FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024
AND

INDEPENDENT AUDITOR'S REPORT



FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

Years Ended June 30, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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 26, 2025 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 the 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.C. CERTIFIED PUBLIC ACCOUNTANTS

Wichita, KS September 26, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2025 and 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion of the Kansas Development Finance Authority's (KDFA) operations and financial position should be read in conjunction with the financial statements and appropriate notes appearing elsewhere in this document.

FINANCIAL HIGHLIGHTS

- KDFA's total net position increased by \$992,486 from the previous year.
- During the year, KDFA's revenues exceeded expenses by \$992,486. KDFA had operating expenses of \$1,994,080 in 2025 compared to \$1,872,506 in 2024, and operating revenues of \$2,183,346 and \$1,335,346 for those same years.
- Revenues received but not earned (unearned revenues) increased by \$222,958 to \$2,862,018 during fiscal 2025.

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.

FINANCIAL ANALYSIS OF KDFA AS A WHOLE

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2025 and 2024

	In Thousands of Dollars						Increase (Decrease)			
		2025		2024		2023		2025 vs. 2024		2024 vs. 2023
Current and other assets Other noncurrent assets Capital assets	\$ 3	187,969 ,267,044 403		178,524 811,121 232		186,505 938,523 376	\$	9,445 455,923 171	\$	(7,981) (127,402) (144)
Total assets	_3	,455,416	2,	989,877	3,	125,404		465,539		(135,527)
Deferred outflows - pension Deferred outflows - OPEB Deferred outflows - deferred		298 1		405 440 1 2				(107) 		(35) (1)
refunding		849		1,552		2,219		(703)		(667)
Total deferred outflows		1,148		1,958		2,661		(810)		(703)
Long-term liabilities Other liabilities	3	,271,251 175,091	-	815,260 167,340	-	943,883 174,951		455,991 7,751		(128,623) (7,611)
Total liabilities	_3	,446,342	2,982,600		3,	3,118,834		463,742		(136,234)
Deferred inflows - pension Deferred inflows - OPEB		33 23		37 24		74 25		(4) (1)		(37) (1)
Total deferred inflows		56_		61_		99		(5)		(38)
Total net position	\$	10,166	\$	9,174	\$	9,132	\$	992	\$	42
Operating revenues Non-operating revenues	\$	2,183 804	\$	1,335 583	\$	1,374 46	\$	848 221	\$	(39) 537
Total revenues		2,987		1,918		1,420		1,069		498_
Operating expenses Non-operating expenses		1,994 1		1,873 3		1,612 5		121 (2)		261 (2)
Total expenses		1,995		1,876		1,617		119		259
Excess of revenues over expenses over		000		40		(407)		0.50		000
revenues)		992		42		(197)		950		239_
Change in net position	\$	992	\$	42	\$	(197)	\$	950	\$	239

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 2025 and 2024, approximately \$662,931,800 and \$146,714,000 of bonds were issued, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2025 and 2024

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. The amount of revenues from KDFA's issuance fee increased to \$1,022,365 in 2025 from \$412,168 in 2024. Additionally, the amount of revenues from KDFA's annual fee increased to \$952,033 in 2025 from \$733,715 in 2024.

Overall operating expenses increased by \$121,574 as a result of increases and decreases to various expenditures. The amount recorded in salaries and related payroll expense increased by \$83,130 primarily due to annual cost of living adjustments to employee salaries. The amount recorded in pension expense also increased by \$32,473 primarily due to employer pension expense increases as allocated from the annual KPERS GASB 68 actuarial report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Capital assets include furniture, office and computer equipment, building improvements and leases. Building improvements are depreciated over the ten-year life of the original lease. Furniture and equipment are depreciated over a three to five year time frame. The Right-to-use lease is depreciated over the five-year term of the lease. For additional information on capital assets, see Note 3.

Long-term Debt: See financial highlights above for discussion of unearned revenues. 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 is now being reported on KDFA's balance sheet. For additional information on debt, see Notes 4, 5, 6 and supplementary information.

ECONOMIC FACTORS

After a sustained period of low interest rates in response to the Great Recession, inflationary pressures rapidly developed during 2022 from a very high level of increased federal spending and delayed response by the Federal Reserve. In March of 2022, the Federal Reserve's longer run target for the Fed Funds Rate and inflation were 2.375% and 2% respectively. In their most recent set of projection numbers in June of 2025, these longer run targets are 3% and 2%. Simply put, a little over three years ago, after inflation had already started, the Federal Reserve believed that short term fixed income investors should only receive about a 0.375% real return. Now, they believe this real return should be 1%. This shift may seem small but it is amplified as one moves out into longer duration and riskier financial assets. As a result, municipal borrowing rates have been much higher than they were during the Great Recession. Currently, municipal borrowing rates are closer to their recent 25 year average. The combination of higher rates, and unusually full State coffers as a result of federal Covid stimulus funds resulted in the State of Kansas cash funding various projects, including renovation of the Docking State Office Building and construction of a laboratory for the Kansas Department of Health and Environment that in most years would have been financed with KDFA issued debt.

