)		
Long-term debt	<u>1,823,616</u>	<u>4,133,301</u>	<u>(2,001,431)</u>	<u>3,955,486</u>	<u>311,233</u>
Other long-term liabilities:					
Compensated absences	579,632		(37,169)	542,463	
	<u>\$ 2,403,248</u>	<u>\$ 4,133,301</u>	<u>\$ (2,038,600)</u>	<u>\$ 4,497,949</u>	<u>\$ 311,233</u>

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE I – LONG-TERM LIABILITIES (Continued)

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Within One Year
Long-term debt:					
City of Sacramento loans	\$ 2,012,004		\$ (188,388)	\$ 1,823,616	\$ 197,888
Long-term debt	<u>2,012,004</u>		<u>(188,388)</u>	<u>1,823,616</u>	<u>197,888</u>
Other long-term liabilities:					
Compensated absences	664,874		(85,242)	579,632	
	<u>\$ 2,676,878</u>	<u>\$ -</u>	<u>\$ (273,630)</u>	<u>\$ 2,403,248</u>	<u>\$ 197,888</u>

The maturities of long-term debt consist of the following:

	Principal	Interest	Total
2019	\$ 311,233	\$ 135,632	\$ 446,865
2020	321,406	124,290	445,696
2021	332,566	113,351	445,917
2022	343,780	101,884	445,664
2023	355,373	90,034	445,407
2024-2037	<u>2,291,128</u>	<u>568,599</u>	<u>2,859,727</u>
Total	<u>\$ 3,955,486</u>	<u>\$ 1,133,790</u>	<u>\$ 5,089,276</u>

NOTE J – FARE REVENUE RATIO

Paratransit is required to maintain a fare revenue to operating expense ratio of 5% in order to be eligible for TDA funding. The fare revenue to operating expense ratio for Paratransit is calculated as follows for the years ended June 30:

	2018	2017
Fare revenues	<u>\$ 2,419,214</u>	<u>\$ 2,472,109</u>
Total operating expenses	\$ 26,692,169	\$ 31,621,102
Less:		
Mobility training	(883,669)	(1,031,898)
Depreciation, included in elderly and disabled transportation	(769,775)	(927,878)
Diversified services and outside maintenance	(4,234,361)	(5,077,120)
Destinations Mobility, including depreciation	<u>(253,277)</u>	<u>(2,569,947)</u>
Net operating expenses	<u>\$ 20,551,087</u>	<u>\$ 22,014,259</u>
Fare revenue ratio	<u>11.77%</u>	<u>11.23%</u>
Required ratio	<u>5.00%</u>	<u>5.00%</u>

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE K – PTMISEA ACTIVITY

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Regulation, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

During the year ended June 30, 2018, Paratransit did not receive or expend any SACOG PTMISEA funds. During the year ended June 30, 2017, Paratransit received and expended \$57,835 through a SACOG PTMISEA contract for ranger vehicle upgrades, which were verified in the course of the audit.

NOTE L - CALIFORNIA OFFICE OF EMERGENCY SERVICES (CalOES)

California Office of Emergency Services (CalOES): As approved by the voters in the November 2006 general elections, Proposition 1B enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including grants for transit system safety, security and disaster response projects. CalOES has been charged with administering the following Prop 1B California Transit Security Grant Program (CTSGP).

During the fiscal years ended June 30, 2018 and 2017, Paratransit applied for and received proceeds of \$275,000 and \$307,106, respectively, for an enhanced facility security project. As of June 30, 2018 and 2017, the proceeds plus interest less qualifying expenses are reported as unearned revenue. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance. During the fiscal year ended June 30, 2018 Paratransit shifted the funding source of \$44,994 of prior expenditures from Prop 1B CalOES to federal funding. As of June 30, 2018 and 2017, funds received and expended were as follows:

	2018	Restated 2017
Balance at beginning of year	\$ 241,738	\$ 518,492
CalOES funds received	275,000	
Interest earnings	188	225
Expenses incurred:		
Building improvements	(31,744)	(179,951)
Ranger vehicle upgrades		(97,028)
Unexpended proceeds	<u>\$ 485,182</u>	<u>\$ 241,738</u>

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE M – RISK MANAGEMENT

Paratransit is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and unemployment. Paratransit obtains its general and automobile liability insurance through a charitable risk pool, NonProfits United (NonProfits), which provides insurance to 5,000 nonprofits in California. Paratransit pays an annual premium for its general and automobile insurance coverage. NonProfits is nonassessable, such that Paratransit is not liable should the NonProfits liabilities exceed its assets. NonProfits reinsures through commercial companies for claims in excess of \$600,000.

Paratransit is a member of the NonProfits United Workers' Compensation Group, Inc. (NPU-WCG), a self-insurance pool providing California nonprofits with workers compensation insurance and risk management services. NPU-WCG is governed by a Board of Directors elected by, and from, the membership. Paratransit pays an annual deposit and monthly premiums to NPU-WCA for its workers' compensation insurance coverage. The NPU-WCG is expected to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

Paratransit is self-insured for unemployment benefits. Paratransit pays amounts into a trust, and the trust handles the payment of claims. Paratransit is responsible for paying claims if the amounts in the trust are not sufficient to cover the claims.

Paratransit continues to carry commercial insurance for all other risks of loss, including employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE N – CONCENTRATIONS

Paratransit currently receives a substantial amount of its support from a county-wide sales tax approved under Measure A, statewide retail sales tax from the Local Transportation Fund created by the Transportation Development Act and an agreement with Regional Transit to carry out Regional Transit's Complementary Paratransit Service Plan consistent with the ADA. A significant reduction in the level of this support, if this were to occur, may have a significant effect on Paratransit's activities. Paratransit's ability to operate and provide services is dependent on its continued ability to obtain government grants and funds and to maintain operating costs at a level consistent with the amount of support obtained.

NOTE O – CONTINGENCIES

Paratransit receives grants and funds for specific purposes that are subject to review and audit by the funding source. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

Paratransit is party to claims arising in the ordinary course of business. After taking into consideration information furnished by legal counsel to Paratransit as to the current status of the claims to which Paratransit is a party, management is of the opinion that the ultimate aggregate liability represented thereby, if any, will not have a material adverse effect on the financial position or results of operations of Paratransit.

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE P – TAX DEFERRED ANNUITY PLAN

Paratransit maintains a Tax Deferred Annuity Plan administered by American United Life Insurance Company (OneAmerica) under section 403(b) of the Internal Revenue Service. Plan provisions and contribution requirements are established and may be amended by the Board of Directors. Regular full time non-bargaining unit employees become eligible to participate after two years of service. Employees are permitted to make contributions to the Plan up to applicable Internal Revenue Code limits. Under the Plan, Paratransit contributes 9% to 15% of wages of eligible employees depending on years of service. Employees vest immediately in both employee and employer contributions, so there are no forfeitures. Paratransit's contributions were \$808,310 and \$1,013,129 for June 30, 2018 and 2017, respectively.

NOTE Q – SUBSEQUENT EVENT

In July 2018, Paratransit purchased a non-elective deferred compensation plan contract under IRC Code section 457(b) for the former Executive Director. Paratransit paid \$230,000 into this contract in July 2018 to Sentinel Security Life Insurance Company. Under terms of the agreement, Paratransit retains the rights to the contract amount and any income generated over the contract period. These plan assets are used to fund the former Executive Director's and her spouse's health care premiums.

NOTE R – RESTATEMENT

Paratransit discovered during the year ended June 30, 2018 that the June 30, 2017 grant receivable balance included amounts previously billed and collected. As a result, net position at July 1, 2016 was overstated by \$153,911 and grants receivable and capital revenue were overstated as of June 30, 2017 by \$242,595 and \$133,678, respectively, and unearned revenue was understated as of June 30, 2017 by \$44,994. Corrections to the June 30, 2017 balances were made in the current year.



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INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL FINANCIAL INFORMATION

To the Board of Directors
Paratransit, Inc.
Sacramento, California

We have audited the financial statements of Paratransit, Inc. as of and for the years ended June 30, 2018 and 2017 and our report thereon dated December 31, 2018, which expressed a modified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Expenses by Function is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Richardson & Company, LLP

December 31, 2018

PARATRANSIT, INC.

SCHEDULES OF EXPENSES BY FUNCTION

For the Years Ended June 30, 2018 and 2017

	2018	2017
Elderly and Disabled Transportation		
Salaries and wages	\$ 9,076,994	\$ 9,590,383
Employee benefits	4,118,481	5,029,304
Services	982,412	885,535
Fuel	1,694,399	1,544,895
Materials and supplies	693,099	734,433
Utilities	143,117	160,098
Insurance	1,092,828	1,096,967
Purchased transportation	2,437,581	2,684,984
Miscellaneous	146,321	184,554
Interest expense	100,721	74,390
Leases and rentals	65,134	28,716
Depreciation	769,775	927,878
Total Elderly and Disabled Transportation	<u>21,320,862</u>	<u>22,942,137</u>
Mobility Training Services		
Salaries and wages	506,055	564,764
Employee benefits	278,991	373,210
Services	30,176	17,317
Materials and supplies	7,661	13,104
Utilities	13,066	16,827
Insurance	411	1,358
Miscellaneous	37,691	40,115
Interest expense	4,257	2,667
Leases and rentals	5,361	2,536
Total Mobility Training Services	<u>883,669</u>	<u>1,031,898</u>
Diversified Services and Outside Maintenance		
Salaries and wages	1,849,381	2,161,122
Employee benefits	880,150	1,129,045
Services	441,780	603,071
Fuel	299,684	249,328
Materials and supplies	223,029	199,523
Utilities	103,277	103,984
Insurance	20,087	31,482
Purchased transportation	20,887	82,727
Miscellaneous	244,844	243,652
Interest expense	18,929	16,705
Leases and rentals	132,313	256,481
Total Diversified Services and Outside Maintenance	<u>4,234,361</u>	<u>5,077,120</u>
Destinations Mobility		
Salaries and wages	6,029	388,247
Employee benefits	8,171	191,097
Services	9,199	103,144
Materials and supplies	154,393	1,728,616
Utilities	5,518	9,364
Insurance	2,597	17,246
Miscellaneous	7,611	26,246
Interest expense	829	29,056
Leases and rentals		6,970
Depreciation	58,930	69,961
Total Destinations Mobility	<u>253,277</u>	<u>2,569,947</u>
Total Operating Expenses	<u>\$ 26,692,169</u>	<u>\$ 31,621,102</u>



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, THE TRANSPORTATION DEVELOPMENT ACT AND
OTHER STATE PROGRAM GUIDELINES

Board of Directors
Paratransit, Inc.
Sacramento, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Paratransit, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Paratransit's basic financial statements, and have issued our report thereon dated December 31, 2018. Our report disclosed that, as described in Note A to the financial statements, Paratransit, Inc. prepares its financial statements in conformity with the accounting principles prescribed by the Transportation Development Act, which requires Paratransit, Inc. to prepare its financial statements in the same manner as an enterprise fund in a governmental agency. This method follows accounting principles generally accepted in the United States of America for governmental agencies, but is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America for nonprofit organizations.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Paratransit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Paratransit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Paratransit's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

To the Board of Directors
Paratransit, Inc.
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited Paratransit, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Paratransit's major federal programs for year ended June 30, 2018. Paratransit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Paratransit's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Paratransit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Paratransit's compliance.

Opinion on Each Major Federal Program

In our opinion, Paratransit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

To the Board of Directors
Paratransit, Inc.

Report on Internal Control Over Compliance

Management of Paratransit is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Paratransit's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Paratransit's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented and, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Paratransit's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Paratransit's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Richardson & Company, LLP

December 31, 2018

Board of Directors
Paratransit, Inc.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness (Finding 2018-001).

Compliance and Other Matters (including PTMISEA)

As part of obtaining reasonable assurance about whether Paratransit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act (TDA) Funds allocated and received (from both Sacramento and Stanislaus Counties) by Paratransit were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 6667 of the California Code of Regulations. We also tested the receipt and appropriate expenditures of bond funds, as presented in Notes K and L to the financial statements, in accordance with other state program statutes and guidelines. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, the TDA or other state programs.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

December 31, 2018

PARATRANSIT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

A. Summary of Auditor's Results

Financial Statements

- | | |
|---|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements under <i>Government Auditing Standards</i> noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR Section 200.516(a)? | Yes |
| 4. Identification of major programs: | |

CFDA Number

Name of Federal Program

20.500
20.526

Transit Services Programs Cluster:
Federal Transit — Capital Investment Grants
Bus and Bus Facilities Formula Program

20.516
20.513

Transit Services Programs Cluster
Job Access and Reverse Commute Program
Enhanced Mobility of Seniors and Individuals with Disabilities

- | | |
|---|------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 750,000 |
| 6. Auditee qualified as a low-risk auditee under 2 CFR Section 200.516(a)? | No |

PARATRANSIT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2018

B. Current Year Findings – Financial Statements

Finding 2018-001: Revenue recognition, SEFA – Material Weakness.

Criteria: Robust internal controls should be in place over the financial reporting process and the design and implementation of controls within that process to prevent, or detect and correct, material misstatements in the financial statements and the schedule of expenditures of federal awards.

Condition: During our examination of grants receivable we determined that several outstanding items remain uncollected. Further analysis determined the following:

- Three items totaling \$153,911 were accrued as grant revenue in fiscal year 2014/15, however requests for reimbursement were never sent. The result is an overstatement of revenue of \$153,911 in fiscal year 2014/15. Of this amount one item for \$120,409 was improperly included on the 2015 Schedule of Federal Awards as a federal expenditure.
- Two items totaling \$133,678 were properly accrued as revenue in fiscal year 2015/16. However, the requests for reimbursement prepared in fiscal year 2016/17 were also improperly accrued as revenue, thus overstating revenue by \$133,678 in fiscal year 2016/17.
- Two items totaling \$252,200 (\$126,100 each) were accrued as revenue, one in fiscal year 2014/15 with an offset to Prop 1B PTMISEA. A request for reimbursement was never sent for this item. The second item utilized unearned Prop 1B CalEMA revenue in fiscal year 2015/16. A review of grant activity in fiscal year 2018/19 found that a request for reimbursement from federal grant funds was submitted and collected for these two invoices in the amount of \$171,094, which was improperly recorded as revenue in fiscal year 2018/19. As a result, the schedule of federal expenditures (SEFA) for fiscal years 2014/15 and 2015/16 are not accurate. The \$171,094 should be included on the fiscal year 2017/18 SEFA.
- The SEFA did not include all federal expenditures for fiscal year 2017/18. Bus purchases made in fiscal year 2017/18 totaling \$384,000, but reimbursed in fiscal year 2018/19, were improperly excluded from the SEFA. A review of grant activity in fiscal year 2018/19 found that the \$384,000 was recorded as revenue in fiscal year 2018/19. As a result, grants receivable, revenue, and the SEFA were understated by \$384,000 in fiscal year 2017/18. In addition, SEFA expenditures totaling \$539,008 were recorded under the incorrect grant program.

Cause: Paratransit's internal controls over financial reporting and over the completeness of the SEFA were not operating effectively.

PARATRANSIT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2018

Effect: The June 30, 2015, SEFA was overstated by \$120,406 and the financials overstated revenue and receivables by \$153,911. The June 30, 2017 financials overstated receivable and revenue by \$133,678. The June 30, 2018 general ledger understated receivable and revenue by \$384,000. The fiscal year 2017/18 SEFA was also understated by this amount. These corrections were made in the June 30, 2018 audited financial statements.

Recommendation: We recommend Paratransit strengthen policies and procedures over the design and implementation of controls to prevent, or detect and correct, material misstatements in the financial statements and the schedule of expenditures of federal awards.

Managements' Response and Corrective Action Plan: Paratransit Executive Management acknowledges the issues regarding grants receivable. It was the practice of previous executive management to enter grants receivable revenue as a debit note without the accompaniment of the corresponding invoice for reimbursement to the granting agency. Since these grants covered the span of multiple years between 2015 and 2018, this practice made it more difficult to keep track of whether expense had been invoiced to the granting agency and whether Paratransit had received the reimbursement.

With the executive management changes in January and February 2017, Paratransit has abolished the use of debit notes when recognizing grants receivable revenue, thus avoiding leaving receivables on the books that are no longer collectible. In addition, as of 8/20/18 Paratransit has employed a grants analyst, whose main focus is grant invoicing, reporting, and oversight. We believe these changes, which have already been put in place, will allow Paratransit to avoid similar grants receivable issues in the future.

Responsible Official: Lisa Cappellari, Chief Financial Officer

Expected Date of Completion: These new procedures and practices are already in place.

C. Current year Findings and Questioned Costs – Federal Awards Programs

See Finding 2018-001 in item B.

D. Prior Year Findings – Financial Statements

None

E. Prior Year Findings and Questioned Costs – Federal Awards Programs

None

PARATRANSIT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title/Pass-Through Number	Federal CFDA Number	Program or Award Amount	Expenditures
MAJOR FEDERAL AWARDS			
<u>U.S. Department of Transportation</u>			
<u>Federal Transit Cluster</u>			
Passed through Sacramento Regional Transit District			
Federal Transit — Capital Investment Grants			
CA-04-0222-00	20.500	\$ 1,763,750	\$ 1,763,750
CA-04-0222-01	20.500	249,000	12,616
Bus and Bus Facilities Formula Program			
CA-2016-132-00	20.526	384,000	384,000
CA-34-0009-01	20.526	300,000	171,094
CA-34-0003	20.526	128,909	128,906
Federal Transit Cluster Total		2,825,659	2,460,366
<u>Transit Services Programs Cluster</u>			
Passed through Stanislaus Council of Governments			
Job Access and Reverse Commute Program			
CA-37-X168-01	20.516	706,945	40,910
Passed through California State Transportation Agency, Department of Transportation, Division of Mass Transportation			
Enhanced Mobility of Seniors and Individuals with Disabilities			
642564	20.513	582,000	582,000
641557	20.513	1,056,300	980,000
64AO16-00347	20.513	79,468	7,560
Total Transit Services Programs Cluster		2,424,713	1,610,470
TOTAL FEDERAL AWARDS		\$ 5,250,372	\$ 4,070,836

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

PARATRANSIT, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Paratransit, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of Paratransit's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of Paratransit.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – PROGRAM/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal and state grant portion of the program costs. Entire program costs, including Paratransit's portion, may be more than shown.

NOTE D – INDIRECT COST ALLOCATION PLAN

Paratransit did not elect to use the 10 percent de minimus indirect cost rate as covered in 2 CFR 200.414.

NOTE E – SUBRECIPIENTS

There were no subrecipients of Paratransit's programs during the year ended June 30, 2018.

PARATRANSIT, INC.

Audited Financial Statements, Additional
Financial Information and Compliance Reports

June 30, 2018

PARATRANSIT, INC.

Audited Financial Statements,
Additional Financial Information and Compliance Reports

June 30, 2018 and 2017

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Compliance Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> , the Transportation Development Act and the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) Guidelines	19
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Paratransit, Inc.
Sacramento, California

Report on the Financial Statements

We have audited the accompanying statutory-basis financial statements of Paratransit, Inc. (a nonprofit organization) as of and for the years ended June 30, 2018 and 2017, and the related notes to the 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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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.

Basis for Qualified Opinion

As described in Note A, these financial statements were prepared in conformity with the accounting principles prescribed by the Transportation Development Act, which requires Paratransit, Inc. to prepare its financial statements in the same manner as an enterprise fund in a governmental agency. This method follows accounting principles generally accepted for governmental agencies, but is a comprehensive basis of accounting other than accounting principles generally accepted for nonprofit organizations.

Opinion

In our opinion, because Paratransit, Inc. is required to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted for nonprofit organizations, the financial position of Paratransit, Inc. as of June 30, 2018 and 2017, or the results of its operations or its cash flows for the fiscal years then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Paratransit, Inc. as of June 30, 2018 and 2017, and the results of its operations and cash flows for the fiscal years then ended, on the basis of accounting described in Note A.

Other Matters

Required Supplementary Information

Paratransit, Inc. has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018 on our consideration of the Paratransit Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, including the Transportation Development Act and other state program guidelines. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control over financial reporting and compliance.

Richardson & Company, LLP

December 31, 2018

PARATRANSIT, INC.

BALANCE SHEETS – STATUTORY BASIS

June 30, 2018 and 2017

	2018	Restated 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents – Note C	\$ 4,247,822	\$ 3,021,385
Accounts and grants receivable – Note D	2,447,687	2,033,959
Inventory	130,013	356,548
Deposits and prepaid expenses	727,747	555,493
TOTAL CURRENT ASSETS	<u>7,553,269</u>	<u>5,967,385</u>
RESTRICTED CASH – Note B	458,785	272,386
CAPITAL ASSETS, NET – Notes E and F	<u>9,822,110</u>	<u>5,059,212</u>
TOTAL ASSETS	<u>\$ 17,834,164</u>	<u>\$ 11,298,983</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 1,288,966	\$ 1,016,054
Accrued payroll and related benefits	187,141	177,681
Other current liabilities	58,979	87,872
Line of credit - Note G	675,000	
Unearned revenue – Note H	497,555	465,888
Current portion of long-term liabilities	311,233	197,888
TOTAL CURRENT LIABILITIES	<u>3,018,874</u>	<u>1,945,383</u>
LONG-TERM LIABILITIES – Note I	<u>4,186,716</u>	<u>2,205,360</u>
TOTAL LIABILITIES	<u>7,205,590</u>	<u>4,150,743</u>
NET POSITION		
Net investment in capital assets	5,191,625	3,235,596
Restricted for grant administration	12,998	12,996
Restricted for lease collateral		33,160
Unrestricted	5,423,951	3,866,488
TOTAL NET POSITION	<u>10,628,574</u>	<u>7,148,240</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 17,834,164</u>	<u>\$ 11,298,983</u>

The accompanying notes are an integral part of these financial statements.

PARATRANSIT, INC.

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION – STATUTORY BASIS

For the Years Ended June 30, 2018 and 2017

	2018	Restated 2017
OPERATING REVENUES		
Fares – Note J	\$ 2,419,214	\$ 2,472,109
Regional Transit	11,924,999	14,257,509
Diversified transportation services	3,346,350	3,688,236
Mobility training	632,267	642,212
Maintenance fees	944,237	798,506
Destinations Mobility	282,219	2,343,436
Advertising	4,200	4,200
Other	4,391	3,375
TOTAL OPERATING REVENUES	19,557,877	24,209,583
OPERATING EXPENSES		
Elderly and disabled transportation	21,320,862	22,942,137
Mobility training services	883,669	1,031,898
Diversified services and outside maintenance	4,234,361	5,077,120
Destinations Mobility	253,277	2,569,947
TOTAL OPERATING EXPENSES	26,692,169	31,621,102
NET LOSS FROM OPERATIONS	(7,134,292)	(7,411,519)
NONOPERATING REVENUES (EXPENSES)		
Measure A Funds	4,192,019	3,969,870
Local Transportation Funds - Sacramento Area COG	2,253,021	2,070,438
Local Transportation Fund - Stanislaus COG	208,750	693,982
Job Access-Reverse Commute /New Freedom programs	48,470	181,207
Gain on disposal of capital assets	28,513	325
Interest income	837	26,560
TOTAL NONOPERATING REVENUES	6,731,610	6,942,382
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(402,682)	(469,137)
CAPITAL CONTRIBUTIONS		
Federal Transit Administration	3,851,272	21,924
CalEMA (Proposition 1B)	31,744	276,979
PTMISEA (Proposition 1B)		52,879
TOTAL CAPITAL CONTRIBUTIONS	3,883,016	351,782
CHANGE IN NET POSITION	3,480,334	(117,355)
Net position at beginning of year, as originally reported	7,148,240	7,419,506
Restatement		(153,911)
Net position at beginning of year, as restated	7,148,240	7,265,595
NET POSITION AT END OF YEAR	\$ 10,628,574	\$ 7,148,240

The accompanying notes are an integral part of these financial statements.

