PORT JEFFERSON FREE LIBRARY

FINANCIAL REPORT
WITH ADDITIONAL INFORMATION

JUNE 30, 2015

BALDESSARI & COSTER LLP

PORT JEFFERSON FREE LIBRARY

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Port Jefferson Free Library
100 Thompson Street
Port Jefferson, New York 11777

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Port Jefferson Free Library as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port Jefferson Free Library, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information the schedule of proportionate share of the net pension liability, the schedule of library pension contributions and the schedule of funding progress for the retiree health plan on pages 5 through 9 and 31 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baldessari & Coster LLP

Certified Public Accountants
Stewart Manor, New York
September 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

This annual report consists of three parts-*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information.* The basic financial statements include information that presents two different views of the Library:

- The first three columns of these financial statements include information on the Library's funds under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

  The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.

- The *government-wide financial statement* columns provide both long-term and short-term information about the Library's overall financial status. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Condensed Financial Information:

The table below compares key financial information in a condensed format between the current year and the prior year, in thousands of dollars:

	June 30, 2015	June 30, 2014	Increase (Decrease)
Current assets	$ 4,908	$ 4,856	$ 52
Capital assets	2,046	1,546	500
Total Assets	6,954	6,402	552
Deferred outflow of resources	49	0	49
Long-term debt	1,615	1,510	105
Other liabilities	164	132	32
Total Liabilities	1,779	1,642	137
Deferred inflow of resources	27	0	27
Net Position:			
Net investment in capital assets	2,046	1,546	500
Restricted	1	4	(3)
Unrestricted	3,150	3,210	(60)
Total Net Position	$ 5,197	$ 4,760	$ 437
Revenue:			
District taxes	$ 2,949	$ 2,909	$ 40
Contract services	1,168	1,185	(17)
Other revenue	188	186	2
Total Revenue	4,305	4,280	25
Expenses - Library Services	3,868	4,266	(398)
Change in net position	437	14	423
Net Position - beginning of year	4,760	4,746	14
Net position - End of Year	$ 5,197	$ 4,760	$ 437

The Library As A Whole

- The Library's net assets increased by $436,835 this year. This was the result of lower spending than anticipated. The explanations for many of the budgetary variances are explained in the "Library Funds" section below.

- The Library's primary source of revenue is contract services (non-resident fees) and property taxes. Revenue from contract services represented 27 percent of total revenue, and property taxes represented 68 percent of total revenue. In the prior year these revenue items represented 28 percent and 68 percent of total revenue respectively.

- As is typical of service agencies, salaries and benefits are a significant expense of the Library, representing 73 percent of the Library's total expenses. These expenses totaled $2,842,394 for the year ending June 30, 2015 versus $3,074,684 (not reflective of GASB-68) for the year ending June 30, 2014.

The Library Funds:

Our analyses of the Library's funds are included in the first three columns of pages 10 and 11 on the respective statements. The fund columns provide detailed information about the most significant funds – not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes and to maintain accountability for certain activities. Currently, the Library's funds consist of the General and the Capital Fund.

The fund balance of the General Fund increased during the year from $4,428,526 to $4,578,827. This is primarily the result of the budgetary highlights described below. The fund balance of the Capital Fund decreased during the year from $296,674 to $165,208.

Budgetary Highlights:

The following are explanations for the significant variations between the Library's final budget and the actual results of the General Fund:

- The favorable budget variance for program revenues was due to hosting more bus trips than anticipated. In addition, programs such as robotics brought in higher programming fees.

- The salaries and wages budget section was underspent by $212,893. The primary reasons were that the Library reduced working hours on Sundays for some staff positions. In addition, the Library had realized a cost savings when staff separated from service. Cost savings are realized when 1) there is a lapse between the time one employee leaves and the new employee is hired, and 2) the new employee is paid less than the former.

Budgetary Highlights: (Continued)

- The budget line for post-retirement health was underspent by $156,138. The Library included this line in their budget as a mechanism to address its long-term retiree medical insurance needs and to accumulate funds to offset future premium increases.

- The retirement budget line was underspent by $70,025. This was the result of projecting an amount based on information provided by the New York State Retirement System approximately a year in advance of the billing. The actual amount billed was less than the original projection.

- The payroll taxes budget line was underspent by $20,487 as a direct result of the lower salaries and wages mentioned above.