Most states including Kansas have now substantially depleted the stimulus funds and the 2025 Kansas legislature pivoted back to authorizing debt transactions for various capital projects to include \$60 million in bonds for Wichita State University Stadium Renovations, \$80 million for a new headquarters building for the KBI, \$23.5 million for the Global Center for Grain and Food Innovation at Kansas State University, \$128 million for a Veterinary Diagnostic Laboratory at Kansas State University, \$100 million for housing system options at the University of Kansas and \$100 million for the University of Kansas Medical Center Cancer Center.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2025 and 2024

KDFA anticipates issuing approximately \$300 million to provide funds for the Kansas Department of Health and Environment Water State Revolving Loan Fund Program. On the private activity bond side, KDFA has presently induced or is working on seven affordable housing multifamily transactions and anticipates additional transactions over the next year as developers take advantage of both the federal and state low-income housing tax credit incentive available for another year.

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.

CONTACTING KDFA'S FINANCIAL MANAGEMENT

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.

BALANCE SHEETS

June 30, 2025 and 2024

ASSETS AND DEFERRED OUTFLOWS

	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	\$ 118,201	\$ 141,203
Cash held with fiscal agent	1,732	1,840
Investments	11,525,285	10,302,835
Investments, restricted	2,862,018	2,639,060
Accounts receivable	134,300	138,135
Tax revenue receivable	500,000	410,000
Other receivables	1,104	576 70.732
Prepaid expenses	76,534	79,732
Bonds receivable from primary government and component units, current portion	172,757,109	164,810,872
Total current assets	187,976,283	178,524,253
	, ,	
NON-CURRENT ASSETS		
Tax revenue receivable	7,670,000	8,245,000
Bonds receivable from primary government and		
component units, long-term portion Capital assets:	3,259,373,816	2,802,875,778
Furniture and equipment	349,154	387,364
Building improvements	581,557	585,984
Right-to-use lease	730,439	402,204
Less accumulated depreciation and amortization	(1,258,137)	(1,143,880)
Total net capital assets	403,013	231,672
Total non-current assets	3,267,446,829	2,811,352,450
Total assets	3,455,423,112	2,989,876,703
DEFFERED OUTFLOWS OF RESOURCES	000 450	405 400
Deferred outflows - pension	298,458	405,409
Deferred outflows - OPEB	1,267	1,431
Deferred outflows - deferred refunding	847,880	1,551,462
Total deferred outflows of resources	1,147,605	1,958,302
Total assets and deferred outflows of resources	\$ 3,456,570,717	\$ 2,991,835,005

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2025	2024		
CURRENT LIABILITIES Current maturities of long-term debt, net of premium/discount	\$ 173,815,932	\$ 166,135,259		
Accrued salaries and related benefits	855,471	808,645		
Lease liability, current portion	61,391	76,722		
Accounts payable	38,253	19,452		
Unearned revenue, current portion	326,283	297,640		
Notes payable, current portion	479	1,920		
Total current liabilities	175,097,809	167,339,638		
LONG-TERM LIABILITIES				
Long-term debt, net of premium/discount	3,267,332,873	2,811,757,853		
Unearned revenue	2,535,735	2,341,420		
Lease liability	272,231			
Notes payable		476		
Total OPEB liability	10,266	10,084		
Net pension liability	1,098,228	1,150,439		
Other liability	1,262			
Total long-term liabilities	3,271,250,595	2,815,260,272		
Total liabilities	3,446,348,404	2,982,599,910		
DEFFERED INFLOWS OF RESOURCES				
Deferred inflows - pension	33,070	37,575		
Deferred inflows - OPEB	23,096	23,859		
Total deferred inflows of resources	56,166	61,434		
NET POSITION				
Invested in capital assets	68,912	152,554		
Unrestricted	10,097,235	9,021,107		
	10,166,147	9,173,661		
Total liabilities, deferred inflows of resources and net position	\$ 3,456,570,717	\$ 2,991,835,005		

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30, 2025 and 2024

	2025	2024
Operating revenues: Issuance fees	\$ 1,022,365	\$ 412,168
Annual fees	952,033	733,715
Application fees	10,000	6,200
Miscellaneous revenue	198,948	183,263
Total operating revenues	2,183,346	1,335,346
Operating expenses:		
Salaries and related payroll expense	1,288,185	1,205,055
Pension expense	158,454	125,981
OPEB expense	845	(239)
Telecommunications	10,053	10,124
Maintenance agreements and repairs	39,551	21,886
Rents	6,368	6,566
Insurance	61,210	58,892
Travel	44.700	243
Continuing education expenses	11,768	13,324
Professional services	197,249 10,248	198,046
Memberships and subscriptions Professional and office supplies	10,246 19,415	8,703 19,912
Depreciation and amortization	175,407	187,076
Miscellaneous	15,327	16,937
Total operating expenses	1,994,080	1,872,506
Operating profit (loss)	189,266	(537,160)
Non-operating revenues (expenses):		
Investment income	490,796	390,356
Interest on leases	(1,191)	(2,742)
Net change in fair value of investments	313,615	192,096
Total non-operating revenues (expenses)	803,220	579,710
Excess of revenues over expenses (expenses over revenue)	992,486	42,550
Net position, beginning of year	9,173,661	9,131,111
Net position, end of year	\$ 10,166,147	\$ 9,173,661

