

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 20, 2026**

**BOND ANTICIPATION NOTES  
NEW ISSUE**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Village, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.*

*The Village will designate the Notes as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code.*

**VILLAGE OF BABYLON  
SUFFOLK COUNTY, NEW YORK  
(the "Village")**

**\$2,076,000 BOND ANTICIPATION NOTES – 2026 SERIES A  
(the "Notes")**

**Date of Issue: June 8, 2026**

**Maturity Date: June 8, 2027**

The Notes are general obligations of the Village of Babylon, Suffolk County, New York (the "Village"), and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Village subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended (the "Tax Levy Limit Law"). (See "TAX INFORMATION - Tax Levy Limit Law" herein.)

The Notes will bear interest from the Date of Issue until the Maturity Date, at the annual rate(s) as specified by the purchaser(s) of the Notes. Interest on the Notes will be calculated on a 30-day month and 360-day year, payable at maturity. The Notes will not be subject to redemption prior to maturity.

The Notes will be issued in registered form, and at the option of the purchaser(s), the Notes will be either (i) registered in the name of the successful bidder(s) or (ii) registered in the name of Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

If the Notes are issued in book-entry form, such Notes will be delivered to DTC, which will act as the securities depository for the Notes. Individual purchases may be made in denominations of \$5,000 or any integral multiple thereof, except for one necessary odd denomination. Beneficial owners will not receive certificates representing their ownership interest in the Notes. Principal of and interest on said Notes will be paid in lawful money of the United States of America (Federal Funds) by the Village to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Village will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "Book-Entry-Only System" under "DESCRIPTION OF THE NOTES".)

If the Notes are registered in the name of the purchaser(s), a single note certificate will be issued for those Notes of a series bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the Village, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidder(s).

The Notes are offered when, as, and if issued and received by the purchaser(s) and subject to the receipt of the respective approving legal opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. It is expected that delivery of the Notes will be made in New York, New York, or such other place as the Village and purchaser(s) shall agree, on or about June 8, 2026.

THE VILLAGE DEEMS THIS PRELIMINARY OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). THE VILLAGE WILL DELIVER AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN EVENTS, AS REQUIRED BY THE RULE, IN CONNECTION WITH THE DELIVERY OF THE NOTES. (SEE "APPENDIX C FORM OF DISCLOSURE UNDERTAKING," HEREIN).

This Preliminary Official Statement and the information in it are subject to completion and amendment in a final official statement. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy and there may not be any sale of the Notes offered by this Preliminary Official Statement, in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to the registration of qualification under the securities laws of that jurisdiction.

# **VILLAGE OF BABYLON**

**153 West Main Street  
Babylon, New York 11702**

## **VILLAGE OFFICIALS**

Mayor

Mary E. ADAMS

Deputy Mayor

FRANK SEIBERT

Trustees

DOMINIC BENCIVENGA  
ANTHONY CARDALI  
JEFF SZABO

Village Clerk

JEAN MARIE PARKER

Village Treasurer

ANDREW REICHEL

Village Counsel

CHARLES J. CASOLARO, ESQ.

Bond Counsel

HAWKINS DELAFIELD & WOOD LLP  
New York, New York

Municipal Advisor

Liberty  Capital Services

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No person has been authorized by the Village to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Village. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer to solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Village since the date hereof.

**TABLE OF CONTENTS**

DESCRIPTION OF THE NOTES .....1  
 Authorization and Purpose.....1  
 Nature of Obligation .....2  
 Book-Entry-Only System.....2  
 THE VILLAGE.....3  
 General Information.....3  
 Population Trends .....4  
 Comparative Housing, Income and Population Data.....4  
 Selected Listing of Major Employers in the Town .....4  
 Governmental Organization.....5  
 Budgetary Procedure.....5  
 State and Federal Aid .....5  
 Impact of COVID-19 .....6  
 Employees.....6  
 Employee Pension Benefits .....6  
 Other Post Employment Benefits.....7  
 Unemployment Rate Statistics.....8  
 Stormwater .....8  
 Cybersecurity .....8  
 Other Information .....9  
 FINANCIAL INFORMATION .....9  
 Financial Statements .....9  
 New York State Comptroller’s Office Fiscal Stress  
 Designation .....9  
 Statutes Governing Village Investment Policy .....9  
 TAX INFORMATION .....10  
 Real Property Taxes .....10  
 Valuations.....10  
 Tax Certiorari Matters.....10  
 Tax Rate per \$100 (Assessed).....11  
 Constitutional Taxing Power.....11  
 Tax Collection Procedure.....11  
 Real Estate Taxes and Tax Collection Record.....11  
 Larger Taxpayers.....12  
 Tax Levy Limit Law .....12  
 VILLAGE INDEBTEDNESS.....13  
 Constitutional Requirements.....13  
 Statutory Procedure.....13  
 Details of Outstanding Indebtedness .....14  
 Computation of Debt Limit.....15  
 Debt Statement Summary .....15  
 Estimated Overlapping Indebtedness.....16  
 Bonded Debt Service .....16  
 Debt Outstanding End of Fiscal Year.....17  
 Capital Project Plans .....17  
 REMEDIES UPON DEFAULT.....17  
 MUNICIPAL BANKRUPTCY .....18  
 LITIGATION .....20  
 OFFICE OF THE NEW YORK STATE COMPTROLLER’S  
 FISCAL STRESS MONITORING SYSTEM .....20  
 RISK FACTORS .....20  
 LEGAL MATTERS.....21  
 TAX MATTERS.....22  
 BOND RATING .....24  
 DISCLOSURE UNDERTAKING.....24  
 Compliance History .....24  
 MUNICIPAL ADVISOR.....24  
 MISCELLANEOUS.....24

**APPENDICES**

REVENUES, EXPENDITURES AND FUND BALANCE –  
 GENERAL  
 FUND.....APPENDIX A  
  
 COMPARISON OF BUDGET AND ACTUAL RESULTS –  
 GENERAL FUND.....APPENDIX A-1  
  
 BALANCE SHEETS – GENERAL FUND .....APPENDIX A-2  
  
 2025 AUDITED FINANCIAL STATEMENTS.....APPENDIX B  
  
 FORM OF DISCLOSURE UNDERTAKING FOR THE NOTES  
 .....APPENDIX C  
  
 FORM OF OPINION OF BOND COUNSEL FOR THE NOTES  
 .....APPENDIX D

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**OFFICIAL STATEMENT  
of the  
VILLAGE OF BABYLON  
SUFFOLK COUNTY, NEW YORK**

**Relating To  
\$2,076,000 Bond Anticipation Notes - 2026 Series A  
(the “Notes”)**

This Official Statement, which includes the cover page and appendices hereto, has been prepared by the Village of Babylon, Suffolk County, New York (the “Village,” “County,” and “State,” respectively) in connection with the sale by the Village of \$2,076,000 Bond Anticipation Notes - 2026 Series A (the “Notes”).

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the Village contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the Village relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

**DESCRIPTION OF THE NOTES**

The Notes are general obligations of the Village, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State of New York (State Constitution, Article. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the Village is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See “TAX INFORMATION - Tax Levy Limit Law”, herein.)

The Notes are dated June 8, 2026 and will mature, without the option of prior redemption, on June 8, 2027. The Notes will not be subject to redemption prior to maturity.

The Village Clerk will act as Fiscal Agent for the Notes. Paying agent fees, if any, will be paid by the purchaser(s). The Village Clerk’s contact information is as follows: Jean Marie Parker, Village Clerk of the Village of Babylon, 153 West Main Street, Babylon, New York, 11702, email address: [jparker@villageofbabylonny.gov](mailto:jparker@villageofbabylonny.gov)

**Authorization and Purpose**

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Village Law, the Local Finance Law and the bond resolutions referred to below, duly adopted by the Board of Trustees of the Village on their respective dates for the following purposes: (See VILLAGE INDEBTEDNESS - Capital Project Plans herein.)

<u>Purposes</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Amount Outstanding</u>	<u>Amount Unissued</u>	<u>Principal Payment</u>	<u>Amount to Notes</u>
Acquisition of a new heavy rescue fire truck for use by the Fire Department	02/10/2026	\$1,276,000	\$1,276,000	\$0	\$0	\$1,276,000
Construction of improvements to the Village Pool	02/10/2026	500,000	500,000	0	0	500,000
Construction of improvements to bulkheads at various locations in the Village	02/10/2026	<u>5,150,000</u>	<u>5,150,000</u>	<u>0</u>	<u>0</u>	<u>300,000</u>
Totals:		<u>\$6,926,000</u>	<u>\$6,926,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,076,000</u>

## **Nature of Obligation**

The Notes when duly issued and paid for will constitute a contract between the Village and the holder(s) thereof.

The Notes will be general obligations of the Village and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Notes, the Village has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the Village, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See “TAX INFORMATION - Tax Levy Limit Law” and “LEGAL MATTERS,” herein.)

Under the Constitution of the State, the Village is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village’s power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the Tax Levy Limit Law. (See “TAX INFORMATION - Tax Levy Limit Law,” herein.)

## **Book-Entry-Only System**

In the event that the Notes are issued in book-entry form, DTC will act as securities depository for the Notes and the Notes will be issued as fully-registered Notes registered in the name of Cede & Co., (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each Note of a series bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by the DTC to Direct Participants, by Direct Participants to

Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from The Village or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Village. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The Village may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Village believes to be reliable, but the Village takes no responsibility for the accuracy thereof.

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Source: The Depository Trust & Clearing Corporation

*THE VILLAGE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENTS BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE NOTES; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEHOLDERS; (IV) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE NOTES; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS NOTEOWNER.*

## THE VILLAGE

### General Information

The Village was incorporated in 1893 and covers an area of approximately 2.6 square miles.

The Village is essentially residential with commercial activity along Main Street and Deer Park Avenue.

The southern border of the Village is Great South Bay which offers fishing, boating and swimming facilities. A swimming pool, bathing beach and various activities such as basketball, handball, arts and crafts, gymnastics, softball and tennis programs are offered to residents. The Village also maintains six mini-parks and a marina.

North-south travel is afforded by Deer Park Avenue, Fire Island Avenue and Little East Neck Road. East-west arteries include New York State Route 27A (Main Street). The Long Island Railroad provides frequent electrified service from the Babylon to New York City (39 miles to the west) and diesel service to points east. Bus service is available to local destinations.

School facilities are provided by the Babylon and West Babylon Union Free School Districts, with higher educational opportunities available nearby, including the State University of New York at Farmingdale and Suffolk Community College at Brentwood.

Police protection is provided by the County of Suffolk. Fire protection is a Village responsibility.

### Population Trends

<u>Year</u>	<u>Village of Babylon</u>	<u>Suffolk County</u>	<u>New York State</u>
1980	12,388	1,284,231	17,557,288
1990	12,249	1,321,864	17,990,445
2000	12,615	1,419,369	18,976,457
2010	12,166	1,493,350	19,378,102
2020	12,188	1,525,920	20,201,249

Source: U.S. Department of Commerce, Bureau of the Census

### Comparative Housing, Income and Population Data

<u>Age Distribution</u>	<u>Village</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
Median Age	41.60	39.80	38.00	37.20
Person/Household	2.6	2.96	2.60	2.60
<u>Housing</u>				
% Owner Occupied Housing Units	80.40	81.80	54.40	64.60
Median Value Owner Occupied Housing (\$)	524,900	436,300	340,600	244,900
Median Gross Rent (\$)	2,202	1,895	1,390	1,163
<u>Income:</u>				
Per Capita Income (\$)	61,557	49,404	43,208	37,638
Median Household Income (\$)	135,974	111,660	75,157	69,021
% Below Poverty Level <sup>(1)</sup>	2.80	6.40	13.90	11.60

<sup>(1)</sup> Estimates are not comparable to other geographic levels due to methodology differences that may exist between different data sources.

Source: "Median Age" - 2010 Census of Population and Housing, U.S. Department of Commerce, Bureau of the Census and American Community Survey. All other data US Census 2017-2021 ACS 5-year estimates, U.S. Department of Commerce, Bureau of the Census and American Community Survey

### Selected Listing of Major Employers in the Town

<u>Name</u>	<u>Type</u>	<u>Approx. No. of Employees</u>
United Parcel Service	Mailing-Trucking	2,700
NYS Office of Parks/Recreation	State Parks	2,000
Good Samaritan Hospital	Health Care	1,500
SUNY Farmingdale	Education	1,114
AIL Systems, Inc.	Aerospace Electronics	1,100
Ogden Facility Services	Janitorial, Security/Maintenance	810
Telephonics Corporation	Electronics	750
P.C. Richard & Son	Electronics Sales	650

Source: Village Officials.

## Governmental Organization

Subject to the provisions of the State Constitution, the Village operates pursuant to the Village Law, the Local Finance Law, other laws generally applicable to the Village, and any special laws applicable to the Village.

The legislative power of the Village is vested in the Board of Trustees of the Village, (the “Board”). There are five members of the Board (the Mayor and four Trustees), each of whom is elected at-large for a term of four years. These officials may succeed themselves.

The executive responsibility for the Village is vested in the Mayor. Subject to Board approval, the Mayor appoints the Village Clerk, Village Treasurer and Village Attorney.

## Budgetary Procedure

Under Village Law, the Mayor is the budget officer and is responsible for preparation of a tentative budget each year. A copy of the tentative budget is furnished to each member of the Board. The tentative budget must also be filed in the office of the Village Clerk.

Each year, the Village Treasurer prepares and then presents the tentative budget to the Board. The Board reviews the tentative budget and makes such changes, alterations and revisions as it shall consider advisable and holds a public hearing thereon. Subsequent to the public hearing, revisions (if any) are made and the budget is then adopted by the Village as its final budget for the coming fiscal year. The budget is not subject to referendum, however increases in the annual tax levy are subject to the provisions of the Tax Levy Limit Law. (See “TAX INFORMATION - Tax Levy Limit Law” herein.)

## State and Federal Aid

The following table sets forth the percentage of the Village’s General Fund Revenue attributable to State and Federal sources:

<u>Ending May 31st:</u>	<u>Total Revenues</u>	<u>State &amp; Federal Aid</u> <sup>(1)</sup>	<u>Fiscal Year Revenues (%)</u>
2021	\$10,585,207	\$871,329	8.23%
2022	12,122,358	1,330,172	10.97%
2023	12,724,782	1,530,235	12.03%
2024	12,141,151	746,689	6.15%
2025	14,343,643	1,461,253	10.19%
2026 (budget)	14,575,628	1,200,785	8.24%
2027 (budget)	15,307,313	1,200,785	7.84%

<sup>(1)</sup> May include funds received from FEMA and other grants.

Source: Audited Financial Statements of the Village and adopted Village budgets

The State is not constitutionally obligated to maintain or continue State aid to the Village. No assurance can be given that present State aid levels will be maintained during the current fiscal year or in the future. Due to the outbreak of COVID-19, in 2020 the State initially declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses for an extended period. The outbreak of COVID-19 and the dramatic steps taken by the State to address it have negatively impacted the State’s economy and financial condition.

The use of federal stimulus funds has allowed the State to avoid gap closing measurements; however, the State may be required to implement gap closing measurements in the future. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including municipalities and school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State, including the Village.

