

**NOTICE OF BOND SALE**

**KANSAS DEVELOPMENT FINANCE AUTHORITY**  
**\$270,625,000\***  
**KANSAS REVOLVING FUNDS REVENUE BONDS**  
**(KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT)**  
**SERIES 2024SRF**

**Bids.** Electronic bids for the purchase of the above-referenced bonds (the "Series 2024SRF Bonds") herein described will be received on behalf of the Kansas Development Finance Authority (the "Authority") via PARITY® on

**TUESDAY, SEPTEMBER 24, 2024**

(the "Sale Date") until the following time (the "Submittal Hour")

**10:15 a.m. Central Time**

All bids will be evaluated at said place and time, and the award of the Series 2024SRF Bonds will be acted upon by the Authority immediately thereafter. No oral or hand-delivered bids will be considered.

**Definitions.** Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the hereinafter defined Indenture or the Preliminary Official Statement relating to the Series 2024SRF Bonds dated September 17, 2024 (the "Preliminary Official Statement").

**Terms of the Series 2024SRF Bonds.**

**General.** The Series 2024SRF Bonds will consist of fully-registered bonds in the denomination of \$5,000 or any integral multiple thereof (the "Authorized Denomination"). The Series 2024SRF Bonds will be dated the date of initial delivery (the "Dated Date"). The Series 2024SRF Bonds will bear interest from the Dated Date at rates to be determined when the Series 2024SRF Bonds are sold as hereinafter provided, which interest will be payable semiannually on May 1 and November 1 in each year, beginning on May 1, 2025 (the "Interest Payment Dates").

**Maturity Schedule.** The Series 2024SRF Bonds will become due in principal installments on May 1 in the years and the amounts hereinafter set forth:

<b><u>Maturity</u></b> <b><u>(May 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount*</u></b>	<b><u>Maturity</u></b> <b><u>(May 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount*</u></b>	<b><u>Maturity</u></b> <b><u>(May 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount*</u></b>
2025	\$7,555,000	2032	\$13,715,000	2039	\$15,435,000
2026	7,160,000	2033	13,865,000	2040	15,790,000
2027	7,235,000	2034	14,560,000	2041	16,805,000
2028	7,870,000	2035	14,920,000	2042	17,310,000
2029	9,345,000	2036	15,065,000	2043	18,440,000
2030	10,750,000	2037	15,825,000	2044	19,555,000
2031	13,405,000	2038	16,020,000		

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\* Preliminary; subject to change.

**Principal Amounts Subject to Change.** The Authority reserves the right to modify the total principal amount of the Series 2024SRF Bonds and the principal amount of any maturity in order to obtain the necessary amount of bond proceeds, properly structure certain funds and accounts, based upon the interest rates, original issue discount, original issue premium and purchase prices submitted by the successful bidder. The successful bidder may not withdraw its bid or change the interest rates bid as a result of any changes made to the principal amount of the Series 2024SRF Bonds or principal of any maturity as described herein. In formulating bids, bidders should consider that bids generating significant premium may result in greater principal amortization in later years and bids generating significant discount may result in greater principal in earlier years. The principal amounts in this Notice of Bond Sale (this "Notice") were calculated using a 5.00% coupon structure. If there is an increase or decrease in the final aggregate principal amount of the Series 2024SRF Bonds or a change in the schedule of principal payments as described above, the Authority will notify the successful bidder by electronic or telephone transmission, no later than 1:00 p.m., Central Time, on the Sale Date. The Authority will calculate the actual purchase price for the Series 2024SRF Bonds in a way that will preserve the successful bidder's original spread included in its bid (computed as a percentage of the final adjusted aggregate principal amount of the Series 2024SRF Bonds).

**Authority, Purpose and Security.** The Authority is an independent instrumentality of the State of Kansas (the "State"), created by K.S.A. 74-8901 *et seq.* The Series 2024SRF Bonds are being issued by the Authority pursuant to the terms of a Master Financing Indenture dated as of November 1, 2010 (the "Indenture"), among the Authority, the Kansas Department of Health and Environment ("KDHE") and the Trustee, as amended and supplemented from time to time, for the purpose of providing funds to KDHE to be loaned to participating municipalities to pay the costs of improvements to Wastewater Treatment Works and/or Public Water Supply Systems and/or reimburse KDHE for funds advanced to finance loans for such projects, and to pay Costs of Issuance.

The Series 2024SRF Bonds and the interest thereon shall be limited obligations of the Authority payable solely from, and secured as to the payment of principal and interest by, a pledge by the Authority of the Trust Estate in favor of the Registered Owners of the Series 2024SRF Bonds, as provided in the Indenture. The Series 2024SRF Bonds constitute Parity Bonds under the Indenture. The Series 2024SRF Bonds and the interest thereon shall not be a debt or general obligation of the Authority, KDHE, the State or any municipal corporation or political subdivision thereof, and neither the Series 2024SRF Bonds, the interest thereon, nor any judgment thereon or with respect thereto (other than to enforce obligations under certain of the Loan Agreements), are payable in any manner from unlimited tax revenues of any kind or character. The Series 2024SRF Bonds shall not constitute an indebtedness or a pledge of the faith and credit of the Authority, KDHE, the State or any municipal corporation or political subdivision thereof, within the meaning of any constitutional or statutory limitation or restriction. ***The Authority has no taxing power.***

**Place of Payment.** The principal of, redemption premium, if any, and interest on the Series 2024SRF Bonds will be payable in lawful money of the United States of America by check or draft of UMB Bank, N.A., Kansas City, Missouri, as trustee (the "Trustee") pursuant to the terms of the Indenture. The principal of and redemption premium, if any, of each Series 2024SRF Bond will be payable at maturity or earlier redemption to the owner thereof whose name is on the bond register maintained by the Trustee (the "Registered Owner") upon presentation and surrender at the corporate trust office of the Trustee. Interest on each Series 2024SRF Bond will be payable to the Registered Owner of such Series 2024SRF Bond as of the fifteenth day (whether or not a business day) of the calendar month next preceding each Interest Payment Date (the "Record Date") and will be paid by: (a) check or draft mailed to the address of such Registered Owner as shown on the bond register or at such other address as is furnished in writing by such Registered Owner to the Trustee; or (b) by electronic transfer to such Registered Owner upon written notice given to the Trustee by such Registered Owner, not less than 15 business days prior to the Record Date for

such interest, containing the electronic transfer instructions pursuant to which such Registered Owner wishes to have such transfer directed.

**Bond Registration.** The Series 2024SRF Bonds will be registered pursuant to a plan of registration approved by the Authority. The Authority will pay for the fees of the Trustee for registration and transfer of the Series 2024SRF Bonds and will also pay for printing a reasonable supply of registered bond blanks. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Trustee, will be the responsibility of the Registered Owners.

**Book-Entry-Only System.** The Authority is registered with the Depository Trust Company, New York, New York ("DTC") as a participant for book-entry transfers and pledges of securities deposited with DTC. The Series 2024SRF Bonds will initially be issued exclusively in "book entry" form and shall be initially registered in the name of Cede & Co., as the nominee of DTC and no beneficial owner will receive certificates representing its interests in the Series 2024SRF Bonds. During the term of the Series 2024SRF Bonds, so long as the book-entry-only system is continued, the Authority will make payments of principal of, redemption premium, if any, and interest on the Series 2024SRF Bonds to DTC or its nominee as the Registered Owner of the Series 2024SRF Bonds, DTC will make book-entry-only transfers among its participants and receive and transmit payment of principal of, redemption premium, if any, and interest on the Series 2024SRF Bonds to its participants who shall be responsible for transmitting payments to beneficial owners of the Series 2024SRF Bonds in accordance with agreements between such participants and the beneficial owners. Neither the Authority nor the Trustee will be responsible for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. In the event that DTC does not continue to act as securities depository for the Series 2024SRF Bonds and if the Authority fails to identify another qualified securities depository to replace DTC, the Authority will cause the Trustee to authenticate and deliver to the beneficial owners replacement Series 2024SRF Bonds in the form of fully registered certificates. Reference is made to the Preliminary Official Statement for further information regarding the book-entry-only system of registration of the Series 2024SRF Bonds and DTC.

#### **Redemption of Series 2024SRF Bonds Prior to Maturity.**

**Optional Redemption.** The Series 2024SRF Bonds maturing on May 1, 2035 and thereafter, are subject to redemption and payment prior to maturity, at the option and written direction of the Authority, on May 1, 2034, and thereafter in whole or in part on any date (selection of maturities and the amount of Series 2024SRF Bonds of each maturity to be redeemed to be determined by the Authority in such equitable manner as it may determine), at the Redemption Price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the Redemption Date.

**Mandatory Sinking Fund Redemption.** A bidder may elect to have all or a portion of the Series 2024SRF Bonds scheduled to mature in consecutive years issued as term bonds (the "Term Bonds") scheduled to mature in the latest of said consecutive years and subject to mandatory sinking fund redemption requirements consistent with the schedule of serial maturities set forth above, subject to the following conditions: (a) all Series 2024SRF Bonds of the same serial maturity must be converted to Term Bonds with mandatory redemption requirements; and (b) a bidder shall make such an election by completing the applicable information on PARITY<sup>®</sup>.

**Selection of Bonds to be Redeemed.** Series 2024SRF Bonds shall be redeemed only in Authorized Denominations. When less than all of the Series 2024SRF Bonds are to be redeemed and paid prior to maturity, such Series 2024SRF Bonds to be redeemed shall be selected in such manner as the Trustee shall

determine. If less than all Series 2024SRF Bonds of any maturity are to be redeemed, the particular Series 2024SRF Bonds to be redeemed shall be selected in such manner as the Trustee shall determine.

**Notice and Effect of Call for Redemption.** The Authority shall cause written notice of its intention to call for redemption the Series 2024SRF Bonds or portions thereof to be redeemed to be given by the Trustee, in the name of the Authority, by mailing a copy of the redemption notice at least 20 days prior to the date fixed for redemption to the Registered Owner of each Series 2024SRF Bond to be redeemed. Proper notice of redemption having been given as provided in the Indenture, the Series 2024SRF Bonds or portions thereof to be redeemed shall become due and payable on the redemption date set forth in the notice of redemption and shall thereafter cease to bear interest, provided funds are available for its payment at the price hereinbefore specified. Reference is made to the Preliminary Official Statement for a more complete description of procedures regarding the redemption of the Series 2024SRF Bonds and the effect thereof.

**Submission of Bids.** Electronic bids must be submitted via PARITY<sup>®</sup> in accordance with its Rules of Participation, as well as the provisions of this Notice. If provisions of this Notice conflict with those of PARITY<sup>®</sup>, this Notice shall control. Bids must be received prior to the Submittal Hour on the Sale Date. The Authority shall not be responsible for any failure, misdirection or error in the electronic transmission of any bidder.

**PARITY<sup>®</sup>.** Information about the electronic services of PARITY<sup>®</sup> may be obtained from i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Phone No. (212) 849-5023.

**Alternative Sale Date.** The Authority reserves the right to cancel or postpone, from time to time, the date or time established for the receipt of bids and in such event, the cancellation or postponement will be announced via *Thomson Municipal News*, offered as part of the *Thomson Municipal Market Monitor* (TM3) (www.tm3.com) at least 24 hours before the time established for the receipt of bids. Following a postponement, a new date and time of sale will be announced via *Thomson Municipal News*, offered as part of the *Thomson Municipal Market Monitor* (TM3) (www.tm3.com) at least 24 hours before the time bids are to be submitted. On such alternative sale date, bidders shall submit bids for the purchase of the Series 2024SRF Bonds in conformity with the provisions of this Notice, subject to any pre-bid revisions announced via PARITY<sup>®</sup> as provided under caption "Pre-Bid Revisions" herein.

**Pre-Bid Revisions.** The Authority reserves the right to issue and disseminate a Supplemental Notice of Bond Sale not later than **24 hours** prior to the Sale Date via PARITY<sup>®</sup>. If issued, the Supplemental Notice may modify the maturity amounts of the Series 2024SRF Bonds and/or such other terms of this Notice as the Authority determines. Any such modifications will supersede the maturities and such other terms as set forth herein.

**Conditions of Bids.** Proposals will be received on the Series 2024SRF Bonds bearing such rate or rates of interest as may be specified by the bidders, subject to the following conditions:

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| <u>Rates</u>       | <ul style="list-style-type: none"><li>• Same rate for each maturity year</li><li>• No supplemental interest payments permitted</li><li>• Multiple of 1/8th or 1/20th</li><li>• For Series 2024SRF Bonds maturing on or after May 1, 2035, the interest rate must be 5.0% or greater</li></ul> |
| <u>Minimum Bid</u> | <ul style="list-style-type: none"><li>• 99.2% of stated aggregate principal</li></ul>   |

Each bid shall specify the total bid price with respect to the Series 2024SRF Bonds (which shall include the discount, if any, and the premium, if any, offered by the bidder), the total interest cost (expressed in dollars) during the term of the Series 2024SRF Bonds on the basis of such bid, the reoffering price of each maturity, the aggregate net interest cost (expressed in dollars) on the basis of such bid and an estimate of the true interest cost expressed as an annual percentage ("TIC") on the basis of such bid. Each bidder shall certify to the Authority the correctness of the information submitted on PARITY®; the Authority will be entitled to rely on such certification. Each bidder agrees that, if it is awarded the Series 2024SRF Bonds, it will provide the initial offering prices and certification thereof as described under the caption "Establishment of Issue Price" in this Notice.

**Good Faith Deposit.** The successful bidder shall submit a good faith deposit (the "Deposit") in the amount of **\$2,700,000** payable to the order of the Authority, to secure the Authority from any loss resulting from the failure of the successful bidder to comply with the terms of its bid. The Deposit, *which must be received by the Authority prior to 2:00 p.m. Central Time on the Sale Date*, may be in the form of a:

- (a) certified or cashier's check drawn on a bank located in the United States of America; or
- (b) wire transfer in Federal Reserve funds, immediately available for use by the Authority (wire transfer information set forth below).

In the event the successful bidder fails to provide the Deposit in accordance with the preceding sentence, the Authority reserves the right to reject the successful bidder's bid.

Any Deposit sent to the Authority via wire transfer shall be sent as follows:

Bank Name:	UMB Bank, N.A., Kansas City, Missouri
ABA Number:	101000695
Account Number:	9800006823
Account Name:	KDFA Custodial Account
Attention:	Jason McConnell (816-860-3027)

Contemporaneously with such wire transfer, the successful bidder shall send an e-mail to the Authority acknowledging such wire transfer to the attention of James MacMurray at [jmacmurray@kdfa.org](mailto:jmacmurray@kdfa.org).

No interest on the Deposit will be paid by the Authority. The amount of the Deposit shall be applied to the purchase price of the Series 2024SRF Bonds. If a bid is accepted but the Authority fails to deliver the Series 2024SRF Bonds to the successful bidder in accordance with the terms and conditions of this Notice, the Deposit, or the proceeds thereof, will be returned to the successful bidder. If the successful bidder defaults in the performance of any of the terms and conditions of this Notice, the proceeds of the Deposit will be retained by the Authority as and for liquidated damages.

**Basis of Award.** The award of the Series 2024SRF Bonds will be made on the basis of the lowest TIC, which will be determined as follows: the TIC is computed as a discount rate which, when used with semiannual compounding to determine the present worth of the principal and interest payments as of the date of the Series 2024SRF Bonds, produces an amount equal to the purchase price. Bidders are requested to supply an estimate of the TIC for the Series 2024SRF Bonds through PARITY®, computed as specified herein on the basis of their respective bids, which shall be considered as informative only and not binding on either the bidder or the Authority. The Authority or its Financial Advisor will compute TIC for each bid, based on the bid price and the interest rates specified, and such computation will be conclusive. If there is any discrepancy between the TIC specified by a bidder and the actual TIC computed by or on behalf of the Authority, the TIC computed by or on behalf of the Authority or its Financial Advisor will govern,

and the bidder will be bound by its specified bid price and interest rates. If two or more proper bids produce equal values for the lowest TIC, the Authority will determine in its discretion which bid, if any, will be accepted, and such determination will be final.

***The Authority reserves the right to reject any and/or all bids and to waive any irregularities in a submitted bid.*** Any bid received after the Submittal Hour on the Sale Date may be rejected. Any disputes arising hereunder shall be governed by the laws of the State, and any party submitting a bid agrees to be subject to jurisdiction and venue of the federal and State courts within Kansas with regard to such dispute. The Authority's acceptance, including electronic acceptance through PARITY<sup>®</sup>, of the successful bidder's proposal for the purchase of the Series 2024SRF Bonds shall constitute a contract between the Authority and the successful bidder for the purchase of the Series 2024SRF Bonds, subject to the Authority's right to modify the total principal amount of the Series 2024SRF Bonds and the amount of any maturity as described under "Principal Amounts Subject to Change" in this Notice.

**Bond Ratings.** Fitch Ratings has assigned the Series 2024SRF Bonds a rating of "AAA" with a stable outlook and Moody's Investors Service has assigned the Series 2024SRF Bonds a rating of "Aaa" with a stable outlook. Such ratings are further described in the Preliminary Official Statement.

**CUSIP Numbers.** CUSIP identification numbers will be assigned and printed on the Series 2024SRF Bonds, but neither the failure to print such number on any Series 2024SRF Bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Series 2024SRF Bonds in accordance with the terms of this Notice. All expenses in relation to the assignment and printing of CUSIP numbers on the Series 2024SRF Bonds will be paid by the Authority.

**Delivery and Payment.** The Authority will deliver the Series 2024SRF Bonds properly prepared, executed and registered without cost to the successful bidder through DTC, or to such other party as may be directed by the successful bidder in accordance with DTC procedures, for the account of the successful bidder on or about **OCTOBER 8, 2024** (the "Issue Date"). The successful bidder will be furnished with a certified transcript of the proceedings evidencing the authorization and issuance of the Series 2024SRF Bonds and the usual closing documents, including a certificate that there is no litigation pending or threatened at the time of delivery of the Series 2024SRF Bonds affecting their validity and a certificate regarding the completeness and accuracy of the Official Statement (as defined below). Payment for the Series 2024SRF Bonds shall be made in Federal Reserve funds, immediately available for use by the Authority. The Authority will deliver one Series 2024SRF Bond of each maturity registered in the nominee name of DTC.

**Establishment of Issue Price.** The winning bidder shall assist the Authority in establishing the issue price of the Series 2024SRF Bonds and shall execute and deliver to the Authority at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Series 2024SRF Bonds, together with the supporting pricing wires or equivalent communications, in a form satisfactory to the Authority and Gilmore & Bell, P.C., Bond Counsel.

The Authority intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Series 2024SRF Bonds) will apply to the initial sale of the Series 2024SRF Bonds (the "competitive sale requirements") because:

- (a) the Authority shall disseminate this Notice to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (b) all bidders shall have an equal opportunity to bid;

- (c) the Authority may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (d) the Authority anticipates awarding the sale of the Series 2024SRF Bonds to the bidder who submits a firm offer to purchase the Series 2024SRF Bonds at the lowest TIC, as set forth in this Notice.

Any bid submitted pursuant to this Notice shall be considered a firm offer for the purchase of the Series 2024SRF Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the Authority shall so advise the winning bidder. Bids will not be subject to cancellation in the event that the competitive sale requirements are not met. The winning bidder may determine to treat (a) the price or prices at which the first 10% of a maturity of the Series 2024SRF Bonds is sold to the public (the "10% Test") as the issue price of that maturity and/or (b) the initial offering price to the public as of the sale date of any maturity of the Series 2024SRF Bonds as the issue price of that maturity (the "Hold-The-Offering-Price Rule"), in each case applied on a maturity-by-maturity basis. The winning bidder shall advise the Authority, at the date and time of the award of the Series 2024SRF Bonds, (i) if any maturity of the Series 2024SRF Bonds satisfies the 10% Test as of such date and time and (ii) which maturities of the Series 2024SRF Bonds shall be subject to the 10% Test or shall be subject to the Hold-The-Offering-Price Rule.

By submitting a bid, the winning bidder shall (a) confirm that it and any other underwriters participating in the purchase of the Series 2024SRF Bonds have offered or will offer the Series 2024SRF Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (b) agree, on behalf of itself and any other underwriters participating in the purchase of the Series 2024SRF Bonds, that the underwriters will neither offer nor sell unsold Series 2024SRF Bonds of any maturity to which the Hold-The-Offering-Price Rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the underwriters have sold at least 10% of that maturity of the Series 2024SRF Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the Authority when the underwriters have sold 10% of that maturity of the Series 2024SRF Bonds to the public at a price or prices that are no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

If the competitive sale requirements are not satisfied and the winning bidder elects to apply the 10% Test to one or more maturities of the Series 2024SRF Bonds (in lieu of the Hold-The-Offering-Price Rule), then until the 10% Test has been satisfied as to each such maturity of the Series 2024SRF Bonds, the winning bidder agrees to promptly report to the Authority the prices at which the unsold Series 2024SRF Bonds of that maturity have been sold to the public. As to each maturity of the Series 2024SRF Bonds to which the 10% Test will apply, (a) at or promptly after the award of the Series 2024SRF Bonds, the winning bidder shall report to the Authority the price at which it has sold to the public the Series 2024SRF Bonds of each such maturity sufficient to satisfy the 10% Test, and (b) if as of the award of the Series 2024SRF Bonds the 10% Test has not been satisfied as to any such maturity of the Series 2024SRF Bonds, the winning bidder agrees to promptly report to the Authority the prices at which it subsequently sells Series 2024SRF Bonds of that maturity to the public until the 10% Test is satisfied. The winning bidder's reporting obligation shall continue as set forth above, whether or not the Closing Date has occurred, provided that

the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Authority or Bond Counsel.

To the extent the Authority advises the winning bidder that the competitive sale requirements are not satisfied and the winning bidder determines to apply the Hold-The-Offering-Price Rule, the Authority acknowledges that, in making the representation set forth above, the winning bidder may rely on (a) the agreement of each underwriter to comply with the requirements for establishing the issue price of the Series 2024SRF Bonds, including, but not limited to, its agreement to comply with the Hold-The-Offering-Price Rule, as set forth in an agreement among underwriters and related pricing wires, (b) in the event a selling group has been created in connection with the initial sale of the Series 2024SRF Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing the issue price of the Series 2024SRF Bonds, including, but not limited to, its agreement to comply with the Hold-The-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, (c) in the event that an underwriter or dealer is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Series 2024SRF Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing the issue price of the Series 2024SRF Bonds, including, but not limited to, its agreement to comply with the Hold-The-Offering-Price Rule, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing the issue price of the Series 2024SRF Bonds, including, but not limited to, its agreement to comply with the Hold-The-Offering-Price Rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement regarding the requirements for establishing the issue price of the Series 2024SRF Bonds, including, but not limited to, its agreement to comply with the Hold-The-Offering-Price Rule as applicable to the Series 2024SRF Bonds.

By submitting a bid, each bidder confirms that: (a) it has an established industry reputation for underwriting new issuances of municipal bonds; (b) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to (i) report the prices at which it sells to the public the unsold Series 2024SRF Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Series 2024SRF Bonds of that maturity or all Series 2024SRF Bonds of that maturity have been sold to the public, (ii) comply with the Hold-The-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (iii) promptly notify the winning bidder of any sales of Series 2024SRF Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Series 2024SRF Bonds to the public (each such term being used as defined below), and (iv) acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public; and (c) any agreement among underwriters relating to the initial sale of the Series 2024SRF Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Series 2024SRF Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (i) report the prices at which it sells to the public the unsold Series 2024SRF Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% Test has been satisfied as to the Series 2024SRF Bonds of that maturity or all Series 2024SRF Bonds of that maturity have been sold to the public and/or (ii) comply with the Hold-



The-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter as set forth in the related pricing wires.

Sales of any Series 2024SRF Bonds to any person that is a related party to an underwriter (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice. Further, for purposes of this Notice:

- (a) "public" means any person other than an underwriter or a related party;
- (b) "underwriter" means (i) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2024SRF Bonds to the public and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) to participate in the initial sale of the Series 2024SRF Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sales of the Series 2024SRF Bonds to the public);
- (c) a purchaser of any of the Series 2024SRF Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and
- (d) "sale date" means the date that the Series 2024SRF Bonds are awarded by the Authority to the winning bidder.

**Preliminary Official Statement.** The Authority has prepared the Preliminary Official Statement, which has been "deemed final" by the Authority and KDHE except for the omission of certain information as provided in Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), copies of which may be obtained in electronic format only from the Authority. Upon the sale of the Series 2024SRF Bonds, the Authority will deliver the final Official Statement (the "Official Statement") and will furnish the successful bidder, within seven business days of the acceptance of such proposals, with a reasonable number of copies thereof in order to comply with the requirements of Rule 15c2-12(b)(4) of the Securities and Exchange Commission (the "SEC") and Rule G-32 of the Municipal Securities Rulemaking Board (jointly, the "Rules"). Additional copies may be ordered by the successful bidder at its expense. The Authority's acceptance of the successful bidder's proposal for the purchase of the Series 2024SRF Bonds shall constitute a contract between the Authority and the successful bidder for the purposes of the Rules.

**Continuing Disclosure.** The SEC has promulgated amendments to Rule 15c2-12 requiring continuous secondary market disclosure for certain issues. Pursuant to the Continuing Disclosure Undertaking, KDHE has agreed to provide to the Municipal Securities Rulemaking Board certain financial information and operating data of the Revolving Funds, as more fully described in *Appendix G* to the Preliminary Official Statement, and certain other information as necessary to comply with Rule 15c2-12. These covenants are for the benefit of and are enforceable by the beneficial owners of the Series 2024SRF Bonds. For further information, reference is made to the caption "CONTINUING DISCLOSURE" in the Preliminary Official Statement.

**Legal Opinion.** The Series 2024SRF Bonds will be sold subject to the approving legal opinion of Gilmore & Bell, P.C., Bond Counsel, which opinion will be furnished and paid for by the Authority and

will be delivered to the successful bidder when the Series 2024SRF Bonds are delivered. The form of the opinion of Bond Counsel is attached as *Appendix J* to the Preliminary Official Statement. Reference is made to the Preliminary Official Statement for further discussion of federal and State income tax matters relating to the interest on the Series 2024SRF Bonds.

**Additional Information.** Additional information regarding the Series 2024SRF Bonds may be obtained from the Authority and the Financial Advisor, as described below.

**Dated: September 17, 2024.**

**KANSAS DEVELOPMENT FINANCE AUTHORITY**

By: Rebecca E. Floyd, President

***Kansas Development Finance Authority:***

534 South Kansas Avenue, Suite 800  
Topeka, Kansas 66603  
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***Financial Advisor:***

PFM Financial Advisors LLC  
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Minneapolis, MN 55402  
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**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 17, 2024**

**NEW ISSUE  
BOOK-ENTRY ONLY**

**RATINGS: Moody's: "Aaa" Fitch: "AAA"  
See "BOND RATINGS" herein.**

*In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Authority, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (1) the interest on the Series 2024 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, and (2) the Series 2024 Bonds and the interest thereon are exempt from all Kansas state, county and municipal taxes, including income and property taxes (provided, however, that no opinion is expressed with respect to the applicability of the privilege tax imposed on banking institutions pursuant to K.S.A. 79-1107 and 79-1108). The Series 2024 Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. Bond Counsel notes that interest on the Series 2024 Bonds may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax. See the caption "TAX MATTERS" herein.*

**\$270,625,000\***

**KANSAS DEVELOPMENT FINANCE AUTHORITY  
Kansas Revolving Funds Revenue Bonds  
(Kansas Department of Health and Environment)  
Series 2024SRF**

**Dated: Date of Delivery**

**Due: May 1, as shown herein**

The Series 2024SRF Bonds (the "Series 2024 Bonds") will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof, and when issued will be registered in the name of Cede & Co., as owner and nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Series 2024 Bonds. Purchases of Series 2024 Bonds will be made in book entry form. Purchasers will not receive certificates representing their interest in the Series 2024 Bonds. So long as Cede & Co. is the Registered Owner of the Series 2024 Bonds, as nominee of DTC, references herein to the Registered Owner or Owner shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the Series 2024 Bonds. See "THE SERIES 2024 BONDS" herein.

Principal of, premium, if any, and interest on the Series 2024 Bonds will be payable in lawful money of the United States of America by UMB Bank, N.A., Kansas City, Missouri, as trustee (the "Trustee") under the Master Financing Indenture, dated as of November 1, 2010 (as supplemented and amended, the "Indenture"), among the Kansas Development Finance Authority (the "Authority"), the Kansas Department of Health and Environment ("KDHE") and the Trustee, to the registered owners thereof and, in the case of interest, whose names are on the registration books of the Trustee, acting as Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding each interest payment date. Interest on the Series 2024 Bonds will be payable on May 1 and November 1, beginning May 1, 2025. Principal of, premium, if any, and interest on the Series 2024 Bonds will be paid directly to DTC by the Trustee, so long as DTC or its nominee, Cede & Co., is the Registered Owner of the Series 2024 Bonds.

**MATURITY SCHEDULE—SEE INSIDE COVER PAGE**

The Series 2024 Bonds are being issued by the Authority pursuant to K.S.A. 65-3321 et seq. and the regulations promulgated thereunder, K.S.A. 65-163d et seq. and the regulations promulgated thereunder and K.S.A. 74-8901 et seq., as amended and supplemented for the purpose of (a) funding loans to various public entities (the "Municipalities") within the State of Kansas (the "State") and/or reimbursing KDHE for funds advanced to finance such loans and (b) paying costs of issuance for the Series 2024 Bonds. Such loans will be made by KDHE to the Municipalities to finance the costs of qualified Wastewater Treatment Works or Public Water Supply Systems (each as defined herein). The Series 2024 Bonds and the interest thereon shall be limited obligations of the Authority payable solely from, and secured as to the payment of principal and interest by, the Trust Estate under the Indenture.

**THE SERIES 2024 BONDS AND THE INTEREST THEREON SHALL NOT BE A DEBT OR GENERAL OBLIGATION OF THE AUTHORITY, KDHE, THE STATE OR ANY OF THE MUNICIPALITIES, AND NEITHER THE SERIES 2024 BONDS, THE INTEREST THEREON NOR ANY JUDGMENT WITH RESPECT THERETO (OTHER THAN TO ENFORCE OBLIGATIONS UNDER CERTAIN LOAN AGREEMENTS) ARE PAYABLE IN ANY MANNER FROM UNLIMITED TAX REVENUES OF ANY KIND OR CHARACTER. THE SERIES 2024 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, KDHE, THE STATE OR THE MUNICIPALITIES, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION. NEITHER THE AUTHORITY NOR KDHE HAS ANY TAXING POWER.**

The Series 2024 Bonds are subject to redemption prior to maturity as described under the captions "THE SERIES 2024 BONDS—Optional Redemption" and "—Mandatory Sinking Fund Redemption" herein.

*This cover page contains information for quick reference only. It is not a summary of the transaction. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

The Series 2024 Bonds are offered when, as and if issued by the Authority, subject to the approval of legality by Gilmore & Bell, P.C., Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by its issuer counsel and disclosure counsel, Kutak Rock LLP and for KDHE by its general counsel. It is expected that the Series 2024 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about October 8, 2024.

The date of this Official Statement is September \_\_, 2024

\*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**MATURITY SCHEDULE\***

**\$270,625,000\***

**SERIES 2024SRF BONDS**

<b>Maturity (May 1)</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>CUSIP<sup>(1)</sup></b>
2025	\$ 7,555,000	%	%	
2026	7,160,000			
2027	7,235,000			
2028	7,870,000			
2029	9,345,000			
2030	10,750,000			
2031	13,405,000			
2032	13,715,000			
2033	13,865,000			
2034	14,560,000			
2035	14,920,000			
2036	15,065,000			
2037	15,825,000			
2038	16,020,000			
2039	15,435,000			
2040	15,790,000			
2041	16,805,000			
2042	17,310,000			
2043	18,440,000			
2044	19,555,000			

\$ \_\_\_\_\_ % Term Bonds Due May 1, 20 \_\_, Priced at \_\_\_\_ %  
CUSIP<sup>(1)</sup>: \_\_\_\_\_

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\* Preliminary; subject to change.

<sup>(1)</sup> The Authority shall not be responsible for the use of the CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of readers of this Official Statement.

No dealer, broker, salesman or other person has been authorized by the Authority or KDHE to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the Authority or KDHE.

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#### FORWARD-LOOKING STATEMENTS

This Official Statement, including the sections under the headings “PLAN OF FINANCE” and “INVESTMENT CONSIDERATIONS” and contained in Appendix A, Appendix B, Appendix C, Appendix D and Appendix E hereof, contains forward-looking statements. These statements relate to future events or future financial performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. You can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “projects,” “potential,” “continues,” or the negative of these terms or other comparable terminology. Although the Authority and KDHE believe the expectations reflected in the forward-looking statements to be reasonable, neither the Authority nor KDHE can guarantee future results, levels of activity, performance or achievements. The Authority and KDHE do not plan to issue any updates or revisions to those forward-looking statements if or when the expectations on which such statements are based occur or fail to occur. Certain risks and other factors with respect to such events include those listed under the headings “PLAN OF FINANCE” and “INVESTMENT CONSIDERATIONS” and elsewhere in this Official Statement.

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THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY, NOR WILL THERE BE ANY SALE OF THE SERIES 2024 BONDS BY ANY PERSON, IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE THEREAFTER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY, KDHE, THE MUNICIPALITIES OR THE STATE SINCE THE DATE HEREOF.

THE SERIES 2024 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS ANY DOCUMENT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE TERMS OF THE OFFERING. THE SERIES 2024 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2024 BONDS, THE ORIGINAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2024 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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## OFFICIAL STATEMENT

**\$270,625,000\***

**KANSAS DEVELOPMENT FINANCE AUTHORITY  
Kansas Revolving Funds Revenue Bonds  
(Kansas Department of Health and Environment)  
Series 2024SRF**

### INTRODUCTION

This Official Statement, including the cover pages and appendices hereto (the “Official Statement”), is provided to furnish information with respect to the issuance and delivery by the Kansas Development Finance Authority (the “Authority”) of its Kansas Revolving Funds Revenue Bonds (Kansas Department of Health and Environment) Series 2024SRF in the principal amount of \$270,625,000\* (the “Series 2024 Bonds”), pursuant to K.S.A. 65-3321 et seq., as amended and the regulations promulgated thereunder (the “KWPC Act”), K.S.A. 65-163d et seq., as amended and the regulations promulgated thereunder (the “KPWS Act”) and K.S.A. 74-8901 et seq., as amended (the “K DFA Act”). The Series 2024 Bonds are being issued for the purpose of financing or refinancing the Clean Water Revolving Fund (as defined herein) and the Drinking Water Revolving Fund (defined herein), including the funding of loans (“Loans”) to certain cities, counties townships, sewer districts, rural water districts, improvement districts or other public entities (the “Municipalities”) within the state of Kansas (the “State”).

The Authority is a public body, politic and corporate and an independent instrumentality of the State exercising essential public functions and is authorized by law to issue the Series 2024 Bonds. See “THE AUTHORITY” herein. The Series 2024 Bonds will be issued in compliance with the Constitution and statutes of the State and under and pursuant to a Master Financing Indenture dated as of November 1, 2010, as amended and supplemented from time to time, including by a Fifteenth Supplemental Indenture dated as of October 1, 2024 (the “Indenture”), among the Authority, the Kansas Department of Health and Environment (“KDHE”) and UMB Bank, N.A., as trustee (the “Trustee”).

Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms in Appendix F hereto.

The principal of, redemption premium, if any, and interest on the Series 2024 Bonds are special limited obligations of the Authority and are payable by the Authority solely from the Trust Estate, including the Revenues pledged by the Authority and KDHE pursuant to the Indenture.

Proceeds of the Series 2024 Bonds will be used to (i) fund Loans to the Municipalities to finance certain Wastewater Treatment Works, pursuant to the Clean Water Program (defined herein), and certain Public Water Supply Systems, pursuant to the Drinking Water Program (defined herein) and/or reimburse KDHE for funds advanced to finance such Loans, and (ii) pay costs of issuance for the Series 2024 Bonds.

Bonds may be used to fund the “State Match” required as a condition of the Environmental Protection Agency (the “EPA”) Capitalization Grants to KDHE pursuant to (i) the Federal Clean Water Act, as amended (the “Federal Clean Water Act”), as described under the caption “THE PROGRAMS—Clean Water Program” herein, and (ii) the Federal Safe Drinking Water Act, as amended (the “Federal Safe Drinking Water Act”), as described under the caption “THE PROGRAMS—Drinking Water Program” herein. As shown in Appendix I hereto, a portion of the Series 2024 Bonds will be designated as the State

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\*Preliminary; subject to change.

Match Portion (the “Series 2024–State Match Portion”) and a portion will be designated as the Leveraged Portion (the “Series 2024–Leveraged Portion”).