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

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2025 and 2024

		2025	2024
Cash flows from operating activities: Cash received from others Cash paid to others	\$	2,187,181 (1,476,338)	\$ 1,317,892 (1,868,442)
Net cash flow from operating activities		710,843	(550,550)
Cash flows from capital and related financing activities: Purchases of capital assets Gain on sale of capital assets Proceeds from sale of capital assets Payments on leases Interest paid on leases Payments on note payable		(5,112) (3,461) 1,500 (82,775) (1,191) (1,917)	(42,552) (84,047) (2,742) (1,916)
Net cash flow from capital and related financing activities		(92,956)	 (131,257)
Cash flows from investing activities: Change in OMIP investment balance Purchase of investments Interest and dividends on investments		(659,067) (786,341) 804,411	 655,365 (569,402) 582,452
Net cash flow from investing activities		(640,997)	668,415
Net change in cash and cash equivalents		(23,110)	(13,392)
Cash and cash equivalents, beginning of year		143,043	 156,435
Cash and cash equivalents, end of year	\$	119,933	\$ 143,043
Cash and cash equivalents Cash held with fiscal agent	\$	118,201 1,732	\$ 141,203 1,840
Total cash	\$	119,933	\$ 143,043
Reconciliation of operating income to net cash flow from operating activities: Operating income (loss) Adjustments to reconcile operating loss to net cash flow from operating activities: Depreciation and amortization Change in assets, deferred outflows, liabilities and deferred	\$	189,266 175,407	\$ (537,160) 187,076
inflows: (Increase) decrease in: Accounts receivable Other receivables Prepaid expenses Deferred outflows - pension Deferred outflows - OPEB Accrued salaries and related benefits Accounts payable Unearned revenue Total OPEB liability Net pension liability Other liability Deferred inflows - pension Deferred inflows - OPEB	_	3,835 (528) 3,198 106,951 164 46,826 18,801 222,958 182 (52,211) 1,262 (4,505) (763)	 (17,454) 109 12,237 34,800 170 88,493 (14,677) (274,968) 625 7,682 (36,449) (1,034)
Net cash flow from operating activities	\$	710,843	\$ (550,550)

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

STATEMENTS OF CASH FLOWS (Continued)

Years Ended June 30, 2025 and 2024

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.

	2025	2024
Principal payments and redemptions made on revenue bonds	\$ 159,249,107	\$ 179,153,701
Proceeds from revenue bonds	622,504,800	43,198,000
Amortization of deferred refunding	703,582	667,810
Net change in tax revenue receivable	485,000	375,000
Net change in bonds receivable from primary government and component units	\$ 464,444,275	\$(134,912,891)

NOTES TO 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.

<u>Basis of Accounting</u> - 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.

NOTES TO THE FINANCIAL STATEMENTS

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

<u>Cash and Investments</u> - 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, 2025 and 2024, 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.

<u>Cash Held for Others</u> - 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, 2025 or 2024.

<u>Accounts Receivable</u> - 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, 2025 and 2024, respectively.

<u>Bonds Receivable from Primary Government and Component Units</u> - 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).

<u>Capital Assets</u> - 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,

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.

<u>Unearned Revenue</u> - 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.

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

<u>Net Position</u> - 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.

<u>Deferred Inflows of Resources/Deferred Outflows of Resources</u> - 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 two items that qualify for reporting in this category. They are the deferred inflows for pensions and OPEB. 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.

<u>Pensions</u> - 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

NOTES TO THE FINANCIAL STATEMENTS

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

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.

<u>Operating Revenues and Expenses</u> - 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.

<u>Use of Estimates</u> - 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.

<u>Related Parties</u> - 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 officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio.

NOTES TO THE FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2025 and 2024, KDFA has \$1,143,072 and \$484,005, respectively, invested in the State of Kansas Municipal Investment Pool. As of June 30, 2025 and 2024, KDFA has \$13,244,231 and \$12,457,890, 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, 2025 and 2024 totaled \$115,305 and \$142,757, 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, 2025 and 2024, 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.