PARATRANSIT, INC.

STATEMENTS OF CASH FLOWS – STATUTORY BASIS

For the Years Ended June 30, 2018 and 2017

	2018	Restated 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 20,376,017	\$ 24,713,424
Cash paid to suppliers for goods and services	(8,840,912)	(10,618,522)
Cash paid to employees for services	(16,751,961)	(19,483,611)
NET CASH FLOWS USED FOR OPERATING ACTIVITIES	(5,216,856)	(5,388,709)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Non-operating grants and subsidies	6,578,290	6,876,316
NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	6,578,290	6,876,316
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants received for capital acquisitions	2,806,785	109,490
Acquisition of property and equipment	(5,632,562)	(871,473)
Proceeds from line of credit	675,000	
Proceeds from long-term debt issuance	4,133,301	
Refinance of existing long-term debt	(1,823,616)	
Payments on long-term debt	(177,815)	(188,388)
Proceeds from disposition of assets	69,472	325
NET CASH FLOWS PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	50,565	(950,046)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	837	26,560
NET CASH FLOWS PROVIDED BY BY INVESTING ACTIVITIES	837	26,560
NET INCREASE IN CASH	1,412,836	564,121
Cash and cash equivalents at beginning of year	3,293,771	2,729,650
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,706,607	\$ 3,293,771
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Cash and cash equivalents	\$ 4,247,822	\$ 3,021,385
Restricted cash	458,785	272,386
	\$ 4,706,607	\$ 3,293,771

(Continued)

PARATRANSIT, INC.

STATEMENTS OF CASH FLOWS – STATUTORY BASIS (Continued)

For the Years Ended June 30, 2018 and 2017

	2018	Restated 2017
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED FOR OPERATING ACTIVITIES		
Net loss from operations	\$ (7,134,292)	\$ (7,411,519)
Adjustments to reconcile net loss from operations to net cash used for operating activities:		
Depreciation	828,705	997,839
Change in operating assets and liabilities:		
Accounts receivable	818,140	503,841
Inventory	226,535	539,029
Deposits and prepaid expenses	(172,254)	(69,674)
Accounts payable	272,912	61,956
Accrued payroll and related benefits	9,460	28,803
Other current liabilities	(28,893)	46,258
Compensated absences	(37,169)	(85,242)
NET CASH FLOWS USED FOR OPERATING ACTIVITIES	<u>\$ (5,216,856)</u>	<u>\$ (5,388,709)</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest expense	\$ 124,736	\$ 122,818
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Fleet vehicles transferred to Destinations Mobility inventory		\$ 84,450

The accompanying notes are an integral part of these financial statements.

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Paratransit, Inc. (Paratransit) is a nonprofit organization that provides coordinated special transportation services within Sacramento Regional Transit District's (Regional Transit) activated boundary to people who are unable to use public transit due to age or disability. Paratransit fulfills two major transportation functions in the Sacramento area: 1) that of the provider of specialized transportation service to the elderly and disabled, and 2) that of the designated Consolidated Transportation Service Agency (CTSA). As a CTSA, Paratransit is responsible for the coordination and consolidation of social-service agency transportation programs in order to maximize the use of their transportation dollars. Paratransit has expanded its services to include specialized transportation and maintenance services for nontraditional markets such as suburban, residential, business and industrial parks, transportation management associations, business district associations and public agencies.

Innovative Paradigms is the consulting and operations division of Paratransit, Inc. The division was created to broaden the Agency's involvement in the human service coordination and ADA fields outside the Sacramento area as well as to offer other transit and paratransit-related consulting services. Some of the Innovative Paradigms' engagements are short-term consulting agreements primarily with public agency clients. Other engagements are long-term contracts that in certain cases include opening offices in field locations including Modesto, California, Honolulu, Hawaii and Boston, Massachusetts. All activities of the division are structured to generate net income for Paratransit, Inc.

The Destinations Mobility Program provides affordable new and used wheelchair accessible vehicles and mobility equipment to physically challenged individuals, both to those who are independently driving and those who are passengers. Paratransit has an available inventory of vehicles on hand for sale at their main location in Sacramento, California. The Destinations Mobility program was discontinued in fiscal year 2017.

Basis of Presentation: The financial statements of Paratransit have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. To comply with the Transportation Development Act (TDA) and the Uniform System of Accounts for Public Transit Operators, Paratransit must report its operations in the form of an enterprise fund of a governmental agency. Therefore, Paratransit follows GAAP as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In addition, Paratransit follows Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting: Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Net position is segregated into amounts invested in capital assets, net of related debt, restricted and amounts unrestricted. Enterprise fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Paratransit uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received they are recorded as unearned revenues until earned. TDA funds are recorded when all eligibility requirements have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Paratransit are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is Paratransit's policy to use restricted resources first, then unrestricted resources as they are needed.

Paratransit is funded through various grant and other funding agreements with local and federal governmental agencies that provide for returning of excess funds, which are standard in the public transit industry in California. Eligibility for funding is generally restricted to qualifying expenditures, which means that the funds have to be spent in order to be earned. Any excess funding received would be recorded as unearned revenue due to the grant terms or restrictions.

Cash and Cash Equivalents: For the purposes of reporting cash flows, cash and cash equivalents are defined as those amounts included in the balance sheets captions "Cash and Cash Equivalents" and "Restricted Cash" and consist of amounts held in checking accounts.

Inventories: Inventories are valued at cost, which approximates market, determined by the moving average method. Inventories consist of tires, fuel, repair parts, and wheelchair accessible vehicles and mobility equipment that are available for sale.

Capital Assets: Capital assets are stated at cost. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Capital assets are defined as assets with an initial cost of \$500 or more and an estimated useful life in excess of one year. Provision is made for depreciation by the straight-line method over the estimated useful lives of the individual assets, which generally is five to thirty years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Unearned Revenues: Unearned revenues arise when resources are received before Paratransit has legal claim to them, such as when cost reimbursement grant and other intergovernmental revenues are received prior to the incurrence of qualifying expenses.

Compensated Absences: Paratransit's personnel policy allows employees to accumulate earned but unused vacation. Unused accrued vacation time will be paid to employees upon separation from Paratransit's service, subject to a vesting policy. The cost of vacation is recorded in the period accrued.

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status: Paratransit is a tax exempt organization under Section 501(c)(3) of the United States Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and, accordingly, is not subject to federal or state income taxes except on unrelated business income. Paratransit receives unrelated business income from providing advertising. However, such income is offset with net operating losses carried forward from the prior year. As a result, no income tax expenses were recorded for the years ended June 30, 2018 and 2017. Paratransit is not classified as a private foundation.

NOTE B - RESTRICTED CASH

Paratransit has bank deposits that are restricted for the following at June 30, 2018 and 2017:

	2018	2017
California Transit Security Grant		
Program (CTSGP) projects	\$ 445,787	\$ 226,230
Caltrans local match funds	12,998	12,996
Security deposit		33,160
	<u>\$ 458,785</u>	<u>\$ 272,386</u>

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of balances held in financial institutions. Paratransit maintains cash balances at two banks, which are federally insured up to \$250,000 each. At June 30, 2018 and 2017, respectively, Paratransit had uninsured bank balances of \$4,819,751 and \$3,503,586, respectively.

NOTE D – ACCOUNTS AND GRANTS RECEIVABLE

Receivable balances consist of the following at June 30:

	2018	2017
Trade receivables	\$ 689,636	\$ 1,388,822
Grants and other intergovernmental receivables	1,784,047	665,028
Miscellaneous	4,004	10,109
Allowance for doubtful accounts	(30,000)	(30,000)
	<u>\$ 2,447,687</u>	<u>\$ 2,033,959</u>

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE E – CAPITAL ASSETS

Capital asset activity was as follows for the years ended June 30:

	Balance at July 1, 2017	Additions	Retirements	Transfers	Balance at June 30, 2018
Capital assets, not being depreciated					
Land	\$ 924,736				\$ 924,736
Construction in progress	127,816	\$ 30,020			157,836
Total capital assets, not being depreciated	1,052,552	30,020			1,082,572
Capital assets, being depreciated:					
Building	5,064,982	26,128			5,091,110
Motor vehicles and related equipment	6,998,620	5,488,585	\$ (430,752)		12,056,453
Office furniture and equipment	2,905,463	68,602	(38,878)	\$ (1,432)	2,933,755
Maintenance equipment	809,296	19,227		1,432	829,955
Total capital assets being depreciated	15,778,361	5,602,542	(469,630)		20,911,273
Less accumulated depreciation for:					
Building	(2,765,595)	(244,833)			(3,010,428)
Motor vehicles and related equipment	(5,847,582)	(361,009)	392,671		(5,815,920)
Office equipment and information systems	(2,393,522)	(200,249)	36,000	1,281	(2,556,490)
Maintenance equipment	(765,002)	(22,614)		(1,281)	(788,897)
Total accumulated depreciation	(11,771,701)	(828,705)	428,671		(12,171,735)
Total capital assets being depreciated, net	4,006,660	4,773,837	(40,959)		8,739,538
Capital assets, net	\$ 5,059,212	\$ 4,803,857	\$ (40,959)	\$ -	\$ 9,822,110
	Balance at July 1, 2016	Additions	Retirements	Transfers	Balance at June 30, 2017
Capital assets, not being depreciated					
Land	\$ 924,736				\$ 924,736
Construction in progress	64,848	\$ 62,968			127,816
Total capital assets, not being depreciated	989,584	62,968			1,052,552
Capital assets, being depreciated:					
Building	4,886,363	178,619			5,064,982
Motor vehicles and related equipment	8,272,190	323,578	\$(1,597,148)		6,998,620
Office equipment and information systems	3,838,065	305,087	(1,237,689)		2,905,463
Maintenance equipment	808,076	1,220			809,296
Total capital assets being depreciated	17,804,694	808,504	(2,834,837)		15,778,361
Less accumulated depreciation for:					
Building	(2,530,585)	(235,010)			(2,765,595)
Motor vehicles and related equipment	(6,847,776)	(512,504)	1,512,698		(5,847,582)
Office equipment and information systems	(3,405,563)	(225,648)	1,237,689		(2,393,522)
Maintenance equipment	(740,325)	(24,677)			(765,002)
Total accumulated depreciation	(13,524,249)	(997,839)	2,750,387		(11,771,701)
Total capital assets being depreciated, net	4,280,445	(189,335)	(84,450)		4,006,660
Capital assets, net	\$ 5,270,029	\$ (126,367)	\$ (84,450)	\$ -	\$ 5,059,212

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE F – LEASING ARRANGEMENTS

Paratransit is currently leasing 102 buses from Regional Transit under a 48 month lease. The lease commenced March 1999, and was last amended December 2012, and provides for monthly payments of \$1,180 per month per bus; however, Regional Transit has agreed to waive these payments as long as the buses are used to provide paratransit services, as described in the Collaborative Agreement for the Provision of ADA Complementary Paratransit Services, between Regional Transit and Paratransit. The value of the 102 buses leased as of June 30, 2018 and 2017 was \$6,120,000. The leases may be canceled by either party upon thirty days notice or upon the termination or expiration of the Collaborative Agreement. The buses are not included in capital assets on the balance sheet.

Paratransit leases certain equipment and a parking lot adjacent to its main facility at 2401 Florin Road under month-to-month agreements. Paratransit has a lease agreement for office space in Honolulu, Hawaii, that expires in January 2019. Rent expense for the years ended June 30, 2018 and 2017 for all operating leases amounted to \$203,258 and \$294,703, respectively.

Future rental payments relating to the office rental lease agreement as of June 30, 2018 are as follows:

Fiscal year ending June 30:

2019	<u>\$ 51,158</u>
Total	<u><u>\$ 51,158</u></u>

NOTE G – LINE OF CREDIT

Paratransit has a line of credit for operating purposes that expires May 31, 2019. The total amount available under this line of credit was \$1,000,000 at June 30, 2018 and 2017, with \$675,000 outstanding under this agreement at June 30, 2018. No amount was outstanding on this agreement at 2017. The interest rate is variable and equal to the bank's index rate plus 0.75%. The current interest rate at June 30, 2018 is 6%. The loan is secured by all inventory and equipment.

NOTE H – UNEARNED REVENUES

Unearned revenue balances consist of the following at June 30:

	<u>2018</u>	<u>Restated 2017</u>
CalOES Proposition 1b	\$ 485,182	\$ 241,738
Stanislaus Council of Governments		
Transportation Development Act		208,750
Passes	<u>12,373</u>	<u>15,400</u>
	<u><u>\$ 497,555</u></u>	<u><u>\$ 465,888</u></u>

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE I – LONG-TERM LIABILITIES

Long-term debt consists of the following at June 30, 2018:

	Original Debt	Balance at June 30, 2018
WELLS FARGO BANK FACILITY LOAN		
Entered into on August 17, 2017 to refinance an earlier loan used to purchase the Paratransit building, and perform repairs on the facility. The interest rate is 3.659% through September 1, 2037. Monthly principal and interest payments of approximately \$14,731 are due through September 1, 2037. The loan is secured by Paratransit's facility, located at 2501 Florin Road, Sacramento, CA.	\$ 2,500,000	\$ 2,429,828
WELLS FARGO BANK EQUIPMENT LOAN		
Entered into on August 17, 2017 to finance the purchase of fifteen vehicles. The interest rate is 3.220% through October 1, 2024. Monthly principal and interest payments of \$22,250.64 are due through October 1, 2024. The loan is secured by fifteen Paratransit vehicles.	1,633,301	1,525,658
CITY OF SACRAMENTO LOAN		
Entered into on March 1, 2005 to refinance several earlier loans used to purchase the Paratransit building, Paratransit buses, and to install a solar panel system on the main Paratransit facility. This loan was refinanced with the Wells Fargo loan.	4,235,001	
	<u>\$ 8,368,302</u>	<u>\$ 3,955,486</u>

Long term debt activity for the years ended June 30, 2018 and 2017 was as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Within One Year
Long-term debt:					
Wells Fargo Mortgage Loan		\$ 2,500,000	\$ (70,172)	\$ 2,429,828	\$ 90,761
Wells Fargo Vehicle Loan		1,633,301	(107,643)	1,525,658	220,472
City of Sacramento loans	\$ 1,823,616		(1,823,616)		
Long-term debt	<u>1,823,616</u>	<u>4,133,301</u>	<u>(2,001,431)</u>	<u>3,955,486</u>	<u>311,233</u>
Other long-term liabilities:					
Compensated absences	<u>579,632</u>		<u>(37,169)</u>	<u>542,463</u>	
	<u>\$ 2,403,248</u>	<u>\$ 4,133,301</u>	<u>\$(2,038,600)</u>	<u>\$ 4,497,949</u>	<u>\$ 311,233</u>

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE I – LONG-TERM LIABILITIES (Continued)

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Within One Year
Long-term debt:					
City of Sacramento loans	\$ 2,012,004		\$ (188,388)	\$ 1,823,616	\$ 197,888
Long-term debt	<u>2,012,004</u>		<u>(188,388)</u>	<u>1,823,616</u>	<u>197,888</u>
Other long-term liabilities:					
Compensated absences	<u>664,874</u>		<u>(85,242)</u>	<u>579,632</u>	
	<u>\$ 2,676,878</u>	<u>\$ -</u>	<u>\$ (273,630)</u>	<u>\$ 2,403,248</u>	<u>\$ 197,888</u>

The maturities of long-term debt consist of the following:

	Principal	Interest	Total
2019	\$ 311,233	\$ 135,632	\$ 446,865
2020	321,406	124,290	445,696
2021	332,566	113,351	445,917
2022	343,780	101,884	445,664
2023	355,373	90,034	445,407
2024-2037	<u>2,291,128</u>	<u>568,599</u>	<u>2,859,727</u>
Total	<u>\$ 3,955,486</u>	<u>\$ 1,133,790</u>	<u>\$ 5,089,276</u>

NOTE J – FARE REVENUE RATIO

Paratransit is required to maintain a fare revenue to operating expense ratio of 5% in order to be eligible for TDA funding. The fare revenue to operating expense ratio for Paratransit is calculated as follows for the years ended June 30:

	2018	2017
Fare revenues	<u>\$ 2,419,214</u>	<u>\$ 2,472,109</u>
Total operating expenses	\$ 26,692,169	\$ 31,621,102
Less:		
Mobility training	(883,669)	(1,031,898)
Depreciation, included in elderly and disabled transportation	(769,775)	(927,878)
Diversified services and outside maintenance	(4,234,361)	(5,077,120)
Destinations Mobility, including depreciation	<u>(253,277)</u>	<u>(2,569,947)</u>
Net operating expenses	<u>\$ 20,551,087</u>	<u>\$ 22,014,259</u>
Fare revenue ratio	<u>11.77%</u>	<u>11.23%</u>
Required ratio	<u>5.00%</u>	<u>5.00%</u>

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE K – PTMISEA ACTIVITY

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Regulation, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

During the year ended June 30, 2018, Paratransit did not receive or expend any SACOG PTMISEA funds. During the year ended June 30, 2017, Paratransit received and expended \$57,835 through a SACOG PTMISEA contract for ranger vehicle upgrades, which were verified in the course of the audit.

NOTE L - CALIFORNIA OFFICE OF EMERGENCY SERVICES (CalOES)

California Office of Emergency Services (CalOES): As approved by the voters in the November 2006 general elections, Proposition 1B enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including grants for transit system safety, security and disaster response projects. CalOES has been charged with administering the following Prop 1B California Transit Security Grant Program (CTSGP).

During the fiscal years ended June 30, 2018 and 2017, Paratransit applied for and received proceeds of \$275,000 and \$307,106, respectively, for an enhanced facility security project. As of June 30, 2018 and 2017, the proceeds plus interest less qualifying expenses are reported as unearned revenue. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance. During the fiscal year ended June 30, 2018 Paratransit shifted the funding source of \$44,994 of prior expenditures from Prop 1B CalOES to federal funding. As of June 30, 2018 and 2017, funds received and expended were as follows:

	2018	Restated 2017
Balance at beginning of year	\$ 241,738	\$ 518,492
CalOES funds received	275,000	
Interest earnings	188	225
Expenses incurred:		
Building improvements	(31,744)	(179,951)
Ranger vehicle upgrades		(97,028)
Unexpended proceeds	<u>\$ 485,182</u>	<u>\$ 241,738</u>

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE M – RISK MANAGEMENT

Paratransit is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and unemployment. Paratransit obtains its general and automobile liability insurance through a charitable risk pool, NonProfits United (NonProfits), which provides insurance to 5,000 nonprofits in California. Paratransit pays an annual premium for its general and automobile insurance coverage. NonProfits is nonassessable, such that Paratransit is not liable should the NonProfits liabilities exceed its assets. NonProfits reinsures through commercial companies for claims in excess of \$600,000.

Paratransit is a member of the NonProfits United Workers' Compensation Group, Inc. (NPU-WCG), a self-insurance pool providing California nonprofits with workers compensation insurance and risk management services. NPU-WCG is governed by a Board of Directors elected by, and from, the membership. Paratransit pays an annual deposit and monthly premiums to NPU-WCA for its workers' compensation insurance coverage. The NPU-WCG is expected to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

Paratransit is self-insured for unemployment benefits. Paratransit pays amounts into a trust, and the trust handles the payment of claims. Paratransit is responsible for paying claims if the amounts in the trust are not sufficient to cover the claims.

Paratransit continues to carry commercial insurance for all other risks of loss, including employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE N – CONCENTRATIONS

Paratransit currently receives a substantial amount of its support from a county-wide sales tax approved under Measure A, statewide retail sales tax from the Local Transportation Fund created by the Transportation Development Act and an agreement with Regional Transit to carry out Regional Transit's Complementary Paratransit Service Plan consistent with the ADA. A significant reduction in the level of this support, if this were to occur, may have a significant effect on Paratransit's activities. Paratransit's ability to operate and provide services is dependent on its continued ability to obtain government grants and funds and to maintain operating costs at a level consistent with the amount of support obtained.

NOTE O – CONTINGENCIES

Paratransit receives grants and funds for specific purposes that are subject to review and audit by the funding source. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

Paratransit is party to claims arising in the ordinary course of business. After taking into consideration information furnished by legal counsel to Paratransit as to the current status of the claims to which Paratransit is a party, management is of the opinion that the ultimate aggregate liability represented thereby, if any, will not have a material adverse effect on the financial position or results of operations of Paratransit.

PARATRANSIT, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE P – TAX DEFERRED ANNUITY PLAN

Paratransit maintains a Tax Deferred Annuity Plan administered by American United Life Insurance Company (OneAmerica) under section 403(b) of the Internal Revenue Service. Plan provisions and contribution requirements are established and may be amended by the Board of Directors. Regular full time non-bargaining unit employees become eligible to participate after two years of service. Employees are permitted to make contributions to the Plan up to applicable Internal Revenue Code limits. Under the Plan, Paratransit contributes 9% to 15% of wages of eligible employees depending on years of service. Employees vest immediately in both employee and employer contributions, so there are no forfeitures. Paratransit's contributions were \$808,310 and \$1,013,129 for June 30, 2018 and 2017, respectively.

NOTE Q – SUBSEQUENT EVENT

In July 2018, Paratransit purchased a non-elective deferred compensation plan contract under IRC Code section 457(b) for the former Executive Director. Paratransit paid \$230,000 into this contract in July 2018 to Sentinel Security Life Insurance Company. Under terms of the agreement, Paratransit retains the rights to the contract amount and any income generated over the contract period. These plan assets are used to fund the former Executive Director's and her spouse's health care premiums.

NOTE R – RESTATEMENT

Paratransit discovered during the year ended June 30, 2018 that the June 30, 2017 grant receivable balance included amounts previously billed and collected. As a result, net position at July 1, 2016 was overstated by \$153,911 and grants receivable and capital revenue were overstated as of June 30, 2017 by \$242,595 and \$133,678, respectively, and unearned revenue was understated as of June 30, 2017 by \$44,994. Corrections to the June 30, 2017 balances were made in the current year.



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INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL FINANCIAL INFORMATION

To the Board of Directors
Paratransit, Inc.
Sacramento, California

We have audited the financial statements of Paratransit, Inc. as of and for the years ended June 30, 2018 and 2017 and our report thereon dated December 31, 2018, which expressed a modified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Expenses by Function is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Richardson & Company, LLP

December 31, 2018

PARATRANSIT, INC.