- The workers compensation budget line was underspent as a result of receiving premium audit refunds for the past two years.

- The books and audio visuals budget lines were underspent by $42,830 and 25,218 respectively. The books budget line was under spent because of decreased demand. The number of patrons that prefer their materials in an electronic format is growing, so many of the items that were purchased were in an online or computerized format and were not duplicated in the print format. The same is true for audio visual materials. More patrons have been streaming movies or renting them from their cable providers, so the Library has slowed its purchases of DVD's and CD's.

- The periodicals / print and non-print budget line was underspent by $11,624. This was attributed to the growth of materials in an electronic format as opposed to the demand for the physical copy.

- The programs and program supplies budget line was overspent by $30,965 due to the higher demand for bus trips and children's programs.

- The budget line for publicity and printing was underspent because the Library is doing more in-house printing as opposed to sending items out to a printer. This has kept costs down.

- The budget line for library insurance was underspent by $6,312 due to lower than anticipated increase percentage over the previous year insurance premium.

- The budget line for building and grounds repair/improvement was underspent by $39,729. Although the Library had budgeted for various building improvements; those projects were put on hold when the Library chose to purchase the property adjacent to the Library. The property purchase was made from the Capital Fund.

Budgetary Highlights: (Continued)

- As a result of not making the planned improvements as mentioned above, the Library spent more on maintenance for the existing building than had been anticipated.

- The capital outlay budget section was underspent because the library had anticipated that it would be replacing its computer servers, computers and laptops. However, those purchases were put on hold.

Capital Assets and Debt Administration:

During the fiscal year ending June 30, 2015 the Library purchased $596,696 of fixed assets (capital outlay). The majority of these expenditures ($559,333) were paid from the Capital Fund for the purchase the real property adjacent to the Library and the professional fees related to the purchase. The remaining purchases were for a variety of items such as computer equipment, a shed, security cameras and other equipment.

The only long term debt that the Library has is to its employees for compensated absences, its net pension liability and its obligation for other post-employment benefits. The liability for compensated absences at June 30, 2015 was $141,285. This represents an increase of $24,136 from the previous year. The net pension liability at June 30, 2015 was $238,092. This represents a decrease of $80,388 from the previous year. The obligation for other post-employment benefits at June 30, 2015 was $1,235,462. This represents an increase of $160,236 from the previous year.

Currently Known Conditions:

The Library budget vote for the 2015-2016 fiscal year was approved by the taxpayers. The anticipated tax revenues will be $3,000,810. This represents a 1.77% increase over the 2014-2015 fiscal year budget.

PORT JEFFERSON FREE LIBRARY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2015

	General Fund	Capital Fund	Total	Adjustments (Note 13)	Statement of Net Position
Assets:					
Cash and cash equivalents	$ 4,686,620	$ 173,291	$ 4,859,911	$	$ 4,859,911
Prepaid expenses	44,493		44,493		44,493
Internal receivables	3,439		3,439	(3,439)	
Other assets	4,336		4,336		4,336
Capital assets, net of depreciation				2,045,643	2,045,643
Total Assets	4,738,888	173,291	4,912,179	2,042,204	6,954,383
Deferred Outflows of Resources:					
Deferred outflow on pension				48,976	48,976
Total Assets and Deferred Outflows of Resources	$ 4,738,888	$ 173,291	$ 4,912,179	$ 2,091,180	$ 7,003,359
Liabilities:					
Accounts payable	$ 52,549	$ 4,644	$ 57,193	$	$ 57,193
Accrued payroll and taxes payable	107,512		107,512		107,512
Internal payables		3,439	3,439	(3,439)	
Non-current liabilities:					
Compensated absences payable				141,285	141,285
Net pension liability				238,092	238,092
Obligation for other post-employment benefits				1,235,462	1,235,462
Total Liabilities	160,061	8,083	168,144	1,611,400	1,779,544
Deferred Inflows of Resources:					
Deferred inflow on pension				26,798	26,798
Fund Balances/Net Position:					
Nonspendable (prepaid expenses)	44,493		44,493	(44,493)	
Restricted for permanent endowment	1,000		1,000	(1,000)	
Committed for specific purposes	2,801,845		2,801,845	(2,801,845)	
Assigned for capital projects		165,208	165,208	(165,208)	
Unassigned	1,731,489		1,731,489	(1,731,489)	
Total Fund Balance	4,578,827	165,208	4,744,035	(4,744,035)	
Total Liability, Deferred Inflows of of Resources And Fund Balances	$ 4,738,888	$ 173,291	$ 4,912,179		
Net Position:					
Net investment in capital assets				2,045,643	2,045,643
Restricted for permanent endowment				1,000	1,000
Unrestricted				3,150,374	3,150,374
Total Net Position				$ 5,197,017	$ 5,197,017