Loans to finance the costs of qualified Wastewater Treatment Works made by KDHE to Municipalities from the Kansas Water Pollution Control Revolving Fund (the “Clean Water Revolving Fund”) are referred to as the “CW Loans” herein. KDHE’s program to finance Wastewater Treatment Works with existing and future CW Loans, in accordance with the Federal Clean Water Act, as amended by the Federal Water Quality Act of 1987 (the “Federal Clean Water Act”), is referred to as the “Clean Water Program” herein.

Loans to finance the costs of qualified Public Water Supply Systems made by KDHE to Municipalities from the Public Water Supply Loan Fund (the “Drinking Water Revolving Fund”) are referred to as the “DW Loans” herein. KDHE’s program to finance Public Water Supply Systems with existing and future DW Loans, in accordance with the Federal Safe Drinking Water Act, as amended by the Safe Drinking Water Act Amendments of 1996 (the “Federal Safe Drinking Water Act”), is referred to as the “Drinking Water Program” herein.

The CW Loans and the DW Loans that are pledged as security for the Bonds under the Indenture are collectively referred to as the “Pledged Loans” herein. The Pledged Loans that are CW Loans are listed in Appendix C hereto. The Pledged Loans that are DW Loans are listed in Appendix D hereto.

The Clean Water Revolving Fund and the Drinking Water Revolving Fund are collectively referred to as the “Revolving Funds” herein. The Clean Water Program and the Drinking Water Program are collectively referred to as the “Programs” herein. For a description of the operation of the Programs, including certain Funds and Accounts established under the Indenture and the arrangements between the Authority, KDHE and the Municipalities with respect to the Revolving Funds, see the caption “THE PROGRAMS” herein.

For a description of the Clean Water Program, see Appendix C hereto. For a description of the Drinking Water Program, see Appendix D hereto.

Using funds available in the Revolving Funds, including a portion of the proceeds of the Series 2024 Bonds and other funds available under the Indenture, KDHE expects to continue to make Loans from the Revolving Funds to Municipalities for the purpose of (a) financing the costs of qualified Public Water Supply Systems pursuant to its Drinking Water Program and (b) financing the costs of qualified Wastewater Treatment Works pursuant to its Clean Water Program. Certain of these Loans will be Pledged Loans, the Loan Repayments on which will be Revenues that are included in the Trust Estate and pledged to secure Indebtedness, including the Series 2019 Bonds, the Series 2020 Bonds, the Series 2022 Bonds, the Series 2023 Bonds, and the Series 2024 Bonds, issued under the Indenture. For a description of the Pledged Loans, see the caption “SECURITY FOR THE BONDS—Loan Repayments” herein. A portion of the proceeds of the Series 2024 Bonds will be used to fund and/or reimburse disbursements pursuant to existing loan commitments for Pledged Loans.

Previously, the Authority issued its Series 2019 Bonds, its Series 2020 Bonds, its Series 2022 Bonds and its Series 2023 Bonds (collectively, the “Prior Bonds”) pursuant to the Indenture. The Prior Bonds are equally and ratably secured by the Trust Estate on a parity with the Series 2024 Bonds. For a description of the Prior Bonds, see the caption “PLAN OF FINANCE—Obligations Outstanding under the Indenture” below.

Pursuant to the terms of the Indenture, the Authority may issue bonds which are equally and ratably secured by the Trust Estate on a parity with the Prior Bonds and the Series 2024 Bonds (collectively, with

any additional bonds secured on a parity under the Indenture, the “Parity Bonds”). The Authority may also issue bonds which are secured by the Trust Estate, but are subordinate in priority of payment to the Parity Bonds (the “Subordinate Bonds”). The Prior Bonds, the Series 2024 Bonds, any additional Parity Bonds and any Subordinate Bonds which may be issued under the Indenture are collectively referred to herein as the “Bonds.” The Authority or KDHE may also issue or incur Additional Obligations, including Parity Indebtedness and Subordinated Indebtedness which would be secured by the Trust Estate under the Indenture. See the captions “PLAN OF FINANCE—Additional Parity Bonds to be Issued” and “SECURITY FOR THE BONDS—Additional Indebtedness” herein for further descriptions of the Bonds and additional indebtedness secured by the Trust Estate.

## PLAN OF FINANCE

### The Series 2024 Bonds

Proceeds of the Series 2024 Bonds in the amount of \$300,000,000\* will be deposited in the Loan Fund and used by KDHE to fund existing loan commitments for CW Loans from the Clean Water Revolving Fund (listed in Appendix C hereto) and for DW Loans from the Drinking Water Revolving Fund (listed in Appendix D hereto). A portion of this amount is anticipated to be used to reimburse Loan disbursements already made.

An amount of \$4,000,000\* of such deposit to the Loan Fund will also constitute the “State Match” required as a condition of EPA Capitalization Grants to KDHE for the Clean Water Revolving Fund pursuant to the Federal Clean Water Act, as described under the caption “THE PROGRAMS—Clean Water Program” herein.

An amount of \$8,000,000\* of such deposit to the Loan Fund will also constitute the “State Match” required as a condition of EPA Capitalization Grants to KDHE for the Drinking Water Revolving Fund pursuant to the Federal Safe Drinking Water Act, as described under the caption “THE PROGRAMS—Drinking Water Program” herein.

The remaining proceeds of the Series 2024 Bonds will be used to pay certain costs of issuance for the Series 2024 Bonds, as set forth under the caption “SOURCES AND USES OF FUNDS” herein.

### Obligations Outstanding under the Indenture

**Series 2019 Bonds.** On February 28, 2019, the Authority issued its \$47,445,000 original principal amount Kansas Revolving Funds Revenue Bonds (Kansas Department of Health and Environment) Series 2019SRF (the “Series 2019 Bonds”). The proceeds of the Series 2019 Bonds were used to (i) fund certain Pledged Loans to the Municipalities to finance certain Wastewater Treatment Works, pursuant to the Clean Water Program, and certain Public Water Supply Systems, pursuant to the Drinking Water Program, (ii) refund Kansas Revolving Funds Revenue Bonds (Kansas Department of Health and Environment) Series 2011SRF, and (iii) pay costs of issuance for the Series 2019 Bonds. The Series 2019 Bonds are currently outstanding in the principal amount of \$33,790,000.

**Series 2020 Bonds.** On February 27, 2020, the Authority issued its \$68,730,000 original principal amount Kansas Revolving Funds Revenue Bonds (Kansas Department of Health and Environment) Series 2020SRF (the “Series 2020 Bonds”). The proceeds of the Series 2020 Bonds were used to (i) fund certain Pledged Loans to the Municipalities to finance certain Wastewater Treatment Works, pursuant to the Clean Water Program, and certain Public Water Supply Systems, pursuant to the Drinking Water Program, (ii)

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\* Preliminary; subject to change.

refund Kansas Revolving Funds Revenue Bonds (Kansas Department of Health and Environment) Series 2010SRF, and (iii) pay costs of issuance for the Series 2020 Bonds. The Series 2020 Bonds are currently outstanding in the principal amount of \$8,705,000.

**Series 2022 Bonds.** On March 31, 2022, the Authority issued its \$18,000,000 original principal amount Kansas Revolving Funds Revenue Bonds (Kansas Department of Health and Environment) Series 2022SRF (the “Series 2022 Bonds”). The proceeds of the Series 2022 Bonds were used to fund certain Pledged Loans to the Municipalities to finance certain Wastewater Treatment Works, pursuant to the Clean Water Program, and certain Public Water Supply Systems, pursuant to the Drinking Water Program. The Series 2022 Bonds are currently outstanding in the principal amount of \$9,200,000.

**Series 2023 Bonds.** On February 8, 2023, the Authority issued its \$152,200,000 original principal amount Kansas Revolving Funds Revenue Bonds (Kansas Department of Health and Environment) Series 2023SRF (the “Series 2023 Bonds”). The proceeds of the Series 2023 Bonds were used to (i) fund certain Pledged Loans to the Municipalities to finance certain Public Water Supply Systems, pursuant to the Drinking Water Program and (ii) pay costs of issuance for the Series 2023 Bonds. The Series 2023 Bonds are currently outstanding in the principal amount of \$149,700,000.

#### **Additional Parity Bonds to be Issued**

The Authority and KDHE expect to issue additional Parity Bonds under the Indenture from time to time in an amount necessary to fund Pledged Loans and to provide State Match moneys for EPA Capitalization Grants to the Clean Water Revolving Fund and the Drinking Water Revolving Fund. The issuance of such additional Parity Bonds depends, in part, upon the demand for, and timing of, disbursements to Municipalities for Pledged Loans and upon financial market conditions affecting the issuance of such bonds. For a discussion of existing loan commitments, see the caption “INVESTMENT CONSIDERATIONS—Funding of Existing Loan Commitments” herein.

(Remainder of page intentionally left blank)

**SOURCES AND USES OF FUNDS**

The proceeds to be received from the sale of the Series 2024 Bonds are expected to be applied as follows:

<b>Sources of Funds</b>	<b>Clean Water Program</b>	<b>Drinking Water Program</b>	<b>Total</b>
Principal Amount	\$	\$	\$
Net Original Issue (Discount)/Premium			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
 <b>Uses of Funds</b>			
2024 Loan Accounts	\$	\$	\$
Costs of Issuance Account			
Underwriting Discount			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**PROJECTED CASH FLOW**

The projected cash flows contained in Appendix A hereto include projections of the Revenues available for debt service, the Debt Service Requirements and the debt service coverage ratio through the scheduled maturity of the Series 2024 Bonds. The projections in Appendix A hereto were prepared by PFM Financial Advisors LLC, the Authority’s financial advisor, based upon the expectations and assumptions described in Appendix A hereto.

**THE SERIES 2024 BONDS**

**General**

The Series 2024 Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. Purchases of beneficial interests in the Series 2024 Bonds will be made in book-entry only form (as described in Appendix H hereto). Purchasers of the Series 2024 Bonds will not receive certificates representing their interests in the Series 2024 Bonds purchased. So long as any of the Series 2024 Bonds are in book-entry form, the principal, redemption premium, if any, and interest on such Bonds are payable by check or draft mailed, or wire transfer, to Cede & Co., as registered owner thereof and will be redistributed by DTC and the Participants, as described in Appendix H hereto.

The Series 2024 Bonds will be dated the date of delivery (the “Dated Date”), and will mature, subject to prior redemption, in the years and amounts as shown on the inside cover page hereof and will bear interest from their Dated Date at the rates shown on the inside cover page. The principal of, redemption premium, if any, and interest on the Series 2024 Bonds will be payable in lawful money of the United States

of America by check or draft of the Trustee, acting as Paying Agent (the “Paying Agent” and “Bond Registrar”). Interest on the Series 2024 Bonds will be payable on May 1 and November 1, beginning May 1, 2025 (each an “Interest Payment Date”), by check or draft of the Paying Agent to the registered owners of the Series 2024 Bonds at the address of each registered owner shown on the registration records maintained by the Bond Registrar as of the fifteenth day of the month, whether or not a Business Day, preceding the Interest Payment Date in which such interest payment is due (the “Record Date”); provided, that payments of principal, redemption premium, if any, and interest on Series 2024 Bonds may be made by wire transfer upon written notice given to the Paying Agent by such Owner not less than fifteen business days prior to the Record Date, containing the wire transfer address to which such Owner wishes to have such wire directed.

The Series 2024 Bonds will be transferable at the office of the Bond Registrar. The Authority has agreed to pay the fees, charges and expenses of the Bond Registrar, which fees, charges and expenses shall include all costs incurred in connection with the issuance, transfer, exchange, registration, redemption or payment of the Series 2024 Bonds, except (a) the reasonable fees and expenses in connection with the replacement of any Series 2024 Bond or Bonds mutilated, stolen, lost or destroyed, or (b) any tax or other governmental charge imposed in relation to the transfer, exchange, registration, redemption or payment of the Series 2024 Bonds. Such additional costs shall be paid by Bondowners. The Bond Registrar will not be required (a) to transfer or exchange any Series 2024 Bonds during the period of 15 days immediately preceding any Payment Date; or (b) to transfer or exchange any Series 2024 Bonds after the date specified in the notice of redemption (which shall be not less than 15 calendar days immediately preceding the mailing of the notice of redemption).

**Optional Redemption**

The Series 2024 Bonds maturing on May 1, 2035 and thereafter, shall be subject to redemption and payment prior to their Stated Maturity, at the option of and upon instruction from the Authority, on and after May 1, 2034, as a whole or in part at any time (selection of maturities and the amount of Series 2024 Bonds of each maturity to be redeemed to be determined by the Authority in such manner as it may determine) at a Redemption Price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the Redemption Date.

**Mandatory Sinking Fund Redemption**

The Series 2024 Bonds scheduled to mature on May 1, 20\_\_ shall be subject to mandatory sinking fund redemption and payment on May 1 in each of the years commencing May 1, 20\_\_, pursuant to the following redemption schedule, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption.

Payment Date (May 1)	Principal Amount
20__	\$
20__	
20__	
20__	
20__ <sup>†</sup>	

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<sup>†</sup>Final Maturity.

The principal amount of the Series 2024 Bonds required to be redeemed on any redemption date pursuant to the operation of mandatory sinking fund redemption provisions will be reduced, at the option of the Authority, by the principal amount of any Series 2024 Bond scheduled for redemption on such redemption date or dates, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) have been acquired by the Authority and delivered to the Paying Agent/Registrar for cancellation, or (2) have been acquired and canceled by the Paying Agent/Registrar, at the direction of the Authority, at a price not exceeding the principal amount of such Series 2024 Bond plus accrued interest to the date of acquisition thereof and not previously credited to a scheduled mandatory redemption. Upon such purchase of such Series 2024 Bonds, the Paying Agent/Registrar shall then credit an amount equal to the principal of such Bonds so purchased towards the sinking fund installments for the Series 2024 Bonds of such maturity on a pro rata basis in accordance with a certificate of an Authorized Representative of the Authority, which will direct the reduction of a ratable portion of each annual mandatory sinking fund installment requirement, in accordance with the procedures set forth under “Selection of Bonds to be Redeemed” below.

### **Selection of Bonds to be Redeemed**

The Series 2024 Bonds shall be redeemed only in the principal amount of \$5,000 or integral multiples thereof. If less than all of the Series 2024 Bonds are to be called for redemption and payment prior to maturity, the particular Series 2024 Bonds or portions of Series 2024 Bonds to be redeemed will be selected in such manner as the Trustee shall determine. If less than all Series 2024 Bonds of any maturity are to be redeemed, the particular Series 2024 Bonds to be redeemed will be selected by the Trustee in such manner as it may determine.

### **Notice of Redemption**

Notice of the call for any redemption identifying the Series 2024 Bonds or portions thereof to be redeemed shall be given by the Trustee, by mailing, via first class mail, an official redemption notice at least 20 days prior to the date fixed for redemption to the Registered Owner of each Series 2024 Bond to be redeemed at the address shown on the Bond Register maintained by the Trustee. Any notice of redemption shall state the date of redemption, the redemption price, the series and the principal amount thereof being redeemed (and, in the case of partial redemption, the maturities and numbers of the Series 2024 Bonds to be redeemed), the place or places at which such Series 2024 Bonds shall be presented for payment and that interest on the Series 2024 Bonds described in such notice will cease to accrue from and after the redemption date. The Trustee may also provide such additional notice as may be required by the Securities and Exchange Commission. The failure of any Owner to receive notice given as heretofore provided or an immaterial defect therein shall not affect the validity of any proceedings for the redemption of the Series 2024 Bonds.

Notices may be conditioned upon moneys being on deposit with the Trustee on or prior to the date fixed for redemption in an amount sufficient to provide for the payment of the Series 2024 Bonds called for redemption, accrued interest thereon to the redemption date and the redemption premium, if any. If any such notice is conditional and moneys are not received, such notice shall be of no force and effect and the Trustee shall give notice that such moneys were not received and that such Series 2024 Bonds will not be redeemed.

### **Election to Redeem**

In case of any redemption at the written request of the Authority, the Trustee shall call Series 2024 Bonds for redemption and payment and shall give notice of redemption as provided in the Indenture. Such request shall be given at least 30 days prior to the redemption date and shall specify the principal amount

of and the respective maturities of the Series 2024 Bonds to be called for redemption, the applicable redemption price or prices and the date such Series 2024 Bonds are to be called for redemption.

### **Effect of Call for Redemption**

On or prior to the date fixed for redemption, moneys shall be deposited with the Trustee in an amount sufficient to provide for the payment of the Series 2024 Bonds called for redemption, accrued interest thereon to the redemption date and the redemption premium, if any. Such moneys shall be held in trust for the benefit of the Persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate. Upon the deposit of such moneys, and notice having been given as provided in the Indenture, the Series 2024 Bonds or portions of Series 2024 Bonds thus called for redemption shall become due and payable and shall cease to bear interest on the specified redemption date.

## **SECURITY FOR THE BONDS**

### **Limited Obligations**

THE SERIES 2024 BONDS AND THE INTEREST THEREON SHALL NOT BE A DEBT OR GENERAL OBLIGATION OF THE AUTHORITY, KDHE, THE STATE OR ANY OF THE MUNICIPALITIES, AND NEITHER THE SERIES 2024 BONDS, THE INTEREST THEREON NOR ANY JUDGMENT WITH RESPECT THERETO (OTHER THAN TO ENFORCE OBLIGATIONS UNDER CERTAIN OF THE LOAN AGREEMENTS) ARE PAYABLE IN ANY MANNER FROM UNLIMITED TAX REVENUES OF ANY KIND OR CHARACTER. THE SERIES 2024 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, KDHE, THE STATE OR THE MUNICIPALITIES, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

**Trust Estate.** The Trust Estate pledged by the Authority and KDHE under the Indenture includes all rights, title and interest of the Authority and KDHE in and to (a) the proceeds of the sale of the Bonds to the extent deposited in the Funds and Accounts in (c) below, (b) the Revenues (described below), (c) all moneys and Investment Securities held by the State Treasurer in the Suspense Fund (except for administrative service fees paid pursuant to the Loan Agreements) and by the Trustee in the Loan Fund, Revenue Fund, Debt Service Fund, Capitalized Interest Fund, Debt Service Reserve Fund, Redemption Fund, Program Equity Fund and Costs of Issuance Fund under the terms of the Indenture and (d) any and all property pledged, assigned or transferred as additional security under the Indenture by, or with the consent of, the Authority or KDHE.

### **Revenues**

The Revenues pledged by the Authority and KDHE as part of the Trust Estate include the following, as further described herein: (i) all Loan Repayments from Pledged Loans received by KDHE, (ii) interest earnings on all Funds and Accounts under the Indenture, (iii) interest earnings on all other Funds and Accounts, if pledged as Revenues by KDHE, (iv) Government Interest Subsidy Payments, if any, (v) De-allocated Reserve Fund Release Payments, if any, and (vi) any other revenues or amounts pledged by the Authority or KDHE to the repayment of Indebtedness pursuant to the Indenture.

### **Loan Repayments**

**Pledged Loans.** Pursuant to the Indenture, Pledged Loans include any Loan made pursuant to a Loan Agreement that is (i) executed after the Operative Date (as defined in the Indenture) and funded from



moneys in the Loan Fund or the Program Equity Fund, (ii) designated by KDHE as a Pledged Loan, or (iii) released from serving as security for certain prior bonds (which are no longer outstanding).

Pledged Loans as of June 30, 2024 are, in the case of CW Loans, listed in Appendix C hereto and, in the case of DW Loans, listed in Appendix D hereto.

***Loan Agreements—Clean Water Revolving Fund.*** Pursuant to the Indenture, the Loan Agreements must provide that the Municipalities shall establish a Dedicated Source of Revenues to secure the repayment of their obligations thereunder. For a description of the covenant made by KDHE with respect to Loan Agreements see the caption “THE PROGRAMS—Loans—*Covenant Regarding Projected Revenues*” herein. For a list of Loans in the Clean Water Revolving Fund designated by KDHE as Pledged Loans see the caption “CW Loans—*Existing CW Loans*” in Appendix C hereto. For a summary of certain terms of the Loan Agreements for the Clean Water Revolving Fund, see the caption “THE LOAN AGREEMENTS—CLEAN WATER PROGRAM” in Appendix F hereto.

***Loan Agreements—Drinking Water Revolving Fund.*** Pursuant to the Indenture, the Loan Agreements must provide that the Municipalities shall establish a Dedicated Source of Revenues to secure the repayment of their obligations thereunder. For a description of the covenant made by KDHE with respect to Loan Agreements see the caption “THE PROGRAMS—Loans—*Covenant Regarding Projected Revenues*” herein. For a list of Loans in the Drinking Water Revolving Fund designated by KDHE as Pledged Loans see “DW Loans—*Existing DW Loans*” in Appendix D hereto. For a summary of certain terms of the Loan Agreements for the Drinking Water Revolving Fund, see the caption “THE LOAN AGREEMENTS—DRINKING WATER PROGRAM” in Appendix F hereto.

## **Other Revenues**

***Government Interest Subsidy Payments.*** The Government Interest Subsidy Payments include payments, if any, received by the Authority from the federal or state government that are made to reduce or off-set debt service payments on any Indebtedness. See the captions “DEFINITIONS” and “THE INDENTURE—Deposits” in Appendix F to this Official Statement.

***De-allocated Reserve Fund Release Payments.*** The De-allocated Reserve Fund Release Payments include moneys released from the Debt Service Reserve Fund and deposited into the Program Equity Fund. No moneys are currently expected to be deposited in the Debt Service Reserve Fund; therefore, there are currently no moneys that may become De-allocated Reserve Fund Release Payments. See the caption “THE INDENTURE—Debt Service Reserve Fund” in Appendix F to this Official Statement.

## **Debt Service Reserve Fund**

The current Debt Service Reserve Fund balance is \$0 and it is not expected to be funded with the issuance of the Series 2024 Bonds. If the Debt Service Reserve Fund is funded in the future, any moneys therein shall be applied only to prevent deficiencies in the payment of principal of and interest on the Prior Bonds, the Series 2024 Bonds and any additional Parity Bonds. See “THE INDENTURE—Debt Service Reserve Fund” in Appendix F hereto.

## **Additional Indebtedness**

***Parity Bonds and Parity Indebtedness.*** The Authority may issue Parity Bonds and incur Parity Indebtedness under the Indenture upon the satisfaction of a number of conditions precedent, including, without limitation the delivery of a Projected Revenue Certificate. See “THE INDENTURE—

Requirements for the Issuance of Parity Bonds” in Appendix F hereto. All Parity Bonds and Parity Indebtedness will be secured by the Trust Estate.

***Subordinate Bonds and Subordinate Indebtedness.*** The Authority may issue Subordinate Bonds and incur Subordinate Indebtedness, subordinate and junior in right of payment to the Prior Bonds, the Series 2024 Bonds and any additional Parity Bonds or Parity Indebtedness. Subordinate Bonds will be secured by the Trust Estate, other than moneys in the Debt Service Reserve Fund, but will be subordinate to the Prior Bonds, the Series 2024 Bonds and any additional Parity Bonds or Parity Indebtedness.

Parity Indebtedness and Subordinate Indebtedness are collectively referred to herein as “Additional Obligations” and are secured by the Trust Estate (except that moneys in the Debt Service Reserve Fund are not available for Subordinate Indebtedness). See “THE INDENTURE—Requirements for the Issuance of Parity Indebtedness” and “—Requirements for the Issuance of Subordinate Indebtedness” in Appendix F hereto.

***Additional Programs.*** In the event that one or more financing programs (“Additional Programs”) are approved by the Legislature of the State or by the United States Congress that are administrated by KDHE and identified as such by KDHE, the Authority may issue bonds or other evidence of indebtedness that will have the same status as Indebtedness issued under the Indenture. The revenues derived from such Additional Programs shall be pledged as part of the Trust Estate to secure Indebtedness of the Revolving Funds and such Additional Program.

## **THE AUTHORITY**

The Authority is a public body, politic and corporate and an independent instrumentality of the State exercising essential public functions, created in 1987 by K.S.A. 74-8901 et seq., as amended (the “K DFA Act”). The Authority was created for the primary purposes of enhancing the ability of the State to finance capital improvements and improving access to long-term financing for State agencies, political subdivisions, public and private organizations and businesses.

The powers of the Authority are vested in the Board of Directors, consisting of five public members appointed by the Governor subject to confirmation by the State Senate. The Governor also appoints a President who serves at the pleasure of the Governor. The President is an ex-officio, non-voting member of the Board of Directors. Not less than three members of the Board of Directors must be representative of the general public and not more than three members may be members of the same political party.

The names, offices, principal occupations and places of business of the voting members of the Authority’s Board of Directors and their terms are as follows:

<b>NAME</b>	<b>OFFICE</b>	<b>TERM</b>	<b>PRINCIPAL OCCUPATION AND PLACE OF BUSINESS</b>
K. Alan Deines	Chair	2/15/21 to 1/15/23	Managing Director, Co-Head of Fiduciary Financial Institutions, Beneficient Fiduciary Financial Hays, Kansas
	Vice Chair	3/1/20 to 2/15/21	
	Member	1/16/20 to 1/15/27	
Suchitra Padmanabhan	Vice Chair	2/15/21 to 1/15/23	President, CBW Bank Topeka, Kansas
	Chair	3/1/20 to 2/15/21	
	Vice Chair	4/4/13 to 12/31/19	
	Member	2/2/10 to 1/15/25	
Chris Donnelly	Member	9/2/15 to 1/15/25	Bank of the Prairie, Retired Tonganoxie, Kansas
Moniqueka Holloway	Member	6/26/21 to 1/15/25	Senior Director of Compliance and Quality Improvement, Heartspring Wichita, Kansas
Jonathan P. Small	Member	10/22/21 to 1/15/27	Attorney Topeka, Kansas

Members of the Board of Directors serve until their successors are appointed by the Governor and confirmed by the State Senate. Rebecca Floyd serves as President to the Authority.

The Authority has the rights, powers and privileges and is subject to the duties provided by the KDFA Act creating it, including the acquisition and disposal of real and personal property for its corporate purposes; the borrowing of money and issuance of notes, bonds and other obligations; the making of secured or unsecured loans for any of the purposes for which it may issue bonds (except making loans directly to individuals to finance housing developments); the provision of technical assistance and advice to the State or political subdivisions of the State; and entering into contracts with the State or political subdivisions thereof to provide such services.

*The Series 2024 Bonds offered hereby, together with the Prior Bonds and any other Parity Bonds or Parity Indebtedness hereafter issued under the Indenture, are separately secured from all other bonds and notes issued by the Authority. No recourse shall be had for the payment of the principal of or redemption premium or interest on any of the Series 2024 Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Indenture or any other Authority document contained, against any past, present or future officer, director, member, trustee, employee or agent of the Authority, or any officer, director, member, trustee, employee or agent of any successor corporation or body politic, as such, either directly or through the Authority or any successor corporation or body politic, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, directors, trustees, members, employees or agents, as such, is hereby expressly waived and released as a condition of and consideration for the execution of the Indenture and the issuance of any of the Series 2024 Bonds.*

## **KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT**

The Kansas Department of Health and Environment (“KDHE”) is an agency of the executive branch of State government established in 1974 by K.S.A. 75-5601. Prior to 1974, the functions of KDHE were carried out by the Kansas State Board of Health. The Secretary of KDHE is a cabinet post appointed by the Governor. KDHE is comprised of three divisions: Public Health, Health Care Finance and Environment.

KDHE has broad regulatory authority in environmental areas including solid waste, hazardous waste, water supply, air, radiation control, storage tank programs and environmental remediation.

The Bureau of Water of the Division of Environment administers the Revolving Funds on a daily basis. The Bureau of Water is responsible for the regulation of water and wastewater systems in Kansas. The Bureau identifies and develops potential projects and maintains a priority list for each Revolving Fund. KDHE, the Authority and the Kansas Department of Administration coordinate the accounting activities and the provision of financial expertise and services.

### **THE PROGRAMS**

#### **Clean Water Program**

The Federal Clean Water Act authorizes the EPA to award capitalization grants for deposit into state revolving funds to provide financial assistance for publicly owned wastewater treatment facility construction. The Kansas Legislature, in 1988, established the Clean Water Revolving Fund pursuant to K.S.A. 65-3321 *et seq.* Under Kansas law, the Secretary of KDHE administers the Clean Water Program. The federal government’s role is to oversee the operation of the Clean Water Program to assure that the objectives of the Federal Clean Water Act are achieved. The Clean Water Revolving Fund may be used to make low-interest loans, fund debt service reserves and provide other types of financial assistance to public entities. The Clean Water Program is funded by EPA Capitalization Grants, state matching funds, leveraged bond proceeds and recycled funds. State matching funds are required by the Federal Clean Water Act to equal twenty percent (20%) of the EPA Capitalization Grant, although appropriation statutes have reduced or eliminated the required state match for specific grants. In the past, the state matching funds and leveraged bond proceeds were provided from proceeds of certain prior bonds deposited into funds and accounts under the Clean Water Program. It is anticipated by KDHE that any future state matching funds will be provided by proceeds of the State Match Portion of the Bonds issued under the Indenture, including the Series 2024–State Match Portion, or by service fees collected, and any future leveraged bond proceeds will be provided by proceeds of the Leveraged Portion of the Bonds issued under the Indenture, including the Series 2024–Leveraged Portion.

For information regarding the Clean Water Program and the Clean Water Revolving Fund, see Appendix C to this Official Statement.

#### **Drinking Water Program**

The Federal Safe Drinking Water Act authorizes the EPA to award capitalization grants for deposit into state revolving funds to provide financial assistance for constructing public water supply systems. The State Legislature, in 1994, established the Drinking Water Revolving Fund pursuant to the KPWS Act. The Drinking Water Revolving Fund was created to implement the State’s participation under the Federal Safe Drinking Water Act. Under Kansas law, the Secretary of KDHE administers the program relating to the Drinking Water Revolving Fund. The federal government’s role is to oversee the operation of the Drinking Water Program to assure that the objectives of the Federal Safe Drinking Water Act are achieved. The

Drinking Water Program is funded by EPA Capitalization Grants, state matching funds, leveraged bond proceeds and recycled loan funds. The state match funds are required by the Federal Safe Drinking Water Act to equal twenty percent (20%) of the EPA Capitalization Grant, although appropriation statutes have reduced or eliminated the required state match for specific grants. In the past, the state matching funds and leveraged bond proceeds were provided from proceeds of certain prior bonds deposited into funds and accounts under the Drinking Water Program and from a one-time statutory allocation of State moneys. It is anticipated by KDHE that any future state matching funds will be provided by proceeds of the State Match Portion of the Bonds issued under the Indenture, including the Series 2024–State Match Portion, or by service fees collected, and any future leveraged bond proceeds will be provided by proceeds of the Leveraged Portion of the Bonds issued under the Indenture, including the Series 2024–Leveraged Portion.

For information regarding the Drinking Water Program and the Drinking Water Revolving Fund, see Appendix D to this Official Statement.

### **Program Participants**

Each of the Programs is a joint financing arrangement between KDHE, the Kansas Department of Administration (“DOA”) and the Authority designed to meet federal requirements for state revolving funds. KDHE, DOA and the Authority have entered into an Inter-Agency Agreement which establishes the roles of each entity in connection with each of the Programs. KDHE is the applicant and recipient of annual EPA Capitalization Grants on behalf of the State, executes and administers EPA Capitalization Grant agreements with the EPA and receives state match funds from state match moneys from the proceeds of bonds issued by the Authority. KDHE also administers those aspects of each Program relating to the selection of projects to be financed and the making of Loans to eligible Municipalities. DOA assists KDHE in monitoring compliance with federal requirements and provides accounting and reporting services for the Revolving Funds. The Authority issues bonds from time to time to provide required state match moneys for the EPA Capitalization Grants and funds to finance project costs, assists KDHE with the investment of moneys on deposit in the Revolving Funds and provides other services in connection with the Bonds.

### **The Revolving Funds**

***Separate Revolving Funds Maintained.*** For federal and state regulatory purposes, KDHE and the Authority will continue to administer and account for each of the Clean Water Revolving Fund and the Drinking Water Revolving Fund separately. For purposes of compliance with the Federal Clean Water Act and the KWPC Act, the Clean Water Portion of all Funds and Accounts under the Indenture are included in the Clean Water Revolving Fund. For purposes of compliance with the Federal Safe Drinking Water Act and the KPWS Act, the Drinking Water Portion of all Funds and Accounts under the Indenture are included in the Drinking Water Revolving Fund.

***Limited Cross-collateralization.*** The provisions of the Indenture implement a limited cross-collateralization of certain moneys that are part of the Clean Water Revolving Fund and the Drinking Water Revolving Fund, although for federal and state statutory and regulatory purposes, KDHE and the Authority must continue to administer and account for each Revolving Fund separately.

The Indenture provides that, initially, (i) assets available from the Clean Water Revolving Fund are to be applied to repayment of the Debt Service Requirements on Indebtedness designated as Clean Water Portion and (ii) assets available from the Drinking Water Revolving Fund are to be applied to repayment of the Debt Service Requirements on Indebtedness designated as Drinking Water Portion. Following such application of funds, (i) to the extent that assets available in the Clean Water Revolving Fund are insufficient to pay Debt Service Requirements on the Clean Water Portion, assets available from the Drinking Water Revolving Fund are to be applied to such deficiency and (ii) to the extent that assets available in the

Drinking Water Revolving Fund are insufficient to pay Debt Service Requirements on the Drinking Water Portion, assets available from the Clean Water Revolving Fund are to be applied to such deficiency. To the extent that assets are applied as described in the previous sentence, KDHE shall rebalance the amount of assets in the separate Revolving Funds by causing the re-allocation of moneys in the Program Equity Fund, as applicable, either (i) from its designation as the Clean Water Portion to the Drinking Water Portion or (ii) from its designation as the Drinking Water Portion to the Clean Water Portion. However, such designations of the Clean Water Portion and the Drinking Water Portion do not affect the actual flow of moneys between Funds and Accounts under the Indenture. For a further description of these provisions of the Indenture, see the caption “THE INDENTURE—Administration of Revolving Funds” in Appendix F hereto.

### **Revolving Funds Capitalization**

***EPA Capitalization Grant Deposits-Clean Water Revolving Fund.*** On August 14, 2023, KDHE received an EPA Capitalization Grant award for the Clean Water Revolving Fund for the federal Fiscal Year ended September 30, 2023 in the amount of \$6,771,000, (at least 20% and up to 40% of the grant amount must be provided as loan forgiveness). Pursuant to the 2021 federal Infrastructure Investment and Jobs Act, also known as the Bipartisan Infrastructure Law (“BIL”), on August 29, 2023, KDHE received a BIL General Supplemental Grant in the amount of \$18,815,000, which includes \$584,000 available for administrative expenses (49% of the grant amount must be provided as loan forgiveness). On July 22, 2024 KDHE received a BIL Emerging Contaminants Grant in the amount of \$1,920,000, which amount will be used for loans (100% of this amount must be provided as loan forgiveness).

KDHE has received two EPA Capitalization Grant awards for the Clean Water Revolving Fund for the federal Fiscal Year ending September 30, 2024. On July 19, 2024, KDHE received a BIL General Supplemental Grant in the amount of \$20,528,000, which includes \$584,000 available for administrative expenses (49% of the grant amount must be provided as loan forgiveness). On August 13, 2024, KDHE received a BIL Emerging Contaminants Grant in the amount of \$1,920,000, which amount will be used for loans (100% of this amount must be provided as loan forgiveness). KDHE anticipates receiving one more Clean Water Revolving Fund grant for the federal Fiscal Year ending September 30, 2024 in the amount of \$7,369,000 (at least 20% and up to 40% of the grant amount must be provided as loan forgiveness).

KDHE anticipates receiving three EPA Capitalization Grant awards for the Clean Water Revolving Fund for the federal Fiscal Year ending September 30, 2025 in the following estimated amounts: the EPA Capitalization Grant award for the Clean Water Revolving Fund in the amount of \$5,000,000 (at least 20% and up to 40% of the grant amount must be provided as loan forgiveness), the BIL General Supplemental Grant in the amount of \$21,985,907 (49% of the grant amount must be provided as loan forgiveness), and the BIL Emerging Contaminants Grant in the amount of \$1,920,000 (100% of this amount must be provided as loan forgiveness). These grant amounts are estimated because they are subject to a Congressional appropriation and an allocation by the EPA, which allocation may be increased or decreased. KDHE anticipates using approximately \$584,000 of the aggregate 2025 grant amount for administrative expenses of the Program which will not be available for loan disbursements within the Clean Water Revolving Fund.

***EPA Capitalization Grant Deposits-Drinking Water Revolving Fund.*** On July 16, 2024, KDHE received a re-allotted 2022 BIL Lead Service Line Replacement Grant in the amount of \$2,723,000, which includes \$163,380 available for administrative expenses (49% of the grant amount must be provided as loan forgiveness). On August 5, 2024, KDHE received a re-allotted 2022 BIL Emerging Contaminants Grant in the amount of \$59,000, which amount will be used for loans (100% of this amount must be provided as loan forgiveness).