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

		June 3	30, 2025			
		Investmer (In Y				
Investment Type	June 30, 2	2025 L	ess than 1	1-	-5	Fair Value Hierarchy
KMIP Vanguard Short-Term	\$ 1,143,0)72 \$	1,143,072	\$		N/A
Bond Index Fund	13,244,2	231	13,244,231			Level 1
Total	\$ 14,387,3	<u>\$03</u> <u>\$</u>	14,387,303	\$		

NOTES TO THE FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

				June 3	24		
				Investmen (In Y	urities		
Investment Type	Ju	June 30, 2024		Less than 1		1-5	Fair Value Hierarchy
KMIP Vanguard Short-Term	\$	484,005	\$	484,005	\$		N/A
Bond Index Fund		12,457,890		12,457,890			Level 1
Total	\$	12,941,895	\$	12,941,895	\$		

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.

3. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2025 and 2024 was as follows:

	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	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	(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	\$ 231,672	\$ 171,865	\$ (524)	\$ 403,013

NOTES TO THE FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

	June 30, 2023 Balance	Increases	Transfers and Decreases	June 30, 2024 Balance
Furniture and equipment	\$ 375,676	\$ 42,552	\$ (30,864)	\$ 387,364
Building improvements	585,984			585,984
Right-to-use leases	402,204			402,204
Total capital assets being				
depreciated	1,363,864	42,552	(30,864)	1,375,552
Less accumulated depreciation:				
Furniture and equipment	(270, 196)	(46,758)	30,864	(286,090)
Building improvements	(470,916)	(58,132)		(529,048)
Right-to-use leases	(246,556)	(82,186)		(328,742)
Total accumulated depreciation and				
amortization	(987,668)	(187,076)	30,864	(1,143,880)
Total capital assets, net	\$ 376,196	\$ (144,524)	\$	\$ 231,672

4. LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for KDFA for the periods ended June 30, 2025 and 2024:

	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	\$ 2,979,132,753	\$ 668,440,806	\$ 204,980,897	\$ 3,442,592,662	\$ 173,877,802
	June 30, 2023	Additions	Deductions	June 30, 2024	Current Portion
Long-term debt					
Publicly placed revenue bonds	\$ 2,928,935,000	\$ 11,040,000	\$ 153,955,000	\$ 2,786,020,000	\$ 140,985,000
Privately placed revenue bonds	29,347,664	32,158,000	8,394,313	53,111,351	8,562,320
Lease revenue bond	26,790,038		3,734,818	23,055,220	3,896,978
Governmental bond	9,030,000		375,000	8,655,000	410,000
Net unamortized premium (discount)	119,746,111	890,418	13,584,988	107,051,541	12,280,961
Other long-term liabilities					
Lease liabilities	160,769		84,047	76,722	76,722
Note payable	4,312		1,916	2,396	1,920
Net pension liability	1,142,757	356,909	349,227	1,150,439	
Total OPEB liability	9,459	1,034	409	10,084	
Total long-term liabilities	\$ 3,115,166,110	\$ 44,446,361	\$ 180,479,718	\$ 2,979,132,753	\$ 166,213,901

NOTES TO THE FINANCIAL STATEMENTS

4. LONG-TERM LIABILITIES (CONTINUED)

<u>Publicly Placed and Privately Placed Revenue Bonds</u> - Interest rates on the revenue bonds vary between 0.207% and 7%. The debt service requirements as of June 30, 2025, are as follows:

Year Ending June 30,	 Total to be Paid	 Principal		Interest
2026 2027 2028 2029 2030 2031 – 2035 2036 – 2040 2041 – 2045	\$ 290,829,869 286,012,177 285,334,428 285,681,273 281,464,268 1,265,398,646 970,154,863 798,929,059	\$ 154,263,988 156,014,462 162,271,170 169,790,415 172,871,406 829,624,970 691,289,000 666,470,000	\$	136,565,881 129,997,715 123,063,258 115,890,858 108,592,862 435,773,676 278,865,863 132,459,059
2041 – 2043 2046 – 2050 2051 – 2055	 223,793,426 91,856,090	 188,197,000 84,288,000		35,596,426 7,568,090
	\$ 4,779,454,099	\$ 3,275,080,411	\$_	1,504,373,688

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.

<u>Lease Revenue Bond</u> - Interest rate on the lease revenue bond is 2.24%. The debt service requirements as of June 30, 2025, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2026 2027	\$ 4,504,165 4,590,915	\$ 4,075,020 4,253,051	\$ 429,145 337,864
2028 2029 2030	4,678,165 4,454,414 2,130,096	 4,435,569 4,311,175 2,083,427	242,596 143,239 46,669
	\$ 20,357,755	\$ 19,158,242	\$ 1,199,513

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

NOTES TO THE FINANCIAL STATEMENTS

4. LONG-TERM LIABILITIES (CONTINUED)

<u>Governmental Bond</u> - Interest rate on the governmental bond is 4.97%. The debt service requirements as of June 30, 2025, are as follows:

Year Ending June 30,	 Total to be Paid	 Principal	 Interest
2026	\$ 912,109	\$ 500,000	\$ 412,109
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 – 2035	 5,900,102	 5,100,000	800,102
	\$ 10,744,568	\$ 8,170,000	\$ 2,574,568

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.