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

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PORT JEFFERSON FREE LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Fund	Total	Adjustments (Note 13)	Statement of Activities
Revenues:					
Tax revenues	$ 2,948,632	$	$ 2,948,632	$	$ 2,948,632
Payments in lieu of taxes	115,252		115,252		115,252
Contract services	1,168,270		1,168,270		1,168,270
State aid and other grants	12,108		12,108		12,108
Fines	9,463		9,463		9,463
Lost and damaged materials	4,028		4,028		4,028
Copier revenue	5,567		5,567		5,567
Interest income	8,069	20	8,089		8,089
E-rate	4,767		4,767		4,767
Gifts and donations	1,651		1,651		1,651
Programs	19,985		19,985		19,985
Refund of prior year expense	4,117		4,117		4,117
Miscellaneous revenue	2,827		2,827		2,827
Total Revenues	4,304,736	20	4,304,756	0	4,304,756
Expenditures/Expenses For Library Services:					
Salaries and wages	1,915,924		1,915,924	22,421	1,938,345
Employee benefits	844,664		844,664	59,385	904,049
Library materials and programs	515,380		515,380		515,380
Library operations	203,412		203,412		203,412
Building operations	209,845		209,845		209,845
Capital outlay	37,363	559,333	596,696	(596,696)	
Depreciation				96,890	96,890
Total Expenditures/Expenses	3,726,588	559,333	4,285,921	(418,000)	3,867,921
Excess (Deficiency) Of Revenues Over Expenditures	578,148	(559,313)	18,835	418,000	
Other Financing Sources/Uses:					
Transfers- internal activities	(427,847)	427,847	0		
Excess (Deficiency) Of Revenues And Transfers In Over Expenditures	150,301	(131,466)	18,835	(18,835)	
Change In Net Position				436,835	436,835
Fund balance/Net Position- beginning of the year	4,428,526	296,674	4,725,200	34,982	4,760,182
Fund Balance/Net Position- End Of The Year	$ 4,578,827	$ 165,208	$ 4,744,035	$ 452,982	$ 5,197,017

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

BALDESSARI & COSTER LLP

NOTE 1: Summary of Significant Accounting Policies

The accounting policies of Port Jefferson Free Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Accordingly, in June 1999, the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments.* Some of the significant changes in the statement include the following:

- A management's Discussion and Analysis section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

The following is a summary of the significant accounting policies:

A. Reporting Entity: The Port Jefferson Free Library coordinates the raising of its real estate tax revenues with the Port Jefferson Union Free School District #6. The Board of Trustees is responsible for the approval of the annual budget and oversight of the Library management's control and disbursement of funds and maintenance of assets. The Library's management is solely responsible for day-to-day operations.

B. Management Focus, Basis of Accounting and Financial Statement Presentation: The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

Government-Wide Financial Statements: The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Net Position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net position is reported in three parts- net investment in capital assets; restricted net position; and unrestricted net position.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Management Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Fund Financial Statements: Governmental fund financial statements are reported using the modified accrual basis of accounting prescribed by the Governmental Accounting Standards Board and the State of New York's Department of Audit and Control, Division of Municipal Affairs. Under this method, revenues are recognized in the period in which they become both measurable and available. Fees and other income items other than interest income are recorded when received in cash. Expenditures are recognized in the period in which the liability is incurred. However, debt service expenditures, if applicable, are recorded only when a payment is due.

The Library reports on the following funds:

General Fund: This fund is established to account for resources devoted to the general services that the Library performs for its patrons. General tax revenues and other sources of revenues used to finance the fundamental operation of the Library are included in this fund.

Capital Fund: This fund is used to account for resources devoted to the construction and renovation of the Library.

C. Budgetary Accounting: Formal budgetary accounting is employed as a management control of the general fund. Expenditures are compared to actual results in the report.