On August 22, 2023, KDHE received an EPA Capitalization Grant award for the Drinking Water Revolving Fund for the federal Fiscal Year ended September 30, 2023 in the amount of \$5,461,600, (at least 26% and up to 49% of the grant amount must be provided as loan forgiveness). On August 28, 2023, KDHE received a BIL Emerging Contaminants Grant in the amount of \$8,521,000, which amount will be used for loans (100% of this amount must be provided as loan forgiveness). On August 29, 2023, KDHE received a BIL General Supplemental Grant in the amount of \$23,482,000, which includes \$2,000,000 available for administrative expenses (49% of the grant amount must be provided as loan forgiveness). On July 16, 2024, KDHE received a BIL Lead Service Line Replacement Grant in the amount of \$28,650,000, which includes \$1,719,000 available for administrative expenses (49% of the grant amount must be provided as loan forgiveness).

KDHE has received four EPA Capitalization Grant awards for the Drinking Water Revolving Fund for the federal Fiscal Year ending September 30, 2024. On July 25, 2024, KDHE received an EPA Capitalization Grant award in the amount of \$5,198,000, (at least 26% and up to 49% of the grant amount must be provided as loan forgiveness). On August 19, 2024, KDHE received a BIL Lead Service Line Replacement Grant in the amount of \$28,650,000, which amount will be used for loans (49% of the grant amount must be provided as loan forgiveness). On August 23, 2024, KDHE received a BIL General Supplemental Grant in the amount of \$25,634,000, which includes \$2,400,000 available for administrative expenses (49% of the grant amount must be provided as loan forgiveness). On September 5, 2024, KDHE received a BIL Emerging Contaminants Grant in the amount of \$8,521,000 (100% of this amount must be provided as loan forgiveness).

KDHE anticipates receiving four EPA Capitalization Grant awards for the Drinking Water Revolving Fund for the federal Fiscal Year ending September 30, 2025 in the following estimated amounts: the EPA Capitalization Grant for the Drinking Water Revolving Fund in the amount of \$5,000,000 (at least 26% and up to 49% of the grant amount must be provided as loan forgiveness), the BIL Lead Service Line Replacement Grant in the amount of \$28,650,000 (49% of the grant amount must be provided as loan forgiveness), the BIL General Supplemental Grant in the amount of \$27,654,000 (49% of the grant amount must be provided as loan forgiveness), and the BIL Emerging Contaminants Grant in the amount of \$8,521,000 (100% of this amount must be provided as loan forgiveness). These grant amounts are estimated because they are subject to Congressional appropriation and an allocation by the EPA, which allocation may be increased or decreased. KDHE anticipates using approximately \$3,000,000 of the aggregate 2025 grant amount for administrative expenses of the Program, and assistance to the Public Water Supply Supervision program, which will not be available for loan disbursements within the Drinking Water Revolving Fund.

***Required Principal Loan Forgiveness.*** The term “loan forgiveness” (as used above under the captions “*EPA Capitalization Grant Deposits-Clean Water Revolving Fund*” and “*EPA Capitalization Grant Deposits-Drinking Water Revolving Fund*”) refers to the federal requirement that a portion of certain Loans that meet requirements be awarded principal loan forgiveness in an amount determined by KDHE for each Loan, but that cumulatively meets the federally required amount for each Capitalization Grant. The EPA Capitalization Grants will be used to make disbursements to current and future Loan Agreements, which reduces the amount of loan disbursements that may need to be funded from future bond proceeds. However, the amount of principal forgiven on a Loan will not be required to be repaid to the Revolving Funds, so reduces the amount of repaid loan funds in the Revolving Funds that would be available for subsequent loans if all principal was repaid. The amount of loan forgiveness required by each of the EPA Capitalization Grants is expressed as a percentage or range of percentages for each Capitalization Grant described above under the caption “*EPA Capitalization Grant Deposits-Clean Water Revolving Fund*” and the caption “*EPA Capitalization Grant Deposits-Drinking Water Revolving Fund*.”

The amount of loan forgiveness on existing Pledged Loans is identified in the tables of Pledged Loans under the captions “CLEAN WATER PROGRAM—CW Loans” in Appendix C hereto and “DRINKING WATER PROGRAM—DW Loans” in Appendix D hereto; however, the amount of loan forgiveness is typically recognized upon the completion of the project and the final loan disbursement for each Loan, so is not reflected in such tables for Loans that are not fully disbursed.

***Payment of EPA Capitalization Grant Deposits.*** Federal moneys received pursuant to the EPA Capitalization Grant agreements are paid over to the State by a federal electronic funds transfer system. Draws under the electronic funds transfer system are initiated when a payment request is submitted by KDHE to EPA. Upon approval of such request, an electronic transfer of funds in the amount requested is made by EPA.

## **Loans**

***Dedicated Source of Revenues.*** Each Loan Agreement provides a pledge from the Municipality to KDHE of a Dedicated Source of Revenue. For a description of the Dedicated Source of Revenue on existing Loans, see the caption “CLEAN WATER PROGRAM—CW Loans” in Appendix C hereto and the caption “DRINKING WATER PROGRAM—DW Loans” in Appendix D hereto.

***Covenant Regarding Projected Revenues.*** KDHE has covenanted under the Indenture not to modify or enter into a Loan Agreement that will have the effect of reducing (i) the Projected Revenues to an amount less than 100% of the aggregate Modified Debt Service Requirements due on the Payment Dates in each year of all Indebtedness then Outstanding and to be issued to fund such Loan or (ii) the Projected State Match Revenues to an amount less than 100% of the aggregate Modified Debt Service Requirements due on each of the Payment Dates in each year of all State Match Indebtedness then Outstanding and to be issued to fund such Loan. See the caption “THE INDENTURE—Loan Fund” in Appendix F hereto.

***Interest Rates.*** Interest rates for the Loans under the Clean Water Program and Drinking Water Program, including service fees for servicing each Loan and administering the Program, are established by KDHE pursuant to the annual Intended Use Plan (“IUP”) and are subject to change. Interest rates for Loans can be set differently depending on the loan repayment length. Currently interest rates for loans that have a repayment term up to 20 years are set in an amount equal to sixty percent (60%) of the previous three months’ average of the Bond Buyer’s “20 Bond Index”. Interest rates for loans that have a repayment term between 20 years and 30 years are set in an amount equal to seventy percent (70%) of the previous three months’ average of the Bond Buyer’s “20 Bond Index”. Interest rates for loans that have a repayment term between 30 years and 40 years are set in an amount equal to eighty percent (80%) of the previous three months’ average of the Bond Buyer’s “20 Bond Index”. The Clean Water Revolving fund cannot make 40 year loans. The interest rate is established from the month the Loan Agreement is drafted by KDHE. Historically, the Clean Water Revolving Fund and the Drinking Water Revolving Fund have allowed loan recipients to increase a project’s loan amount through a simple loan amendment that increases the total loan amount while maintaining the interest rate that was set according to the original loan effective date. However, KDHE adopted a new policy in 2023 for any loan amendment request that seeks an increase in the original loan amount greater than \$1,500,000. In such instances the loan amendment increase amount shall have a gross interest rate set at the greater of the original loan gross interest rate, or the prevailing gross interest rate then in effect for new loans. If the amount of the loan increase is determined to have a different interest rate than the original loan, the new interest rate will only apply to the amount of the loan increase and the interest rate for the original amount of the loan will not change.

***Loan Payment Dates.*** Subject to certain exceptions, for Loans from the Clean Water Revolving Fund, the Loan Agreements currently provide that payments of principal and interest are due by April 1 and October 1 of each year. Subject to certain exceptions, for Loans from the Drinking Water Revolving



Fund, the Loan Agreements currently provide that payments of principal and interest are due by March 1 and September 1 of each year.

***Pledged Loans.*** The CW Loans and the DW Loans are Pledged Loans under the Indenture.

***CW Loans.*** For a list of the Municipalities that have entered into Loan Agreements for currently outstanding CW Loans, see the caption “CLEAN WATER PROGRAM—CW Loans—*Existing CW Loans*” in Appendix C hereto. Payments of principal and interest received by KDHE on the CW Loans are pledged to the payment of the Series 2024 Bonds or other Indebtedness under the Indenture.

***DW Loans.*** For a list of the Municipalities that have entered into Loan Agreements for currently outstanding DW Loans, see the caption “DRINKING WATER PROGRAM—DW Loans—*Existing DW Loans*” in Appendix D hereto. Payments of principal and interest received by KDHE on the DW Loans are pledged to the payment of the Series 2024 Bonds or other Indebtedness under the Indenture.

***Terms of Future Loans.*** KDHE currently anticipates making future Loans with substantially the same terms as described above, but it is not required by the Indenture to do so. See the caption “INVESTMENT CONSIDERATIONS—Terms of Loan Agreements” herein. For a list of the Municipalities included on KDHE’s priority listing which it anticipates may enter into Loan Agreements for potential future Pledged Loans, see the caption “CLEAN WATER PROGRAM—Potential Future Loans” in Appendix C hereto and the caption “DRINKING WATER PROGRAM—Potential Future Loans” in Appendix D hereto.

## **Loan Approval**

Each Municipality applying for financial assistance under the applicable Clean Water Program or Drinking Water Program must first demonstrate, to the satisfaction of KDHE, that the project it proposes to construct, rehabilitate, improve, or refinance, is eligible for such assistance under the terms of applicable provisions of the Federal Clean Water Act or the Federal Safe Drinking Water Act, respectively, and the KWPC Act or the KPWS Act, respectively, and the applicable Regulations promulgated thereunder. For each of the Clean Water Program and the Drinking Water Program, KDHE prepares an IUP identifying projects determined to be eligible for assistance, and establishes an order of priority of such projects on the basis of environmental significance and other factors, as provided in the Regulations.

Once a project is placed on the IUP, the potential loan recipient must file an application for financial assistance for such project with KDHE. Pursuant to an agreement between KDHE and Ranson Financial Group, L.L.C., Ranson Financial Group, L.L.C. reviews the financial information submitted with each application and makes a recommendation to KDHE for approval or denial of a Loan. KDHE reviews the proposed project and makes the final determination as to its eligibility for a Loan.

## **Flow of Funds from Loan Repayments**

Pledged Loans consist of CW Loans and DW Loans, as described herein. The flow of funds from the repayments of Pledged Loans is described below.

***Suspense Fund for Pledged Loans.*** For all Pledged Loans, Loan Repayments and Loan Prepayments received by KDHE or by the State Treasurer on behalf of KDHE shall be deposited to the credit of the Suspense Fund held by the State Treasurer. Pursuant to the Indenture, not later than the 15th day and the last day of each month, KDHE shall cause the State Treasurer to transfer moneys designated as

interest or principal repayments on such Pledged Loans to the Trustee. The amount of any administrative service fees paid pursuant to the Loan Agreements shall be deposited in the Surcharge Fund, which is not pledged to the payment of the Bonds. See the caption “THE INDENTURE—Deposits—*Suspense Fund*” in Appendix F hereto.

***Transfer to Trustee under Indenture.*** Loan Repayments and Loan Prepayments received by KDHE or by the State Treasurer are to be transferred to the Revenue Fund under the Indenture. Each repayment on a Pledged Loan will consist of principal, interest and service fees. Moneys designated as principal or interest are deposited to the Revenue Fund under the Indenture and divided into two accounts: (a) an Interest Account and (b) a Principal Account.

All interest payments on Pledged Loans, certain Swap Provider Payments, if any, Government Interest Subsidy Payments associated with the State Match Portion of any Bonds, if any, and interest earnings on all Funds and Accounts (except the Rebate Fund) are deposited in the Interest Account. Principal Repayments of Pledged Loans, certain Swap Provider Payments, if any, Government Interest Subsidy Payments associated with the Leveraged Portion of any Bonds, if any, Loan Prepayments associated with Pledged Loans and all other Revenues are deposited into the Principal Account. Material Loan Prepayments associated with Pledged Loans are deposited into the Redemption Account. See the caption “THE INDENTURE—Deposits” in Appendix F hereto.

Moneys in the Interest Account are first used to pay principal and interest on the State Match Portion of Bonds. Excess moneys in the Interest Account are transferred to the Principal Account, and together with funds on deposit in such Account are used to pay principal and interest on the Leveraged Portion of Bonds and thereafter may be used to meet any unfunded Debt Service Reserve Fund Requirement. Excess moneys in the Principal Account following the final Payment Date in each Fiscal Year are transferred to the Program Equity Fund. See the caption “THE INDENTURE—Revenue Fund” in Appendix F hereto.

### **Program Equity Fund and the General Fund**

After all required annual payments and credits are made to the Funds and Accounts under the Indenture, all moneys remaining in the Principal Account following the final Payment Date in each Fiscal year shall be paid to the Program Equity Fund. In addition, moneys remaining in the Loan Fund and no longer needed to make Loans may be transferred to the Program Equity Fund.

Moneys in the Program Equity Fund may be used to fund Pledged Loans, make Termination Payments, make deposits to other Funds and Accounts, or upon the filing of a Projected Revenue Certificate evidencing the required Projected Revenues and Projected State Match Revenues, may be transferred to the General Fund. See the caption “THE INDENTURE—Program Equity Fund” in Appendix F hereto.

The moneys in the General Fund are not pledged as part of the Trust Estate to pay principal of, redemption premium, if any, and interest on the Indebtedness, although the earnings on such moneys are pledged as part of the Revenues. Moneys in the General Fund may be used to fund Loans which would not be Pledged Loans, to make deposits into other Funds and Accounts or to pay for other capital improvements, financial assistance or other purposes authorized by the KWPC Act, KPWS Act, Federal Clean Water Act, Federal Safe Drinking Water Act or the Recovery Act, as described at the caption “THE INDENTURE—General Fund” in Appendix F hereto.

## **Redemption Fund**

Loan Prepayments associated with Pledged Loans not deposited into the Principal Account and certain Material Loan Prepayments associated with Pledged Loans shall be deposited into the Redemption Fund.

## **Rebate Fund**

Any required arbitrage rebate will be deposited into the Rebate Fund and paid to the United States of America.

## **Administrative Cost**

A portion of each EPA Capitalization Grants for the Clean Water Program and the Drinking Water Program is eligible to be used for administrative expenses and will be deposited into the Administrative Expense Fund as needed and used by KDHE as permitted by federal regulations. The amount allowed to be used for administrative expenses can vary from year to year and unused amounts in previous grants can be used in current grants in some circumstances. Historically, less than 4% of the EPA Capitalization Grants have been used for Program administrative costs. In addition, the Programs currently receive from Loan Repayments a service fee for servicing Loans to be used to pay expenses of administering each Program. The service fee is calculated differently for loans effective after May 1, 2018 and those previous. For the Public Water Supply program loans previous to May 1, 2018, the fee is an amount equal to 0.35% of the outstanding principal balance of each Loan. For the Clean Water program loans previous to May 1, 2018, the fee is an amount equal to 0.25% of the outstanding principal balance of each Loan. For loans with an effective date after May 1, 2018, the service fee is calculated differently through the first 4 years of repayments than in the remaining years of repayments. For Drinking Water program loans, through the first 4 years of repayments the service fee will be equal to the gross interest rate minus 0.35%. For the remaining years of repayments, the service fee will be equal to 0.35%. For Clean Water program loans, through the first 4 years of repayments the service fee will be equal to the gross interest rate minus 0.25%. For the remaining years of repayments, the service fee will be equal to 0.25%.

## **Investment of Funds**

Requirements for the investment of moneys deposited in Funds and Accounts under the Indenture are described at the caption “THE INDENTURE—Investment of Moneys” in Appendix F hereto.

## **Additional Programs**

The Indenture provides that, upon compliance with the requirements for issuing Bonds or Additional Obligations, the Authority may issue Indebtedness for additional financing programs approved by the Kansas Legislature or the United States Congress and administered by KDHE. See the caption “THE INDENTURE—Additional Program” in Appendix F hereto. There currently are no Additional Programs and none are currently anticipated by KDHE.

## **INVESTMENT CONSIDERATIONS**

**A PROSPECTIVE PURCHASER OF THE SERIES 2024 BONDS SHOULD BE AWARE THAT THERE ARE CERTAIN INVESTMENT CONSIDERATIONS ASSOCIATED WITH THE SERIES 2024 BONDS WHICH MUST BE RECOGNIZED. EACH PROSPECTIVE PURCHASER OF THE SERIES 2024 BONDS SHOULD READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, AND GIVE PARTICULAR ATTENTION TO THE CONSIDERATIONS**

**DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF DEBT SERVICE ON THE SERIES 2024 BONDS, AND WHICH COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2024 BONDS TO AN EXTENT THAT CANNOT BE DETERMINED. THE FOLLOWING STATEMENTS REGARDING CERTAIN INVESTMENT CONSIDERATIONS AND RISKS ASSOCIATED WITH AN INVESTMENT IN THE SERIES 2024 BONDS SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL CONSIDERATIONS IN THE DECISION TO PURCHASE THE SERIES 2024 BONDS.**

**NO REPRESENTATION OR ASSURANCE CAN BE MADE OR GIVEN THAT REVENUES WILL BE REALIZED BY THE AUTHORITY IN AMOUNTS SUFFICIENT TO PAY THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS.**

### **Special Limited Obligations**

The Series 2024 Bonds are special limited obligations of the Authority payable solely from the Trust Estate. The Series 2024 Bonds and the interest thereon shall not be a debt or general obligation of the Authority, KDHE, the State or any of the Municipalities, and neither the Series 2024 Bonds, the interest thereon, nor any judgment thereon or with respect thereto, are payable in any manner from unlimited tax revenues of any kind or character (other than to enforce obligations under certain of the Loan Agreements). The Authority has no taxing power.

### **State and Federal Regulation**

The rates, fees and charges for service through each Municipality's System (as defined in the applicable Loan Agreement), as currently operated, are exempt from rate regulation by the Kansas Corporation Commission or agencies of the United States Government. The precise nature and extent of future governmental regulation and the resulting impact of such regulation on the operation and profitability of each System cannot now be determined. Each Municipality has covenanted in the Loan Agreement to comply with all such governmental regulation. Various other state and federal laws, regulations and constitutional provisions apply to the operations of the various Systems. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material adverse effect, either directly or indirectly, on the operation of such Systems.

### **Funding of Existing Loan Commitments**

***Clean Water Revolving Fund.*** Commitments made by KDHE, pursuant to signed Loan Agreements, to disburse loans from the Clean Water Revolving Fund currently exceed the moneys designated in the Clean Water Revolving Fund to fund such loans. Disbursements on loans are made by KDHE as costs are incurred by the borrowing Municipality, which may extend over a period of years. As a result, Loan Agreements are routinely signed prior to the designation of moneys in the Clean Water Revolving Fund or the issuance of bonds to fully fund the loans. Due to rising interest rates, existing loan commitments may have to be funded from the issuance of bonds at the same or higher interest rates, which may result in the reduction of Revenues available under the Programs.

As of June 30, 2024, moneys have not been designated to fund Clean Water Program loan commitments of approximately \$268 million. Such amounts may be funded from moneys currently on deposit in the Clean Water Revolving Fund, federal grants, loan repayments, the Series 2024 Bonds or the issuance of additional Parity Bonds.

The Clean Water Revolving Fund made a loan in the principal amount of \$100 million in 2023 to help finance a portion of the construction of a wastewater treatment plant project (the "Nelson Facility

Improvements”) for Johnson County, Kansas. The 2023 loan agreement for the Nelson Facility Improvements provide that KDHE may make additional loans up to total aggregate loan amounts of \$276.74 million from the Clean Water Revolving Fund (amounts up to \$176.74 million in addition to the 2023 loan), subject to such conditions as availability of funds to make the loans and successful negotiation of the applicable loan agreements. See Appendix E hereto for additional information regarding the Johnson County, Kansas loan. Depending upon the timing of the Nelson Facility Improvements, loan demand from other municipalities, additional capital grants from EPA, if any, and earnings on idle funds, KDHE may need to issue additional bonds for the Clean Water Program. The terms of any such additional bonds have not been determined.

The Clean Water Revolving Fund made a loan in the principal amount of \$65 million in 2023 to help finance a portion of the construction of a wastewater treatment plant project (the “Wichita BNR Improvements”) for the City of Wichita, Kansas. The 2023 loan agreement for the Wichita BNR Improvements provides that KDHE may make additional loans up to total aggregate loan amounts of \$185 million from the Clean Water Revolving Fund (amounts up to \$120 million in addition to the 2023 loan), subject to such conditions as availability of funds to make the loans and successful negotiation of the applicable loan agreements. See Appendix E hereto for additional information regarding the City of Wichita, Kansas loan. Depending upon the timing of the Wichita BNR Improvements project, loan demand from other municipalities, additional capital grants from EPA, if any, and earnings on idle funds, KDHE may need to issue additional bonds for the Clean Water Program. The terms of any such additional bonds have not been determined.

***Drinking Water Revolving Fund.*** Commitments made by KDHE, pursuant to signed Loan Agreements, to disburse loans from the Drinking Water Revolving Fund currently exceed the moneys designated in the Drinking Water Revolving Fund to fund such loans. Disbursements on loans are made by KDHE as costs are incurred by the borrowing Municipality, which may extend over a period of years. As a result, Loan Agreements are routinely signed prior to the designation of moneys in the Drinking Water Revolving Fund or the issuance of bonds to fully fund the loans. Due to rising interest rates, existing loan commitments may have to be funded from the issuance of bonds at the same or higher interest rates, which may result in the reduction of Revenues available under the Programs.

As of June 30, 2024, moneys have not been designated to fund Drinking Water Program loan commitments of approximately \$328 million. Such amounts may be funded from moneys currently on deposit in the Drinking Water Revolving Fund, federal grants, loan repayments, the Series 2024 Bonds or the issuance of additional Parity Bonds.

### **Debt Service Reserve Fund**

The Debt Service Reserve Requirement for the Prior Bonds and the Series 2024 Bonds is \$0. On the closing date for issuance of any series of Parity Bonds, funds equal to the Debt Serve Reserve Fund Requirement for such Series shall be deposited in the Debt Service Reserve Fund. There is no guarantee a Debt Service Reserve Requirement will be established. The Debt Service Reserve Fund secures all Parity Bonds.

If funded, moneys in the Debt Service Reserve Fund may be invested in Investment Obligations. In the event it is required to sell such Investment Obligations for such purpose, the price realized upon such sale may not equal the Debt Service Reserve Requirement.

## **General Fund**

Moneys in the General Fund may be used to fund Loans which would not be Pledged Loans, to pay for other capital improvements, financial assistance or other legally authorized purposes or may be transferred into other Funds and Accounts. The General Fund is not pledged to the payment of the Bonds, although investment earnings on the General Fund are Revenues under the Indenture which are pledged to the payment of the Bonds. However, because the General Fund may be used for the purposes described above, including making Loans which would not be pledged to the payment of the Bonds, there can be no assurance that any moneys will be available for transfer from the General Fund to other Funds and Accounts, including to pay debt service or to make a deposit to the Debt Service Reserve Fund in the event that replenishment is required, or that investment earnings on the General Fund will be available to pay debt service on the Bonds.

### **Release of Pledged Revenues pursuant to Projected Revenues Certificates**

Pursuant to the Indenture, before any moneys are transferred to the General Fund (which fund is not pledged to the payment of the Bonds), there shall be filed with the Trustee, a Projected Revenue Certificate, with supporting schedules, estimating that: (a) as of each Payment Date, Projected Revenues will be an amount not less than 120% of the Modified Debt Service Requirements due on each Payment Date of all Bonds then Outstanding after the transfers intended to be made to the General Fund; and (b) the Projected State Match Revenues will be an amount not less than 100% of the Modified Debt Service Requirements due on each of the Payment Date in each year of the State Match Portion of all Bonds then Outstanding after the transfers intended to be made to the General Fund.

Projected Revenue Certificates are prepared by a financial advisor or other consultant selected by KDFA. Projected Revenue Certificates contain estimates that include assumptions regarding future events, including assumptions regarding future Loans to be made from the Revolving Funds, future interest rates on Loans, the repayment of Loans by Borrowers and investment earnings on moneys in the Revolving Funds. The actual results of the Revolving Funds will differ from the estimates stated in each Projected Revenue Certificate to the extent that actual future events differ from the estimates and assumptions upon which the Projected Revenue Certificate is based.

If actual Revenues of the Revolving Funds are less than the amounts projected in a Projected Revenue Certificate, there is no assurance that moneys previously transferred to the General Fund will be repaid or will be available if needed to pay principal of, premium, if any, or interest on the Bonds. However, while not required to do so, KDHE has discretion to transfer funds from the General Fund to be used if needed to replenish the Debt Service Reserve Fund or to pay debt service on the Bonds. Additionally, KDHE has discretion to transfer funds from the Program Equity Fund to be used if needed to replenish the Debt Service Reserve Fund or to pay debt service on the Bonds.

### **Prepayment of Loans**

The majority of existing Loan Agreements, including those for CW Loans, DW Loans and Pledged Loans, allow Municipalities to prepay Loans with KDHE consent and without penalty upon 60 days' notice to KDHE. Municipalities may prepay loans at their discretion for any reason, including to refinance. There is no limit on the amount of Loans which may be prepaid by Municipalities to KDHE. For Loans entered into subsequent to March 31, 2021, Municipalities may only prepay loans with KDHE consent. The amount of future prepayments of Loans, if any, can be expected to reduce the amount of Revenues available to pay principal and interest on Parity Bonds, including the Series 2024 Bonds. The amount of such reduction in Revenues may be mitigated to the extent that moneys received by KDHE can be used to (i) redeem

outstanding Parity Bonds, (ii) fund new Loans to other Municipalities at the same or higher interest rates or (iii) invest the prepaid funds at an interest rate equal to or higher than the interest rate on the prepaid Loans.

### **Terms of Loan Agreements**

The ability of the Authority to pay debt service on the Bonds is dependent on the repayment of Loans by Municipalities. Certain terms of the Loans pursuant to existing Loan Agreements are described at the caption “THE PROGRAMS—Loans” herein, the caption “CLEAN WATER PROGRAM—CW Loans—*Loan Agreements*” in Appendix C hereto and the caption “DRINKING WATER PROGRAM—DW Loans—*Loan Agreements*” in Appendix D hereto. It is currently anticipated by KDHE that future Pledged Loans will be made on similar terms to the existing Loans. In addition, certain requirements for Loans are established by existing KDHE regulations under the KWPC Act and the KPWS Act. However, there is no covenant under the Indenture or otherwise which requires KDHE to make Loans pursuant to particular terms, other than to require that the Municipalities pledge a Dedicated Source of Revenue for repayment of the Loan. As a result, the terms of future Pledged Loans may vary from existing Loans and such variations could materially affect the security for the repayment of Loans and remedies upon default. If any change in the terms of Loans is substantial enough or affects a large enough portion of the Loans, it could adversely impact the ratings on the outstanding Bonds.

### **Market Value and Credit Rating of Investment Obligations**

Amounts on deposit in the Revolving Funds have been and may continue to from time to time be invested in Investment Securities, including but not limited to debt obligations of the United States of America as well as repurchase agreements and investment agreements. The market price of any such Investment Securities may decrease following the Authority’s purchase of such obligations, and the long-term debt ratings of any investment providers may be downgraded following the Authority’s investment of funds with such providers. The Authority makes no representations about the effect on the ratings of the Series 2024 Bonds of any such decrease in market value of Investment Securities or lowering of the long-term debt rating of any investment provider, and any such changes may adversely impact the ability of the Authority to pay the principal of, redemption premium, if any, and interest on the Series 2024 Bonds. The Authority and KDHE are under no obligation with respect to assuring the continued maintenance by any provider of an investment of a particular rating from Fitch or Moody’s, nor to find a substitute investment in the event of a lowering of a provider’s rating. See “THE PROGRAMS—Investment of Funds” herein.

### **Delayed or Reduced Funding of Loans**

A delay in the funding of any Project or a reduction in the actual amount of the Pledged Loans that are disbursed pursuant to existing Loan Agreements, may result in the reduction of Revenues available under the Programs.

### **Information Technology Security**

KDHE and the Municipalities are increasingly reliant on information technology in all aspects of their operations. The reliance on information technology imposes new expectations on personnel to be adept in using and managing electronic systems. It also introduces risks to the security of systems and information of the KDHE and the Municipalities.

Entities such as the KDHE and the Municipalities have been the victims of ransomware attacks, in which hackers compromise an entity's computer network or information systems in an attempt to extort money in exchange for returning the entity's systems to normal. Entities subject to breaches may be liable for potential fines and penalties, costs of remediating breaches, damages to individuals (or classes) whose information has been breached, reputational damage and business loss, and damage to the information technology infrastructure. These risks may be mitigated with periodic review of potential vulnerabilities and the ongoing implementation of security processes and updates when deemed appropriate by the State or the Municipalities and within the limits of resources of the State or the Municipalities made available for such purposes. Standards and practices for security of information technology continue to change and there can be no assurance that the State or the Municipalities will be successful in protecting its information technology from security breaches.

### **Risk of Flood, Drought and Climate Change**

Potential hazards and risks related to climate change for the State and the Municipalities include, among other things, increased risk of flood, drought, fire, tornadoes and other severe storms. Such events may result in damage to the State's or the Municipalities' infrastructure and cause economic losses. Some areas of the State and some areas of the Municipalities lie in a flood plain and have experienced significant flooding in the past. Portions of the State have experienced periods of severe drought and the availability of water from aquifers has declined, each of which may adversely affect the ability of Municipalities to deliver water supply and collect revenues from water usage and may increase the costs of accessing water supplies and controlling water quality related to regulated contaminants (for example, see the caption "INFORMATION REGARDING THE CITY OF WICHITA, KANSAS—Drought Response Plan" in Appendix E hereto). Weather events such as flooding or drought may be affected by climate change and the effects thereof. The risk of economic losses as a result of such significant weather events is unknown at this time. Additionally, climate change could contribute to a change in the number of Municipalities seeking financial assistance under the Clean Water Program and the Drinking Water Program and also a change in the type of projects Municipalities are seeking financial assistance for from KDHE under the Clean Water Program and the Drinking Water Program.

### **Summary of Financial Information**

There can be no assurance that the financial results achieved by each participating Municipality in the future will be similar to historical results or the projections contained or assumed in the projections in Appendix A. Such future results will vary from historical results, and actual variations may be material. The historical operating results of each of the participating Municipalities contained in or incorporated by reference in this Official Statement cannot be viewed as a representation that such Municipality will be able to generate sufficient revenues in the future to make timely payment of its obligations under the Loan Agreement.

### **Limitations on Remedies Available to Owners of Series 2024 Bonds**

The enforceability of the rights and remedies of the Owners of Series 2024 Bonds, and the obligations incurred by the Authority in issuing the Series 2024 Bonds, are subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State and its governmental subdivisions in the interest of serving a legitimate and significant public purpose.



Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Series 2024 Bonds to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

### **Secondary Markets and Prices**

There is no established secondary market for the Series 2024 Bonds, and there is no assurance that a secondary market will develop for the purchase and sale of the Series 2024 Bonds. Prices of bonds traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other factors. From time to time it may be necessary to suspend indefinitely secondary market trading in selected issues of bonds as a result of the financial condition or market position of the broker dealer, prevailing market conditions, lack of adequate current financial information regarding the Series 2024 Bonds, a material adverse change in the financial condition of the Programs, KDHE or the Municipalities, whether or not the Series 2024 Bonds are in default, and other factors which may give rise to uncertainty concerning prudent secondary market practices. As described at the caption “CONTINUING DISCLOSURE” herein, KDHE has agreed to comply with certain undertakings to provide continuing disclosure information in connection with Rule 15c2-12 of the Securities and Exchange Commission. If KDHE fails to provide the necessary information to comply with such rule, there could be an adverse impact on the ability of an owner to sell Series 2024 Bonds in the secondary market.

### **Taxation of Interest on the Series 2024 Bonds**

Contemporaneously with the issuance of the Series 2024 Bonds, an opinion of Bond Counsel will be obtained to the effect that interest earned on the Series 2024 Bonds is excludable from gross income for federal income tax purposes under current provisions of the Code, and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Series 2024 Bonds includable in gross income for federal income tax purposes.

The Authority and KDHE have covenanted in the Indenture and in other documents and certificates to be delivered in connection with the issuance of the Series 2024 Bonds to comply with the provisions of the Code, including those which require the Authority or KDHE to take or omit to take certain actions after the issuance of the Series 2024 Bonds. Because the existence and continuation of the excludability of the interest on the Series 2024 Bonds depends upon events occurring after the date of issuance of the Series 2024 Bonds, the opinion of Bond Counsel described under “TAX MATTERS” assumes the compliance by the Authority and KDHE with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Series 2024 Bonds in the event of noncompliance with such provisions. The failure of the Authority and KDHE to comply with the provisions described above may cause the interest on the Series 2024 Bonds to become includable in gross income retroactive to the date of issuance.

## **NO LITIGATION**

### **The Authority**

Upon delivery of the Series 2024 Bonds, the Authority will certify as of the date of delivery of the Series 2024 Bonds, to the effect that there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to the knowledge of the Authority, threatened against or affecting it (or, to the knowledge of the Authority, any basis therefor) wherein an

unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Indenture or the validity or enforceability of the Series 2024 Bonds or the Indenture.

## **KDHE**

Upon delivery of the Series 2024 Bonds, KDHE will certify as of the date of delivery of the Series 2024 Bonds, to the effect that there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to the knowledge of KDHE, threatened against or affecting it (or, to the knowledge of KDHE, any basis therefor) wherein an unfavorable decision, ruling or finding would adversely affect the Loans, the operation of the Revolving Funds or the transactions contemplated by the Indenture or the validity or enforceability of the Series 2024 Bonds, the Indenture or any Loan Agreement.

## **APPROVAL OF LEGAL PROCEEDINGS**

All matters incident to the authorization and issuance of the Series 2024 Bonds are subject to the approval of Gilmore & Bell, P.C., Bond Counsel. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the Authority and KDHE, as referred to herein. Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Official Statement captioned “THE SERIES 2024 BONDS,” “SECURITY FOR THE BONDS,” “APPROVAL OF LEGAL PROCEEDINGS,” and “TAX MATTERS” and in Appendix F and Appendix J. Certain legal matters will be passed upon for the Authority by its issuer counsel and disclosure counsel, Kutak Rock LLP, and for KDHE by its general counsel.

## **TAX MATTERS**

The following is a summary of the material federal and State of Kansas income tax consequences of holding and disposing of the Series 2024 Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2024 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Kansas, does not discuss the consequences to an owner under any state, local or foreign tax laws. This summary does not deal with the tax treatment of persons who purchase the Series 2024 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2024 Bonds.

### **Opinion of Bond Counsel**

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Authority, under the law existing as of the issue date of the Series 2024 Bonds:

***Federal Tax Exemption.*** The interest on the Series 2024 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes.

***Alternative Minimum Tax.*** Interest on the Series 2024 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

**Bank Qualification.** The Series 2024 Bonds have **not** been designated as “qualified tax-exempt obligations” for purposes of Code § 265(b).

**Kansas Tax Exemption.** The Series 2024 Bonds and the interest thereon are exempt from all Kansas state, county and municipal taxes, including income and property taxes; provided, however, that no opinion is expressed with respect to the applicability of the privilege tax imposed on banking institutions pursuant to K.S.A. 79-1107 and 79-1108.

Bond Counsel’s opinions are provided as of the date of the original issue of the Series 2024 Bonds, subject to the condition that the Authority and KDHE comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2024 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority and KDHE have each covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2024 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2024 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2024 Bonds, but has reviewed the discussion under the heading “TAX MATTERS.”

The proposed form of Bond Counsel’s opinion is attached as Appendix J.

## **Other Tax Consequences**

**Original Issue Discount.** For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series 2024 Bond over its issue price. The stated redemption price at maturity of a Series 2024 Bond is the sum of all payments on the Series 2024 Bond other than “qualified stated interest” (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2024 Bond is generally the first price at which a substantial amount of the Series 2024 Bonds of that maturity have been sold to the public. Under Code § 1288, original issue discount on tax-exempt obligations accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2024 Bond during any accrual period generally equals (1) the issue price of that Series 2024 Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2024 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2024 Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Series 2024 Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

**Original Issue Premium.** For federal income tax purposes, premium is the excess of the issue price of a Series 2024 Bond over its stated redemption price at maturity. The stated redemption price at maturity of a Series 2024 Bond is the sum of all payments on the Series 2024 Bond other than “qualified stated interest” (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2024 Bond is generally the first price at which a substantial amount of the Series 2024 Bonds of that maturity have been sold to the public. Under Code § 171, premium on tax-exempt obligations amortizes over the term of the Series 2024 Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2024 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2024 Bond prior to its maturity. Even though the

owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of premium.

***Sale, Exchange or Retirement of Series 2024 Bonds.*** Upon the sale, exchange or retirement (including redemption) of a Series 2024 Bond, an owner of the Series 2024 Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property actually or constructively received on the sale, exchange or retirement of the Series 2024 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2024 Bond. To the extent a Series 2024 Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2024 Bond has been held for more than 12 months at the time of sale, exchange or retirement.

