

***KANSAS DEVELOPMENT FINANCE AUTHORITY
A COMPONENT UNIT OF THE STATE OF KANSAS***

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2026 AND 2025

AND

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kansas Development Finance Authority
Topeka, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Kansas Development Finance Authority (KDFA), a component unit of the State of Kansas, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise KDFA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of KDFA, as of June 30, 2026 and 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KDFA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 KDFA'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.

Auditor's 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 auditor's report that includes our opinion. 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 GAAS and Government 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 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 GAAS and Government 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 control 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 KDFA'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 KDFA'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 and required supplementary information listed in the table of contents 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 GAAS, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise KDFA's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and

relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2026 on our consideration of KDFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KDFA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering KDFA's internal control over financial reporting and compliance.

Allen, Gibbs & Houlik, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

Wichita, KS
September 25, 2026

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2026 and 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the management's discussion and analysis (MD&A) is to help readers understand what the financial statements and notes in this financial report say about KDFA's financial health and why it has changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by management's knowledge of KDFA's finances.

This financial report is designed to provide a general overview of KDFA's finances and to demonstrate KDFA's accountability for funds received. If you have questions about this report or need additional information, contact KDFA at 534 S. Kansas Avenue, Suite 800, Topeka, KS 66603.

FINANCIAL HIGHLIGHTS

- KDFA's total net position increased by \$838,714 from the previous year.
- During the year, KDFA's revenues exceeded expenses by \$838,714. KDFA had operating expenses of \$2,096,333 in 2026 compared to \$1,994,080 in 2025, and operating revenues of \$2,522,307 and \$2,183,346 for those same years.
- Revenues received but not earned (unearned revenues) increased by \$658,731 to \$3,520,749 during fiscal 2026.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: (1) management's discussion and analysis (this section) and (2) the basic financial statements. The financial statements also include notes which provide more detailed data. The information in the notes is as important to understanding KDFA's finances as the information in the financial statements. KDFA uses notes to present information in greater detail than is possible within the financial statements themselves and explains the nature of amounts reported in the financial statements and how those amounts were determined.

KDFA's financial statements use the *economic resources measurement focus and accrual basis of accounting*. In other words, they comprehensively report all types of financial statement elements:

- *Assets* - resources KDFA controls, from shorter-term assets like cash to long-term assets like long-term bond receivables.
- *Liabilities* - amounts KDFA owes, from short-term liabilities such as accounts payable to long-term liabilities such as outstanding debt and amounts owed to employees for pensions.
- *Deferred outflows and inflows of resources* - flows that occurred during the year, or in prior years, that will not be reported as expenses and/or revenues until the future year to which they are related.
- *Revenues and expenses* - inflows and outflows of economic resources, respectively, related to the current year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2026 and 2025

More detail about the measurement focus and basis of accounting can be found in the first note to the financial statements, the summary of significant accounting policies beginning on page 12.

ANALYSIS OF KDFA'S FINANCES

The following analysis focuses on KDFA's operating assets, deferred outflows, liabilities, and deferred inflows.

	In Thousands of Dollars			Increase (Decrease)	
	2026	2025	2024	2026	2025
				vs. 2025	vs. 2024
Current and other assets	\$ 219,005	\$ 187,976	\$ 178,524	\$ 31,029	\$ 9,452
Other noncurrent assets	3,892,544	3,267,044	2,811,121	625,500	455,923
Capital assets	321	403	232	(82)	171
Total assets	4,111,870	3,455,423	2,989,877	656,447	465,546
Total deferred outflows	240	1,148	1,958	(908)	(810)
Long-term liabilities	3,895,299	3,271,251	2,815,260	624,048	455,991
Other liabilities	204,163	175,098	167,340	29,065	7,751
Total liabilities	4,099,462	3,446,349	2,982,600	653,113	463,742
Total deferred inflows	1,643	56	61	1,587	(5)
Net investment in capital assets	49	69	153	(20)	(84)
Unrestricted	10,956	10,097	9,021	859	1,076
Total net position	\$ 11,005	\$ 10,166	\$ 9,174	\$ 839	\$ 992
Total operating revenues	\$ 2,522	\$ 2,183	\$ 1,335	\$ 339	\$ 848
Total operating expenses	2,096	1,994	1,873	102	121
Operating income (loss)	426	189	(538)	237	727
Other non-operating revenues (expenses)					
Investment income	566	490	391	76	99
Interest on leases	(15)	(1)	(3)	(14)	2
Net change in fair value of investments	(138)	314	192	(452)	122
Total other non-operating revenues (expenses)	413	803	580	(390)	223
Increase (decrease) in net position	839	992	42	(153)	950
Net position, beginning of year	10,166	9,174	9,132	992	42
Net position, end of year	\$ 11,005	\$ 10,166	\$ 9,174	\$ 839	\$ 992

Total assets, deferred outflows, liabilities, deferred inflows, and net position: Overall, the significant balance sheet accounts such as cash, investments, and unearned revenues fluctuate depending on the number and size of bond issuances completed each year. In fiscal year 2026 and 2025, approximately \$976,345,000 and \$662,931,800 of bonds were issued, respectively.

Change in net position: The majority of KDFA's revenue comes from issuance fees and annual fees, which produce approximately 90% of KDFA's operating revenues and changes in revenues are driven by bond issuances completed in the current year. The amount of revenues from KDFA's issuance fee

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2026 and 2025

increased to \$1,260,597 in 2026 from \$1,022,365 in 2025. Additionally, the amount of revenues from KDFA's annual fee increased to \$1,018,131 in 2026 from \$952,033 in 2025.

Overall operating expenses increased by \$102,253 as a result of increases and decreases to various expenditures. The amount recorded in salaries and related payroll expense increased by \$177,325 primarily due to the addition of general counsel as well as cost of living adjustments to employee salaries. The amount recorded in pension expense decreased by \$52,751 primarily due to employer pension expense changes as allocated from the annual KPERS GASB 68 actuarial report.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

KDFA's capital assets are primarily related to office building, equipment and furniture and a right-to-use building lease. Capital asset activity decreased 20.4% from fiscal year 2025 as there were minimal purchases of office equipment offset by depreciation and amortization. For additional information on capital assets, see Note 3.

In a prior year, the adoption of GASB Statement No. 91 resulted in a significant impact on KDFA's financial statements as debt that was previously classified as conduit debt and issued for the benefit of the State of Kansas is now being reported on KDFA's balance sheet. There are also offsetting line items under the asset section for tax revenue receivable and bonds receivable to show the future pledged revenues that support the debt. KDFA's long-term liabilities increased 18.9% primarily related to the issuance of publicly and privately placed revenue bonds of \$832,345,000 offset by normal principal retirements of \$224,213,160. KDFA's long-term liabilities primarily consist of revenue bonds issued for the State of Kansas and related State of Kansas Agencies. For additional information on debt, see Notes 4, 5, 6 and supplementary information.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Inflationary pressures continue to build and percolate through the US economy from geo-political conflict, more restrictive trade policy and higher national deficits. The Federal Reserve is widely expected to start tightening monetary policy to help ease some of these pressures. Nevertheless, the economy continues to grow, helped by large business investment in artificial intelligence infrastructure and high financial asset prices. Municipal borrowing rates are near the top of their 10-year range but new issuance supply into the market continues at a record pace, potentially hitting \$600 billion by the end of calendar 2026.

The 2025 and 2026 Kansas legislature authorized debt transactions for various capital projects to include: \$80 million for a new headquarters building for the KBI, \$128 million for a Veterinary Diagnostic Laboratory at Kansas State University, and \$60 million for the University of Kansas School of Architecture.