Should the Village fail to receive State aid from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the Village is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

In addition, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State Aid to municipalities and school districts in the State, including the Village, in any year, the Village may be affected by a delay in the receipt of State Aid until sufficient State taxes have been received by the State to make State Aid payments. Additionally, if the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Village, may be affected by a delay in the payment of State Aid.

### **Impact of COVID-19**

The Village is functioning at full capacity and is complying with all relative State COVID-19 guidelines.

On March 11, 2021, President Biden signed into law the American Rescue Plan Act (the “Act”), a \$1.9 trillion economic stimulus bill to speed up the United States' recovery from the economic and health effects of the COVID-19 pandemic. A portion of the funding will be allocated to state and local governments, including villages, to assist with budget shortfalls and other items related to the COVID-19 pandemic. The Village is eligible to receive \$1,229,945 under the Act. The Village received \$614,972 in Act funds in July 2021 and \$614,972 in July 2022. Such funds have been spent and all reporting filed properly identifying Act eligible uses.

### **Employees**

The Village provides services through approximately 110 full-time employees and part-time employees. The Civil Service Employees Association, Inc. Represents 40 employees under a contract that expires on May 31, 2028.

### **Employee Pension Benefits**

Substantially all full-time employees of the Village are members of the New York State and Local Employees' Retirement System (“ERS”). The obligations of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (“NYSRSSL”). The system offers retirement benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments.

NYSRSSL provides that all employers in the ERS are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to participating employers. Participating employers are required to make a minimum payment of 4.5% of payroll each year, including years in which investment performance of the fund would make a lower employer contribution possible. All full-time employees and certain part-time employees, participate in the retirement system. Since the Village joined the ERS after July 27, 1976, each participating employee hired on or before December 31, 2009 is required to contribute 3% of their gross annual salary toward the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary.

Due to significant capital market declines in certain years, the State's Retirement System portfolio experienced negative investment performance and severe downward trends in market earnings. In certain years, the State has maintained the employer contribution rate for the State's Retirement System higher than the 4.5% minimum contribution rate established by law. To mitigate the increases in the employer contribution rate, legislation has been enacted that permits local governments and school districts to borrow a portion of their required payments from the State pension plan at an interest rate of 5%. The legislation also requires those local governments and school districts, who decide to amortize their pension obligations pursuant to the law, to establish reserve accounts to fund payment increases that are a result of fluctuations in pension plan performance.

In 2013, a pension smoothing option was approved by the State Legislature that authorizes municipalities and school districts to amortize over seven years a portion of the pension cost spikes precipitated by the 2008 financial crisis and high pension costs in general for employees across the State. The pension smoothing option, which was approved as part of the State's 2013-14 budget, authorizes municipalities and school districts to contribute 14.13% of employee costs toward pensions, rather than the 16.25% currently required, which is up from the current rate of 11.8%. The Village has not opted-in to such pension smoothing option.

On September 3, 2024, Comptroller DiNapoli announced that state and local governments would have to contribute more to the public pension system for the next State fiscal year 2025-2026. The estimated average employer contribution for ERS increased from 15.2% to 16.5% of payroll and PFRS increased from 31.2% to 33.7% of payroll. Comptroller DiNapoli maintained the long term assumed rate of return on the funds investments at 5.9%.

On September 4, 2025, Comptroller DiNapoli announced that State and local governments would have to contribute more to the public pension system for the next State fiscal year 2026-2027. The estimated average employer contribution for ERS increased from 16.5% to 17.6% of payroll and PFRS increased from 33.7% to 36.5% of payroll. Comptroller DiNapoli maintained the long term assumed rate of return on the funds investments at 5.9%.

The Village made the following contributions to the Retirement Systems:

Fiscal Year Ending May 31st:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
ERS (Budgeted)	\$470,000	\$515,000	\$440,000	\$500,000	\$485,000
ERS (Paid)	466,085	497,748	436,872	405,306	394,027
ERS (Amortized) <sup>(1)</sup>	50,656	50,656	111,105	111,105	0

<sup>(1)</sup> Original Contribution Stabilization program, Chapter 57 of the Laws of 2010

Source: Invoices from the New York State Retirement System. Table itself not audited.

In FY 2026, the Village paid \$479,322 towards its ERS liability, for which it budgeted \$490,000. The Village’s FY 2027 budget includes \$600,000 for ERS payments. The Village did not amortize a portion of its ERS liability in FY 2026 nor does it intend to amortize a portion of its FY 2027 ERS liability.

A more in-depth discussion of ERS and the Village’s pension liabilities appears in the Village’s most recently available audited financial statements.

### Other Post Employment Benefits

GASB Statement No. 45 (“GASB 45”) has been superseded by GASB Statement No. 75 (“GASB 75”) commencing with the Village’s fiscal year ending May 31, 2019. As such, the Village now follow’s GASB 75 of the Governmental Accounting Standards Board (“GASB”), which requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits, known as “other post employment benefits” (“OPEB”). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Under GASB 75, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employers) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 does not require that the unfunded liabilities actually be funded, only that the Village account for its unfunded accrued liability and compliance in meeting its ARC. The Village’s plan has a total membership of fewer than 200 members. As such, according to GASB 75 regulations, the Village is required to perform an actuarial evaluation every 3 years.

The Village contracts with an actuarial firm to perform the required analysis. A summary of the results of the analysis appears in the Village’s most recently available audited financial statements.

## Unemployment Rate Statistics

Unemployment statistics are not available for the Village as such. The smallest are for which such statistics are available (which includes the Village) is the Town of Babylon. The information set forth below with respect to the Town, County and the State is included for information purposes only. It should not be implied from the inclusion of such data in this report that the Town, County or the State is necessarily representative of the Village, or vice versa.

	<u>YEARLY AVERAGE</u>					
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Town of Babylon	9.30%	5.20%	3.40%	3.60%	3.70%	-
Suffolk County	8.30%	4.70%	3.20%	3.30%	3.50%	-
New York State <sup>(3)</sup>	9.80%	7.10%	4.30%	4.00%	4.20%	4.30% <sup>(3)(4)</sup>

### 2025 - 2026 MONTHLY FIGURES

	<u>Jan.</u>	<u>Feb.</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>
Town of Babylon	3.90%	4.30%	3.70%	2.90%	3.00%	3.30%	3.90%	4.20%	4.00%	- <sup>(2)</sup>	3.70%	3.50% <sup>(1)</sup>	3.90%	4.40% <sup>(1)</sup>
Suffolk County	4.00%	4.30%	3.70%	2.80%	2.80%	3.00%	3.70%	3.90%	3.70%	- <sup>(2)</sup>	3.50%	3.40% <sup>(1)</sup>	4.00%	4.40% <sup>(1)</sup>
New York State <sup>(3)</sup>													4.70%	5.20% <sup>(1)</sup>

<sup>(1)</sup> Preliminary

<sup>(2)</sup> Data unavailable due to the 2025 lapse in appropriations.

<sup>(3)</sup> Data subject to revision on April 8, 2026.

<sup>(4)</sup> Annual estimates for 2025 are 11 month that exclude October. Data for October 2025 were not collected due the Federal Government shutdown.

Source: US Department of Labor – Bureau of Labor and Statistics. Data extracted on 4/30/26 (Note: Figures not seasonally adjusted).

## Stormwater

On limited occasions, the Village experiences tidal flooding of local streets due to extreme weather events, such as nor'easter storms and lunar tidal events. This results in significant flooding on the majority of the roadways south of Montauk Hwy. During these events, the tidal elevation is higher than the adjacent roadways and water backs up through existing drainage systems and rises above existing bulkheads in the area.

In 2012, the Village sustained a major impact from Super Storm Sandy. The Village suffered significant flooding due to an approximate 9-foot tidal surge. Approximately 1/3<sup>rd</sup> of Village residents reside in homes located south of Montauk Highway, most of which experienced some level of water inside of their home. The worst cases of these were those properties located along the Great South Bay and adjacent to canals. Since then, nearly 150 homes have been either elevated or rebuilt to meet flood plain construction standards.

The Village incurred approximately \$3.7 million in Super Storm Sandy related expenditures for debris removal, non-capital equipment and materials, Village labor overtime costs and other contractual costs. While, these expenses were initially paid from available Village funds, they were ultimately reimbursed from FEMA, New York State and Village Insurance.

Minor cases of tidal flooding occur approximately ten times each year.

The Village has been actively addressing such tidal flooding issues by installing tidal check valves in existing drainage systems, installing high capacity storm water pumps in existing drainage systems and raising the grade of roadways. It also continues to encourage property owners to elevate their homes and raise the height of their bulkheads, assisting homeowners to secure grant money to pay for these modifications. In doing so, the Village anticipates significantly less damage resulting from future similar storms.

## Cybersecurity

The Village, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Village faces multiple cyber threats including, but not

limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Village has implemented certain security and operational control measures, and maintains a cybersecurity liability insurance policy independent of its general liability insurance policy. However, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage Village digital networks and systems and the costs of remedying any such damage could be substantial. The Village has not experienced any cybersecurity attacks to date.

### **Other Information**

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes for which bonds are to be issued is the Village Law, the General Municipal Law and other applicable law.

Except to the extent shown in “Estimated Overlapping Indebtedness,” this report does not include the financial data of any political subdivision having power to levy taxes within the Village.

No principal or interest upon any obligation of the Village is past due.

The fiscal year of the Village is June 1 through May 31st.

## **FINANCIAL INFORMATION**

### **Financial Statements**

The Village has retained independent certified public accountants to audit its financial affairs. In addition, the financial affairs of the Village are subject to periodic review by the State Comptroller. The accounting policies of the Village conform to generally accepted accounting principles as they are applicable to governments. The Government Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The most recently available audit covers the fiscal year ended May 31, 2025 and is included as part of the Official Statement as APPENDIX B.

A summary of Revenues, Expenditures and Fund Balance - General Fund, Balance Sheets - General Fund, and Comparison of Budget and Actual Results for the Village is included as Appendix A.

### **New York State Comptroller’s Office Fiscal Stress Designation**

The Village has been designated by the Office of the New York State Comptroller as “No Designation,” having been assigned a fiscal score of 22.1%, based on its “Fiscal Stress Monitoring System 2025 List”. (See “OFFICE OF THE NEW YORK STATE COMPTROLLER’S FISCAL STRESS MONITORING SYSTEM.”)

### **Statutes Governing Village Investment Policy**

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the “GML”), the Village is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The Village is permitted to invest only in the following investments: (1) special time deposits in, or certificates of deposits issued by, a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the

approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the Village; (6) obligations of New York public benefit corporations which are made lawful investments for the Village pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and (8) in the case of Village moneys held in certain reserve funds established pursuant to law, obligations issued by the Village. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by a pledge of eligible securities, as that term is defined in the law.

The Village has adopted an investment policy which states that the Village will comply with the requirements of New York State statutes, as stated above, concerning the investment of Village monies.

## TAX INFORMATION

### Real Property Taxes

The Village derives a major portion of its revenues from a tax on real property. (See “Revenues, Expenditures and Balances” in Appendix A, herein)

On June 24, 2011, the Tax Levy Limit Law was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the Village, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the Village. (See “TAX INFORMATION - Tax Levy Limit Law,” herein)

### Valuations

Year Ending May 31st:	2021	2022	2023	2024	2025	2026
Assessed Valuation	\$43,989,795	\$44,252,077	\$44,847,774	\$45,356,325	\$45,612,490	\$46,304,415
State Equalization Rate	2.23%	2.11%	2.06%	1.79%	1.65%	1.58%
Full Valuation	\$1,972,636,547	\$2,097,254,834	\$2,177,076,408	\$2,533,872,905	\$2,764,393,333	\$2,930,659,177

Source: NYS Comptroller’s Office and NYS Office of Real Property Management

### Tax Certiorari Matters

During the last decade, the Village has been confronted by several tax certiorari proceedings, instituted primarily by the owners of commercial buildings, seeking a reduction of the assessed value of said properties and a refund of excess taxes paid by them. The Village’s tax certiorari counsel is of the opinion that the most significant cases against the Village have been resolved. The following schedule is a compilation of the amounts budgeted and expenditures made by the Village, for the purposes of paying real property tax refunds and associated costs.

Year Ending May 31st:	2021	2022	2023	2024	2025
Budgeted	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Expended	0	0	1,004	0	0

Source: Village of Babylon

As of 5/11/26 the Village paid \$0 in tax certioraris for which it budgeted \$50,000. The Village’s FY 2027 budget includes \$50,000 for tax certiorari payments.

The Village reserves the right to finance any judgment or settlement, so as to mitigate any impact on the current budget or future budgets.

## Tax Rate per \$100 (Assessed)

Year Ending May 31st:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u> <sup>(1)</sup>
Tax Rate	\$15.23	\$15.65	\$15.71	\$16.20	\$17.20	\$18.90	\$19.84

(1) Based on an assessed valuation of \$46,196,149

Source: New York State Comptroller's Office and Village of Babylon

## Constitutional Taxing Power

(See also "TAX INFORMATION - Tax Levy Limit Law" herein.)

Fiscal Year Ending May 31:	<u>2025</u>	<u>2026</u>
Five Year Average Full Valuation	\$2,103,850,323	\$2,309,046,805
Tax Limit (2%)	42,077,006	46,180,936
Add: Total Exclusions	<u>748,254</u>	<u>997,407</u>
Total Taxing Power	42,825,260	47,178,343
Less Tax Levy	<u>7,850,940</u>	<u>8,678,839</u>
Tax Margin	<u>\$34,974,320</u>	<u>\$38,499,504</u>
Percent of Tax Limit Exhausted	<u>16.88%</u>	<u>16.63%</u>

Source: New York State Comptroller's Office and Village of Babylon

## Tax Collection Procedure

Property taxes are levied annually no later than May 15<sup>th</sup> and become a lien on first day of the levy year. Taxes are paid once a year and due on June 1st. The real property taxes become delinquent after July 1<sup>st</sup> of each year. Thereafter, penalties and interest are imposed pursuant to the Real Property Tax Law.

After the certification and return of the tax warrant to the Board of the uncollected tax items an annual sale of the tax liens is held pursuant to the provisions of the Real Property Tax Law. Tax Sale Certificates are issued for all uncollected property taxes, in anticipation of the sale of properties in satisfaction of the property tax liens. Unsold tax liens covered by Tax Sale Certificates are fully reserved.