***Reporting Requirements.*** In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on Series 2024 Bonds, and to the proceeds paid on the sale of Series 2024 Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

***Collateral Federal Income Tax Consequences.*** Prospective purchasers of the Series 2024 Bonds should be aware that ownership of the Series 2024 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, certain applicable corporations subject to the corporate alternative minimum tax, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2024 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2024 Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2024 Bonds, including the possible application of state, local, foreign and other tax laws.

Bond Counsel notes that the interest on the Series 2024 Bonds may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax.

## **BOND RATINGS**

Fitch Ratings has assigned the Series 2024 Bonds a rating of "AAA" with a stable outlook and Moody's Investors Service has assigned the Series 2024 Bonds a rating of "Aaa" with a stable outlook. A report outlining the basis for the rating by each rating agency will be issued by such rating agency in connection with the issuance of such ratings and a copy may be obtained by contacting the applicable rating agency. Such ratings reflect only the view of the issuing rating agencies, and an explanation of the significance of such ratings may be obtained from such rating agencies. The ratings are not a recommendation to buy, sell or hold the Series 2024 Bonds. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely, by said rating agencies if, in their judgment, circumstances warrant. Any revisions or withdrawal of such ratings may have a material effect on the secondary market price and liquidity of the Series 2024 Bonds.

## CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Undertaking, the form of which is attached as Appendix G hereto (the “Disclosure Undertaking”), KDHE will agree to provide as soon as practicable after they are available, but in no event more than 190 days after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2024, the financial information and operating data of the Revolving Funds in substantially the scope and form contained in Appendix A (actual debt service coverage only), Appendix C, and Appendix D, respectively, updated for the Fiscal Year then ended. The financial statement information contained in Attachment II to Appendix C and Attachment II to Appendix D hereto shall be audited, if audited financial statements are available.

KDHE will also agree to obtain from each Municipality that has, as of the end of each Fiscal Year of KDHE, an unpaid balance on all Loans to such Municipality (including undisbursed loan commitments under any Loan Agreement with such Municipality) in an amount equal to or greater than fifteen percent (15%) of the amount of Combined Revolving Funds Unrestricted Assets, as defined below (the “Principal Participating Municipalities”), and to provide as soon as practicable after they are available, but in no event more than 270 days after the end of each Fiscal Year of any such Principal Participating Municipality, beginning with the Municipal Fiscal Year ending December 31, 2023 certain statistical and financial information and operating data of each such Principal Participating Municipality in substantially the scope and form contained in the Principal Participating Municipality’s Annual Comprehensive Financial Report (“ACFR”) or if such Principal Participating Municipality does not issue an ACFR, its publicly available financial statements, updated for the Municipal Fiscal Year of the Principal Participating Municipalities then ended. As set forth in the Disclosure Undertaking, such financial information of a Principal Participating Municipality shall be prepared in accordance with GAAP, or such other basis of accounting that demonstrates compliance with State law, and such financial information and operating data may be in the form of such Principal Participating Municipality’s ACFR and/or annual report of its System (as defined in the applicable Loan Agreement) if System revenues are included in the Dedicated Source of Revenue for the applicable Loan(s). The Municipalities have agreed in their respective Loan Agreements to provide such financial information and operating data to KDHE in the form of such Principal Participating Municipality’s financial statements, ACFR and/or annual report of its System if System revenues are included in the Dedicated Source of Revenue for the applicable Loan(s). As of the date of issuance of the Series 2024 Bonds, the City of Wichita, Kansas, Johnson County, Kansas and the City of Junction City, Kansas are the only Principal Participating Municipalities. For further discussion of the City of Wichita, Kansas, Johnson County, Kansas and the City of Junction City, Kansas, see Appendix E.

“Combined Revolving Funds Unrestricted Assets” means (a) the total assets as shown on the financial statements of the Clean Water Revolving Fund and the Drinking Water Revolving Fund as of the end of the most recent Fiscal Year of KDHE, including without duplication, the total amount of cash and Investment Securities held in Funds and Accounts included in the Trust Estate under the Indenture, minus (b) the sum of restricted cash and restricted loan reserve accounts as shown on the financial statements of the Clean Water Revolving Fund and the Drinking Water Revolving Fund as of the end of the most recent Fiscal Year of KDHE and, without duplication, assets held in the General Account under the Indenture.

So long as the Series 2019 Bonds or the Series 2020 Bonds remain outstanding under the Indenture, KDHE expects to comply with the Continuing Disclosure Undertakings for each such series of bonds, which undertakings provide that the fifteen percent (15%) test stated above (for determining whether a Municipality is a Principal Participating Municipality) is only ten percent (10%) of Combined Revolving Funds Unrestricted Assets. KDHE anticipates that so long as any Series 2019 Bonds or Series 2020 Bond remain outstanding under the Indenture, KDHE will voluntarily file on EMMA for all Bonds outstanding under the Indenture, including the Series 2024 Bonds, any information regarding any such 10% Principal Participating Municipality. At such time as no Series 2019 Bonds or Series 2020 Bonds are outstanding

under the Indenture, it is not expected that KDHE will continue to voluntarily provide information for any Municipality that does not meet the fifteen percent (15%) test for a Principal Participating Municipality described above.

In addition, as set forth in the Disclosure Undertaking, KDHE will agree to give notice of the occurrence of material events with respect to the Series 2024 Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission (the “SEC Rule”). KDHE will agree to transmit, or cause a dissemination agent to transmit, the financial information and operating data, together with notice of the occurrence of material events with respect to the Series 2024 Bonds as provided in the Disclosure Undertaking, in an electronic format as prescribed by the Municipal Securities Rulemaking Board (the “MSRB”). The MSRB has designated its Electronic Municipal Market Access (EMMA) system, found at <http://emma.msrb.org>, as the repository for such information. KDHE will make such agreements in order to assist the original purchasers or underwriters of the Series 2024 Bonds in complying with the SEC Rule.

In the previous five years, KDHE has not fully complied with certain previous undertakings pursuant to the SEC Rule as described below (which information below is presented irrespective of materiality):

The Principal Participating Municipality financial information of the City of Wichita, Kansas for its fiscal year ended December 31, 2021, with respect to the Series 2019 Bonds and the Series 2020 Bonds, was posted 3 days after the due date required pursuant to the continuing disclosure undertakings. A failure to file notice for the late filing was not filed.

The City of Junction City, Kansas, a Principal Participating Municipality, did not file its annual report for the fiscal year ended December 31, 2023 within the time period prescribed by its disclosure undertakings. A failure to file notice for the missing filing was filed on July 30, 2024.

In order to facilitate compliance with continuing disclosure undertakings, KDHE has adopted a disclosure policy and procedures designating personnel responsible for compliance with such undertakings and has designated Gilmore & Bell, P.C., as dissemination agent.

For the form of the Disclosure Undertaking, see Appendix G to this Official Statement.

### **FINANCIAL ADVISOR**

PFM Financial Advisors LLC has served as Financial Advisor to the Authority with respect to the Series 2024 Bonds and the Revolving Funds. The Financial Advisor has assisted in various matters relating to the planning, structuring and issuance of the Series 2024 Bonds, including advice in the preparation of this Official Statement. The Financial Advisor has not passed on the accuracy or completeness of the factual information contained in this Official Statement, other than the preparation of the information contained in Appendix A. The Financial Advisor may in the future assist KDHE in certain matters relating to the Loans and the Revolving Funds. The Financial Advisor has not participated in any underwriting syndicate that will purchase or sell any of the Series 2024 Bonds.

### **UNDERWRITING**

On September \_\_, 2024 the Authority received \_\_\_\_\_ bids for the Series 2024 Bonds. The Series 2024 Bonds have been sold at public sale by the Authority to \_\_\_\_\_ (the “Original Purchaser”) on the basis of lowest true interest cost. The Original Purchaser has agreed, subject to certain conditions, to purchase the Series 2024 Bonds at a purchase price equal to the initial offering prices shown on the inside cover page hereof, less an underwriting discount of \$ \_\_\_\_\_.

## MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Series 2024 Bonds, the security for the payment of the Series 2024 Bonds and the rights of the owners thereof. During the period of the offering, copies of drafts of such documents may be examined at the offices of the Authority. Following delivery of the Series 2024 Bonds, copies of such documents may be examined at the office of the Authority. The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of the date thereof.

Any statement made in this Official Statement including all appendices hereto, involving matters of opinion or of estimates, whether or not expressly so stated, are set forth as such and not as representation of fact. No representation is made that any of the estimates will be realized. The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Authority, KDHE, the Municipalities, and the purchasers or Owners of the Series 2024 Bonds.

Requests for additional information with respect to the Authority and the Series 2024 Bonds may be addressed to the Kansas Development Finance Authority, 534 South Kansas Avenue, Suite 800, Topeka, KS 66603, Attention: Executive Director.

The preparation of this Official Statement and its distribution have been authorized by the Authority and KDHE, as of the date on the cover page hereof.

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## APPENDIX A

### PROJECTED CASH FLOW SCHEDULES

The Official Statement, including the information contained in this Appendix A thereto, contains forward-looking statements. These statements relate to future events or future financial performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include those listed under the heading “INVESTMENT CONSIDERATIONS” and elsewhere in this Official Statement. You can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “projects,” “potential,” “continues,” or the negative of these terms or other comparable terminology. Although the Authority and KDHE believe that the expectations reflected in the forward-looking statements are reasonable, neither the Authority nor KDHE can guarantee future results, levels of activity, performance or achievements. The Authority and KDHE do not plan to issue any updates or revisions to those forward-looking statements if or when the expectations on which such statements are based occur or fail to occur.

The following table contains projections of the Revenues and of the Debt Service Requirements and debt service coverage ratio for the periods listed. The projected Loan Repayments are based on the Pledged Loans as of July 31, 2024. Such Pledged Loans include those described under the caption “CLEAN WATER PROGRAM—CW Loans” in Appendix C and under the caption “DRINKING WATER PROGRAM—DW Loans” in Appendix D, along with certain other loans under the caption “CLEAN WATER PROGRAM—Potential Future Loans” in Appendix C and under the caption “DRINKING WATER PROGRAM— Potential Future Loans” in Appendix D, which are in process and expected to be finalized prior to or shortly after the issuance of the Series 2024 Bonds. The projection of Revenues assumes beginning balances in the funds and accounts as of July 31, 2024. From time to time KDHE may reduce or credit loan repayments to ensure compliance with program investment yield restrictions under federal tax law. The amount of such reductions or credits are currently estimated at \$700,000, and are not reflected in the projection of Revenues in the following table. The actual amount of reductions or credits will change based on future prepayments of Loans, which cannot be projected at this time. The issuance of additional Parity Bonds, which are expected to be needed to fund existing loan commitments (see the caption “INVESTMENT CONSIDERATIONS—Funding of Existing Loan Commitments” in the Official Statement) and the debt service to be payable on such additional Parity Bonds, is not reflected in the following table. There can be no assurance that the assumptions used for the Loan Repayment schedules will not be modified as a result of adjustments by KDHE to the final Loan Agreements after completion of the projects financed. The projections of Revenues, including Loan Repayments and interest earnings, contained in the following table are based on estimates that KDHE believes to be reasonable and include, among other items, the assumption that all Loan Repayments will be received/made in accordance with contractual provisions and that idle funds will earn interest at a rate of 2.20%; however, there can be no assurance that these estimates or the indicated debt service coverage will be as projected, and readers of this Official Statement are cautioned not to place undue reliance on the projections.

The following table includes debt service on the Prior Bonds and the Series 2024 Bonds. The terms of the Series 2024 Bonds are assumed to be at market rates as of the date prepared.

The following prospective financial information was prepared by PFM Financial Advisors LLC, as Financial Advisor, based upon information provided by KDHE. It was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. Neither the independent auditors of the Clean Water

Revolving Fund and the Drinking Water Revolving Fund, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the following prospective financial information.

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**Projected Cash Flow and  
Debt Service Coverage Ratios  
Periods Ending November 1, 2024 through May 1, 2044**

<u>Period Ending</u>	<u>Projected Pledged Loan Interest Repayments<sup>(1)</sup></u>	<u>Projected Earnings</u>	<u>State Match Portion Debt Service*</u>	<u>Transfer from Interest Account to Principal Account</u>	<u>Projected Pledged Loan Principal Repayments<sup>(1)</sup></u>	<u>Leveraged Portion Net Debt Service*</u>	<u>Periodic Surplus*</u>	<u>Annual Surplus*</u>	<u>Total Net Coverage*</u>
7/31/2024	\$6,305,807				\$ 1,643,635		\$ 6,305,807		
11/1/2024	4,126,197	\$2,657,244	\$ 94,300	\$10,439,734	37,745,195	\$ 4,804,875	41,273,096		
5/1/2025	4,418,507	4,783,010	5,450,924	3,750,593	36,124,261	25,978,373	13,896,481	\$55,169,577	2.47 : 1
11/1/2025	4,635,932	3,168,194	316,163	8,559,510	43,666,087	10,943,250	40,210,800		
5/1/2026	4,523,272	2,584,437	6,036,163	1,071,547	36,672,665	24,863,250	12,880,962	53,091,763	2.26 : 1
11/1/2026	4,361,913	988,319	241,750	5,108,482	33,979,309	10,595,250	28,492,541		
5/1/2027	4,403,357	1,300,005	2,481,750	3,221,612	34,662,764	24,620,250	13,264,126	41,756,668	2.10 : 1
11/1/2027	4,359,351	1,260,859	185,750	5,434,459	34,561,930	10,244,625	29,751,765		
5/1/2028	4,340,684	1,589,059	2,540,750	3,388,993	36,180,925	25,219,625	14,350,293	44,102,058	2.15 : 1
11/1/2028	4,374,462	1,747,166	126,875	5,994,753	36,226,917	9,870,250	32,351,420		
5/1/2029	6,308,044	2,103,286	2,601,875	5,809,456	40,964,968	27,105,250	19,669,174	52,020,594	2.31 : 1
11/1/2029	8,036,226	2,319,902	65,000	10,291,128	37,618,294	9,439,375	38,470,047		
5/1/2030	7,962,758	2,743,328	2,665,000	8,041,086	37,827,642	29,264,375	16,604,353	55,074,400	2.33 : 1
11/1/2030	7,756,037	2,926,231		10,682,269	37,990,548	8,943,750	39,729,066		
5/1/2031	7,685,331	3,363,507		11,048,838	38,343,290	32,063,750	17,328,378	57,057,444	2.39 : 1
11/1/2031	7,755,151	3,554,375		11,309,526	38,159,843	8,365,750	41,103,619		
5/1/2032	7,796,785	4,006,637		11,803,422	36,841,139	32,210,750	16,433,811	57,537,430	2.42 : 1
11/1/2032	7,838,689	4,187,532		12,026,221	36,380,255	7,769,625	40,636,851		
5/1/2033	7,889,772	4,634,661		12,524,432	36,774,452	31,609,625	17,689,260	58,326,111	2.48 : 1
11/1/2033	7,652,265	4,829,366		12,481,630	36,836,462	7,173,625	42,144,467		
5/1/2034	7,414,806	5,293,078		12,707,884	37,015,008	31,933,625	17,789,267	59,933,734	2.53 : 1
11/1/2034	7,089,292	5,488,884		12,578,176	36,573,574	6,554,625	42,597,125		
5/1/2035	6,768,560	5,957,576		12,726,135	36,028,792	31,574,625	17,180,302	59,777,428	2.57 : 1
11/1/2035	6,453,687	6,146,683		12,600,370	35,144,976	5,929,125	41,816,221		
5/1/2036	6,150,498	6,606,785		12,757,283	35,446,473	31,009,125	17,194,631	59,010,852	2.60 : 1
11/1/2036	5,844,504	6,796,050		12,640,554	35,220,450	5,302,125	42,558,880		
5/1/2037	5,541,619	7,264,322		12,805,941	35,234,307	31,002,125	17,038,124	59,597,003	2.64 : 1
11/1/2037	5,238,679	7,451,866		12,690,545	35,604,729	4,659,625	43,635,650		
5/1/2038	4,932,516	7,931,983		12,864,498	33,735,163	30,904,625	15,695,036	59,330,686	2.67 : 1
11/1/2038	4,644,159	8,104,753		12,748,912	32,781,468	4,003,500	41,526,880		
5/1/2039	4,365,198	8,561,673		12,926,871	31,993,937	29,728,500	15,192,308	56,719,187	2.68 : 1
11/1/2039	4,092,198	8,728,789		12,820,987	31,847,301	3,360,375	41,307,913		
5/1/2040	\$3,821,082	\$ 9,183,176		\$13,004,258	\$31,859,540	\$29,585,375	\$15,278,423	\$56,586,336	2.72 : 1

<sup>(1)</sup> The July 31, 2024 repayments balances are available for the debt service due in the period ending November 1, 2024.

\* Preliminary; subject to change. The Series 2024 Bonds debt service is estimated.

<u>Period Ending</u>	<u>Projected Pledged Loan Interest Repayments<sup>(1)</sup></u>	<u>Projected Earnings</u>	<u>State Match Portion Debt Service*</u>	<u>Transfer from Interest Account to Principal Account</u>	<u>Projected Pledged Loan Principal Repayments<sup>(1)</sup></u>	<u>Leveraged Portion Net Debt Service*</u>	<u>Periodic Surplus*</u>	<u>Annual Surplus*</u>	<u>Total Net Coverage*</u>
11/1/2040	3,549,976	9,351,238		12,901,214	30,914,040	2,704,750	41,110,504		
5/1/2041	3,288,673	9,803,454		13,092,127	31,283,668	28,954,750	15,421,045	56,531,549	2.79 : 1
11/1/2041	3,024,370	9,973,085		12,997,455	30,882,929	2,048,500	41,831,884		
5/1/2042	2,764,130	10,433,236		13,197,366	30,779,713	28,958,500	15,018,578	56,850,463	2.83 : 1
11/1/2042	2,503,528	10,598,440		13,101,969	31,188,468	1,375,750	42,914,687		
5/1/2043	2,240,017	11,070,502		13,310,519	29,746,570	29,115,750	13,941,339	56,856,026	2.86 : 1
11/1/2043	1,982,200	11,223,857		13,206,056	29,081,275	682,250	41,605,081		
5/1/2044	1,727,696	11,681,513		13,409,208	28,426,457	27,972,250	13,863,415	55,468,496	2.94 : 1

<sup>(1)</sup> The July 31, 2024 repayments balances are available for the debt service due in the period ending November 1, 2024.

\* Preliminary; subject to change. The Series 2024 Bonds debt service is estimated.

**APPENDIX B**  
**INFORMATION CONCERNING MUNICIPALITIES**

**APPENDIX B**  
**INFORMATION CONCERNING MUNICIPALITIES**

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## INFORMATION CONCERNING MUNICIPALITIES

Set forth in this Appendix B is certain information common to participating Municipalities. For lists of the Municipalities that have entered into Loan Agreements for Loans from the Clean Water Program and the Drinking Water Program, respectively, see the caption “CW Loans—*Loan Agreements*” in Appendix C to this Official Statement and the caption “DW Loans—*Loan Agreements*” in Appendix D to this Official Statement. For lists of Municipalities included on KDHE’s priority listing which KDHE reasonably believes may enter into Loan Agreements for Loans from the Clean Water Program and the Drinking Water Program, respectively, see the caption “Potential Future Loans” in each of Appendix C and Appendix D to this Official Statement.

### **Authority to Incur Debt**

***Kansas Water Pollution Control Act.*** The Kansas Water Pollution Control Act (“KWPC Act”), K.S.A. 65-3321 *et seq.*, authorizes Municipalities to enter into Loan Agreements with KDHE for the purpose of securing funds for the Projects. Municipalities, under the KWPC Act, can include cities, counties, townships, sewer districts, improvement districts and other types of political subdivisions. Cities, counties and townships have general taxing powers but most sewer districts and improvement districts do not have any taxing powers. Authorization to execute a Loan Agreement must be by official action of the Municipality’s governing body but no voter referendum or protest and petition procedure is required to authorize the execution of a Loan Agreement.

***Kansas Public Water Supply Act.*** The Kansas Public Water Supply Act (“KPWS Act”), K.S.A. 65-163d *et seq.*, authorizes any political or taxing subdivision authorized by law to construct, operate and maintain a public water supply system, including water districts; two or more such subdivisions jointly constructing, operating or maintaining a public water supply system; or the Kansas rural water finance authority to enter into Loan Agreements with KDHE for the purpose of securing funds for the Projects. Municipalities, under the KPWS Act, can include cities, counties, public wholesale water supply districts, rural water districts and other types of political subdivisions. Cities, counties, certain public wholesale water supply districts and certain other water districts have general taxing powers but most public wholesale water supply districts and rural water districts do not have any taxing powers. Authorization to execute a Loan Agreement must be by official action of the Municipality’s governing body but no voter referendum or protest and petition procedure is required to authorize the execution of a Loan Agreement.

### **Utility Rate Regulations**

Each Municipality (except as otherwise specified in Appendix C and Appendix D to this Official Statement) has covenanted in the Loan Agreements to raise rates, fees and charges for use of its System in amounts necessary to provide for the Loan Repayment amounts and to comply with all governmental regulations of the System. The rates, fees and charges for service through the Systems are exempt from rate regulation by the Kansas Corporation Commission. The precise nature and extent of future governmental regulation and the resulting impact of such regulation on the operation and profitability of a System cannot now be determined.

### **Budget and Levy Procedures**

An annual budget of estimated receipts and disbursements for the coming budget year is required by statute to be prepared by Municipalities that are supported with tax funds (unless specifically exempted). The proposed budget is presented to the governing body of such Municipalities by August 1, with a public hearing required to be held by August 15, with the final budget to be adopted by August 25 of each year

(or September 20 if the Municipality must conduct a public hearing to levy taxes in excess of its revenue neutral rate described below). Budgets may be amended upon action of the governing body after notice and public hearing, provided that no additional tax revenues may be raised after the original budget is adopted.

**Revenue-Neutral Tax Act.** Municipalities may levy taxes in accordance with the requirements of their adopted budget. Property tax levies are based on the adopted budget of the Municipalities and the assessed valuations provided by the county appraiser. In 2021, the Kansas Legislature passed legislation (the “Revenue Neutral Tax Act”) that repeals the “tax-lid” (formerly K.S.A. 79-2925c) and provides that, beginning in January 2021, a taxing subdivision (which includes any political subdivision of the State that levies an ad valorem property tax) is not authorized to levy a property tax rate in excess of its revenue neutral rate without first providing notice, holding a public hearing, and authorizing such property tax rate by majority vote of its governing body. The revenue neutral rate means the tax rate for the current tax year that would generate the same property tax revenue as levied the previous tax year using the current tax year’s total assessed valuation.

The Revenue Neutral Tax Act provides that by June 15 of every year (or by July 1, for tax year 2024), each county clerk shall calculate the revenue neutral rate for each taxing subdivision in their respective county. If a taxing subdivision desires to levy a tax rate in excess of its revenue neutral rate, it must notify the county clerk by July 20 of the taxing subdivision’s intent to exceed the revenue neutral rate and provide to the county clerk the date, time and location of the related public hearing and the taxing subdivision’s proposed tax rate. The county clerk is required to provide notice of such intent to exceed the revenue neutral rate to each taxpayer with property in the taxing subdivision at least 10 days in advance of the public hearing. The notice must include the following information: (1) the heading “NOTICE OF PROPOSED PROPERTY TAX INCREASE AND PUBLIC HEARINGS”; (2) a statement that the notice contains estimates of the property tax and proposed property tax increases, actual taxes may increase or decrease from the estimates provided, the governing body will vote at a public hearing to exceed the revenue neutral rate, taxpayers may attend and comment at the hearing, and property tax statements will be issued after mill rates are finalized and taxes are calculated; (3) the appraised value and assessed value of the taxpayer's property for the current year and the previous year; (4) the amount of property tax of the taxing subdivision on the taxpayer's property from the previous year's tax statement; (5) the estimated amount of property tax for the current year of the taxing subdivision on the taxpayer's property based on the revenue neutral rate of the taxing subdivision; (6) the estimated amount of property tax for the current year of the taxing subdivision on the taxpayer's property based on the proposed tax rate provided by the taxing subdivision; (7) the difference between the amount of the current year's maximum tax and the previous year's tax, reflected in dollars and a percentage, for the taxing subdivision; (8) the date, time and location of the public hearing of the taxing subdivision; and (9) the difference between the current year's maximum tax and the estimated amount of property tax based on the revenue neutral rate of the taxing subdivision.

The public hearing regarding exceeding the revenue neutral rate is to be held between August 20 and September 20, and can be held in conjunction with the taxing subdivision’s budget hearing. If multiple taxing subdivisions within the county are required to hold a public hearing, the county clerk’s notices to the taxpayer will be combined into a single notice. After the public hearing, the taxing subdivision can approve exceeding the revenue neutral rate by governing body approval of a resolution or ordinance, and thereafter the taxing subdivisions will adopt the budget by majority vote of its governing body. The amount of tax to be levied and the adopted budget must be certified to the county clerk by October 1. The taxing subdivision’s adopted budget shall not result in a tax rate in excess of its proposed rate stated in the notice provided to the taxpayers. If a taxing subdivision fails to comply with the requirements of the Revenue Neutral Tax Act, it shall refund to the taxpayers any property taxes over-collected based on the amount of the levy that was in excess of the revenue neutral rate. However, if a taxing subdivision does not comply with the notice and hearing requirements of the Revenue Neutral Tax Act because it did not intend to exceed



its revenue neutral rate, but the final assessed valuation of such taxing subdivision used to calculate the actual levy is less than the estimated assessed valuation used to calculate the revenue neutral rate, such taxing subdivision is permitted to levy a tax rate that generates the same amount of property tax revenue as levied the prior year or less.

**Cash-basis Law.** Except for certain exceptions, the State’s cash-basis law (the “Cash-basis Law”) prohibits Municipalities that are supported with tax funds from creating indebtedness unless there are funds on hand in the proper accounts and unencumbered by previous action with which to pay such indebtedness. An exception to the Cash-basis Law exists where provision has been made for payment of obligations by bonds or other specific debt instruments authorized by law. Each of the KPWS Act and the KWPC Act (collectively, the “Revolving Funds Acts”) specifically provides that the Loan Agreements are considered to be “bonds” for purposes of the Cash-basis Law. No restrictions similar to the Cash-basis Law exist for Municipalities without taxing powers.

## **Property Valuations**

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State is the responsibility of the various counties under the direction of State statutes. Each county appraiser’s office determines the assessed valuation that is to be used as a basis for the mill levy on property located in such Municipalities.

For ad valorem tax purposes, property is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property. The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi-family, mobile, manufactured, registered or licensed day care or bed and breakfast homes and the real property on which such homes are located, assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, assessed at 12%, (iv) real property, owned and operated by a not-for-profit organization not subject to federal income taxation, pursuant to Section 501 of the Internal Revenue Code, assessed at 12%, (v) public utility real property, except railroad property, assessed at the average rate that all other commercial and industrial property is assessed, assessed at 33%, (vi) real property used for commercial and industrial purposes and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) all other urban and real property not otherwise specifically classified, assessed at 30%. Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes, assessed at 11.5%, (ii) mineral leasehold interests, except oil leasehold interests, the average daily production from which is 5 barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%, assessed at 30%, (iii) public utility tangible personal property, including inventories thereof, except railroad personal property, including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed, assessed at 33%, (iv) all categories of motor vehicles listed and taxed pursuant to K.S.A. 79-306d or K.S.A. 79-5101 which generally includes over the road vehicles and certain vehicles not required to be registered by the State, assessed at 30%, (v) commercial and industrial machinery and equipment which if its economic life is 7 years or more, shall be valued at its retail cost, when new, less seven-year straight-line depreciation, or which, if its economic life is less than 7 years, shall be valued at its retail cost when new, less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property, assessed at 25%, (vi) all other tangible personal property not otherwise specifically classified, assessed at 30%; and watercraft, defined as any boat or vessel designed to be propelled by machinery, oars, paddles or wind action upon a sail for navigation on the water that cannot be exempted by other provisions of law, assessed at 5%. The Kansas Legislature reduced the applicable assessment rates on motor vehicles from 30% of market value to 20% of market value as of January 1, 2000.

All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories, other than public utility inventories included in subclass (3) of class 2, livestock, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation. All commercial, industrial, telecommunications and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006, or transported into the State after June 30, 2006, for the purpose of expanding an existing business or creation of a new business is exempted from all property or ad valorem property taxes levied under the laws of the State. Various other types of property are exempt from property tax under the laws of the State.

The Kansas Legislature may from time to time adopt changes in the property tax system or method of imposing and collecting property taxes within the State. Taxpayers may also challenge the fair market value of property assigned by the county appraiser. The effects of such legislative changes and successful challenges to the appraiser's determination of fair market value could affect a Municipality's property tax collections. If a taxpayer valuation challenge is successful, the liability of a Municipality to refund property taxes previously paid under protest may have a material impact on the Municipality's financial situation.

### **Property Tax Levies and Collections**

**Tax Rates.** The Municipalities with general taxing powers may levy taxes in accordance with the requirements of their adopted budget. Property tax levies are based on the adopted budget of each such Municipality and the assessed valuations provided by each county appraiser.

**Tax Collections.** Property tax statements are mailed before December 15 each year and may be paid in full or one-half on or before December 20 with the remaining one-half due on or before May 10 of the following year. Taxes that are unpaid on the due dates are considered delinquent and accrue interest at a rate prescribed by Kansas law until paid or until the property is sold for taxes. Real estate bearing unpaid taxes is advertised for sale on or before August 1 of each year and is sold by the county or, under certain circumstances, the city for taxes and all legal charges on or after the first Tuesday in September. The initial redemption period varies from one to three years depending on the location and condition of the property and the nature of the delinquent taxes. If the real estate has not been redeemed in full by the expiration of the redemption period, the county can commence a foreclosure action in the district court of the county. Whenever the aggregate assessed valuation of the real estate subject to sale is less than \$300,000, or the aggregate amount of delinquent taxes, including special assessments, is less than \$10,000, the bringing of such action is within the discretion of the board of county commissioners. In a successful foreclosure action, the court will enter a foreclosure decree authorizing the sale of the real estate subject to a first and prior lien of real estate taxes, including special assessments. The real estate subject to such lien is then sold at a judicial foreclosure sale. Alternatively, in lieu of the foreclosure and sale, a county has the authority to sell the real estate to provide affordable low-income housing or for community development or economic development purposes. In this case, the county has the option to abate any delinquent ad valorem property taxes and delinquent special assessments.

Personal taxes are due and may be paid in the same manner as real estate taxes, with the same interest applying to delinquencies. If personal taxes are not paid when due, and after written notice, warrants are issued and placed in the hands of the county sheriff for collection. If not paid within the time period specified under State law, legal judgment is entered and the delinquent tax becomes a lien on any personal property of the taxpayer to whom such taxes were assessed.

Motor vehicle taxes are collected periodically throughout the year concurrently with the renewal of motor vehicle tags based upon the value of such vehicles. Such tax receipts are distributed to all taxing

subdivisions, including the State, in proportion to the number of mills levied within each taxpayer's tax levy unit. The current assessment rate on most motor vehicles is 20% of market value.

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**APPENDIX C**  
**CLEAN WATER PROGRAM**

**APPENDIX C  
CLEAN WATER PROGRAM**

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ATTACHMENT I—FINANCIAL STATEMENTS FOR KANSAS WATER POLLUTION CONTROL  
REVOLVING FUND (FOR THE YEARS ENDED JUNE 30, 2024 AND 2023)

## CLEAN WATER PROGRAM

### Authority for the Clean Water Program

The Federal Clean Water Act, as amended by the Federal Water Quality Act of 1987 (the “Federal Clean Water Act”) authorizes the Environmental Protection Agency (“EPA”) to award capitalization grants to state revolving funds to provide financial assistance for publicly owned wastewater treatment facility construction. The Kansas Legislature, in 1988, established the Kansas Water Pollution Control Revolving Fund (the “Clean Water Revolving Fund”) pursuant to K.S.A. 65-3321 *et seq.* (the “KWPC Act”). Under Kansas law, the Secretary of the Department of Health and Environment (“KDHE”) administers the Water Pollution Control Revolving Loan Program (the “Clean Water Program”). The federal government’s role is to oversee the operation of the Clean Water Program to assure that the objectives of the Federal Clean Water Act are achieved. The Clean Water Revolving Fund may be used to make low-interest loans, fund debt service reserves and provide other types of financial assistance to public entities.

### Funding for the Clean Water Program

The Clean Water Program is funded by federal capitalization grants, state matching funds, leveraged bond proceeds and recycled funds. State matching funds are required by the Federal Clean Water Act to equal twenty percent (20%) of the federal capitalization grants, although appropriation statutes have reduced or eliminated the requirement for specific grants. In the past, the state matching funds and leveraged bond proceeds were provided from proceeds of certain prior bonds deposited into funds and accounts under the Clean Water Program and from service fee collections. It is anticipated by KDHE that any future state matching funds will be provided by proceeds of the State Match Portion of the Bonds issued under the Indenture, including the Series 2024-State Match Portion, or from service fee collections, and any future leveraged bond proceeds will be provided by proceeds of the Leveraged Portion of the Bonds issued under the Indenture, including the Series 2024-Leveraged Portion.

### Financial Statements

See Attachment I to this Appendix C for the audited financial statements for the Kansas Water Pollution Control Revolving Fund for the years ended June 30, 2024 and 2023, including the Independent Auditor’s Report of CliftonLarsonAllen LLP, Greenwood Village, Colorado.

### CW Loans

**Loan Agreements.** Certain terms of existing Loan Agreements for the Clean Water Program are summarized below. KDHE currently anticipates that future loans will be made on similar terms, although there is no requirement to do so. See the caption “INVESTMENT CONSIDERATIONS—Terms of Loan Agreements” in the Official Statement.

The existing Clean Water Program Loan Agreements provide that the Municipalities shall establish a dedicated source of revenues to secure the repayment of the Loans made under the KWPC Act (“CW Loans”). Such dedicated sources of revenue differ depending upon the particular jurisdiction, from special assessment taxes to revenues of a Municipality’s Wastewater Treatment Works. The dedicated source of revenue for CW Loans includes a pledge of unlimited ad valorem property taxes levied in accordance with the KWPC Act or, if such a pledge is not included, is secured by a lien on the revenues of a utility system which is secured by a policy of municipal bond insurance or comparable security issued by a provider whose obligations are rated at least “aa”, although the ratings for such municipal bond insurance policies have all been downgraded or withdrawn. However, the existing CW Loan Agreements provide that, to the extent other revenues dedicated thereto are insufficient to meet the obligations thereunder, the Municipality covenants to levy property taxes to the extent and in the amounts authorized by the KWPC Act to make up

any such insufficiency, except as described below with respect to the existing Loan Agreements for Johnson County, Kansas, the City of Wichita, Kansas, and the City of Topeka, Kansas:

—The existing Loan Agreements for Johnson County, Kansas that were executed prior to January 1, 2013, provide that the dedicated source of revenue for Johnson County’s obligation to make repayments on its CW Loans will be from revenues derived from user fees and charges for the use of and services furnished by or through Johnson County’s Consolidated Main District (the “CMD”). The Loan repayments are subordinate to obligations to pay the costs of operation and maintenance of the CMD and to make principal and interest payments on any bonds now outstanding or hereafter issued by Johnson County which are payable from CMD user fees and charges. To the extent such revenues are insufficient to make the loan repayments, the County has covenanted to levy unlimited ad valorem taxes to the extent and in the amounts authorized by the KWPC Act and any amendments thereto, in order to make up said insufficiency.

—The existing Loan Agreement for the City of Wichita provides that the dedicated source of revenue as all income and revenues derived and collected by the Municipality from the operation of the Utility, including investment and rental income, net proceeds from business interruption insurance and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of facilities to be applied during the period of determination to pay interest on Utility Indebtedness, but excluding non-cash contributions capital contributions, any profits or losses on the early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets. The obligations of the City of Wichita to make payments under the Loan Agreements are additionally secured by a policies of municipal bond insurance issued by Build America Mutual Assurance Company (“BAM”).

—A pending Loan Agreement for the City of Topeka, Kansas (“Topeka”) in the amount of \$20,501,902 (listed under the caption “CLEAN WATER PROGRAM—Potential Future Loans” in this Appendix C) is expected to be executed prior to or shortly after issuance of the Series 2024 Bonds and to provide that the dedicated source of revenue for Topeka’s obligation to make repayments of its CW Loan is a pledge of the revenues of Topeka’s Water and Water Pollution Control Utility. The lien on such revenues is on parity with the lien on such revenues of Topeka’s outstanding Water and Water Pollution Control Utility revenue bonds and any additional Water and Water Pollution Control Utility revenue bonds thereafter issued on a parity with such outstanding revenue bonds. The obligations of Topeka to make payments under the Loan Agreement, however, are additionally expected to be secured by a policy of municipal bond insurance issued by Assured Guaranty Inc.

Certain terms of additional existing Loan Agreements for CW Loans are summarized at the caption “*Existing CW Loans*” below.

***Municipalities.*** Reference is made to Appendix B to this Official Statement for information common to all participating Municipalities, including such matters as their authority to incur debt, utility rate regulations, budget and levy procedures, property valuations and property tax levies and collections.