In December 2025, the Kansas City Chiefs and the State of Kansas entered into a STAR bond agreement outlining a proposed public private partnership to develop a new stadium, team headquarters, practice facility and surrounding and ancillary development. Per the STAR bond agreement, the public funding commitment is not to exceed \$2.775 billion in the aggregate. The public funding commitment is expected to be derived primarily from the issuance of special obligation revenue bonds ("STAR bonds"). There is the possibility that KDFA may issue the STAR bonds, but issuance remains subject to numerous conditions precedent and approvals.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2026 and 2025

On the private activity bond side, KDFA has presently induced or is working on three affordable multifamily housing transactions. Additionally, KDFA is working on a potential large financing for BPU Energy Storage Resource, Inc. to help finance an energy storage project in Kansas City, KS.

The State of Kansas monthly revenues have continued to generally equal or exceed Consensus Revenue Estimates for the State in fiscal years 2026 and 2025, and the fiscal effects of tax legislation passed during the special legislative session during June 2024 seems to have been offset by economic growth and growth in the value of financial assets.

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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BALANCE SHEETS

June 30, 2026 and 2025

ASSETS AND DEFERRED OUTFLOWS

	<u>2026</u>	<u>2025</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 238,986	\$ 118,201
Cash held with fiscal agent	2,975	1,732
Investments	12,441,890	11,525,285
Investments, restricted	3,520,749	2,862,018
Accounts receivable	116,861	134,300
Tax revenue receivable	555,000	500,000
Other receivables	895	1,104
Prepaid expenses	66,381	76,534
Bonds receivable from primary government and component units, current portion	<u>202,060,906</u>	<u>172,757,109</u>
Total current assets	<u>219,004,643</u>	<u>187,976,283</u>
NON-CURRENT ASSETS		
Tax revenue receivable	7,110,000	7,670,000
Bonds receivable from primary government and component units, long-term portion	3,885,433,517	3,259,373,816
Capital assets:		
Furniture and equipment	370,796	349,154
Building improvements	581,557	581,557
Right-to-use lease	730,439	730,439
Less accumulated depreciation and amortization	<u>(1,361,920)</u>	<u>(1,258,137)</u>
Total net capital assets	<u>320,872</u>	<u>403,013</u>
Total non-current assets	<u>3,892,864,389</u>	<u>3,267,446,829</u>
Total assets	<u>4,111,869,032</u>	<u>3,455,423,112</u>
DEFFERED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	238,856	298,458
Deferred outflows - OPEB	1,081	1,267
Deferred outflows - deferred refunding	<u>--</u>	<u>847,880</u>
Total deferred outflows of resources	<u>239,937</u>	<u>1,147,605</u>
Total assets and deferred outflows of resources	<u><u>\$ 4,112,108,969</u></u>	<u><u>\$ 3,456,570,717</u></u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2026	2025
CURRENT LIABILITIES		
Current maturities of long-term debt, net of premium/discount	\$ 202,627,124	\$ 173,815,932
Accrued salaries and related benefits	1,029,041	855,471
Lease liability, current portion	64,532	61,391
Accounts payable	40,397	38,253
Unearned revenue, current portion	401,887	326,283
Notes payable, current portion	--	479
Total current liabilities	204,162,981	175,097,809
NON-CURRENT LIABILITIES		
Long-term debt, net of premium/discount	3,891,029,195	3,267,332,873
Unearned revenue	3,118,862	2,535,735
Lease liability	207,699	272,231
Total OPEB liability	4,485	10,266
Net pension liability	937,328	1,098,228
Other liability	990	1,262
Total non-current liabilities	3,895,298,559	3,271,250,595
Total liabilities	4,099,461,540	3,446,348,404
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	112,004	33,070
Deferred inflows - OPEB	27,460	23,096
Deferred inflows - deferred refunding	1,503,104	--
Total deferred inflows of resources	1,642,568	56,166
NET POSITION		
Net investment in capital assets	48,641	68,912
Unrestricted	10,956,220	10,097,235
	11,004,861	10,166,147
Total liabilities, deferred inflows of resources and net position	\$ 4,112,108,969	\$ 3,456,570,717

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

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Operating revenues:		
Issuance fees	\$ 1,260,597	\$ 1,022,365
Annual fees	1,018,131	952,033
Application fees	13,000	10,000
Miscellaneous revenue	<u>230,579</u>	<u>198,948</u>
Total operating revenues	<u>2,522,307</u>	<u>2,183,346</u>
Operating expenses:		
Salaries and related payroll expense	1,465,510	1,288,185
Pension expense	105,703	158,454
OPEB (benefit) expense	(1,226)	845
Telecommunications	8,620	10,053
Maintenance agreements and repairs	35,195	39,551
Publication fees and advertising	456	--
Rents	5,927	6,368
Insurance	61,960	61,210
Travel	250	--
Continuing education expenses	13,625	11,768
Professional services	237,197	197,249
Memberships and subscriptions	10,970	10,248
Professional and office supplies	21,247	19,415
Depreciation and amortization	110,818	175,407
Miscellaneous	<u>20,081</u>	<u>15,327</u>
Total operating expenses	<u>2,096,333</u>	<u>1,994,080</u>
Operating income	<u>425,974</u>	<u>189,266</u>
Other non-operating revenues (expenses):		
Investment income	566,086	490,796
Interest on leases	(15,287)	(1,191)
Net change in fair value of investments	<u>(138,059)</u>	<u>313,615</u>
Total other non-operating revenues (expenses)	<u>412,740</u>	<u>803,220</u>
Increase in net position	<u>838,714</u>	<u>992,486</u>
Net position, beginning of year	<u>10,166,147</u>	<u>9,173,661</u>
Net position, end of year	<u>\$ 11,004,861</u>	<u>\$ 10,166,147</u>

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

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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STATEMENTS OF CASH FLOWS

Years Ended June 30, 2026 and 2025

	2026	2025
Cash flows from operating activities:		
Cash received from others	\$ 2,539,746	\$ 2,187,181
Cash paid to others	<u>(1,166,015)</u>	<u>(1,479,799)</u>
Net cash flow from operating activities	1,373,731	707,382
Cash flows from capital and related financing activities:		
Purchases of capital assets	(28,677)	(5,112)
Proceeds from sale of capital assets	1,440	1,500
Payments on leases	(61,391)	(82,775)
Interest paid on leases	(15,287)	(1,191)
Payments on note payable	<u>(479)</u>	<u>(1,917)</u>
Net cash flow from capital and related financing activities	(104,394)	(89,495)
Cash flows from investing activities:		
Change in OMIP investment balance	631,507	(659,067)
Purchase of investments	(2,206,843)	(786,341)
Interest and dividends on investments	<u>428,027</u>	<u>804,411</u>
Net cash flow from investing activities	(1,147,309)	(640,997)
Net change in cash and cash equivalents	122,028	(23,110)
Cash and cash equivalents, beginning of year	<u>119,933</u>	<u>143,043</u>
Cash and cash equivalents, end of year	\$ 241,961	\$ 119,933
Cash and cash equivalents	\$ 238,986	\$ 118,201
Cash held with fiscal agent	<u>2,975</u>	<u>1,732</u>
Total cash	\$ 241,961	\$ 119,933
Reconciliation of operating income to net cash flow from operating activities:		
Operating income (loss)	\$ 425,974	\$ 189,266
Adjustments to reconcile operating loss to net cash flow from operating activities:		
Depreciation and amortization	110,818	175,407
Gain on sale of assets	(1,440)	(3,461)
Change in assets, deferred outflows, liabilities and deferred inflows:		
(Increase) decrease in:		
Accounts receivable	17,439	3,835
Other receivables	209	(528)
Prepaid expenses	10,153	3,198
Deferred outflows - pension	59,602	106,951
Deferred outflows - OPEB	186	164
Accrued salaries and related benefits	173,570	46,826
Accounts payable	2,144	18,801
Unearned revenue	658,731	222,958
Total OPEB liability	(5,781)	182
Net pension liability	(160,900)	(52,211)
Other liability	(272)	1,262
Deferred inflows - pension	78,934	(4,505)
Deferred inflows - OPEB	<u>4,364</u>	<u>(763)</u>
Net cash flow from operating activities	\$ 1,373,731	\$ 707,382

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

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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**STATEMENTS OF CASH FLOWS
(Continued)**

Years Ended June 30, 2026 and 2025

Non-Cash Transactions

During the year ended June 30, 2025, KDFA reassessed a lease agreement resulting in acquisition of an additional lease asset with lease financing in the amount of \$339,675.