SCHEDULES OF EXPENSES BY FUNCTION

For the Years Ended June 30, 2018 and 2017

	2018	2017
Elderly and Disabled Transportation		
Salaries and wages	\$ 9,076,994	\$ 9,590,383
Employee benefits	4,118,481	5,029,304
Services	982,412	885,535
Fuel	1,694,399	1,544,895
Materials and supplies	693,099	734,433
Utilities	143,117	160,098
Insurance	1,092,828	1,096,967
Purchased transportation	2,437,581	2,684,984
Miscellaneous	146,321	184,554
Interest expense	100,721	74,390
Leases and rentals	65,134	28,716
Depreciation	769,775	927,878
Total Elderly and Disabled Transportation	<u>21,320,862</u>	<u>22,942,137</u>
Mobility Training Services		
Salaries and wages	506,055	564,764
Employee benefits	278,991	373,210
Services	30,176	17,317
Materials and supplies	7,661	13,104
Utilities	13,066	16,827
Insurance	411	1,358
Miscellaneous	37,691	40,115
Interest expense	4,257	2,667
Leases and rentals	5,361	2,536
Total Mobility Training Services	<u>883,669</u>	<u>1,031,898</u>
Diversified Services and Outside Maintenance		
Salaries and wages	1,849,381	2,161,122
Employee benefits	880,150	1,129,045
Services	441,780	603,071
Fuel	299,684	249,328
Materials and supplies	223,029	199,523
Utilities	103,277	103,984
Insurance	20,087	31,482
Purchased transportation	20,887	82,727
Miscellaneous	244,844	243,652
Interest expense	18,929	16,705
Leases and rentals	132,313	256,481
Total Diversified Services and Outside Maintenance	<u>4,234,361</u>	<u>5,077,120</u>
Destinations Mobility		
Salaries and wages	6,029	388,247
Employee benefits	8,171	191,097
Services	9,199	103,144
Materials and supplies	154,393	1,728,616
Utilities	5,518	9,364
Insurance	2,597	17,246
Miscellaneous	7,611	26,246
Interest expense	829	29,056
Leases and rentals		6,970
Depreciation	58,930	69,961
Total Destinations Mobility	<u>253,277</u>	<u>2,569,947</u>
Total Operating Expenses	<u>\$ 26,692,169</u>	<u>\$ 31,621,102</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, THE TRANSPORTATION DEVELOPMENT ACT AND
OTHER STATE PROGRAM GUIDELINES

Board of Directors
Paratransit, Inc.
Sacramento, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Paratransit, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Paratransit's basic financial statements, and have issued our report thereon dated December 31, 2018. Our report disclosed that, as described in Note A to the financial statements, Paratransit, Inc. prepares its financial statements in conformity with the accounting principles prescribed by the Transportation Development Act, which requires Paratransit, Inc. to prepare its financial statements in the same manner as an enterprise fund in a governmental agency. This method follows accounting principles generally accepted in the United States of America for governmental agencies, but is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America for nonprofit organizations.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Paratransit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Paratransit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Paratransit's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors
Paratransit, Inc.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness (Finding 2018-001).

Compliance and Other Matters (including PTMISEA)

As part of obtaining reasonable assurance about whether Paratransit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act (TDA) Funds allocated and received (from both Sacramento and Stanislaus Counties) by Paratransit were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 6667 of the California Code of Regulations. We also tested the receipt and appropriate expenditures of bond funds, as presented in Notes K and L to the financial statements, in accordance with other state program statutes and guidelines. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, the TDA or other state programs.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

December 31, 2018



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

To the Board of Directors
Paratransit, Inc.
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited Paratransit, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Paratransit's major federal programs for year ended June 30, 2018. Paratransit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Paratransit's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Paratransit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Paratransit's compliance.

Opinion on Each Major Federal Program

In our opinion, Paratransit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

To the Board of Directors
Paratransit, Inc.

Report on Internal Control Over Compliance

Management of Paratransit is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Paratransit's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Paratransit's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented and, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Paratransit's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Paratransit's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Richardson & Company, LLP

December 31, 2018

PARATRANSIT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

A. Summary of Auditor's Results

Financial Statements

- | | |
|---|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements under <i>Government Auditing Standards</i> noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR Section 200.516(a)? | Yes |
| 4. Identification of major programs: | |

CFDA Number

Name of Federal Program

20.500

Transit Services Programs Cluster:
Federal Transit — Capital Investment Grants
Bus and Bus Facilities Formula Program

20.526

Transit Services Programs Cluster

20.516

Job Access and Reverse Commute Program

20.513

Enhanced Mobility of Seniors and Individuals with Disabilities

- | | |
|---|------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 750,000 |
| 6. Auditee qualified as a low-risk auditee under 2 CFR Section 200.516(a)? | No |

PARATRANSIT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2018

B. Current Year Findings – Financial Statements

Finding 2018-001: Revenue recognition, SEFA – Material Weakness.

Criteria: Robust internal controls should be in place over the financial reporting process and the design and implementation of controls within that process to prevent, or detect and correct, material misstatements in the financial statements and the schedule of expenditures of federal awards.

Condition: During our examination of grants receivable we determined that several outstanding items remain uncollected. Further analysis determined the following:

- Three items totaling \$153,911 were accrued as grant revenue in fiscal year 2014/15, however requests for reimbursement were never sent. The result is an overstatement of revenue of \$153,911 in fiscal year 2014/15. Of this amount one item for \$120,409 was improperly included on the 2015 Schedule of Federal Awards as a federal expenditure.
- Two items totaling \$133,678 were properly accrued as revenue in fiscal year 2015/16. However, the requests for reimbursement prepared in fiscal year 2016/17 were also improperly accrued as revenue, thus overstating revenue by \$133,678 in fiscal year 2016/17.
- Two items totaling \$252,200 (\$126,100 each) were accrued as revenue, one in fiscal year 2014/15 with an offset to Prop 1B PTMISEA. A request for reimbursement was never sent for this item. The second item utilized unearned Prop 1B CalEMA revenue in fiscal year 2015/16. A review of grant activity in fiscal year 2018/19 found that a request for reimbursement from federal grant funds was submitted and collected for these two invoices in the amount of \$171,094, which was improperly recorded as revenue in fiscal year 2018/19. As a result, the schedule of federal expenditures (SEFA) for fiscal years 2014/15 and 2015/16 are not accurate. The \$171,094 should be included on the fiscal year 2017/18 SEFA.
- The SEFA did not include all federal expenditures for fiscal year 2017/18. Bus purchases made in fiscal year 2017/18 totaling \$384,000, but reimbursed in fiscal year 2018/19, were improperly excluded from the SEFA. A review of grant activity in fiscal year 2018/19 found that the \$384,000 was recorded as revenue in fiscal year 2018/19. As a result, grants receivable, revenue, and the SEFA were understated by \$384,000 in fiscal year 2017/18. In addition, SEFA expenditures totaling \$539,008 were recorded under the incorrect grant program.

Cause: Paratransit's internal controls over financial reporting and over the completeness of the SEFA were not operating effectively.

PARATRANSIT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2018

Effect: The June 30, 2015, SEFA was overstated by \$120,406 and the financials overstated revenue and receivables by \$153,911. The June 30, 2017 financials overstated receivable and revenue by \$133,678. The June 30, 2018 general ledger understated receivable and revenue by \$384,000. The fiscal year 2017/18 SEFA was also understated by this amount. These corrections were made in the June 30, 2018 audited financial statements.

Recommendation: We recommend Paratransit strengthen policies and procedures over the design and implementation of controls to prevent, or detect and correct, material misstatements in the financial statements and the schedule of expenditures of federal awards.

Managements' Response and Corrective Action Plan: Paratransit Executive Management acknowledges the issues regarding grants receivable. It was the practice of previous executive management to enter grants receivable revenue as a debit note without the accompaniment of the corresponding invoice for reimbursement to the granting agency. Since these grants covered the span of multiple years between 2015 and 2018, this practice made it more difficult to keep track of whether expense had been invoiced to the granting agency and whether Paratransit had received the reimbursement.

With the executive management changes in January and February 2017, Paratransit has abolished the use of debit notes when recognizing grants receivable revenue, thus avoiding leaving receivables on the books that are no longer collectible. In addition, as of 8/20/18 Paratransit has employed a grants analyst, whose main focus is grant invoicing, reporting, and oversight. We believe these changes, which have already been put in place, will allow Paratransit to avoid similar grants receivable issues in the future.

Responsible Official: Lisa Cappellari, Chief Financial Officer

Expected Date of Completion: These new procedures and practices are already in place.

C. Current year Findings and Questioned Costs – Federal Awards Programs

See Finding 2018-001 in item B.

D. Prior Year Findings – Financial Statements

None

E. Prior Year Findings and Questioned Costs – Federal Awards Programs

None

PARATRANSIT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title/Pass-Through Number	Federal CFDA Number	Program or Award Amount	Expenditures
MAJOR FEDERAL AWARDS			
<u>U.S. Department of Transportation</u>			
<u>Federal Transit Cluster</u>			
Passed through Sacramento Regional Transit District			
Federal Transit — Capital Investment Grants			
CA-04-0222-00	20.500	\$ 1,763,750	\$ 1,763,750
CA-04-0222-01	20.500	249,000	12,616
Bus and Bus Facilities Formula Program			
CA-2016-132-00	20.526	384,000	384,000
CA-34-0009-01	20.526	300,000	171,094
CA-34-0003	20.526	128,909	128,906
Federal Transit Cluster Total		2,825,659	2,460,366
<u>Transit Services Programs Cluster</u>			
Passed through Stanislaus Council of Governments			
Job Access and Reverse Commute Program			
CA-37-X168-01	20.516	706,945	40,910
Passed through California State Transportation Agency, Department of Transportation, Division of Mass Transportation			
Enhanced Mobility of Seniors and Individuals with Disabilities			
642564	20.513	582,000	582,000
641557	20.513	1,056,300	980,000
64AO16-00347	20.513	79,468	7,560
Total Transit Services Programs Cluster		2,424,713	1,610,470
TOTAL FEDERAL AWARDS		\$ 5,250,372	\$ 4,070,836

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

PARATRANSIT, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Paratransit, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of Paratransit's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of Paratransit.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – PROGRAM/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal and state grant portion of the program costs. Entire program costs, including Paratransit's portion, may be more than shown.

NOTE D – INDIRECT COST ALLOCATION PLAN

Paratransit did not elect to use the 10 percent de minimus indirect cost rate as covered in 2 CFR 200.414.

NOTE E – SUBRECIPIENTS

There were no subrecipients of Paratransit's programs during the year ended June 30, 2018.

BOARD OF DIRECTORS' MEETING

MINUTES:

November 19, 2018
6:00 pm
2501 Florin Road
Sacramento, CA 95822

Board Members Present:

Pat Hume
Mary Steinert
Scott Leventon
Mary Steinert
Anna Fontus
Shahid Rehimtoola
Vacant

Absent:

Steve Hansen
Jill Faust
Stephanie Nguyen

Public Present

Janice Labrado, Regional Transit
Mike Barnbaum
Rev. Dr. Jocelyn Hicks
Jeff Taradaguila
Jaci Tatro
Susan Takahashi

Staff Present:

Tiffani Fink	Tom Roberts	Mario Rodriquez	Kevin Welch
Lisa Cappellari	Gary Vickers	Louise Friedlander	
Linda Parker	Mary Harding	Chris Brown	

Call To Order/Roll Call: Director Steinert called the meeting to order at 6:00 pm. Directors Faust, Fontus, Hansen, Hume, Leventon, Nguyen, Rehimtoola, Steinert, Vacant

Reflections on Paratransit's Mission:

Director Steinert opened the meeting by reading our mission statement.

A motion was made by Director Hume to rearrange the Agenda items Numbers 4, 6, and 7 to ensure a quorum. Director Hansen would be approximately 30 minutes late and Director Steinert needed to leave the meeting at 7:00 pm. The motion was seconded by Director Leventon and passed unanimously.

AYES: Fontus, Hume, Leventon, Rehimtoola, Steinert

NOES: None

ABSENTIONS: None

ABSENT: Faust, Hansen, Nguyen

Election of Board Officers for Calendar Year 2019

Director Steinert asked if there were any nominations from the floor and there were none.

Director Rehimtoola made a motion to elect the slate of Officers presented at the September 2018 Board Meeting:

President- Pat Hume
Vice-President- Anna Fontus
Secretary- Scott Leventon
Treasurer- Stephanie Nguyen

Director Leventon seconded the Motion and the motion passed unanimously.

AYES: Fontus, Hume, Leventon, Rehimtoola, Steinert

NOES: None

ABSENTIONS: None

ABSENT: Faust, Hansen Nguyen

ACTION ITEMS:

All Resolution Numbers No.25-18 through 35-18 with the exception of 26-18 were adopted unanimously.

AYES: Fontus, Hume, Leventon, Rehimtoola, Steinert

NOES: None

ABSENTIONS: None

ABSENT: Faust, Hansen, Nguyen

Resolution No. 25-18 Definition of "Stranded" for Non-ADA Service

A motion was made by Director Hume, seconded by Director Rehimtoola and passed unanimously.

Resolution No. 26-18 No-Show/Late cancel policy for Non-ADA Service

After discussion regarding the Resolution and input from Sacramento Regional Transit's Janice Labrado of this Policy a motion was made by Director Hume to table it pending further updates to the policy. The motion was seconded by Director Rehimtoola. The motion passed unanimously

Resolution No. 27-18 Fare Policy for Non-ADA Service

A motion was made to adopt the Resolution by Director Hume, seconded by Director Leventon and passed unanimously

Resolution No. 28-18 Carry on Bags/Package Policy for Non-ADA Service

A motion was made to adopt the Resolution by Director Hume and seconded by Director Leventon. The motion passed unanimously

Resolution No. 29-18 Policy for transporting Children for Non-ADA Service

A motion was made to adopt the Resolution by Director Hume and seconded by Director Rehimtoola. The motion passed unanimously

Resolution No. 30-18 Policy for Transporting Service Animals for Non-ADA Service

A motion was made to adopt the Resolution by Director Hume and seconded by Director Leventon. The motion passed unanimously

Resolution No. 31-18 Same Day Ride Policy for Non-ADA Service

A motion was made to adopt the Resolution by Director Hume, seconded by Director Fontus. The motion passed unanimously

Resolution No. 32-18 Lost and Found Policy for Non-ADA Service

A motion was made to adopt the Resolution by Director Hume, seconded by Director Leventon. The motion passed unanimously

Resolution No.33-18 Service Days and Hours Policy for Non-ADA Service

A motion was made to adopt the Resolution by Director Hume, seconded by Director Leventon. The motion passed unanimously

Resolution No. 34-18 Abusive or Disruptive Behavior Policy for Non-ADA Service

A motion was made to adopt the Resolution by Director Hume, seconded by Director Leventon. The motion passed unanimously

Resolution No. 35-18 Ratify the Submittal of the Innovative Coordinated Access and Mobility Grant to the FTA

A motion was made to adopt the Resolution by Director Hume, seconded by Director Leventon. The motion passed unanimously

Announce Adjournment to Closed Session

Confer with Chief Executive officer regarding labor negotiations with Amalgamated Transit Union Local 256 per Government Code Section 54957.6

The Board adjourned to closed session at 6:20 pm.

The Board Reconvened to session at 6:30 pm.

No action to report except the Board provided direction to the Chief Executive Officer

Consent Calendar

Approve the Board Meeting Minutes for the September 17, 2018 Board Meeting.

Approve the Paratransit, Inc. Board Meeting Calendar for 2019.

Items listed on consent Calendar were not approved as there was not a quorum at the time this item on the agenda was presented. These items will be brought forward for consent at the January 2019 meeting.

Public Comment

Jeff Taradaguila said that in the last 3 to 5 years, there have been many changes at Paratransit. He expressed concerns on the non-ADA policy on last trips of the evening time frames. He also provided information about one of his trips where the driver went to the wrong address or incorrect information was provided about the address.

Reverend Dr. Jocelyn Hicks gave praise to Paratransit staff in spite of many changes in the past few years. Rev. Hicks would like the drivers to make more money and the monthly ride pass be unlimited. She also stated that service to Delta Shores should be ADA Service on weekends.

Mike Barnbaum told the Board about his goals for Sacramento Regional Transit which included Route Optimization, Bus service to the airport, annexing Elk Grove, and a bipartisan measure for the City, County, and Special Districts as well and an update of the benefits to Folsom by annexing into the SacRT District.

CEO Report

Chief Executive Officer Tiffani Fink verbalized her written report and Power point Presentation (Included in the Board Packet). Topics included completion of the IVR and Pass Trapeze newest versions and looking into electronic fare management as Paratransit is not part of Connect Card.

Clarification regarding non ADA service not being provided to Folsom was made as Folsom is not part of the CTSA.

Director Fontus requested information be provided on the CTSA service. Ms. Fink indicated that a strategic planning session (workshop) would be held again in January. Paratransit would be looking at CTSA service, as well as a reserve and investment policy.

Paratransit continues negotiations with the Amalgamated transit Union Local 256 and is beginning negotiation with Sacramento Regional Transit for an option year.

Paratransit is scheduled to have both its financial audit and TDA audit during the months of November and December.

The Honolulu Eligibility Office will be closing in January with MTM taking over the staff and office space.

CFO Report

Chief Financial Officer, Lisa Cappellari verbalized her written report. She and Ms. Fink noted that fuel prices, additional taxi trips, and adjustments to minimum wage were partially responsible for increases in cost per trip.

COMMUNITY PARTNERSHIPS

Janice Labrado from Sacramento Regional Transit touched on the Folsom and Citrus Heights annexation activities and a possible opportunity in Elk Grove. Ms. Labrado indicated that SacRT was surprised by complaints at the Folsom Council meeting and that some of it was due to some confusion about the differences between Folsom's Dial-Ride and that SacRT was working with Paratransit, Inc. on getting more comprehensive complaint reports.

Ms. Labrado brought up a letter that the California Council for the Blind sent to Paratransit, Inc. after their presentation to SacRT's Mobility Advisory Council related to concern with the accessibility of the new website.

Ms. Labrado provided information indicating that SacRT service is 40% of the total CTSA and Demand Response trips, however accounts for 80% of the cost of this service and is 1.5% of SacRT's total service, adding that most people with disabilities can and do take the fully accessible fixed route. She also talked about SacRT's support of Paratransit's Travel Training program and SacRT's concerns that while SacRT sponsored trips are a considerable part of Paratransit, Inc.'s business, SacRT does not get enough credit.

Ms. Labrado ended her update by noting that Paratransit and SacRT will be working on negotiations for an option year and due to reduced demand, SacRT's goal is that the budget will be flat.

Discussion of Potential Evening and Holiday Service Changes, Open Public Comment Period, and Set Public Hearing for January 30, 2019

CEO, Ms. Fink provided an overview on the non-ADA service, stating that historically Paratransit has offered significantly broader service than that required under the ADA, both operating in portions of the County where there is not fixed route, but also at times and on days where there is limited or no service. Increasingly, Paratransit is facing operational challenges and cost constraints associated with late night non-ADA and holiday service where availability of drivers is limited and where it drives up overtime for both drivers and dispatchers. Ms. Fink reported that Paratransit does not take this lightly, but also shared that it also affects only a small number of trips. Non ADA trips past the cut-off time would be on a call back list and could be provided where a ridesharing opportunity existed with an ADA trip. Ms. Fink stated staff was recommending that the Board of Directors formally open the 45 day Public Comment Period for Potential Service Changes to Night and Holiday Non-ADA Service and set a public Hearing for January 30, 2019. Jeff Taradaguila expressed some concern, and

Ms. Fink advised that these were the same policies that were agendized in September, but pulled off the Agenda and now going back to the Board.

Mike Barnbaum expressed concern about late night rides that are part ADA and Part Non ADA. He requested Ms. Fink consider redefining or changing the definition of a non ADA trip. Ms. Fink told him she was unable to redefine a non ADA trip or an ADA trip. The definition was done by the Federal Transit Authority.

The meeting was adjourned by Director Hume at 7:37 pm.

Linda Parker,
Assistant Secretary to the Board of Directors

Date

BOARD OF DIRECTORS' MEETING

MINUTES:

September 17, 2018
6:00 pm
2501 Florin Road
Sacramento, CA 95822

Board Members Present:

Pat Hume
Jill Faust
Scott Leventon
Mary Steinert
Anna Fontus
Stephani Nguyen
Shahid Rehimtoola
Vacant

Absent:

Steve Hansen

Public Present

Janice Labrado, Regional Transit
Mike Barnbaum
Rev. Dr. Jocelyn Hicks
Sabrina Hocker
Helen O'Connell
Carolyn Mulder
Claire Wheeler
Stephen Norris
Jeff Taradaguila

Staff Present:

Tiffani Fink	Kathy Sachen	Julio Diaz	Tom Roberts
Lisa Cappellari	Kevin Welch	Gary Vickers	Louise Friedlander
Linda Parker	Mary Harding	Chris Brown	Mary Harding

Call To Order/Roll Call: Director Steinert called the meeting to order at 6:08 pm. Directors Faust, Fontus, Hansen, Hume, Leventon, Nguyen, Rehimtoola, Steinert, Vacant

Reflections on Paratransit's Mission:

Director Steinert opened the meeting by reading our mission statement.

Chief Executive Officer, Tiffani Fink asked the Board of Directors to postpone the Ridership Guide and Policy Resolutions until the November Board Meeting.

A motion was made by Director Hume to move the Ridership Guide and Policy Resolutions to the November Meeting. The motion was seconded by Director Nguyen. The motion passed.

AYES: Faust, Fontus, Hume, Leventon, Nguyen, Steinert

NOES: None

ABSENTIONS: None

ABSENT: Hansen, Rehimtoola (Director Rehimtoola arrived to meeting at 6:15 pm after this vote was taken)

Public Comment:

Reverend Dr. Jocelyn Hicks gave praise to Paratransit staff particularly to the drivers and Customer Service and Dispatch Center Manager, Kathy Sachen.

Consent Calendar

Approve minutes of the June 18, 2018 Board of Directors Meeting (Parker)
(2 minor corrections noted)

Director Leventon made a motion to approve the Consent Calendar, which was seconded by Director Faust. The motion passed unanimously.

AYES: Faust, Fontus, Hume, Nguyen, Leventon, Rehimtoola, Steinert

NOES: None

ABSECTIONS: None

ABSENT: Hansen

**Open Nominations for Officers to the Board of Directors for Calendar Year 2019,
President, Vice-President, Secretary and Treasurer**

Director Steinert announced the Nominating Committee, consisting of Director Steinert, Director Fontus, and Director Faust, had met the previous week and identified the following slate of Directors for nomination:

President- Pat Hume

Vice-President- Anna Fontus

Secretary- Scott Leventon

Treasurer- Stephanie Nguyen

The Board will accept nominations from the floor at the November Board meeting and vote for Officers.

STAFF REPORTS

CEO Report

Tiffani Fink, Chief Executive Officer (CEO) provided a power point presentation of her report, verbalizing various points in the presentation. (A copy of the power point presentation is included with these minutes) Ms. Fink provided information about Paratransit not rebidding the Eligibility and Assessment Contract with Honolulu which will end on January 17, 2019.

CFO Report

Lisa Cappellari, Chief Financial Officer verbalized her report. She discussed the impact of not having additional income from the Honolulu contract and explained that items such as lower fuel costs, brokered transportation and the startup of two new contracts in San Joaquin County and Seattle Washington would offset the majority of the loss of income from Honolulu.