***Existing CW Loans.*** As of June 30, 2024, KDHE has made loan commitments totaling \$933,421,757 pursuant to Loan Agreements for CW Loans that are Pledged Loans, with \$267,622,066 remaining to be disbursed on such CW Loans that are Pledged Loans. The outstanding principal balance of CW Loans that are Pledged Loans was \$384,262,191. Non-Pledged CW Loans total less than one percent of the outstanding principal balance of CW Loans as of June 30, 2024.



The following table lists those Municipalities which have executed a Loan Agreement with KDHE and have had a Pledged Loan funded, in whole or in part, the pledge for repayment, the Loan date and maturity date, the interest rate, the original Loan amount, the balance to be disbursed, including increases and decreases due to Loan Amendments, the outstanding principal amount and any Loan reserve funds, all as of June 30, 2024. Only Pledged Loans which are outstanding as of June 30, 2024 are included in the table.

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## Clean Water Loans

Municipality	Pledge for Loan Repayment	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
City of Americus	ad valorem taxing authority	09/14/2005	03/01/2027	2.57%	\$ 1,637,000.00	\$ -	\$ -	\$ 299,904.20	\$ -
City of Andale	ad valorem taxing authority	09/29/2003	09/01/2024	2.83%	588,225.00	-	-	19,015.94	-
City of Andale	ad valorem taxing authority	04/06/2020	09/01/2040	1.50%	192,779.60	-	-	162,119.49	-
City of Anthony	ad valorem taxing authority	12/31/2008	03/01/2030	3.13%	3,587,211.92	-	1,603,593.51	825,566.50	-
City of Anthony	ad valorem taxing authority	01/04/2021	09/01/2042	1.33%	845,489.44	-	500,000.00	323,854.55	-
City of Argonia	ad valorem taxing authority	09/24/2010	09/01/2032	2.55%	641,992.35	-	-	306,419.67	-
City of Arkansas City	ad valorem taxing authority	12/09/2021	03/01/2043	1.31%	10,500,000.00	445,373.79	-	9,625,692.31	-
City of Arlington	ad valorem taxing authority	01/31/2017	03/01/2040	2.16%	813,228.49	-	-	656,619.79	-
City of Assaria	ad valorem taxing authority	03/15/2012	09/01/2033	2.27%	274,378.87	-	-	118,820.20	-
City of Attica	ad valorem taxing authority	12/05/2002	03/01/2025	2.91%	301,984.75	-	-	19,392.57	-
City of Auburn	ad valorem taxing authority	03/13/2007	09/01/2028	2.51%	477,767.47	-	-	128,511.92	-
City of Augusta	ad valorem taxing authority	11/25/2016	03/01/2038	1.81%	1,290,871.36	-	-	959,335.76	-
City of Bazine	ad valorem taxing authority	11/17/2004	03/01/2026	2.75%	146,000.00	-	-	18,351.54	-
City of Beattie	ad valorem taxing authority	10/23/2006	03/01/2028	2.65%	199,553.25	-	-	48,099.64	-
City of Bel Aire	ad valorem taxing authority	01/15/2013	03/01/2034	2.12%	535,980.00	-	-	284,206.88	-
City of Belvue	ad valorem taxing authority	09/11/2003	03/01/2025	2.83%	196,504.00	-	-	12,664.74	-
City of Benton	ad valorem taxing authority	11/01/2007	03/01/2029	2.72%	820,401.49	-	-	243,953.36	-
City of Beverly	ad valorem taxing authority	11/01/2002	09/01/2024	2.92%	98,475.23	-	-	2,883.23	-
City of Bird City	ad valorem taxing authority	10/25/2006	03/01/2028	2.65%	538,143.29	-	-	118,507.39	-
City of Buhler	ad valorem taxing authority	10/28/2005	03/01/2027	2.58%	1,108,491.20	-	-	200,897.44	-
City of Burden	ad valorem taxing authority	10/30/2017	09/01/2039	2.13%	378,186.81	-	-	304,090.04	-
City of Burrton	ad valorem taxing authority	07/12/2007	03/01/2030	2.63%	445,667.89	-	-	156,431.94	-
City of Caldwell	ad valorem taxing authority	07/07/2003	03/01/2025	2.69%	687,000.00	-	-	43,553.94	-
City of Canton	ad valorem taxing authority	07/27/2004	03/01/2026	2.98%	288,227.98	-	-	36,552.24	-
City of Cawker City	ad valorem taxing authority	07/22/2010	03/01/2032	2.61%	255,669.41	-	38,350.41	99,184.91	-
City of Chanute	ad valorem taxing authority	01/05/2012	09/01/2033	2.42%	953,953.45	-	-	460,387.86	-
City of Chanute	ad valorem taxing authority	03/14/2018	09/01/2039	2.15%	3,142,488.00	-	-	2,523,416.46	-
City of Cheney	ad valorem taxing authority	12/03/2014	03/01/2036	2.41%	454,937.01	-	-	293,967.02	-
City of Cherokee	ad valorem taxing authority	03/02/2016	03/01/2037	2.06%	247,064.79	-	-	168,239.35	-
Cherokee County SD #1	ad valorem taxing authority	07/26/2010	03/01/2033	2.61%	284,469.01	-	33,750.00	123,150.78	-

<sup>(1)</sup> The gross rate includes a 0.25% annual administrative service fee payable to KDHE pursuant to the Loan Agreements. For loans with an effective date after May 31, 2018, the fee through the first 4 years of repayments is equal to the gross rate minus 0.25% and for the remaining repayment term the fee is 0.25%. The fee is not part of the revenues pledged to the payment of the Bonds under the Indenture.

<sup>(2)</sup> This is the amount of the Loan Agreement Commitment that has been forgiven pursuant to the requirements of the 2009 American Recovery and Reinvestment Act (ARRA), the Infrastructure Investment and Jobs Act (IIJA), and the 2010-2023 Capitalization Grants. For accounting purposes, the loan forgiveness is included in the Loan Agreement Commitment and Balance to be Disbursed until the loan forgiveness is awarded after amounts to be forgiven are disbursed.

## Clean Water Loans

Municipality	Pledge for Loan Repayment	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
City of Chetopa	ad valorem taxing authority	02/01/2021	09/01/2042	1.30%	2,341,300.00	1,991,972.61	-	154,391.16	-
City of Cimarron	ad valorem taxing authority	02/18/2020	09/01/2041	1.62%	1,659,535.83	-	-	1,474,165.20	-
City of Claflin	ad valorem taxing authority	09/30/2003	03/01/2025	2.83%	244,006.47	-	-	15,556.41	-
City of Clay Center	ad valorem taxing authority	05/24/2006	09/01/2027	2.68%	809,691.00	-	-	217,868.93	-
City of Clyde	ad valorem taxing authority	12/22/2015	09/01/2038	2.22%	335,444.00	-	-	257,265.02	-
City of Coats	ad valorem taxing authority	09/12/2003	09/01/2024	2.83%	65,163.25	-	-	2,060.68	-
City of Colby	ad valorem taxing authority	05/18/2004	03/01/2027	2.77%	8,755,230.00	-	35,250.00	1,595,862.62	-
City of Collyer	ad valorem taxing authority	12/15/2015	03/01/2039	2.22%	461,591.07	-	-	364,543.65	-
City of Columbus	ad valorem taxing authority	11/02/2006	03/01/2030	2.60%	695,633.87	-	-	244,613.86	-
City of Coolidge	ad valorem taxing authority	03/01/2023	09/01/2044	2.14%	750,000.00	750,000.00	-	-	-
City of Copeland	ad valorem taxing authority	02/02/2015	03/01/2036	2.20%	354,928.30	-	-	230,561.21	-
City of Council Grove	ad valorem taxing authority	09/07/2010	09/01/2031	2.55%	509,600.00	-	76,440.00	187,665.85	-
City of Delia	ad valorem taxing authority	10/01/2003	03/01/2026	2.94%	231,181.00	-	-	28,387.37	-
City of Derby	ad valorem taxing authority	11/12/2009	03/01/2032	2.60%	3,264,501.00	-	1,587,037.10	660,274.53	-
City of Dodge City	ad valorem taxing authority	09/22/2009	09/01/2031	2.83%	36,097,445.91	-	-	6,065,497.28	-
City of Dodge City	ad valorem taxing authority	10/20/2023	03/01/2055	2.26%	59,545,000.00	35,597,206.46	-	23,947,793.54	-
City of Douglass	ad valorem taxing authority	04/06/2004	03/01/2025	2.71%	1,288,296.00	-	-	78,109.69	-
City of Douglass	ad valorem taxing authority	02/04/2015	09/01/2036	2.20%	493,808.33	-	-	368,224.56	-
City of Downs	ad valorem taxing authority	09/13/2005	09/01/2028	2.57%	1,444,432.39	-	-	68,929.12	-
City of Easton	ad valorem taxing authority	10/06/2005	03/01/2029	2.58%	376,231.00	-	-	81,087.87	-
City of El Dorado	ad valorem taxing authority	11/04/2011	03/01/2033	2.43%	2,106,252.00	-	842,500.80	644,477.74	-
City of El Dorado	ad valorem taxing authority	02/26/2015	09/01/2036	2.20%	1,058,908.33	-	-	704,039.68	-
City of Elgin	ad valorem taxing authority	02/05/2003	09/01/2024	2.94%	50,220.00	-	-	1,638.69	-
City of Ellis	ad valorem taxing authority	03/04/2015	09/01/2037	2.13%	831,611.16	-	-	598,901.04	-
Ellis County	ad valorem taxing authority	09/30/2003	03/01/2026	2.83%	59,056.02	-	-	7,506.88	-
City of Ellsworth	ad valorem taxing authority	04/24/2007	03/01/2029	2.52%	1,500,000.00	-	-	438,447.79	-
City of Emporia	ad valorem taxing authority	12/23/2016	09/01/2038	1.94%	32,285,000.00	118,081.43	-	24,760,325.49	-
City of Ensign	ad valorem taxing authority	08/31/2012	03/01/2034	2.30%	324,650.97	-	-	180,516.18	-
City of Eskridge	ad valorem taxing authority	09/05/2018	03/01/2028	2.34%	3,597,544.00	3,597,544.00	-	-	-
City of Eudora	ad valorem taxing authority	08/02/2005	03/01/2028	2.57%	2,767,450.00	-	-	760,878.52	-

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## Clean Water Loans

Municipality	Pledge for Loan Repayment	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
City of Eureka	ad valorem taxing authority	10/04/2005	03/01/2027	2.58%	510,204.00	-	-	91,214.42	-
City of Fredonia	ad valorem taxing authority	08/19/2019	09/01/2024	2.12%	14,140,000.00	2,406,914.75	-	11,732,485.25	-
City of Fredonia	ad valorem taxing authority	01/04/2021	09/01/2024	1.33%	1,418,932.48	-	425,679.74	992,852.74	-
City of Frontenac	ad valorem taxing authority	01/13/2016	03/01/2037	2.18%	1,675,000.00	336,413.01	-	833,524.94	-
City of Gardner	ad valorem taxing authority	10/09/2006	09/01/2027	2.65%	3,483,009.39	-	-	616,966.48	-
City of Gardner	ad valorem taxing authority	08/07/2012	03/01/2034	2.30%	10,167,807.82	-	-	5,657,543.11	-
City of Glasco	ad valorem taxing authority	01/12/2011	03/01/2033	2.66%	288,978.25	-	-	32,799.53	-
City of Glasco	ad valorem taxing authority	03/25/2022	03/01/2044	1.34%	581,530.00	183,840.07	-	397,689.93	-
City of Glen Elder	ad valorem taxing authority	12/09/2002	09/01/2024	2.91%	134,275.32	-	-	4,278.88	-
City of Gorham	ad valorem taxing authority	10/04/2005	09/01/2030	2.58%	188,201.82	-	-	71,182.18	-
City of Grainfield	ad valorem taxing authority	12/16/2011	03/01/2034	2.43%	818,520.97	-	122,778.14	386,265.93	-
City of Grandview Plaza	ad valorem taxing authority	01/31/2017	03/01/2039	2.16%	1,474,880.86	-	-	1,173,882.34	-
City of Halstead	ad valorem taxing authority	02/07/2007	03/01/2028	2.50%	309,664.30	-	-	74,562.62	-
City of Hanston	ad valorem taxing authority	11/15/2023	03/01/2045	2.36%	2,160,000.00	2,160,000.00	-	-	-
City of Haven	ad valorem taxing authority	01/11/2008	03/01/2029	2.66%	513,893.05	-	-	153,940.90	-
City of Hays	ad valorem taxing authority	08/27/2015	03/01/2038	2.27%	30,260,000.00	-	-	22,288,424.54	-
City of Herington	ad valorem taxing authority	09/12/2003	03/01/2025	2.83%	466,722.29	-	-	28,744.70	-
City of Herington	ad valorem taxing authority	11/05/2020	03/01/2042	1.34%	946,000.00	241,360.94	-	614,465.58	-
City of Herndon	ad valorem taxing authority	07/25/2023	09/01/2044	2.14%	224,981.00	209,883.00	-	15,098.00	-
City of Hiawatha	ad valorem taxing authority	04/16/2020	09/01/2026	1.50%	309,177.00	-	-	157,195.86	-
City of Hiawatha	ad valorem taxing authority	02/06/2023	09/01/2044	2.20%	2,862,200.00	2,137,184.52	-	725,015.48	-
City of Hill City	ad valorem taxing authority	10/24/2011	03/01/2034	2.50%	3,725,109.64	-	1,490,044.05	1,176,237.75	-
City of Hoisington	ad valorem taxing authority	10/07/2015	09/01/2036	2.26%	1,182,400.37	-	-	766,930.41	-
City of Holton	ad valorem taxing authority	11/23/2004	03/01/2026	2.75%	4,628,576.02	-	-	797,669.86	-
City of Holyrood	ad valorem taxing authority	06/19/2018	09/01/2040	2.33%	397,235.77	-	-	331,955.80	-
City of Hoyt	ad valorem taxing authority	08/20/2007	03/01/2029	2.69%	725,486.03	-	-	141,373.32	-
City of Hutchinson	ad valorem taxing authority	05/31/2023	09/01/2044	2.13%	3,570,000.00	3,418,103.81	-	151,896.19	-
City of Independence	ad valorem taxing authority	10/24/2011	03/01/2034	2.50%	3,764,485.43	-	474,055.00	1,724,143.02	-
City of Ingalls	ad valorem taxing authority	03/07/2024	03/01/2045	2.05%	134,000.00	105,000.00	-	29,000.00	-
City of Iola	ad valorem taxing authority	01/02/2007	03/01/2028	2.51%	2,727,942.00	-	-	655,199.01	-

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## Clean Water Loans

Municipality	Pledge for Loan Repayment	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
Jefferson County SD #2	ad valorem taxing authority	06/17/2004	03/01/2026	2.86%	609,608.55	-	-	81,840.18	-
Jefferson County SD #5	ad valorem taxing authority	11/02/2017	09/01/2041	1.81%	1,857,688.30	-	1,503,444.00	314,660.05	-
City of Jetmore	ad valorem taxing authority	10/29/2008	03/01/2031	2.84%	1,480,929.30	-	700,398.45	326,687.02	-
Johnson County	ad valorem taxing authority	06/02/2004	03/01/2026	2.86%	12,519,392.00	-	-	1,540,792.97	-
Johnson County	ad valorem taxing authority	10/23/2009	03/01/2031	2.72%	18,307,268.70	-	8,393,078.50	4,074,422.36	-
Johnson County	ad valorem taxing authority	01/23/2012	09/01/2034	2.42%	10,193,392.32	-	4,077,356.93	3,444,470.33	-
Johnson County	ad valorem taxing authority	01/23/2012	09/01/2034	2.42%	1,128,966.94	-	451,586.78	385,188.00	-
Johnson County	ad valorem taxing authority	06/15/2023	09/01/2044	2.14%	100,000,000.00	43,527,615.17	-	56,472,384.83	-
City of Junction City	ad valorem taxing authority	12/03/2004	09/01/2026	2.71%	6,002,166.24	-	-	943,245.87	-
City of Junction City	ad valorem taxing authority	09/29/2015	09/01/2037	2.27%	10,702,850.37	-	-	7,543,658.54	-
City of Junction City	ad valorem taxing authority	05/01/2023	09/01/2044	2.13%	79,528,000.00	73,448,136.90	-	6,079,863.10	-
City of Kanopolis	ad valorem taxing authority	10/28/2004	09/01/2025	2.83%	90,746.95	-	-	8,574.03	-
Kansas City - Unified Government of Wyandotte County and Kansas City	ad valorem taxing authority	09/23/2013	03/01/2035	2.74%	19,890,000.00	-	-	11,341,842.22	-
City of Kincaid	ad valorem taxing authority	11/05/2004	03/01/2028	2.75%	149,460.46	-	-	35,280.16	-
City of Kinsley	ad valorem taxing authority	09/24/2019	09/01/2040	2.01%	424,493.40	-	-	361,761.48	-
City of Kirwin	ad valorem taxing authority	10/11/2004	03/01/2030	2.83%	166,827.15	-	-	59,469.68	-
City of La Harpe	ad valorem taxing authority	06/15/2023	03/01/2045	2.14%	1,465,000.00	1,465,000.00	-	-	-
Labette County	ad valorem taxing authority	03/26/2007	03/01/2028	2.51%	477,482.49	-	-	126,655.28	-
City of LaCrosse	ad valorem taxing authority	08/31/2010	03/01/2032	2.59%	2,316,168.25	-	911,393.84	625,051.77	-
City of Latham	ad valorem taxing authority	10/26/2007	09/01/2029	2.75%	189,499.00	-	-	62,799.95	-
Leavenworth County	ad valorem taxing authority	08/23/2005	09/01/2026	2.57%	380,027.31	-	-	57,557.82	-
Leavenworth County SD #3	ad valorem taxing authority	10/26/2009	03/01/2031	2.72%	1,139,577.95	-	-	444,785.89	-
City of Lebo	ad valorem taxing authority	08/19/2002	03/01/2025	3.06%	467,079.00	-	-	30,691.31	-
City of Lehigh	ad valorem taxing authority	09/27/2006	03/01/2029	2.72%	358,533.00	-	-	107,918.62	-
City of Leon	ad valorem taxing authority	06/25/2012	03/01/2033	2.32%	776,831.00	-	-	392,312.43	-
City of Liberal	ad valorem taxing authority	02/02/2015	09/01/2036	2.20%	4,274,042.00	-	-	2,814,818.75	-
City of Liberal	ad valorem taxing authority	04/22/2015	09/01/2037	2.11%	39,531,880.00	1,503,289.90	-	31,376,552.04	-
City of Liberty	ad valorem taxing authority	06/23/2009	03/01/2031	2.86%	218,162.19	-	-	101,689.52	-
City of Lincolnville	ad valorem taxing authority	08/24/2012	03/01/2034	2.30%	209,706.63	-	-	112,840.87	-
City of Little River	ad valorem taxing authority	11/18/2004	03/01/2026	2.75%	190,382.62	-	-	23,698.65	-

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## Clean Water Loans

Municipality	Pledge for Loan Repayment	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
City of Logan	ad valorem taxing authority	05/11/2005	09/01/2026	2.68%	540,837.08	-	-	79,548.88	-
City of Lorraine	ad valorem taxing authority	11/29/2012	09/01/2033	2.16%	88,220.00	-	-	46,226.25	-
City of Louisburg	ad valorem taxing authority	08/24/2018	03/01/2041	2.33%	12,608,000.00	-	4,278,931.00	7,364,152.39	-
City of Maize	ad valorem taxing authority	09/01/2016	03/01/2038	1.74%	6,066,005.67	-	-	4,550,192.88	-
City of Maize	ad valorem taxing authority	11/09/2020	09/01/2042	1.34%	2,500,000.00	242,879.27	-	2,083,220.21	-
City of Manhattan	ad valorem taxing authority	10/19/2009	09/01/2031	2.72%	36,732,684.05	-	-	15,526,905.42	-
City of Manhattan	ad valorem taxing authority	01/08/2010	09/01/2031	2.55%	1,642,257.82	-	246,338.67	610,114.00	-
City of Manhattan	ad valorem taxing authority	10/03/2018	09/01/2039	2.38%	3,770,594.00	-	-	3,016,873.22	-
City of Mankato	ad valorem taxing authority	05/24/2022	03/01/2045	1.61%	355,900.00	234,534.92	-	121,365.08	-
City of Mankato	ad valorem taxing authority	05/24/2022	03/01/2045	1.61%	1,868,890.00	1,574,058.95	-	294,831.05	-
City of Manter	ad valorem taxing authority	03/28/2018	03/01/2039	2.15%	94,174.00	27,716.57	-	43,355.16	-
City of Marion	ad valorem taxing authority	01/04/2012	09/01/2033	2.42%	346,481.96	-	-	182,334.76	-
City of Marysville	ad valorem taxing authority	06/16/2003	03/01/2025	2.77%	937,212.76	-	-	48,372.24	-
City of Marysville	ad valorem taxing authority	04/01/2023	09/01/2044	2.13%	3,187,400.00	2,399,222.30	-	788,177.70	-
City of Mayetta	ad valorem taxing authority	03/01/2021	03/01/2042	1.30%	348,246.00	-	-	317,340.50	-
City of McPherson	ad valorem taxing authority	03/25/2015	09/01/2036	2.13%	4,259,216.29	-	-	2,720,338.50	-
City of Medicine Lodge	ad valorem taxing authority	02/08/2003	09/01/2024	2.94%	2,946,766.00	-	-	94,732.48	-
City of Miltonvale	ad valorem taxing authority	04/26/2022	09/01/2044	1.45%	856,140.00	700,004.57	-	156,135.43	-
City of Minneapolis	ad valorem taxing authority	09/28/2012	09/01/2034	2.29%	687,577.70	-	-	221,220.45	-
City of Moran	ad valorem taxing authority	11/03/2010	09/01/2032	2.35%	346,807.72	-	-	27,364.09	-
City of Morland	ad valorem taxing authority	01/23/2023	09/01/2044	2.29%	779,042.00	730,965.39	-	48,076.61	-
City of Moscow	ad valorem taxing authority	11/29/2016	03/01/2038	1.81%	566,105.63	-	-	411,357.98	-
City of Moundridge	ad valorem taxing authority	07/01/2017	03/01/2039	2.21%	2,492,080.85	-	-	1,953,671.30	-
City of Newton	ad valorem taxing authority	05/06/2008	09/01/2029	2.85%	7,647,208.15	-	465,428.79	2,348,248.41	-
City of Newton	ad valorem taxing authority	11/01/2013	03/01/2035	2.83%	18,151,650.72	-	-	6,378,700.34	-
City of Nortonville	ad valorem taxing authority	11/04/2002	09/01/2024	2.92%	671,183.85	-	-	21,524.51	-
City of Oakley	ad valorem taxing authority	02/17/2010	03/01/2031	2.58%	1,563,220.93	-	-	623,394.60	-
City of Oakley	ad valorem taxing authority	12/08/2021	03/01/2043	1.31%	731,518.20	-	219,455.46	489,724.10	-
City of Oberlin	ad valorem taxing authority	05/25/2004	03/01/2026	2.77%	2,521,696.01	-	852,068.09	189,702.51	-
City of Ogden	ad valorem taxing authority	10/13/2005	03/01/2030	2.58%	1,525,279.02	-	-	512,998.19	-

<sup>(1)</sup> The gross rate includes a 0.25% annual administrative service fee payable to KDHE pursuant to the Loan Agreements. For loans with an effective date after May 31, 2018, the fee through the first 4 years of repayments is equal to the gross rate minus 0.25% and for the remaining repayment term the fee is 0.25%. The fee is not part of the revenues pledged to the payment of the Bonds under the Indenture.

<sup>(2)</sup> This is the amount of the Loan Agreement Commitment that has been forgiven pursuant to the requirements of the 2009 American Recovery and Reinvestment Act (ARRA), the Infrastructure Investment and Jobs Act (IIJA), and the 2010-2023 Capitalization Grants. For accounting purposes, the loan forgiveness is included in the Loan Agreement Commitment and Balance to be Disbursed until the loan forgiveness is awarded after amounts to be forgiven are disbursed.

## Clean Water Loans

Municipality	Pledge for Loan Repayment	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
City of Olathe	ad valorem taxing authority	02/11/2003	09/01/2024	2.94%	2,184,000.00	-	-	71,553.78	-
City of Olathe	ad valorem taxing authority	06/28/2005	09/01/2026	2.67%	768,500.00	-	-	129,863.39	-
City of Olathe	ad valorem taxing authority	07/28/2008	09/01/2029	2.80%	5,000,000.00	-	-	1,608,342.80	-
City of Olsburg	ad valorem taxing authority	02/05/2024	09/01/2045	2.13%	209,502.00	164,742.00	-	44,760.00	-
City of Osage City	ad valorem taxing authority	04/15/2016	03/01/2038	2.02%	1,500,000.00	450,985.59	-	573,989.32	-
City of Osage City	ad valorem taxing authority	01/30/2024	09/01/2045	2.27%	714,199.00	714,199.00	-	-	-
Osage County SD #1	ad valorem taxing authority	11/05/2013	09/01/2034	2.83%	284,200.00	-	-	166,060.80	-
Osage County SD #1	ad valorem taxing authority	12/16/2020	03/01/2044	1.36%	1,148,445.00	792,407.14	-	356,037.86	-
City of Osawatomie	ad valorem taxing authority	05/10/2021	09/01/2042	1.38%	2,510,500.00	215,352.13	-	2,117,025.99	-
City of Osborne	ad valorem taxing authority	12/20/2007	09/01/2030	2.67%	292,009.54	-	-	18,231.82	-
City of Overbrook	ad valorem taxing authority	10/07/2003	03/01/2025	2.94%	1,046,926.16	-	-	69,843.89	-
City of Palco	ad valorem taxing authority	05/02/2003	09/01/2024	2.86%	224,307.00	-	-	6,704.10	-
City of Palmer	ad valorem taxing authority	05/08/2024	09/01/2045	2.17%	216,350.00	216,350.00	-	-	-
City of Park	ad valorem taxing authority	12/01/2009	09/01/2031	2.56%	349,045.62	-	-	148,565.36	-
City of Parsons	ad valorem taxing authority	12/31/2003	09/01/2025	2.94%	7,100,000.00	-	-	694,215.38	-
City of Parsons	ad valorem taxing authority	11/15/2012	09/01/2034	2.23%	6,323,886.00	-	-	3,604,687.62	-
City of Pawnee Rock	ad valorem taxing authority	11/19/2004	09/01/2027	2.75%	299,594.97	-	-	46,808.24	-
City of Paxico	ad valorem taxing authority	09/04/2003	03/01/2025	2.83%	116,590.48	-	-	7,388.86	-
City of Perry	ad valorem taxing authority	10/20/2023	03/01/2045	2.26%	4,526,907.00	4,526,907.00	-	-	-
City of Pittsburg	ad valorem taxing authority	04/15/2005	09/01/2027	2.67%	4,447,522.35	-	155,016.00	798,525.70	-
City of Pittsburg	ad valorem taxing authority	09/17/2009	03/01/2031	2.83%	2,508,310.81	-	1,185,155.40	554,838.80	-
City of Pittsburg	ad valorem taxing authority	03/01/2021	09/01/2042	1.30%	5,136,830.00	2,378,613.89	-	2,349,699.19	-
City of Plains	ad valorem taxing authority	05/08/2012	03/01/2034	2.31%	756,588.00	-	-	414,294.77	-
City of Plains	ad valorem taxing authority	01/04/2021	09/01/2042	1.33%	533,900.00	120,219.23	413,680.77	-	-
City of Plainville	ad valorem taxing authority	01/09/2015	09/01/2026	2.31%	648,206.96	-	-	176,357.63	-
Pottawatomie County	ad valorem taxing authority	01/08/2010	09/01/2031	2.55%	3,034,345.58	-	451,888.26	1,119,846.58	-
City of Potwin	ad valorem taxing authority	02/24/2004	09/01/2025	2.79%	173,288.34	-	-	14,699.75	-
City of Pratt	ad valorem taxing authority	10/02/2010	03/01/2032	2.45%	4,385,168.21	-	1,726,139.00	1,321,251.85	-
City of Princeton	ad valorem taxing authority	10/11/2005	09/01/2027	2.58%	142,161.35	-	-	29,232.01	-
City of Protection	ad valorem taxing authority	10/11/2005	09/01/2027	2.58%	711,030.00	-	-	150,533.35	-

<sup>(1)</sup> The gross rate includes a 0.25% annual administrative service fee payable to KDHE pursuant to the Loan Agreements. For loans with an effective date after May 31, 2018, the fee through the first 4 years of repayments is equal to the gross rate minus 0.25% and for the remaining repayment term the fee is 0.25%. The fee is not part of the revenues pledged to the payment of the Bonds under the Indenture.

<sup>(2)</sup> This is the amount of the Loan Agreement Commitment that has been forgiven pursuant to the requirements of the 2009 American Recovery and Reinvestment Act (ARRA), the Infrastructure Investment and Jobs Act (IIJA), and the 2010-2023 Capitalization Grants. For accounting purposes, the loan forgiveness is included in the Loan Agreement Commitment and Balance to be Disbursed until the loan forgiveness is awarded after amounts to be forgiven are disbursed.

## Clean Water Loans

Municipality	Pledge for Loan Repayment	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
City of Quinter	ad valorem taxing authority	09/14/2007	09/01/2028	2.77%	713,981.00	-	-	192,436.32	-
City of Riley	ad valorem taxing authority	05/19/2004	03/01/2025	2.77%	698,296.11	-	-	44,573.83	-
City of Riley	ad valorem taxing authority	09/20/2019	03/01/2042	2.01%	678,771.07	-	-	617,960.73	-
City of Rose Hill	ad valorem taxing authority	10/16/2017	09/01/2038	2.13%	392,248.03	-	-	300,376.03	-
City of Russell	ad valorem taxing authority	12/20/2018	09/01/2043	2.54%	3,349,180.90	-	-	3,284,250.52	-
City of Sabetha	ad valorem taxing authority	02/19/2004	09/01/2025	2.79%	3,250,000.00	-	-	310,031.59	-
City of Sabetha	ad valorem taxing authority	06/03/2016	09/01/2037	2.00%	1,292,032.10	-	-	926,810.12	-
City of Sabetha	ad valorem taxing authority	10/25/2022	03/01/2044	2.12%	1,597,217.00	115,009.60	-	1,482,207.40	-
City of Saint Francis	ad valorem taxing authority	12/13/2002	09/01/2024	2.91%	481,859.54	-	-	15,414.70	-
City of Salina	ad valorem taxing authority	02/22/2021	09/01/2042	1.30%	41,500,000.00	21,263,522.29	-	17,051,061.03	-
City of Salina	ad valorem taxing authority	12/11/2018	03/01/2035	2.54%	1,399,011.70	-	-	942,921.34	-
City of Sawyer	ad valorem taxing authority	10/25/2005	03/01/2029	2.58%	157,570.00	-	-	47,256.66	-
City of Schoenchen	ad valorem taxing authority	11/21/2016	03/01/2038	1.81%	260,421.73	-	-	191,229.84	-
City of Seneca	ad valorem taxing authority	07/21/2016	09/01/2038	1.91%	2,027,209.45	-	-	1,538,282.16	-
City of Severy	ad valorem taxing authority	11/26/2007	03/01/2029	2.72%	153,840.00	-	-	45,472.43	-
Shawnee County	ad valorem taxing authority	01/03/2011	09/01/2032	2.66%	2,650,000.00	-	300,000.00	318,179.58	-
Shawnee County	ad valorem taxing authority	04/06/2020	09/01/2041	1.50%	7,000,000.00	3,448,317.49	-	3,339,353.02	-
City of Silver Lake	ad valorem taxing authority	02/14/2006	09/01/2027	2.68%	343,625.88	-	-	74,031.69	-
City of Silver Lake	ad valorem taxing authority	01/28/2013	03/01/2034	2.12%	692,564.72	-	-	382,461.45	-
City of Smith Center	ad valorem taxing authority	10/13/2004	09/01/2027	2.83%	1,661,830.79	-	-	362,054.72	-
City of Smith Center	ad valorem taxing authority	04/17/2023	09/01/2044	2.13%	1,088,829.00	1,080,249.00	-	8,580.00	-
City of Soldier	ad valorem taxing authority	09/08/2008	09/01/2028	2.82%	180,857.00	-	-	49,361.48	-
City of Solomon	ad valorem taxing authority	09/30/2010	09/01/2032	2.55%	206,280.00	-	-	94,755.74	-
City of Sterling	ad valorem taxing authority	08/20/2008	09/01/2029	2.79%	1,218,536.39	-	-	398,929.13	-
Sumner County Slate Valley SD	ad valorem taxing authority	04/27/2004	03/01/2026	2.71%	202,393.65	-	-	25,422.56	-
City of Tampa	ad valorem taxing authority	11/22/2006	03/01/2030	2.60%	70,812.75	-	-	24,884.30	-
City of Tescott	ad valorem taxing authority	05/11/2015	09/01/2036	2.13%	150,980.00	-	-	101,702.03	-
City of Towanda	ad valorem taxing authority	04/03/2007	09/01/2028	2.52%	1,252,465.07	-	-	333,965.30	-
City of Tyro	ad valorem taxing authority	10/07/2004	09/01/2026	2.83%	260,000.00	-	-	40,788.69	-
City of Uniontown	ad valorem taxing authority	08/18/2005	09/01/2026	2.57%	271,080.00	-	-	40,481.35	-

<sup>(1)</sup> The gross rate includes a 0.25% annual administrative service fee payable to KDHE pursuant to the Loan Agreements. For loans with an effective date after May 31, 2018, the fee through the first 4 years of repayments is equal to the gross rate minus 0.25% and for the remaining repayment term the fee is 0.25%. The fee is not part of the revenues pledged to the payment of the Bonds under the Indenture.

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## Clean Water Loans

Municipality	Pledge for Loan Repayment	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
City of Valley Center	ad valorem taxing authority	03/07/2007	09/01/2028	2.51%	3,299,868.00	-	-	882,607.59	-
City of Valley Falls	ad valorem taxing authority	02/08/2022	09/01/2043	1.28%	1,329,729.00	34,442.06	-	1,295,186.94	-
City of Viola	ad valorem taxing authority	08/10/2010	09/01/2032	2.59%	450,000.00	-	67,500.00	187,315.63	-
City of Wakeeney	ad valorem taxing authority	01/16/2007	03/01/2028	2.51%	2,764,282.81	-	-	660,645.07	-
City of Wakefield	ad valorem taxing authority	12/29/2016	09/01/2038	1.94%	378,208.91	-	-	287,790.23	-
City of Wakefield	ad valorem taxing authority	11/30/2023	03/01/2045	2.36%	2,398,200.00	2,321,340.00	-	76,860.00	-
City of Wamego	ad valorem taxing authority	02/01/2021	09/01/2042	1.30%	558,000.80	-	-	515,977.56	-
City of West Mineral	ad valorem taxing authority	04/04/2002	09/01/2024	3.11%	215,671.40	-	-	5,471.74	-
City of Westmoreland	ad valorem taxing authority	10/06/2005	03/01/2027	2.58%	567,670.34	-	-	91,971.55	-
City of Westmoreland	ad valorem taxing authority	11/30/2016	09/01/2038	1.81%	363,348.36	-	-	274,109.23	-
City of Westmoreland	ad valorem taxing authority	02/16/2021	09/01/2041	1.30%	66,695.05	-	-	59,272.27	-
City of Wichita	system revenues <sup>(3)</sup>	04/10/2023	09/01/2044	2.13%	65,000,000.00	49,624,045.23	-	15,375,954.77	-
City of Wilson	ad valorem taxing authority	01/04/2021	03/01/2044	1.33%	650,000.00	603,062.00	-	46,938.00	-
City of Winchester	ad valorem taxing authority	09/22/2005	03/01/2027	2.57%	693,419.82	-	-	120,522.65	-
City of Windom	ad valorem taxing authority	09/30/2005	03/01/2027	2.57%	169,907.00	-	-	30,194.27	-
City of Woodston	ad valorem taxing authority	09/21/2012	03/01/2034	2.29%	118,920.48	-	-	65,145.44	-
					\$ 933,421,756.52	\$ 267,622,065.98	\$ 33,628,338.69	\$ 384,262,191.47	\$ -

<sup>(1)</sup> The gross rate includes a 0.25% annual administrative service fee payable to KDHE pursuant to the Loan Agreements. For loans with an effective date after May 31, 2018, the fee through the first 4 years of repayments is equal to the gross rate minus 0.25% and for the remaining repayment term the fee is 0.25%. The fee is not part of the revenues pledged to the payment of the Bonds under the Indenture.

<sup>(2)</sup> This is the amount of the Loan Agreement Commitment that has been forgiven pursuant to the requirements of the 2009 American Recovery and Reinvestment Act (ARRA), the Infrastructure Investment and Jobs Act (IIJA), and the 2010-2023 Capitalization Grants. For accounting purposes, the loan forgiveness is included in the Loan Agreement Commitment and Balance to be Disbursed until the loan forgiveness is awarded after amounts to be forgiven are disbursed.