The following items are not included in the statements of revenues, expenses, and changes in net position or the statement of cash flows because the amount are paid by various other entities directly to the bond paying agents or trustees.

	<u>2026</u>	<u>2025</u>
Principal payments and redemptions made on revenue bonds	\$ 241,900,207	\$ 159,249,107
Proceeds from revenue bonds	894,407,721	622,504,800
Amortization of deferred refunding	2,350,984	703,582
Net change in tax revenue receivable	505,000	485,000
Net change in bonds receivable from primary government and component units	\$ 655,363,498	\$ 464,444,275

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

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - the Kansas Development Finance Authority (KDFA) was established by Chapter 57, 1987 Session Laws of Kansas. Its enabling statutes are found in K.S.A. 74-8901 et seq., as amended and supplemented. KDFA is a public body politic and corporate, constituting an independent instrumentality of the State of Kansas (State). KDFA was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses.

Executive Reorganization Order No. 30 transferred the Housing Division of the Kansas Department of Commerce and Housing, effective July 1, 2003, to be organized and administered in accordance with the KDFA Act. The new corporation is called the Kansas Housing Resources Corporation (KHRC). KDFA and KHRC have board members in common, but KHRC does not meet the criteria as outlined in the following paragraph to be a component unit of KDFA. Therefore, KHRC issues its own financial statements, and is not included in this report.

Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government, (2) organizations for which the government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading. KDFA has been determined to be a component unit of the State of Kansas. KDFA is financially accountable to the State, and the State exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, and has the ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships.

To accomplish its objectives, KDFA is empowered to acquire and dispose of real and personal property; to borrow money and issue notes, bonds, or other obligations; to make secured or unsecured loans for any of the purposes for which it may issue bonds (except making loans directly to individuals to finance housing projects); to offer technical assistance to the State or any of its political subdivisions; to enter into contracts to provide such services; and to assist minority businesses in obtaining loans or other means of financial assistance. There are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

Bonds and other debt instruments issued by KDFA are limited obligations of KDFA, payable solely from and secured by a lien on the proceeds, monies, revenues, rights, interests, titles, and/or mortgages pledged under the indentures and resolutions authorizing each particular financing transaction. Bonds and other debt instruments issued by KDFA do not constitute an indebtedness of the State, or any political subdivision thereof, or an indebtedness for which the full faith and credit or the taxing powers of the State, or any political subdivision thereof, are pledged. Under State laws, KDFA and its subsidiaries are considered a governmental entity for purposes of the Kansas Tort Claims Act, which limits the liability of KDFA and its employees.

Basis of Accounting - KDFA is organized as a proprietary activity; therefore, the accompanying financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when incurred.

**KANSAS DEVELOPMENT FINANCE AUTHORITY
A COMPONENT UNIT OF THE STATE OF KANSAS**

NOTES TO THE FINANCIAL STATEMENTS

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Cash and Investments - KDFA considers all short-term investments with an original maturity of three months or less to be cash equivalents. KDFA monitors the insurance and/or amount of securities pledged by financial institutions as collateral to secure the deposits of KDFA in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Statutes authorize KDFA, "to invest monies of KDFA not required for immediate use."

As of June 30, 2026 and 2025, investments consist of funds invested in the Kansas Municipal Investment Pool (KMIP) and Vanguard investment account. The KMIP is an external investment pool not SEC (Securities and Exchange Commission) registered, which is regulated by the State. The investment in the KMIP is valued at cost. The Vanguard investment account is valued at fair value.

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance requires three levels of fair value measurement based on the respective inputs.

Cash Held for Others - KDFA has a Custodial Agreement with UMB Bank, N.A. for UMB Bank, N.A. to act as a depository for wire transfers of good faith deposits (Deposits), which may be a requirement in the Notice of Bond Sale. UMB Bank, N.A. holds the Deposits until notified by KDFA of the successful bidder. Deposits submitted by unsuccessful bidders will not be accepted or shall be returned in the same manner received. If a bid is accepted, and the successful bidder complies with all terms and conditions of the Notice of Bond Sale, UMB Bank, N.A. transfers the Deposit to the State Treasurer one day before the bond closing date and the amount is deducted from the purchase price. No interest on the Deposit is paid by KDFA. There were no amounts recorded as cash held for others as of June 30, 2026 or 2025.

Accounts Receivable - KDFA uses the reserve method of accounting for bad debts. Under this method, all uncollectible accounts are charged to the allowance account, and bad debt expense is determined by adjusting the balance in the allowance account to a reserve considered reasonable by management. KDFA has recorded \$0 and \$0, as an allowance for uncollectible accounts as of June 30, 2026 and 2025, respectively.

Bonds Receivable from Primary Government and Component Units - The bonds receivable from primary government and component units were recorded in relation to the implementation of GASB Statement No. 91 and represent a transfer of future revenues within the same financial reporting entity. This intra-entity transfer of future revenues is reported as a bond receivable by the transferred government (KDFA).

Capital Assets - Capital assets are carried at historical cost less depreciation or amortization. Individual items with an initial cost of more than \$1,000 are capitalized. In addition, similar acquisitions of similar assets that on an individual basis are below the capitalization threshold, but are significant in total, are also capitalized. Major renewals and betterments are capitalized, and maintenance and repairs, which do not improve or extend the life of the respective assets,

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NOTES TO THE FINANCIAL STATEMENTS

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

are charged against earnings in the current period. Depreciation and amortization are provided on the straight-line method over estimated useful lives ranging from two to ten years.

Unearned Revenue - Unearned revenue consists of prepaid annual fees. Cash received and invested is considered restricted, as the funds are to be available for the provision of specified services for existing bond issues and related credits on refunding bond issues.

Income Taxes - KDFA is exempt from all federal, state, and local income, sales, and property taxes.

Net Position - Net position of KDFA is classified in two components. The investment in capital assets consists of capital assets reduced by the outstanding balances of borrowings that are related to the acquisition of those assets. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets net position.

Deferred Inflows of Resources/Deferred Outflows of Resources - In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. KDFA has three items that qualify for reporting in this category. They are the deferred outflows for pensions, OPEB, and deferred refunding. A deferred refunding charge results from the difference in carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note 7 and 9, respectively, for more information on these deferred outflows related to pensions and OPEB, respectively.

In addition to liabilities, the balance sheet 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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. KDFA has three items that qualify for reporting in this category. They are the deferred inflows for pensions, OPEB, and deferred refunding. A deferred refunding charge results from the difference in carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note 7 and 9, respectively, for more information on these deferred inflows.

Compensated Absences - Under terms of KDFA's Paid Time Off (PTO) policy, KDFA employees are granted leave for vacation, sickness and other personal time under a single accrual. PTO leave is earned in varying amounts dependent on tenure and employment status. Employees may carry over allowed unused PTO from year to year and are paid for the PTO they have accrued at employment end. In accordance with GASB Statement 101, salary-related payments such as the employer share of social security and Medicare taxes are included in the compensated absences liability which is included in the accrued salaries and related benefits on the balance sheet.