5. LEASE LIABILITIES

						Amount outstanding			iding
Description and purpose	Date of lease agreement	C	mount of original reement	Lease term	Interest rates	J	une 30, 2025		ıne 30, 2024
Sharp MX6071 Copier	7/1/2020	\$	16,068	52 months	2.2400%	\$	-	\$	1,126
Office lease	7/1/2020 *		789,669	119 months	5.0000%		333,622		75,596
		\$	805,737			\$	333,622	\$	76,722

^{*} During the current year, 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 current year, along with future amortization and lease payments, respectively.

Year Ending June 30,	 otal to be Paid	F	Principal	lr	nterest
2026	\$ 76,678	\$	61,391	\$	15,287
2027	76,678		64,532		12,146
2028	76,678		67,833		8,845
2029	76,678		71,304		5,374
2030	 70,284		68,562		1,722
	\$ 376,996	\$	333,622	\$	43,374

NOTES TO THE FINANCIAL STATEMENTS

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, 2025 and 2024 were \$813,203,145 and \$804,875,131, respectively.

From the inception of the program through June 30, 2025 and 2024, the Beginning Farmer Loan Program had issued \$133,355,638 and \$123,879,882 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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 contribution rates. The actuarially-determined employer contribution rate and the statutory contribution rate was 11.54% and 12.57%, respectively, for the fiscal year ended June 30, 2025 and 12.57% and 13.11%, respectively, for the fiscal year ended June 30, 2024. Contributions to the pension plan from KDFA were \$108,219 and \$119,948 for the years ended June 30, 2025 and 2024, respectively.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows</u> of Resources Related to Pensions

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

	June 30, 2025		J	une 30, 2024
Net pension liability	\$	1,098,228	\$	1,150,439
Measurement date		June 30, 2024		June 30, 2023
Valuation date	Dec	cember 31, 2023	Dec	ember 31, 2022
Proportion		0.0168%		0.0165%
Change in proportion		0.0003%		0.0005%

NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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, 2024 and 2023. The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

For the years ended June 30, 2025 and 2024, KDFA recognized pension expense of \$158,454 and \$125,981, respectively. At June 30, 2025 and 2024, KDFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2025					June 30, 2024			
	Deferred Outflows of Resources		Deferred Inflows of Resources		Deferred Outflows of Resources		Deferred Inflows of Resources		
Difference between expected and actual experience	\$	69,736	\$		\$	41,681	\$	-	
Net difference between projected and actual earnings on pension plan investments		9,804				78,301			
Changes in proportionate share		36,939		4,783		38,352		37,575	
Changes in assumptions		73,760		28,287		127,127			
KDFA contributions subsequent to measurement date		108,219		<u> </u>		119,948			
Total	\$	298,458	\$	33,070	\$	405,409	\$	37,575	

The \$108,219 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, 2026. 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:

Y	ear	end	led 、	June	30:
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2026			47,613
2027			107,242
2028			9,346
2029			(7,032)
	9	5	157,169

NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions. The total pension liability for KPERS in the December 31, 2023 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	7.00%
expense, and including price inflation	

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, 2023 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Non-U.S. Equities	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	100.0%	

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 2024 was 1.2%. The State/School employers are currently contributing the full actuarial contribution rate.

NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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 2025 and 2024, 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:

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%	
June 30, 2025	\$ 1,617,638	\$ 1,098,228	\$ 663,191	
June 30, 2024	1,654,761	1,150,439	729,090	

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

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 2025 and 2024, 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

<u>Long-Term Disability Benefit:</u> 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 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.

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Employees Covered by Benefit Terms. At June 30, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	7
	7

Total OPEB Liability

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

	June	30, 2025	June 30, 2024					
Total OPEB Liability	\$	10,266	\$	10,084				
Measurement date	J	une 30, 2024	,	June 30, 2023				
Valuation date	Decem	ber 31, 2023	Decer	mber 31, 2022				

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise noted:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50 to 10.30%, including price inflation
Discount rate	3.93% for June 30, 2024 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 RP-2014 mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2021.

The actuarial assumptions used in the June 30, 2024 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, 2023 KPERS pension valuation.

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

	Jun	e 30, 2025	June	e 30, 2024
		tal OPEB iability		al OPEB
Beginning balance	\$	10,084	\$	9,459
Changes for the year:		- It is 125 F		102.76
Service cost		3,183		3,058
Interest		484		443
Effect of economic/demographic gains or losses		(3,507)		(2,890)
Effect of assumptions changes or inputs		22		14
Benefit payments			10-	
Net changes	100	182	7	625
Ending balance	\$	10,266	\$	10,084

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 3.65% on June 30, 2023 to 3.93% on June 30, 2024 and increased from 3.54% on June 30, 2022 to 3.65% on June 30, 2023.