<sup>(3)</sup> Loan repayments are guaranteed by a bond insurance policy issued by Build America Mutual Assurance Company (BAM).

**Potential Future Loans**

The following table, derived from KDHE’s project priority list for the KDHE program year starting July 1, 2024, lists the Municipalities which KDHE anticipates may enter into Loan Agreements for potential future Loans from the Clean Water Program, including Loans already executed and expected to be executed prior to or shortly after the issuance of the Series 2024 Bonds. No assurance can be given that all such Municipalities will actually execute Loan Agreements.

<b>Municipality</b>	<b>Potential Loan Amount</b>
Bentley	\$ 1,164,610.00
Chase*	3,685,840.00
Edgerton**	5,000,000.00
Frontenac	21,175,190.00
Geary Co. S.D. #4	848,426.00
Haddam	741,000.00
Hartford	342,200.00
Haviland	1,476,000.00
Independence	3,100,000.00
Johnson County Wastewater***	176,740,000.00
Miami County/Bucyrus	3,000,000.00
Narka*	375,000.00
Reno County	6,133,100.00
Riley County / University Park	666,580.00
Salina	844,000.00
Tonganoxie	5,000,000.00
Topeka*	20,501,902.00
Unified Gov of Wyandotte County and Kansas City	70,500,000.00
Unified School Dist. #498	886,700.00
Wichita	<u>120,000,000.00</u>
TOTAL	<u><u>\$ 440,077,698.00</u></u>

\* Loan has been written and is expected to be executed prior to or shortly after issuance of the Series 2024 Bonds.

\*\* Loan has been executed since July 1, 2024.

\*\*\* A portion of this loan with Johnson County Wastewater, in the amount of \$100,000,000, has been written and is expected to be executed prior to or shortly after issuance of the Series 2024 Bonds.

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**ATTACHMENT I  
TO  
APPENDIX C**

**FINANCIAL STATEMENTS  
FOR  
KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
(FOR THE YEARS ENDED JUNE 30, 2024 AND 2023)**

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**KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

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**KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

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## INDEPENDENT AUDITORS' REPORT

Janet Stanek  
Secretary of the Kansas Department  
of Health and Environment  
Topeka, Kansas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Kansas Water Pollution Control Revolving Fund (the Fund), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund, as of June 30, 2024 and 2023, and the changes in financial position and 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund 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.

#### ***Emphasis of Matter***

As discussed in Note 1, Organization and Summary of Accounting Policies, the financial statements of the Fund are intended to present the financial position, changes in financial position and cash flows of only that portion of the financial reporting entity of the Fund that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the State of Kansas as of June 30, 2024 and 2023 and the changes in its financial position and its cash flows for the years then ended, in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***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.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 the Fund'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.

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.

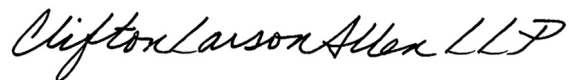


**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as 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 audits 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2024, on our consideration of the Fund'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 Fund'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 the Fund's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
September 11, 2024

# KANSAS WATER POLLUTION CONTROL REVOLVING FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)

## MANAGEMENT’S DISCUSSION AND ANALYSIS

The Kansas Water Pollution Control Revolving Fund (the Fund or Program) provides financial assistance to Kansas municipalities in the form of loans for the construction of publicly owned wastewater treatment facilities. The Fund is comprised of federal capitalization grants, proceeds of revenue bonds issued to provide required state-matching monies, proceeds of revenue bonds issued to leverage the Program, and recycled monies. This section of the financial report presents a narrative overview and analyzes the financial activities for the years ended June 30, 2024 and 2023. This information is intended to be considered in conjunction with the Fund’s financial statements and Notes to the Financial Statements which follow this section.

### HIGHLIGHTS

The fiscal year ending June 30, 2024 was the Fund’s thirty-fifth year of operations. During the fiscal year, the Fund continued to grow and serve Kansas communities as shown below:

- ❑ The following capitalization grants were awarded:

FFY 2023 Base Appropriation	\$6,771,000
FFY 2023 Bipartisan Infrastructure Law (BIL) General Supplemental	\$18,815,000

No capitalization grants were amended.

- ❑ Capitalization grant dollars drawn down:
 

Loans	\$28,837,106
Program Administration	<u>\$415,950</u>
Total	\$29,253,056

- ❑ No bonds were issued.

- ❑ Available for loan disbursements:
 

Program Equity	\$31,200,679
General	\$96,887,707
Capitalization Grants	\$844,000
State Match	\$0
Leveraged	<u>\$0</u>
Total	\$128,932,386

- ❑ Loan agreements, total: 545 loans totaling \$1,789,484,637 of which \$1,521,862,571 has been disbursed

- ❑ Loan agreements, FY 2024:
 

New Loans	14 totaling	\$241,252,968
Amendments	5 increases totaling and	\$11,237,381
	6 decreases totaling	<u>(\$908,301)</u>
Total		\$251,582,048

- ❑ Disbursements for project costs, FY 2024: \$130,262,642

- ❑ Average monthly disbursements, FY 2024: \$10,855,220

- ❑ Average monthly disbursements, program-to-date: \$3,640,820

- ❑ Completed projects: 6 totaling \$28,748,476

- ❑ Revenue bond debt service paid:
 

Principal	\$11,380,000
Interest	<u>\$1,032,765</u>
Total	\$12,412,765

# KANSAS WATER POLLUTION CONTROL REVOLVING FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### USING THIS ANNUAL FINANCIAL REPORT

The Fund is reported as an enterprise fund of the State of Kansas. The Fund is a special purpose government entity engaged only in the business type activity of providing loans to other governmental entities. Staff prepare three basic financial statements, Notes to the Financial Statements, and this Management's Discussion and Analysis (MD&A). The basic financial statements of the Fund are intended to present the financial position, changes in financial position, and cash flows of only the Fund. They do not purport to present the financial position, changes in financial position, or cash flows of the State of Kansas.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Fund's financial statements and accompanying Notes to the Financial Statements. These statements are prepared using the accrual basis of accounting. The financial statements include the following three statements:

- ❑ The *Statements of Net Position* present information on all the Fund's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. Assets consist of cash and cash equivalents, investments of idle funds, loan receivables, interest receivable from loans and investments, and capital assets. Liabilities include revenue bonds, bond interest payable, arbitrage rebate payable, and loan reserve accounts. Net position includes the capitalization grants earned for loan projects and the excess earnings of the Fund's operations since inception. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Fund is improving or weakening.
- ❑ The *Statements of Revenues, Expenses, and Change in Net Position* present information showing how the Fund's net position changed during the two most recent fiscal years. As the statements are prepared on the accrual basis of accounting, all changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Therefore, some revenues and expenses reported in the statement will result in cash flows in future fiscal years.
- ❑ The *Statements of Cash Flows* present the inflows and outflows of the Fund's cash and cash equivalents by the defined categories of operating activities, noncapital financing activities, and investing activities. These statements provide information about the Fund's cash receipts and payments during the year.

The *Notes to the Financial Statements* are an integral part of the financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes immediately follow the financial statements.

**KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NET POSITION**

The Statements of Net Position demonstrate that the net position of the Fund has continued to increase.

	<b>Net Position</b>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets	\$182,329,254	\$242,649,381	\$188,992,148
Noncurrent assets, excluding capital assets	341,025,891	249,576,803	281,381,259
Capital assets	45,082	35,127	-
Total assets	<u>523,400,227</u>	<u>492,261,311</u>	<u>470,373,407</u>
Current liabilities	4,800,400	12,468,011	11,641,273
Noncurrent liabilities	10,770,947	15,459,659	27,503,156
Total liabilities	<u>15,571,347</u>	<u>27,927,670</u>	<u>39,144,429</u>
Net investment in capital assets	45,082	35,127	-
Restricted net assets	507,783,798	464,298,514	431,228,978
Total net position	<u>\$507,828,880</u>	<u>\$464,333,641</u>	<u>\$431,228,978</u>

In fiscal year 2024 the net position of the Fund continued to strengthen, increasing by \$43.5 million (9.4%). This compares to an increase of \$33.1 million (7.7%) the previous year. The total net position consists of capital assets and restricted net assets.

The increase in total assets for the year ended June 30, 2024 of \$31.1 million was due mainly to an increase in loans receivable. The increase in loans receivable of \$102.7 million was offset by a decrease in cash, cash equivalents, and investments of \$71.3 million. Loan disbursements this fiscal year were \$130.3 million, while loan repayments were \$26.5 million and loan prepayments were \$0.6 million. Loan principal forgiveness totaling \$0.4 million was also awarded. In addition, there was a decrease in investment and loan interest receivable of \$0.7 million and an increase in service fees and other receivables of \$0.4 million.

The decrease in total liabilities for the year ended June 30, 2024 of \$12.4 million was due mainly to a decrease in revenue bonds of \$12.0 million. Bond principal paid this fiscal year was \$11.4 million and bond premium amortized was \$0.6 million. No bond proceeds were received. In addition, there was a decrease in loan reserve accounts and earnings of \$0.9 million and an increase in other payables of \$0.5 million. Other payables include the long-term liability for the excess yield on bond-financed loans. Please refer to Note 7 for more information on bond-financed loans.

The increase in total assets for the year ended June 30, 2023 of \$21.9 million was due mainly to an increase in cash, cash equivalents, and investments. The increase in cash, cash equivalents, and investments of \$23.3 million was offset by a decrease in loans receivable of \$2.0 million. Loan disbursements this fiscal year were \$27.7 million, while loan repayments were \$25.9 million and loan prepayments were \$2.6 million. Loan principal forgiveness totaling \$1.3 million was also awarded. In addition, there was an increase in investment interest receivable of \$0.7 million and a decrease in loan interest and service fees receivable of \$0.1 million.

The decrease in total liabilities for the year ended June 30, 2023 of \$11.2 million was due mainly to a decrease in revenue bonds of \$11.2 million. Bond principal paid this fiscal year was \$10.2 million and bond premium amortized was \$1.0 million. No bond proceeds were received.

# KANSAS WATER POLLUTION CONTROL REVOLVING FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

All net position of the Fund has been determined to be restricted net position in accordance with the conditions of the Water Pollution Control capitalization grants and bond covenants.

The balance of outstanding loan principal that was pledged as security to the outstanding revenue bond debt service as of June 30, 2024 and 2023 was \$384.3 million and \$281.6 million respectively. The principal and interest received from these loans during the fiscal year is used to make the semi-annual debt service payments on the revenue bonds. After the final debt service payment in a fiscal year, any excess of principal and interest received over the required bond debt service may be used for future loan disbursements.

### REVENUES, EXPENSES, AND CHANGE IN NET POSITION

The Statements of Revenues, Expenses, and Change in Net Position demonstrate that sufficient resources have been generated to cover expenses in fiscal years 2022, 2023, and 2024.

	2024	2023	2022
Revenues:			
Operating revenues:			
Loan interest	\$ 4,829,456	\$ 5,114,542	\$ 5,702,289
Loan service fees	1,847,320	1,349,251	1,189,568
Capitalization grants for program administration	418,534	338,408	291,016
Other operating revenues	13,310	-	10,175
Nonoperating revenues:			
Investment interest	10,920,469	7,457,574	304,590
Capitalization grants for loans	28,837,106	22,487,421	14,299,146
Capitalization grants for vehicles	-	20,453	-
Arbitrage rebate	-	-	932,509
Other nonoperating revenues	-	30,132	-
Total revenues	<u>46,866,195</u>	<u>36,797,781</u>	<u>22,729,293</u>
Expenses:			
Operating expenses:			
Program administration from capitalization grants	418,534	338,408	291,016
Program administration from loan service fees	430,449	445,985	446,352
Depreciation	9,779	3,903	-
Other operating expenses	1,268,457	1,152,336	1,084,017
Nonoperating expenses:			
Loan principal forgiveness	425,680	1,315,371	6,376,997
Bond interest	310,207	437,115	435,602
Bond issuance costs	-	-	38,338
Arbitrage rebate	102,247	-	-
Other nonoperating expenses	405,603	-	66,652
Total expenses	<u>3,370,956</u>	<u>3,693,118</u>	<u>8,738,974</u>
Change in net position	43,495,239	33,104,663	13,990,319
Net position, beginning of year	464,333,641	431,228,978	417,238,659
Total net position	<u>\$507,828,880</u>	<u>\$464,333,641</u>	<u>\$431,228,978</u>

# KANSAS WATER POLLUTION CONTROL REVOLVING FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The increase in net position as of June 30, 2024 was \$43.5 million. The Fund operating revenues increased by 4.5% due mainly to an increase in loan service fee revenue. The Fund operating expenses increased by 9.6% due mainly to an increase in other expenses, consisting of water quality expenses. Principal forgiveness awarded decreased by 67.3%. Nonoperating revenues increased by 32.5% due mainly to an increase in capitalization grants received for loans and an increase in investment interest revenue. Nonoperating expenses (excluding principal forgiveness) increased by 87.1% due mainly to an increase in other nonoperating expenses.

The increase in net position as of June 30, 2023 was \$33.1 million. The Fund operating revenues decreased by 5.4% due mainly to a decrease in loan interest revenue. The Fund operating expenses increased by 6.5% due mainly to an increase in other expenses, consisting of water quality expenses. Principal forgiveness awarded decreased by 79.4%. Nonoperating revenues increased by 93.1% due mainly to an increase in capitalization grants received for loans under the Bipartisan Infrastructure Law (BIL) and an increase in investment interest revenue. Nonoperating expenses (excluding principal forgiveness) decreased by 19.1% due mainly to decreases in bond issuance costs and other nonoperating expenses.

### CASH FLOWS

The Statements of Cash Flows are provided to identify the sources and the uses of cash and cash equivalents during the fiscal year, and to demonstrate that the Fund has sufficient cash and cash equivalents to meet its obligations.

#### Cash Flows

	2024	2023	2022
Net cash provided by operating activities	\$ 4,770,063	\$ 4,996,628	\$ 5,516,127
Net cash provided by noncapital financing activities	16,424,341	10,796,810	13,667,316
Net cash used by investing activities	(32,216,988)	(17,621,077)	(8,133,483)
Net increase (decrease) in cash and cash equivalents	(11,022,584)	(1,827,639)	11,049,960
Cash and cash equivalents, beginning of year	26,135,848	27,963,487	16,913,527
Total cash and cash equivalents	\$15,113,264	\$26,135,848	\$27,963,487

The Fund experienced a decrease in cash and cash equivalents during the year ended June 30, 2024 of \$11.0 million and a decrease during the year ended June 30, 2023 of \$1.8 million. The balances of the decreases are due to routine program operations.

For the year ended June 30, 2024, operating activities consisted mainly of loan interest and service fees received totaling \$6.4 million, which was a decrease of \$0.2 million from the prior year. Noncapital financing activities consisted mainly of capitalization grants received for loans totaling \$28.8 million, which was an increase of \$6.3 million. Also included in noncapital financing activities were bond principal and interest paid totaling \$12.4 million, which was an increase of \$0.7 million. Investing activities consisted mainly of investment maturities totaling \$1.6 billion and investment purchases totaling \$1.5 billion, which were increases of \$1.0 billion and \$0.9 billion respectively. Loan principal received totaled \$27.0 million and loan disbursements paid totaled \$130.3 million, which was a decrease of \$1.4 million and an increase of \$102.5 million respectively. Also included in investing activities was investment interest received totaling \$11.5 million, which was an increase of \$5.1 million. One loan reserve account was closed this fiscal year, resulting in an increase to this activity of \$0.8 million.

For the year ended June 30, 2023, operating activities consisted mainly of loan interest and service fees received totaling \$6.5 million, which was a decrease of \$0.6 million from the prior year. Noncapital financing activities consisted mainly of capitalization grants received for loans totaling \$22.5 million, which was an increase of

# **KANSAS WATER POLLUTION CONTROL REVOLVING FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

\$8.2 million. Also included in noncapital financing activities were bond principal and interest paid totaling \$11.7 million, which was an increase of \$1.2 million. No bond proceeds or arbitrage rebate refunds were received this fiscal year, resulting in a combined decrease to these activities of \$9.9 million. Investing activities consisted mainly of investment maturities totaling \$601.6 million and investment purchases totaling \$626.3 million, which were increases of \$280.6 million and \$277.9 million respectively. Loan principal received totaled \$28.5 million and loan disbursements paid totaled \$27.7 million, which were decreases of \$29.4 million and \$8.5 million respectively. Also included in investing activities was investment interest received totaling \$6.4 million, which was an increase of \$6.0 million. No loan reserve account investments matured and no loan reserve accounts were closed this fiscal year, resulting in a combined increase to these activities of \$2.8 million.

Investments are generally purchased in \$10.0 million increments and allocated between the Kansas Public Water Supply Loan Fund and the Kansas Water Pollution Control Revolving Fund based on cash balances. Maturity dates are staggered such that a maturity occurs every week. This strategy allows funds to be readily available for weekly loan disbursements. A small cash balance is maintained with the Trustee and invested in a highly liquid money market mutual fund. Most funds that are not used for disbursements are reinvested in the bond market weekly.

### **DEBT INFORMATION**

The 2020 issuance of state match and leveraging bonds was a public offering in conjunction with the Kansas Public Water Supply Loan Fund (KPWSLF) state match and leveraging bonds. The 2022 issuance of state match bonds was an internal placement with the KPWSLF, with a term of four years and maturity dates to coincide with the debt service payment dates of the Master Financing Indenture bonds. The Fund received a high bond rating of AAA with a stable outlook from S&P Global Ratings on the Series 2020SRF bonds. At this time, it is anticipated there will be a state match and leveraged borrowing in October 2024. The anticipated leveraged borrowing is due to an increase in loan demand.

On February 27, 2020, the Series 2020SRF Revenue Bonds were issued in the original amount of \$68,730,000 for the Public Water Supply (PWS) and Water Pollution Control (WPC) Programs. The WPC portion of the bonds was issued in the original amount of \$51,280,000 and consists of tax-exempt serial bonds totaling \$8,705,000 and \$17,855,000 as of June 30, 2024 and 2023 respectively. The bonds are due in annual principal payments ranging from \$970,000 to \$18,015,000 with the final payment due on May 1, 2030. The interest rate on the bonds is 5.00% and paid semi-annually beginning November 1, 2020. The proceeds, along with premium received on the bonds, provided \$3,500,000 of state match loan funds for the Program, \$54,151,914 of leveraging funds to refund the Series 2010SRF-1 and Series 2010SRF-2 bonds, and an amount required to pay costs of issuance.

On March 31, 2022, the Series 2022SRF Revenue Bonds were issued in the original amount of \$18,000,000 for the Public Water Supply (PWS) and Water Pollution Control (WPC) programs. The WPC portion of the bonds was issued in the original amount of \$9,000,000, totaling \$4,600,000 and \$6,830,000 as of June 30, 2024 and 2023 respectively. The issuance was an internal placement with PWS. The bonds are due in annual principal payments ranging from \$2,170,000 to \$2,325,000 with the final payment due on May 1, 2026. The interest rate on the bonds is 2.050% and paid semi-annually beginning November 1, 2022. The proceeds provided \$9,000,000 of state match loan funds for the Program.

As a requirement for issuance of tax-exempt bonds, the Internal Revenue Service requires issuers to calculate and remit the amount of earnings attributable to the bonds that are in excess of the cost of the debt. As of June 30, 2024 and 2023, there is a rebate liability for the Series 2020SRF bonds of \$102,247 and \$0 respectively. The Series 2022SRF bonds are taxable and not subject to arbitrage. The Fund's revenue bonds payable totaled \$13,305,000 and \$24,685,000 as of June 30, 2024 and 2023 respectively. Please refer to Note 5 for more information on debt activity.

# **KANSAS WATER POLLUTION CONTROL REVOLVING FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Effective October 30, 2018, the Securities and Exchange Commission (SEC) adopted the 2018 Amendments to Rule 15c2-12 of the Securities Exchange Act with a compliance date of February 27, 2019. These amendments include two additional disclosure events that require notice in continuing disclosure undertakings. In response to these changes, a Revolving Fund Disclosure Team was formed to provide oversight to the Fund and ensure reporting requirements are met. Additionally, KDHE SRF Disclosure Policies and Procedures were established. The Fund's bonds comply with the new requirements set forth by the SEC through the review and approval of this document by the Revolving Fund Disclosure Team. The State Revolving Fund disclosure policies and procedures document is available upon request.

### **CAPITAL ASSETS**

The Fund's investment in capital assets as of June 30, 2024 and 2023 was \$45,082 and \$35,127 respectively. This investment in capital assets includes vehicles. The total increase in the investment in capital assets for the current fiscal year was 28.3% in terms of net book value. Depreciation charges for the year totaled \$9,779. Please refer to Note 9 for more information on capital assets.

### **BUDGETARY INFORMATION**

The Fund has no spending limits and is not subject to any State General Fund appropriations or any other appropriations. Thus, the funds are immediately available upon receipt, allowing for timely and expeditious disbursement to the loan participants.

### **ECONOMIC FACTORS**

While the financial strength of the Fund does face risk from the overall health of the United States and Kansas economies indirectly through the Program's borrowers, this risk is mitigated by several factors: 1) the Program is well capitalized and lightly leveraged at this point in time, 2) it is anticipated that the Program will receive additional capitalization grants from the Environmental Protection Agency (EPA), 3) the Program, through the loan agreements, has a relatively strong security position in the borrowers' financial resources, and 4) the Program's history of experiencing no borrower defaults through the prior two economic recessions.

### **REQUESTS FOR INFORMATION**

This report is intended to provide financial information about the Kansas Water Pollution Control Revolving Fund to State of Kansas and United States Environmental Protection Agency officials, investors, and other interested parties and to discuss the activity and success of the Fund. For additional information, you may contact William Carr, Assistant Director, Bureau of Water, Kansas Department of Health and Environment at [william.j.carr@ks.gov](mailto:william.j.carr@ks.gov) or Stacy Jaramillo, Deputy Director, Statewide Agency Audits and Municipal Services, Office of Accounts and Reports, Department of Administration at [stacy.jaramillo@ks.gov](mailto:stacy.jaramillo@ks.gov).



**KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**STATEMENTS OF NET POSITION**

	As of June 30	
	2024	2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 15,054,692	\$ 23,990,762
Restricted cash - loan reserve account earnings	739	13,968
Investments	118,098,446	176,121,468
Investment interest receivable	445,885	1,058,039
Loans receivable	46,270,151	39,326,172
Loan interest receivable	1,584,802	1,658,758
Loan service fees receivable	852,312	460,571
Other receivables	22,227	19,643
Total current assets	182,329,254	242,649,381
Noncurrent assets:		
Restricted cash - state match	29,748	1,258,458
Loan reserve accounts	28,085	872,660
Investments	2,325,000	4,600,000
Loans receivable	338,643,058	242,845,685
Capital assets, net of accumulated depreciation	45,082	35,127
Total noncurrent assets	341,070,973	249,611,930
<b>TOTAL ASSETS</b>	<b>523,400,227</b>	<b>492,261,311</b>
<b>LIABILITIES</b>		
Current liabilities:		
Loan reserve account earnings	846	17,139
Bond interest	88,258	172,127
Revenue bonds, net	4,249,741	12,018,689
Arbitrage rebate	102,247	-
Other payables	359,308	260,056
Total current liabilities	4,800,400	12,468,011
Noncurrent liabilities:		
Loan reserve accounts	28,085	872,660
Revenue bonds, net	10,291,537	14,541,278
Other payables	451,325	45,721
Total noncurrent liabilities	10,770,947	15,459,659
<b>TOTAL LIABILITIES</b>	<b>15,571,347</b>	<b>27,927,670</b>
Net investment in capital assets	45,082	35,127
Restricted net assets	507,783,798	464,298,514
<b>TOTAL NET POSITION</b>	<b>\$ 507,828,880</b>	<b>\$ 464,333,641</b>

**KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**

	<b>For the Fiscal Years Ending June 30</b>	
	<b>2024</b>	<b>2023</b>
<b>OPERATING REVENUES</b>		
Loan interest	\$ 4,829,456	\$ 5,114,542
Loan service fees	1,847,320	1,349,251
Capitalization grants for program administration	156,438	338,408
Capitalization grants for program administration - BIL	262,096	-
Other operating revenues	13,310	-
Total operating revenues	7,108,620	6,802,201
<b>OPERATING EXPENSES</b>		
Program administration from capitalization grants	156,438	338,408
Program administration from capitalization grants - BIL	262,096	-
Program administration from loan service fees	430,449	445,985
Depreciation	9,779	3,903
Other operating expenses	1,268,457	1,152,336
Total operating expenses	2,127,219	1,940,632
<b>OPERATING INCOME</b>	<b>4,981,401</b>	<b>4,861,569</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment interest	10,920,469	7,457,574
Capitalization grants for vehicles	-	20,453
Capitalization grants for loans	6,918,419	10,110,108
Capitalization grants for loans - BIL	21,918,687	12,377,313
Loan principal forgiveness	(425,680)	(1,315,371)
Bond interest	(310,207)	(437,115)
Arbitrage rebate	(102,247)	-
Other nonoperating revenues (expenses)	(405,603)	30,132
<b>TOTAL NONOPERATING REVENUES</b>	<b>38,513,838</b>	<b>28,243,094</b>
Change in net position	43,495,239	33,104,663
Net position, beginning of year	464,333,641	431,228,978
<b>TOTAL NET POSITION</b>	<b>\$ 507,828,880</b>	<b>\$ 464,333,641</b>

**KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**STATEMENTS OF CASH FLOWS**

	<b>For the Fiscal Years Ending June 30</b>	
	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loan interest received	\$ 4,903,412	\$ 5,235,015
Loan service fees received	1,455,579	1,290,493
Loan service fees paid for program administration	(446,838)	(436,149)
Capitalization grants received for program administration	176,081	333,978
Capitalization grants received for program administration - BIL	239,869	-
Capitalization grants paid for program administration	(176,413)	(333,839)
Capitalization grants paid for program administration - BIL	(239,869)	-
Other operating payments	(1,141,758)	(1,092,870)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>4,770,063</b>	<b>4,996,628</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Capitalization grants received for loans	6,918,419	10,110,108
Capitalization grants received for loans - BIL	21,918,687	12,377,313
Capitalization grants received for vehicles	-	20,453
Bond issuance costs paid	-	(750)
Bond principal paid	(11,380,000)	(10,220,000)
Bond interest paid	(1,032,765)	(1,495,638)
Other nonoperating receipts	-	5,324
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>16,424,341</b>	<b>10,796,810</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan principal received	27,095,609	28,460,856
Loan disbursements paid	(130,262,642)	(27,728,055)
Investments matured	1,608,418,637	601,581,558
Investments purchased	(1,548,057,081)	(626,321,617)
Investment interest received	11,466,027	6,412,058
Vehicles purchased	(19,734)	(39,030)
Loan reserve account earnings received	14,326	23,921
Loan reserve account earnings disbursed	(27,555)	(10,768)
Loan reserve accounts closed	(844,575)	-
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(32,216,988)</b>	<b>(17,621,077)</b>
Net decrease in cash and cash equivalents	(11,022,584)	(1,827,639)
Cash and cash equivalents, beginning of year	26,135,848	27,963,487
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 15,113,264</b>	<b>\$ 26,135,848</b>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>		
Cash and cash equivalents	\$ 15,054,692	\$ 23,990,762
Restricted cash - loan reserve account earnings	739	13,968
Restricted cash - state match	29,748	1,258,458
Loan reserve accounts	28,085	872,660
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 15,113,264</b>	<b>\$ 26,135,848</b>

**KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**STATEMENTS OF CASH FLOWS**

	<b>For the Fiscal Years Ending June 30</b>	
	<b>2024</b>	<b>2023</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 4,981,401	\$ 4,861,569
Adjustments for noncash effects:		
Depreciation	9,779	3,903
Changes in operating assets and liabilities:		
Loan interest receivable	73,956	120,474
Loan service fees receivable	(391,741)	(58,758)
Other receivables	(2,584)	(4,431)
Other payables	99,252	73,871
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 4,770,063</b>	<b>\$ 4,996,628</b>
 <b>NONCASH NONCAPITAL FINANCING ACTIVITIES</b>		
Amortization of bond premium	\$ 638,689	\$ 960,706

# KANSAS WATER POLLUTION CONTROL REVOLVING FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)

## NOTES TO FINANCIAL STATEMENTS

### 1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

**Description of Program** – The Kansas Water Pollution Control Revolving Fund (the Fund) was established pursuant to Kansas Statutes Annotated (K.S.A.) 65-3321 *et seq.* in 1988 by the Kansas Legislature. The Fund was created to implement the State of Kansas’ (Kansas or the State) participation under the Federal Clean Water Act (the Federal Act) as amended by the Federal Water Quality Act of 1987. Under State law, the Secretary of the Kansas Department of Health and Environment (KDHE) administers the Water Pollution Control Revolving Loan Program (the Program). The Federal Act authorizes the Environmental Protection Agency (EPA) to award capitalization grants for deposit into state revolving funds to provide financial assistance for construction of wastewater treatment facilities. The State Revolving Fund may be used to make loans, fund debt service reserves, and provide other types of financial assistance to public entities. Initial funding for the Program was provided from capitalization grants and proceeds of bonds, which provides state match funds. The state match funds must be equal to 20% of the capitalization grants, excluding the 2009 American Recovery and Reinvestment Act (ARRA) capitalization grant. The Bipartisan Infrastructure Law (BIL) requires state match funds be equal to 10% of the General Supplemental capitalization grants for federal fiscal years 2022 and 2023, and 20% for federal fiscal years 2024 through 2026. The BIL Emerging Contaminants capitalization grants do not require state match funds.

Loans are made to municipalities from the Fund for eligible project costs as defined by federal and state law and regulations. These costs are primarily construction, planning and design engineering costs, and other costs related to a municipal construction project. Kansas Administrative Regulation (K.A.R.) 28-16-113 establishes the interest rates for the loans, which includes fees for servicing the loans, to be 60% of the preceding three months’ average of the Bond Buyers 20 Year General Obligation Bond Index. Due to an amendment of K.A.R. 28-16-113 effective April 26, 2024, the Intended Use Plan will establish the interest rates for the loans beginning July 1, 2024.

KDHE administers the aspects of the Program relating to selection of projects and the making of loans to eligible municipalities. The Department of Administration administers the accounting and reporting aspects of the Program relating to the receipt and disbursement of monies within the Fund, including disbursement of loans to municipalities, and billing and collecting of loan repayments. The Kansas Development Finance Authority (KDFA) issues revenue bonds for the state match funds needed and for leveraged borrowing for the Fund. Monies in the Fund are deposited with the Treasurer of the State of Kansas (the Treasurer) and UMB (the Trustee).

**Basis of Presentation and Accounting** – The Fund is an enterprise fund of the State. The financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of accounting refers to when revenues, expenses, and the related assets, deferred outflows of resources, liabilities, and deferred inflows of resources are recognized in the accounts and reported in the financial statements. Measurement focus refers to what is being measured. The financial statements are prepared on the accrual basis of accounting and on an economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the Statements of Net Position. The Statements of Revenues, Expenses, and Change in Net Position present increases (revenues) and decreases (expenses) in total net position. The Statements of Cash Flows provide information about how the Fund meets the cash flow needs of its activities.

**Cash and Cash Equivalents** – Cash includes balances on deposit with the Treasurer and the Trustee. Cash equivalents are short-term, highly liquid investments held by the Trustee that are readily convertible to cash.

# KANSAS WATER POLLUTION CONTROL REVOLVING FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)

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## NOTES TO FINANCIAL STATEMENTS

**Investments** – The Fund invests in state or municipal debt obligations, commercial paper, and money market funds. These investments are stated at their fair value or amortized cost.

**Capital Assets** – The Fund occasionally invests in capital assets such as vehicles. Capital assets have a useful life of more than one year and are depreciated over their estimated useful lives on an annual basis.

**Loans and Other Receivables** – Receivables include interest earnings, current loan repayments due, and loan principal balances outstanding. All receivables are considered collectable; therefore, no allowance account has been established.

**Loan Reserve Accounts** – The loan reserve accounts have been established as required under certain provisions of certain loan agreements and consist of cash. Such loan reserve accounts may only be used to prevent an event of default in the repayment of principal or interest on certain loans.

**Bond Premiums and Discounts** – The interest method is being used to calculate amortization of bond premiums and discounts.

**Revenues** – The Fund revenues consist of operating and nonoperating revenues. Operating revenues include: 1) interest earned on loans, 2) loan service fees, and 3) capitalization grant dollars earned for administrative costs. Nonoperating revenues include: 1) interest earned on invested program monies, 2) capitalization grant dollars earned for loans, and 3) any other revenues not classified as operating revenues.

**Expenses** – The Fund expenses consist of operating and nonoperating expenses. Operating expenses include: 1) administrative costs paid from capitalization grant monies, 2) administrative costs paid from loan service fees, and 3) depreciation of capital assets. Nonoperating expenses include: 1) loan principal forgiveness which is generally recognized upon completion of the project but is occasionally recognized as project payments are disbursed, 2) bond interest, including premium amortization, 3) bond issuance costs, 4) arbitrage rebate, and 5) any other expenses not classified as operating expenses.

**Net Position** – Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are external limitations imposed on their use. All assets of the Program, except for vehicles, have been determined to be restricted assets in accordance with the conditions of the Clean Water State Revolving Fund EPA capitalization grants and bond covenants. Restricted net position includes capitalization grants restricted for loans to municipalities and program administration expenses. The amount of capitalization grants restricted for program administration is being recognized as revenue when earned.

**Deferred Outflows/Inflows of Resources** – In addition to assets, the Statements of Net Position 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 future periods and will not be recognized as an outflow of resources (expense) until that time. The Fund has no items that qualify for reporting in this category.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Fund has no items that qualify for reporting in this category.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect

# KANSAS WATER POLLUTION CONTROL REVOLVING FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)

## NOTES TO FINANCIAL STATEMENTS

1) the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and 2) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

### 2. INVESTMENTS

The Fund's investment policies are governed by Article VIII of the Master Financing Indenture. Allowable investments for the Fund cash balances held in the State Treasury and invested through the State Pooled Money Investment Board are as follows:

- Direct obligations of, or obligations that are insured as to principal and interest by, the U.S. Government or any direct agency thereof, with maturities up to four years
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Limited interest-bearing loans to various State agencies as specifically provided by law
- Certain Kansas agency and IMPACT Act projects and bonds
- High grade commercial paper

*Specific Fund Investments* – Monies held in the funds and accounts established under the Master Financing Indenture may be invested by the KDFA or by the Trustee to the fullest extent practicable in Investment Securities as defined in the Master Financing Indenture which include:

- Defeasance obligations
- Obligations of certain agencies not backed by the full faith and credit of the U.S. government
- Investments in money market funds
- Investment agreements
- Deposits fully insured by FDIC
- Commercial paper
- State or municipal debt obligations
- Investments in the Municipal Investment Pool Fund
- Repurchase agreements
- Guaranteed investment contracts

The Fund's investments consisted of the following as of June 30:

Investment Type	2024			2023		
	Fair Value	Maturity		Fair Value	Maturity	
		Less Than 1 Year	1-5 Years		Less Than 1 Year	1-5 Years
Money Market Mutual Funds	\$ 10,188,952	\$ 10,188,952	\$ -	\$ 18,266,339	\$ 18,266,339	\$ -
Commercial Paper	114,306,597	114,306,597	-	160,935,699	160,935,699	-
Municipal Bonds	6,116,849	3,791,849	2,325,000	19,785,769	15,185,769	4,600,000
	\$130,612,398	\$128,287,398	\$ 2,325,000	\$198,987,807	\$194,387,807	\$ 4,600,000

As of June 30, 2024 and 2023, the Fund had invested \$10,188,952 and \$18,266,339 respectively in Morgan Stanley Institutional Liquidity Funds (MSILF), money market mutual funds which comply with the Rule 2a-7 definition of a government money market fund. These funds are rated AAAM by S&P Global Ratings and are valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72. The money market mutual funds are classified as cash equivalents on the Statements of Net Position.

# KANSAS WATER POLLUTION CONTROL REVOLVING FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)

## NOTES TO FINANCIAL STATEMENTS

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Fund has the following recurring fair value measurements as of June 30, 2024:

- Commercial paper of \$114.3 million is valued using quoted market prices (Level 2 inputs).
- Municipal bonds of \$6.1 million are valued using other observable inputs (Level 2 inputs).

The Fund has the following recurring fair value measurements as of June 30, 2023:

- Commercial paper of \$160.9 million is valued using quoted market prices (Level 2 inputs).
- Municipal bonds of \$19.8 million are valued using other observable inputs (Level 2 inputs).

**Interest Rate Risk** – For invested loan funds, the Fund generally invests to maximize the interest rate and sets a term of investment based on estimated expenditures which is generally less than three years.