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Pensions - The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of employee service and the Kansas Public Employees Retirement System's (KPERS) fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, KPERS' administrative expenses, current year benefit changes, and other changes in KPERS' fiduciary net position less employee contributions and projected earnings on plan investments.

Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Operating Revenues and Expenses - The principal revenues of KDFA are issuance and annual fee revenues received from borrowers. KDFA also recognizes operating revenue from application fees and other revenues earned related to the operation of KDFA, and operating expenses for administrative expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

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

Related Parties - KDFA from time to time purchases goods and supplies from other State agencies for administrative and office purposes. In addition, the Kansas Housing Resources Corporation (KHRC) and the Kansas Department of Health and Environment reimburses KDFA for shared staff-related expenses incurred during the year. Additionally, KDFA and KHRC have an agreement in place to provide professional services and cost sharing between the two entities.

2. CASH AND INVESTMENTS

KDFA has adopted a formal investment policy. The primary objectives of investment activities are, in priority order, safety, yield and liquidity. The standard of care to be used by investment

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

officials shall be the “prudent investor” standard and shall be applied in the context of managing an overall portfolio.

As of June 30, 2026 and 2025, KDFA had \$511,565 and \$1,143,072, respectively, invested in the State of Kansas Municipal Investment Pool. As of June 30, 2026 and 2025, KDFA had \$15,451,074 and \$13,244,231, respectively, invested in Vanguard short-term index funds.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, KDFA will not be able to recover the value of its deposits or investments that are in the possession of an outside party. The bank balances of KDFA’s deposits at June 30, 2026 and 2025 totaled \$236,580 and \$115,305, respectively. UMB Bank will pledge collateral to a Federal Reserve account for bank balances in excess of the Federal Deposit Insurance Corporation (FDIC) limit, as well as by the standard coverage of the FDIC.

Credit Risk. KDFA’s policy limits investments to those allowed by State statute, and further to those with one of the top two ratings from Standard & Poor’s or Moody’s Investor Services, depending on the type of investment. As of June 30, 2026 and 2025, KDFA was invested in the Kansas Municipal Investment Pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The Vanguard Short-Term Bond Index Fund’s (Fund) underlying securities are U.S. government, high quality (investment-grade) corporate, and investment-grade international dollar-denominated bonds. The Fund’s underlying securities have an average rating of Aa.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from the fluctuations in interest rates, KDFA’s investment policy limits investment maturities as follows: the portion of the portfolio equal to 150% of the current year annual operating expense budget shall be continuously invested in obligations which have maturities of 12 months or less. Monies in excess of the 150% may be invested in obligations greater than 12 months, but no more than 60 months.

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

KDFA had the following investments, excluding certificates of deposit, with the noted investment maturities:

Investment Type	June 30, 2026	June 30, 2026 Investment Maturities (In Years)		Fair Value Hierarchy
		Less than 1	1-5	
KMIP	\$ 511,565	\$ 511,565	\$ --	N/A
Vanguard Short-Term Bond Index Fund	15,451,074	15,451,074	--	Level 1
Total	<u>\$ 15,962,639</u>	<u>\$ 15,962,639</u>	<u>\$ --</u>	

Investment Type	June 30, 2026	June 30, 2025 Investment Maturities (In Years)		Fair Value Hierarchy
		Less than 1	1-5	
KMIP	\$ 1,143,072	\$ 1,143,072	\$ --	N/A
Vanguard Short-Term Bond Index Fund	13,244,231	13,244,231	--	Level 1
Total	<u>\$ 14,387,303</u>	<u>\$ 14,387,303</u>	<u>\$ --</u>	

KDFA's investments during the year did not vary substantially from those at year-end in amounts or level of risk.

Fair Value Measurements. Following is a description of the valuation methodologies used for assets measured at fair value in the table above.

An investment's categorization within the valuation hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

The Vanguard short-term bond index fund investment is valued at Level 1 using quoted prices in active markets for identical assets.

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2026 and 2025 was as follows:

	June 30, 2025 Balance	Increases	Transfers and Decreases	June 30, 2026 Balance
Furniture and equipment	\$ 349,154	\$ 28,677	\$ (7,035)	\$ 370,796
Building improvements	581,557	--	--	581,557
Right-to-use leases - building	730,439	--	--	730,439
Total capital assets being depreciated	1,661,150	28,677	(7,035)	1,682,792
Less accumulated depreciation:				
Furniture and equipment	(288,944)	(40,897)	7,035	(322,806)
Building improvements	(581,308)	(249)	--	(581,557)
Right-to-use leases - building	(387,885)	(69,672)	--	(457,557)
Total accumulated depreciation and amortization	(1,258,137)	(110,818)	7,035	(1,361,920)
Total capital assets, net	<u>\$ 403,013</u>	<u>\$ (82,141)</u>	<u>\$ --</u>	<u>\$ 320,872</u>
	June 30, 2024 Balance	Increases	Transfers and Decreases	June 30, 2025 Balance
Furniture and equipment	\$ 387,364	\$ 5,112	\$ (43,322)	\$ 349,154
Building improvements	585,984	--	(4,427)	581,557
Right-to-use leases - building	402,204	342,160	(13,925)	730,439
Total capital assets being depreciated	1,375,552	347,272	(61,674)	1,661,150
Less accumulated depreciation:				
Furniture and equipment	(286,090)	(45,652)	42,798	(288,944)
Building improvements	(529,048)	(56,687)	4,427	(581,308)
Right-to-use leases - building	(328,742)	(73,068)	13,925	(387,885)
Total accumulated depreciation and amortization	(1,143,880)	(175,407)	61,150	(1,258,137)
Total capital assets, net	<u>\$ 231,672</u>	<u>\$ 171,865</u>	<u>\$ (524)</u>	<u>\$ 403,013</u>

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

4. LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for KDFA for the periods ended June 30, 2026 and 2025:

	June 30, 2025	Additions	Deductions	June 30, 2026	Current Portion
Long-term debt					
Publicly placed revenue bonds	\$ 3,214,480,000	\$ 757,345,000	\$ 178,920,000	\$ 3,792,905,000	\$ 167,780,000
Privately placed revenue bonds	60,600,411	75,000,000	40,731,140	94,869,271	10,774,470
Lease revenue bond	19,158,242	--	4,075,020	15,083,222	4,253,051
Governmental bond	8,170,000	--	505,000	7,665,000	555,000
Net unamortized premium (discount)	138,740,152	62,062,721	17,669,047	183,133,826	19,264,603
Other long-term liabilities					
Lease liabilities	333,622	--	61,391	272,231	64,532
Note payable	479	--	479	--	--
Net pension liability	1,098,228	242,816	403,716	937,328	--
Total OPEB liability	10,266	144	5,925	4,485	--
Other liability	1,262	--	272	990	--
Total long-term liabilities	<u>\$ 3,442,592,662</u>	<u>\$ 894,650,681</u>	<u>\$ 242,371,990</u>	<u>\$ 4,094,871,353</u>	<u>\$ 202,691,656</u>
	June 30, 2024	Additions	Deductions	June 30, 2025	Current Portion
Long-term debt					
Publicly placed revenue bonds	\$ 2,786,020,000	\$ 606,400,000	\$ 177,940,000	\$ 3,214,480,000	\$ 145,470,000
Privately placed revenue bonds	53,111,351	16,104,800	8,615,740	60,600,411	8,793,988
Lease revenue bond	23,055,220	--	3,896,978	19,158,242	4,075,020
Governmental bond	8,655,000	--	485,000	8,170,000	500,000
Net unamortized premium (discount)	107,051,541	45,266,487	13,577,876	138,740,152	14,976,924
Other long-term liabilities					
Lease liabilities	76,722	339,675	82,775	333,622	61,391
Note payable	2,396	--	1,917	479	479
Net pension liability	1,150,439	327,819	380,030	1,098,228	--
Total OPEB liability	10,084	763	581	10,266	--
Other liability	--	1,262	--	1,262	--
Total long-term liabilities	<u>\$ 2,979,132,753</u>	<u>\$ 668,440,806</u>	<u>\$ 204,980,897</u>	<u>\$ 3,442,592,662</u>	<u>\$ 173,877,802</u>