## Real Estate Taxes and Tax Collection Record

Year Ended May 31st:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>As of 5/5/26</u> <u>2026</u>
Levy and Tax Collections:						
Taxes on Roll (budgeted)	\$6,699,646	\$6,925,450	\$7,049,657	\$7,346,983	\$7,850,940	\$8,678,839
Less Collections						
Current Years Taxes	6,685,926	6,924,411	7,038,684	7,341,693	7,814,147	8,715,780
Prior Year's Taxes/Liens	<u>48,901</u>	<u>84,674</u>	<u>27,418</u>	<u>49,588</u>	<u>13,917</u>	<u>35,381</u>
Total Collections	<u>\$6,734,827</u>	<u>\$7,009,085</u>	<u>\$7,066,102</u>	<u>\$7,391,281</u>	<u>\$7,828,064</u>	<u>\$8,751,161</u>
% Collected (current years taxes)	<u>99.80%</u>	<u>99.98%</u>	<u>99.84%</u>	<u>99.93%</u>	<u>99.53%</u>	<u>100.43%</u>
% Collected (including prior years taxes and liens)	<u>100.53%</u>	<u>101.21%</u>	<u>100.23%</u>	<u>100.60%</u>	<u>99.71%</u>	<u>100.83%</u>

Source: Village of Babylon

## Larger Taxpayers

The following table lists taxable assessments of the Village's largest taxpayers:

<u>Name</u>	<u>Type</u>	FY 2027 Assessed <u>Valuation</u>
Fairfield Properties	Residential-Apartments	\$504,710 <sup>(1)</sup>
Keyspan	Utility	357,818
Babylon Associates	Residential-Apartments	347,000 <sup>(1)</sup>
Piermont Re: Holding	Commercial	227,685 <sup>(1)</sup>
Louvin Cos LLC	Commercial	193,255 <sup>(1)</sup>
Garvey Properties	Commercial	189,483 <sup>(1)</sup>
Verizon	Utility	155,798
Raymond Figalora	Commercial	153,710
400 West Main Street LLC	Commercial	137,000
223 Deer Park Ave.	Commercial	<u>120,450</u> <sup>(1)</sup>
		<u>\$2,386,909</u>

<sup>(1)</sup> This taxpayer has filed a tax certiorari case against the Village which remains unsettled. (See "TAX INFORMATION-Tax Certiorari Matters" and "LITIGATION" herein)

Source: Village of Babylon

## Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the Laws of 2011 on June 24, 2011, all the taxable real property within the Village had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Village and interest thereon without limitation as to rate or amount. However, Chapter 97, as amended (the "Tax Levy Limit Law") imposes a tax levy limitation upon the Village for any fiscal year commencing after January 1, 2012 without providing an exclusion for debt service on obligations issued by the Village. As a result, the power of the Village to levy real estate taxes on all the taxable real property within the Village is subject to statutory limitations set forth in Tax Levy Limit Law, unless the Village complies with certain procedural requirements to permit the Village to levy certain year-to-year increases in real property taxes.

The following is a brief summary of certain relevant provisions of Tax Levy Limit Law. The summary is not complete and the full text of the Tax Levy Limit Law should be read in order to understand the details and implications thereof.

The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Village, subject to certain exceptions. The Tax Levy Limit Law permits the Village to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Village is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Village, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village. The governing board of the Village may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the governing board of the Village first enacts, by a vote of at least sixty percent of the total voting power of the governing board of the Village, a local law to override such limit for such coming fiscal year.

The Tax Levy Limit Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the Village or such indebtedness incurred after the effective date of the

Tax Levy Limit Law. As such, there can be no assurances that the Tax Levy Limit Law will not come under legal challenge for violating (i) Article VIII, Section 12 of the State Constitution for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limit Law, (ii) Article VIII, Section 10 of the State Constitution by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) Article VIII, Section 2 of the State Constitution by limiting the pledge of its faith and credit by a municipality or school district for the payment of debt service on obligations issued by such municipality or school district.

## VILLAGE INDEBTEDNESS

### Constitutional Requirements

The New York State Constitution limits the power of the Village (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the Village and the Notes include the following:

*Purpose and Pledge.* Subject to certain enumerated exceptions, the Village shall not give or loan any money or property to or aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of the foregoing or any public corporation.

The Village may contract indebtedness only for a Village purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

*Payment and Maturity.* Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose determined by statute or in the alternative, the weighted-average period of probable usefulness of the several objects or purposes for which such indebtedness is to be contracted, and unless substantially level or declining debt service is utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The Village is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds or such required annual installments on its notes.

*Debt Limit.* The Village has the power to contract indebtedness for any Village purpose so long as the aggregate principal amount thereof outstanding, subject to certain limited exceptions, shall not exceed seven per centum of the five-year average full valuation of taxable real property of the Village and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method of determining full valuation is by taking the assessed valuation of taxable real property as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

*General.* The Village is further subject to constitutional limitation by the general constitutionally imposed duty on the State legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Village so as to prevent abuses in taxation and assessments and in contracting indebtedness; however, as has been noted under "DESCRIPTION OF THE NOTES - Nature of Obligation", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the Tax Levy Limit Law. (See "TAX INFORMATION - Tax Levy Limit Law" herein.)

### Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Village to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Village Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Village authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such bonds, by the adoption of a resolution, approved by at least two-thirds of the members of the Village Board, the finance board of the Village. Certain such resolutions may be subject to permissive referendum, or may be submitted to the Village voters at the discretion of the Village Board. If a bond resolution is submitted to the voters by the Board of Trustees, then only a three-fifths vote of the Board of Trustees is needed for adoption.

The Local Finance Law also provides for a twenty-day statute of limitations after publication of a bond resolution, together with a statutory notice which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. Except on rare occasions, the Village complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See "Payment and Maturity" under "VILLAGE INDEBTEDNESS - Constitutional Requirements").

In addition, under each bond resolution, the Village Board may delegate, and has delegated, power to issue and sell bonds and notes, to the Village Treasurer, the chief fiscal officer of the Village.

In general, the Local Finance Law contains similar provisions providing the Village with power to issue general obligation revenue anticipation notes, tax anticipation notes, capital notes, budget notes and deficiency notes.

**Details of Outstanding Indebtedness**

The following table sets forth the indebtedness of the Village as of May 20, 2026 (figures may be rounded):

	<u>Maturity</u>		<u>Amount</u>
<u>Bonds</u>	2026 to 2036		
General Fund		\$6,410,000	
Total Bonds			<u>\$6,410,000</u>
 <u>Bond Anticipation Notes</u>	 n/a		
Total Bond Anticipation Notes		0	<u>0</u>
 <u>Installment Purchase Debt</u>			
General Fund	2026 to 2029	315,639	
Total Installment Purchase Debt			<u>315,639</u>
Total Debt Outstanding			<u>\$6,725,639</u>

## Computation of Debt Limit

The following table sets forth the debt limitation of the Village:

Fiscal Year Ending <u>May 31st:</u>	Assessed Valuation of Taxable <u>Real Estate</u>	State Equalization <u>Rate</u>	Full Valuation of Taxable <u>Real Estate</u>
2026	\$46,304,415	1.58%	\$2,930,659,177
2025	45,612,490	1.65%	2,764,393,333
2024	45,356,325	1.79%	2,533,872,905
2023	44,847,774	2.06%	2,177,076,408
2022	44,252,077	2.11%	<u>2,097,254,834</u>
Total five year valuation			12,503,256,657
Five year average full valuation			2,500,651,331
Debt Limit - 7% of average five year full valuation			<u>\$175,045,593</u>

Source: NYS Comptroller's Office and NYS Office of Real Property Management

## Debt Statement Summary

Summary of Debt Limit, Total Gross Direct Indebtedness, Total New Indebtedness and Net Debt-Contracting Margin as of May 20, 2026 (figures rounded):

Debt Contracting Limitation:		\$175,045,593
Gross Direct Indebtedness:		
Bonds:	6,410,000	
Bond Anticipation Notes:	0	
Installment Purchase Debt:	<u>315,639</u>	
Total Gross Direct Indebtedness		<u>6,725,639</u>
Less Exclusions:		
Appropriations:		
Bonds	0	
Bond Anticipation Notes	0	
Installment Purchase Debt	0	
Total Exclusions:		<u>0</u>
Total Net Direct Indebtedness		<u>\$6,725,639</u>
Debt Contracting Margin		<u>\$168,319,954</u>
Percent of Debt-Contracting Power Exhausted		<u>3.84%</u>

The issuance of the Notes will increase the Total Net Direct Indebtedness of the Village by \$2,076,000 and exhaust an additional 1.18% of its debt contracting power.

Source: Village of Babylon

## Estimated Overlapping Indebtedness

In addition to the Village, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the Village. The estimated outstanding indebtedness of such political subdivisions is as follows:

<u>Unit</u>	<u>Date of Report</u>	<u>Outstanding Indebtedness</u>	<u>Exclusions</u> <sup>1</sup>	<u>Net Indebtedness</u>	<u>% Within Village</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	12/3/2025	\$1,288,684,976	\$75,781,969	\$1,212,903,007	0.78%	\$9,460,643
Town of Babylon	10/27/2025	157,350,000	4,630,000	152,720,000	7.08%	10,812,576
Babylon UFSD	9/22/2025	12,090,000	5,597,670	6,492,330	85.00%	5,518,481
West Babylon UFSD	8/26/2025	26,929,068	0	26,929,068	15.00%	<u>4,039,360</u>
					<b>Total</b>	<b><u>\$29,831,060</u></b>

<sup>1</sup> Pursuant to applicable constitutional and statutory provisions this indebtedness is deductible from gross indebtedness for debt limit purposes.

Source: Annual Reports of the respective units for the most recently available fiscal year from the office of the NYS Comptroller or more recently published Official Statements.

## Bonded Debt Service

The following table reflects the debt service requirements to maturity on the Village's outstanding bonded debt as of May 20, 2026 (figures rounded):

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
<u>May 31st</u>			
2027	\$790,000	\$200,363	\$990,363
2028	810,000	176,950	986,950
2029	830,000	152,650	982,650
2030	850,000	127,600	977,600
2031	860,000	102,100	962,100
2032	370,000	76,150	446,150
2033	375,000	64,975	439,975
2034	375,000	52,675	427,675
2035	215,000	41,700	256,700
2036	220,000	33,000	253,000
2037	230,000	24,000	254,000
2038	240,000	14,600	254,600
2039	<u>245,000</u>	<u>4,900</u>	<u>249,900</u>
<b>TOTALS</b>	<b><u>\$6,410,000</u></b>	<b><u>\$1,071,663</u></b>	<b><u>\$7,481,663</u></b>

## Debt Outstanding End of Fiscal Year

As of May 31:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Bonds	\$6,685,000	\$6,150,000	\$5,565,000	\$7,790,000	\$7,185,000
Bond Anticipation Notes	0	0	0	0	0
Installment Purchase Debt	0	<u>180,994</u>	<u>142,337</u>	<u>522,011</u>	<u>421,006</u>
Total Debt Outstanding	<u>\$6,685,000</u>	<u>\$6,330,994</u>	<u>\$5,707,337</u>	<u>\$8,312,011</u>	<u>\$7,606,006</u>

Source: Village of Babylon Audits

## Capital Project Plans

After the issuance of the Notes, the Village will have the following authorized and unissued debt:

<u>Purposes</u>	<u>Date</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
	<u>Authorized</u>	<u>Authorized</u>	<u>Issued</u>	<u>Unissued</u>
Acquisition of a new hook and ladder fire truck for use by the Fire Department	02/10/2026	\$1,941,135	\$0	\$1,941,135
Construction of improvements to bulkheads at various locations in the Village	02/10/2026	<u>5,150,000</u>	<u>300,000</u>	<u>4,850,000</u>
Totals:		<u>\$7,091,135</u>	<u>\$300,000</u>	<u>\$6,791,135</u>

## REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the Village default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. The Notes are general obligation contracts between the Village and the owners for which the faith and credit of the Village are pledged and while remedies for enforcement of payment are not expressly included in the Village's contract with such owners, any permanent repeal by statute or constitutional amendment of a note holder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes, at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the Village. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such Notes from funds lawfully available therefor or, in the absence thereof, to order the Village to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the Village and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on the Notes, the owners of such Notes could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the Village to assess, levy and collect an *ad valorem* tax, upon all taxable property of the Village subject to taxation by the Village, sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to

postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of holders of bonds or notes of the Village, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Village.

Pursuant to Article VIII, Section 2 of the State Constitution, the Village is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of holders of bonds or notes, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Village should be considered with reference, specifically, to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended ("Chapter IX") and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Chapter IX permits any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts (i) to file a petition in a Court of Bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized to do so by applicable state law; (ii) directs such a petitioner to file with the court a list of a petitioner's creditors; (iii) provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; (iv) grants priority to debt owed for services or material actually provided within three (3) months of the filing of the petition; (v) directs a petitioner to file a plan for the adjustment of its debts; and (vi) provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3) in amount or more than one-half (1/2) in number of the listed creditors.

Bankruptcy proceedings by the Village could have adverse effects on holders of bonds or notes including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the Village after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c)

imposition without their consent of a reorganization plan reducing or delaying payment of the Notes. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent”. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the Village, may become subject to Chapter IX and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has enacted legislation establishing financial control boards and fiscal stability authorities to monitor finance matters and restructure outstanding indebtedness for the Cities of Yonkers, Troy and Buffalo and for the Counties of Nassau and Erie. Similar active intervention pursuant to State legislation to relieve fiscal stress for the Village in the future cannot be assured.

No current state law purports to create any priority for holders of the Notes should the Village be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The above references to the Bankruptcy Act are not to be construed as an indication that the Village is currently considering or expects to resort to the provisions of the Bankruptcy Act.

### ***Financial Control Boards***

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the Cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and in certain cases approve or disapprove collective bargaining agreements. Implementation is generally left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, upon the issuance of a certificate of necessity of the Governor reciting facts which in the judgment of the Governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of a local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene in the finances and operations of entities such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The Village has not applied to the FRB and does not reasonably anticipate submission of a request to the FRB for a comprehensive review of its finances and operations. School districts and fire districts are not eligible for FRB assistance.

### ***No Past Due Debt***

No principal or interest payment on Village indebtedness is past due. The Village has never defaulted in the payment of the principal of and/or interest on any indebtedness.

## **LITIGATION**

The Village is subject to a number of lawsuits in the ordinary conduct of its affairs. In addition, several tax certiorari claims for refunds of prior year's property taxes are currently pending, the final outcome of which is not presently determinable. The Village does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the Village. (See "TAX INFORMATION - Tax Certiorari Matters" herein)

## **OFFICE OF THE NEW YORK STATE COMPTROLLER'S FISCAL STRESS MONITORING SYSTEM**

The New York State Comptroller has reported that New York State's municipalities and school districts are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System, ("FSMS"), to provide independent, objective and quantifiable information to municipal and school district officials and the general public regarding the various levels of fiscal stress, under which the State's municipalities and school districts are operating.

The fiscal stress scores are calculated using financial data that is filed in annual update documents (AUDs) by each local government and in annual financial reports (ST-3s) for each school district. Using financial indicators that include year-end fund balances, cash positions, patterns of operating deficits and types of debt issuance, the system creates an overall fiscal stress score. The maximum fiscal stress score which can be assigned is 100%. Classifications are based on the following scores between: 100% to 65% - "significant fiscal stress," 64.9% to 55% - "moderate fiscal stress," 54.9% to 45% - "susceptible fiscal stress," and 44.9% to 0% - "no designation." A "no designation" should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, does not generate sufficient points to place them in one of the three established stress categories. (See also "FINANCIAL INFORMATION - New York State Comptroller's Office Fiscal Stress Designation" herein.)

A copy of the "Fiscal Stress Monitoring System Report" is available on the website of the Office of the New York State Comptroller, <http://www.osc.state.ny.us>. It is being provided for informational purposes only. The information or links contained therein or any other website, which might be contained herein, are not a part of this Official Statement, unless stated otherwise. Furthermore, reference to such website(s) implies no warranty to the accuracy of its content and that accessing such website(s) is void of cybersecurity risk.