**Credit Risk** – The Fund holds certain investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

**Concentration of Credit Risk** – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30:

Investment Type Investment Provider	2024		2023	
	Fair Value	Percent of Total	Fair Value	Percent of Total
<b>Money Market Mutual Funds</b>				
Morgan Stan Inst'l Liq Gov't - I 8302	\$ 10,188,952	7.80%	\$ 18,266,339	9.18%
	10,188,952	7.80%	18,266,339	9.18%
<b>Commercial Paper</b>				
Anglesea Funding PLC/ Anglesea Funding L	4,975,433	3.81%	-	0.00%
ARMADA FDG CO LLC	9,926,773	7.60%	-	0.00%
Banco Del Estado DE Chile	-	0.00%	9,875,333	4.96%
Banco Santander SA US	-	0.00%	9,860,158	4.96%
Barclays BK PLC/Barclays	-	0.00%	9,865,067	4.96%
Britannia Funding Co LLC	9,991,117	7.65%	-	0.00%
Chariot Funding LLC	9,928,800	7.60%	-	0.00%
Chesham Finance Ltd Series VII	9,937,117	7.61%	-	0.00%
Corporacion Andina De Fomento	9,907,344	7.59%	9,899,472	4.98%
Credit Agricole	-	0.00%	9,863,247	4.96%
DCAT LLC	9,977,833	7.64%	-	0.00%
Ebury Finance	9,927,044	7.60%	-	0.00%
IONIC FUNDING LLC	9,924,731	7.60%	-	0.00%
Lloyds Bank Plc	-	0.00%	9,858,650	4.95%
LONGSHIP FUNDING DAC	-	0.00%	9,943,112	5.00%
MAYBANK SINGAPORE LTD	-	0.00%	9,876,800	4.96%
MEMORIAL HLTH SYSTEMS	9,955,694	7.62%	-	0.00%
MERCY HEALTH	-	0.00%	9,958,933	5.00%
Mizuho BK LTD	-	0.00%	9,968,222	5.01%
MOUNTCLIFF FDG LLC	9,916,778	7.59%	-	0.00%



**KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**NOTES TO FINANCIAL STATEMENTS**

Investment Type Investment Provider	2024		2023	
	Fair Value	Percent of Total	Fair Value	Percent of Total
Commercial Paper, continued				
MUFG BK LTD N Y BRH	-	0.00%	9,940,733	5.00%
National Securities Clearing Corp.	9,937,933	7.61%	-	0.00%
NATL SEC CLEARING	-	0.00%	9,863,325	4.96%
Philip Morris Intl Inc	-	0.00%	9,889,847	4.97%
PRUDENTIAL INTL TREAS LTD	-	0.00%	12,465,980	6.26%
Sumitomo Mitsui Tr Bk	-	0.00%	9,929,087	4.99%
Toyota Industries Coml Fin Inc	-	0.00%	9,877,733	4.96%
	114,306,597	87.52%	160,935,699	80.88%
Municipal Bonds				
Attalla AL Wtrwks Brd Wtr Revenue	-	0.00%	292,664	0.15%
Brick Township New Jersey	-	0.00%	694,309	0.35%
Colorado ST HSG & FIN Auth	-	0.00%	247,453	0.12%
Compton CA Cmnty Clg Dist Txbl-Ref	-	0.00%	2,192,366	1.10%
Gardner Kansas	1,516,849	1.16%	-	0.00%
Geary Cnty KS Unif Sch Dist #475	-	0.00%	247,982	0.12%
Irvington Twp New Jersey	-	0.00%	447,329	0.22%
Johnson Cnty KS Unif Sch Dist #233	-	0.00%	248,860	0.13%
Kansas Muni Energy Agy Pwr Project Rev	-	0.00%	300,000	0.15%
KDFA-KDHE Series 2022SRF Bond	4,600,000	3.52%	6,830,000	3.43%
MASSACHUSETTS CLEAN ENERGY COOP CORP REV	-	0.00%	650,000	0.33%
Mesa AZ Utility Sys Revenue	-	0.00%	750,000	0.38%
Minnesota St Hsg Fin Agy	-	0.00%	694,288	0.35%
NAPA VLY CA UNIF SCH DIST	-	0.00%	498,060	0.25%
New Mexico Edl Assistance Fndtn	-	0.00%	744,337	0.37%
North Dakota ST Hsg Fin Agy	-	0.00%	643,648	0.32%
Norwich CT	-	0.00%	877,457	0.44%
Sarasota CNTY FL Public IMPT Revenue	-	0.00%	577,980	0.29%
Solano California Community College Dist	-	0.00%	248,992	0.13%
Tempe Ariz Excise Tax Rev	-	0.00%	2,305,000	1.16%
Upper Chichester TWP PA	-	0.00%	295,044	0.15%
	6,116,849	4.68%	19,785,769	9.94%
	\$ 130,612,398	100.00%	\$ 198,987,807	100.00%

**3. LOANS**

The loans made by the Fund to the municipalities may include interest and service fees capitalized during project construction. Previously, all loans were to be repaid no later than 21 years after project completion. Due to an amendment of K.S.A. 65-3326 effective July 1, 2023, and amendments to K.A.R. 28-16-113 and K.A.R. 28-16-114 effective April 26, 2024, the Program is permitted to finance certain new loans up to 30 years and loans are to be repaid no later than 31 years after completion. All loans must begin repayments no later than one year after project completion. Principal and interest payments are due semi-annually. Net interest rates on the loans outstanding as of June 30, 2024 range from 0.25% to 2.88%.

**KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**NOTES TO FINANCIAL STATEMENTS**

Estimated future maturities of the loans receivable and interest payments as of June 30, 2024 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 46,270,151	\$ 4,685,603	\$ 50,955,754
2026	41,223,700	4,349,676	45,573,376
2027	36,048,041	3,935,149	39,983,190
2028	35,282,526	3,610,406	38,892,932
2029	33,146,431	3,480,206	36,626,637
2030 - 2034	133,742,033	11,951,240	145,693,273
2035 - 2039	52,136,351	2,408,472	54,544,823
2040 - 2044	7,063,976	209,355	7,273,331
	<b>\$384,913,209</b>	<b>\$ 34,630,107</b>	<b>\$419,543,316</b>

Certain loans are awarded principal forgiveness as required by the 2009 ARRA capitalization grant, the 2010 through 2023 capitalization grants, and the 2022 through 2023 BIL capitalization grants. Principal forgiveness awards consisted of the following as of June 30:

<b>Grant</b>	<b>Awarded in Full</b>	<b>Cumulative</b>			<b>Number of Loans</b>
		<b>2024</b>	<b>2023</b>		
2009 ARRA	Yes	\$ -	\$ -	\$22,840,203	22
2010	Yes	-	-	9,181,294	20
2011	Yes	-	-	4,116,837	7
2012	Yes	-	-	1,063,482	4
2013	Yes	-	-	851,480	1
2014	Yes	-	-	1,033,065	2
2015	Yes	-	-	3,777,300	3
2016	Yes	-	-	4,591,379	7
2017	Yes	-	-	4,786,800	6
2018	Yes	-	182,235	4,949,047	4
2019	No	-	493,381	1,347,881	3
2020	No	425,680	582,556	1,008,236	3
2021	No	-	57,199	57,199	1
2022	No	-	-	-	0
2022 BIL GS	No	-	-	-	0
2022 BIL EC	No	-	-	-	0
2023	No	-	-	-	0
2023 BIL GS	No	-	-	-	0
		<b>\$ 425,680</b>	<b>\$ 1,315,371</b>	<b>\$59,604,203</b>	<b>83*</b>

\* Individual loans may have been awarded principal forgiveness from multiple grants.

Each of the municipalities has established a dedicated source of revenue for repayment of the loans. The dedicated sources of revenue are either an obligation of system revenues and ad valorem property taxes levied or, if not so pledged, a secured lien on the revenues of the water treatment system which is secured by a policy of municipal bond insurance or comparable security.

**KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
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**NOTES TO FINANCIAL STATEMENTS**

*Loans to Major Loan Participants* – The Fund has made loans to the following major loan participants. The aggregate outstanding loan balances for each of these participants exceeds five percent of total loans receivable. The combined outstanding loan balances for major loan participants consisted of the following as of June 30:

<b>Participant</b>	<b>2024</b>		<b>2023</b>	
	<b>Outstanding Principal Balance</b>	<b>Percent of Total Loans Receivable</b>	<b>Outstanding Principal Balance</b>	<b>Percent of Total Loans Receivable</b>
Johnson County	\$ 65,917,258	17.13%	\$ 11,021,526	3.91%
City of Liberal	34,191,371	8.88%	35,459,926	12.57%
City of Dodge City	30,013,291	7.80%	6,781,884	2.40%
City of Emporia	24,760,325	6.43%	26,040,296	9.23%
City of Hays	22,288,425	5.79%	23,626,969	8.37%
City of Manhattan	19,153,893	4.98%	21,228,649	7.52%

**4. LOAN RESERVE ACCOUNTS**

Loan reserve accounts for the City of Kansas City and Strother Field total \$28,085 and \$872,660 as of June 30, 2024 and 2023 respectively, with restricted cash earnings of \$739 and \$13,968 respectively. The balances are on deposit with the Treasurer.

**5. BONDS PAYABLE**

Outstanding revenue bonds for the Fund consisted of the following as of June 30:

	<b>2024</b>	<b>2023</b>
Series 2020SRF	\$ 8,705,000	\$ 17,855,000
Series 2022SRF	4,600,000	6,830,000
Total bonds payable	13,305,000	24,685,000
Current maturities	(3,920,000)	(11,380,000)
Unamortized net original issue premium	1,236,278	1,874,967
Current unamortized net original issue premium	(329,741)	(638,689)
Long-term revenue bonds payable, net	\$ 10,291,537	\$ 14,541,278

Revenue bond activity for the Fund consisted of the following as of June 30:

	<b>2024</b>	<b>2023</b>
Beginning Balance	\$ 24,685,000	\$ 34,905,000
Additions	-	-
Reductions	(11,380,000)	(10,220,000)
Ending Balance	13,305,000	24,685,000
Due Within One Year	(3,920,000)	(11,380,000)
Long-Term Liability	\$ 9,385,000	\$ 13,305,000

On February 27, 2020, the Series 2020SRF Revenue Bonds were issued in the original amount of \$68,730,000 for the Public Water Supply (PWS) and Water Pollution Control (WPC) programs. The WPC portion of the bonds was issued in the original amount of \$51,280,000 and consists of tax-exempt serial bonds totaling \$8,705,000 and \$17,855,000 as of June 30, 2024 and 2023 respectively. The bonds are due in annual principal

# **KANSAS WATER POLLUTION CONTROL REVOLVING FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

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## **NOTES TO FINANCIAL STATEMENTS**

payments ranging from \$970,000 to \$18,015,000 with the final payment due on May 1, 2030. The interest rate on the bonds is 5.00% and paid semi-annually beginning November 1, 2020. The proceeds, along with premium received on the bonds, provided \$3,500,000 of state match loan funds for the Program, \$54,151,914 of leveraging funds to refund the Series 2010SRF-1 and Series 2010SRF-2 bonds, and an amount required to pay costs of issuance. The Series 2020SRF Revenue Bonds are not subject to redemption prior to their stated maturity dates.

Series 2020SRF bond proceeds totaling \$54,151,914 and loan prepayments totaling \$30,153,086 were deposited into the Redemption Fund held by the Trustee and used to refund the remaining balances of the Series 2010SRF-1 and Series 2010SRF-2 bonds. This refunding was undertaken to reduce the total debt service payments, including interest, over the life of the debt by \$40,374,790. The refunding resulted in an economic gain (difference between the present value of the debt service payments of the refunded bonds and the refunding bonds) of \$8,457,284.

On March 31, 2022, the Series 2022SRF Revenue Bonds were issued in the original amount of \$18,000,000 for the Public Water Supply (PWS) and Water Pollution Control (WPC) programs. The WPC portion of the bonds was issued in the original amount of \$9,000,000, totaling \$4,600,000 and \$6,830,000 as of June 30, 2024 and 2023 respectively. The issuance was a private placement with PWS. The bonds are secured by interest revenue from pledged loans and other earnings as provided in the Master Financing Indenture. If an event of default occurs and is continuing, principal and interest accrued thereon shall become immediately due and payable if requested by the owner of the outstanding bonds. The bonds are due in annual principal payments ranging from \$2,170,000 to \$2,325,000 with the final payment due on May 1, 2026. The interest rate on the bonds is 2.050% and paid semi-annually beginning November 1, 2022. The proceeds provided \$9,000,000 of state match loan funds for the Program. The Series 2022SRF Revenue Bonds are subject to redemption and payment prior to maturity in whole or in part at any time at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the date of redemption.

The Master Financing Indenture provides for the establishment of funds in the custody of the Trustee in the name of the K DFA. As of June 30, 2024 and 2023, management believes the Fund was not in default of significant provisions of the Master Financing Indenture or the Supplemental Indentures.

The provisions of the Master Financing Indenture implement a limited cross-collateralization of certain monies that are part of the PWS and WPC programs. The Master Financing Indenture provides that, initially, 1) assets available from the Fund are to be applied to repayment of the debt service requirements designated as the WPC portion and 2) assets available from the Kansas Public Water Supply Loan Fund are to be applied to repayment of the debt service requirements designated as the PWS portion. Following such application of funds, 1) to the extent that assets available in the Fund are insufficient to pay debt service requirements on the WPC portion, assets remaining in the Kansas Public Water Supply Loan Fund are to be applied to such deficiency and 2) to the extent that assets available in the Kansas Public Water Supply Loan Fund are insufficient to pay debt service requirements on the PWS portion, assets remaining in the Fund are to be applied to such deficiency.

**KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**NOTES TO FINANCIAL STATEMENTS**

Aggregate revenue bond debt service requirements to maturity as of June 30, 2024 are as follows:

Year Ending June 30,	Water Pollution Control Portion			Public Water Supply Portion		
	Principal Amount Due	Interest Amount Due	Total	Principal Amount Due	Interest Amount Due	Total
2025	\$ 3,920,000	\$ 529,550	\$ 4,449,550	\$ 7,425,000	\$ 9,268,800	\$ 16,693,800
2026	3,295,000	400,662	3,695,662	9,185,000	8,964,662	18,149,662
2027	1,050,000	304,500	1,354,500	7,980,000	8,574,000	16,554,000
2028	1,175,000	252,000	1,427,000	8,285,000	8,175,000	16,460,000
2029	1,565,000	193,250	1,758,250	8,800,000	7,760,750	16,560,750
2030 - 2034	2,300,000	115,000	2,415,000	49,395,000	31,759,750	81,154,750
2035 - 2039	-	-	-	50,505,000	19,234,000	69,739,000
2040 - 2044	-	-	-	46,515,000	6,700,000	53,215,000
	<u>\$ 13,305,000</u>	<u>\$ 1,794,962</u>	<u>\$ 15,099,962</u>	<u>\$188,090,000</u>	<u>\$100,436,962</u>	<u>\$288,526,962</u>

Certain of the above bonds may be redeemed prior to maturity in accordance with related bond indentures.

The Fund's debt service payment in fiscal year 2024 was \$11,380,000 for principal and \$1,032,765 for interest. The Fund has cumulative principal payments totaling \$497,465,845 and cumulative interest payments totaling \$339,696,133.

**6. ARBITRAGE REBATE**

In accordance with Internal Revenue Code Section 148(f) relating to arbitrage restrictions on tax-exempt bonds, there is a rebate liability of \$102,247 and \$0 for the Series 2020SRF bonds as of June 30, 2024 and 2023 respectively. The Series 2022SRF bonds are taxable and not subject to arbitrage.

As of June 30, 2024 and 2023, the Fund had a restricted cash balance of \$0 for future arbitrage liabilities.

**7. YIELD ON BOND-FINANCED LOANS**

Bond-financed loans are purpose investments and qualify as "program investments" within the meaning of Regulations § 1.148-l(b). If the yield on bond-financed loans exceeds the bond yield by 1.5%, the bonds may become arbitrage bonds. The yield on the Series 2020SRF bonds is 0.95942%. Therefore, the yield on loans financed from the Series 2020SRF bonds, including loans financed from bonds refunded by the Series 2020SRF bonds, may not exceed 2.45942% (allowable yield).

The estimated yield on the bond-financed loans is calculated using actual and expected loan repayment cash flows over the life of the bonds. As of February 2024, the estimated yield on the bond-financed loans was 2.84468%, resulting in an estimated excess yield amount of \$898,765. Of this amount, \$364,267 is attributable to PWS loans and \$534,498 is attributable to WPC loans.

The accrued liability on the bond-financed loans is calculated using actual and expected loan repayment cash flows from the issuance date of the Series 2020SRF bonds through the end of the current fiscal year. As of February 2024, the accrued liability on the bond-financed loans was \$763,975. Of this amount, \$312,650 is attributable to PWS loans and \$451,325 is attributable to WPC loans.

Loan prepayments are generally expected to decrease the yield on the bond-financed loans. However, some factors may cause a prepayment to increase the yield on the bond-financed loans, such as a prepayment being made on a loan with a lower interest rate than the allowable yield. Since February 2024, one loan prepayment

**KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**NOTES TO FINANCIAL STATEMENTS**

has been received that affects the above calculations and one is scheduled. The estimated yield and accrued liability on the bond-financed loans will be recalculated annually to monitor the effect of loan prepayments.

From time to time, the Program may reduce or credit loan repayments to ensure compliance with program investment yield restrictions under federal tax law. The amount of such reductions or credits are expected to not exceed the estimated excess yield amount. The actual excess yield amount will be determined based on the Program's actual loan yield which will be influenced, perhaps substantially, by participant loan prepayments that the Program has historically experienced.

**8. FEDERAL CAPITALIZATION GRANTS**

Capitalization grants awarded by EPA as of June 30 are as follows:

	<b>2024</b>	<b>2023</b>
Prior Federal Capitalization Grant Awards	\$467,232,647	\$439,879,647
Less Draws for Loans	(449,910,892)	(427,423,471)
Less Draws for Program Administration	(12,466,568)	(12,112,137)
Available for Fiscal Year	4,855,187	344,039
2022 Federal Capitalization Grant Award - Base Appropriation	-	10,444,000
2022 Federal Capitalization Grant Award - BIL General Supplemental	-	16,065,000
2022 Federal Capitalization Grant Award - BIL Emerging Contaminants	-	844,000
2023 Federal Capitalization Grant Award - Base Appropriation	6,771,000	-
2023 Federal Capitalization Grant Award - BIL General Supplemental	18,815,000	-
Less Draws for Loans	(28,837,106)	(22,487,421)
Less Draws for Program Administration	(415,950)	(354,431)
Available to Draw	<u>\$ 1,188,131</u>	<u>\$ 4,855,187</u>

Capitalization grant balances as of June 30 are as follows:

	<b>2024</b>	<b>2023</b>
2022 Federal Capitalization Grant		
Base Appropriation	\$ -	\$ 323,500
BIL General Supplemental	-	3,687,687
BIL Emerging Contaminants	844,000	844,000
2023 Federal Capitalization Grants		
BIL General Supplemental	344,131	-
Available to Draw	<u>\$ 1,188,131</u>	<u>\$ 4,855,187</u>

As of June 30, 2024 and 2023, \$1,188,131 and \$4,855,187 respectively of the capitalization grants had not been drawn down. At fiscal year-end, grant revenue and the corresponding grant expense are recorded for administration costs incurred that will be paid with grant funds. As of June 30, 2024 and 2023, \$22,227 and \$19,643 respectively of grant revenue had been recorded as accruals but had not been drawn down from the grant.

**KANSAS WATER POLLUTION CONTROL REVOLVING FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**NOTES TO FINANCIAL STATEMENTS**

**9. CAPITAL ASSETS**

Capital assets are reported at actual or estimated historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capitalization policies, depreciation methods, and estimated useful lives of capital assets reported are as follows:

Asset Class	Capitalization Policy*	Depreciation Method	Estimated Useful Life
Land	\$100,000	Not applicable	Not applicable
Buildings and leasehold improvements	100,000	Straight line	40 years
Furnishings and equipment	5,000	Straight line	8 years
Automobiles	5,000	Straight line	5 years
Intangibles, software	250,000	Straight line	8 years
Intangibles, other	250,000	Straight line	50 years

\*Capital asset acquisitions below the capitalization policy are reported as expenditures at the time of purchase.

The depreciation method is straight line with no salvage value. Accumulated depreciation is calculated in total by class of assets by year using the one-half year convention in year of purchase.

Capital assets activity for the year ended June 30, 2024 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Vehicles	\$ 39,030	\$ 19,734	\$ -	\$ 58,764
Accumulated Depreciation	(3,903)	(9,779)	-	(13,682)
Capital Assets, net of accumulated depreciation	\$ 35,127	\$ 9,955	\$ -	\$ 45,082

As of June 30, 2024 and 2023, the Program had capital assets of \$45,082 and \$35,127 respectively, in terms of net book value.



**INDEPENDENT AUDITORS' 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**

Janet Stanek  
Secretary of the Kansas Department  
of Health and Environment  
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, the financial statements of the State of Kansas Water Pollution Control Revolving Fund (the Fund), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated September 11, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fund'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 a 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 that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund'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 the 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 and 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
September 11, 2024

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**APPENDIX D**  
**DRINKING WATER PROGRAM**

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ATTACHMENT I—FINANCIAL STATEMENTS FOR KANSAS PUBLIC WATER SUPPLY LOAN  
FUND (FOR THE YEARS ENDED JUNE 30, 2024 AND 2023)

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## **DRINKING WATER PROGRAM**

### **Authority for Drinking Water Program**

The Federal Safe Drinking Water Act authorizes the Environmental Protection Agency (“EPA”) to award capitalization grants for deposit into state revolving funds to provide financial assistance for constructing public water supply systems. The Kansas Legislature, in 1994, established the Drinking Water Revolving Fund pursuant to K.S.A. 65-163d *et seq.* (the “KPWS Act”). The Drinking Water Revolving Fund was created to implement the State’s participation under the Federal Safe Drinking Water Act. Under Kansas law, the Secretary of the Department of Health and Environment (“KDHE”) administers the program relating to the Drinking Water Revolving Fund (the “Drinking Water Program”). The federal government’s role is to oversee the operation of the Drinking Water Program to assure that the objectives of the Federal Safe Drinking Water Act are achieved. The Drinking Water Revolving Fund may be used to make low-interest loans, fund debt service reserves and provide other types of financial assistance to public entities.

### **Funding for Drinking Water Program**

The Drinking Water Program is funded by federal capitalization grants, state matching funds, leveraged bond proceeds and recycled loan funds. The state match funds are required by the Federal Safe Drinking Water Act to equal twenty percent (20%) of the federal capitalization grants, although appropriation statutes have reduced or eliminated the match requirement for specific grants. In the past, the state matching funds and leveraged bond proceeds were provided from proceeds of certain prior bonds deposited into funds and accounts under the Drinking Water Program, from a one-time statutory allocation of State moneys, and from certain fee collections. It is anticipated by KDHE that any future state matching funds will be provided by proceeds of the State Match Portion of the Bonds issued under the Indenture, including the Series 2024-State Match Portion or through service fee collections, and any future leveraged bond proceeds will be provided by proceeds of the Leveraged Portion of the Bonds issued under the Indenture, including the Series 2024-Leveraged Portion.

### **Financial Statements**

See Attachment I to this Appendix D for the audited financial statements for the Kansas Public Water Supply Loan Fund for the years ended June 30, 2024 and 2023, including the Independent Auditor’s Report of CliftonLarsonAllen LLP, Greenwood Village, Colorado.

### **DW Loans**

**Loan Agreements.** Certain terms of existing Loan Agreements for the Drinking Water Program are summarized below. KDHE currently anticipates that future loans will be made on similar terms, although there is no requirement to do so. See the caption “INVESTMENT CONSIDERATIONS—Terms of Loan Agreements” in the Official Statement.

The existing Drinking Water Program Loan Agreements provide that the Municipalities shall establish a dedicated source of revenues to secure the repayment of the Loans made under the KPWS Act (“DW Loans”). Such dedicated sources of revenue differ depending upon the particular jurisdiction and range from special assessment taxes to revenues of that Municipality’s utility system. The dedicated source of revenue for all DW Loans for each Municipality that has general taxing powers (except as described for the Kansas City Board of Public Utilities, City of Wichita and Leavenworth Waterworks Board below) is and will be (i) unlimited ad valorem property taxes levied in accordance with the KPWS Act or a policy of municipal bond insurance or comparable security issued by a provider whose obligations are rated at least

“aa” and (ii) with limited exceptions, a pledge of the revenues of the Municipality’s System (as defined in the Loan Agreement), which pledge may be subordinate to the pledge of such revenues to other System revenue obligations of such Municipality. The dedicated source of revenue for all DW Loans for a Municipality which does *not* have general taxing powers (e.g., rural water supply districts) shall be a lien on the revenues of a utility system (i) which shall be secured by a policy of municipal bond insurance or comparable security issued by a provider whose obligations are rated at least “aa” *or* (ii) for which such Municipality pledges to maintain either (A) a 140% debt service coverage ratio, or (B) a 125% debt service coverage ratio *and* a Loan Reserve Fund in an amount equal to 10 percent of the original principal amount of each Loan.

—The existing Loan Agreements for the Kansas City Board of Public Utilities provide that the dedicated source of revenue is the collection of rates, fees, and charges for use and services furnished by or through the utility. The lien on these System Revenues is junior and subordinate to the lien on System Revenues dedicated to the payment of Senior Revenue Obligations and Additional Revenue Obligations. The obligations of the Kansas City Board of Public Utilities to make payments under the Loan Agreements, however, are additionally secured by a policies of municipal bond insurance issued by either American Municipal Bond Assurance Corporation (“AMBAC”), Assured Guaranty Inc., formerly Assured Guaranty Municipal Corp., or Build America Mutual Assurance Company (“BAM”).

—The existing Loan Agreements for the City of Wichita provide that the dedicated source of revenue as all income and revenues derived and collected by the Municipality from the operation of the Utility, including investment and rental income, net proceeds from business interruption insurance and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of facilities to be applied during the period of determination to pay interest on Utility Indebtedness, but excluding non-cash contributions capital contributions, any profits or losses on the early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets. The obligations of the City of Wichita to make payments under the Loan Agreements are additionally secured by a policies of municipal bond insurance issued by Build America Mutual Assurance Company (“BAM”).

—The existing Loan Agreements for the Leavenworth Waterworks Board provide that the dedicated source of revenue is all revenues derived by the Municipality from the ownership and operation of the System (the System Revenues). The obligations of the Leavenworth Waterworks Board to make payments under the Loan Agreements, however, are additionally secured by a policies of municipal bond insurance issued by Build America Mutual Assurance Company (“BAM”).

Certain terms of additional existing Loan Agreements for DW Loans are summarized at the caption “*Existing DW Loans*” below.

***Municipalities.*** Reference is made to Appendix B to this Official Statement for information common to all participating Municipalities, including such matters as their authority to incur debt, utility rate regulations, budget and levy procedures, property valuations and property tax levies and collections.

***Existing DW Loans.*** As of June 30, 2024, KDHE has made loan commitments totaling \$900,556,738 pursuant to Loan Agreements for DW Loans that are Pledged Loans, with \$328,264,108 remaining to be disbursed on such DW Loans that are Pledged Loans. The outstanding principal balance of DW Loans that are Pledged Loans was \$439,404,876. Non-Pledged DW Loans total less than one percent of the outstanding principal balance of DW Loans as of June 30, 2024.

The following table lists those Municipalities which have executed a Loan Agreement with KDHE and have had a Pledged Loan funded, in whole or in part, the pledge for repayment, the Loan date and maturity date, the interest rate, the original Loan amount, the balance to be disbursed, including increases and decreases due to Loan Amendments, the outstanding principal amount and any Loan reserve funds, all as of June 30, 2024. Only Pledged Loans which are outstanding as of June 30, 2024 are included in the table.

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## Drinking Water Loans

Municipality	General Obligation or Revenue Pledge	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
Argonia	Rev/Gen Obligation	12/10/2012	02/01/2035	2.16%	\$ 2,002,059.58	\$ -	\$ 600,617.87	\$ 893,046.04	\$ -
Arkansas City	Rev/Gen Obligation	06/29/2023	08/01/2044	2.14%	602,695.00	602,695.00	-	-	-
Arlington	Rev/Gen Obligation	06/20/2007	08/01/2028	3.39%	526,728.52	-	-	151,070.47	-
Ashland	Rev/Gen Obligation	12/20/2018	02/01/2036	2.54%	418,420.50	-	-	338,382.49	-
Assaria	Rev/Gen Obligation	03/01/2019	02/01/2041	2.51%	419,321.41	-	-	368,469.48	-
Augusta	Rev/Gen Obligation	02/01/2021	02/01/2044	1.30%	1,221,000.00	624,542.88	-	596,457.12	-
Baldwin City	Rev/Gen Obligation	08/25/2016	08/01/2038	1.82%	1,816,457.34	-	-	1,380,659.45	-
Bartlett	Rev/Gen Obligation	10/13/2023	08/01/2025	2.26%	500,000.00	500,000.00	-	-	-
Barton County RWD #2	Revenue Pledge	09/18/2023	08/01/2043	2.21%	947,000.00	864,078.89	-	82,921.11	8,292.11
Bel Aire	Rev/Gen Obligation	12/06/2012	02/01/2034	2.16%	843,894.74	-	-	462,871.26	-
Belle Plaine	Rev/Gen Obligation	11/18/2022	08/01/2045	2.23%	2,733,235.00	2,733,235.00	-	-	-
Belleville	Rev/Gen Obligation	02/13/2021	08/01/2044	1.30%	4,901,376.00	876,402.59	-	4,024,973.41	-
Beloit	Rev/Gen Obligation	02/25/2020	02/01/2025	1.62%	11,404,000.00	10,424,630.84	-	979,369.16	-
Belpre	Rev/Gen Obligation	01/13/2023	02/01/2025	2.29%	500,000.00	438,361.40	61,638.60	-	-
Bird City	Rev/Gen Obligation	10/08/2012	02/01/2035	2.25%	435,997.89	-	-	215,543.50	-
Blue Rapids	Rev/Gen Obligation	10/08/2008	08/01/2031	3.79%	211,584.79	-	-	98,334.77	-
Bonner Springs	Rev/Gen Obligation	10/08/2012	02/01/2035	2.25%	880,026.30	-	-	528,768.04	-
Bonner Springs	Rev/Gen Obligation	06/01/2021	08/01/2054	1.61%	30,000,000.00	7,278,985.38	-	22,721,014.62	-
Bonner Springs	Rev/Gen Obligation	04/10/2023	02/01/2025	2.13%	2,500,000.00	301,764.75	2,044,640.25	153,595.00	-
Brewster	Rev/Gen Obligation	04/16/2019	02/01/2041	2.48%	384,330.27	-	115,299.08	236,625.71	-
Buhler	Rev/Gen Obligation	10/15/2009	02/01/2031	3.63%	1,330,171.92	-	332,542.98	397,978.57	-
Bunker Hill	Rev/Gen Obligation	07/07/2020	02/01/2025	1.43%	500,000.00	478,932.06	21,067.94	-	-
Bunker Hill	Rev/Gen Obligation	02/20/2023	02/01/2025	2.20%	2,610,000.00	2,586,285.82	22,651.68	1,062.50	-
Burr Oak	Rev/Gen Obligation	11/18/2022	02/01/2025	2.23%	968,000.00	682,630.00	-	285,370.00	-
Bushton	Rev/Gen Obligation	03/18/2022	08/01/2025	1.34%	900,000.00	491,268.80	-	408,731.20	-
Butler County RWD #6	Revenue Pledge	10/28/2015	08/01/2037	2.26%	1,480,755.48	-	-	1,150,451.01	148,075.55
Caldwell	Rev/Gen Obligation	01/04/2021	08/01/2043	1.33%	2,416,998.35	37,082.91	-	381,339.30	-
Cawker City	Rev/Gen Obligation	11/18/2022	08/01/2044	2.23%	679,250.00	371,069.98	-	308,180.02	-
Chanute	Rev/Gen Obligation	05/05/2011	08/01/2032	4.01%	112,638.60	-	50,687.37	32,185.01	-
Chanute	Rev/Gen Obligation	09/03/2013	08/01/2035	2.74%	424,000.00	-	-	268,853.78	-

<sup>(1)</sup> The gross rate includes a 0.35% annual administrative service fee payable to KDHE pursuant to the Loan Agreements. For loans with an effective date after May 31, 2018, the fee through the first 4 years of repayments is equal to the gross rate minus 0.35% and for the remaining repayment term the fee is 0.35%. The fee is not part of the revenues pledged to the payment of the Bonds under the Indenture.

<sup>(2)</sup> This is the amount of the Loan Agreement Commitment that has been forgiven pursuant to the requirements of the 2009 American Recovery and Reinvestment Act (ARRA), the Infrastructure Investment and Jobs Act (IIJA), and the 2010-2023 Capitalization Grants. For accounting purposes, the loan forgiveness is included in the Loan Agreement Commitment and Balance to be Disbursed until the loan forgiveness is awarded after amounts to be forgiven are disbursed.



## Drinking Water Loans

Municipality	General Obligation or Revenue Pledge	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
Chanute	Rev/Gen Obligation	10/04/2017	08/01/2039	2.13%	765,185.00	-	-	609,059.76	-
Cheney	Rev/Gen Obligation	10/08/2008	08/01/2029	3.79%	601,493.73	-	-	203,699.16	-
Cherokee County RWD #4	Revenue Pledge	06/01/2023	02/01/2055	2.49%	1,800,000.00	1,800,000.00	-	-	-
Coffeyville	Rev/Gen Obligation	10/06/2009	08/01/2030	3.63%	663,935.07	-	169,920.00	198,125.70	-
Coffeyville	Rev/Gen Obligation	04/01/2020	02/01/2045	1.50%	2,700,000.00	1,591,282.86	-	1,108,717.14	-
Collyer	Rev/Gen Obligation	03/02/2021	02/01/2025	1.30%	349,850.00	315,250.70	34,599.30	-	-
Conway Springs	Rev/Gen Obligation	12/03/2013	08/01/2037	2.79%	2,444,691.86	-	733,407.56	1,227,327.62	-
Coolidge	Rev/Gen Obligation	04/17/2023	02/01/2025	2.13%	500,000.00	415,156.00	84,354.00	490.00	-
Cottonwood Falls	Rev/Gen Obligation	10/01/2012	08/01/2034	2.25%	1,166,876.37	-	-	672,421.16	-
Cowley County RWD #3	Revenue Pledge	07/11/2014	08/01/2034	2.60%	1,294,188.85	-	-	850,972.95	129,418.89
Cowley County RWD #7	Revenue Pledge	10/06/2016	08/01/2027	1.72%	87,419.95	-	-	36,753.20	8,741.99
Cunningham	Rev/Gen Obligation	10/17/2018	02/01/2040	2.38%	300,000.00	-	-	248,117.31	-
Delphos	Rev/Gen Obligation	12/06/2011	08/01/2024	2.43%	83,592.50	-	33,437.00	2,805.76	-
Dickinson County RWD #2	Revenue Pledge	12/21/2011	02/01/2034	2.43%	1,037,723.51	-	-	656,820.38	103,772.35
Douglas County RWD #3	Revenue Pledge	08/15/2018	02/01/2039	2.33%	1,364,123.00	-	-	1,168,440.32	136,412.31
Douglass	Rev/Gen Obligation	04/03/2006	02/01/2027	3.53%	65,843.00	-	-	13,035.43	-
Douglass	Rev/Gen Obligation	09/28/2022	08/01/2044	2.02%	295,000.00	115,391.50	-	179,608.50	-
Downs	Rev/Gen Obligation	05/27/2004	02/01/2026	3.69%	436,872.65	-	-	59,373.34	-
Downs	Rev/Gen Obligation	12/20/2018	08/01/2040	2.54%	1,546,070.62	-	-	1,313,247.17	-
Edgerton	Rev/Gen Obligation	07/07/2016	08/01/2037	1.91%	247,773.33	-	-	177,225.74	-
Effingham	Rev/Gen Obligation	12/04/2006	08/01/2028	3.39%	740,812.69	-	-	218,429.01	-
Elkhart	Rev/Gen Obligation	02/01/2021	02/01/2044	1.30%	961,095.00	613,779.62	-	347,315.38	-
Ellis	Rev/Gen Obligation	11/05/2022	02/01/2055	2.60%	5,729,620.00	5,729,620.00	-	-	-
Emporia	Rev/Gen Obligation	09/03/2019	02/01/2046	2.01%	4,000,000.00	444,314.06	-	3,555,685.94	-
Emporia	Rev/Gen Obligation	02/17/2023	08/01/2045	2.20%	15,000,000.00	12,381,272.27	-	2,618,727.73	-
Esbon	Rev/Gen Obligation	03/24/2022	02/01/2025	1.34%	500,000.00	439,396.00	60,604.00	-	-
Esbon	Rev/Gen Obligation	02/20/2023	02/01/2025	2.20%	500,000.00	497,567.00	2,433.00	-	-
Eudora	Rev/Gen Obligation	05/10/2017	02/01/2039	2.33%	945,873.98	-	-	759,911.72	-
Fowler	Rev/Gen Obligation	02/20/2023	02/01/2026	2.20%	3,760,000.00	3,760,000.00	-	-	-
Franklin County RWD #5	Revenue Pledge	12/02/2014	02/01/2034	2.41%	573,323.94	-	-	255,147.60	57,332.39

<sup>(1)</sup> The gross rate includes a 0.35% annual administrative service fee payable to KDHE pursuant to the Loan Agreements. For loans with an effective date after May 31, 2018, the fee through the first 4 years of repayments is equal to the gross rate minus 0.35% and for the remaining repayment term the fee is 0.35%. The fee is not part of the revenues pledged to the payment of the Bonds under the Indenture.