D. Interfund Transactions: The operations of the Library include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Library typically loans resources between funds for cash flow purposes. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted General Fund revenues to finance various expenditures that the Library must account for in other funds in accordance with budgetary authorizations.

E. Tax Status: The Library qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and accordingly there is no provision for income taxes.

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Fund Balance Classifications: The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* that defines the different types of fund balances that a governmental entity must use for financial reporting purposes. They are as follows:

Nonspendable: This includes amounts that cannot be spent because they are either not in spendable form (i.e. inventories, prepaid expenses, etc.) or they are legally or contractually required to be maintained intact.

Restricted: This includes amounts with constraints placed on the use of resources. These constraints can be externally imposed by creditors, grantors, contributors, or imposed by laws and regulations.

Committed: This includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Library's Board. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned: This includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. The Library Board is not required to impose or remove the constraint. Assignments of fund balance cannot be made if it would result in a negative unassigned fund balance.

Unassigned: This includes the residual classification for the Library's general fund. This classification represents fund balance that has not been assigned to other funds, assigned for specific purposes, restricted, or committed.

G. Use of Restricted/Unrestricted Net Position: When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Library's policy is to apply restricted net position first.

H. Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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 statement and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. **Capital Assets:** Capital assets are defined by the Library as assets with an initial cost of $500 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Library books and materials are not capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	5 years
Furniture and fixtures	7 years
Building and improvements	40 years
Leasehold improvements	life of lease (5 years)

NOTE 2: Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

NOTE 3: Concentration of Credit Risk

The Library maintains all of its cash balances at one bank. At fiscal year end, the Library's carrying amount of deposits was $4,859,611 (excludes petty cash) and the bank balance was $4,941,616. Of the bank balance, $500,000 was covered by federal depository insurance. The remaining balance of $4,441,616 was covered by collateral held by the Library's agent.

NOTE 4: Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance as of 7/1/2014	Additions	Deletions	Balance as of 6/30/2015
Assets not being depreciated:				
Fine arts	$ 1,475	$ 0	$ 0	$ 1,475
Land	289,346	211,800	0	501,146
Other capital assets:				
Computer equipment	194,037	25,167	0	219,204
Other equipment	323,962	10,052	0	334,014
Furniture and fixtures	440,805	2,144	0	442,949
Leasehold improvements	74,555	0	0	74,555
Building and building improvements	2,580,588	347,533	0	2,928,121
Total	3,904,768	596,696	0	4,501,464
Accumulated depreciation	(2,358,931)	(96,890)	0	(2,455,821)
Net Book Value	$ 1,545,837	$ 499,806	$ 0	$ 2,045,643

NOTE 5: Accounts Payable

Accounts payable consisted of unpaid invoices at June 30, 2015.

NOTE 6: Compensated Absences Payable

The Library has an accumulated liability as of June 30, 2015 for unused sick and vacation pay amounting to $141,285. This represents an increase of $24,136 from the previous year. No portion of this liability is expected to be paid out during the next twelve months.

NOTE 7: Long Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Balance 7/1/2014	Increases	Reductions	Balance 6/30/2015	Non-current liabilities Due within one year	Non-current liabilities Due after one year
Compensated absences	$ 117,149	$ 24,136	$ 0	$ 141,285	$ 0	$ 141,285
Net pension liabilty	318,480	0	80,388	238,092	0	238,092
Other post-employment benefits payable	1,075,226	160,236	0	1,235,462	0	1,235,462
	$ 1,510,855	$ 184,372	$ 80,388	$ 1,614,839	$ 0	$ 1,614,839

NOTE 8: Retirement Plan

A. **Plan Description and Benefits Provided:** The Port Jefferson Free Library participates in the New York State and Local Employees' Retirement System (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Port Jefferson Free Library also participates in the Public Employees' Group Term Life Insurance plan (GTLI), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

NOTE 8: Retirement Plan (Continued)

B. Contributions: The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required. The required contribution for the current fiscal year was $311,343, for the 2014 fiscal year it was $364,907 and for the 2013 fiscal year it was $380,952.

C. Pension Liabilities, Pension Expenses, Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions: At June 30, 2015, the Port Jefferson Free Library reported a liability of $238,092 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port Jefferson Free Library's proportion of the net pension liability was based on a projection of the Port Jefferson Free Library's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2015, the Port Jefferson Free Library's proportion was 0.0070478 percent.