Publicly Placed and Privately Placed Revenue Bonds - Interest rates on the revenue bonds vary between 0.207% and 7%. The debt service requirements as of June 30, 2026, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2027	\$ 343,983,153	\$ 178,554,470	\$ 165,428,683
2028	336,507,223	177,699,010	158,808,213
2029	336,258,972	185,399,415	150,859,557
2030	343,468,195	200,680,406	142,787,789
2031	328,131,165	193,666,716	134,464,449
2032 - 2036	1,520,911,616	977,819,254	543,092,362
2037 - 2041	1,222,964,514	874,885,000	348,079,514
2042 - 2046	964,083,006	812,115,000	151,968,006
2047 - 2051	266,572,373	229,165,000	37,407,373
2052 - 2056	63,774,888	57,790,000	5,984,888
	<u>\$ 5,726,655,105</u>	<u>\$ 3,887,774,271</u>	<u>\$ 1,838,880,834</u>

**KANSAS DEVELOPMENT FINANCE AUTHORITY
A COMPONENT UNIT OF THE STATE OF KANSAS**

NOTES TO THE FINANCIAL STATEMENTS

4. LONG-TERM LIABILITIES (CONTINUED)

These revenue bonds are secured by and payable from various pledged revenues, which include selected tax receipts such as withholding taxes, fees for services such as parking and residential halls, and appropriations.

Lease Revenue Bond - Interest rate on the lease revenue bond is 2.24%. The debt service requirements as of June 30, 2026, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2027	\$ 4,590,915	\$ 4,253,051	\$ 337,864
2028	4,678,165	4,435,569	242,596
2029	4,454,414	4,311,175	143,239
2030	2,130,096	2,083,427	46,669
	<u>\$ 15,853,590</u>	<u>\$ 15,083,222</u>	<u>\$ 770,368</u>

The lease revenue bond is payable solely from revenues, rents and receipts or subject to annual appropriations.

Governmental Bond - Interest rate on the governmental bond is 4.97%. The debt service requirements as of June 30, 2026, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2027	\$ 941,164	\$ 555,000	\$ 386,164
2028	968,534	610,000	358,534
2029	996,085	670,000	326,085
2030	1,026,574	735,000	291,574
2031	1,058,663	805,000	253,663
2032 - 2035	4,836,439	4,290,000	546,439
	<u>\$ 9,827,459</u>	<u>\$ 7,665,000</u>	<u>\$ 2,162,459</u>

Bond series 2023B for the Ridgeview TIF project is structured as a governmental bond issue for tax purposes. The property is owned by the City of Olathe, Kansas and all the pledges of TIF revenues are governmental. The purpose of the financing is to reimburse the developer for construction of the Olathe soccer complex by monetizing the tax revenues now rather than allowing the developer to collect the revenue annually and over time. This bond is offset by a tax revenue receivable on KDFA's balance sheet.

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

5. LEASE LIABILITIES

Description and purpose	Date of lease agreement	Amount of original agreement	Lease term	Interest rates	Amount outstanding	
					June 30, 2026	June 30, 2025
Office lease	7/1/2020 *	\$ 789,669	119 months	5.0000%	\$ 272,231	\$ 333,622
		<u>\$ 789,669</u>			<u>\$ 272,231</u>	<u>\$ 333,622</u>

* During fiscal year 2025, the office lease was extended. Because the lease was not originally expected to extend, the lease was reassessed. Both the right-to-use lease asset and the lease liability were updated in the prior year, along with future amortization and lease payments, respectively.

Year Ending June 30,	Total to be Paid	Principal	Interest
2027	\$ 76,678	\$ 64,532	\$ 12,146
2028	76,678	67,833	8,845
2029	76,678	71,304	5,374
2030	<u>70,284</u>	<u>68,562</u>	<u>1,722</u>
	<u>\$ 300,318</u>	<u>\$ 272,231</u>	<u>\$ 28,087</u>

6. PRIVATE ACTIVITY BONDS

Private activity bonds are special limited obligations of KDFA and are made payable solely from a pledge of the applicable trust estate that is comprised of a particular designated revenue stream of the borrower. These private activity bonds meet the definition of conduit debt per GASB Statement 91 and are therefore not included on KDFA's balance sheet. The amounts of private activity bonds outstanding as of June 30, 2026 and 2025 were \$799,738,117 and \$813,203,145, respectively.

From the inception of the program through June 30, 2026 and 2025, the Beginning Farmer Loan Program had issued \$143,534,487 and \$133,355,638 in bonds, respectively.

7. EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description. KDFA participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Annual Comprehensive Financial Report which can be found on the KPERS website at <http://www.kspers.gov/> or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

**KANSAS DEVELOPMENT FINANCE AUTHORITY
A COMPONENT UNIT OF THE STATE OF KANSAS**

NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Benefits Provided. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points".

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership.

The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees chose one of seven payment options for their monthly retirement benefits. At retirement, a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current member employees and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 years with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

contribution rates. The actuarially-determined employer contribution rate and the statutory contribution rate was 11.68% and 11.54%, respectively, for the fiscal year ended June 30, 2026 and 11.54% and 12.57%, respectively, for the fiscal year ended June 30, 2025. Contributions to the pension plan from KDFA were \$128,067 and \$108,219 for the years ended June 30, 2026 and 2025, respectively.

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

Net pension liability activity for the years ended June 30 was as follows:

	<u>June 30, 2026</u>	<u>June 30, 2025</u>
Net pension liability	\$ 937,328	\$ 1,098,228
Measurement date	June 30, 2025	June 30, 2024
Valuation date	December 31, 2024	December 31, 2023
Proportion	0.0155%	0.0168%
Change in proportion	(0.0013%)	0.0003%

The collective net pension liability is measured by KPERS each June 30, and the total pension liability used to calculate the collective net pension liability is determined by an actuarial valuation as of each December 31, rolled forward to June 30. KDFA's proportion of the collective net pension liability was based on the ratio of KDFA's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the State/School Subgroup within KPERS for the fiscal years ended June 30, 2025 and 2024. The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

For the years ended June 30, 2026 and 2025, KDFA recognized pension expense of \$105,703 and \$158,454, respectively. At June 30, 2026 and 2025, KDFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2026</u>		<u>June 30, 2025</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 63,083	\$ -	\$ 69,736	\$ -
Net difference between projected and actual earnings on pension plan investments	-	34,225	9,804	-
Changes in proportionate share	21,424	58,279	36,939	4,783
Changes in assumptions	26,282	19,500	73,760	28,287
KDFA contributions subsequent to measurement date	128,067	-	108,219	-
Total	<u>\$ 238,856</u>	<u>\$ 112,004</u>	<u>\$ 298,458</u>	<u>\$ 33,070</u>

**KANSAS DEVELOPMENT FINANCE AUTHORITY
A COMPONENT UNIT OF THE STATE OF KANSAS**

NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

The \$128,067 reported as deferred outflows of resources related to pensions resulting from KDFA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) to pension expense as follows:

Year ended June 30:

2027	\$ 73,684
2028	(16,976)
2029	(32,561)
2030	<u>(25,362)</u>
	<u>\$ (1,215)</u>

Actuarial Assumptions. The total pension liability for KPERS in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75%
Wage inflation	3.50%
Salary increases, including wage increases	3.50% to 15.50%, including price inflation
Long-term rate of return, net of investment expense, and including price inflation	7.00%

Mortality rates were based on the Pub 2010 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2021.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study conducted for the four-year period beginning January 1, 2019. The experience study is dated January 29, 2024.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study dated January 29, 2024, as provided by KPERS' investment consultant, are summarized in the following table:

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NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.0%	8.20%
Core Fixed Income	13.0%	2.20%
Yield Driven	12.0%	5.30%
Infrastructure	3.0%	6.80%
Real Estate	15.0%	5.70%
Alternatives	11.0%	12.00%
Short-Term Investments	3.0%	0.30%
Total	<u>100.0%</u>	

Discount Rate. The discount rate used by KPERS to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate was based on member and employer contributions. The State/School employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The statutory cap for the State fiscal year 2025 was 1.2%. The State/School employers are currently contributing the full actuarial contribution rate.

