JUNE 30, 2017
ACTUARIAL VALUATION OF
THE POST RETIREMENT BENEFITS PLAN
OF
THE CITY OF CENTRAL FALLS

January 2018

Sherman Actuarial Services

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SECTION I - OVERVIEW

The City of Central Falls has engaged Sherman Actuarial Services, LLC (SAS) to prepare an actuarial valuation of their post-retirement benefits program as of June 30, 2017. This valuation was performed using employee census data, enrollment data, premiums, participant contributions and plan provision information provided by personnel of the City of Central Falls. SAS did not audit these data, although they were reviewed for reasonability. The results of the valuation are dependent on the accuracy of the data.

The purposes of the valuation are to analyze the current funded position of the City's post-retirement benefits program, determine the level of contributions necessary to assure sound funding and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties. This valuation report contains information required by the Governmental Accounting Standards Board's Statements Nos. 43 and 45, respectively entitled "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

According to GASB principles, if the benefits are not prefunded, the rate earned by the General Asset Account must be used to select the discount rate used to measure the plan. To measure on that basis we have used a discount rate of 4%. If the benefits are to be fully prefunded, then a discount rate based on the long term expected rate of return on the OPEB trust should be selected. Since the City is budgeting an extra $100,000 toward the OPEB obligation in a qualitied trust with an asset allocation expected to generate a 7.5% return, we assumed a 7.5% discount rate for this actuarial valuation. These figures should be reflected in the City's financial statements.

Section II provides a summary of the principal valuation results. Section VI provides a projection of expense and funding amounts.

While the actuary believes that the assumptions are reasonable for financial reporting purposes, it should be understood that there is a range of assumptions that could be deemed reasonable that would yield different results. Moreover, while the actuary considers the assumption set to be reasonable based on prior plan experience, it should be understood that future plan experience may differ considerably from what has been assumed.

The report was prepared under the supervision of Daniel Sherman, an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries, who takes responsibility for the overall appropriateness of the analysis, assumptions and results. Daniel Sherman is deemed to meet the General Qualification Standard and the basic education and experience requirement in the pension area. Based on over twenty years of performing FAS 106 valuations of similar complexity, Mr. Sherman is qualified by experience in retiree medical valuation. Daniel Sherman has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The costs and actuarial exhibits presented in this report have been prepared in accordance with Generally Accepted Accounting Practices and the requirements of GASB 45. I am available to answer questions about this report.

Respectfully Submitted,

SHERMAN ACTUARIAL SERVICES, LLC

Daniel W. Sherman

January 30, 2018

Daniel Sherman, ASA, MAAA — Date

SECTION II - SUMMARY

a)	Funding Policy	Full Pre-funding		Full Pre-funding				
b)	Discount Rate		7.5%		7.5%			
c)	Actuarial valuation date		June 30, 2015		June 30, 2017		Difference	
d)	Actuarial Value of Assets	$	0	$	221,559	$	221,559	
	Actuarial Accrued Liability							
	Active participants	$	589,560	$	646,904	$	57,344	
	Retired participants		3,379,990		3,314,507		-65,483	
e)	Total AAL	$	3,969,550	$	3,961,411	$	-8,139	
f)	Unfunded Actuarial Liability "UAL" [e - d]	$	3,969,550	$	3,739,853	$	-229,698	
g)	Funded ratio [d / e]		0.0%		5.6%		5.6%	
h)	Annual covered payroll		5,872,102		6,787,861			
i)	UAL as percentage of covered payroll		67.6%		55.1%			
j)	Normal Cost for fiscal year end	$	54,602	$	60,074	$	5,472	
k)	Amortization of UAL *	$	229,908	$	224,286	$	-5,622	
l)	Interest to end of fiscal year	$	0	$	0	$	0	
m)	Annual Required Contribution "ARC" for fiscal year [j + k + l]	$	284,510	$	284,360	$	-150	
n)	Expected benefit payments	$	190,305	$	193,377	$	3,072	

* Amortization over 30 years with 3% increasing payments starting in 2015

SECTION III - MEDICAL PREMIUMS

Monthly Premiums effective June 30, 2017

Health benefits are available to employees and retirees through two plans. The following are gross monthly rates per subscriber for plans in which current City employees and/or retirees are enrolled:

Healthmate C2C (individual)	$ 439.89
Healthmate C2C (family)	$ 1,070.72

Retirees contribute towards their coverage in the amount of 20% of stated premiums.