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 (2.93%/2.65%) or 1-percentage-point higher (4.93%/4.65%) than the current discount rate:

	Decrease 3% / 2.65%	Disc	Current count Rate 3% / 3.65%	1% Increase 4.93% / 4.65%			
June 30, 2025	\$ 10,081	\$	10,266	\$	10,295		
June 30, 2024	9,886		10,084		10,124		

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, 2025 and 2024, KDFA recognized OPEB (benefit) expense of \$845 and (\$239), respectively. At June 30, 2025 and 2024, KDFA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

		June 3	0, 20	25		June 30, 2024								
	Out	eferred flows of sources	In	eferred flows of esources	Out	eferred tflows of sources	Deferred Inflows of Resources							
Difference between expected and actual experience	\$		\$	22,210	\$		\$	22,788						
Changes in assumptions		1,267		886		1,431		1,071						
Total	\$	1,267	\$	23,096	\$	1,431	\$	23,859						

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

	Deferred Outflows (Inflows) of Resources
Year ended June 30:	1100001000
2026	(4,084)
2027	(4,084)
2028	(3,942)
2029	(3,398)
2030	(2,711)
Thereafter	(3,610)
	\$ (21,829)

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 \$1,598,300 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 \$1,250,000. KDFA also participates as a Non-State group in the State's employee health benefit plan.

NOTES TO THE FINANCIAL STATEMENTS

11. PENDING GASB PRONOUNCEMENTS

GASB Statement No. 103, Financial Reporting Model Improvements, improves five key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability:

- 1) Management Discussion and Analysis (MD&A) This statement requires that information presented in MD&A be limited to related topics discussed in five sections: 1) Overview of Financial Statements, 2) Financial Summary, 3) Detailed Analyses, 4) Significant Capital Asset and Long-Term Financing Activity and 5) Currently Known Facts, Decisions, or Conditions. MD&A should also explain why balances and results of operations changed and avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections. MD&A should continue to distinguish between the primary government and its discretely presented component units.
- 2) Unusual or Infrequent Items are described as transactions and other events that are either unusual in nature or infrequent in occurrence. These items are required to be displayed separately as the last presented flow of resources prior to the net change in resource flows in government-wide, governmental fund, and proprietary fund statements of resource flows
- 3) Presentation of Proprietary Fund statement of Revenues, Expenses and Changes in Fund Net position should continue to distinguish between operating and nonoperating revenues and expenses and provides additional guidance on determining nonoperating revenues and expenses. Additional subtotals are required to be presented to show a subtotal for "operating income (loss) and noncapital subsidies" prior to reporting other nonoperating revenues and expenses. Subsidies are defined within the statement.
- 4) Major Component Unit Information is required to be presented separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If readability is impacted, combining statements of major component units should be presented after the fund financial statements.
- 5) Budgetary Comparison Information is required to be presented as required supplementary information (RSI) and variances between original and final budget amounts and variances between final and actual amounts are required to be presented. Explanation of significant difference must be presented in notes to the RSI.

The provisions of this statement are effective for financial statements for the KDFA's fiscal year ending June 30, 2026.

The objective of GASB Statement No. 104, Disclosure of Certain Capital Assets is to provide users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87 and intangible right-to-use assets recognized in accordance with Statement No. 94 should be disclosed separately by major class of underlying asset in the capital asset note disclosures. Subscription assets recognized in accordance with Statement No. 96 should also be separately disclosed. Other intangible assets other than those three types should be disclosed separately by major class. This Statement also required additional

NOTES TO THE FINANCIAL STATEMENTS

11. PENDING GASB PRONOUNCEMENTS (CONTINUED)

disclosures for capital assets held for sale and requires governments be evaluated each reporting period to ensure it meets the criteria that the sale will be probable within one year of the financial statement date. Governments should disclose the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major asset class and the carrying amount of debt for which the capital assets held for sales are pledged as collateral for each major asset class. The provisions of this statement are effective for financial statements for the KDFA's fiscal year ending June 30, 2027.

12. SUBSEQUENT EVENTS

KDFA has issued the following bonds subsequent to June 30, 2025:

Name	 Principal Amount	Series	Туре	Issued
Seasons	\$ 40,000,000	2025F	Multifamily housing revenue bond	8/12/2025
The Bureau Lofts	\$ 24,000,000	2025J	Multifamily housing revenue bond	9/25/2025

KDFA evaluated subsequent events through September 26, 2025, 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