The expected KPERS employer actuarial contribution rate was modeled for future years, assuming all actuarial assumptions are met in the future years. Based on those assumptions, the pension plan'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.

Sensitivity of KDFA's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate. The following presents KDFA's proportionate share of the collective net pension liability calculated using the discount rate of 7% for fiscal 2026 and 2025, respectively, as well as what KDFA's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	<u>1% Decrease 6%</u>	<u>Current Discount Rate 7%</u>	<u>1% Increase 8%</u>
June 30, 2026	\$ 1,413,993	\$ 937,328	\$ 536,457
June 30, 2025	1,617,638	1,098,228	663,191

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS' financial report.

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

As provided by K.S.A. 1995 Supp. 74-4911f, the President of KDFA (President), an appointed official, may elect not to be a member of KPERS. Upon this election, KDFA contributes to the plan on the official's behalf an amount equal to 8% of the official's salary. The current President has not made this election.

8. DEFERRED COMPENSATION PLAN

As a component unit of the State of Kansas, KDFA participates in the State's Deferred Compensation Plan, a voluntary defined contribution retirement plan, as authorized by Internal Revenue Services (IRS) Code Section 457. Salary reduction agreements are made with eligible employees whereby prescribed amounts are withheld from the employee's pay and remitted to the Trustee, Great West Financial, which invests the withholdings in allowable investments in accordance with the investment instructions of the employees. These monies are not available to employees until termination or retirement from employment, death, or unforeseeable emergency. Any classified or unclassified employees, except those employed on an emergency, temporary, or intermittent basis, are eligible on their first day of employment to participate in this plan. During both fiscal year 2026 and 2025, five employees of KDFA participated in this plan.

All assets under this plan are held in trust for the exclusive benefit of participants and their beneficiaries. For this purpose, an annuity contract or custodial account described in IRS Code Section 497(g) is treated as a trust.

9. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

KPERS Death and Disability OPEB Plan

Plan Description. KDFA participates in an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan (Plan) which is administered by KPERS. The Plan provides long-term disability benefits and life insurance benefits for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. Because the trust's assets are used to pay employee benefits other than OPEB, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the Plan.

Benefits Provided. Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66-2/3%) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver premium provision.

Long-Term Disability Benefit: Monthly benefit is 60% of the member's monthly compensation, with a minimum of \$100 and maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement

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NOTES TO THE FINANCIAL STATEMENTS

9. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability occurs after age 60, benefits are payable while disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the term of the disability or 24 months per lifetime, whichever is less. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of-living increase.

Group Life Waiver of Premium Benefit: Upon the death of an employee who is receiving monthly disability benefits, the Plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of the member's annual rate of compensation at the time of disability or the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual life insurance plan.

Employees Covered by Benefit Terms. At June 30, 2026, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	6
	<u>6</u>

Total OPEB Liability

Total OPEB liability activity for the years ended June 30 was as follows:

	<u>June 30, 2026</u>	<u>June 30, 2025</u>
Total OPEB Liability	\$ 4,485	\$ 10,266
Measurement date	June 30, 2025	June 30, 2024
Valuation date	December 31, 2024	December 31, 2023

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise noted:

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NOTES TO THE FINANCIAL STATEMENTS

9. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50 to 10.30%, including price inflation
Discount rate	5.20% for June 30, 2025 measurement date
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit cost	Not applicable for the coverage in this plan

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the Projection Scale MP-2021.

The actuarial assumptions used in the June 30, 2025 valuation were based on actuarial experience study for the period July 1, 2019 - June 30, 2022. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2024 KPERS pension valuation.

Changes in the Total OPEB Liability

	<u>June 30, 2026</u>	<u>June 30, 2025</u>
	Total OPEB	Total OPEB
	Liability	Liability
Beginning balance	\$ 10,266	\$ 10,084
Changes for the year:		
Service cost	3,271	3,183
Interest	532	484
Effect of economic/demographic gains or losses	(9,539)	(3,507)
Effect of assumptions changes or inputs	(45)	22
Benefit payments	-	-
Net changes	<u>(5,781)</u>	<u>182</u>
Ending balance	<u>\$ 4,485</u>	<u>\$ 10,266</u>

Changes of Assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate increased from 3.93% on June 30, 2024 to 5.20% on June 30, 2025 and increased from 3.65% on June 30, 2023 to 3.93% on June 30, 2024.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of KDFA, as well as what KDFA's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20% / 2.93%) or 1-percentage-point higher (6.20% / 4.93%) than the current discount rate:

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NOTES TO THE FINANCIAL STATEMENTS

9. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

	1% Decrease (4.20% / 2.93%)	Current Discount Rate (5.20% / 3.93%)	1% Increase (6.20% / 4.93%)
June 30, 2026	\$ 4,521	\$ 4,485	\$ 4,420
June 30, 2025	10,081	10,266	10,295

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS. Therefore, there is no sensitivity to a change in healthcare trend rates.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2026 and 2025, KDFA recognized OPEB (benefit) expense of (\$1,226) and \$845, respectively. At June 30, 2026 and 2025, KDFA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2026		June 30, 2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ --	\$ 26,718	\$ --	\$ 22,210
Changes in assumptions	1,081	742	1,267	886
Total	<u>\$ 1,081</u>	<u>\$ 27,460</u>	<u>\$ 1,267</u>	<u>\$ 23,096</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Deferred Outflows (Inflows) of Resources
2027	\$ (5,034)
2028	(4,892)
2029	(4,348)
2030	(3,661)
2031	(2,513)
Thereafter	<u>(5,931)</u>
	<u>\$ (26,379)</u>

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

10. RISK MANAGEMENT

KDFA is exposed to various risks of loss related to torts: professional liability, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. KDFA has not made a claim against any of the insurance policies.

KDFA has commercial insurance coverage related to miscellaneous professional liability with a limit of liability of \$10,000,000 and retention of \$200,000 deductible. KDFA also has commercial insurance coverage on personal property with a limit of \$1,710,200 and \$1,000 deductible, which includes coverage on electronic data processing equipment, media, and data. This policy also provides general liability coverage with a \$2,000,000 per occurrence / \$4,000,000 aggregate limit. In addition, there is a Public Officials and Employees Liability Insurance Policy with an aggregate limit of \$2,000,000 and a deductible of \$1,000. Insurance settlements have not exceeded insurance coverage for the past three fiscal years. In addition, KDFA purchased public official surety bonds for an additional coverage of \$1,500,000. KDFA also participates as a Non-State group in the State's employee health benefit plan.