COMMUNITY PARTNERSHIPS

Janice Labrado from Sacramento Regional Transit's Accessible Services Department talked about the fare reduction pilot program. Regional Transit is reducing it's fares on fixed route and Paratransit Inc. The fare will be \$5.00 for Americans with Disabilities (ADA) rides from October 1, 2018 through March 31, 2019. Regional Transit will dip into its reserves to fund the difference in the fare price. The reduction in fare is designed to increase ridership on fixed route and light rail service and will be evaluated at the end of the pilot program. Ridership goal is 350,000 trips. Fares decreased to \$2.50 and passes to \$100. Paratransit fare decreases to \$5.00 a trip with no change in pass pricing.

Transit rider, Mike Barnbaum provided an update on the fare reduction pilot program. He included that Regional Transit will bring back the .25 cent transfer, rolling Connect Card costs and daily best rates. Mr. Barnbaum also notified the Board the light rail service will have 15 minute headways on weekends starting on January 6, 2019. He also noted Wednesday, October 17, 2018 is opening night for the Sacramento Kings playing the Utah Jazz and Regional Transit will have free rides for the game.

Paratransit, Inc., rider, Sabrina Hocker asked if the fare decrease was in response to media information stating that Regional Transit fares were the highest in the Country. It was explained that was not the case, it was done to increase ridership.

Transit rider, Jeff Taradaguila noted that light rail and fixed route service is very costly to operate.

Directors Hume and Faust asked what would happen at the end of the pilot project and if fares would go back up in cost. Discussion indicated that it would be highly unlikely that the fares would go up once the pilot program ended.

ACTION ITEMS:

Adopt Resolution No.14-18 authorizing the Chief Executive Officer to negotiate and execute a Memorandum of Understanding (MOU) with the San Joaquin Regional Transit District (SJRTD) for countywide Americans with Disabilities Act (ADA) eligibility and certification and travel training services and further authorizing the Chief Executive Officer to negotiate and execute all necessary amendments

Director Nguyen made a motion to adopt Resolution No. 14-18 which was seconded by Director Hume. The motion passed unanimously.

AYES: Faust, Fontus, Hume, Leventon, Nguyen, Rehimtoola, Steinert

NOES: None

ABSENTIONS: None

ABSENT: Hansen

Adopt Resolution No.15-18 authorizing the Chief Executive Officer (CEO) to execute an agreement with Juma for the Moving Youth to Jobs project and further authorizing the CEO to execute all necessary amendments

Executives from Juma, Stephen Norris and Claire Wheeler provided an overview of their organization and its mission to help youth, typically 18 to 24 years of age by training, educating, and placing them in job programs. Paratransit will work with Juma to help provide transportation and/or travel training

Director Fontus made a motion to adopt Resolution No. 16-18 which was seconded by Director Hume. The motion passed unanimously.

AYES: Faust, Fontus, Hume, Leventon, Nguyen, Rehimtoola, Steinert

NOES: None

ABSTENTIONS: None

ABSENT: Hansen

Adopt Resolution No.16-18 authorizing the Chief Executive Officer to sign Amendment #1 to the Amended and Restated ADA Paratransit Services Agreement with Sacramento Regional Transit District and further authorizing the CEO to negotiate and execute an amendment regarding the first option year and clean up from the fare change and necessary changes to reflect the impact of the adjustment

Director Nguyen made a motion to adopt Resolution No. 16-18 which was seconded by Director Fontus. The motion passed unanimously.

AYES: Faust, Fontus, Hume, Leventon, Nguyen, Rehimtoola, Steinert

NOES: None

ABSTENTIONS: None

ABSENT: Hansen

Adopt Resolution No. 17-18 authorizing the Chief Executive Officer (CEO) to apply for the Federal Transit Authority Technical Assistance and Workforce Development Program Funds for the Mobility Management Center Project, and further authorizing the CEO to execute all documents, if awarded

Director Nguyen made a motion to Adopt Resolution No. 17-18 which was seconded by Director Rehimtoola. The motion passed unanimously.

AYES: Faust, Fontus, Hume, Leventon, Nguyen, Rehimtoola, Steinert

NOES: None

ABSTENTIONS: None

ABSENT: Hansen

Adopt Resolution No. 18-18 authorizing the Chief Executive Officer (CEO) to execute an agreement with the Sacramento Area Council of Governments Green Region Program for the Multi-Modal Enhancement project, and further authorizing the CEO to execute all documents, if awarded

Director Nguyen made a motion to adopt Resolution No. 18-18 which was seconded by Director Hume. The motion passed unanimously.

AYES: Faust, Fontus, Hume, Leventon, Nguyen, Rehimtoola, Steinert

NOES: None

ABSTENTIONS: None

ABSENT: Hansen

Adopt Resolution No. 19-18 authorizing the Chief Executive Officer (CEO) to enter into a contract with KNF&T Staffing for three years, not to exceed \$100,000 for temporary staffing in the Boston eligibility office

Director Rehimtoola made a motion to adopt Resolution No. 19-18 which was seconded by Director Leventon. The motion passed unanimously.

AYES: Faust, Fontus, Hume, Leventon, Nguyen, Rehimtoola, Steinert

NOES: None

ABSTENTIONS: None

ABSENT: Hansen

Adopt Resolution No. 20-18 authorizing the Chief Executive Officer to negotiate and execute a Memorandum of Understanding (MOU) with United Cerebral Policy (UCP) for Americans with Disabilities Act (ADA) and non-ADA services subject to annual budget

appropriation limits and further authorizing the Chief Executive Officer to negotiate and execute all necessary amendments

Director Hume made a motion to adopt Resolution No. 20-18 which was seconded by Director Nguyen. The motion passed unanimously.

AYES: Faust, Fontus, Hume, Leventon, Nguyen, Rehimtoola, Steinert

NOES: None

ABSTENTIONS: None

ABSENT: Hansen

Adopt Resolution No. 21-18 opposing Proposition 6 which would repeal Senate Bill 1 (chapter 5, statutes of 2017) the Road Repair and Accountability Act of 2017, and further authorizing the CEO to communicate this position to all relevant parties and to have Paratransit, Inc. listed as a member of the diverse coalition opposed to Proposition 6

Director Faust expressed concern as to whether or not this was considered to be advocating for the Proposition. Director Hume and Chief Executive Officer, Tiffani Fink explained the Resolution stated Paratransit, Inc.'s position and was an educational document only.

Director Nguyen made a motion to adopt Resolution No. 21-18 which was seconded by Director Fontus. The motion passed unanimously.

AYES: Faust, Fontus, Hume, Leventon, Nguyen, Rehimtoola, Steinert

NOES: None

ABSTENTIONS: None

ABSENT: Hansen

Adopt Resolution No. 22-18 the Major Service Change Policy for Non-Americans with Disabilities Act (ADA) service.

Director Nguyen made a motion to adopt Resolution No.22-18 which was seconded by Director Hume. The motion passed unanimously

AYES: Faust, Fontus, Hume, Leventon, Nguyen, Rehimtoola, Steinert

NOES: None

ABSTENTIONS: None

ABSENT: Hansen

Adopt Resolution No. 23-18 the Fare Change Policy for Non-Americans with Disabilities Act (Non ADA) service

Director Nguyen made a motion to adopt resolution No. 23-18 which was seconded by Director Leventon. The motion passed unanimously.

AYES: Faust, Fontus, Hume, Leventon, Nguyen, Rehimtoola, Steinert

NOES: None

ABSTENTIONS: None

ABSENT Hansen

Adopt Resolution No. 24-18 updating the Paratransit, Inc. Equal Employment Opportunity Plan

Director Faust requested larger print be used when presenting charts and graphs so that they are easier to read.

Director Rehimtoola made a motion to adopt Resolution No. 24-18 which was seconded by Director Nguyen. The motion passed unanimously.

AYES: Faust, Fontus, Hume, Leventon, Nguyen, Rehimtoola, Steinert

NOES: None

ABSTENTIONS: None

ABSENT: Hansen

The Ridership Guide and resolutions 25-33 (ridership policies have been held over to the November Board meeting, per motion made and seconded by Director Hume and Director Nguyen.

Director Leventon made a motion to adjourn the meeting which was seconded by Director Nguyen. The meeting was adjourned at 7:33 pm

AYES: Faust, Fontus, Hume, Nguyen, Leventon, Rehimtoola, Steinert

NOES: None

ABSTENTIONS: None

ABSENT: Hansen

Linda Parker,
Assistant Secretary to the Board of Directors

Date



BOARD OF DIRECTORS' 2019 MEETING DATES

**Paratransit, Inc.
2501 Florin Road
Sacramento, CA 95822**

6:00 p.m.

January 30, 2019 (4:00 p.m. Wednesday)

March 18, 2019

May 20, 2019

June 17, 2019

September 16, 2019 (Thursday)

November 14, 2019

Paratransit, Inc. Welcomes Public Attendance

**Please call 429-2009 if you would like to request an agenda.
Agendas are prepared and ready for public distribution four (4)
days before meeting dates.**



paratransit
creating independence through smart transit **inc.**

Consolidated Transportation Services Agency, a local public agency organized as a nonprofit.

MEMORANDUM

TO: BOARD OF DIRECTORS

FROM: TIFFANI M FINK, CHIEF EXECUTIVE OFFICER
DR. LISA CAPPELLARI, CHIEF FINANCIAL OFFICER

RE: ACCEPT AND FILE THE ANNUAL FINANCIAL AUDIT

DATE: JANUARY 30, 2019

Tiffani M Fink
Dr. Lisa Cappellari

Each year an Annual Financial Audit is completed in accordance with Transportation Development Act and Federal Funding requirements. The Chief Financial Officer will provide a presentation on the audit as part of her report. Attached is a copy of the audit for review. A full presentation by the auditors was made to the Executive Committee at their January Meeting.

RECOMMENDATION: No formal action is required. This item is to accept and file only.





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Consolidated Transportation Services Agency, a local public agency organized as a nonprofit.

MEMORANDUM

TO: BOARD OF DIRECTORS

FROM: TIFFANI M FINK, CHIEF EXECUTIVE OFFICER
DR. LISA CAPPELLARI, CHIEF FINANCIAL OFFICER

RE: ADOPT RESOLUTION 01-19 ADOPTING AN INVESTMENT POLICY

DATE: JANUARY 30, 2019

Tiffani M Fink
Dr. Lisa CapPELLARI
by [signature]

Paratransit, Inc. has a history of disciplined financial practices and procedures. In 2018, the Board began the process of formalizing many of these practices into policies for staff to measure our operations against. This item addresses one of the outstanding policies left for consideration by the Board.

Attached is the proposed Paratransit, Inc. Investment Policy for consideration.

RECOMMENDATION: Adopt Resolution 01-19 Adopting the Paratransit, Inc. Investment Policy.





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Consolidated Transportation Services Agency, a local public agency organized as a nonprofit.

RESOLUTION NO. 01-19

ADOPTING AN INVESTMENT POLICY FOR PARATRANSIT, INC.

WHEREAS, Paratransit, Inc. is an operator of public transit service that operates under its own authority (Non Americans with Disabilities Act service); and

WHEREAS, Paratransit has put into place conservative fiscal practices and procedures; and

WHEREAS, a formal investment policy will set forth the how reserves can be invested.

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors of Paratransit, Inc. adopts an Investment Policy to invest \$500,000 in a moderate income fund.

NOW, THEREFORE BE IT FURTHER RESOLVED that the Board of Directors of Paratransit, Inc. delegates authority to the Executive Committee to work with staff to identify and set aspirational goals and implementation strategies.

Patrick Hume, President
Paratransit, Inc. Board of Directors

Date



PARATRANSIT, INC. INVESTMENT POLICY

PURPOSE

Establish the general guidelines for an Investment Policy that will ensure that the Agency have sufficient funding available to meet its operating and capital service obligations but at the same time earn a return on reserves. The Agency will work with Wells Fargo Bank financial advisors to ensure that the investments will be managed in a conservative manner that allows the Agency to fund expenditures consistent with major infrastructure initiatives, Capital Improvement Plan (CIP) and other long-term plans while having funds available to temporarily offset changes in short-term cash flow. This policy outlines criteria for the investment of operating reserves held by Paratransit, Inc.

On a quarterly basis, staff will report on the status of the investment, including the amount of return earned. The Executive Committee will review the investment policy annually to ensure the investment is performing as planned.

SCOPE

This investment policy applies to unrestricted operating reserve funds.

POLICY

The Paratransit, Inc. Investment Policy is to invest \$500,000 in a moderate income fund. This is a conservative, low risk fund with an estimated return of 4.56%, a fee of 1%, and the ability to become liquid in 24-48 hours. The length of the investment would be fewer than five years.

Composition of the Investment

The reserves will be invested in the following asset classes:

1. Equities – 20% of the funds will be invested in mid-size or large U.S. companies, as well as companies from 21 other developed markets.
2. Fixed Income Securities/Bond – 73% of the funds will be invested in U.S., developed market, and emerging market securities.
3. Other – 7% of the funds will be invested in assets such as public real estate and U.S. Treasury Bills.

Moderate Income

Portfolio



Prepared Date

January 16, 2019

DMA Proposal

Prepared For

Paratransit

Wells Fargo Advisors

Prepared By

Denis A Valle

Vice President, Financial Advisor

This report has been created specifically for the individual(s) as noted above. It is not designed for general marketing purposes or mass distribution. The report is not complete unless all pages, as noted, are included.

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Asset Allocation

Portfolio

Importance of Asset Allocation

It's important to focus on what matters

How you have your money divided among the major asset classes – stocks, bonds, and cash – is called your asset allocation. Keep in mind that the cash position of your asset allocation includes money in savings and checking accounts, certificates of deposit, and money-market instruments.

In the study, "Determinants of Portfolio Returns,"¹ findings indicated that asset allocation accounted for an average of 78.7% of the variation of returns over a 38-year period from 1970-2008. Security selection, timing, and other factors accounted for the rest.

Factors in portfolio performance

Strategic asset allocation

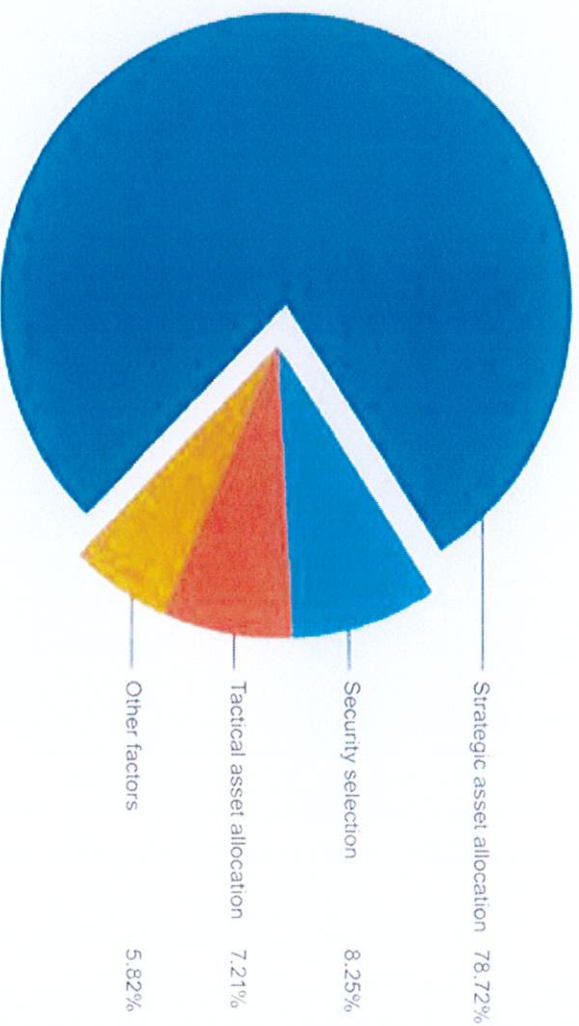
The long-term base mix of assets that can help achieve an investor's long-term goals.

Tactical asset allocation

Slight short-term deviations from the strategic asset allocation in order to take advantage of potential differences among assets.

Individual security selection

The selection of securities that are likely to perform well in the year or years ahead.



The primary factors in determining an appropriate asset allocation for you are your:

- Long-term goals. What you're investing for – education, retirement, a major purchase, etc.
- Time horizon. How long you have to reach your goals – 5 years, 10 years, 40 years, etc.
- Risk tolerance. Your ability to handle market volatility.

¹Wells Fargo. *The Journal of Wealth Management*. Vol. 8, No. 3, "Strategic Asset Allocation and Other Determinants of Portfolio Returns," August 2005, data updated February 2010.

Asset allocation/investment timing cannot eliminate the risk of fluctuating prices and uncertain returns.

Portfolio

Value of Asset Allocation

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average
Emerg-Mkt Equities	56.3%	Public Real Estate	Emerg-Mkt Equities	Public Real Estate	Emerg-Mkt Equities	Dev Ex-U.S. Fixed Inc	Emerg-Mkt Equities	U.S. Small-Cap Equities	Emerg-Mkt Fixed Inc	Public Real Estate	U.S. Small-Cap Equities	Public Real Estate	U.S. Large-Cap Equities	U.S. Small-Cap Equities	Emerg-Mkt Equities	Emerg-Mkt Equities
U.S. Small-Cap Equities	47.3%	Emerg-Mkt Equities	Commodities	Emerg-Mkt Equities	Commodities	Inv-Grade Fixed Inc	High-Yield Fixed Inc	U.S. Mid-Cap Equities	Inv-Grade Fixed Inc	Emerg-Mkt Equities	U.S. Mid-Cap Equities	U.S. Large-Cap Equities	Emerg-Mkt Fixed Inc	High-Yield Fixed Inc	Dev Ex-U.S. Equities	U.S. Mid-Cap Equities
Public Real Estate	40.7%	Equities	Public Real Estate	Dev Ex-U.S. Equities	Dev Ex-U.S. Equities	Cash Alternatives	U.S. Mid-Cap Equities	Public Real Estate	Emerg-Mkt Fixed Inc	Emerg-Mkt Fixed Inc	U.S. Large-Cap Equities	U.S. Mid-Cap Equities	60% / 40% Portfolio	U.S. Large-Cap Equities	U.S. Large-Cap Equities	U.S. Small-Cap Equities
U.S. Mid-Cap Equities	40.1%	U.S. Mid-Cap Equities	Dev Ex-U.S. Equities	U.S. Small-Cap Equities	Dev Ex-U.S. Fixed Inc	CPI	Public Real Estate	Emerg-Mkt Equities	High-Yield Fixed Inc	Dev Ex-U.S. Equities	60% / 40% Portfolio	U.S. Mid-Cap Equities	Dev Ex-U.S. Fixed Inc	U.S. Large-Cap Equities	U.S. Mid-Cap Equities	Public Real Estate
Dev Ex-U.S. Equities	39.2%	U.S. Small-Cap Equities	U.S. Mid-Cap Equities	U.S. Large-Cap Equities	Hedge Funds	Emerg-Mkt Fixed Inc	Dev Ex-U.S. Equities	Commodities	U.S. Large-Cap Equities	Emerg-Mkt Fixed Inc	60% / 40% Portfolio	U.S. Mid-Cap Equities	High-Yield Fixed Inc	Commodities	U.S. Small-Cap Equities	U.S. Large-Cap Equities
High-Yield Fixed Inc	29.0%	MG&I Port (4AG w/o PC)	Emerg-Mkt Fixed Inc	U.S. Mid-Cap Equities	MG&I Port (4AG w/o PC)	Hedge Funds	Emerg-Mkt Fixed Inc	High-Yield Fixed Inc	CPI	U.S. Small-Cap Equities	MG&I Port (4AG w/o PC)	U.S. Small-Cap Equities	Public Real Estate	Emerg-Mkt Equities	Public Real Estate	High-Yield Fixed Inc
U.S. Large-Cap Equities	28.7%	Dev Ex-U.S. Fixed Inc	Hedge Funds	MG&I Port (4AG w/o PC)	Inv-Grade Fixed Inc	60% / 40% Portfolio	U.S. Small-Cap Equities	U.S. Large-Cap Equities	U.S. Large-Cap Equities	U.S. Large-Cap Equities	U.S. Large-Cap Equities	U.S. Large-Cap Equities	Cash Alternatives	Emerg-Mkt Fixed Inc	MG&I Port (4AG w/o PC)	Emerg-Mkt Fixed Inc
MG&I Port (4AG w/o PC)	26.2%	Emerg-Mkt Fixed Inc	MG&I Port (4AG w/o PC)	Hedge Funds	Emerg-Mkt Fixed Inc	MG&I Port (4AG w/o PC)	U.S. Large-Cap Equities	MG&I Port (4AG w/o PC)	MG&I Port (4AG w/o PC)	High-Yield Fixed Inc	MG&I Port (4AG w/o PC)	High-Yield Fixed Inc	Dev Ex-U.S. Equities	Emerg-Mkt Fixed Inc	MG&I Port (4AG w/o PC)	Dev Ex-U.S. Equities
Emerg-Mkt Fixed Inc	25.7%	High-Yield Fixed Inc	U.S. Large-Cap Equities	High-Yield Fixed Inc	60% / 40% Portfolio	High-Yield Fixed Inc	U.S. Large-Cap Equities	60% / 40% Portfolio	Cash Alternatives	MG&I Port (4AG w/o PC)	Public Real Estate	U.S. Small-Cap Equities	Hedge Funds	60% / 40% Portfolio	Dev Ex-U.S. Fixed Inc	MG&I Port (4AG w/o PC)
Commodities	23.9%	U.S. Large-Cap Equities	U.S. Small-Cap Equities	60% / 40% Portfolio	U.S. Mid-Cap Equities	U.S. Small-Cap Equities	Commodities	U.S. Small-Cap Equities	U.S. Mid-Cap Equities	U.S. Small-Cap Equities	CPI	U.S. Large-Cap Equities	High-Yield Fixed Inc	U.S. Small-Cap Equities	Emerg-Mkt Fixed Inc	60% / 40% Portfolio
Hedge Funds	19.5%	Commodities	60% / 40% Portfolio	Emerg-Mkt Fixed Inc	Emerg-Mkt Fixed Inc	Commodities	Commodities	Hedge Funds	U.S. Small-Cap Equities	Hedge Funds	Cash Alternatives	Cash Alternatives	CPI	Public Real Estate	Hedge Funds	Hedge Funds
60% / 40% Portfolio	18.6%	Hedge Funds	CPI	Dev Ex-U.S. Fixed Inc	Dev Ex-U.S. Equities	U.S. Large-Cap Equities	U.S. Large-Cap Equities	Inv-Grade Fixed Inc	Inv-Grade Fixed Inc	Inv-Grade Fixed Inc	U.S. Large-Cap Equities	U.S. Large-Cap Equities	Inv-Grade Fixed Inc	Inv-Grade Fixed Inc	High-Yield Fixed Inc	Dev Ex-U.S. Fixed Inc
Dev Ex-U.S. Fixed Inc	18.6%	60% / 40% Portfolio	Cash Alternatives	Cash Alternatives	U.S. Mid-Cap Equities	U.S. Mid-Cap Equities	Inv-Grade Fixed Inc	Public Real Estate	Dev Ex-U.S. Equities	CPI	Emerg-Mkt Equities	Emerg-Mkt Equities	High-Yield Fixed Inc	CPI	Inv-Grade Fixed Inc	Inv-Grade Fixed Inc
Inv-Grade Fixed Inc	4.1%	Inv-Grade Fixed Inc	High-Yield Fixed Inc	Inv-Grade Fixed Inc	Dev Ex-U.S. Equities	Dev Ex-U.S. Fixed Inc	Inv-Grade Fixed Inc	Dev Ex-U.S. Equities	Dev Ex-U.S. Equities	Dev Ex-U.S. Fixed Inc	Dev Ex-U.S. Fixed Inc	Dev Ex-U.S. Fixed Inc	Dev Ex-U.S. Fixed Inc	Dev Ex-U.S. Fixed Inc	Inv-Grade Fixed Inc	Inv-Grade Fixed Inc
CPI	1.9%	CPI	3.3%	U.S. Small-Cap Equities	Public Real Estate	CPI	CPI	CPI	Commodities	Commodities	Commodities	Commodities	Commodities	Commodities	Commodities	Cash Alternatives
Cash Alternatives	1.0%	Cash Alternatives	Dev Ex-U.S. Fixed Inc	Public Real Estate	Emerg-Mkt Equities	Emerg-Mkt Equities	Cash Alternatives	Cash Alternatives	Emerg-Mkt Equities	Commodities	Commodities	Commodities	Commodities	Cash Alternatives	Cash Alternatives	Commodities

Sources: Wells Fargo Investment Institute and Morningstar Direct. As of 12/31/17. **Hypothetical and past performance is no guarantee of future results.** An index is unmanaged and not available for direct investment. Please see pages 2-3 for definitions of the indices, descriptions of the asset class risks, and the composition of the hypothetical Moderate Growth & Income Portfolio and hypothetical 60%/40% Portfolio. The data assume the reliable, but its accuracy is not guaranteed. Average is calculated as geometric mean. Average is calculated as 15 years from 2003-2017.