NOTE 8: **Retirement Plan (Continued)**

C. Pension Liabilities, Pension Expenses, Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions: (Continued)

For the year ended June 30, 2015, the Port Jefferson Free Library recognized pension expense of $208,777. At June 30, 2015, the Port Jefferson Free Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 7,622	$ 0
Changes in assumptions	0	0
Net difference between projected and actual investment earnings on pension plan investments	41,354	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	26,798
Library's contributions subsequent to the measurement date	0	0
Total	$ 48,976	$ 26,798

$0 reported as deferred outflows of resources related to pensions resulting from Port Jefferson Free Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount Recognized
2016	$ 5,544
2017	5,544
2018	5,544
2019	5,546
2020	0
Total	$ 22,178

NOTE 8: Retirement Plan (Continued)

D. Actuarial Assumptions: The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2014 valuation were as follows:

Interest Rate	7.50%
Salary Scale	4.90%
Inflation Rate	2.70%
Decrement Tables	Developed from the Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010

Annuitant mortality rates are based on April 1, 2005 – March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2011 are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2014 are summarized below.

NOTE 8: **Retirement Plan (Continued)**

D. **Actuarial Assumptions: (Continued)**

Long Term Expected Rate of Return 2014

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.30%
International equity	8.55%
Private equity	11.00%
Real estate	8.25%
Absolute return strategies	6.75%
Opportunisic portfolio	8.60%
Real assets	8.65%
Bonds and mortgages	4.00%
Cash	2.25%
Inflation-Indexed bonds	4.00%

Discount Rate – The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8: **Retirement Plan (Continued)**

D. **Actuarial Assumptions: (Continued)**

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption – The following presents the Port Jefferson Free Library's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Port Jefferson Free Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Library's proportionate share of the net pension liability	$ 1,586,987	$ 238,092	$ (900,710)

Pension plan fiduciary net position – The components of the current year net pension liability of the New York State and Local Retirement System as of March 31, 2015, in thousands of dollars was as follows:

	Total
Employers' total pension liability	$ 164,591,504
Plan net position	(161,213,259)
Employers' net pension liability	$ 3,378,245
Ratio of plan net position to the Employers' total pension liability	97.9%

E. **Restatement of Prior Year Fund Balance and Net Position:** The Library restated its opening fund balance to reflect the cumulative effect of applying GASB 68. As a result, the fund balance within the General Fund increased by $88,076 which was the amount of the prior year retirement accrual. However, the Library's net position not only increased for the adjustment above, but decreased by $318,480 which was the opening balance of the net pension liability as calculated by the NYS Retirement System.

NOTE 9: Post-employment Benefits Other Than Pensions

A. Plan Description: The New York State Department of Civil Service (DCS) administers the New York Health Insurance Program (NYSHIP) which provides health insurance to current and retired employees of New York State, and participating public authorities and local governmental units, such as the Port Jefferson Free Library. NYSHIP offers comprehensive hospital, medical and prescription drug benefits. As administrator of NYSHIP, the DCS performs all administrative tasks and has the authority to establish and amend the benefit provisions offered. Annual benefit premiums charged to and paid by participating local governmental entities are generally the same, regardless of each individual employer's risk profile. The annual benefit premiums collected by DCS are then remitted to the health insurance carriers that comprise NYSHIP. NYSHIP is considered an agent multiple-employer defined benefit plan, it is not a separate entity or trust, and does not issue stand-alone financial statements. The Library, as a participant in the plan, recognizes these postemployment benefits on an accrual basis.

B. Funding Policy: Contribution requirements are determined by the Library Board. Currently, for full-time employees hired prior to July 1, 2002, the Library will pay 100% of the amount for a retiree's individual policy premium and 75% of the additional cost of a family policy premium. For full-time employees hired on or after July 1, 2002, the Library will pay 90% of the amount for a retiree's individual policy premium and 75% of the additional cost of a family policy premium.

For the year ending June 30, 2015, the Library recognized the cost of providing health insurance by recording its share of retiree insurance premiums of $115,514 as an expenditure in the General Fund. Port Jefferson Free Library also reimburses retired employees and their spouses the full cost of Medicare deducted from their Social Security benefits, which amounted to $11,518. The retiree's share of premiums for health insurance is withheld from their monthly NYS retirement pension payment.