11. SUBSEQUENT EVENTS

KDFA has issued the following bonds subsequent to June 30, 2026:

Name	Principal Amount	Series	Type	Issued
Chelsea Plaza Apartments	\$ 9,500,000	2026J	Multifamily housing revenue bond	7/9/2026
Chalet Manor	13,500,000	2026K	Multifamily housing revenue bond	9/15/2026

KDFA evaluated subsequent events through September 25, 2026, the date the financial statements were available to be issued. Other than noted above, no subsequent events were identified that required adjustment to, or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2026

Schedule of Changes in Total OPEB Liability

Last Nine Fiscal Years*

Measurement Date	2026 June 30, 2025	2025 June 30, 2024	2024 June 30, 2023	2023 June 30, 2022	2022 June 30, 2021	2021 June 30, 2020	2020 June 30, 2019	2019 June 30, 2018	2018 June 30, 2017
Total OPEB liability									
Service cost	\$ 3,271	\$ 3,183	\$ 3,058	\$ 5,485	\$ 5,149	\$ 5,653	\$ 5,398	\$ 5,350	\$ 5,409
Interest	532	484	443	265	284	919	1,673	2,167	2,088
Effect of economic/demographic gains or losses	(9,539)	(3,507)	(2,890)	(4,810)	(6,257)	(11,149)	(7,180)	(4,741)	-
Effect of assumptions changes or inputs	(45)	22	14	1,719	(61)	(1,528)	(241)	113	-
Benefit payments	-	-	-	-	-	(13,485)	(20,227)	(20,227)	(20,227)
Net change in total OPEB liability	(5,781)	182	625	2,659	(885)	(19,590)	(20,577)	(17,338)	(12,730)
Total OPEB liability - beginning	10,266	10,084	9,459	6,800	7,685	27,275	47,852	65,190	77,920
Total OPEB liability - ending	\$ 4,485	\$ 10,266	\$ 10,084	\$ 9,459	\$ 6,800	\$ 7,685	\$ 27,275	\$ 47,852	\$ 65,190
Covered payroll	\$ 937,771	\$ 954,241	\$ 897,831	\$ 840,391	\$ 794,505	\$ 765,276	\$ 882,372	\$ 851,388	\$ 868,803
Total OPEB liability as a percentage of covered payroll	0.48%	1.08%	1.12%	1.13%	0.86%	1.00%	3.09%	5.62%	7.50%

*GASB 75 requires presentation of ten years. As of June 30, 2026, only nine years of information is available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period:

June 30, 2026: 5.20%
June 30, 2025: 3.93%
June 30, 2024: 3.65%
June 30, 2023: 3.54%
June 30, 2022: 2.16%
June 30, 2021: 2.21%
June 30, 2020: 3.50%
June 30, 2019: 3.87%
June 30, 2018: 3.58%

KANSAS DEVELOPMENT FINANCE AUTHORITY
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REQUIRED SUPPLEMENTARY INFORMATION

SHARE OF THE COLLECTIVE NET PENSION LIABILITY
Kansas Public Employees Retirement System
Last Ten Years

	<u>2026</u>	<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>
Measurement date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
KDFA's proportion of the collective net pension liability	0.0155%	0.0168%	0.0165%	0.0160%	0.0160%	0.0155%	0.0181%	0.0179%	0.0189%	0.0194%
KDFA's proportionate share of the net pension liability	\$ 937,328	\$ 1,098,228	\$ 1,150,439	\$ 1,142,757	\$ 902,999	\$ 1,156,236	\$ 1,170,992	\$ 1,164,739	\$ 1,272,837	\$ 1,303,753
KDFA's covered payroll	\$ 937,771	\$ 954,241	\$ 897,831	\$ 840,391	\$ 840,391	\$ 765,276	\$ 882,372	\$ 851,388	\$ 868,803	\$ 830,945
KDFA's proportionate share of the net pension liability	100%	115%	128%	136%	107%	151%	133%	137%	147%	157%
Plan fiduciary net position as a percentage of the total	75.26%	72.75%	70.70%	69.75%	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%

Note: Information on this schedule is measured as of the measurement date.

KANSAS DEVELOPMENT FINANCE AUTHORITY
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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF KDFA'S CONTRIBUTIONS
Kansas Public Employees Retirement System
Last Ten Fiscal Years

	<u>2026</u>	<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>
Contractually required contribution	\$ 128,067	\$ 108,219	\$ 119,948	\$ 117,705	\$ 112,024	\$ 113,058	\$ 110,276	\$ 116,561	\$ 102,252	\$ 93,917
Contributions in relation to the contractually required contribution	<u>(128,067)</u>	<u>(108,219)</u>	<u>(119,948)</u>	<u>(117,705)</u>	<u>(112,024)</u>	<u>(113,058)</u>	<u>(110,276)</u>	<u>(116,561)</u>	<u>(102,252)</u>	<u>(93,917)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
KDFA's covered-employee payroll	\$1,096,464	\$ 937,771	\$ 954,241	\$ 897,831	\$ 840,391	\$ 794,505	\$ 765,276	\$ 882,372	\$ 851,388	\$ 868,803
Contributions as a percentage of covered-employee payroll	11.68%	11.54%	12.57%	13.11%	13.33%	14.23%	14.41%	13.21%	12.01%	10.81%

^a Covered payroll is measured as of the fiscal year end, the most recent of which was June 30, 2026.

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NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in Benefit Terms for KPERS.

For the State fiscal year 2017, the Legislature changed the working after retirement rules for members who retire on or after January 1, 2019. The key changes to the working after retirement rules were to lengthen the waiting period for KPERS members to return to work from 60 days to 180 days for members who retire before attaining age 62, remove the earnings limitation for all retirees and establish a single-employer contribution schedule for all retirees.

Changes in Assumptions for KPERS. As a result of the experience study completed in November 2016, there were several changes made to the actuarial assumptions and methods since the prior valuation. The changes that impact all groups were effective December 31, 2016 and include:

- The price inflation assumption was lowered from 3% to 2.75%.
- The investment return assumption was lowered from 8% to 7.75%.
- The general wage growth assumption was lowered from 4% to 3.50%.
- The payroll growth assumption was lowered from 4% to 3%.

Changes from the November 2016 experience study that impacted individual groups are listed below:

KPERS:

- The post-retirement healthy mortality assumption was changed to the RP-2014 Mortality Table, with adjustments to better fit the observed experience for the various KPERS groups. The most recent mortality improvement scale, MP-2016, is used to anticipate future mortality improvements in the valuation process through the next experience study.
- The active member mortality assumption was modified to also be based on the RP-2014 Employee Mortality Table with adjustments.
- The retirement rates for the select period (when first eligible for unreduced benefits under Rule of 85) were increased, but all other retirement rates were decreased.
- Disability rates were decreased for all three groups.
- The termination of employment assumption was increased for all three groups.
- The interest crediting rate assumption for KPERS 3 members was lowered from 6.50% to 6.25%.

As a result of the experience study completed in January 2020, there were several changes made to the actuarial assumptions and methods since the prior valuation. The changes that impact all groups were effective December 31, 2019 and include:

- The investment return assumption was lowered from 7.75% to 7.50%.
- The general wage growth assumption was lowered from 3.50% to 3.25%.

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NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

- The payroll growth assumption was lowered from 3% to 2.75%.

Changes from the January 2020 experience study that impacted individual groups are listed below:

KPERS:

- Retirement rates were adjusted to partially reflect observed experience.
- Termination rates were increased for most KPERS groups.
- Disability rates were reduced.
- Factors for the State group that are used to anticipate higher liabilities due to higher final average salary at retirement for pre-1993 hires were modified to better reflect actual experience.
- The administrative expense load for contributions rates was increased from 0.16% to 0.18%.

December 31, 2020 assumption changes included a decrease of the investment return assumption from 7.75% to 7.25% and an increase in general wage growth assumption from 3.25% to 3.50%.

December 31, 2021 assumption changes included a decrease of the investment return assumption from 7.25% to 7%.