SECTION IV - REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAL)	(a) / (b) Funded Ratio	(c) Covered Payroll	[(b)-(a)]/(c) UAL as Percentage of Covered Payroll
June 30, 2010	0	32,011,503	32,011,503	0.00%	n/a	n/a
December 31, 2011	0	14,112,791	14,112,791	0.00%	3,620,778	389.77%
June 30, 2013	0	12,000,546	12,000,546	0.00%	6,214,955	193.09%
June 30, 2015	0	3,969,550	3,969,550	0.00%	5,872,102	67.60%
June 30, 2017	221,559	3,961,411	3,739,853	5.59%	6,787,861	55.10%

The discount rate was changed from 4% to 7.5% effective June 30, 2015.

SECTION V - NET OPEB OBLIGATION

GASB Statement No. 45 requires the development of Annual OPEB Cost and Net OPEB Obligation (NOO). This development is shown in the following table.

Development of OPEB Cost and Net OPEB Obligation (NOO)

Year Ending June 30	(a) Annual Required Contribution	(b) Interest on NOO	(c) Amortization of NOO	(d) Annual OPEB Cost (a)+(b)-(c)	(e) Contribution	(f) Change in NOO (d)-(e)	(g) NOO Balance
2013							2,702,591
2014	586,612	108,104	103,273	591,443	288,540	302,903	3,005,494
2015	356,192	120,220	114,847	361,565	222,119	139,446	3,144,940
2016	367,954	125,798	120,176	373,576	290,305	83,270	3,228,211
2017	284,360	242,116	193,602	332,874	293,377	39,497	3,267,708

SECTION VI - SCHEDULE OF EMPLOYER CONTRIBUTIONS

The Government Accounting Standards Board's Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" outlines various requirements of a funding schedule that will amortize the unfunded actuarial liability and cover normal costs. Amortization of the unfunded actuarial liability is to be based on a schedule that extends no longer than 30 years. The contribution towards the amortization of the unfunded actuarial liability may be made in level payments or in payments increasing at the same rate as salary increases. There is no requirement to actually fund the Annual Required Contribution, however.

In the amortization schedules shown on the following pages, the amortization of the unfunded accrued liability is increasing at 3.0% for 30 years starting in 2015. The normal cost is expected to increase at the same rate as the assumed ultimate health care trend rate. The contributions were computed assuming that the contribution is paid at the end of the fiscal year. Projected benefit payments/employer contributions reflect only the benefit for those individuals now employed or retired, not any future entrants.

Paragraph 12 of GASB 45 stipulates that valuations must be performed at least biennially. The following projections are intended only to illustrate long-term implications of Prefunding versus Pay-as-You-Go.

SECTION VI - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Full Pre-funding – 7.5%

Fiscal Year Ending In	Normal Cost	Amortization of UAL	ARC	Estimated Premium Cost
2017	60,074	224,286	284,360	186,131
2018	62,777	231,015	293,792	193,377
2019	65,602	237,945	303,547	210,120
2020	68,554	245,083	313,637	222,584
2021	71,639	252,436	324,075	234,320
2022	74,863	260,009	334,872	247,353
2023	78,232	267,809	346,041	260,979
2024	81,752	275,843	357,595	276,029
2025	85,431	284,119	369,550	293,140
2026	89,275	292,642	381,917	310,365
2027	93,292	301,422	394,714	332,539
2028	97,490	310,464	407,954	356,205
2029	101,877	319,778	421,655	372,572
2030	106,461	329,372	435,833	389,723
2031	111,252	339,253	450,505	407,626
2032	116,258	349,430	465,688	427,301
2033	121,490	359,913	481,403	444,400
2034	126,957	370,711	497,668	470,639
2035	132,670	381,832	514,502	506,784
2036	138,640	393,287	531,927	519,230
2037	144,879	405,085	549,964	527,288
2038	151,399	417,238	568,637	535,472
2039	158,212	429,755	587,967	543,783
2040	165,332	442,648	607,980	552,222
2041	172,772	455,927	628,699	560,793
2042	180,547	469,605	650,152	569,497
2043	188,672	483,693	672,365	578,336
2044	197,162	498,204	695,366	587,312
2045	206,034	-	206,034	596,427
2046	215,306	-	215,306	605,684
2047	224,995	-	224,995	615,084