June 30, 2025

Schedule of Changes in Total OPEB Liability

Last Eight Fiscal Years*

		2025		2024		2023	67	2022	,	2021		2020		2019		2018
Measurement Date	Jun	e 30, 2024	Jun	e 30, 2023	Jun	e 30, 2022	June	e 30, 2021	June	e 30, 2020	June	30, 2019	June	30, 2018	June	30, 2017
Total OPEB liability																
Service cost	\$	3,183	\$	3,058	\$	5,485	\$	5,149	\$	5,653	\$	5,398	\$	5,350	\$	5,409
Interest		484		443		265		284		919		1,673		2,167		2,088
Effect of economic/demographic gains or losses		(3,507)		(2,890)		(4,810)		(6,257)		(11,149)		(7,180)		(4,741)		_
Effect of assumptions changes or inputs		22		14		1,719		(61)		(1,528)		(241)		113		-
Benefit payments	(%)				89	121	17	- 12	79	(13,485)	0.7	(20,227)	89	(20,227)	72	(20, 227)
Net change in total OPEB liability		182		625		2,659		(885)		(19,590)		(20,577)		(17,338)		(12,730)
Total OPEB liability - beginning		10,084		9,459		6,800		7,685		27,275		47,852		65,190		77,920
Total OPEB liability - ending	\$	10,266	\$	10,084	\$	9,459	\$	6,800	\$	7,685	\$	27,275	\$	47,852	\$	65,190
Covered payroll	\$	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		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, 2025, only eight 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, 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, 2019: 3.50% June 30, 2018: 3.58% June 30, 2017: 2.85%

REQUIRED SUPPLEMENTARY INFORMATION

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

		2025	_	2024	_	2023	-	2022		2021		2020	_	2019	7	2018	_	2017	-	2016
Measurement date	Jun	ne 30, 2024	Ju	ne 30, 2023	Jur	ne 30, 2022	Jun	e 30, 2021	Ju	une 30, 2020	Ju	ne 30, 2019	Ju	ine 30, 2018	Ju	ine 30, 2017	Jı	ine 30, 2016	J	une 30, 2015
KDFA's proportion of the collective net pension liability		0.0168%		0.0165%		0.0160%		0.0160%		0.0155%		0.0181%		0.0179%		0.0189%		0.0194%		0.0186%
KDFA's proportionate share of the net pension liability	\$	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	\$	1,285,093
KDFA's covered payroll	\$	954,241	\$	897,831	\$	840,391	\$	840,391	\$	765,276	\$	882,372	S	851,388	\$	868,803	\$	830,945	\$	795,550
KDFA's proportionate share of the net pension liability as a percentage of its covered payroll		115%		128%		136%		107%		151%		133%		137%		147%		157%		162%
Plan fiduciary net position as a percentage of the total pension liability		72.75%		70.70%		69.75%		76.40%		66.30%		69.88%		68.88%		67.12%		65.10%		64.95%

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

REQUIRED SUPPLEMENTARY INFORMATION

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

		2025		2024	2	023	_	202	22	_	2021	_	2020	_	2019	_	2018	_	2017		2016
Contractually required contribution	\$	108,219	\$	119,948	\$ 1	17,705	\$	11	12,024	\$	113,058	\$	110,276	\$	116,561	\$	102,252	\$	93,917	\$	90,657
Contributions in relation to the contractually required contribution	_	(108,219)	_	(119,948)	(1	17,705)	_	(11	12,024)	_	(113,058)	_	(110,276)		(116,561)	_	(102,252)	_	(93,917)	_	(90,657)
Contribution deficiency (excess)	\$		\$	_	\$	_	\$		-	\$	_	\$		\$	-	\$		\$		\$	-
KDFA's covered-employee payroll ^	\$	937,771	\$	954,241	\$ 8	97,831	\$	84	40,391	\$	794,505	\$	765,276	\$	882,372	\$	851,388	\$	868,803	\$	830,945
Contributions as a percentage of covered-employee payroll		11.54%		12.57%		13.11%		1	13.33%		14.23%		14.41%		13.21%		12.01%		10.81%		10.91%

^a Covered payroll is measured as of the fiscal year end, the most recent of which was June 30, 2025.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in Benefit Terms for KPERS. Effective January 1, 2014, KPERS Tier 1 members' employee contribution rate increased to 5% and then on January 1, 2015, will increase to 6% with an increase in benefit multiplier to 1.85% for future years of service. For Tier 2 members retiring after July 1, 2012, the cost of living adjustments (COLA) are eliminated, but members will receive a 1.85% multiplier for all years of service.

January 1, 2015, the KPERS 3 cash balance plan became effective. Members enrolled in this plan are those first employed in a KPERS covered position on or after January 1, 2015, or KPERS 1 or KPERS 2 members who left employment before vesting and returned to employment on or after January 1, 2015. The retirement benefit is an annuity based on the account balance at retirement.

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%.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

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%.
- 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 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.

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.