## **RISK FACTORS**

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The Village's credit rating could be affected by circumstances beyond the Village's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of Village property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the Village's credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Note is sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the Village to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The Village is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The availability of such monies and the timeliness of such payment may be affected by a delay in the adoption of the State budget and other circumstances, including State fiscal stress. State aid appropriated and apportioned to the Village can be paid only if the State has such monies available therefore. Should the Village fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State Aid or its elimination, the Village is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the Village will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon the Village requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "THE VILLAGE - State Aid" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "TAX MATTERS" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Village, without providing exclusion for debt service on obligations issued by municipalities and fire districts, including the Village, may affect the market price and/or marketability for the Notes. (See "TAX INFORMATION - The Tax Levy Limit Law" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the Village could impair the financial condition of such entities, including the Village and the ability of such entities, including the Village to pay debt service on the Notes.

An outbreak of disease or similar public health threat, similar to COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Village's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. In the recent past, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, spread globally, including to the United States, and had been declared a pandemic by the World Health Organization. The resurgence and/or spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the Village. The Village is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "THE VILLAGE - State Aid" herein.)

## **LEGAL MATTERS**

The legality of the authorization, sale and issuance of the Notes will be subject to the delivery of the respective approving legal opinions of Hawkins Delafield & Wood LLP, the form of which appears in "Appendix D" hereto.

## TAX MATTERS

### *Opinion of Bond Counsel*

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Village, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. The Tax Certificate of the Village (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Village in connection with the Notes, and Bond Counsel has assumed compliance by the Village with certain provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Village, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

### *Certain Ongoing Federal Tax Requirements and Certifications*

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Village, in executing the Tax Certificate, will certify to the effect that the Village will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

### *Certain Collateral Federal Tax Consequences*

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes. Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### *Original Issue Discount*

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is

not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Tax-Exempt Discount Note”), OID that has accrued and is properly allocable to the owners of the Tax-Exempt Discount Note under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series A Notes.

In general, under Section 1288 of the Code, OID on a Tax-Exempt Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Tax-Exempt Discount Note. An owner’s adjusted basis in a Tax-Exempt Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Tax-Exempt Discount Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Tax-Exempt Discount Note even though there will not be a corresponding cash payment.

Owners of Tax-Exempt Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Tax-Exempt Discount Notes.

### ***Bond Premium***

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Tax-Exempt Premium Note”). In general, under Section 171 of the Code, an owner of a Tax-Exempt Premium Note must amortize the bond premium over the remaining term of the Tax-Exempt Premium Note, based on the owner’s yield over the remaining term of the Tax-Exempt Premium Note, determined based on constant yield principles (in certain cases involving a Tax-Exempt Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Tax-Exempt Premium Note must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a Tax-Exempt Premium Note, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Tax-Exempt Premium Note may realize a taxable gain upon disposition of the Tax-Exempt Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Tax-Exempt Premium Note should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Tax-Exempt Premium Notes.

### ***Information Reporting and Backup Withholding***

Information reporting requirements apply to interest on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient. If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

### ***Miscellaneous***

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes.

Prospective purchasers should consult their own tax advisors regarding the foregoing matters.

### **BOND RATING**

On May 19, 2026 S&P Global Ratings lowered the Village's long term rating on its general obligation debt outstanding to "AA-" from "AA". The outlook is stable. An explanation of the significance of such rating, should be obtained from S&P Global, 55 Water Street, New York, New York 10041 (212) 438-2066.

Such rating actions reflects only the view of such rating agencies. An explanation of the significance of such rating(s), should be obtained from S&P Global, 55 Water Street, New York, New York 10041 (212) 438-2000. There can be no assurance that such rating will not be changed or withdrawn if, in the judgment of such rating agency, circumstances so warrant.

### **DISCLOSURE UNDERTAKING**

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, at the time of delivery of the Notes, the Village will provide an executed copy of its "Undertaking to Provide Notices of Events", substantially as set forth in "Appendix C", hereto.

### **Compliance History**

The Village filed its FY 2022 Financial Information and Operating Data disclosure on March 1, 2023, one day late. A late notice was filed concurrently with the filing of such disclosure undertaking.

### **MUNICIPAL ADVISOR**

Liberty Capital Services, LLC, Garden City, New York (the "Financial Advisor") has served as the independent Financial Advisor to the Village in connection with this transaction.

The Financial Advisor is a financial advisory and consulting firm and is not engaged in the business of public accounting, underwriting, marketing or trading of municipal securities or any other negotiated financial instrument(s) and therefore will not participate in the underwriting of the Notes. The Financial Advisor has not been engaged nor has audited, authenticated or otherwise verified the information provided by the Village, information available to the Village or other information from independent sources believed to be reliable and available to the Village and set forth in this Official Statement. No guarantee, warranty, or other representation is made by the Financial Advisor respecting the accuracy and completeness of information or any other matter related to such information and this Official Statement.

### **MISCELLANEOUS**

The statements contained in this Official Statement and the appendices hereto that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "illustrate," "example," and "continue," or the singular, plural, negative or other derivations of these or other comparable terms. In addition, Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to such parties on the date of this Official Statement, and the Village assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying

assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material.

Neither this Official Statement nor any other statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

This Official Statement has been duly executed and delivered by the Village Treasurer of the Village of Babylon. Additional information may be obtained from the office of the Village Treasurer (631) 587-6270 or Liberty Capital Services, LLC (516) 877-0797, the Village's municipal advisor.

**Dated: Babylon, New York  
May 20, 2026**

**/s/Andrew Reichel  
Village Treasurer**

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**Inc. Village of Babylon**  
**Revenues, Expenditures and Fund Balances - General Fund**

**APPENDIX A**

Year Ended May. 31st:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<b><u>REVENUES</u></b>					
Real Property Taxes	\$6,721,792	\$7,003,355	\$7,119,134	\$7,425,070	\$7,951,549
Real Property Tax Items	31,646	18,038	19,705	16,779	22,252
Non- property Tax Items	561,032	586,034	633,327	606,004	613,740
Departmental Income	1,828,893	2,093,603	2,224,490	2,097,643	3,119,072
Intergovernmental Charges	136,742	136,367	136,592	146,592	152,146
Use of Money and Property	62,488	86,795	97,186	217,562	160,296
Licenses and Permits	31,275	21,580	34,360	57,330	48,145
Fines and Forfeitures	331,674	496,333	766,882	678,691	632,724
Minor Sales & Compensation for Loss	0	107,589	4,864	2,843	2,030
Miscellaneous Local Sources	8,336	242,492	158,007	145,948	180,436
Federal Aid, State Aid, Grants, and Donations	<u>871,329</u>	<u>1,330,172</u>	<u>1,530,235</u>	<u>746,689</u>	<u>1,461,253</u>
<b>Total Revenues</b>	<b><u>10,585,207</u></b>	<b><u>12,122,358</u></b>	<b><u>12,724,782</u></b>	<b><u>12,141,151</u></b>	<b><u>14,343,643</u></b>
<b><u>EXPENDITURES</u></b>					
General Government Support	2,398,735	2,336,701	2,515,270	2,716,071	2,854,068
Public Safety	1,167,659	1,324,920	1,486,241	1,573,091	1,539,711
Health	1,000	1,000	904	481	481
Transportation	1,739,402	1,474,245	1,985,210	2,168,038	2,804,316
Economic Opportunity and Development	11,553	7,720	11,531	16,636	16,563
Culture & Recreation	1,013,087	1,432,843	1,222,358	1,368,679	1,504,627
Home & Community Services	1,153,602	1,259,683	1,191,034	1,294,917	1,071,379
Employee Benefits	2,550,988	3,363,343	3,157,126	3,175,487	3,232,812
Debt Service	<u>1,099,794</u>	<u>738,372</u>	<u>798,474</u>	<u>796,774</u>	<u>936,049</u>
<b>Total Expenditures</b>	<b><u>11,135,820</u></b>	<b><u>11,938,827</u></b>	<b><u>12,368,148</u></b>	<b><u>13,110,174</u></b>	<b><u>13,960,006</u></b>
<b>Excess (Deficiency) of Revenues over</b>	<b>(550,613)</b>	<b>183,531</b>	<b>356,634</b>	<b>(969,023)</b>	<b>383,637</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from obligations	0	0	0	63,496	0
Insurance recoveries	21,675	16,151	40,118	7,368	2,991
Transfers In	0	0	0	0	0
Transfers Out	0	(381,974)	0	0	0
Proceeds from Sale of Assets	<u>44,350</u>	<u>8,000</u>	<u>25,500</u>	<u>23,626</u>	<u>11,500</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>66,025</u></b>	<b><u>(357,823)</u></b>	<b><u>65,618</u></b>	<b><u>94,490</u></b>	<b><u>14,491</u></b>
<b>Excess of Revenues and Other Sources Over</b>					
<b>(Under) Expenditures and Other Uses</b>	<b>(484,588)</b>	<b>(174,292)</b>	<b>422,252</b>	<b>(874,533)</b>	<b>398,128</b>
<b>Fund Balance Beginning of Year</b>	<b>4,613,254</b>	<b>4,128,666</b>	<b>3,954,374</b>	<b>4,492,558</b>	<b>3,618,025</b>
<b>Beginning Balance Adjustment</b>	<b>0</b>	<b>0</b>	<b><u>115,932</u></b>	<b>0</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b><u>\$4,128,666</u></b>	<b><u>\$3,954,374</u></b>	<b><u>\$4,492,558</u></b>	<b><u>\$3,618,025</u></b>	<b><u>\$4,016,153</u></b>

Source: Audited financial statements of the Village. Summary itself not audited.

**Inc. Village of Babylon**  
**Comparison of Budget and Actual Results - General Fund**

**APPENDIX A-1**

Year Ended May 31:	2025		2026	2027
	Adopted Budget	Budgetary Actual	Adopted Budget	Adopted Budget
<b>REVENUES</b>				
Real Property Taxes	\$7,933,940	\$7,951,549	\$8,761,839	\$9,255,316
Real Property Tax Items	20,000	22,252	20,000	25,000
Non- property Tax Items	640,000	613,740	645,000	620,000
Departmental Income	2,212,000	3,119,072	2,777,000	3,031,850
Intergovernmental Charges	146,300	152,146	146,300	170,450
Use of Money and Property	40,000	50,048	50,000	30,000
Licenses and Permits	29,000	48,145	48,000	52,000
Fines and Forfeitures	825,000	632,724	825,000	775,000
Minor Sales and Comp. for Loss	1,000	2,030	1,000	1,000
State and Federal Aid	1,200,785	1,461,253	1,200,785	1,220,785
Miscellaneous and Local Sources	<u>93,946</u>	<u>180,436</u>	<u>100,704</u>	<u>125,912</u>
<b>Total Revenues</b>	<u>13,141,971</u>	<u>14,233,395</u>	<u>14,575,628</u>	<u>15,307,313</u>
<b>EXPENDITURES</b>				
General Government Support	2,908,450	2,854,068	3,401,400	3,473,250
Public Safety	1,682,360	1,539,711	1,754,500	1,877,950
Health	1,000	481	1,000	1,200
Transportation	1,745,500	2,804,316	2,118,000	2,357,000
Economic Opportunity and Development	14,000	16,563	15,000	13,000
Culture & Recreation	1,418,900	1,504,627	1,547,010	1,536,450
Home & Community Services	1,171,600	1,071,379	1,117,400	1,010,600
Employee Benefits	3,409,500	3,246,463	3,581,500	3,770,000
Debt Service	<u>790,661</u>	<u>936,049</u>	<u>1,039,818</u>	<u>1,267,863</u>
<b>Total Expenditures</b>	<u>13,141,971</u>	<u>13,973,657</u>	<u>14,575,628</u>	<u>15,307,313</u>
Excess of Revenues over (under) Expenditures	0	259,738	0	0
<b>OTHER FINANCING SOURCES (USES):</b>				
Interfund Transfers In	0	0	0	0
Interfund Transfers Out	<u>0</u>	0	<u>0</u>	<u>0</u>
Premium on Debt Issuance	0	0	0	0
Proceeds from asset sales	0	11,500	0	0
Insurance recoveries	<u>0</u>	<u>2,991</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>14,491</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$0</u>	<u>\$274,229</u>	<u>\$0</u>	<u>\$0</u>

Source: Audited financial statements of the Village. Summary itself not audited.

**Inc. Village of Babylon**  
**Balance Sheets- General Fund**

**APPENDIX A-2**

As of May 31:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$1,360,923	\$1,872,690	\$3,282,554	\$2,564,680	\$2,084,911
Cash and Cash Equivalents-Restricted	2,461,307	16,963	15,549	34,261	33,382
Investment Account	602,479	600,062	0	0	0
Investments Restricted	975,485	0	0	0	0
Accounts Receivable	244,940	88,593	118,406	122,118	191,082
State and Federal Aid Receivable	0	100,452	502,076	446,517	125,423
Prepaid Expenditures	127,781	106,059	156,914	264,925	364,550
Tax Sale Certificates	7,556	53,441	54,789	65,572	53,888
Due From Other Governments	0	0	80,230	58,542	76,185
Length of Service Award Program	0	3,011,352	3,002,978	3,312,908	3,436,807
Due From Other Funds	<u>0</u>	<u>33,900</u>	<u>0</u>	<u>1,935</u>	<u>93,096</u>
<b>TOTAL ASSETS</b>	<b><u>\$5,780,471</u></b>	<b><u>\$5,883,512</u></b>	<b><u>\$7,213,496</u></b>	<b><u>\$6,871,458</u></b>	<b><u>\$6,459,324</u></b>
 <u>LIABILITIES, DEFERRED REVENUE/ INFLOWS OF RESOURCES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable and Accrued Expenses	\$299,017	\$349,957	\$392,908	\$628,533	\$479,058
Guaranty and Bid Deposits	66,255	66,146	69,590	61,435	70,482
Unearned Revenue	0	0	214,973	0	17,186
Due to Other Funds	156,232	0	0	1,020,000	520,000
Due to Agency Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities</b>	<b><u>521,504</u></b>	<b><u>416,103</u></b>	<b><u>677,471</u></b>	<b><u>1,709,968</u></b>	<b><u>1,086,726</u></b>
Deferred Inflows of Resources:					
Deferred Revenue - Real Property Taxes	7,556	53,441	54,789	65,572	53,888
Unavailable Grant Revenue	0	0	0	439,876	0
Taxes Collected In Advance	<u>1,122,745</u>	<u>1,459,594</u>	<u>1,988,678</u>	<u>1,038,017</u>	<u>1,302,557</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>1,130,301</u></b>	<b><u>1,513,035</u></b>	<b><u>2,043,467</u></b>	<b><u>1,543,465</u></b>	<b><u>1,356,445</u></b>
Fund Balance:					
Nonspendable	127,781	106,059	156,914	264,925	364,550
Restricted	3,436,792	3,028,315	3,018,527	3,347,169	3,470,189
Assigned	113,296	0	17,150	0	0
Unassigned	<u>450,797</u>	<u>820,000</u>	<u>1,299,967</u>	<u>5,931</u>	<u>181,414</u>
<b>Total Fund Balance</b>	<b><u>4,128,666</u></b>	<b><u>3,954,374</u></b>	<b><u>4,492,558</u></b>	<b><u>3,618,025</u></b>	<b><u>4,016,153</u></b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, and FUND BALANCE</b>	 <b><u>\$5,780,471</u></b>	 <b><u>\$5,883,512</u></b>	 <b><u>\$7,213,496</u></b>	 <b><u>\$6,871,458</u></b>	 <b><u>\$6,459,324</u></b>

Source: Audited financial statements of the Village. Summary itself not audited.