Portfolio

Value of Asset Allocation

Asset Class Definitions

Hypothetical 60%/40% Portfolio: Composed of 60% S&P 500 Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index.

Hypothetical Moderate Growth & Income Portfolio (4 Asset Group without Private Capital): 3% Bloomberg Barclays U.S. Treasury Bill 1-3 Months, 11% Bloomberg Barclays U.S. Aggregate (5-7Y), 6% Bloomberg Barclays U.S. Aggregate (10+Y), 6% Bloomberg Barclays U.S. Corporate High Yield Index, 3% JPM GBI Global Ex-U.S. TR USD Index, 5% JPM EMBI Global TR USD Index, 20% S&P 500 Index, 8% Russell Mid Cap TR USD Index, 6% Russell 2000 Index, 5% MSCI EAFE GR USD Index, 5% MSCI EM GR USD Index, 5% FTSE EPR/A/NAREIT Developed TR USD Index, 2% Bloomberg Commodities Index, 3% HFRI Relative Value Arbitrage Index, 6% HFRI Macro Index, 4% HFRI Event Driven Index, and 2% HFRI Equity Hedge Index.

The compositions of the Hypothetical Moderate Growth & Income Portfolio and the Hypothetical 60%/40% Portfolios are for illustrative purposes only. Hypothetical results do not represent actual trading, and the results achieved do not represent the experience of any individual investor. In addition, hypothetical results do not reflect the impact of any fees, expenses, or taxes applicable to an actual investment. The indices reflect the historical performance of the represented assets and assume the reinvestment of dividends and other distributions. Hypothetical and past performance are no guarantee of future results.

HFRI Relative Value Arbitrage Index tracks funds that attempt to take advantage of relative pricing discrepancies between instruments, including equities, debt, options, and futures. Managers may use mathematical, fundamental, or technical analysis to determine misvaluations. Securities may be mispriced relative to the underlying security, related securities, groups of securities, or the overall market.

HFRI Macro Index tracks managers that trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency, and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches, and long- and short-term holding periods.

HFRI Event Driven Index is also known as "corporate life cycle" investing. This involves investing in opportunities created by significant transactional events, such as spin-offs, mergers and acquisitions, bankruptcy reorganizations, recapitalizations, and share buybacks. The portfolio of some event driven managers may shift in majority weighting between risk arbitrage and distressed securities, while others may take a broader scope. Instruments include long and short common and preferred stocks, as well as debt securities and options. Leverage may be used by some managers. Fund managers may hedge against market risk by purchasing S&P put options or put option spreads.

HFRI Equity Hedge (Total) Index is a fund-weighted index of select hedge funds focusing on equity hedge strategies. Equity hedge investing consists of a core holding of long equities hedged at all times with short sales of stocks and/or stock index options.

The HFRI indices are based on information self-reported by hedge fund managers that decide, on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. (HFR). Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe and may be biased in several ways.

Cash Alternatives: Bloomberg Barclays U.S. Treasury Bills (1-3M) Index is representative of money markets.

Commodities: Bloomberg Commodity Index is a broadly diversified index of commodity futures on 20 physical commodities, subdivided into energy, U.S. agriculture, livestock, precious metals, and industrial metals sectors. Commodity weights are derived in a manner that attempts to fairly represent the importance of a diversified group of commodities to the world economy.

Emerging-Market Equities: MSCI Emerging Markets Index (MSCI EM GR) is a free float-adjusted market capitalization index designed to measure equity market performance of emerging markets. The index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.

Developed-Market Ex-U.S. Fixed Income: JP Morgan Global Ex. United States Index (JPM GBI Global Ex-U.S.) is a total return, market capitalization weighted index, rebalanced monthly, consisting of the following countries: Australia, Germany, Spain, Belgium, Italy, Sweden, Canada, Japan, United Kingdom, Denmark, Netherlands, and France.

Emerging-Market Fixed Income: JPM EMBI Global Index is a U.S. dollar-denominated, investible, market cap-weighted index representing a broad universe of emerging market sovereign and quasi-sovereign debt. While products in the asset class have become more diverse, focusing on both local currency and corporate issuance, there is currently no widely accepted aggregate index reflecting the broader opportunity set available, although the asset class is evolving. By using the same index provider as the one used in the developed-market bonds asset class, there is consistent categorization of countries among developed international bonds (ex. U.S.) and emerging market bonds.

High-Yield Taxable Fixed Income: Bloomberg Barclays U.S. Corporate High-Yield Bond Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB- or below. Included issues must have at least one year until final maturity.

Inflation-CPI: IA SBB1 U.S. Inflation Index is a custom unmanaged index designed to track the U.S. inflation rate.

CPI (consumer price index) measures the price of a fixed basket of goods and services purchased by an average consumer.

Portfolio

Value of Asset Allocation

Asset Class Definitions

- **Developed Market Ex-U.S. Equities:** MSCI EAFE Index (Europe, Australasia, Far East) Index (MSCI EAFE GR) is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The index consists of the following 21 developed-market country indexes: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.
- **U.S. Taxable Investment-Grade Fixed Income:** Bloomberg Barclays U.S. Aggregate Bond Index is composed of the Bloomberg Barclays U.S. Government/Credit Index and the Bloomberg Barclays U.S. Mortgage-Backed Securities Index and includes Treasury issues, agency issues, corporate bond issues, and mortgage-backed securities.
- **U.S. Large-Cap Equities:** S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index with each stock's weight in the index proportionate to its market value.
- **U.S. Mid-Cap Equities:** Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000® Index, which represent approximately 25% of the total market capitalization of the Russell 1000® Index.
- **U.S. Small-Cap Equities:** Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.
- **Public Real Estate:** FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real-estate companies and Public Real Estate in developed countries worldwide.
- **Hedge Funds:** HFRI Fund Weighted Composite Index is a fund-weighted (equal-weighted) index designed to measure the total returns (net of fees) of the approximately 2,000 hedge funds that compose the index. Constituent funds must have either \$50 million under management or a track record of greater than 12 months.

Asset Class Risks

Asset allocation is an investment method used to help manage risk. It does not ensure a profit or protect against a loss.

Commodities: The commodities markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Commodities may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity.

Equity Securities: Stocks are subject to market risk, which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors.

Fixed-Income: Investments in fixed-income securities are subject to market, interest rate, credit/default, inflation and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and/or principal. This risk is heightened in lower rated bonds. High yield fixed income securities (junk bonds) are considered speculative, involve greater risk of default, and tend to be more volatile than investment grade fixed income securities. If sold prior to maturity, fixed income securities are subject to market risk. All fixed income investments may be worth less than their original cost upon redemption or maturity.

Foreign/Emerging Markets: Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. These risks are heightened in emerging markets.

Hedge Funds: Hedge Funds are available only to persons who are "accredited investors" or "qualified purchasers" within the meaning of U.S. securities laws. Hedge funds trade in diverse complex strategies that are affected in different ways and at different times by changing market conditions. Strategies may, at times, be out of market favor for considerable periods with adverse consequences for the investor.

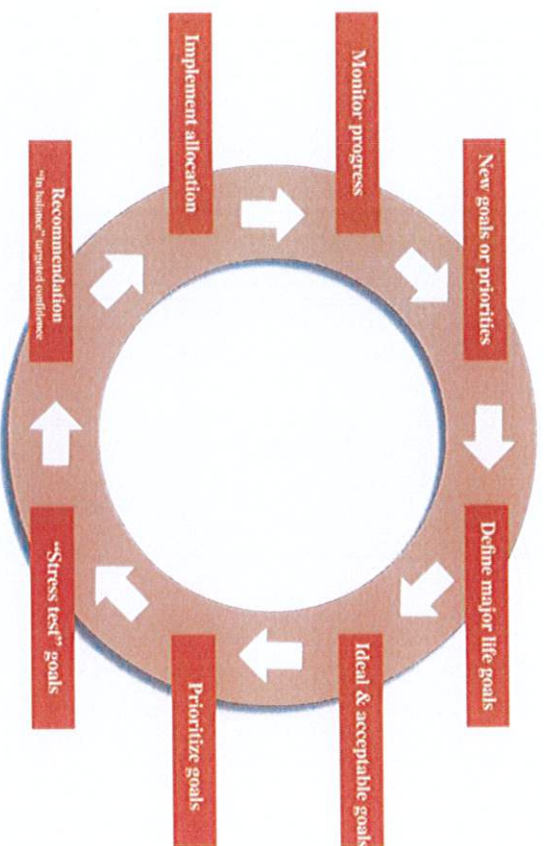
Real Estate: Investing in real estate investment trusts (REITs) has special risks, including possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions.

Small/Mid-Cap: The prices of small/mid-company stocks are generally more volatile than large-company stocks. They often involve higher risks because of smaller and mid-sized companies may lack the management expertise, financial resources, product diversification, and competitive strengths to endure adverse economic conditions.

Portfolio

Envision Process

The Value of the Conversation



IMPORTANT: The projections or other information generated by Envision regarding the likelihood of various investment outcomes are hypothetical in nature do not reflect actual investment results and are not guarantees of future results. Results may vary with each use and over time.

Envision methodology, selection criteria and key assumptions: Envision's simulation model incorporates assumptions on inflation, and financial market returns. Using Monte Carlo simulations, Envision simulates thousands of potential outcomes over a lifetime of investing. The varying risk, return and correlation between the assets are based on both forward looking and historical market based assumptions. Elements of this report's presentations and simulation results are under license from © 2003-2016 Wealthcare Capital Management LLC. All rights reserved.

Portfolio

Investment Objective

Investment Objective

The suggested investor category is based on information provided by you, including your investment objectives, time horizon and risk tolerance for your investments. Time horizon is the most important component in determining a target asset mix. The longer your time horizon, the more aggressive your target asset mix. The more conservative your risk tolerance, the more conservative your suggested asset mix. Based on information that you have provided, you are currently classified as Moderate Income investor.



Recommended Asset Allocation

The pie chart below depicts the asset class breakdown of the recommendation.



IMPORTANT INFORMATION

The mix of asset classes best suited for an investor will depend on his or her individual investment goals and tolerance for risk. It is generally understood that as an investor takes more risk, he or she can seek a higher rate of return over time.

Asset allocation/investment timing cannot eliminate the risk of fluctuating prices and uncertain returns.

Asset Allocation Statistics are based upon forward-looking Capital Market Assumptions. For more information about Capital Market Assumptions, see the Disclosure section of this report. Standard Deviation is a statistical measure of the historical volatility of a mutual fund, subaccount, stock, or index. Higher standard deviation numbers indicate higher volatility and hence, higher risk of principal loss. The Sharpe ratio measures risk-adjusted performance. Mathematically, this is the excess return divided by the standard deviation (where excess return equals the expected return minus the risk-free rate). Higher values are desirable and indicate greater return per unit of risk.

Portfolio

Efficient Frontier

Efficient Frontier

It is generally accepted that risk and return go hand in hand. The higher the risk you are prepared to take, the higher the potential return. The Efficient Frontier represents a set of possible allocations that maximize the returns for a given level of risk. Asset Allocation Statistics are financial calculations and may vary over time.



IMPORTANT INFORMATION

Standard Deviation is a statistical measure of volatility. Higher standard deviation numbers indicate higher volatility and hence, higher risk of principal loss. The Sharpe Ratio measures risk-adjusted performance. Mathematically, this is the excess return divided by the standard deviation (where excess return equals the expected return minus the risk-free rate). Higher values are desirable and indicate greater return per unit of risk. The Return expresses as a percentage the annualized expected rate at which capital compounds over time. Yield derived from a portfolio or an individual asset represents the growth attributable to income as opposed to capital appreciation.

Statistics presented on this page for your Recommended asset allocation, and your Current asset allocation (if included), were calculated at the asset class level based upon forward-looking Capital Market Assumptions and do not reflect past performance of any particular security. Capital Market Assumptions for all asset classes assume a broadly diversified portfolio generally representative of the risks and opportunities of the asset class. To the extent that your portfolio is not as diversified as the assumptions made for the asset class, the return and risk potential for the portfolio may vary significantly from the assumed Capital Market Assumptions. For risk and return information, please see the Capital Market Assumptions table in the Disclosure section of this report.

The projections or other information generated by the Efficient Frontier regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

The Recommended asset allocation your Financial Advisor has selected may differ from the Strategic Allocation due to differences in asset class weightings between the two.

Portfolio Recommendation

Portfolio

Product Guide

Overview

A diversified portfolio tailored to your needs

Diversified Managed Allocations (DMA) is a unique investment program designed for affluent investors which offers access to a variety of investment strategies including mutual funds, exchange-traded funds, internally managed strategies, and institutional money managers. At the core of DMA is a disciplined process based on investment style asset allocation and diversification.

DMA combines the guidance and experience of your Financial Advisor, Wells Fargo Advisors, Wells Fargo Investment Institute and some of the nation's most respected private investment managers, all united and committed to building a portfolio structured to pursue your individual long-term investment goals.

Using research provided by Wells Fargo Investment Institute, and portfolios managed by Wells Fargo Advisors, DMA offers a roster of select mutual funds, exchange traded funds (ETFs), managed strategies, and separate account strategies representing a broad array of investment classes and styles. You and your Financial Advisor will use a disciplined investment process to create an asset allocation strategy utilizing a combination of investment strategies on our available roster.

Professional portfolio management

Successful investing requires a significant commitment of time, energy, and attention to detail. Most investors can only dedicate a part-time approach to managing their investments. The DMA program's professional money managers have the time, resources, and dedication to focus their entire efforts on managing assets for their clients.

They develop disciplines for buying and selling securities, which help eliminate decision-making based on influences such as emotional and fad investing. By electing to have experienced institutional professionals manage your portfolio, you free yourself from the time-consuming task of actively managing your investments around-the-clock.

Analysis and monitoring of the mutual funds and SMA managers available in DMA is provided by Wells Fargo Investment Institute. Wells Fargo Advisors utilizes the research of Wells Fargo Investment Institute to construct portfolio models, which includes an extensive and continuous appraisal process of the performance of the SMAs and mutual funds within the portfolios.

Diversified Managed Allocations

Combining managers to create Optimal Blends

DMA's Optimal Blend portfolios are based on Wells Fargo Advisors' unique analytical approach. This process focuses on both the merits of the individual investment strategies and on how the various investment managers and mutual funds on our roster complement one another. It starts by carefully identifying and combining select investment managers based on their historical performance characteristics and tendencies.

Wells Fargo Advisors then uses that knowledge to construct the Optimal Blends, which we believe to be combinations that help maximize the potential for positive long-term portfolio performance and growth. The result is a series of portfolios developed to change as your life changes, meet your specific investment needs, and help solidify your financial future. Optimal Blends provide potential strategies for investors with conservative, moderate and aggressive risk tolerance for each of three investment objectives (income, growth, and growth and income).

The freedom to select your own investment managers

In the event you and your Financial Advisor decide to take a more hands-on approach to portfolio construction, you may select our Customized Blend approach utilizing the DMA roster comprised of your choice of investment managers, funds, ETFs, and internally managed strategies.

Investments and Insurance Products:		
Not Insured by FDIC or any Federal Government Agency	May Lose Value	Not a Deposit of or Guaranteed by a Bank or Any Bank Affiliate

Overview

Exchange-Traded Funds

Exchange-traded funds (ETFs), as the name implies, trade similarly to stocks. A single ETF might attempt to mirror

- an entire index such as the S&P 500, Dow Jones Industrial Average, or NASDAQ Composite Index
 - a complete sector of equity market such as large cap, small cap, growth, or value stocks
- ETFs present a number of identifiable advantages to savvy investors.

- They offer a level of diversification typically difficult to obtain through individual stock purchases.
- Since ETFs are traded throughout the day, they offer liquidity, which is especially valuable in changing market conditions.
- Some investors are also drawn to particular tax advantages ETFs may offer, (which your Financial Advisor can discuss in greater detail).

Your Financial Advisor will assist in selecting appropriate ETFs you can incorporate into your custom portfolio, which can be used to match your specific risk tolerance with a customized asset allocation -- creating a more diverse investment mix.

Mutual Funds

Analysis and monitoring of the mutual funds available in DMA are provided by Wells Fargo Investment Institute. These recommended funds* are yet another way to diversify your portfolio. These funds are closely monitored through Wells Fargo Investment Institute's exclusive, research-intensive due diligence process.

The objective is a selection of mutual funds which display traits most favorable to helping achieve your short and long-term risk-oriented investment strategy. With the guidance and experience of your Financial Advisor, you can select mutual funds which complement your chosen investment managers and help round-out your portfolio.

**Minimum allocations apply.*

Mutual fund investing involves risk. The investment return and principal value of your investment will fluctuate and your shares, when redeemed, may be worth more or less than their original cost.

Diversified Managed Allocations

A high level of service

The DMA program provides a premium level of dedicated service and attention to you and your investment portfolio. In addition to ongoing, detailed strategy discussions with your Financial Advisor, you'll receive monthly statements and quarterly and annual performance reports.

Your Financial Advisor can provide detailed manager overviews, research reports, and portfolio commentary to keep you abreast of underlying news, events, and economic conditions.

As an added benefit, the DMA program also features automatic rebalancing. This ensures your portfolio is regularly adjusted to reflect your target mix of asset classes, based on a individualized risk tolerance created with your Financial Advisor.

Setting up a DMA account is fast and simple. Regardless of the number of managers you and your Financial Advisor select, a single set of paperwork is all that is needed.

Portfolio

Product Guide

Overview

Diversified Managed Allocations

Exchange Traded Funds are subject to risks similar to those of stocks. Investment returns may fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

The fees for the Diversified Managed Allocations (DMA) program are assessed quarterly in advance. The fees include advisory services, performance measurement, transaction costs, custody services and trading.

The fees do not cover the fees and expenses of any underlying mutual funds in the portfolio. The fee schedule, which is negotiable, is based on account size and an assumed active equity portfolio. There may be a minimum client fee per calendar quarter to maintain this type of account. Advisory programs are not designed for excessively traded or inactive accounts and may not be suitable for all investors. Please carefully review the Wells Fargo Advisors advisory disclosure document for a full description of our services, including fees and expenses. The minimum account size for this program is \$100,000.

Wells Fargo Investment Institute, Inc. (WFI) is a registered investment adviser and wholly-owned subsidiary of Wells Fargo & Company.

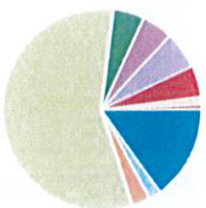
Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company. 1018-02424

Portfolio

Recommended Portfolio – By Asset Class

Recommended Portfolio – By Asset Class

Your Financial Advisor has recommended that you invest in DMA Optimal Blends- Moderate Income 500. The following pie chart illustrates the asset allocation recommended by your Financial Advisor, while the table represents the securities recommended to fulfill the recommended asset allocation and to help achieve your stated goals. Security selection was based on consideration of your investment objective, time horizon and risk tolerance with careful review of the performance and risk characteristics of various securities within each asset class, while balancing the risk and rewards of market behavior.



RECOMMENDED ASSET ALLOCATION			
Asset Class	% of Assets	Asset Class	% of Assets
U.S. Large Cap Equities	15.00	Emerging Market Fixed Income	5.00
U.S. Small Cap Equities	2.00	High Yield Taxable Fixed Income	6.00
Developed Market Ex-U.S. Equities	3.00	Public Real Estate	5.00
U.S. Intermediate Taxable Fixed Income	57.02	Cash Alternatives	1.23
Developed Market Ex-U.S. Fixed Income	5.00	Other	0.75

Name	Symbol / CUSIP	Market Value	Percentage
U.S. Large Cap Equities			
FEDERATED STRT FLU INSTL	SVALX	\$120,000.00	8.00 %
T ROWE PRICE BLE CHP GRW	TRBCX	\$105,000.00	7.00 %
		\$225,000.00	15.00 %
U.S. Small Cap Equities			
VOYA SMALL CO FD CL I	AESGX	\$30,000.00	2.00 %
		\$30,000.00	2.00 %
Developed Market Ex-U.S. Equities			
ARTISAN INTL VALUE FD	ARTKX	\$45,000.00	3.00 %
		\$45,000.00	3.00 %
U.S. Intermediate Taxable Fixed Income			
MCDONNELL INVESTMENT MANAGEMENT LLC GOVT/CREDIT FIXED INCOME		\$311,718.00	20.78 %
PACIFIC INCOME ADVISERS LIMITED DURATION SMA ENHANCED	JFLEX	\$213,570.00	14.24 %
JANUS FLEXIBLE BD FD I	PIMIX	\$210,000.00	14.00 %
PIMCO INCOME FD I		\$75,000.00	5.00 %
MFS CORP BOND FUND CL I	MBDIX	\$45,000.00	3.00 %
		\$855,288.00	57.02 %

Developed Market Ex-U.S. Fixed Income

Portfolio

Recommended Portfolio – By Asset Class

Name	Symbol / CUSIP	Market Value	Percentage
Emerging Market Fixed Income MFS EMRG MKTS DEBT I	OIBYX	\$75,000.00	5.00 %
High Yield Taxable Fixed Income MAINSTAY MACKAY HY BD I	MEDIX	\$75,000.00	5.00 %
Public Real Estate DWS REEF GLOBAL INST COHEN & STEERS RLTG SHS	MHYIX RRGIX CSRSX	\$90,000.00 \$90,000.00 \$45,000.00 \$30,000.00 \$75,000.00	6.00 % 6.00 % 3.00 % 2.00 % 5.00 %
Cash Alternatives PACIFIC INCOME ADVISERS LIMITED DURATION SMA ENHANCED MCDONNELL INVESTMENT MANAGEMENT LLC GOVT./CREDIT FIXED INCOME		\$11,430.00 \$7,029.00 \$18,459.00	0.76 % 0.47 % 1.23 %
Other MCDONNELL INVESTMENT MANAGEMENT LLC GOVT./CREDIT FIXED INCOME		\$11,253.00 \$11,253.00	0.75 % 0.75 %
Total		\$1,500,000.00	100.00 %

IMPORTANT INFORMATION

The table categorizes the recommended securities by asset class and provides the corresponding recommended dollar amount and percentage of the total portfolio for each recommended security. Values in the "Total" summary may be slightly higher or lower than 100% of the recommended dollar amounts because of rounding.