As a result of the experience study prepared during 2023, there have been several changes to the actuarial assumptions since the prior valuation. The Board elected to adopt all of the recommended changes at their meeting on January 19, 2024. The new set of actuarial assumptions is first used in this valuation and the changes include:

KPERS

- The mortality assumption was changed to the Pub-2010 family of mortality tables, with the different groups using different tables and age adjustments, projected generationally using MP-2021.
- Retirement rates for the C60 group were adjusted to partially reflect observed experience.
- Disability rates were reduced.
- The probability of KPERS 1 members leaving their contributions with the System were modified to better reflect observed experience.

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NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

- Factors for the State and Local groups that are used to anticipate higher liabilities due to higher final average salary at retirement for pre-1993 hires were modified to better reflect actual experience.
- The administrative expense component of the actuarial required contribution rate was increased from 0.18% to 0.23%.
- The merit salary increase assumption was increased for the School and Local groups.

SUPPLEMENTARY INFORMATION

**KANSAS DEVELOPMENT FINANCE AUTHORITY
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PRIVATE ACTIVITY BONDS

Years Ended June 30, 2026 and 2025

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2026	Balance at 6/30/2025
Spirit AeroSystems, Inc.	\$ 80,000,000.00	2005J	Taxable Revenue Bonds-Fixed Rate	\$ --	\$ 80,000,000.00
University of Kansas Hospital Authority (KUHA) - Variable Rate	25,000,000	2011J	Health Facilities Revenue Bonds	--	18,650,000
Village Shalom Obligated Group Project	12,155,000	2013E	Refunding Revenue Bonds	2,308,884	3,184,775
Adventist Health System	30,000,000	2014C-ADV	Hospital Revenue Bonds	6,000,000	8,000,000
Madison Street Apartments	7,600,000	2016L	Senior Housing Revenue Bond	3,155,178	3,188,651
Stormont-Vail HealthCare, Inc.	102,220,000	2016M,N,O	Health Facilities Revenue Bonds and Notes	56,310,000	62,415,000
Hillcrest Apartments, LP	6,100,000	2017F-1 F-2	Senior Housing Revenue Bonds	4,225,778	4,273,903
Village Shalom, Inc. Project	41,085,000	2018A (1)	Health Facilities Revenue Bonds	41,085,000	41,085,000
Nettleton Manor Apartments Project (Tranche A1 and A2)	7,325,000	2018C-1	Multi-family Revenue Bonds	5,575,297	5,662,497
Nettleton Manor Apartments Project (Tranche B)	675,000	2018C-2	Multi-family Revenue Bonds	850,778	894,060
Turtle Hill Townhomes	4,000,000	2018D	Low Income Housing Revenue Bonds	3,370,000	3,405,000
Stormont-Vail HealthCare, Inc. - Health Facilities Refunding 2011F (Tax Exempt)	36,265,000	2019K	Privately Placed Health Facilities Revenue Bonds	19,240,000	22,385,000
Suburban Water	4,300,000	2019P	Privately Placed Industrial Facility Revenue Bonds	3,205,611	3,387,721
Town House Renaissance LP Project	20,000,000	2020D	Privately Placed Affordable Housing Revenue Bonds	8,911,052	9,060,957
Silver City Preservation LLC - Silver City Apartments	21,618,000	2020J	Privately Placed Multifamily Housing Revenue Bond	15,367,096	15,578,365
Kansas City Venture Group Refundings (Boulevard, The Falls, Heather Glen)	43,750,000	2020LMN	Privately Placed Multifamily Housing Revenue Bonds	43,750,000	43,750,000
Curtis Homes	4,081,000	2020Q	Affordable Multifamily Housing Governmental Note	2,288,000	2,288,000
Adventist Health System	178,440,000	2021B	Hospital Revenue Bonds	167,695,000	167,695,000
Davidson's Landing Apartment Homes	14,533,000	2021E	Affordable Multifamily Housing Revenue Bonds	6,781,500	10,063,000
Stormont-Vail HealthCare, Inc.	35,390,000	2021F	Privately Placed Health Facilities Revenue Bonds	31,505,000	32,315,000
Stormont-Vail HealthCare, Inc. (Ref 2013J)	40,145,000	2021G	Privately Placed Health Facilities Refunding Revenue Bonds	32,645,000	34,520,000
Sunrise Towers Apartments	19,000,000	2021H	Privately Placed Multifamily Housing Revenue Bonds	17,847,919	18,095,428
Union at The Loop	35,000,000	2021N	Privately Placed Multifamily Housing Revenue Bonds	32,741,585	22,058,523
Hays Medical Center, Inc.	50,105,000	2021S	Privately Placed Taxable Convertible Health Care Facilities Refunding Revenue Bonds	38,895,000	41,810,000
Salina RAD	11,700,000	2022B	Privately Placed Multifamily Housing Revenue Bonds	5,651,543	8,615,349
Sante Fe Trail Apartments	2,823,000	2022H-1	Privately Placed Multifamily Governmental Note	2,753,679	2,787,864
Oakdale Senior Village	10,430,000	2023D-1	Publicly Placed Multifamily Tax-Exempt Mortgage-backed Bonds	10,241,206	10,310,342
Oakdale Senior Village	2,519,000	2023D-2	Publicly Placed Multifamily Housing Revenue Bonds	--	2,519,000
Clarion Park Housing Project	19,013,000	2023K-1	Privately Placed Multifamily Housing Revenue Construction/Permanent Note	18,945,796	19,013,000
Clarion Park Housing Project	15,987,000	2023K-2	Privately Placed Multifamily Housing Revenue Construction Note	--	15,987,000
Canterbury Village Apartments	8,500,000	2024A	Privately Placed Multifamily Housing Revenue Bonds	4,790,000	8,480,000
Canyon Creek Apartments	36,936,000	2024C	Publicly Placed Multifamily Housing Revenue Bonds	36,936,000	36,936,000
City Hall Place Apartments	7,900,000	2024D-1	Privately Placed Multifamily Housing Revenue Bonds	7,900,000	7,900,000
City Hall Place Apartments	14,500,000	2024D-2	Privately Placed Multifamily Housing Revenue Bonds	14,500,000	14,500,000
Sycamore Village	12,743,000	2024J	Publicly Placed Multifamily Housing Revenue Bonds	12,620,193	12,698,278
Terrace Pointe	10,000,000	2024K-1	Publicly Placed Multifamily Housing Revenue Bonds	10,000,000	10,000,000
Terrace Pointe	8,684,000	2024K-2	Publicly Placed Multifamily Housing Revenue Bonds	8,684,000	8,684,000
Legacy at Northeast Seasons	9,000,000 40,000,000	2025E 2025F	Privately Placed Multifamily Housing Revenue Bonds Publicly Placed Multifamily Housing Revenue Bonds	7,705,843 40,000,000	1,006,432 --
Bureau Lofts	24,000,000	2025J	Publicly Placed Multifamily Housing Revenue Bonds	24,000,000	--
Lee Lofts	8,000,000	2026E	Privately Placed Multifamily Housing Revenue Bonds	4,596,179	--
Floret Hill Apartments	30,000,000	2026F	Publicly Placed Multifamily Housing Revenue Bonds	30,000,000	--
Johnson-Betts Meadows	25,400,000	2026H	Privately Placed Multifamily Housing Revenue Bonds	60,000	--
Gateway Plaza KC	12,100,000	2026B	Publicly Placed Multifamily Housing Revenue Bonds	12,100,000	--
Emerald Apartments	4,500,000	2026C	Publicly Placed Multifamily Housing Revenue Bonds	4,500,000	--
				<u>\$ 799,738,117</u>	<u>\$ 813,203,145</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kansas Development Finance Authority
Topeka, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Kansas Development Finance Authority (KDFA) which comprise the balance sheet as of June 30, 2026 and 2025, and the related statements of revenues, expenses and changes in net position, and cash flows for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether KDFA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Allen, Gibbs & Houlik, L.C
CERTIFIED PUBLIC ACCOUNTANTS

Wichita, KS
September 25, 2026