SECTION VII – DEPARTMENT RESULTS

	General Employees	Fire & Police	Total
Actives	48	91	139
Retired & Spouses	0	41	41
Total	48	132	180

	General Employees	Fire & Police	Total
Accrued Liability @ 7.5%			
Active	561,785	85,119	646,904
Retired	3,314,507	0	3,314,507
Total	3,876,292	85,119	3,961,411
Assets	216,798	4,761	221,559
Unfunded Accrued Liability	3,659,495	80,358	3,739,853
Annual Required Contribution			
Normal Cost	51,482	8,592	60,074
Amortization of UAL	219,467	4,819	224,286
Total	270,949	13,411	284,360

SCHEDULE A – ACTIVE DISTRIBUTION

Age/Service Distribution as of June 30, 2017

Attained Age	<5	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
< 20	0	0	0	0	0	0	0	0	0
20-24	8	0	0	0	0	0	0	0	8
25-29	15	3	0	0	0	0	0	0	18
30-34	13	7	5	0	0	0	0	0	25
35-39	4	1	10	0	0	0	0	0	15
40-44	6	1	7	6	0	0	0	0	20
45-49	3	2	5	7	3	0	0	0	20
50-54	3	2	2	3	1	3	2	0	16
55-59	1	2	0	1	1	1	1	0	7
60-64	2	0	0	0	1	2	1	1	7
65-69	1	0	1	1	0	0	0	0	3
70+	0	0	0	0	0	0	0	0	0
Total Employees	56	18	30	18	6	6	4	1	139

SCHEDULE B – RETIREE DISTRIBUTION

Retiree Distribution as of June 30, 2017

Number of Employees			
Attained Age	Female	Male	Total
< 20	0	0	0
20-24	0	0	0
25-29	0	0	0
30-34	0	0	0
35-39	0	0	0
40-44	0	0	0
45-49	0	1	1
50-54	0	5	5
55-59	0	2	2
60-64	0	6	6
65-69	0	7	7
70-74	1	2	3
75-79	0	0	0
80-84	0	3	3
85-89	0	0	0
90-94	0	1	1
95+	0	0	0
Total	1	27	28

SCHEDULE C - ACTUARIAL ASSUMPTIONS AND METHODS

Interest:

Full Pre-funding: 7.50% per year, net of investment expenses

Actuarial Cost Method:

Projected Unit Credit. Benefits are attributed ratably to service from date of hire until full eligibility date. Full eligibility date is assumed to be first eligibility for retiree medical benefits.

Healthcare Cost Trend Rate:

Year	Inflation Rate
2017	5.5%
2018	5.0%
2019 & after	4.5%

Amortization Period:

30-year level percent of pay assuming 3.0% aggregate annual payroll growth, closed basis for Full Pre-funding. The amortization period is 30 years for all future valuations.

Participation:

70% of future retirees are assumed to participate in the retiree medical plan.

Marital Status:

85% of male employees and 65% of female employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.

Pre-Age 65 Retirees

Current retirees who are under age 65 are assumed to remain in their current medical plan until age 65.

Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees under age 65.

Post-Age 65 Retirees

Current retirees over age 65 remain in their current medical plan until death for purposes of measuring their contributions. It is assumed that all current retirees under 65 will participate in the same proportion as current retirees over 65. Per capita costs were developed from the City developed monthly costs. Amounts to be received in the future for the Medicare Part D Retiree Drug Subsidy are not reflected in the valuation.

Termination Benefit:

No benefits will payable for terminations prior to retirement eligibility.

Medical Plan Costs:

The City is treated as community rated and therefore, the expected claims costs does not include the implicit subsidy. It is assumed that future retirees participate in the same manner as current retirees. Employee cost sharing is based on 20% of current unadjusted rates. Future cost sharing is based on the weighted average of the current cost sharing of retirees and beneficiaries.