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INCORPORATED VILLAGE OF BABYLON  
BABYLON, NEW YORK

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FINANCIAL STATEMENTS

MAY 31, 2025

“Such Independent Auditor’s Report, Management’s Discussion and Analysis, Basic Financial Statements, Notes to Financial Statements and Required Supplementary Information were prepared as of the date thereof and have not been reviewed and/or updated in conjunction with the preparation and dissemination of this Official Statement.”



INCORPORATED VILLAGE OF BABYLON

BABYLON, NEW YORK

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FINANCIAL STATEMENTS

MAY 31, 2025

## Table of Contents

	<b>Page(s)</b>
<b>Independent Auditors' Report</b>	1 - 3
<b>Management's Discussion and Analysis</b>	4 - 9
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Governmental Fund Financial Statements:	
Balance Sheets	12
Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Position	13
Statements of Revenues, Expenditures and Change in Fund Balances	14
Reconciliation of the Statements of Revenues, Expenditures and Change in Fund Balances of the Governmental Funds to the Statement of Activities	15
<b>Notes to the Financial Statements</b>	16 - 40
<b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures and Change in Fund Balance Budget and Actual - General Fund	41
Schedule of the Local Government's Proportionate Share of the Net Pension Liability (Asset)	42
Schedule of Local Government Contributions	43
Schedule of Changes in the Village's Total Pension Liability - Fire Department	44
Schedule of Changes in Total OPEB Liability and Related Ratios	45



## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Incorporated Village of Babylon  
Babylon, New York

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of Babylon, as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise the Incorporated Village of Babylon's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Incorporated Village of Babylon, as of May 31, 2025, 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.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Incorporated Village of Babylon and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Incorporated Village of Babylon's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Incorporated Village of Babylon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Incorporated Village of Babylon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, local government's proportionate share of the net pension liability (asset), local government contributions, changes in the Village's total pension liability – fire department, and changes in total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

*Skinnon and Faber, CPAs, P.C.*

SKINNON AND FABER, CPAs, P.C.  
Hauppauge, New York  
November 22, 2025

## **INCORPORATED VILLAGE OF BABYLON**

### **Management's Discussion and Analysis (Unaudited)**

The Board of Trustees of the Incorporated Village of Babylon (the "Village"), would like to offer readers of the Village's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended May 31, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements, which immediately follow this section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The Statement of Net Position and the Statement of Activities provide information about the activities of the Village as a whole and present a long-term view of the Village's finances. Fund financial statements report how Village activities were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail by providing information about the Village's most significant funds. The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by the required supplementary information, which supports the financial statements with a comparison of the Village's General Fund budget for the year, as well as the schedule of the local government's proportionate share of the net pension liability (asset), the schedule of local government contributions, the schedule of changes in the Village's total pension liability – fire department, and the schedule of changes in total OPEB liability and related ratios.

## FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

### Net Position

The Village's total net position increased by \$1,284,327 for the fiscal year ended May 31, 2025. A condensed summary of the Village's Statement of Net Position for the current year is detailed below:

#### **Condensed Statement of Net Position - Governmental Activities**

	<u>May 31, 2025</u>	<u>May 31, 2024</u>
Assets		
Current and Other Assets	\$ 6,591,971	\$ 6,940,076
Capital Assets (net)	<u>27,085,259</u>	<u>26,389,197</u>
Total Assets	<u>33,677,230</u>	<u>33,329,273</u>
Deferred Outflows of Resources	<u>2,281,986</u>	<u>2,956,188</u>
Liabilities		
Current and Other Liabilities	528,781	807,680
Long-Term Liabilities	<u>31,671,596</u>	<u>32,163,816</u>
Total Liabilities	<u>32,200,377</u>	<u>32,971,496</u>
Deferred Inflows of Resources	<u>3,287,724</u>	<u>4,127,177</u>
Net Position		
Net Investment in Capital Assets	20,597,495	18,722,551
Restricted	3,436,807	3,312,908
Unrestricted (deficit)	<u>(23,563,187)</u>	<u>(22,848,671)</u>
Total Net Position	<u>\$ 471,115</u>	<u>\$ (813,212)</u>

Net investment in capital assets is the Village's investment in capital assets such as buildings, improvements other than buildings, property improvements, equipment and infrastructure, reduced by accumulated depreciation and associated debt. This figure also includes land and construction in progress, which are not depreciated. More detailed information can be found in the Notes to the Financial Statements.

## Change in Net Position

The Statement of Activities reports the result of the current year's operations and the effect on net position in the accompanying financial statements. A summary of change in net position from operating results is shown below:

	<b>For the Years Ended</b>	
	<b><u>May 31, 2025</u></b>	<b><u>May 31, 2024</u></b>
<b>Revenues</b>		
Program Revenues:		
Fees, Fines and Charges for Services	\$ 3,952,087	\$ 2,980,256
Operating Grants and Contributions	12,203	224,650
Capital Grants and Contributions	645,920	594,538
General Revenues:		
Real Property Taxes and Related Tax Items	7,962,117	7,452,632
Non Property Taxes	613,740	606,004
Use of Money and Property	160,296	217,562
Minor Sales and Compensation for Loss	5,021	16,061
Miscellaneous Local Sources	180,436	145,948
State and Federal Aid	363,254	367,377
Total Revenues	<u>13,895,074</u>	<u>12,605,028</u>
<b>Expenses</b>		
Governmental Activities:		
General Government Support	3,410,143	2,988,926
Public Safety	2,780,220	2,271,528
Health	766	655
Transportation	2,219,135	1,823,317
Economic Assistance and Opportunity	16,563	16,636
Culture and Recreation	2,111,164	1,711,761
Home and Community Services	1,690,846	1,627,947
Interest on Debt	381,910	291,601
Total Expenses	<u>12,610,747</u>	<u>10,732,371</u>
Change in Net Position	1,284,327	1,872,657
Net Position - Beginning of Year	<u>(813,212)</u>	<u>(2,685,869)</u>
Net Position - End of Year	<u>\$ 471,115</u>	<u>\$ (813,212)</u>

## ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Village had an excess of revenues over expenses of \$1,284,327. This excess resulted in ending net position of \$471,115. Significant individual economic factors which affected these operating results are noted below.

The total revenue of the Village increased by \$1,290,046 as compared to the previous year. This was mainly a result of the increase in fees, fines and charges for services. The Village began collecting revenue relating to ambulance charges due to new legislation during the year, which was a new source of approximately \$450,000 in revenue that had not been collected in prior years. Building permit revenue also significantly increased compared to the prior year due to more building in the Village, as well as one substantial permit being issued during the year. The increase in revenue was also due to the real property tax levy increasing about \$500,000 as compared to the prior year.

Total expenses for the year increased by \$1,878,376 as compared to the previous year. General government support expenses increased \$421,217; public safety expenses increased \$508,692; transportation expenses increased \$395,818; and culture and recreation expenses increased \$399,403. The increase is due to a variety of factors including increased personnel costs and related benefits. Interest expenses on debt increased \$90,309 due to the increase in Village indebtedness due to a new bond issuance in the prior year, which the Village began making payments on in the current year.

## ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The General Fund Balance increased by \$398,128 to \$4,016,153. Of this amount, \$364,550 is considered nonspendable, as it relates to various prepaid items and prepaid bond interest, and \$3,470,189 is restricted for the Length of Service Award Program and bond premium. The remaining fund balance of \$181,414 is unassigned for Village operations.

The Capital Projects Fund recognized expenditures totaling \$186,421, resulting in an ending unrestricted fund deficit of (\$257,013) and restricted fund balance of \$1,118,760 related to unspent bond proceeds.

## BUDGETARY ANALYSIS

The Board approved multiple budget adjustments during the year. There was a significant revenue budget increase of \$607,000 for Departmental Income and \$152,000 to State and Federal Aid, due to the anticipation of additional funding. The following were significant expenditure budget increases: \$1,062,496 for transportation for maintenance of Village roads, and \$139,667 for debt service expenditures. There was also a significant expenditure budget decrease of \$141,746 for public safety personnel that were not hired and \$175,880 relating to employee benefits due to lower than anticipated retirement and health insurance costs.

The following variances exist between the final budget for the fiscal year ended May 31, 2025 and the actual results:

#### Revenues and Other Financing Sources

Total actual revenues and other financing sources were \$273,915 more than final budgeted amounts. Key areas with significant variances include:

- Departmental Income: Actual revenues were \$300,072 more than final budgeted amounts primarily due to higher than expected building inspection fees. A major building permit issued during the year generated \$126,100. Additionally, the Village had a new revenue source, ambulance charges, that has been conservatively budgeted.
- Fines and Forfeitures: Revenues were \$192,276 below budget. Ongoing construction in the Village's parking lots reduced enforcement of metered parking spaces, resulting in fewer summons issued.
- State and Federal Aid: Revenues were \$108,468 more than the final budgeted amount due to the receipt of a Community Development Block Grant (CBDG) and Downtown Revitalization Funds during the year. These funds has been anticipated in the prior fiscal year but became available too late to be recognized before year-end. As a result, they were included in current year revenue.

#### Expenditures

Actual expenditures were \$314 less than final budgeted amounts, with no significant variances noted.

These variations from budgeted amounts are not expected to affect future services or liquidity.

A schedule illustrating budgeted amounts compared to the Village's actual financial activity for the General Fund is provided in this report as required supplementary information.

### CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The Village's investment in capital assets as of May 31, 2025 totaled \$27,085,259 (net of accumulated depreciation). The net increase of \$696,062 reflects current acquisitions of \$2,161,224 which exceeded depreciation expense of \$961,088. Significant acquisitions during the year included paving, sidewalk and curb projects, as well as completion of the pool resurfacing project that has previously been in progress.

As of May 31, 2025, the Village had total bond indebtedness of \$7,185,000. Scheduled payments of \$605,000 were made during the year. The Village also had installment purchase debt totaling \$421,006, with \$101,005 in scheduled payments made during the year.

### CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

The current economic conditions of the Village mirrored those of the rest of the region. The administration has tried to contain expenses without sacrificing services to the residents.

## CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide the reader with a general overview of the Village's finances and to demonstrate the Village's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact:

Incorporated Village of Babylon  
Andrew Reichel, Village Treasurer  
153 West Main Street  
Babylon, New York 11702

**INCORPORATED VILLAGE OF BABYLON**  
**Statement of Net Position**  
**May 31, 2025**

**Assets**

Cash and Cash Equivalents	\$	2,084,911
Cash and Cash Equivalents - Restricted		468,225
Tax Sale Certificates		53,888
Accounts Receivable		191,082
Due from Other Governments		76,185
State and Federal Aid Receivable		125,423
Prepaid Expenses		155,450
Length of Service Award Program Asset - Restricted		3,436,807
Capital Assets (net)		27,085,259
<b>Total Assets</b>		<b>33,677,230</b>

**Deferred Outflows of Resources**

Net Pension		610,512
Length of Service Award Program		1,671,474
<b>Total Deferred Outflows of Resources</b>		<b>2,281,986</b>

**Liabilities**

Accounts Payable and Accrued Liabilities		399,170
Guaranty and Bid Deposits		70,482
Unearned Revenue		17,186
Accrued Interest		41,943
Long-term Liabilities:		
Due Within One Year:		
Bonds, Inclusive of Premiums		778,038
Installment Purchase Contract		105,368
Compensated Absences		58,857
Due in More Than One Year:		
Bonds, Inclusive of Premiums		6,440,794
Installment Purchase Contract		315,638
Compensated Absences		529,718
Net Pension Liability - Proportionate Share		1,429,006
Other Post-Employment Benefits Payable		12,226,890
Length of Service Award Program Liability		9,787,287
<b>Total Liabilities</b>		<b>32,200,377</b>

**Deferred Inflows of Resources**

Taxes Collected in Advance		1,302,557
Net Pension		70,113
Length of Service Award Program		1,915,054
<b>Total Deferred Inflows of Resources</b>		<b>3,287,724</b>

**Net Position**

Net Investment in Capital Assets		20,597,495
Restricted		3,436,807
Unrestricted (deficit)		(23,563,187)
<b>Total Net Position</b>	<b>\$</b>	<b>471,115</b>

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF BABYLON**  
**Statement of Activities**  
**For the Year Ended May 31, 2025**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>			<u>Net (Expense) / Revenue</u>
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General Government Support	\$ 3,410,143	\$ 945,804	\$ 12,203	\$ -	\$ (2,452,136)
Public Safety	2,780,220	1,828,881	-	-	(951,339)
Health	766	-	-	-	(766)
Transportation	2,219,135	29,677	-	558,420	(1,631,038)
Economic Assistance and Opportunity	16,563	-	-	-	(16,563)
Culture and Recreation	2,111,164	854,599	-	-	(1,256,565)
Home and Community Services	1,690,846	293,126	-	87,500	(1,310,220)
Interest on Debt	381,910	-	-	-	(381,910)
<b>Total Governmental Activities</b>	<b><u>\$ 12,610,747</u></b>	<b><u>\$ 3,952,087</u></b>	<b><u>\$ 12,203</u></b>	<b><u>\$ 645,920</u></b>	<b><u>(8,000,537)</u></b>

**GENERAL REVENUES**

Real Property Taxes and Related Tax Items	7,962,117
Non Property Tax Items	613,740
Use of Money and Property	160,296
Minor Sales and Compensation for Loss	5,021
Miscellaneous Local Sources	180,436
State and Federal Aid	363,254
Total General Revenues	<u>9,284,864</u>
Change in Net Position	1,284,327
Net Position - Beginning of Year	<u>(813,212)</u>
Net Position - End of Year	<u>\$ 471,115</u>

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF BABYLON**  
**Balance Sheets**  
**Governmental Funds**  
**May 31, 2025**

<b>Assets</b>	<b>General Fund</b>	<b>Capital Projects</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 2,084,911	\$ -	\$ 2,084,911
Cash and Cash Equivalents - Restricted	33,382	434,843	468,225
Tax Sale Certificates	53,888	-	53,888
Accounts Receivable	191,082	-	191,082
Due From Other Funds	93,096	520,000	613,096
Due From Other Governments	76,185	-	76,185
State and Federal Aid Receivable	125,423	-	125,423
Prepaid Expenses	364,550	-	364,550
Length of Service Award Program Asset - Restricted	3,436,807	-	3,436,807
<b>Total Assets</b>	<b>\$ 6,459,324</b>	<b>\$ 954,843</b>	<b>\$ 7,414,167</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 479,058	\$ -	\$ 479,058
Guaranty and Bid Deposits	70,482	-	70,482
Unearned Revenue	17,186	-	17,186
Due to Other Funds	520,000	93,096	613,096
<b>Total Liabilities</b>	<b>1,086,726</b>	<b>93,096</b>	<b>1,179,822</b>
Deferred Inflows of Resources:			
Real Property Taxes	53,888	-	53,888
Taxes Collected In Advance	1,302,557	-	1,302,557
<b>Total Deferred Inflows of Resources</b>	<b>1,356,445</b>	<b>-</b>	<b>1,356,445</b>
Fund Balances:			
Nonspendable	364,550	-	364,550
Restricted	3,470,189	1,118,760	4,588,949
Unassigned	181,414	(257,013)	(75,599)
<b>Total Fund Balances</b>	<b>4,016,153</b>	<b>861,747</b>	<b>4,877,900</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 6,459,324</b>	<b>\$ 954,843</b>	<b>\$ 7,414,167</b>