The calculation of the liability was based upon the 2012 annual medical premiums of:

	Individual	Family	Family With Two Medicare Participants	Family With One Medicare Participant
Empire	$ 8,553	$ 18,754		
Empire Medicare	$ 5,031		$ 11,079	$ 15,231

NOTE 9: Post-employment Benefits Other Than Pensions (Continued)

C. **Annual OPEB Cost and Net OPEB Obligation:** The Library's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the "annual required contribution of the employer (ARC). The Library has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Library's net OPEB obligation to the Retiree Health Plan:

Annual required contribution & OPEB cost	$ 297,791
Interest on net OPEB obligation	43,009
Adjustment to annual required contribution	(49,925)
Annual OPEB cost (expense)	290,875
Contributions made	(130,639)
Increase in net OPEB obligation	160,236
Net OPEB obligation - beginning of year	1,075,226
Net OPEB obligation - end of year	$ 1,235,462

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OBEB obligation for the years ending June 30, 2013, 2014 and 2015 are as follows:

Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % Of Pay
6/30/2013	$ 266,087	42.1%	$ 919,088	$ 1,210,828	22.0%
6/30/2014	$ 277,444	43.7%	$ 1,075,226	$ 1,241,099	22.4%
6/30/2015	$ 290,875	44.9%	$ 1,235,462	$ 1,272,126	22.9%

NOTE 9: Post-employment Benefits Other Than Pensions (Continued)

D. **Funded Status and Funded Progress:** As of June 30, 2015, the actuarial accrued liability for benefits, based upon the valuation date of July 1, 2012 was $3,407,974, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1,272,126, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 267.9 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information as time passes about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. **Methods and Assumptions:** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Funding interest rate – An interest rate of 4% was used.

Mortality – Life expectancies were based on the RP2000 Mortality Table with sex distinct rates and with generational mortality improvements projected using the AA table projection rates.

Participation rate – It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

NOTE 9: Post-employment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions: (Continued)

Retirement rates:

Age	Rate
55-59	3.0%
60-64	9.0%
65-69	12.0%
70-79	20.0%
80+	100.0%

Termination rates – The following rates from Table 1, paragraph 35 of Government Accounting Standard no. 45 were used.

Age	Rate
20	7.79%
25	6.78%
30	4.66%
35	3.19%
40	2.21%
45	1.59%
50+	0.00%

Healthcare cost trend rates – It was assumed that health care costs would increase in accordance with the trend rates in the following table:

Year	Pre- 65 Rates	Post- 65 Rates
2012	9.0%	5.5%
2013	8.0%	5.0%
2014	7.0%	5.0%
2015	6.0%	5.0%
2016+	5.0%	5.0%

Participant salary increases – 3.50% annually.

Payroll growth rate – 2.50% annually.

NOTE 9: Post-employment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions: (Continued)

Percent married – It was assumed that 65% of the male and 25% of the female employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

Actuarial value of assets – N/A

Per capita claims cost – Are based on the premium levels of the plan provisions in section B. The premiums paid by the Library are independent of the Library's experience and demographic profile, and are expected to change consistent with a community rated plan. Thus, we have applied the premiums with no additional adjustments other than future trend increases.

Administrative expenses – Included in premiums used.

Actuarial Cost Method – An actuarial cost method develops an orderly allocation of the actuarial present value of benefit payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

The Entry Age Normal Cost Method is used in this valuation. Under this method, the Actuarial Present value of Projected Benefits of each individual is allocated on a level basis over the earnings of the individual between hire age and assumed exit age(s). The portion of the Actuarial Present Value allocated to the valuation year is called the Normal Cost. The portion of the Actuarial Present Value not provided for as of the valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The amortization of the unfunded actuarial accrued liability has been determined as a level percentage of the projected payroll of active plan members. At each valuation, a new amortization base is created equal to the excess of the unfunded actuarial accrued liability over the remaining balances of prior amortization bases. The new base is amortized over 30 years. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years.