Service Retirement – Police and Fire

Based on expected experience, the assumed annual retirement rates are illustrated at the following ages and years of service:

Age	20 – 24	25	26	27	28	29	30+
46	0.05	0.14	0.16	0.18	0.20	0.20	0.35
47	0.05	0.14	0.16	0.18	0.20	0.20	0.35
48	0.05	0.14	0.16	0.18	0.20	0.20	0.35
49	0.05	0.14	0.16	0.18	0.20	0.20	0.35
50	0.05	0.14	0.16	0.18	0.20	0.20	0.35
51	0.05	0.14	0.16	0.18	0.20	0.20	0.35
52	0.05	0.14	0.16	0.18	0.20	0.20	0.35
53	0.05	0.14	0.16	0.18	0.20	0.20	0.35
54	0.05	0.14	0.16	0.18	0.20	0.20	0.35
55	0.05	0.14	0.16	0.18	0.20	0.20	0.35
56	0.05	0.14	0.16	0.18	0.20	0.20	0.35
57	0.12	0.14	0.16	0.18	0.20	0.20	0.35
58	0.12	0.14	0.16	0.18	0.20	0.20	0.35
59	0.12	0.14	0.16	0.18	0.20	0.20	0.35
60	0.12	0.14	0.16	0.18	0.20	0.20	0.35
61	0.12	0.14	0.16	0.18	0.20	0.20	0.35
62	0.12	0.14	0.16	0.18	0.20	0.20	0.35
63	0.12	0.14	0.16	0.18	0.20	0.20	0.35
64	0.12	0.14	0.16	0.18	0.20	0.20	0.35
65	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Service Retirement – General Employees

General Employees							
Males				Females			
Service (00/30)		Age (58/10)		Service (00/30)		Age (58/10)	
Service	Ret. Rate	Age	Ret. Rate	Service	Ret. Rate	Age	Ret. Rate
30	30.0%	58	12.0%	30	30.0%	58	12.0%
31	30.0%	59	10.0%	31	25.0%	59	10.0%
32	25.0%	60	10.0%	32	10.0%	60	10.0%
33	25.0%	61	10.0%	33	10.0%	61	10.0%
34	25.0%	62	30.0%	34	10.0%	62	20.0%
35	25.0%	63	20.0%	35	15.0%	63	15.0%
36	25.0%	64	20.0%	36	20.0%	64	15.0%
37	25.0%	65	20.0%	37	25.0%	65	20.0%
38	35.0%	66	25.0%	38	25.0%	66	25.0%
39	50.0%	67	25.0%	39	25.0%	67	25.0%
40	100.0%	68	25.0%	40	100.0%	68	25.0%
		69	30.0%			69	25.0%
		70	30.0%			70	20.0%
		71	30.0%			71	20.0%
		72	30.0%			72	20.0%
		73	30.0%			73	20.0%
		74	30.0%			74	20.0%
		75	100.0%			75	100.0%

Annual Rate of Withdrawal Prior to Retirement

Based on the Rhode Island MERS termination rates for General Employees, Fire and Police. The assumed annual rates of withdrawal may best be illustrated by the following rates at the following years of service:

	General Employees		
Service	**Male**	**Female**	**Fire and Police Rates**
0	0.1750	0.1800	0.1000
5	0.0552	0.0584	0.0354
10	0.0260	0.0255	0.0191
15	0.0201	0.0159	0.0090
20	0.0175	0.0112	0.0000

Annual Rate of Mortality

It is assumed that both pre-retirement and post retirement mortality are represented by the SOA RP-2014 Blue Collar Mortality with Scale MP-2016 improvements, fully generational, for males and females. Mortality for disabled members is represented by the RP-2000 Disabled Mortality Table.

Annual Rate of Disability Prior to Retirement

Based on an analysis of experience, the assumed annual rates of disability may best be illustrated by the following rates at the following ages:

	General Employees		
Attained Age	**Male**	**Female**	**Fire and Police**
20	0.00000	0.00000	0.0010
30	0.00105	0.00042	0.0030
40	0.00209	0.00094	0.0030
50	0.00580	0.00232	0.0125

SCHEDULE D - SUMMARY OF PROGRAM PROVISIONS

Retirement Medical Insurance:	Retirees may choose Healthmate C2C and pay a 20% share of their post-retirement medical costs. Retirees and beneficiaries over the age of 65 as of August 2, 2011 may continue to participate in the plan until death. All other retirees, beneficiaries and active employees are eligible for participation until age 65.
Spousal Coverage:	Current and future retirees may elect to include their spouses as part of their post-retirement benefits.
Administrative Costs:	The City pays administrative costs for each member of the plan as part of the monthly premium.
Retirement Eligibility:	Fire and Police: 25 years of service. All Others: Upon retirement from the Municipal Employees Retirement System of Rhode Island.
Disability Eligibility:	Fire and Police: Total and permanent. All Others: 5 years of service.