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF BABYLON**  
**Reconciliation of the Governmental Fund Balance Sheets**  
**to the Statement of Net Position**  
**As of May 31, 2025**

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Total Fund Balance - Total Governmental Funds	\$ 4,877,900
<p>This amount differs from the amount of net position in the Statement of Net Position due to the following:</p>	
<p>Revenues that are earned and measurable but not available to provide current financial resources are deferred in the fund financial statements, but are recognized as revenue in the government-wide financial statements and are added.</p>	53,888
<p>Amounts for prepaid serial bond principal and interest are recognized as expenses in the government-wide financial statements and are deducted.</p>	(209,100)
<p>Capital assets are included as assets in the government-wide financial statements and are added, net of accumulated depreciation.</p>	27,085,259
<p>Deferred outflows of resources related to the following are not reported in the governmental funds:</p>	
Net Pension	610,512
Length of Service Award Program	1,671,474
<p>A liability for New York State and Local Retirement System is recorded in the governmental funds and is not reported in the Statement of Net Position, as it is applied to deferred inflows of resources and is added.</p>	79,888
<p>Accrued interest applicable to the governmental activities is not due and payable in the current period and, accordingly, is not reported in the governmental funds. However, these liabilities are included as liabilities in the government-wide financial statements and are deducted.</p>	(41,943)
<p>Long-term liabilities do not require the use of current financial resources and, accordingly, are not reported in the governmental funds. These liabilities are, however included in the government-wide financial statements and are deducted:</p>	
Bonds, Inclusive of Premiums	(7,218,832)
Installment Purchase Contract	(421,006)
Compensated Absences	(588,575)
Net Pension Liability - Proportionate Share	(1,429,006)
Other Post-Employment Benefits Payable	(12,226,890)
Length of Service Award Program Liability	(9,787,287)
<p>Deferred inflows of resources related to the following are not reported in the governmental funds:</p>	
Net Pension	(70,113)
Length of Service Award Program	(1,915,054)
Total Net Position	\$ 471,115

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF BABYLON**  
**Statements of Revenues, Expenditures and Change in Fund Balances**  
**Governmental Funds**  
**For the Year Ended May 31, 2025**

	<b>General Fund</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Revenues:</b>			
Real Property Taxes	\$ 7,951,549	\$ -	\$ 7,951,549
Real Property Tax Items	22,252	-	22,252
Non Property Tax Items	613,740	-	613,740
Departmental Income	3,119,072	-	3,119,072
Intergovernmental Charges	152,146	-	152,146
Use of Money and Property	160,296	-	160,296
Licenses and Permits	48,145	-	48,145
Fines and Forfeitures	632,724	-	632,724
Minor Sales and Compensation for Loss	2,030	-	2,030
Miscellaneous Local Sources	180,436	-	180,436
State and Federal Aid	1,461,253	-	1,461,253
Total Revenues	14,343,643	-	14,343,643
<b>Expenditures:</b>			
General Government Support	2,854,068	1,810	2,855,878
Public Safety	1,539,711	-	1,539,711
Health	481	-	481
Transportation	2,804,316	37,975	2,842,291
Economic Assistance and Opportunity	16,563	-	16,563
Culture and Recreation	1,504,627	45,580	1,550,207
Home and Community Services	1,071,379	16,642	1,088,021
Employee Benefits	3,232,812	-	3,232,812
Debt Service	936,049	84,414	1,020,463
Total Expenditures	13,960,006	186,421	14,146,427
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	383,637	(186,421)	197,216
<b>Other Financing Sources:</b>			
Proceeds from Sale of Assets	11,500	-	11,500
Insurance Recoveries	2,991	-	2,991
Total Other Financing Sources	14,491	-	14,491
<b>Net Change in Fund Balances</b>	398,128	(186,421)	211,707
<b>Fund Balances - Beginning of Year</b>	3,618,025	1,048,168	4,666,193
<b>Fund Balances - End of Year</b>	\$ 4,016,153	\$ 861,747	\$ 4,877,900

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF BABYLON**  
**Reconciliation of the Statements of Revenues, Expenditures and Change in**  
**Fund Balances of the Governmental Funds to the Statement of Activities**  
**For the Year Ended May 31, 2025**

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Net Change in Fund Balances for Total Governmental Funds	\$ 211,707
<p>This amount differs from the change in net position in the Statement of Activities because of the following:</p>	
<p>Amounts for prepaid serial bond interest are recognized as expenses in the government-wide financial statements and are deducted.</p>	47,190
<p>Capital outlays for acquisition of capital assets are recorded in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital Expenditures	1,657,150
Depreciation Expense	(961,088)
<p>Revenues are recorded in the governmental funds when they become susceptible to accrual, that is when they are measurable and available to provide current financial resources. In the Statement of Activities, revenues are recognized when they are earned and measurable, regardless of when they become available.</p>	(451,559)
<p>Net change in deferred outflows of resources not reported in the governmental funds related to:</p>	
Net Pension	(401,477)
Length of Service Award Program	(272,725)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds:</p>	
Accrued Interest	5,791
Employees' Retirement System Liability	13,125
Compensated Absences	(84,336)
Net Pension Liability - Proportionate Share	(126,182)
Other Post-Employment Benefits Payable	170,650
Length of Service Award Program Liability	(213,483)
<p>Net change in deferred inflows of resources not reported in the governmental funds related to:</p>	
Net Pension	612,613
Length of Service Award Program	491,380
<p>The repayment of the principle of long-term liabilities consumes the current financial resources of the governmental funds. However, the transaction does not have any effect on net position.</p>	585,571
Change in Net Position of Governmental Activities in the Statement of Activities	\$ 1,284,327

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of Babylon have been prepared in conformity with generally accepted accounting principles (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. The significant accounting policies of the Incorporated Village of Babylon are described below.

A. FINANCIAL REPORTING ENTITY

The Incorporated Village of Babylon (the "Village"), which was established in 1893, is governed by Village law, general laws of the State of New York, and various local laws. The Board of Trustees is the legislative body responsible for overall operations, the Mayor serves as chief executive officer, and the Treasurer serves as chief financial officer.

The following basic services are provided: refuse removal, road maintenance, street light maintenance, snow plowing, tree maintenance, swimming pool, boat docking, golf course, ambulance services, and fire protection.

All governmental activities and functions performed for the Village are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government, which is the Village, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement Numbers 14, 39 and 61.

The decision to include a potential component unit in the Village's reporting entity is based on several criteria set forth in GASB Statement Numbers 14, 39 and 61 including legal standing, fiscal dependency, and financial accountability.

B. BASIS OF PRESENTATION

1. Government-wide Financial Statements:

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Village. Any fiduciary activities of the Village are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Village's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Village are reported in three categories: 1) fees, fines and charges for services, 2) operating grants and contributions and 3) capital grants and contributions.

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

Certain eliminations have been made as prescribed by GASB Statement Number 34 in regards to interfund activities, payables and receivables. All interfund balances in the Statement of Net Position have been eliminated.

2. Fund Financial Statements:

The Village uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

The Village records its transactions in the fund types described below.

Fund Categories

**GOVERNMENTAL FUNDS** – Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon the determination of financial position and changes in financial position (the sources, uses, and balances of current financial resources). The following are the Village’s governmental fund types:

General Fund – the principal operating fund and includes all operations not accounted for and reported in another fund.

Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of capital facilities and other capital assets.

3. Equity Classifications:

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

*Net investment in capital assets* consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

Fund Financial Statements

GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), breaks fund balance out into five different classifications: nonspendable, restricted, committed, assigned, and unassigned.

*Nonspendable* consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

*Restricted* consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

*Committed* consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board is the decision-making authority that can, by resolution prior to the end of the fiscal year, commit fund balance.

*Assigned* consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.

*Unassigned* represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources are available from multiple classifications, the Village spends funds in the following order: restricted, committed, assigned, unassigned.

In the general fund, the Village strives to maintain an unassigned fund balance to be used for unanticipated emergencies that is not less than 10% but not more than 20% of the actual GAAP basis expenditures and other financing sources and uses.

**C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS**

Basis of accounting refers to when revenues and expenditures/expenses and the related assets, deferred outflows, liabilities and deferred inflows are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

measurement focus means all assets and liabilities are included in the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the liability is incurred.

*Modified Accrual Basis* – All governmental funds are accounted for using the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if collected within 60 days of the end of the current fiscal year.

Material revenues that are accrued include real property taxes, State and Federal Aid, mortgage tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from State and Federal grants are accrued when the expenditure is made, all other grant requirements have been met, and the resources are available.

Expenditures are recorded when the liability is incurred except that:

- Expenditures for prepaid expenses are generally recognized at the time of purchase.
- Principal and interest on indebtedness are recognized as expenditures when payment is due.
- Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as expenditures when payment is due.
- Pension costs are recognized as expenditures when billed by the State.
- Other Post-Employment Benefits are charged as expenditures when payment is due.
- Length of Service Award Program (LOSAP) costs are charged as expenditures when payment is due.

**D. CASH AND CASH EQUIVALENTS**

The Village considers all highly liquid instruments with a maturity of three months or less at the date of purchase to be cash equivalents.

**E. INVESTMENTS**

An investment is a security or other asset that a government holds primarily for the purpose of income or profit and with present service capacity that is based solely on its ability to generate cash or to be sold to generate cash. Capital assets held for resale are excluded from being classified as investments.

Investments are generally reported at fair value. There are, however, two exceptions: certificates of deposit, which are reported at cost, and external investment pools, which may elect to measure all investments at amortized cost if certain criteria (as outlined in GASB Statement Number 79) is met.

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

F. ACCOUNTS RECEIVABLE

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts have been provided since it is believed that such allowance would not be material.

G. CAPITAL ASSETS

Capital assets, which include land, construction in process, buildings, improvements other than buildings, property improvements, equipment, and infrastructure, are reported in the government-wide financial statements. The Village defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets and assets acquired in a service concession arrangement are recorded at acquisition value. Depreciation has been recorded using the straight-line method over 30 years for buildings, 20 years for improvements other than buildings, 30 years for property improvements, 5-30 years for equipment, and 50 years for infrastructure. Land and construction in progress are not depreciated.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures in governmental funds. Capital assets are not shown on governmental fund balance sheets.

H. PROPERTY TAXES

Real property taxes are levied annually no later than June 1 and become a lien after 30 days. A tax sale for unpaid taxes is held during the year at a time fixed by the Board of Trustees after which the unpaid taxes become a lien on the property.

General Municipal Law Section 3-c established a tax levy limit for local governments in New York State effective June 24, 2011. This law generally limits the amount by which local governments can increase property tax levies to 2% or the rate of inflation, whichever is less. The law does provide exclusions for certain specific costs and allows the governing board to override the tax levy limit with a supermajority vote.

I. BUDGETARY DATA

1. Budget Policies – The budget policies are as follows:

- a. No later than March 31, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than the first Monday in April, the governing board adopts the budget.

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

- c. All modifications of the budget must be approved by the governing board. (However, the Mayor is authorized to transfer certain budgeted amounts within departments).

2. Budget Basis of Accounting:

Budgets are adopted annually on a basis consistent with generally accepted accounting principles applicable to municipalities, with the exception of activity related to the Length of Service Award Programs.

J. COMPENSATED ABSENCES

Employees accrue vacation leave based primarily on the number of years but may accumulate no more than a maximum of 30 days. Upon separation from service, employees are paid for up to 30 days of accrued time.

Employees accrue sick leave at a rate of 13 days per year and may accumulate such credits up to a total of 180 days. Vested vacation and sick leave are recorded in the government-wide financial statements. At May 31, 2025, the Village had an estimated liability of \$588,575.

K. EMPLOYEE BENEFITS

Eligible Village employees participate in the New York State Employees' Retirement System (ERS). This is a cost sharing multiple-employer retirement system more fully disclosed in Part II Note B.2.

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their spouses, having worked ten years or more. Substantially all of the Village's employees, with ten or more years of service, may become eligible for these benefits if they reach normal retirement age while working for the Village.

Healthcare benefits and survivor benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the governmental funds in the year paid. The liability for other post-employment benefits payable is recorded as a long-term liability in the government-wide financial statements. The liability is estimated based on the most recent actuarial valuation in accordance with the parameters of GASB Statement Number 75.

L. LENGTH OF SERVICE AWARD PROGRAM

The Village sponsors the Village of Babylon Fire Department service award program and reports the service award program asset. These assets are required to be held in a trust by Article 11-A of the New York State General Municipal Law. The underlying assets are reported at fair value based on quoted market prices and include cash and money market deposits, bonds, exchange traded funds, and mutual funds.

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

**M. INSURANCE**

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The Village carries various insurance policies to mitigate any losses that might occur.

**N. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Accordingly, actual results may differ from those estimates. Estimates and assumptions are made in a variety of areas, including net pension liability (asset) amounts, other post-employment benefits, length of service award program amounts, and useful lives of capital assets.

**O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure/expense) until that time.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time.

**P. UNEARNED REVENUE**

Unearned revenues are reported when the Village receives resources before it has a legal claim to them as a result of an exchange transaction. In subsequent periods, when the funds are available, the liability for unearned revenues is removed and revenues are recorded.

**Q. NEW ACCOUNTING STANDARD**

During the fiscal year ended May 31, 2025, the Village adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement aligns the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this adoption had no material effect on the financial statements of the Village.

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

II. DETAIL NOTES ON ALL FUNDS

A. ASSETS

1. Cash and Investments:

The Village's cash and cash equivalents consist of cash on hand and time and demand deposits. The Village's investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Village Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of New York State or its localities, and a CLASS investment account with the Municipal Investors Service Corp., which has a collateral arrangement with a third-party custodial bank.

Collateral is required for demand deposits and certificates of deposit as provided for by law of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities.

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Village's custodial bank in the Village's name.

They consisted of:

Deposits

All deposits, including certificates of deposit, are carried at cost plus accrued interest.

Bank balances for the Village's deposits with financial institutions as of May 31, 2025 totaled \$2,438,169 and are covered by federal deposit insurance or third-party collateral as follows:

Amount FDIC Insured	\$ 500,000
Amount Collateralized by Third Parties	<u>1,938,169</u>
Total Balances	<u><u>\$ 2,438,169</u></u>

Investment Pool: The Village participates in a multi-municipal cooperative investment pool arrangement pursuant to New York State General Municipal Law Article 3A and 5-G, whereby it holds investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

The Village's investments of \$229,513 have been recorded as cash equivalents in the general fund. This amount represents the cost of the investment pool shares and is considered approximate to market value. The investment pool is categorically exempt from New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of the New York Cooperative Liquid Assets Securities System (NYCLASS), which may be obtained from NYCLASS, 717 17<sup>th</sup> Street, Suite 1850, Denver, CO 80202.