NOTE 10: Funds Committed For Specific Purposes

A summary of changes in designated funds for the fiscal year ending June 30, 2015 is as follows:

	Balance as of 7/1/2014	Funds Committed (Uncommitted)	Funds Received (Expended)	Balance as of 6/30/2015
Funds Committed For:				
Computers	$ 91,055	$ 0	$ 0	$ 91,055
Special projects	266,716	0	0	266,716
Budget stabilization fund	840,071	0	0	840,071
Retirement	134,112	0	0	134,112
Roof repair	85,000	0	0	85,000
Building and grounds	170,000	0	0	170,000
Compensated absences	139,665	0	0	139,665
Other post-employment benefits	919,088	156,138	0	1,075,226
Total	$ 2,645,707	$ 156,138	$ 0	$ 2,801,845

NOTE 11: Commitments and Contingencies

The Library leases several pieces of office equipment as well additional Library space at 150 East Main Street in Port Jefferson. The lease for space was originally signed during 2006 and was for five years. In August 2012, an agreement was signed to extend the lease term through October 31, 2016. The minimum monthly rental commitment increases from $3,142 to $3,488 over the lease term. In addition the Library is required to pay, as additional rent, an amount equal to 33% of any real estate tax increase. For the fiscal year ending June 30, 2015 the Library made rental payments for the equipment of $16,337 and for the space at 150 East Main Street of $40,269.

The future minimum lease commitments are detailed as follows:

Year Ending June 30,	Office Equipment	150 East Main Street	Total Minimum Commitment
2016	$ 3,884	$ 41,276	$ 45,160
2017	0	13,871	13,871
2018	0	0	0
	$ 3,884	$ 55,147	$ 59,031

NOTE 12: Reconciliation of Fund Financial Statements to Government-Wide Financial Statements

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net position and changes in net position of the governmental activities reported in the statement of net position and statement of activities. This difference primarily results from the long-term economic focus of the statement of net position and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net position and the net change in fund balance to the net change in net position:

Total Fund Balance - Modified Accrual Basis	$ 4,744,035
Amounts reported in the statement of net position are different because:	
• Capital assets are not financial resources, and are not reported in the funds	2,045,643
• Deferred outflow on pension is not reported in the funds	48,976
• Compensated absences are included as a liability	(141,285)
• Obligation for post-employment health insurance, to be paid in future periods is not reported in the funds	(1,235,462)
• Net pension liability is not included in the funds	(238,092)
• Deferred inflow on pension is not reported in the funds	(26,798)
Total Net Position - Full Accrual Basis	$ 5,197,017
Net Change in Fund Balance - Modified Accrual Basis	$ 18,835
Amounts reported in the statement of activities are different because:	
• Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	596,696
Depreciation expense	(96,890)
• (Increase)/decrease in the accruals for items reported as expenditures in the statements of activities, not in the fund statements:	
Compensated absences	(24,136)
Post-employment health costs	(160,236)
Net pension expenses	102,566
Change In Net Position - Full Accrual Basis	$ 436,835

PORT JEFFERSON FREE LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues:				
Tax Related Items:				
Tax revenues	$ 2,948,632	$ 2,948,632	$ 2,948,632	$ 0
Payments in lieu of taxes	115,395	115,395	115,252	(143)
Total Tax Related Items	3,064,027	3,064,027	3,063,884	(143)
Operating Revenue:				
Contract services	1,185,032	1,185,032	1,168,270	(16,762)
State aid and other grants	11,115	11,115	12,108	993
Fines	9,685	9,685	9,463	(222)
Lost and damaged materials	6,295	6,295	4,028	(2,267)
Copier revenue	5,400	5,400	5,567	167
Interest income	4,200	4,200	8,069	3,869
E-rate	4,715	4,715	4,767	52
Gifts and donations	2,500	2,500	1,651	(849)
Programs	12,800	12,800	19,985	7,185
Refund of prior year expense	0	0	4,117	4,117
Miscellaneous	0	0	2,827	2,827
Total Operating Revenue	1,241,742	1,241,742	1,240,852	(890)
Transfer From Fund Balance	0	0	0	0
Total Revenues	$ 4,305,769	$ 4,305,769	$ 4,304,736	$ (1,033)