SCHEDULE E - CONSIDERATIONS OF HEALTH CARE REFORM

Early Retiree Reinsurance Program ("ERRP") - Effective June 1, 2011: Due to the short-term nature of the payments expected to be received under this program, we do not reflect this program in long-term GASB 45 liabilities.

Removal of Lifetime Maximum: The elimination of the lifetime maximums would have no impact on the retiree health plan obligations since, as far as we are aware, the plan has no lifetime maximums.

Medicare Advantage Plans - Effective January 1, 2011: The law provides for reductions to the amounts that would be provided to Medicare Advantage plans starting in 2011. Since the City does not offer these plans, the reductions would have no impact.

Expansion of Child Coverage to Age 26: Since few retirees cover children on retiree health plans, this provision will likely have a relatively small effect on the gross benefit cost. We have reflected an estimate of the amount of additional cost by assuming a higher healthcare trend rate.

Medicare Part D Subsidy - Shrinking Medicare Prescription Drug "Donut Hole"- Starting January 1, 2011: RDS payments are not reflected as on ongoing offsetting item in GASB 45 valuations, and so no direct impact is reflected. RDS actuarial equivalence testing does not reflect the new donut hole shrinking Part D benefits. Thus, the changes to Medicare Part D have no impact on the calculations.

Excise Tax on High-Cost Employer Health Plans (aka Cadillac Tax) - Effective January 1, 2022: There is considerable uncertainty about how the tax would be applied, and considerable latitude in grouping of participants for tax purposes. We have determined that there would be no Cadillac tax applicable.

Other: We have not identified any other specific provision of health care reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.

SCHEDULE F - GLOSSARY OF TERMS

Actuarial Accrued Liability
That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of OPEB benefits and expenses which is not provided for by future Normal Costs and therefore is the value of benefits already earned.

Actuarial assumptions
Assumptions as to the occurrence of future events affecting OPEB costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided OPEB benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarial cost method
A procedure for determining the Actuarial Present Value of OPEB benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial experience gain or loss
A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Amortization (of unfunded actuarial accrued liability)
That portion of the OPEB plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

Annual OPEB cost
An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual required contributions of the employer (ARC)
The employer's periodic expense to a defined benefit OPEB plan, calculated in accordance with the parameters. It is the value of the cash contributions for a funded plan and the value of the expense entry in the profit and loss section of the financial statements.

Closed amortization period (closed basis)
A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is thirty years on a closed basis, twenty-nine years remain after the first year, twenty-eight years after the second year, and so forth. In contrast, an open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, thirty years), the period may increase, decrease, or remain stable.

Covered payroll
Annual compensation paid to active employees covered by an OPEB plan. If employees also are covered by a pension plan, the covered payroll should include all elements included in compensation on which contributions to the pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

Defined benefit OPEB plan
An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Funded ratio
The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

SCHEDULE F - GLOSSARY OF TERMS

Funding policy
The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

Healthcare cost trend rate
The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Investment return assumption (discount rate)
The rate used to adjust a series of future payments to reflect the time value of money.

Level dollar amortization method
The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.

Level percentage of projected payroll amortization method
Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

Net OPEB Obligation
The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. It will be included as a balance sheet entry on the financial statements.

Normal cost
That portion of the Actuarial Present Value of OPEB benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. It is the value of benefits to be accrued in the valuation year by active employees.

OPEB-related debt
All long-term liabilities of an employer to an OPEB plan, the payment of which is not included in the annual required contributions of a sole or agent employer (ARC) or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan.

Other postemployment benefits
Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Pay-as-You-Go
A method of financing an OPEB plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Required supplementary information (RSI)
Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.