The investments presented in this report may not be available in all types of accounts. Please consult with your financial advisor before making any investment decisions.

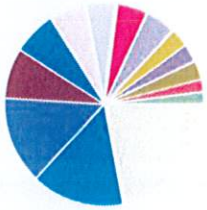
Please note that the recommendations presented in this report should only be used with advice from your financial advisor at Wells Fargo Advisors. Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC, a registered broker-dealer and non-bank affiliate of Wells Fargo & Company.

Portfolio

Recommended Portfolio

Recommended Portfolio

This report illustrates the holdings recommended by your Financial Advisor. Security selection was based on consideration of your investment objective, time horizon and risk tolerance with careful review of the performance and risk characteristics of various securities within each asset class, while balancing the risk and rewards of market behavior.



RECOMMENDED PORTFOLIO

Description	% of Allocation	Description	% of Allocation
MCDONNELL INVESTMENT MANAGEMENT LLC GOVT./CREDIT FIXED INCOME	22.00	OPPENHMR INTL BOND Y	5.00
PACIFIC INCOME ADVISERS LIMITED DURATION SMA ENHANCED	15.00	PIMCO INCOME FD I	5.00
JANUS FLEXIBLE BD FD I	14.00	ARTISAN INTL VALUE FD	3.00
FEDERATED STRT FLU INSTL	8.00	DWS RREEF GLOBAL INST	3.00
T ROWE PRICE BLE CHP GRW	7.00	MFS CORP BOND FUND CL I	3.00
MAINSTAY MACKAY H/Y BD I	6.00	COHEN & STEERS RLTY SHS	2.00
MFS EMRG MKTS DEBT I	5.00	VOYA SMALL CO FD CL I	2.00

Name	Symbol / CUSIP	Market Value	Percentage
MCDONNELL INVESTMENT MANAGEMENT LLC GOVT./CREDIT FIXED INCOME	JFLEX	\$330,000.00	22.00 %
PACIFIC INCOME ADVISERS LIMITED DURATION SMA ENHANCED	SVAIX	\$225,000.00	15.00 %
JANUS FLEXIBLE BD FD I	TRBCX	\$210,000.00	14.00 %
FEDERATED STRT FLU INSTL	MHYIX	\$120,000.00	8.00 %
T ROWE PRICE BLE CHP GRW	MEDIX	\$105,000.00	7.00 %
MAINSTAY MACKAY H/Y BD I	MBYX	\$90,000.00	6.00 %
MFS EMRG MKTS DEBT I	PIMIX	\$75,000.00	5.00 %
OPPENHMR INTL BOND Y	ARTKX	\$75,000.00	5.00 %
PIMCO INCOME FD I	RRGIX	\$75,000.00	5.00 %
ARTISAN INTL VALUE FD	MBDIX	\$45,000.00	3.00 %
DWS RREEF GLOBAL INST	CSRSX	\$45,000.00	3.00 %
MFS CORP BOND FUND CL I	AESGX	\$45,000.00	3.00 %
COHEN & STEERS RLTY SHS		\$30,000.00	2.00 %
VOYA SMALL CO FD CL I		\$30,000.00	2.00 %
Total		\$1,500,000.00	100.00 %

Portfolio

Recommended Portfolio

IMPORTANT INFORMATION

The table displays the securities recommended by your Financial Advisor, and provides the corresponding recommended dollar amount and percentage of the total portfolio for each recommended security. Values in the "Total" summary may be slightly higher or lower than 100% of the recommended dollar amounts because of rounding.

The investments presented in this report may not be available in all types of accounts. Please consult with your financial advisor before making any investment decisions.

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Portfolio

Historical Returns - Recommended Portfolio
from 12/31/2008 to 9/30/2018

Optimal Blend Portfolio

Calendar Year Returns (Proposed Advisory Fee: 1.00%)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Recommended Portfolio	8.75	5.05	1.20	4.80	4.94	8.32	4.97	8.95	18.30	-
Recommended Portfolio (Net)	7.66	4.00	0.19	3.75	3.89	7.24	3.92	7.87	17.11	-
Blend:60% Ag Bd/25% SP500/15% Barc GI HY	8.93	6.74	0.45	6.99	7.22	9.42	5.94	10.26	18.30	-

Trailing Returns (Proposed Advisory Fee: 1.00%)

	Current Quarter	YTD	1YR	3YR	5YR	10YR	Since Inception
Recommended Portfolio	1.10	0.02	1.51	4.96	4.42	-	6.59
Recommended Portfolio (Net)	0.84	-0.73	0.50	3.91	3.37	-	5.53
Blend:60% Ag Bd/25% SP500/15% Barc GI HY	2.21	1.56	3.59	6.15	5.51	-	7.68

Gross Risk/Return Statistics

	Annualized Return	Standard Deviation	Sharpe Ratio
Recommended Portfolio	6.59	4.78	0.86
Blend:60% Ag Bd/25% SP500/15% Barc GI HY	7.68	4.63	1.12

IMPORTANT INFORMATION

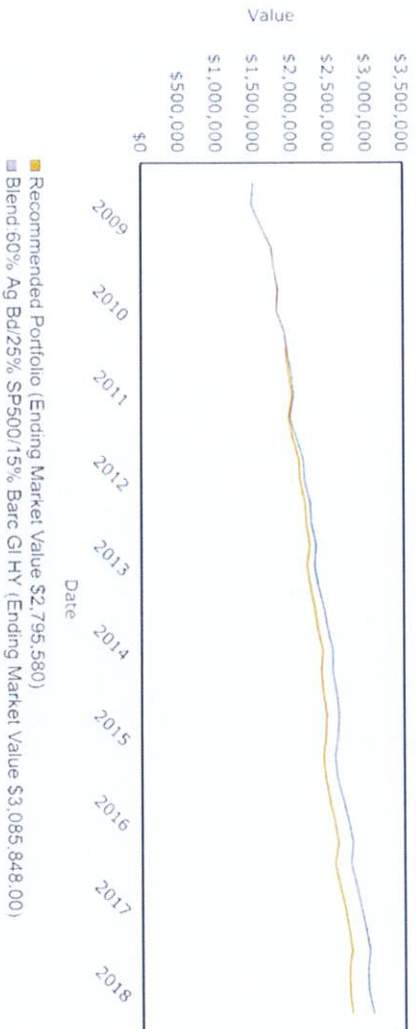
The performance presented is past performance, which is not a guarantee of future results; current performance may be lower or higher than the performance quoted. The investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost. Historical performance returns presented for the recommended portfolio are model returns and do not necessarily reflect actual client results. Client performance for this portfolio may differ from the returns presented due to, among other things, client contributions or withdrawals, commissions, timing of order entry, or the manner in which the trades are executed. Model returns are calculated using the actual historical returns of the portfolio securities and performance returns provided by the money managers using model weightings and assuming the reinvestment of dividends and interest, as well as quarterly rebalancing to the model's pre-determined allocations. The performance results are provided by the money managers and are believed by Wells Fargo Advisors to be accurate. Gross performance returns are calculated before the deduction of advisory fees. Net performance returns are calculated by applying the proposed annual advisory wrap fee to the Gross returns assuming a quarterly fee deduction, in advance. The proposed advisory fee shown in this report does not include underlying fees and expenses of any funds in the portfolio. The fees for the DMA program are assessed quarterly in advance and include advisory services, performance measurement, transaction costs, custody services and trading. The fee schedule, which is negotiable, is based on account size and an assumed active equity portfolio. There may be a minimum quarterly fee to maintain this type of account. The imposition of the minimum fee may cause the effective Program Fee rate (expressed as a percentage) to be greater than the fee rates specified in the Wells Fargo Advisors Separately Managed Account Disclosure document.

Indices are presented to provide you with an understanding of their historic long-term performance, and are not presented to illustrate the performance of any security. Individual investors cannot directly purchase an index.

Portfolio

Portfolio Growth
from 12/31/2008 to 9/30/2018

Portfolio Growth



	Ending Market Value	Current Holdings	Recommended Portfolio
12/31/2008	-	-	\$1,500,000
12/31/2009	-	-	\$1,774,440
12/31/2010	-	-	\$1,933,335
12/31/2011	-	-	\$2,029,395
12/31/2012	-	-	\$2,198,235
12/31/2013	-	-	\$2,306,730
12/31/2014	-	-	\$2,417,445
12/31/2015	-	-	\$2,446,545
12/31/2016	-	-	\$2,570,085
12/31/2017	-	-	\$2,794,965
9/30/2018	-	-	\$2,795,580

IMPORTANT INFORMATION

Historical performance returns presented for the Recommended Portfolio were calculated by applying the time period shown above to actual historical investment returns of the Recommended Portfolio. Past performance is not a guarantee of future results. For more information about historical performance of the Recommended Portfolio presented in this report please refer to the Disclosure section.

Historical performance returns presented for client's Current Holdings (if included) are hypothetical and are not intended to represent any return potentially or actually achieved. The hypothetical returns were calculated by applying hypothetical assumptions regarding the timing and amounts of investment, to the actual historical performance returns of the various securities shown in client's Current Holdings, for the time period shown above. Actual client results would likely differ from those presented due to, among other things, the timing and amounts of client contributions and withdrawals, commissions, timing of order entry, or the manner in which trades are executed.

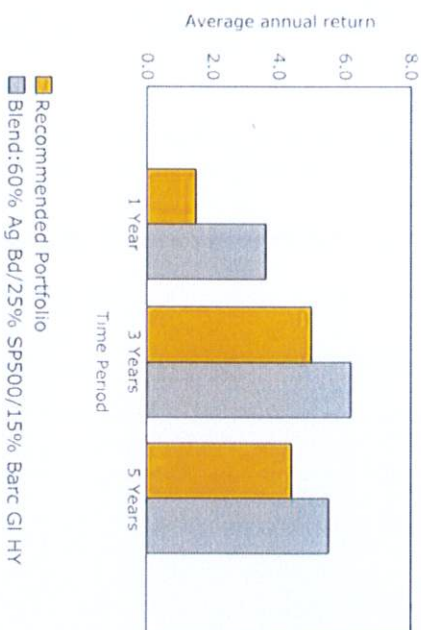
The time period shown is the shorter of either 15 years, or is based on the oldest common start date of all investments, and is not necessarily representative of the entire performance history of the Recommended Portfolio. The returns presented are not adjusted for taxes, advisory fees, sales charges, or other expenses that if included, would have reduced the presented return.

Portfolio

Average Annual Return
DATA AS OF 9/30/2018

Average Annual Total Returns

The following illustration depicts the Average Annual Returns for your Recommended Portfolio and a comparative index and Current Portfolio (if included).



Illustrated Items					
Recommended Portfolio		1 Year	3 Years	5 Years	10 Years
		Average	Average	Average	Average
Blend:60% Ag Bd/25% SP500/15% Barc GI HY		1.51	4.96	4.42	
		3.59	6.15	5.51	

IMPORTANT INFORMATION

The investments presented in this report may not be available in all types of accounts. Please consult with your financial advisor before making any investment decisions.

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Historical performance returns presented for the Recommended Portfolio were calculated by applying the time period shown above to actual historical investment returns of the Recommended Portfolio. Past performance is not a guarantee of future results. For more information about historical performance of the Recommended Portfolio presented in this report please refer to the Disclosure section.

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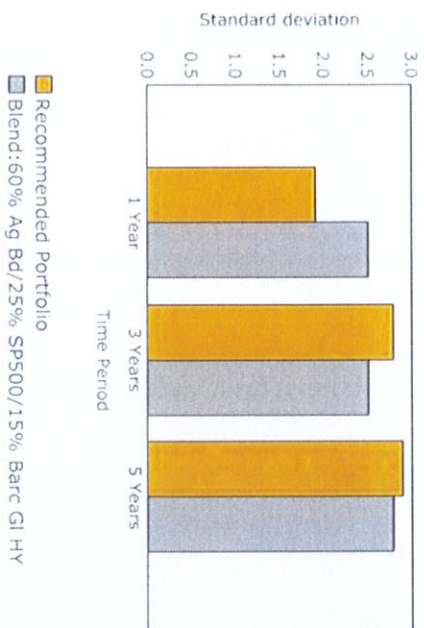
The time period shown is the shorter of either 15 years, or is based on the oldest common start date of all investments, and is not necessarily representative of the entire performance history of the Recommended Portfolio. The returns presented are not adjusted for taxes, advisory fees, sales charges, or other expenses that if included, would have reduced the presented return.

Portfolio

Standard Deviation
DATA AS OF 9/30/2018

Standard Deviation

The following illustration depicts the standard deviation for the Recommended Portfolio, a comparative index, and the Current Portfolio (if applicable). Standard deviation is a statistical measure of the historical volatility. Higher standard deviation numbers indicate higher volatility and hence, higher risk of principal loss.



Illustrated Items		1 Year	3 Years	5 Years	10 Years	15 Years
Recommended Portfolio		Average	Average	Average	Average	Average
Blend: 60% Ag Bd/25% SP500/15% Barc GI HY		1.93	2.79	2.86		
		2.47	2.55	2.82		

IMPORTANT INFORMATION

Standard deviation presented for the Recommended Portfolio was calculated based on actual historical investment returns of the Recommended Portfolio from the time period shown above, and may not necessarily represent the standard deviation of the Recommended Portfolio since its inception. When applied to investment returns, standard deviation can help an investor understand the risk of a particular portfolio. It is expressed as a percentage and represents one "standard" unit of deviation from the average portfolio return over a specified time period. For more information about historical performance of the Recommended Portfolio presented in this report please refer to the Disclosure section.

The standard deviation presented for Client's Current Holdings, if included, was calculated on hypothetical investment returns which were calculated based upon assumptions applied to the historical returns of the securities in Client's Current Holdings. Actual standard deviation results would likely differ from those presented due to, among other things, the timing and amounts of client contributions and withdrawals, commissions, timing of order entry, or the manner in which trades were executed.

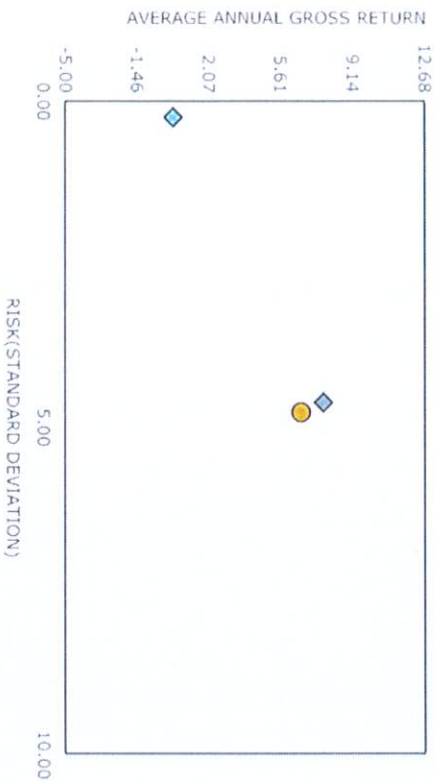
The time period shown is the shorter of either 15 years, or is based on the oldest common start date across all investments, and may not necessarily be representative of the standard deviation of returns for the Recommended Portfolios since its inception.

Portfolio

Risk Return Analysis
from 12/31/2008 to 9/30/2018

Risk Return Analysis

The following illustration depicts the investment return and standard deviation of the Recommended Portfolio and a comparative index (if included).



Illustrated Items

Recommended Portfolio	Returns	Risk
Blend: 60% Ag Bd/25% SP500/15% Barc GI HY	6.59	4.78
Treasury Bill - 3 Month	7.68	4.63
	0.32	0.25

IMPORTANT INFORMATION

Standard deviation is a statistical measure of historical volatility. Higher standard deviation numbers indicate higher volatility and hence, higher risk of principal loss. Standard deviation presented for the Recommended Portfolio was calculated based on historical investment returns of the Recommended Portfolio for the time period shown above. For more information about historical performance of the Recommended Portfolio presented in this report please refer to the Disclosure section.

Index returns are for illustrative purposes only and do not represent actual investment performance or reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Government Bonds and Treasury bills, unlike stocks, are guaranteed as to payment of principal and interest by the US Government if held to maturity. Returns for periods above 1 year are Annualized; for periods less than or equal to one year returns are Absolute.

Portfolio

Total Gross Return Analysis
from 12/31/2008 to 9/30/2018

Total Gross Return Analysis

The table below illustrates the best and worst rolling 4 quarters the portfolio experienced. It also shows how many positive and negative individual quarters the portfolio experienced. This analysis can assist in managing portfolio volatility expectations. Major common index returns are provided for your reference.

NAME	Best 4 QTR Return	Worst 4 QTR Return	Positive 4 QTR Periods	Negative 4 QTR Periods	Best QTR Return	Worst QTR Return	Positive QTR Periods	Negative QTR Periods
Recommended Portfolio	23.64	0.99	36	0	9.27	-2.46	30	9
Standard Indices								
Blend:40%Blom Barc Gov Cr Int&60%S&P 500	31.57	0.88	36	0	10.94	-7.00	31	8
Bloomberg Barc Intern US Govt/Credit TR	8.29	-0.96	30	6	3.25	-2.07	29	10
Bofa Merrill Lynch 3-Mth US T-Bill (TR)	1.59	0.02	36	0	0.49	0.00	39	0
Consumer Price Index - US	3.87	-0.07	34	2	1.96	-1.35	30	9
MSCI EAFE GTR	55.20	-13.38	25	11	25.85	-18.95	26	13
Russell 2000 Index	62.76	-9.76	29	7	20.69	-21.87	30	9
Russell Midcap Index	67.71	-4.04	30	6	20.80	-18.90	31	8
S&P 500 Composite Total Return	49.77	-0.61	35	1	15.93	-13.87	32	7

IMPORTANT INFORMATION

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For more information about historical performance of the Recommended Portfolio presented in this report, please refer to the Disclosure section.

Portfolio

Annualized Returns of Recommended Holdings

NAME	Symbol / CUSIP	Performance as of Date	YTD	1YR	3YR	5YR	10YR	Since Inception	Fund Expense Ratio	Inception Date
U.S. Large Cap Equities										
FEDERATED STRT FLU INSTL	SVAIX	12/31/2018	-8.21	-8.21	5.27	6.21	9.68	6.73	0.92	03/30/2005
T ROWE PRICE BLE CHP GRW	TRBCX	12/31/2018	2.01	2.01	12.05	11.31	17.04	10.59	0.70	06/30/1993
S&P 500 Composite Total Return		12/31/2018	-4.38	-4.38	9.26	8.49	13.12	10.21	-	12/31/1969
U.S. Small Cap Equities										
VOYA SMALL CO FD CL I	AESGX	12/31/2018	-16.09	-16.09	4.89	3.85	11.25	10.04	1.17	01/04/1994
Russell 2000 Index		12/31/2018	-11.01	-11.01	7.36	4.41	11.97	11.09	-	12/31/1978
Developed Market Ex-U.S. Equities										
ARTISAN INTL VALUE FD	ARTKX	12/31/2018	-15.65	-15.65	3.29	1.48	9.78	11.32	1.24	09/23/2002
MSCI EAFE Index Price		12/31/2018	-16.14	-16.14	0.07	-2.13	3.35	5.98	-	12/31/1969
U.S. Intermediate Taxable Fixed Income										
PACIFIC INCOME ADVISERS LIMITED DURATION SMA ENHANCED		12/31/2018	0.44	0.44	2.54	1.67	2.59	4.97	-	12/31/1991
PIMCO INCOME FDI	PIMIX	12/31/2018	0.63	0.63	5.90	5.49	9.84	8.26	0.74	03/30/2007
MFS CORP BOND FUND CL I	MBDIX	12/31/2018	-2.97	-2.97	3.02	2.98	6.93	5.71	0.55	01/02/1997
JANUS FLEXIBLE BD FDI	JFLEX	12/31/2018	-0.87	-0.87	1.78	2.06	4.45	6.43	0.50	07/07/1987
MCDONNELL INVESTMENT MANAGEMENT LLC GOVT./CREDIT FIXED INCOME		12/31/2018	-1.27	-1.27	1.89	2.37	3.75	5.95	-	12/31/1990
Bloomberg Barc US Agg Total Return Idx		12/31/2018	0.01	0.01	2.06	2.52	3.48	7.27	-	12/31/1975
Developed Market Ex-U.S. Fixed Income										
OPPENHMR INTL BOND Y	OIBYX	12/31/2018	-5.65	-5.65	3.70	1.60	3.56	7.06	0.76	06/15/1995
Lipper International Income Funds IX		12/31/2018	-1.00	-1.00	3.24	1.21	3.13	4.81	-	12/31/1993
Emerging Market Fixed Income										
MFS EMRG MKTS DEBT I	MEDIX	12/31/2018	-5.01	-5.01	4.45	3.47	7.47	9.23	0.82	03/17/1998
JPM EMBI Global TR USD		12/31/2018	-4.61	-4.61	4.74	4.18	7.79	8.51	-	12/31/1993
High Yield Taxable Fixed Income										
MAINSTAY MACKAY H/Y BD I	MHYIX	12/31/2018	-1.46	-1.46	6.80	4.05	9.60	7.80	0.73	05/01/1986
Bloomberg Barc US Corp High Yld TR Idx		12/31/2018	-2.08	-2.08	7.23	3.83	11.12	8.66	-	06/30/1983

Portfolio

Annualized Returns of Recommended Holdings

NAME	Symbol / CUSIP	Performance as of Date	YTD	1YR	3YR	5YR	10YR	Since Inception	Fund Expense Ratio	Inception Date
Public Real Estate										
COHEN & STEERS RLTY SHS	CSRSX	12/31/2018	-4.19	-4.19	2.71	8.17	12.20	11.11	0.97	07/02/1991
DWS RREEF GLOBAL INST	RRGIX	12/31/2018	-4.17	-4.17	3.36	5.16	9.86	3.42	0.96	07/05/2006
FTSE EPRA/NAREIT Developed TR USD		12/31/2018	-4.74	-4.74	3.67	5.26	10.53	7.39	-	12/31/1993
Cash Alternatives										
PACIFIC INCOME ADVISERS LIMITED DURATION SMA ENHANCED		12/31/2018	0.44	0.44	2.54	1.67	2.59	4.97	-	12/31/1991
MCDONNELL INVESTMENT MANAGEMENT LLC GOVT./CREDIT FIXED INCOME		12/31/2018	-1.27	-1.27	1.89	2.37	3.75	5.95	-	12/31/1990
Bloomberg Barc 1-3Mth US Tresry Bill Idx		12/31/2018	1.83	1.83	0.97	0.59	0.34	2.54	-	12/31/1991
Other										
MCDONNELL INVESTMENT MANAGEMENT LLC GOVT./CREDIT FIXED INCOME		12/31/2018	-1.27	-1.27	1.89	2.37	3.75	5.95	-	12/31/1990
Bloomberg Barc 1-3Mth US Tresry Bill Idx		12/31/2018	1.83	1.83	0.97	0.59	0.34	2.54	-	12/31/1991

IMPORTANT INFORMATION

The performance presented is past performance, which is not a guarantee of future results; current performance may be lower or higher than the performance quoted. The investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost. Please visit (<https://returns4.thomsononeadvisor.com/returns/start.aspx>) for more current monthly performance information on any Mutual Funds displayed in this report.