PRIVATE ACTIVITY BONDS

Years Ended June 30, 2025 and 2024

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2025	Balance at 6/30/2024
Spirit AeroSystems, Inc.	80,000,000	2005J	Taxable Revenue Bonds-Fixed Rate	80,000,000	80,000,000
Northeast Renaissance Center Apartments	3,800,000	2007B-2	Multifamily Housing Revenue Bonds		786,333
University of Kansas Hospital Authority (KUHA) - Variable Rate	25,000,000	2011J	Health Facilities Revenue Bonds	18,650,000	19,470,000
Village Shalom Obligated Group Project	12,155,000	2013E	Refunding Revenue Bonds	3.184.775	4.017.459
Adventist Health System	30,000,000	2014C-ADV	Hospital Revenue Bonds	8,000,000	10,000,000
Madison Street Apartments	7,600,000	2016L	Senior Housing Revenue Bond	3,188,651	3,220,383
Stormont-Vail HealthCare, Inc.	102,220,000	2016M.N.O	Health Facilities Revenue Bonds and Notes	62,415,000	68,390,000
Hillcrest Apartments, LP	6,100,000	2017F-1 F-2	Senior Housing Revenue Bonds	4,273,903	4,323,424
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	5.662.497	5.745.503
Nettleton Manor Apartments Project (Tranche B)	675,000	2018C-2	Multi-family Revenue Bonds	894,060	935,261
Turtle Hill Townhomes	4,000,000	2018D	Low Income Housing Revenue Bonds	3,405,000	3,440,000
Stormont-Vail HealthCare, Inc Health Facilities Refunding 2011F	36,265,000	2019K	Privately Placed Health Facilities Revenue Bonds	22,385,000	25,465,000
(Tax Exempt)	,,		,	,,	,,
YMCA Lofts	6,120,000	2019L	Privately Placed Low Income Housing Revenue Bonds		6,120,000
Suburban Water	4,300,000	2019P	Privately Placed Industrial Facility Revenue Bonds	3,387,721	3,563,332
Town House Renaissance LP Project	20,000,000	2020D	Privately Placed Affordable Housing Revenue Bonds	9,060,957	9,205,311
Silver City Preservation LLC - Silver City Apartments	21,618,000	2020J	Privately Placed Multifamily Housing Revenue Bond	15,578,365	15,782,601
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	2,280,000
Adventist Health System	178,440,000	2021B	Hospital Revenue Bonds	167,695,000	167,695,000
Davidson' Landing Apartment Homes	14,533,000	2021E	Affordable Multifamily Housing Revenue Bonds	10,063,000	14,533,000
Stormont-Vail HealthCare, Inc.	35,390,000	2021F	Privately Placed Health Facilities Revenue Bonds	32,315,000	33,120,000
Stormont-Vail HealthCare, Inc. (Ref 2013J)	40,145,000	2021G	Privately Placed Health Facilities Refunding Revenue Bonds	34,520,000	36,330,000
Sunrise Towers Apartments	19,000,000	2021H	Privately Placed Multifamily Housing Revenue Bonds	18,095,428	18,334,080
Union at The Loop	35,000,000	2021N	Privately Placed Multifamily Housing Revenue Bonds	22,058,523	35,000,000
Hays Medical Center, Inc.	50,105,000	2021S	Privately Placed Taxable Convertible Health Care Facilities Refunding F	41,810,000	44,645,000
Salina RAD	11,700,000	2022B	Privately Placed Multifamily Housing Revenue Bonds	8,615,349	3,644,997
Sante Fe Trail Apartments	2,823,000	2022H-1	Privately Placed Multifamily Governmental Note	2,787,864	2,820,545
Oakdale Senior Village	10,430,000	2023D-1	Publicly Placed Multifamily Tax-Exempt Mortgage-backed Bonds	10,310,342	10,375,623
Oakdale Senior Village	2,519,000	2023D-2	Publicly Placed Multifamily Housing Revenue Bonds	2,519,000	2,519,000
YMCA Lofts	680,000	2023H	Privately Placed Low Income Housing Revenue Bonds	-	680,000
Clarion Park Housing Project	19,013,000	2023K-1	Privately Placed Multifamily Housing Revenue Construction/Permanent Note	19,013,000	19,013,000
Clarion Park Housing Project	15,987,000	2023K-2	Privately Placed Multifamily Housing Revenue Construction Note	15,987,000	15,196,823
Canterbury Village Apartments	8,500,000	2024A	Privately Placed Multifamily Housing Revenue Bonds	8,480,000	8,500,000
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	50,000
Sycamore Village	12,743,000	2024J	Publicly Placed Mutlifamily Housing Revenue Bonds	12,698,278	-
Terrace Pointe	10,000,000	2024K-1	Publicly Placed Mutlifamily Housing Revenue Bonds	10,000,000	-
Terrace Pointe	8,684,000	2024K-2	Publicly Placed Mutlifamily Housing Revenue Bonds	8,684,000	-
Legacy at Northeast	9,000,000	2025E	Privately Placed Multifamily Housing Revenue Bonds	1,006,432	
				\$ 813,203,145	\$ 804,872,675



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, 2025 and 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2025.

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 26, 2025