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

2. Fair Value Hierarchy:

Fair Value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Village categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorized the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observed in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest propriety level input that is significant to the entire measurement.

The Village's investments at May 31, 2025 as it relates to LOSAP is as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 292,345	\$ 292,345	\$ -	\$ -
Fixed Income	2,196,588	2,196,588	-	-
Equity Fund	947,874	947,874	-	-
Total	<u>\$ 3,436,807</u>	<u>\$ 3,436,807</u>	<u>\$ -</u>	<u>\$ -</u>

3. Property Taxes:

Total tax sale certificates of \$53,888 are offset by deferred revenue of the same amount. A total of \$1,302,557 of property taxes have been collected for the subsequent fiscal year and is included as a deferred inflow of resources in the General Fund.

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

4. Interfund Receivables, Payables, and Transfers:

As of May 31, 2025, the interfund receivables and payables were as follows:

	Amount Receivable	Amount Payable
General Fund	\$ 93,096	\$ 520,000
Capital Projects Fund	520,000	93,096
Totals	\$ 613,096	\$ 613,096

5. Changes in Capital Assets:

A summary of changes in capital assets follows:

	Balance May 31, 2024	Additions	Reductions	Balance May 31, 2025
Capital Assets That Are Not Depreciated:				
Land	\$ 7,614,201	\$ 61,772	\$ -	\$ 7,675,973
Construction in Progress	504,074	-	(504,074)	-
Total Nondepreciable Cost	8,118,275	61,772	(504,074)	7,675,973
Capital Assets That Are Depreciated:				
Buildings	2,998,556	-	-	2,998,556
Improvements Other Than Buildings	732,865	650,354	-	1,383,219
Property Improvements	4,608,770	-	-	4,608,770
Equipment	11,040,991	386,062	(207,295)	11,219,758
Infrastructure	16,034,276	1,063,036	-	17,097,312
Total Depreciable Cost	35,415,458	2,099,452	(207,295)	37,307,615
Less Accumulated Depreciation:				
Buildings	(2,998,556)	-	-	(2,998,556)
Improvements Other Than Buildings	(198,292)	(52,902)	-	(251,194)
Property Improvements	(2,823,688)	(90,291)	-	(2,913,979)
Equipment	(7,916,570)	(486,579)	207,295	(8,195,854)
Infrastructure	(3,207,430)	(331,316)	-	(3,538,746)
Total Accumulated Depreciation	(17,144,536)	(961,088)	207,295	(17,898,329)
Net Capital Assets That Are Depreciated	18,270,922	1,138,364	-	19,409,286
Grand Total	\$ 26,389,197	\$ 1,200,136	\$ (504,074)	\$ 27,085,259

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

<i>Governmental Activities</i>	
General Government Support	\$ 52,253
Public Safety	253,700
Transportation	294,428
Culture and Recreation	252,632
Home and Community Services	108,075
Total Depreciation Expense	\$ 961,088

**B. LIABILITIES**

1. Long-Term Liabilities:

- a. Outstanding indebtedness aggregated \$7,185,000.
- b. Serial Bonds

The Village borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are reflected in the government-wide financial statements. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

c. Other Long-Term Liabilities

In addition to the above long-term liabilities, the local government had the following non-current liabilities:

- **Installment Purchase Contracts** – Represents the remaining installments due on the purchases of equipment.
- **Compensated Absences** – Represents the value of earned and unused portion of the liability for compensated absences.
- **Net Pension Liability – Proportionate Share** – Represents the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributable to those employees' past periods of service.
- **Other Post-Employment Benefits (OPEB)** – Represents the non-current portion of the liability to current employees and retirees.
- **Length of Service Award Program (LOSAP)** – Represents the portion of the present value of projected benefit payments to be provided through the Length of Service Award Program.

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

d. The following is a summary of changes in long-term liabilities:

	Payable at beginning of fiscal year	Additions	Reductions	Payable at end of fiscal year	Due in One Year
Serial Bonds	\$ 7,790,000	\$ -	\$ (605,000)	\$ 7,185,000	\$ 775,000
Plus Premiums on Issuance	73,398	-	(39,566)	33,832	3,038
Total Serial Bonds	<u>7,863,398</u>	-	<u>(644,566)</u>	<u>7,218,832</u>	<u>778,038</u>
Installment Purchase Contracts	522,011	-	(101,005)	421,006	105,368
Compensated Absences	504,239	84,336	-	588,575	58,857
Net Pension Liability	1,302,824	126,182	-	1,429,006	-
OPEB Payable	12,397,540	1,006,060	(1,176,710)	12,226,890	-
LOSAP Liability	9,573,804	690,855	(477,372)	9,787,287	-
Total Long-Term Liabilities	<u>\$ 32,163,816</u>	<u>\$ 1,907,433</u>	<u>\$ (2,399,653)</u>	<u>\$ 31,671,596</u>	<u>\$ 942,263</u>

Additions and reductions to net pension liability and compensated absences are shown net since it is impractical to determine these amounts separately.

e. Long-Term Debt Maturity Schedule – Serial Bonds

The following is a statement of serial bonds with corresponding maturity schedules for the General Fund:

Original Date Issued	Original Amount	Rate %	Date Final Maturity	Outstanding at 5/31/2025
2018	\$ 5,526,000	2.00% - 3.00%	3/15/2031	\$ 2,810,000
2019	\$ 2,400,000	2.00% - 3.00%	8/1/2033	1,555,000
2023	\$ 2,820,000	3.00% - 4.00%	6/1/2038	2,820,000
				<u>\$ 7,185,000</u>

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

- f. The following table summarizes the Village's future debt service requirements for Serial Bonds:

Year Ending Date	Principal	Interest	Total
May 31:			
2026	\$ 775,000	\$ 222,406	\$ 997,406
2027	790,000	200,363	990,363
2028	810,000	176,950	986,950
2029	830,000	152,650	982,650
2030	850,000	127,600	977,600
2031-2035	2,195,000	337,600	2,532,600
2036-2039	935,000	76,500	1,011,500
Total	<u>\$ 7,185,000</u>	<u>\$ 1,294,069</u>	<u>\$ 8,479,069</u>

- g. In December 2021, the Village entered into an installment purchase contract for a street sweeper for a period of 5 years that calls for quarterly principal and interest payments of \$10,601. The annual interest rate is approximately 2.25%.

In October 2023, the Village entered into an installment purchase contract for a sanitation truck for a period of 7 years that calls for annual principal and interest payments of \$84,414. The annual interest rate is approximately 5.69%.

The equipment and related accumulated depreciation under the installment purchase contracts are as follows:

Equipment	\$ 676,298
Less: Accumulated Depreciation	<u>(141,445)</u>
Net Value	<u>\$ 534,853</u>

Future principal and interest payments to maturity are as follows:

Year Ending Date	Principal	Interest	Total
May 31:			
2026	\$ 105,367	\$ 21,451	\$ 126,818
2027	88,684	16,932	105,616
2028	71,508	12,906	84,414
2029	75,574	8,840	84,414
2030	79,873	4,542	84,415
Total	<u>\$ 421,006</u>	<u>\$ 64,671</u>	<u>\$ 485,677</u>

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

2. Pension Plan:

Description of Plan

The Village participates in the New York State and Local Employees' Retirement System (ERS or the System). The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary 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 2022, he was elected for a new term commencing January 1, 2023.

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. Generally, members of the System are employees, other than teachers, of the State and its municipalities, other than New York City.

ERS is a cost sharing, multiple-employer defined benefit pension plan. The System is included in the State of New York's financial report as a pension trust fund. The Public Employees' Group Life Insurance Plan (GLIP) provides death benefits in the form of life insurance. In these statements, GLIP amounts are apportioned to and included in ERS.

Separately issued financial statements for the System can be accessed on the Comptroller's website at [www.osc.ny.gov/retirement/resources/financial-statements-and-supplementary-information](http://www.osc.ny.gov/retirement/resources/financial-statements-and-supplementary-information).

Employer Contributions

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2025 was approximately 15.2% of covered payroll. Delinquent annual bills for employer contributions accrue interest at the actuarial interest rate applicable during the year. For the fiscal year ended March 31, 2025, the applicable interest rate was 5.9%.

Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

2024-25	\$	428,705
2023-24		385,632
2022-23		325,767

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

Member Contributions

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At May 31, 2025, the Village reported a liability of \$1,429,006 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At May 31, 2025, the Village's proportion was 0.0083345%, which was a decrease of 0.0005138% from its proportion measured at March 31, 2024.

For the year ended May 31, 2025, the Village recognized pension expense of \$343,750. At May 31, 2025, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 354,689	\$ 16,731
Change of Assumptions	59,930	-
Net Difference Between Projected and Actual Investment Earning on Pension Plan Investments	112,116	-
Changes in Proportion and Differences Between Employer Contribution and Proportionate Share of Contributions	<u>83,777</u>	<u>53,382</u>
Total	<u>\$ 610,512</u>	<u>\$ 70,113</u>

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

There were no amounts reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date. 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 Ended March 31:

2026	\$ 268,382
2027	380,045
2028	(116,492)
2029	8,464
2030	-
Thereafter	-
	\$ 540,399

Pension Plan Fiduciary Net Position

The components of the collective net pension liability of the employers participating in the System as of March 31, 2025 were as follows:

	Employees' Retirement System (Dollars in Thousands)
Employers' total pension liability	\$ 247,600,239
Fiduciary net position	(230,454,512)
Employers' net pension liability	\$ 17,145,727

Ratio of fiduciary net position to the employers' total pension liability	93.08%
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Actuarial Assumptions

The total pension liability at March 31, 2025 was determined using a roll forward procedure to advance the liability calculated using system assumptions and member demographics from the actuarial valuation completed as of April 1, 2024.

Economic assumptions used in the April 1, 2024 actuarial valuation include:

Inflation	2.9%
Salary increases	4.3%
Investment rate of return (net of investment expense, including inflation)	5.9%
Cost-of-living adjustments	1.5%

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

To set the long-term expected rate of return on pension plan investments, consideration was given to a building-block method using best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Demographic assumptions used in the April 1, 2024 actuarial valuation are based on the results of an actuarial experience study completed April 1, 2020. Demographic assumptions are primarily based on System experience over the period April 1, 2015 – March 31, 2020. Annuitant mortality rates are adjusted to incorporate mortality improvements under the Society of Actuaries' Scale MP-2021.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	25 %	3.54 %
International equity	14	6.57
Private equity	15	7.25
Real estate	12	4.95
Opportunistic/ARS portfolio	3	5.25
Credit	4	5.40
Real assets	4	5.55
Fixed income	22	2.00
Cash	1	0.25
	100 %	

The real rate of return is net of the long-term inflation assumption of 2.90%.

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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 determined. 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.

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to the Discount Rate Assumption

The following presents the Village's proportionate share of the net pension liability (asset) calculated using the current period discount rate of 5.9%, as well as what the Village's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.9%) or 1-percentage-point higher (6.9%) than the current rate:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Village's proportionate share of the net pension liability (asset)	\$ 4,135,722	\$ 1,429,006	\$ (831,104)

3. Other Post-Employment Benefits:

*Plan Description.* The Retiree Health Plan is a single-employer defined benefit OPEB plan administered by the Village. The plan provides benefits for all permanent full-time general and public safety employees of the Village. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Village Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement Number 75.

*Benefits Provided.* The Retiree Health Plan provides healthcare and life insurance benefits for retirees and their dependents.

*Employees covered by benefit terms.* At May 31, 2025, the following employees were covered by the benefit terms:

Active employees	58
Inactive employees or beneficiaries currently receiving benefit payments	38
Total	96

*Total OPEB liability.* The Village's total OPEB liability of \$12,226,890 was measured using the alternative measurement method as of May 31, 2025.

*Actuarial assumptions and other inputs.* The total OPEB liability in the May 31, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.50%, average, including inflation
Discount rate	4.93%
Healthcare cost trend rates	5.80% for year 1, decreasing to a rate of 4.10% in 10 years

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

Mortality rates were based on Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

Turnover assumption was derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

NOL and ADC is calculated using the Alternative Measurement Method in accordance with GASB methodology.

*Changes in the total OPEB liability*

Balance at May 31, 2024	<u>\$ 12,397,540</u>
Changes for the year:	
Service cost	406,678
Interest	599,382
Changes in benefit terms	-
Difference between expected and actual experience	(526,526)
Changes in assumptions and other inputs	(220,885)
Benefit payments	<u>(429,299)</u>
Net changes	<u>(170,650)</u>
Balance at May 31, 2025	<u><u>\$ 12,226,890</u></u>

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.93%) or 1-percentage point higher (5.93%) than the current discount rate:

	<u>1%</u> <u>Decrease</u> <u>(3.93%)</u>	<u>Discount</u> <u>Rate</u> <u>(4.93%)</u>	<u>1%</u> <u>Increase</u> <u>(5.93%)</u>
Total OPEB Liability	\$ 13,629,990	\$ 12,226,890	\$ 11,052,330

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if were calculated using the healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the healthcare cost trend rate:

	1% Decrease (4.80% decreasing to 3.10%)	Healthcare Cost Trend Rates (5.80% decreasing to 4.10%)	1% Increase (6.80% decreasing to 5.10%)
Total OPEB Liability	\$ 10,381,320	\$ 12,226,890	\$ 14,502,170

4. Length Of Service Awards Program (LOSAP):

The information contained in this note is based on information for the Length of Service Award Program (LOSAP) for the plan year ended December 31, 2024, which is the most recent plan year for which complete information is available. The total pension liability at May 31, 2025 measurement date was determined using an actual valuation as of that date.

The Village established a defined benefit LOSAP for the active volunteer firefighters of the Village of Babylon Fire Department. The program was established pursuant to Article 11-A of the General Municipal Law and took effect January 1, 1992. The program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Village is the sponsor of the program.

a. Program Description:

Participation, Vesting and Service Credit

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with 5 years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is age 65. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the program.

Benefits

A participant's benefit under the program is the actuarial equivalent of a monthly payment for life equal to \$20 multiplied by the person's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed forty. Service prior to January 1, 1992 is limited to 5 years.

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

b. Fiduciary Investment and Control:

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

The governing board of the sponsor has retained an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is Benefit Plans Administrative Services (BPAS). Portions of the following information are derived from a report prepared by the actuary dated July 2025.

c. Actuarial Assumptions

The total pension liability in the May 31, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Individual Entry Age Normal Cost Method
Inflation:	2.25%
Salary Scale:	None assumed

Mortality rates were based on the RP2014 Combined Projected to 2025 – Unisex.

Discount Rate

The discount rate used to measure the total pension liability was 4.19%. This was the yield to maturity of the Fidelity 20-Year GO AA Bond Index.