Please consider the charges, risks, expenses and investment objectives carefully before investing. A free prospectus containing this and other information is available from your Financial Advisor for any investment company product mentioned in this report. Read and consider it carefully before you invest.

For more information about historical performance of the Recommended Portfolio presented in this report please refer to the Disclosure section.

The investments presented in this report may not be available in all types of accounts. Please consult with your financial advisor before making any investment decisions.

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Portfolio

Annualized Performance Net of Fees
from 12/31/2008 to 9/30/2018

Annualized Performance Net of Fees (Proposed Advisory Fee:1.00%)

NAME	ANNUALIZED RETURNS (%)														STD. DEV.	
	QTR		YTD		1YR		3YR		5YR		10YR		9YR 9MO		3YR	9YR 9MO
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net		
Recommended Portfolio	1.10	0.84	0.02	-0.73	1.51	0.50	4.96	3.91	4.42	3.37	-	-	6.59	5.53	2.79	4.78
Blend:60% Ag Bd/25% SP500/15% Barc GI HY	2.21		1.56		3.59		6.15		5.51		-		7.68		2.55	4.63

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The performance presented is past performance, which is not a guarantee of future results. Current performance may be lower or higher than the performance quoted. The investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost. Historical performance returns presented for the recommended portfolio are model returns and do not necessarily reflect actual client results. Client performance for this portfolio may differ from the returns presented due to, among other things, client contributions or withdrawals, commissions, timing of order entry, or the manner in which the trades are executed. Model returns are calculated using the actual historical returns of the portfolio securities and performance returns provided by the money managers using model weightings and assuming the reinvestment of dividends and interest, as well as quarterly rebalancing to the model's pre-determined allocations. The performance results are provided by the money managers and are believed by Wells Fargo Advisors to be accurate. Gross performance returns are calculated before the deduction of advisory fees. Net performance returns are calculated by applying the proposed annual advisory wrap fee to the Gross returns assuming a quarterly fee deduction, in advance. The proposed advisory fee shown in this report does not include underlying fees and expenses of any funds in the portfolio. The fees for the DMA program are assessed quarterly in advance and include advisory services, performance measurement, transaction costs, custody services and trading. The fee schedule, which is negotiable, is based on account size and an assumed active equity portfolio. There may be a minimum quarterly fee to maintain this type of account. The imposition of the minimum fee may caused the effective Program Fee rate (expressed as a percentage) to be greater than the fee rates specified in the Well Fargo Advisors Separately Managed Account Disclosure document.

Portfolio

Implementation Plan - Summary Level

Recommended Implementation Plan

The figures in the following table represent the modifications required to implement the Recommended Portfolio.

Please be advised that the reallocation of your portfolio may result in sales charges, fees, surrender charges, expenses and potential tax consequences.

The Implementation Plan includes recommendation(s) for 'Buys' and/or 'Sells'.

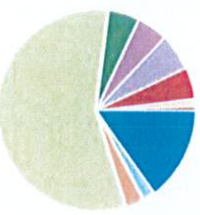
Advisory Fee: 1.00 %

Security Name	BUYS			SELLS		
	Symbol/CUSIP	Quantity	Price Per Unit	Symbol/CUSIP	Quantity	Price Per Unit
ARTISAN INTL VALUE FD	ARTKX	1,392.76	\$32.31			
COHEN & STEERS RLTY SHS	CSRSX	491.00	\$61.10			
DWS RREEF GLOBAL INST	RRGIX	5,125.28	\$8.78			
FEDERATED STRT FLU INSTL	SVAIX	22,429.91	\$5.35			
JANUS FLEXIBLE BD FD I	JFLEX	21,105.53	\$9.95			
MAINSTAY MACKAY H/Y BD I	MHYIX	16,453.38	\$5.47			
MCDONNELL INVESTMENT MANAGEMENT LLC GOVT./CREDIT		N/A	N/A			
FIXED INCOME						
MFS CORP BOND FUND CL I	MBDIX	3,378.38	\$13.32			
MFS EMRG MKTS DEBT I	MEDIX	5,391.80	\$13.91			
OPENHMR INTL BOND Y	OIBYX	13,711.15	\$5.47			
PACIFIC INCOME ADVISERS LIMITED DURATION SMA		N/A	N/A			
ENHANCED						
PIMCO INCOME FD I	PIMIX	6,323.78	\$11.86			
T ROWE PRICE BLE CHP GRW	TRBCX	1,030.73	\$101.87			
VOYA SMALL CO FD CL I	AESGX	2,349.26	\$12.77			
Total						\$1,500,000.00

Security Name	Symbol/CUSIP	Quantity	Price Per Unit	Market Value
Total				\$0.00
Money In/Out				\$1,500,000.00

RECOMMENDED ASSET CLASS BREAKDOWN

Asset Class	% of Assets	Security Name	Symbol/CUSIP	Market Value
U.S. Large Cap Equities	15.00	MCDONNELL INVESTMENT MANAGEMENT LLC GOVT./CREDIT		\$330,000.00
U.S. Small Cap Equities	2.00	FIXED INCOME		
Developed Market Ex-U.S. Equities	3.00	PACIFIC INCOME ADVISERS LIMITED DURATION SMA ENHANCED		\$225,000.00
U.S. Intermediate Taxable Fixed Income	57.02	T ROWE PRICE BLE CHP GRW	TRBCX	\$105,000.00
Developed Market Ex-U.S. Fixed Income	5.00	FEDERATED STRT FLU INSTL	SVAIX	\$120,000.00
Emerging Market Fixed Income	5.00	VOYA SMALL CO FD CL I	AESGX	\$30,000.00



Portfolio

Implementation Plan - Summary Level

Asset Class	% of Assets	Security Name	Symbol/CUSIP	Market Value
High Yield Taxable Fixed Income	6.00	ARTISAN INTL VALUE FD	ARTKX	\$45,000.00
Public Real Estate	5.00	PIMCO INCOME FD I	PIMIX	\$75,000.00
Cash Alternatives	1.23	MFS CORP BOND FUND CL I	MBDIX	\$45,000.00
Other	0.75	JANUS FLEXIBLE BD FD I	JFLEX	\$210,000.00
Portfolio contains multi-asset class securities.		OPENHMR INTL BOND Y	OIBYX	\$75,000.00
		MFS EMRG MKTS DEBT I	MEDIX	\$75,000.00
		MAINSTAY MACKAY H/Y BD I	MHYIX	\$90,000.00
		COHEN & STEERS RLTY SHS	CSRSX	\$30,000.00
		DWS RREEF GLOBAL INST	RRGIX	\$45,000.00
		Total		\$1,500,000.00

IMPORTANT INFORMATION

Market Value is estimated as of the date of this Proposal.

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Implementation Plan - Account Level

The Implementation Plan includes recommendation(s) for 'Buys' and/or 'Sells'.

DMA - ARTISAN INTL VALUE FD (ARTKX)

Security Name	Symbol/CUSIP	Quantity	Price Per Unit	Market Value
Total				\$0.00

Money In/Out	\$1,500,000.00
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RECOMMENDED PORTFOLIO



Portfolio

Implementation Plan - Account Level

Asset Class	% of Assets	Security Name	Symbol/CUSIP	Market Value
Public Real Estate	5.00	MFS CORP BOND FUND CL I	MBDIX	\$45,000.00
Cash Alternatives	1.23	JANUS FLEXIBLE BD FD I	JFLEX	\$210,000.00
Other	0.75	OPENHMR INTL BOND Y	OIBYX	\$75,000.00
Portfolio contains multi-asset class securities.		MFS EMRG MKTS DEBT I	MEDIX	\$75,000.00
		MAINSTAY MACKAY H/Y BD I	MHYIX	\$90,000.00
		COHEN & STEERS RLTY SHS	CSRSX	\$30,000.00
		DWS RREEF GLOBAL INST	RRGIX	\$45,000.00
		Total		\$1,500,000.00

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Portfolio

Disclosure

Important Information

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value of an investment in the fund(s) will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost.

The current performance for the fund(s) illustrated may be higher or lower than the performance data quoted. Please visit <https://returns4.thomsononeadvisor.com/returns/start.aspx> for the most recent month-end performance information.

Returns

Standardized Average Annual Total Returns for Quarter Ended 12/31/2018 Returns for periods of less than one year are not annualized

Illustrated Name	Inception Date	Maximum Sales Charge	1 Year	5 Years	10 Years	Since Inception
Blend 60% Ag Bd/25% SP500/15% Barc GI HY	12/31/1989	N/A	-1.48%	4.24%	7.15%	7.40%

Disclosure Information

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The current performance for the fund(s) illustrated may be higher or lower than the performance data quoted.

General Information

This historical information represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares/units when redeemed may be worth more or less than the original amount.

Investors should consider the investment objectives, risks, charges and expenses of each fund carefully before investing. These risks may include but are not limited to, the risks of investing in foreign securities, such as currency fluctuation, tax changes and political concerns. A free prospectus containing this and other information is available from your Financial Advisor for any investment company product mentioned in this report. Read it and consider it carefully before you invest.

Index returns are for illustrative purposes only and do not represent actual investment performance or reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

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and any company that may be the subject of this report, please visit the Research Disclosure page of wellsfargoadvisors.com or call your financial advisor.

Recommended Portfolio Information

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All data represented is the most current as of the date listed in the report and will vary over time. The actual data dates for the underlying holdings may vary between securities depending on update availability. For the data date and availability of the actual holdings, please see the corresponding Profile Report.

Asset Class Descriptions

The asset class descriptions below are included solely to provide insight into how individual securities are tied to specific asset classes. We use our best efforts to correctly classify investments. However, no warranty of accuracy is made.

Equity Investments: Equity investments refer to buying stocks of United States companies. The investment return to the owner of stock (shareholder) is in the form of dividends and/or capital appreciation. The market capitalization of companies is used to group large, medium (Mid), and small companies. Shareholders share in both the upside potential and the downside risk.

Capitalization: Market capitalization definitions differ but one example of capitalization methodology is that of Morningstar, which defines "large-capitalization" stocks as those stocks that form the top 70% of the market capitalization of the stocks eligible to be included in the Morningstar US Market Index (a diversified broad market index that represents approximately 97% of the market capitalization of publicly traded U.S. Stocks). The Morningstar index methodology defines "mid-capitalization" stocks as those stocks that form the 20% of market capitalization between the 70th and 90th percentile of the market capitalization and "small-capitalization" stocks as those stocks that form the 7% of market capitalization between the 90th and 97th percentile of the market capitalization of the stocks eligible to be included in the Morningstar US Market Index.

Fixed Income Securities (Bonds): Bonds are promissory notes of a United States corporation or federal government entity (taxable bonds) or a state or local government entity (tax-exempt or municipal bonds). Bonds usually make a series of interest payments followed by a return of principal at maturity. If sold prior to maturity, the price that can be obtained for a bond may be more or less than face value, depending on interest rates at the time the bond is sold and the remaining term of the bond. Fixed income securities include Treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year), Government-Related issues (i.e., agency, sovereign, supranational, and local authority debt), and Corporate Bonds. Investing in fixed income securities involves certain risks such as market risk if sold prior to maturity and credit risk especially if investing in high yield bonds, which have lower ratings and are subject to greater volatility. All fixed income investments may be worth less than original cost upon redemption or maturity.

Term: Short-term Bonds have effective maturities of five years or less, intermediate bonds have effective maturities between five and ten years, and long-term bonds have maturities of ten years or longer. *Income from tax exempt bonds is generally free from federal and state taxes for residents of the issuing state. While the interest income is tax-free, capital gains if any are subject to taxes. Income of certain tax-exempt bonds may be subject to the Federal Alternative Minimum Tax (AMT).*

Real Assets: Real Assets includes Public Real Estate, Private Real Estate and Commodities. Public Real Estate includes listed real-estate companies and equity and mortgage REITs. A REIT combines the capital of many investors to either acquire or provide financing for real estate. Private Real Estate is an investment that uses an active management strategy consisting of both direct and secondary ownership of equity and debt interests in various types of real property. Commodities are usually agricultural products such as corn, livestock, coffee and cocoa or metals such as gold, copper and silver, or energy products such as oil and natural gas. Commodities can either be sold on the spot market for immediate delivery or on the commodities exchanges for later delivery. Trade on commodities exchanges is usually in the form of future contracts. *There are special risks associated with an investment in real estate, including possible illiquidity of the underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions. Mortgage REITs will be subject to interest rate fluctuations and to the spread between short-term and long-term bond rates. Privately offered real estate funds are speculative and involve a high degree of risk. Investments in real estate have special risks, including the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions. There can be no assurance a secondary market will exist and there may be restrictions on transferring interests. The commodities markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility.*

Cash Alternatives: Cash Alternatives include liquid, short term and interest bearing investments. Examples are money market funds, Treasury bills and commercial paper. It is possible to lose money by investing in cash alternatives.

Mutual Fund Descriptions

Money Market Funds: An investment in these funds is neither insured nor guaranteed by the federal deposit Insurance Corporation or any other government agency.

Although these funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the fund.

Government Funds: The U.S. Government guarantee applies only to the underlying securities of the fund's portfolio and not of the value of the fund's shares.

Fixed Income Funds: Fixed Income investments are subject to the interest rate risk such that when interest rates rise, the prices of bonds and the value of bond fund shares can decrease and investors can lose principal value.

Municipal Bonds Funds: Certain investors' income may be subject to the federal Alternative Minimum Tax (AMT), and states and local taxes may also apply.

Insured Municipal Bond Funds: Insurance pertains to the timely payment of principal and interest by the issuer of the underlying securities, and not to the value of the fund's

shares. Certain investors' income may be subject to the federal Alternative Minimum Tax (AMT), and state and local taxes.

High Yield Funds: High-yield bonds commonly known as junk bonds are subject to greater loss of principal and interests, including default risk, than higher-rated bonds, this may result in greater share volatility.

Global or International Funds: Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and political and economic changes. This may result in greater share price volatility.

Geographic Concentration Funds: The fund may focus its investments in certain geographical regions, thereby increasing its vulnerability to developments in that region. This may result in greater share price volatility.

Real Estate Funds: The fund involves additional risk due to its narrow focus. There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions.

Sector Funds: The fund may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility.

Non-Diversified (Concentrated) Funds: This fund is not diversified. Investing in a non-diversified fund involves greater risk than a diversified investment because a loss resulting from a particular security's poor performance will have a greater impact on the fund's overall return.

Small-Cap Funds: Funds that invest in stocks or small companies involve additional risks. Small companies typically have a higher risk of are not as well established as larger blue-chip companies. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

Mid-Cap Funds: Funds that invest in companies with market capitalization below \$10 billion involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

Precious Metals/Natural Resources Funds: These funds are not diversified. Investing in a non-diversified fund involves greater risk than a diversified investment, because a loss resulting from a particular security's poor performance will have a greater impact on the fund's overall return.

Exchange Traded Products

Exchange Traded Funds are subject to risks similar to those of stocks. Investment returns may fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

Portfolio

Disclosure

Exchange Traded Notes (ETNs) are not funds, are not registered under the Investment Company Act of 1940, and are not subject to the same regulatory requirements as mutual funds, close-end funds or exchange traded funds. ETNs are senior, unsecured debt obligations issued by a financial institution designed to track the total return of an underlying index, minus investor fees, and have no principal protection. The creditworthiness of an ETN is based on the creditworthiness of the issuer. ETNs are listed on an exchange and trade in the secondary market. There is no guarantee a trading market will develop or continue. Some non-traditional ETNs seek to track the leveraged, inverse or leveraged-inverse performance of an index. These non-traditional ETNs share the same risks and characteristics as non-traditional ETFs. Before investing in an ETN, you should carefully consider the creditworthiness of the issuer and the ETNs investment objectives, risks, fees and charges.

Closed-End Funds

Investing in a closed-end fund involves unique risks outlined in the prospectus under the heading "Risk Factor." These securities are not suitable for all investors and should not be purchased on the basis of yield alone. The market price of these securities may decline. Dividend yields are not guaranteed and may be reduced, which may negatively impact the price of the security. Price changes may be amplified by portfolio leverage.

The information included in this report is based upon data obtained from public sources believed to be reliable; however, Thomson Reuters does not guarantee the completeness or accuracy thereof.

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is used by more than 140 financial institutions nationwide, representing more than 200,000 investment professionals.

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Information contained in this report has been provided at your request.

Investments in securities and investment products are: NOT FDIC-INSURED/NOT BANK GUARANTEED/MAY LOSE VALUE.

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Index Definitions

Blend: 60% Ag Bd/25% SP500/15% Barc GI HY is a blended index made up of 60% Bloomberg Barclays US Aggregate Total Return Index, 25% S&P 500 Composite Total Return Index, and 15% Bloomberg Barclays Global High Yield Total Return Index. The Bloomberg Barclays US Aggregate Total Return Index is an index comprised of approximately 6,000 publicly traded bonds including U.S. government, mortgage-backed, corporate and Yankee bonds with an average maturity of approximately 10 years. The S&P 500 Composite Total Return is an unmanaged market capitalization weighted price index composed of 500 widely held common stocks listed on the NYSE, AMEX, and NASDAQ. The index includes dividends reinvestments. The Bloomberg Barclays Global High Yield Total Return Index provides a broad-based measure of the global high-yield fixed income markets and measures the price performance of markets with the income from constituent dividend payments.

Strategic Allocations

Name	Conservative		Moderate		Aggressive		Conservative		Moderate		Aggressive		Conservative		Moderate		Aggressive	
	Income	Growth	Income	Growth	Income	Growth	Income	Growth	Income	Growth	Income	Growth	Income	Growth	Income	Growth	Income	Growth
Cash Alternatives	3.00%	2.00%	3.00%	2.00%	3.00%	2.00%	3.00%	2.00%	3.00%	2.00%	3.00%	2.00%	3.00%	2.00%	3.00%	2.00%	3.00%	2.00%
Commodities	0.00%	5.00%	0.00%	5.00%	0.00%	5.00%	0.00%	5.00%	0.00%	5.00%	0.00%	5.00%	0.00%	5.00%	0.00%	5.00%	0.00%	5.00%
Developed Market Ex-U.S. Equities	2.00%	3.00%	4.00%	3.00%	5.00%	3.00%	5.00%	3.00%	6.00%	3.00%	7.00%	3.00%	9.00%	3.00%	10.00%	3.00%	14.00%	0.00%
Developed Market Ex-U.S. Fixed Income	6.00%	5.00%	5.00%	5.00%	5.00%	5.00%	3.00%	2.00%	3.00%	2.00%	3.00%	2.00%	2.00%	2.00%	3.00%	2.00%	2.00%	0.00%
Emerging Market Equities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.00%	5.00%	5.00%	6.00%	6.00%	8.00%	8.00%	10.00%	3.00%	14.00%	2.00%	0.00%
Emerging Market Fixed Income	3.00%	5.00%	5.00%	5.00%	8.00%	0.00%	5.00%	0.00%	5.00%	0.00%	6.00%	0.00%	3.00%	0.00%	3.00%	0.00%	0.00%	0.00%
Hedge Funds - Equity Hedge	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Hedge Funds - Event Driven	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Hedge Funds - Macro	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Portfolio

Disclosure

Name	Conservative			Moderate			Aggressive		
	Income	Growth & Income	Growth	Income	Growth & Income	Growth	Income	Growth & Income	Growth
Hedge Funds - Relative Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
High Yield Tax Exempt Fixed Income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
High Yield Taxable Fixed Income	5.00%	6.00%	6.00%	8.00%	7.00%	4.00%	3.00%	2.00%	2.00%
Intermediate Tax Exempt Fixed Income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Long Term Tax Exempt Fixed Income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Multi-Class	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Private Equity	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Private Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public Real Estate	4.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Short Term Tax Exempt Fixed Income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Specialty Alternative Investments	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Specialty Equities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Specialty Fixed Income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Specialty Real Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
U.S. Intermediate Taxable Fixed Income	38.00%	30.00%	20.00%	25.00%	11.00%	6.00%	3.00%	0.00%	0.00%
U.S. Large Cap Equities	4.00%	12.00%	17.00%	15.00%	25.00%	29.00%	29.00%	27.00%	27.00%
U.S. Long Term Taxable Fixed Income	5.00%	7.00%	10.00%	10.00%	4.00%	4.00%	3.00%	3.00%	3.00%
U.S. Mid Cap Equities	2.00%	2.00%	7.00%	4.00%	11.00%	12.00%	13.00%	15.00%	15.00%
U.S. Short Term Taxable Fixed Income	28.00%	19.00%	7.00%	8.00%	2.00%	4.00%	2.00%	0.00%	0.00%
U.S. Small Cap Equities	0.00%	2.00%	6.00%	4.00%	8.00%	10.00%	13.00%	14.00%	14.00%

Capital Market Assumptions / Asset Allocation Statistics

Asset Allocation Statistics are based upon forward-looking Capital Market Assumptions. Capital Market Assumptions for all asset classes assume a broadly diversified portfolio generally representative of the risks and opportunities of the asset class. To the extent that the investor's portfolio is not as diversified as the assumptions made for the asset class, the return and risk potential for the portfolio may vary significantly from the assumed Capital Market Assumptions.

The Capital Market Assumptions used within this illustration are based on a building-block approach of risk premiums and Sharpe Ratio Equivalency. The returns for

Asset Class

Standard Deviation

Average Annual Return

Cash Alternatives	1.00	2.50
Commodities	15.00	4.42
Developed Market Ex-U.S. Equities	17.50	7.47
Developed Market Ex-U.S. Fixed Income	8.25	2.92
Emerging Market Equities	23.00	9.16
Emerging Market Fixed Income	12.00	6.15
Hedge Funds - Equity Hedge	8.75	5.74
Hedge Funds - Event Driven	7.00	5.27
Hedge Funds - Macro	6.25	4.86
Hedge Funds - Relative Value	5.75	5.09
High Yield Tax Exempt Fixed Income	12.00	4.76
High Yield Taxable Fixed Income	12.00	6.13
Intermediate Tax Exempt Fixed Income	4.50	2.48
Long Term Tax Exempt Fixed Income	9.00	2.63
Multi-Class	9.75	6.21
Other	16.50	1.20
Private Equity	22.00	10.87
Private Real Estate	15.00	7.68
Public Real Estate	18.00	7.20
Short Term Tax Exempt Fixed Income	1.75	2.16
Specialty Alternative Investments	22.00	2.82
Specialty Equities	26.00	5.88
Specialty Fixed Income	12.00	2.02
Specialty Real Assets	18.00	3.96
U.S. Intermediate Taxable Fixed Income	4.50	3.12
U.S. Large Cap Equities	16.00	7.79
U.S. Long Term Taxable Fixed Income	10.50	3.25
U.S. Mid Cap Equities	17.75	8.37
U.S. Short Term Taxable Fixed Income	1.75	2.70
U.S. Small Cap Equities	20.00	8.55

The Average Annual Return is time-weighted. It is a measure of the compound rate of growth of the asset class.



paratransit
creating independence through smart transit **inc.**

Consolidated Transportation Services Agency, a local public agency organized as a nonprofit.