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

BALDESSARI & COSTER LLP

PORT JEFFERSON FREE LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures:				
Salaries and Wages:				
Professional	$ 986,480	$ 986,480	$ 907,674	$ 78,806
Clerical	993,118	993,118	895,263	97,855
Custodial	120,064	120,064	89,870	30,194
Security	29,155	29,155	23,117	6,038
Total Salaries and Wages	2,128,817	2,128,817	1,915,924	212,893
Employee Benefits:				
Employee insurance benefits	350,325	350,325	363,562	(13,237)
Post-retirement health	156,138	156,138	0	156,138
Retirement	381,368	381,368	311,343	70,025
Payroll taxes	170,092	170,092	149,605	20,487
Workers compensation	35,045	35,045	20,154	14,891
Total Employee Benefits	1,092,968	1,092,968	844,664	248,304
Library Materials And Programs:				
Books	220,500	220,500	177,670	42,830
Audio/visual	82,000	82,000	56,782	25,218
Periodicals / print and non-print	48,000	48,000	36,376	11,624
Computer services / OPAC / basic service fee	111,737	111,737	107,374	4,363
Bindery	500	500	0	500
AV licenses	700	700	363	337
Programs and program supplies	105,850	105,850	136,815	(30,965)
Total Library Materials And Programs	569,287	569,287	515,380	53,907
Library Operations:				
Library and office supplies	36,940	36,940	40,368	(3,428)
Telecommunications	13,725	13,725	13,667	58
Postage and shipping	11,775	11,775	14,344	(2,569)
Publicity and printing	34,500	34,500	27,464	7,036
Conference and travel	11,500	11,500	9,412	2,088
Professional fees and dues	68,807	68,807	66,153	2,654
Library insurance	38,250	38,250	31,938	6,312
Miscellaneous	0	0	66	(66)
Total Library Operations	$ 215,497	$ 215,497	$ 203,412	$ 12,085

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

BALDESSARI & COSTER LLP

PORT JEFFERSON FREE LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures: (continued)				
Building Operations:				
Utilities	$ 98,985	$ 98,985	$ 102,167	$ (3,182)
Building and grounds repair/improvement	47,515	47,515	7,786	39,729
Equipment rental and repair	21,500	21,500	19,269	2,231
Service contracts	17,930	17,930	15,507	2,423
Building maintenance	19,500	19,500	24,847	(5,347)
Rent - 150 East Main Street	40,270	40,270	40,269	1
Total Building Operations	245,700	245,700	209,845	35,855
Capital Outlay:				
Building improvements	0	0	0	0
Equipment, furniture and fixtures	53,500	53,500	37,363	16,137
Total Capital Outlay	53,500	53,500	37,363	16,137
Total Expenditures	4,305,769	4,305,769	3,726,588	579,181
Excess Of Revenues Over Expenditures	0	0	578,148	578,148
Other Financing Sources (Uses):				
Transfer to Capital Fund	0	0	(427,847)	(427,847)
Excess Of Revenues And Other Financing Sources Over Expenditures	0	0	150,301	150,301
Budgetary fund balance- beginning of year	4,428,526	4,428,526	4,428,526	4,428,526
Budgetary Fund Balance- End Of Year	$ 4,428,526	$ 4,428,526	$ 4,578,827	$ 4,578,827

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

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PORT JEFFERSON FREE LIBRARY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NYSLRS PENSION PLAN
FOR THE 2015 FISCAL YEAR**

	2015
Library's proportion of the net pension liability (asset)	0.007048%
Library's proportionate share of the net pension liability (asset)	$238,092
Library's covered-employee payroll	$1,736,449
Library's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13.71143%
Plan fiduciary net position as a percentage of the total pension liability	97.94750%

** The amounts presented for the fiscal year were determined as of the March 31st that occurred within the fiscal year

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

BALDESSARI & COSTER LLP

PORT JEFFERSON FREE LIBRARY
SCHEDULE OF LIBRARY PENSION CONTRIBUTIONS
NYSLRS PENSION PLAN
FOR THE 2015 FISCAL YEAR

	2015
Contractually required contribution	$ 311,343
Contributions in relation to the contractually required contribution	311,343
Contribution deficiency (excess)	$ 0
Library's covered-employee payroll	$ 1,736,449
Contributions as a percentage of covered-employee payroll	17.93%

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

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PORT JEFFERSON FREE LIBRARY
SCHEDULE OF FUNDING PROGRESS
FOR THE RETIREE HEALTH PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (d)	UAAL as a percentage of Covered Payroll ((b -a) / d)
7/1/2009	$ 0	$ 3,080,073	$ 3,080,073	0.0%	$ 1,395,867	220.7%
7/1/2012	$ 0	$ 3,407,974	$ 3,407,974	0.0%	$ 1,210,828	281.5%

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

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