Changes in the Total Pension Liability

Balance as of May 31, 2024 measurement date	<u>\$ 9,573,804</u>
Service cost	62,166
Interest Cost	388,626
Changes due to differences in experience	134,467
Change in assumptions or other inputs	105,596
Benefit payments	<u>(477,372)</u>
Net changes	<u>213,483</u>
Balance as of May 31, 2025 measurement date	<u><u>\$ 9,787,287</u></u>

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

*Sensitivity of the Total Pension Liability to Changes in the Discount Rate*

The following presents the total pension liability calculated using the discount rate of 4.19%, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.19%) or 1-percentage point higher (5.19%) than the current rate:

	1% Decrease (3.19%)	Current Discount Rate (4.19%)	1% Increase (5.19%)
Total Pension Liability	\$ 11,006,000	\$ 9,787,287	\$ 8,765,000

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended May 31, 2025, the Village recognized pension expense of \$472,200.

Components of pension expense	
Service cost	\$ 62,166
Interest on total pension liability	388,626
Changes due to differences in experience	113,772
Changes due to changes in assumptions/inputs	<u>(92,364)</u>
Total pension expense	<u>\$ 472,200</u>

At May 31, 2025, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 599,158	\$ 4,375
Changes of assumptions or other inputs	<u>1,072,316</u>	<u>1,910,679</u>
Total	<u>\$ 1,671,474</u>	<u>\$ 1,915,054</u>

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

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 Ended May 31:	
2026	\$ 79,823
2027	19,034
2028	(175,186)
2029	(233,621)
2030	39,455
Thereafter	26,915
	<u>\$ (243,580)</u>

**C. FUND BALANCE**

The government's fund balance classification policies and procedures are as follows:

1. For committed fund balances:
  - a. The government's highest level of decision-making authority resides with the Board of Trustees.
  - b. The formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment is through formal resolution by the Board.
  
2. For assigned fund balances:
  - a. The body or official authorized to assign amounts to a specific purpose is the Board of Trustees.
  - b. The policy established by the governing body pursuant to which the authorization to assign amounts to a specific purpose is given to the Board of Trustees.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned), the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

As of May 31, 2025, the Village has made the following fund balance designations:

	General Fund	Capital Projects Fund
Nonspendable Fund Balance:		
Prepaid Expense	\$ 364,550	\$ -
Total Nonspendable Fund Balance	\$ 364,550	\$ -
Restricted Fund Balance:		
Bond Premium	\$ 33,382	\$ -
Unspent Bond Proceeds	-	1,118,760
Length of Service Award Program	3,436,807	-
Total Restricted Fund Balance	\$ 3,470,189	\$ 1,118,760

**D. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or damage to property of others. The Village has established a risk management policy through the purchase of insurance to cover potential losses related to such risks.

**E. CONCENTRATIONS OF RISK**

The Village maintains all cash and cash equivalents in two depositories. FDIC insurance covers all government accounts up to \$250,000 (per official custodian) for demand accounts and time and savings accounts separately. All deposits in excess of the FDIC limit are fully collateralized.

**F. COMMITMENTS AND CONTINGENCIES**

State and Federal Grants

The Village is a recipient of a number of State and Federal grants. These grants are administered by various agencies. These grants are subject to various compliance and financial audits by the respective agencies administering the grants, which could lead to certain disallowances. The Board believes that they have substantially complied with the rules and regulations as specified under the various grant agreements as well as rules and regulations of the respective agency for each grant.

Tax Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek a reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2025 which could affect future operating budgets of the Village.

**INCORPORATED VILLAGE OF BABYLON**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2025**

Litigation

The Village is subject to litigation in the ordinary conduct of its affairs. Management does not believe however, that such litigation, individually or in the aggregate, is likely to have a material effect on the financial statements.

There are no contingencies that the Village is aware of that would have a material impact on the financial statements.

**G. SUBSEQUENT EVENTS**

There were no events subsequent to May 31, 2025, and the date that these financial statements were available to be issued, November 22, 2025, that would have a material impact on these financial statements.

**INCORPORATED VILLAGE OF BABYLON**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2025**  
**(Unaudited)**

**Statement of Revenues, Expenditures and Change in Fund Balance Budget and Actual - General Fund**

	Budget Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis	Variance with Final Budget
	Original Budget	Final Budget				
<b>Revenues:</b>						
Real Property Taxes	\$ 7,933,940	\$ 7,933,940	\$ 7,951,549	\$ -	\$ 7,951,549	\$ 17,609
Real Property Tax Items	20,000	20,000	22,252	-	22,252	2,252
Non Property Tax Items	640,000	640,000	613,740	-	613,740	(26,260)
Departmental Income	2,212,000	2,819,000	3,119,072	-	3,119,072	300,072
Intergovernmental Charges	146,300	146,300	152,146	-	152,146	5,846
Use of Money and Property	40,000	40,000	50,048	110,248	160,296	10,048
Licenses and Permits	29,000	29,000	48,145	-	48,145	19,145
Fines and Forfeitures	825,000	825,000	632,724	-	632,724	(192,276)
Minor Sales and Compensation for Loss	1,000	1,000	2,030	-	2,030	1,030
Miscellaneous Local Sources	93,946	166,946	180,436	-	180,436	13,490
State and Federal Aid	1,200,785	1,352,785	1,461,253	-	1,461,253	108,468
Total Revenues	<u>13,141,971</u>	<u>13,973,971</u>	<u>14,233,395</u>	<u>110,248</u>	<u>14,343,643</u>	<u>259,424</u>
<b>Expenditures:</b>						
General Government Support	2,908,450	2,867,136	2,854,068	-	2,854,068	(13,068)
Public Safety	1,682,360	1,540,614	1,539,711	-	1,539,711	(903)
Health	1,000	481	481	-	481	-
Transportation	1,745,500	2,807,996	2,804,316	-	2,804,316	(3,680)
Economic Assistance and Opportunity	14,000	16,565	16,563	-	16,563	(2)
Culture and Recreation	1,418,900	1,505,215	1,504,627	-	1,504,627	(588)
Home and Community Services	1,171,600	1,072,016	1,071,379	-	1,071,379	(637)
Employee Benefits	3,409,500	3,233,620	3,246,463	(13,651)	3,232,812	12,843
Debt Service	790,661	930,328	936,049	-	936,049	5,721
Total Expenditures	<u>13,141,971</u>	<u>13,973,971</u>	<u>13,973,657</u>	<u>(13,651)</u>	<u>13,960,006</u>	<u>(314)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>259,738</u>	<u>123,899</u>	<u>383,637</u>	<u>259,738</u>
<b>Other Financing Sources:</b>						
Proceeds from Sale of Assets	-	-	11,500	-	11,500	11,500
Insurance Recoveries	-	-	2,991	-	2,991	2,991
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>14,491</u>	<u>-</u>	<u>14,491</u>	<u>14,491</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>274,229</u>	<u>123,899</u>	<u>398,128</u>	<u>\$ 274,229</u>
<b>Fund Balance - Beginning of Year</b>			<u>305,117</u>	<u>3,312,908</u>	<u>3,618,025</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 579,346</u>	<u>\$ 3,436,807</u>	<u>\$ 4,016,153</u>	

**Explanation of differences:**

LOSAP activity is not included in the budget. When presenting GAAP basis financial statements items such as interest, dividends, gains, losses, contributions and payouts are reflected in the revenue and expenditures. This is the net effect of the LOSAP activity.

\$ 123,899

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF BABYLON**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2025**  
**(Unaudited)**

**Schedule of the Local Government's Proportionate Share of the Net Pension Liability (Asset)**

**NYSLRS Pension Plan**  
**For the Fiscal Year Ended May 31,\*\***

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Village's proportion of the net pension liability (asset)	0.0083345%	0.0088483%	0.0088761%	0.0085315%	0.0086587%	0.0088273%	0.0087936%	0.0086491%	0.0073564%	0.0073372%
Village's proportionate share of the net pension liability (asset)	\$ 1,429,006	\$ 1,302,824	\$ 1,903,383	\$ (697,416)	\$ 8,622	\$ 2,337,525	\$ 623,051	\$ 279,145	\$ 691,226	\$ 1,177,635
Village's covered payroll	\$ 4,250,957	\$ 4,121,047	\$ 3,138,911	\$ 3,120,196	\$ 2,977,141	\$ 3,031,273	\$ 2,898,409	\$ 2,464,886	\$ 3,378,092	\$ 2,870,770
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.62%	31.61%	60.64%	(22.35%)	0.29%	77.11%	21.50%	11.32%	20.46%	41.02%
Plan fiduciary net position as a percentage of the total pension liability	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.50%	90.70%

**Notes to Schedule:**

\*\* The amounts presented for the fiscal year were determined as of the March 31, 2025 measurement date.

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF BABYLON**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2025**  
**(Unaudited)**

**Schedule of Local Government Contributions**

**NYSLRS Pension Plan**  
**For the Last Ten Fiscal Years Ended May 31,**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 428,705	\$ 385,632	\$ 325,767	\$ 447,091	\$ 415,429	\$ 405,024	\$ 412,791	\$ 378,184	\$ 413,502	\$ 355,705
Contributions in relation to the contractually required contribution	<u>428,705</u>	<u>385,632</u>	<u>325,767</u>	<u>447,091</u>	<u>415,429</u>	<u>405,024</u>	<u>412,791</u>	<u>378,184</u>	<u>413,502</u>	<u>355,705</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered-employee payroll	\$ 4,250,957	\$ 4,121,047	\$ 3,138,911	\$ 3,120,196	\$ 2,977,141	\$ 3,031,273	\$ 2,898,409	\$ 2,464,886	\$ 3,378,092	\$ 2,870,770
Contributions as a percentage of covered-employee payroll	10.08%	9.36%	10.38%	14.33%	13.95%	13.36%	14.24%	15.34%	12.24%	12.39%

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF BABYLON**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2025**  
**(Unaudited)**

**Schedule of Changes in the Village's Total Pension Liability - Fire Department**

Measurement date as of May 31,	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Total Pension Liability</b>						
Service cost	\$ 62,166	\$ 69,996	\$ 40,485	\$ 157,778	\$ 152,752	\$ 152,094
Interest cost	388,626	372,629	311,474	239,720	267,892	304,728
Changes due to differences in experience	134,467	(359,711)	110,490	(2,902,272)	1,051,708	905,008
Changes in assumptions or other inputs	105,596	144,772	243,400	172,862	76,761	(17,195)
Benefit payments	<u>(477,372)</u>	<u>(422,232)</u>	<u>(406,660)</u>	<u>(366,800)</u>	<u>(348,820)</u>	<u>(294,560)</u>
Net change in total pension liability	213,483	(194,546)	299,189	(2,698,712)	1,200,293	1,050,075
<b>Total pension liability - beginning</b>	<u>9,573,804</u>	<u>9,768,350</u>	<u>9,469,161</u>	<u>12,167,873</u>	<u>10,967,580</u>	<u>9,917,505</u>
<b>Total pension liability - ending</b>	<u>\$ 9,787,287</u>	<u>\$ 9,573,804</u>	<u>\$ 9,768,350</u>	<u>\$ 9,469,161</u>	<u>\$ 12,167,873</u>	<u>\$ 10,967,580</u>
 Covered-employee payroll	 N/A	 N/A	 N/A	 N/A	 N/A	 N/A
Total pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
 <b>Notes to Schedule:</b>						
Additional years will be presented as they become available for a full 10-year trend.						
 <i>Investment Rate of Return:</i>	 4.19%	 4.16%	 3.90%	 3.36%	 2.00%	 2.48%

*Trust assets:* There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement Number 73 to pay related benefits.

**INCORPORATED VILLAGE OF BABYLON**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2025**  
**(Unaudited)**

**Schedule of Changes in Total OPEB Liability and Related Ratios**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Total OPEB Liability</b>							
Service cost	\$ 406,678	\$ 448,640	\$ 774,812	\$ 836,696	\$ 636,696	\$ 638,161	\$ 585,614
Interest	599,382	527,974	371,816	324,637	320,340	433,086	331,533
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(526,526)	(545,680)	(727,066)	1,670,279	1,744,901	(417,228)	(139,078)
Changes in assumptions and other inputs	(220,885)	(1,406,262)	(2,870,769)	(2,370,523)	104,129	2,043,437	(1,638,921)
Benefits payments	(429,299)	(436,502)	(354,713)	(343,269)	(332,066)	(331,246)	(313,218)
Net change in total OPEB liability	(170,650)	(1,411,830)	(2,805,920)	117,820	2,474,000	2,366,210	(1,174,070)
Total OPEB liability - beginning of year	12,397,540	13,809,370	16,615,290	16,497,470	14,023,470	11,657,260	12,831,330
Total OPEB liability - end of year	<u>\$ 12,226,890</u>	<u>\$ 12,397,540</u>	<u>\$ 13,809,370</u>	<u>\$ 16,615,290</u>	<u>\$ 16,497,470</u>	<u>\$ 14,023,470</u>	<u>\$ 11,657,260</u>
Plan fiduciary net position as a percentage of total OPEB liability	0%	0%	0%	0%	0%	0%	0%
Covered-employee payroll	\$ 4,250,957	\$ 4,121,047	\$ 3,195,462	\$ 3,129,760	\$ 3,042,055	\$ 3,019,963	\$ 2,991,240
Total OPEB liability as a percentage of covered-employee payroll	288%	301%	432%	531%	542%	464%	390%

**Notes to the Schedule:**

Additional years will be presented as they become available for a full 10-year trend.

No assets are accumulated in a trust that meet the criteria in GASB Statement Number 75, paragraph 4, to pay other post-employment benefits.

There have been no significant changes in the benefit terms, the size or composition of the population covered by the benefit terms, or assumptions used.

*See Notes to The Financial Statements*

**FORM OF DISCLOSURE UNDERTAKING FOR THE NOTES**

## UNDERTAKING TO PROVIDE NOTICES OF EVENTS

### Section 1. Definitions

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” shall mean “financial obligation” as such term is defined in the Rule.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the Village of Babylon, in the County of Suffolk, a municipal corporation of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the Village Treasurer as of June 8, 2026.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof. “Securities” shall mean the Issuer’s \$2,076,000 Bond Anticipation Note-2026 Series A, dated June 8, 2026, maturing on June 8, 2027, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Liberty Capital Services, Inc., 1205 Franklin Avenue, Garden City, New York 11530 to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;

- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

- (15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of June 8, 2026.

VILLAGE OF BABYLON, NEW YORK

By \_\_\_\_\_  
Village Treasurer

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**FORM OF OPINION OF BOND COUNSEL FOR THE NOTES**

Hawkins Delafield & Wood LLP  
140 Broadway, 42<sup>nd</sup> Floor  
New York, New York 10005

June 8, 2026

The Board of Trustees of the  
Village of Babylon,  
in the County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Village of Babylon (the “Village”), in the County of Suffolk, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$2,076,000 Bond Anticipation Note-2026 Series A (the “Note”), dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Note is a valid and legally binding general obligation of the Village for which the Village has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Village is subject to the levy of ad valorem real estate taxes to pay the Note and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Note is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements which must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such

requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Note, the Village will execute a Tax Certificate relating to the Note containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Village represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Note will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Village's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Note, and (ii) compliance by the Village with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Note is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary and/or Final Official Statement or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Village, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Note.

Very truly yours,