MEMORANDUM

TO: BOARD OF DIRECTORS

FROM: TIFFANI M FINK, CHIEF EXECUTIVE OFFICER
DR. LISA CAPPELLARI, CHIEF FINANCIAL OFFICER

RE: ADOPT RESOLUTION 02-19 ADOPTING A 45 DAY OPERATING RESERVE POLICY

DATE: JANUARY 30, 2019

Tiffani M Fink
Dr. Lisa CapPELLARI

Paratransit, Inc. has a history of disciplined financial practices and procedures. In 2018, the Board began the process of formalizing many of these practices into policies for staff to measure our operations against. This item addresses one of the outstanding policies left for consideration by the Board.

Attached is the proposed Paratransit, Inc. Operating Reserve Policy for consideration. It sets the Operating Reserve at 45 days.

RECOMMENDATION: Adopt Resolution 02-19 Adopting the Paratransit, Inc. Operating Reserve Policy and setting the limit at 45 days.



PARATRANSIT, INC. OPERATING RESERVE POLICY

PURPOSE

Establish the general guidelines for a Reserve Policy that will ensure that the Agency will have sufficient funding available to meet its operating and capital service obligations. Reserves will be managed in a conservative manner that allows the Agency to fund expenditures consistent with major infrastructure initiatives, Capital Improvement Plan (CIP) and other long-term plans while having funds available to temporarily offset changes in short-term cash flow. This policy outlines criteria for the use of Operating reserves held by Paratransit, Inc., as well as the criteria and process used to draw down reserve funds.

On an annual basis, as soon as practical after reporting of prior year-end financials and reconciliation of Agency revenues, staff will report current year reserve balances for annual reserve appropriations per the separate Paratransit, Inc. reserve policy. The Executive Committee will review the reserve policy annually based on the current year reserve balances and thresholds identified.

SCOPE

This reserve policy applies to unrestricted operating reserve funds. Prior to implementation, requests for the use of reserve funds and related reprogramming of reserve funds for operations will require Board approval.

OPERATING RESERVE POLICY AMOUNT

The Paratransit, Inc. Operating Reserve Policy Amount is 45 days.

POLICY

Reserve Funding Types

A reserve fund draw down is divided into the following types:

1. Temporary Draw Down - Draw down of reserve funding in order to temporarily fund operations or a capital project implemented in advance of receipt of Federal, State, or Local funding. After implementation of a Temporary draw down, reserve funds will be reimbursed upon receipt of the Federal, State, and Local funds and corresponding adjustment of LTF disbursement schedules.

2. Permanent Draw Down – Drawdown of reserve funding to implement a Board approved initiative or project that will not be reimbursed with Federal, State, or Local

funding. Reserve fund balances will be adjusted to reflect implementation of a Permanent Draw Down. All permanent drawdowns require prior Board approval.

Reserve Fund Categories

There are three major categories of reserve funds:

1. Cash Flow Offset (Temporary Draw Down) – Reserves earmarked to fund operations or a Board approved capital project implemented in advance of receiving Federal, State, or Local funding. Current year beginning reserve balances will be held (no draw down of reserves) until all Federal, State, and Local operating funds are approved. Only after operating funds are approved will a request for a draw down of any reserve type be considered. A Temporary draw down will be reimbursed upon receipt of the Federal, State, and Local funds and adjustment of LTF disbursement schedule.

2. Board Designated Reserves (Permanent Draw Down)

A. Reserves earmarked for a specific purpose as determined by the Board of Directors. Board Designated Reserves consist of the following: • Major Infrastructure Initiatives – Reserves earmarked for implementation of a demonstration phase of an infrastructure initiative and/or related infrastructure improvement.

B. Reserves earmarked for unforeseen expenditure increases or emergencies unanticipated revenue shortfalls. Examples include, but are not limited to self-insured workers' compensation payouts, and greater than planned resources needed to maintain current service., less than planned receipt of Agency farebox revenues, and other revenue shortfalls identified in Agency year-end financial statements.

Annual Adjustment to Reserve Balance

Annual reserve dollar amounts will be established. The dollar amounts will be based on the application of pre-determined thresholds. Changes to these thresholds will require Board approval.

The Board has set a 45-day Operating Reserve Policy. As part of the budget process each year, the reserve amounts will be recalculated to plan for increases in reserves to match increased operations spending.

Request to Permanently Draw Down Reserves Below Board Adopted 45 Day Threshold

Reserves are only to be accessed as a matter of last resort. In order to request a drawdown of reserve funding, staff will prepare a report that specifies the request, the amount of reserve funds needed, and all attempts to mitigate the use of reserves. In addition, staff will present the Board with a timeline to replenish the reserve balance and actions necessary to achieve that total.

The report will be presented to the Agency Board of Directors for consideration. If approved, the request will be performed by staff and all financial documents updated to note the change in reserve levels

RESOLUTION NO. 02-19

ADOPTING A OPERATING RESERVE POLICY FOR PARATRANSIT, INC.

WHEREAS, Paratransit, Inc. is an operator of public transit service that operates under its own authority (Non Americans with Disabilities Act service); and

WHEREAS, Paratransit has put into place conservative fiscal practices and procedures; and

WHEREAS, a formal reserve policy will set forth the minimum reserves to be kept on hand and guide in future budget developments.

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors of Paratransit, Inc. adopts a Operational Reserve Policy and sets the reserve amount at the equivalent of 45 days operating expense.

NOW, THEREFORE BE IT FURTHER RESOLVED, that the Board of Directors of Paratransit, Inc. delegates authority to the Executive Committee to work with staff to identify and set aspirational goals and implementation strategies.


Patrick Hume, President
Paratransit, Inc. Board of Directors

Date



Consolidated Transportation Services Agency, a local public agency organized as a nonprofit.
MEMORANDUM

TO: BOARD OF DIRECTORS

FROM: TIFFANI M. FINK, CHIEF EXECUTIVE OFFICER 

RE: PUBLIC HEARING, DISCUSSION AND POTENTIAL ACTION TO SERVICE
CHANGES TO NIGHTS AND HOLIDAYS FOR AMERICANS WITH
DISABILITIES ACT NON-ADA SERVICE

DATE: JANUARY 30, 2019

Background:

Paratransit, Inc. operates the ADA and Non-ADA services in accordance with State and Federal requirements and regulations. It is to note that from an operational standpoint there is little difference to our passengers between ADA and non-ADA services. The largest areas of difference are in that the Board of Directors of Paratransit, Inc. sets the non-ADA fare(s) while the Sacramento Regional Transit Board (SacRT) sets the ADA fares.

Paratransit currently operates Demand Responsive Service throughout most of Sacramento County. This service is comprised of two parts: ADA service and Non-ADA service. The ADA service parameters are set by law and require us to offer service within $\frac{3}{4}$ of a mile of any fixed route or light rail station during all days and hours of operation. The non-ADA service does not have any parameters and can be set by each agency as it is not required by law. Historically, Paratransit has offered significantly broader service to the non-ADA passengers not only operating in portions of the County where there is not a fixed route but also at times and on days when there is limited or no service provided. Increasingly, we are facing operational challenges and cost constraints associated with late night non-ADA service and holiday service which is impacting the availability of drivers and driving up overtime for not only drivers but dispatchers, as well.

At the Board Meeting on November 19th, the Board received an introduction to potential service reductions and a 45 day comment period was opened. Information was posted on our website, in addition to inside each bus stating the proposed changes and how to submit comments. Attached to this Board Memo is a listing of all comments received during the comment period.



The proposed hours noticed were:

Proposed Hours of Operation for Non-ADA service:

Monday through Friday:	6 AM first pickup/10:30 PM last pickup**
Saturday and Sunday:	6 AM first pickup/10:30 PM last pickup**
Holidays other than New Year's Eve:	6 AM first pickup/ last pickup 2 hours after RT's last route but no later than 10:30 PM**
New Year's Eve:	6 AM first pickup/ 12:30 AM January 1 last pickup

** Any passenger requesting service after 10:30 PM may be offered a call back and contingent reservation. Should we be able to accommodate that passenger on a rideshare with an ADA ride after 10:30 PM we will all the passenger back and let them know their ride can be scheduled. Call backs would occur the night before and passengers will be able to schedule an earlier pickup time if their ride is not available.

Definitions of Service:

ADA: ADA service is legally required service. This service is required during all hours and locations that fixed route and light rail is in operation. The federal government through the Americans with Disabilities Act requires that Complementary Paratransit be provided to individuals unable to access fixed route or light rail. The service is required to be made available within 3/4 mile of each route during its operation, and within a 3/4 mile radius of each light rail station. As such, the boundaries of the ADA service fluctuate greatly during the day and then again from day to day. The fare is set by the RT Board and can be no more than double the fixed route fare. This is the service we partner with RT to operate and fund. The proposal presented does not impact this service in any way.

Non-ADA: Non-ADA service is service provided to ADA eligible riders and/or age-eligible riders that is outside of the ADA requirements. There are no federal restrictions on what has to be provided. The governing agency for these service adjustments is the Paratransit, Inc. Board of Directors. RT does not fund any of this service. The Paratransit Board sets the fare and service hours. The boundaries of the non-ADA area is the active portions of the urbanized area of the RT boundary (much bigger than the actual service boundary) and excludes the City of Elk Grove and the City of Folsom (while Folsom re-joined RT they did not re-join Paratransit's boundary and pledge the TDA funds required for non-ADA service). Currently, the Paratransit policy is to provide service to any passenger to anywhere within our service Boundary during any time RT is operating service. This is the service proposed for change.

Historical Service and Impacts Over Time

Paratransit, Inc. has not formally revisited the service levels provided since the City of Elk Grove broke off in 2006. As such our service hours and levels did not reduce when RT dramatically cut service. Instead, Paratransit saw an increase in the number of requested rides that were formerly ADA (covered by RT and PI) to non-ADA (solely the financial responsibility of PI). Overtime this split has increased from 89% ADA/ 11% non-ADA to 88% ADA/12% non-ADA to today which is closer to 85% ADA/15% non-ADA. Each 1% shift equates to roughly \$150,000 in increased service costs. With that shift in service Paratransit has not seen an increase in funds (outside normal apportionment increases from tax revenue) to cover the expense. We have had to look for innovative ways to earn income (such as consulting) to cover these increasing costs. The proposal before the Board looks to cap the service during the early morning and late night portions of our service where trips are much farther apart, more deadhead is incurred and significant overtime is required. While morning service is one consideration, the largest impact is late night service. The 10:30 PM time was identified by staff as it is after the current requested pick up times from events at Golden One and Raley Field, and after drop offs occur for late night employment.

Review of Comments and Further Evaluation:

Based on the feedback from comments received, staff recommends a revision to the morning hours to 5:30 AM. This means that the first available ride request time for a non-ADA trip will be 5:30 AM. (ADA rides remain unchanged). Based on this revision all current riders will be able to maintain their existing rides however, as other changes occur to service hours, non-ADA hours would not expand in the morning.

For the evening hours, staff reviewed all of the comments received, service provided and cost of service. The additional service for 2 hours each night is averaging approximately \$82,000 a year. Cost efficiency for ADA and non-ADA trips is highest when the trips can be comingled resulting in reduced costs for both services. Staff pulled the ridership statistics for the week of January 14th. Below is a comparison of ADA to non-ADA rides by hour.

Hour of the Day	Number of ADA Trips Provided	Number of non-ADA Trips Provided	% of ADA trips	% of non-ADA trips
5 AM	69	14	83%	17%
6 AM	197	39	83%	17%

Hour of the Day	Number of ADA Trips Provided	Number of non-ADA Trips Provided	% of ADA trips	% of non-ADA trips
7 AM	344	62	85%	15%
8 AM	447	95	82%	18%
9 AM	464	43	92%	8%
10 AM	398	66	86%	14%
11 AM	423	59	88%	12%
12 PM	539	62	90%	10%
1 PM	464	60	89%	11%
2 PM	501	8	86%	14%
3 PM	450	68	87%	13%
4 PM	296	49	86%	14%
5 PM	202	39	84%	16%
6 PM	130	27	83%	17%
7 PM	86	27	76%	24%
8 PM	43	35	55%	45%
9 PM	31	33	48%	52%
10 PM	6	22	21%	79%
11 PM	0	16	0%	100%
12 AM	0	5	0%	100%

Trips beyond the proposed 10:30 PM last pick up time, represent .003% or 1/3 of 1% of all trips performed. In whole numbers this equals 27 non-ADA rides out of a total 5,992 ADA/non-ADA trips provided. As proposed, rides may be available after 10:30 PM for

non-ADA rides but would be subject to availability of resources in use to deliver ADA service, i.e. if a bus was already in service for an ADA trip and had time before a new ADA pick-up the non-ADA trip would be provided, however if that bus was not available, a new bus would not be sent and the trip would be denied. In the case of any denial, the passenger would be called, notified of the denied trip and offered a chance to reschedule to a time at or before 10:30 PM.

Options before the Board:

- 1) Take no action and leave the service as currently defined which allows for non-ADA service during any hour ADA service is in operation to destinations anywhere in our boundary.
- 2) (*Staff Recommendation*) Adopt the Proposed Adjustments with a change in first morning pickup to 5:30 A.M. That schedule would be:

Monday through Friday:	5:30 AM first pickup/10:30 PM last pickup**
Saturday and Sunday:	5:30 AM first pickup/10:30 PM last pickup**
Holidays other than New Year's Eve:	5:30 AM first pickup/ last pickup 2 hours after RT's last route but no later than 10:30 PM**
New Year's Eve:	5:30 AM first pickup/ 12:30 AM January 1 last pickup

** Any passenger requesting service after 10:30 may be offered a call back and contingent reservation. Should we be able to accommodate that passenger on a rideshare with an ADA ride after 10:30 we will call the passenger back and let them know their ride can be scheduled. Call backs would occur the night before and passengers will be able to schedule an earlier pickup time if their ride is not available.

- 3) Adopt an alternative Adjustment: Allow for same hours of operation as ADA service for non-ADA service but within a reduced corridor. ADA requires $\frac{3}{4}$ mile service. The Board could set a limit at 3 miles or 5 miles or another distance.

Title VI:

During the comment period a question was raised about the applicability of a required Title VI analysis. While an evaluation is required by the Federal Transit Administration of Fixed Route operators making Major Service Changes, the same requirement does not apply to Demand Responsive service operators, of which Paratransit is one. FTA Circular C4702.1B, Chapter IV, Paragraph 7 notes "Transit providers not subject to this requirement are responsible for complying with the DOT Title VI regulations which prohibit disparate impact discrimination, and therefore should review their policies and practices to ensure their service and fare changes do not result in disparate impacts on the basis of race, color or national origin." Staff has reviewed the service characteristics and parameters and due to the limited impact of the proposed adjustment to the total ridership combined with the proposed reduction being applied across the service area, no disparate impact results to any passenger based on race, color or national origin.

Next Steps:

Should the Board adopt the staff recommendation (or any alternate change to service), staff will implement the procedures for service change, as adopted by the Board in November 2018. This includes posting a notice on the Paratransit website (www.paratransit.org), and posting information on all of the buses. In addition, the information will be added to the Talking Newsletter as a forced message. The Service Adjustments, if adopted, would become effective March 1, 2019 to allow for extended notification of passengers and to coincide with the newest driver bid.

RECOMMENDATION: Staff recommends that the Board of Directors conduct the Public Hearing, consider all comments and provide either direction to the Board or take action on the proposed service changes or alternates. The Staff recommendation to the Board for consideration is Option 2.

RESOLUTION NO. 03-19

**ADOPTING SERVICE CHANGES TO NIGHTS AND HOLIDAYS FOR NON-ADA
(AMERICANS WITH DISABILITIES ACT) SERVICE, EFFECTIVE MARCH 1, 2019**

WHEREAS, Paratransit, Inc. is an operator of public transit service that it operates under its own authority (Non Americans with Disabilities Act service); and

WHEREAS, the Paratransit under its own authority operates service that exceeds the requirements of the Americans with Disabilities Act (ADA); and

WHEREAS, service after 10:30 PM and in the evenings on holidays operates at a cost far above the average in other times of operation; and

WHEREAS, cost efficiencies to ADA and non-ADA service are greatest when trips are co-mingled and increasingly trips after 10:30 PM and evening trips on Holidays are non-ADA only.

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors of Paratransit, Inc. adopts the following service changes:

Hours of Operation for Non-ADA service:

Monday through Friday:	5:30 AM first pickup/10:30 PM last pickup**
Saturday and Sunday:	5:30 AM first pickup/10:30 PM last pickup**
Holidays other than New Year's Eve:	5:30 AM first pickup/ last pickup 2 hours after RT's last route but no later than 10:30 PM**
New Year's Eve:	5:30 AM first pickup/ 12:30 AM January 1 last pickup

** Any passenger requesting service after 10:30 PM may be offered a call back and contingent reservation. Should we be able to accommodate that passenger on a rideshare with an ADA ride after 10:30 PM we will all the passenger back and let them know their ride can be scheduled. Call backs would occur the night before and passengers will be able to schedule an earlier pickup time if their ride is not available.

Patrick Hume, President
Paratransit, Inc. Board of Directors

Date

Comment
Unless is it a money issue, please just keep it the way it is. It is not fair to take away the late trips.
Put yourselves in our shoes, leaving us out late with no other means to be transported. The people who make these new rules do not even ride Paratransit. When this is going to affect people's lives we should have more say in this!
The way the service hours are now works nicely for everyone. It would be a shame to not have service later for the people who need it.
I work late sometimes and this change would greatly impede me to do this. I need the late rides for work> Maybe possibly more share rides could help solve this so we could keep the late rides
QUESTION: Will this affect trips to the airport?
This will affect my morning ride to work, I will lose my job!
This will affect my ability to get around, my only means of transportation is Paratransit.
No, I need Paratransit to run later. Not cool. We all needs Paratransit to run late.
There are places I go to later in the evening and this is not fair. How do I make it home? Maybe could you make it an hour window when it is later? Would that help?
I am not off work until 11:30 PM, I need Paratransit service.
Wrong thing to do. Stupid, unfair and it's not right. People who are making this decision are not riders; Why are you making these changes after 20 years?
What about the people? What will people do if they do not have access after 10:30pm? We need this later service. And also just a suggestion of stronger wording about what is going on.
This will leave people out who do not have family or friends to help transport late night. This time 10:30 pm and what's next? Also the wording about all of this proposal seems so vaguely worded.
I think 11:00 pm might be a better idea. For plays and concerts that generally let out at 11:00 pm and we need time to get out to the bus as well. College classes also let out late.
Neither of us drive (Laurie's son also uses Paratransit) and we travel a lot using Paratransit and this would greatly impede us from do the things we like to do. If there is not public transportation offered at that time then who can we rely on to get us home? We really count on Paratransit to get us home.
Some may be able to use Lyft or Uber as a means to get home, but there are some disabled people who cannot use that means. This is really limiting a person's life, really constricting for people who work at night also.
This passenger has no possible way of getting home from work at 11:00 pm or 11:30 pm. If you stop at 10:30 this employee will have no way of getting home.
That's not fair, two hours of NON-Ada Service taken away? It should be equal for ADA rides and NON ADA rides, both types of rides, ADA and NONADA should be covered, it should all be equal!
This would take independence away for passengers. Just doesn't seem fair to do this to people who work late. Compromising the jobs.
This will be a good change for the drivers.
This will affect my holidays, my life that I have and not just me but what about the other passengers who have work late?
This will affect my rides for my part time job
I am disabled, I really like to get out and do things. This would really hurt me. Things like Paratransit make it so much better for disabled people like myself.
I have an ALTA pass, will this affect me??
I do not agree with this, 12:00 midnight is already reasonable enough. We have lives too, and not everyone can use Uber or Lyft. I just totally disagree with this.
This will affect me going to work, I have no other means of transportation!
This will eliminate people going to plays and going out for any cultural events, does not seem fair to me.
Changing the hours will limit me and change the type of life by limiting me. The time I get to be outside is late hours, and I feel safest with Paratansit.
This is ridiculous and not fair to have a handicapped person looking for a ride home after 10:30 pm. It's just not right, what are they supposed to do? Who came up with this?

I think it's horrible that you guys are taking away 12 midnight from us. How do we expect to get home if we work until midnight? My mom and dad can't drive. You guys are my only transportation. So what you are going to us is discrimination and taking our right to ride so you had better think twice before you hurt the passengers.

Below are my comments regarding "Proposed Service Adjustments to Non-ADA Service" and they fall into two categories: 1) the proposal overall and the lack of information, and 2) the effect that the changes will have upon me personally, my wheelchair-bound cohort, and potentially the city of Sacramento.

The document posted on your website provides definitions for neither ADA nor non-ADA rides, and no references are provided for definitions. These are technical terms with specific definitions and it is unreasonable to expect the average person to be knowledgeable of these terms and their implications for service. Therefore, it is difficult to adequately respond without the operational definitions of these terms that Paratransit uses.

For example, when I attend a River Cats game my ride to the stadium is classified as ADA, but the return ride is classified as non-ADA. Similarly, when I have attended concerts downtown the ride to the concert is ADA and the ride home is non-ADA. I do not understand the reasons for the distinction.

No metrics were provided for the basis on which a decision will be made; thereby adding to the disadvantage of this writer.

I request that the 45 day public comment term be extended for 45 days with the inclusion of the above items. I do not expect Paratransit to accede to this request so I submit my comments as best I can.

The paratransit mission statement includes the following:

"Our Story

Our company mission is to expand mobility options by advocating for a fully accessible, useable, and integrated public transportation system and providing innovative community transportation services.

For some forty years we have been dedicated to providing independence to people with mobility challenges. ..."

The proposed service adjustments diminish, not expand, mobility options. Clearly this is not in alignment with your mission statement. For the wheelchair-bound cohort our options for alternative means of transport are extremely limited. For example, we cannot, even on special occasions, get a ride in a friend's car. Vehicles for transporting a person in a wheelchair are limited and exceedingly expensive to obtain on a part-time basis. Therefore, the wheelchair-bound cohort is effectively excluded from activities in which more mobile people can participate. I suggest that a public entity which removes the ability of disabled persons to engage in activities violates at least the spirit of the Americans with Disabilities Act.

The restrictions you propose will significantly curtail certain aspects of my life. I am wheelchair bound and even if available am unable to travel in a regular car. Two examples were provided above, but other social activities including movies and visitation with friends would also be affected. Additionally, some tests such as MRIs are scheduled at the UC Davis Medical Center well into the evening and may not be finished until after 10:30 PM and some appointments in the G.I. Department require arrival times of 7 AM.

I expect that the Sacramento entertainment business community would not endorse a reduction in potential customers. Decreased access to community activities and entertainment by a tax payer subsidized entity for a particular cohort would simply be bad press for Sacramento.

I respectfully submit these comments to you and request that the proposed changes to non-ADA services not be adopted.