<sup>(2)</sup> This is the amount of the Loan Agreement Commitment that has been forgiven pursuant to the requirements of the 2009 American Recovery and Reinvestment Act (ARRA), the Infrastructure Investment and Jobs Act (IIJA), and the 2010-2023 Capitalization Grants. For accounting purposes, the loan forgiveness is included in the Loan Agreement Commitment and Balance to be Disbursed until the loan forgiveness is awarded after amounts to be forgiven are disbursed.

## Drinking Water Loans

Municipality	General Obligation or Revenue Pledge	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
Frontenac	Rev/Gen Obligation	03/02/2020	02/01/2055	1.81%	12,034,822.00	11,437,783.44	-	597,038.56	-
Galena	Rev/Gen Obligation	09/11/2009	08/01/2030	3.77%	155,535.41	-	48,499.99	42,557.24	-
Galena	Rev/Gen Obligation	07/01/2015	08/01/2027	2.17%	487,616.00	47,135.83	-	123,928.09	-
Galena	Rev/Gen Obligation	04/17/2023	08/01/2054	2.49%	997,013.00	977,222.60	-	19,790.40	-
Garnett	Rev/Gen Obligation	02/11/2020	02/01/2046	1.62%	13,696,835.00	13,696,835.00	-	-	-
Geneseo	Rev/Gen Obligation	01/23/2012	08/01/2033	2.42%	343,511.48	-	17,526.44	161,270.06	-
Glen Elder	Rev/Gen Obligation	02/27/2007	02/01/2028	3.33%	139,896.34	-	-	35,812.06	-
Gove	Rev/Gen Obligation	02/10/2012	02/01/2034	2.34%	276,148.20	-	-	153,652.91	-
Gove	Rev/Gen Obligation	03/24/2022	02/01/2025	1.34%	375,000.00	167,652.35	207,347.65	-	-
Great Bend	Rev/Gen Obligation	10/25/2021	08/01/2043	1.27%	2,191,257.47	-	-	2,142,933.89	-
Haddam	Rev/Gen Obligation	01/13/2023	08/01/2025	2.29%	500,000.00	500,000.00	-	-	-
Herington	Rev/Gen Obligation	03/01/2004	08/01/2026	3.68%	1,222,806.46	-	-	205,389.30	-
Herington	Rev/Gen Obligation	11/06/2017	08/01/2024	2.14%	5,000,000.00	97,430.84	-	4,901,669.16	-
Highland	Rev/Gen Obligation	05/25/2021	08/01/2043	1.38%	3,438,264.53	264,789.65	598,320.00	-	-
Hillsboro	Rev/Gen Obligation	10/05/2004	02/01/2026	3.77%	146,351.73	-	-	20,018.61	-
Hillsboro	Rev/Gen Obligation	12/13/2017	08/01/2039	2.15%	2,582,726.33	-	-	2,039,033.20	-
Hillsboro	Rev/Gen Obligation	02/20/2023	02/01/2025	2.20%	1,100,000.00	965,520.07	128,129.93	6,350.00	-
Holyrood	Rev/Gen Obligation	02/03/2005	02/01/2026	3.58%	262,259.15	-	-	35,341.86	-
Humboldt	Rev/Gen Obligation	02/09/2022	02/01/2047	1.28%	12,987,895.00	12,361,919.32	-	625,975.68	-
Hutchinson	Rev/Gen Obligation	04/20/2023	08/01/2044	2.13%	1,205,000.00	1,205,000.00	-	-	-
Hutchinson	Rev/Gen Obligation	10/13/2023	08/01/2044	2.26%	350,000.00	350,000.00	-	-	-
Independence	Rev/Gen Obligation	08/15/2018	08/01/2043	2.33%	3,107,770.00	1,520,408.56	-	1,505,745.52	-
Independence	Rev/Gen Obligation	07/01/2021	02/01/2045	1.33%	3,776,894.00	2,851,427.16	-	925,466.84	-
Ingalls	Rev/Gen Obligation	09/30/2003	08/01/2024	3.78%	155,346.14	-	-	5,271.54	-
Isabel	Rev/Gen Obligation	04/20/2023	02/01/2025	2.13%	500,000.00	440,436.25	58,038.75	1,525.00	-
Jennings	Rev/Gen Obligation	03/25/2022	02/01/2025	1.34%	498,269.00	258,013.00	117,329.80	122,926.20	-
Jetmore	Rev/Gen Obligation	09/15/2023	02/01/2026	2.21%	1,176,160.00	1,176,160.00	-	-	-
Johnson County WD #1	Revenue Pledge	05/02/2023	02/01/2045	2.13%	1,828,870.00	920,051.58	-	908,818.42	90,881.84
Johnson County WD #1	Revenue Pledge	09/11/2023	08/01/2046	2.21%	36,770,423.00	34,954,823.00	-	1,815,600.00	181,560.00
Johnson County RWD #7	Revenue Pledge	05/08/2018	02/01/2044	2.31%	4,235,000.00	2,218,344.55	-	2,016,655.45	-

<sup>(1)</sup> The gross rate includes a 0.35% annual administrative service fee payable to KDHE pursuant to the Loan Agreements. For loans with an effective date after May 31, 2018, the fee through the first 4 years of repayments is equal to the gross rate minus 0.35% and for the remaining repayment term the fee is 0.35%. The fee is not part of the revenues pledged to the payment of the Bonds under the Indenture.

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## Drinking Water Loans

Municipality	General Obligation or Revenue Pledge	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
Johnson County RWD #7	Revenue Pledge	11/29/2021	08/01/2055	1.53%	4,000,000.00	549,295.76	-	3,450,704.24	-
Junction City	Rev/Gen Obligation	06/22/2009	08/01/2030	3.82%	406,516.29	-	99,872.00	104,227.32	-
Junction City	Rev/Gen Obligation	12/04/2015	08/01/2037	2.22%	9,382,427.43	-	-	5,454,367.85	-
Junction City	Rev/Gen Obligation	02/04/2021	02/01/2043	1.30%	15,000,000.00	1,073,185.16	-	13,151,783.61	-
Kansas City BPU	Revenue Pledge <sup>(3)</sup>	01/31/2003	08/01/2024	3.91%	12,308,750.00	-	-	421,780.46	-
Kansas City BPU	Revenue Pledge <sup>(3)</sup>	03/28/2003	08/01/2024	3.89%	5,118,465.29	-	-	176,458.88	-
Kansas City BPU	Revenue Pledge <sup>(3)</sup>	01/07/2005	02/01/2027	3.60%	9,000,000.00	-	-	1,784,955.08	-
Kansas City BPU	Revenue Pledge <sup>(4)</sup>	03/07/2012	08/01/2033	2.27%	12,230,500.00	-	-	6,467,265.47	-
Kansas City BPU	Revenue Pledge <sup>(4)</sup>	07/09/2014	02/01/2036	2.60%	13,000,000.00	-	-	8,260,320.75	-
Kansas City BPU	Revenue Pledge <sup>(5)</sup>	08/23/2021	02/01/2054	1.50%	39,500,000.00	25,108,175.52	-	14,391,824.48	-
Kensington	Rev/Gen Obligation	07/07/2016	02/01/2038	1.91%	438,478.65	-	131,543.60	225,975.64	-
Kinsley	Rev/Gen Obligation	12/05/2011	08/01/2033	2.43%	703,063.97	-	-	356,456.84	-
Kirwin	Rev/Gen Obligation	09/11/2009	02/01/2031	3.77%	218,996.43	-	56,675.20	69,927.82	-
Lawrence	Rev/Gen Obligation	05/05/2023	02/01/2025	2.13%	500,000.00	476,422.63	-	23,577.37	-
Leavenworth County RWD #9	Revenue Pledge	11/09/2023	08/01/2053	2.75%	2,300,000.00	2,300,000.00	-	-	-
Leavenworth County RWD #10	Revenue Pledge	08/16/2022	02/01/2042	2.01%	444,362.00	192,561.90	-	251,800.10	25,180.01
Leavenworth Waterworks Board	Revenue Pledge <sup>(5)</sup>	01/11/2019	02/01/2041	2.38%	6,867,193.03	-	-	5,996,939.33	-
Leavenworth Waterworks Board	Revenue Pledge <sup>(5)</sup>	03/10/2022	08/01/2043	1.34%	7,000,000.00	6,462,752.54	-	337,309.14	-
Lebo	Rev/Gen Obligation	12/10/2012	08/01/2034	2.16%	409,863.64	-	-	236,974.78	-
Lenora	Rev/Gen Obligation	01/13/2023	02/01/2045	2.29%	1,249,960.00	1,249,960.00	-	-	-
Leon	Rev/Gen Obligation	11/05/2021	08/01/2044	1.31%	650,000.00	142,604.56	-	507,395.44	-
Liberal	Rev/Gen Obligation	04/26/2022	08/01/2044	1.45%	4,068,038.00	4,068,038.00	-	-	-
Liebenthal	Rev/Gen Obligation	01/09/2012	08/01/2033	2.42%	75,059.50	-	22,517.85	28,106.55	-
Lincoln	Rev/Gen Obligation	10/28/2020	08/01/2042	1.29%	1,105,961.00	-	-	1,031,412.86	-
Little River	Rev/Gen Obligation	10/22/2007	02/01/2031	3.67%	507,393.98	-	-	215,408.29	-
Lucas	Rev/Gen Obligation	04/25/2022	08/01/2044	1.45%	1,082,861.00	357,386.73	-	725,474.27	-
Lyons	Rev/Gen Obligation	12/06/2011	02/01/2033	2.43%	4,046,167.98	-	1,618,467.19	996,981.35	-
Mahaska	Rev/Gen Obligation	03/21/2022	02/01/2045	1.34%	800,000.00	757,000.00	-	43,000.00	-

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<sup>(3)</sup> Loan repayments are guaranteed by an insurance policy from AMBAC.

<sup>(4)</sup> Loan repayments are guaranteed by an insurance policy from Assured Guaranty Inc., formerly Assured Guaranty Municipal Corp.

<sup>(5)</sup> Loan repayments are guaranteed by an insurance policy from Build America Mutual Assurance Company (BAM).

## Drinking Water Loans

Municipality	General Obligation or Revenue Pledge	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
Manhattan	Rev/Gen Obligation	11/15/2007	02/01/2032	3.63%	17,975,861.36	-	-	8,741,833.57	-
Manhattan	Rev/Gen Obligation	09/10/2011	08/01/2033	2.62%	506,898.65	-	126,724.66	203,135.08	-
Manhattan	Rev/Gen Obligation	12/21/2011	02/01/2025	2.43%	2,480,865.14	-	992,346.06	161,546.61	-
Manhattan	Rev/Gen Obligation	02/22/2016	08/01/2038	2.13%	4,528,588.75	-	-	3,457,868.35	-
Manhattan	Rev/Gen Obligation	10/25/2021	08/01/2044	1.27%	3,500,000.00	3,500,000.00	-	-	-
Marion	Rev/Gen Obligation	12/24/2019	02/01/2042	1.66%	2,930,903.25	-	-	2,679,470.93	-
Marion County Imp. Dist. #2	Revenue Pledge	05/13/2009	08/01/2029	3.91%	526,799.10	-	-	249,374.48	52,679.91
Marshall County RWD #3	Revenue Pledge	10/29/2012	08/01/2029	2.25%	302,695.01	-	-	59,944.79	30,269.50
Marysville	Rev/Gen Obligation	01/09/2012	02/01/2033	2.42%	547,952.34	-	-	261,171.99	-
McCracken	Rev/Gen Obligation	08/26/2014	08/01/2037	2.59%	139,375.71	-	-	66,771.52	-
McPherson	Rev/Gen Obligation	04/10/2023	02/01/2025	2.13%	3,000,000.00	77,720.80	2,922,279.20	-	-
McPherson County RWD #1	Revenue Pledge	03/22/2022	02/01/2041	1.34%	967,650.00	346,570.99	-	621,079.01	62,107.90
McPherson County RWD #1	Revenue Pledge	04/20/2023	02/01/2025	2.13%	500,000.00	468,868.24	3,006.00	28,125.76	-
Miami County RWD #2	Revenue Pledge	10/28/2020	08/01/2052	1.51%	36,265,903.00	17,996,730.74	-	18,269,172.26	1,826,917.21
Moran	Rev/Gen Obligation	09/24/2007	08/01/2028	3.69%	234,663.93	-	-	65,439.07	-
Moran	Rev/Gen Obligation	11/18/2021	08/01/2044	1.31%	473,000.00	178,461.65	-	294,538.35	-
Moscow	Rev/Gen Obligation	11/18/2022	02/01/2055	2.60%	448,755.00	448,755.00	-	-	-
Nemaha County RWD #3	Revenue Pledge	01/05/2015	02/01/2035	2.31%	794,983.72	-	-	536,937.72	79,498.37
Ness City	Rev/Gen Obligation	11/18/2004	08/01/2026	3.66%	1,101,802.90	-	-	29,735.01	-
Ness City	Rev/Gen Obligation	11/09/2023	02/01/2027	2.36%	2,864,050.00	2,864,050.00	-	-	-
Newton	Rev/Gen Obligation	05/15/2007	08/01/2029	3.37%	1,749,682.51	-	-	595,605.52	-
Newton	Rev/Gen Obligation	09/08/2008	02/01/2029	3.75%	651,532.52	-	-	196,784.30	-
Newton	Rev/Gen Obligation	09/08/2021	08/01/2043	1.26%	8,347,473.00	4,551,719.88	-	3,572,490.80	-
Nickerson	Rev/Gen Obligation	06/20/2007	08/01/2028	3.39%	332,288.61	-	-	95,297.82	-
Norwich	Rev/Gen Obligation	03/05/2015	08/01/2036	2.13%	2,071,327.47	-	621,398.24	959,512.05	-
Oketo	Rev/Gen Obligation	03/01/2021	02/01/2025	1.30%	500,000.00	447,836.00	52,164.00	-	-
Oketo	Rev/Gen Obligation	04/24/2023	02/01/2025	2.13%	500,000.00	500,000.00	-	-	-
Olathe	Rev/Gen Obligation	11/20/2006	08/01/2028	3.46%	16,876,745.14	-	-	5,335,430.87	-
Olathe	Rev/Gen Obligation	11/27/2023	02/01/2045	2.36%	2,313,585.00	2,313,585.00	-	-	-
Olmitz	Rev/Gen Obligation	02/20/2023	02/01/2025	2.20%	500,000.00	476,977.01	23,022.99	-	-

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Onaga	Rev/Gen Obligation	04/20/2023	02/01/2044	2.13%	295,000.00	10,048.00	85,485.60	199,466.40	-
Osage County RWD #7	Revenue Pledge	08/09/2013	02/01/2033	2.74%	829,278.28	-	203,662.39	387,574.68	82,927.83
Osborne County RWD #1A	Revenue Pledge	03/25/2022	02/01/2025	1.34%	500,000.00	236,396.84	263,603.16	-	-
Osborne County RWD #2	Revenue Pledge	02/11/2020	02/01/2025	1.62%	500,000.00	2,491.18	497,508.82	-	-
Ottawa County RWD #2	Revenue Pledge	07/30/2014	08/01/2034	2.60%	916,056.33	-	-	597,604.94	91,605.63
Ottawa County RWD #2	Revenue Pledge	07/07/2016	02/01/2036	1.91%	196,546.43	-	58,963.93	101,118.66	19,654.64
Ottawa County RWD #2	Revenue Pledge	05/27/2021	08/01/2042	1.38%	1,000,000.00	-	-	1,000,000.00	100,000.00
Overbrook	Rev/Gen Obligation	04/09/2020	02/01/2042	1.50%	6,320,289.25	-	-	120,889.25	-
Palco	Rev/Gen Obligation	04/17/2023	08/01/2055	2.49%	2,118,353.00	1,980,154.45	-	138,198.55	-
Paradise	Rev/Gen Obligation	07/13/2023	08/01/2025	2.14%	450,000.00	450,000.00	-	-	-
Park	Rev/Gen Obligation	03/28/2022	02/01/2025	1.34%	500,000.00	460,410.26	39,589.74	-	-
Park	Rev/Gen Obligation	11/21/2022	02/01/2025	2.23%	450,000.00	426,936.94	23,063.06	-	-
Parsons	Rev/Gen Obligation	09/15/2023	08/01/2044	2.21%	324,156.00	51,894.44	-	272,261.56	-
Paxico	Rev/Gen Obligation	02/12/2021	02/01/2043	1.30%	302,297.04	-	90,689.11	202,279.07	-
Peabody	Rev/Gen Obligation	01/13/2023	08/01/2025	2.29%	6,000,000.00	6,000,000.00	-	-	-
Perry	Rev/Gen Obligation	10/13/2023	08/01/2025	2.26%	1,784,294.00	1,755,093.00	-	29,201.00	-
Phillipsburg	Rev/Gen Obligation	12/20/2018	02/01/2042	2.54%	583,037.73	-	138,250.00	406,777.52	-
Phillipsburg	Rev/Gen Obligation	01/06/2020	08/01/2030	1.65%	535,329.00	-	-	351,840.72	-
Pittsburg	Rev/Gen Obligation	08/29/2013	02/01/2035	2.49%	554,592.15	-	-	338,455.92	-
Plainville	Rev/Gen Obligation	03/25/2024	02/01/2046	2.05%	3,300,000.00	3,300,000.00	-	-	-
Portis	Rev/Gen Obligation	12/24/2019	08/01/2024	1.66%	445,000.00	4,237.00	440,763.00	-	-
Portis	Rev/Gen Obligation	03/29/2022	02/01/2025	1.34%	500,000.00	455,560.00	35,407.96	9,032.04	-
Portis	Rev/Gen Obligation	07/13/2023	08/01/2025	2.14%	500,000.00	500,000.00	-	-	-
Potwin	Rev/Gen Obligation	10/11/2004	08/01/2025	3.77%	145,000.00	-	-	15,013.26	-
Pratt	Rev/Gen Obligation	12/22/2008	02/01/2030	4.17%	720,792.64	-	-	242,620.30	-
Pratt	Rev/Gen Obligation	05/08/2018	02/01/2041	2.31%	1,912,838.06	-	573,851.42	1,176,179.30	-
Pretty Prairie	Rev/Gen Obligation	11/15/2016	08/01/2038	1.81%	2,275,507.63	-	492,595.47	1,330,370.75	-
Public Wholesale WSD #4	Revenue Pledge	11/26/2012	02/01/2034	2.23%	1,341,126.09	-	-	842,144.58	134,112.61
Ransom	Rev/Gen Obligation	09/01/2004	08/01/2026	3.90%	853,670.00	-	-	145,733.89	-
Republic	Rev/Gen Obligation	02/20/2023	02/01/2025	2.20%	500,000.00	462,871.60	37,128.40	-	-

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Rolla	Rev/Gen Obligation	12/04/2007	08/01/2030	3.57%	241,577.44	-	-	97,581.82	-
Russell	Rev/Gen Obligation	01/09/2012	02/01/2033	2.42%	350,098.75	-	-	172,550.09	-
Russell	Rev/Gen Obligation	11/08/2012	08/01/2034	2.23%	1,223,634.74	-	-	701,223.72	-
Russell	Rev/Gen Obligation	02/25/2021	08/01/2043	1.30%	4,570,000.00	469,623.26	-	3,994,107.62	-
Russell County RWD #3	Revenue Pledge	04/24/2023	08/01/2042	2.13%	900,000.00	900,000.00	-	-	-
Russell County RWD #4	Revenue Pledge	04/24/2023	02/01/2026	2.13%	500,000.00	500,000.00	-	-	-
Sabetha	Rev/Gen Obligation	07/18/2019	08/01/2041	2.19%	1,886,447.11	-	-	1,691,055.01	-
Saint George	Rev/Gen Obligation	07/25/2003	02/01/2025	3.59%	491,955.58	-	-	33,621.51	-
Saint George	Rev/Gen Obligation	01/14/2019	02/01/2040	2.55%	1,375,969.78	-	-	1,124,792.96	-
Saint John	Rev/Gen Obligation	01/30/2012	08/01/2033	2.42%	2,744,597.90	-	823,379.37	620,082.41	-
Saint Marys	Rev/Gen Obligation	02/13/2008	02/01/2029	3.51%	546,672.55	-	-	174,052.53	-
Salina	Rev/Gen Obligation	01/11/2013	08/01/2034	2.12%	8,562,910.62	-	-	4,696,121.90	-
Salina	Rev/Gen Obligation	08/15/2018	02/01/2040	2.33%	32,000,000.00	-	-	26,412,480.83	-
Salina	Rev/Gen Obligation	07/02/2018	02/01/2040	2.33%	4,250,000.00	233,179.02	-	3,264,986.55	-
Salina	Rev/Gen Obligation	07/07/2020	08/01/2041	1.43%	4,250,000.00	246,374.58	-	3,486,358.92	-
Salina	Rev/Gen Obligation	05/05/2023	02/01/2025	2.13%	250,000.00	250,000.00	-	-	-
Saline County RWD #3	Revenue Pledge	04/11/2023	02/01/2043	2.13%	222,556.00	222,556.00	-	-	-
Saline County RWD #4	Revenue Pledge	03/01/2019	02/01/2039	2.51%	541,086.00	-	-	463,908.37	54,108.60
Saline County RWD #8	Revenue Pledge	04/17/2023	02/01/2043	2.13%	199,427.00	199,427.00	-	-	-
Sawyer	Rev/Gen Obligation	04/25/2023	02/01/2025	2.13%	500,000.00	374,012.11	95,508.89	30,479.00	-
Scott City	Rev/Gen Obligation	07/26/2021	02/01/2045	1.33%	7,500,000.00	5,714,263.41	-	1,785,736.59	-
Sedgwick County RWD #2	Revenue Pledge	09/10/2012	08/01/2032	2.29%	360,935.71	-	43,676.06	176,589.40	36,093.57
Sedgwick County RWD #3	Revenue Pledge	06/11/2021	08/01/2042	1.38%	1,637,317.71	-	-	1,637,317.71	163,731.77
Smith Center	Rev/Gen Obligation	12/10/2012	08/01/2035	2.16%	3,274,702.54	-	-	2,052,401.84	-
Smith County RWD #1	Revenue Pledge	11/21/2022	02/01/2043	2.23%	1,472,901.00	548,418.59	-	924,482.41	92,448.24
Solomon	Rev/Gen Obligation	03/02/2020	08/01/2045	1.55%	1,391,452.00	1,234,265.76	-	157,186.24	-
Stockton	Rev/Gen Obligation	05/23/2018	08/01/2039	2.31%	980,000.00	-	-	796,413.47	-
Timken	Rev/Gen Obligation	03/22/2022	02/01/2025	1.34%	308,400.00	82,452.31	225,947.69	-	-
Toronto	Rev/Gen Obligation	02/10/2021	08/01/2025	1.30%	1,090,000.00	-	-	1,089,900.00	-
Troy	Rev/Gen Obligation	02/08/2021	08/01/2044	1.30%	367,918.00	367,918.00	-	-	-

<sup>(1)</sup> The gross rate includes a 0.35% annual administrative service fee payable to KDHE pursuant to the Loan Agreements. For loans with an effective date after May 31, 2018, the fee through the first 4 years of repayments is equal to the gross rate minus 0.35% and for the remaining repayment term the fee is 0.35%. The fee is not part of the revenues pledged to the payment of the Bonds under the Indenture.

<sup>(2)</sup> This is the amount of the Loan Agreement Commitment that has been forgiven pursuant to the requirements of the 2009 American Recovery and Reinvestment Act (ARRA), the Infrastructure Investment and Jobs Act (IIJA), and the 2010-2023 Capitalization Grants. For accounting purposes, the loan forgiveness is included in the Loan Agreement Commitment and Balance to be Disbursed until the loan forgiveness is awarded after amounts to be forgiven are disbursed.

## Drinking Water Loans

Municipality	General Obligation or Revenue Pledge	Effective Date of Loan Agreement	Loan Maturity	Gross Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed	Loan Forgiveness <sup>(2)</sup>	Principal Amount of Loan Outstanding	Loan Reserve Balance
Ulysses	Rev/Gen Obligation	03/06/2015	02/01/2036	2.13%	2,102,231.16	-	-	1,318,497.31	-
Vermillion	Rev/Gen Obligation	04/25/2023	02/01/2025	2.13%	3,000,000.00	2,712,350.00	287,650.00	-	-
Wamego	Rev/Gen Obligation	04/01/2021	08/01/2043	1.36%	1,453,193.50	306,119.91	-	1,108,879.32	-
Wellington	Rev/Gen Obligation	11/18/2021	02/01/2044	1.31%	634,706.00	147,751.91	-	486,954.09	-
White City	Rev/Gen Obligation	12/15/2005	02/01/2027	3.55%	599,776.81	-	-	116,375.71	-
White Cloud	Rev/Gen Obligation	12/10/2012	02/01/2035	2.16%	229,821.93	-	-	135,899.37	-
Wichita	Revenue Pledge <sup>(3)</sup>	06/22/2020	02/01/2045	1.48%	55,000,000.00	-	-	55,000,000.00	-
Wichita	Revenue Pledge <sup>(3)</sup>	03/01/2022	02/01/2045	1.34%	60,000,000.00	-	-	60,000,000.00	-
Wichita	Revenue Pledge <sup>(3)</sup>	02/17/2023	02/01/2045	2.20%	76,000,000.00	-	1,000,000.00	75,000,000.00	-
Wichita	Revenue Pledge <sup>(3)</sup>	03/07/2024	02/01/2045	2.05%	76,342,000.00	76,342,000.00	-	-	-
Wilson	Rev/Gen Obligation	11/14/2007	09/30/2024	3.63%	351,275.34	-	-	17,881.56	-
Winfield	Rev/Gen Obligation	06/29/2023	08/01/2044	2.14%	602,695.00	602,695.00	-	-	-
Yates Center	Rev/Gen Obligation	06/22/2009	08/01/2030	3.82%	576,897.24	-	139,840.00	178,020.95	-
					<b>\$ 900,556,738.32</b>	<b>\$ 328,264,108.19</b>	<b>\$ 17,809,674.25</b>	<b>\$ 439,404,876.41</b>	<b>\$ 3,715,823.22</b>

<sup>(1)</sup> The gross rate includes a 0.35% annual administrative service fee payable to KDHE pursuant to the Loan Agreements. For loans with an effective date after May 31, 2018, the fee through the first 4 years of repayments is equal to the gross rate minus 0.35% and for the remaining repayment term the fee is 0.35%. The fee is not part of the revenues pledged to the payment of the Bonds under the Indenture.

<sup>(2)</sup> This is the amount of the Loan Agreement Commitment that has been forgiven pursuant to the requirements of the 2009 American Recovery and Reinvestment Act (ARRA), the Infrastructure Investment and Jobs Act (IIJA), and the 2010-2023 Capitalization Grants. For accounting purposes, the loan forgiveness is included in the Loan Agreement Commitment and Balance to be Disbursed until the loan forgiveness is awarded after amounts to be forgiven are disbursed.

## Potential Future Loans

The following table, derived from KDHE’s project priority list for the KDHE program year beginning July 1, 2024, lists the Municipalities which KDHE anticipates may enter into Loan Agreements for potential future Loans from the Drinking Water Program, including Loans already executed and expected to be executed prior to or shortly after the issuance of the Series 2024 Bonds. No assurance can be given that all such Municipalities will actually execute Loan Agreements.

Municipality	Potential Loan Amount
Alton*	\$ 900,000.00
Burden**	2,648,855.00
Copeland	314,536.00
Elgin**	197,407.00
Franklin Co RWD#4*	2,300,000.00
Geary Co. Water District #2	2,445,986.00
Humboldt*	150,000.00
Hutchinson*	1,200,000.00
Kirwin*	900,000.00
Leon*	2,300,000.00
Logan**	1,970,000.00
Mankato*	6,182,247.00
McDonald*	900,000.00
McPherson Co RWD #1*	900,000.00
Oakley	6,860,886.00
Olmitz	900,000.00
Osawatomie	38,324,560.00
Osborne	6,794,800.00
Ottawa Co RWD#2	1,200,000.00
Ottawa Co. RWD #1	900,000.00
Park	900,000.00
Parsons	2,900,000.00
Pratt*	3,000,000.00
Rantoul	1,500,000.00
Riley Co RWD#1	3,289,245.00
Rush County RWD #1	900,000.00
Sedgwick Co RWD#2**	1,983,500.00
Seneca*	3,850,000.00
Smith Center*	3,800,000.00
Stafford	284,900.00
Sylvia**	1,821,742.00
Tescott	908,500.00
Valley Center*	19,000,000.00
Washington Co RWD#2	<u>550,000.00</u>
TOTAL	<u>\$122,977,164.00</u>

\* Loan has been written and is expected to be executed prior to or shortly after issuance of the Series 2024 Bonds.

\*\* Loan has been executed since July 1, 2024.



**ATTACHMENT I  
TO  
APPENDIX D**

**FINANCIAL STATEMENTS  
FOR  
KANSAS PUBLIC WATER SUPPLY LOAN FUND  
(FOR THE YEARS ENDED JUNE 30, 2024 AND 2023)**

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**KANSAS PUBLIC WATER SUPPLY LOAN FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

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**KANSAS PUBLIC WATER SUPPLY LOAN FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

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## INDEPENDENT AUDITORS' REPORT

Janet Stanek  
Secretary of the Kansas Department  
of Health and Environment  
Topeka, Kansas

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of the Kansas Public Water Supply Loan Fund (the Fund), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund, as of June 30, 2024 and 2023, and the changes in financial position and 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund 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.

#### ***Emphasis of Matter***

As discussed in Note 1, Organization and Summary of Accounting Policies, the financial statements of the Fund are intended to present the financial position, changes in financial position and cash flows of only that portion of the financial reporting entity of the Fund that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the State of Kansas as of June 30, 2024, and 2023 and the changes in its financial position and its cash flows for the years then ended, in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***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.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 the Fund'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.

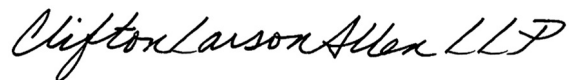
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as 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 audits 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2024, on our consideration of the Fund'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 Fund'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 the Fund's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
September 11, 2024

**KANSAS PUBLIC WATER SUPPLY LOAN FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Kansas Public Water Supply Loan Fund (the Fund or Program) provides financial assistance to Kansas municipalities in the form of loans for the construction of public water supply system infrastructure. The Fund is comprised of federal capitalization grants, proceeds of revenue bonds issued to provide required state-matching monies, proceeds of revenue bonds issued to leverage the Program, and recycled monies. This section of the financial report presents a narrative overview and analyzes the financial activities for the years ended June 30, 2024 and 2023. This information is intended to be considered in conjunction with the Fund’s financial statements and Notes to the Financial Statements which follow this section.

**HIGHLIGHTS**

The fiscal year ending June 30, 2024 was the Fund’s twenty-seventh year of operations. During the fiscal year, the Fund continued to grow and serve Kansas communities as shown below:

- ❑ The following capitalization grants were awarded:

FFY 2023 Base Appropriation	\$5,461,600
FFY 2023 Bipartisan Infrastructure Law (BIL)	
General Supplemental	\$23,482,000
Emerging Contaminants	\$8,521,000

The FFY 2021 capitalization grant was amended, increasing the amount available for loans by \$116,000.

- ❑ Capitalization grant dollars drawn down:

Loans	\$32,884,150
Program Administration	\$864,904
Other Set-Asides	<u>\$1,790,620</u>
Total	\$35,539,674

- ❑ No bonds were issued.

- ❑ Available for loan disbursements:

Program Equity	\$12,288,317
General	\$75,394,651
Capitalization Grants	\$42,341,342
State Match	\$0
Leveraged	<u>\$0</u>
Total	\$130,024,310

- ❑ Loan agreements, total: 450 loans totaling \$1,390,032,446 of which \$1,061,768,338 has been disbursed

- ❑ Loan agreements, FY 2024:

New Loans	25 totaling	\$147,110,928
Amendments	7 increases totaling	\$1,987,806
	4 decreases totaling	<u>(\$253,791)</u>
Total		\$148,844,943

- ❑ Disbursements for project costs, FY 2024: \$138,314,537

- ❑ Average monthly disbursements, FY 2024: \$11,526,211

- ❑ Average monthly disbursements, program-to-date: \$3,349,427

- ❑ Completed projects: 9 totaling \$8,657,579

- ❑ Revenue bond debt service paid:

Principal	\$8,685,000
Interest	<u>\$9,637,265</u>
Total	\$18,322,265



**KANSAS PUBLIC WATER SUPPLY LOAN FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**USING THIS ANNUAL FINANCIAL REPORT**

The Fund is reported as an enterprise fund of the State of Kansas. The Fund is a special purpose government entity engaged only in the business type activity of providing loans to other governmental entities. Staff prepare three basic financial statements, Notes to the Financial Statements, and this Management's Discussion and Analysis (MD&A). The basic financial statements of the Fund are intended to present the financial position, changes in financial position, and cash flows of only the Fund. They do not purport to present the financial position, changes in financial position, or cash flows of the State of Kansas.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Fund's financial statements and accompanying Notes to the Financial Statements. These statements are prepared using the accrual basis of accounting. The financial statements include the following three statements:

- ❑ The *Statements of Net Position* present information on all the Fund's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. Assets consist of cash and cash equivalents, investments of idle funds, loan receivables, interest receivable from loans and investments, and capital assets. Liabilities include revenue bonds, bond interest payable, arbitrage rebate payable, and loan reserve accounts. Net position includes the capitalization grants earned for loan projects and the excess earnings of the Fund's operations since inception. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Fund is improving or weakening.
- ❑ The *Statements of Revenues, Expenses, and Change in Net Position* present information showing how the Fund's net position changed during the two most recent fiscal years. As the statements are prepared on the accrual basis of accounting, all changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Therefore, some revenues and expenses reported in the statement will result in cash flows in future fiscal years.
- ❑ The *Statements of Cash Flows* present the inflows and outflows of the Fund's cash and cash equivalents by the defined categories of operating activities, noncapital financing activities, and investing activities. These statements provide information about the Fund's cash receipts and payments during the year.

The *Notes to the Financial Statements* are an integral part of the financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes immediately follow the financial statements.

**KANSAS PUBLIC WATER SUPPLY LOAN FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NET POSITION**

The Statements of Net Position demonstrate that the net position of the Fund has continued to increase.

<b>Net Position</b>			
	2024	2023	2022
Current assets	\$121,064,537	\$192,531,518	\$ 96,664,532
Noncurrent assets, excluding capital assets	423,963,046	330,502,869	220,771,840
Capital assets	54,454	47,177	14,728
Total assets	545,082,037	523,081,564	317,451,100
Current liabilities	12,882,632	13,889,402	7,651,927
Noncurrent liabilities	212,356,374	220,795,342	50,433,918
Total liabilities	225,239,006	234,684,744	58,085,845
Net investment in capital assets	54,454	47,177	14,728
Restricted net assets	319,788,577	288,349,643	259,350,527
Total net position	\$319,843,031	\$288,396,820	\$259,365,255

In fiscal year 2024 the net position of the Fund continued to strengthen, increasing by \$31.4 million (10.9%). This compares to an increase of \$29.0 million (11.2%) the previous year. The total net position consists of capital assets and restricted net assets.

The increase in total assets for the year ended June 30, 2024 of \$22.0 million was due mainly to an increase in loans receivable. The increase in loans receivable of \$103.2 million was offset by a decrease in cash, cash equivalents, and investments of \$82.2 million. Loan disbursements this fiscal year were \$138.3 million, while loan repayments were \$14.5 million and loan prepayments were \$12.2 million. Loan principal forgiveness totaling \$8.4 million was also awarded. In addition, there was a combined increase in loan interest, loan service fees, and other receivables of \$1.2 million and a decrease in investment interest receivable of \$0.2 million.

The increase in total assets for the year ended June 30, 2023 of \$205.6 million was due mainly to an increase in loans receivable of \$107.7 million. Loan disbursements this fiscal year were \$123.5 million, while loan repayments were \$14.5 million. No loan prepayments were received. Loan principal forgiveness totaling \$1.3 million was also awarded. In addition, there was an increase in cash, cash equivalents, and investments of \$96.9 million. There was a combined increase in investment interest, loan interest, loan service fees, and other receivables of \$1.0 million. The increases in cash equivalents, investments, and loans receivable were due mainly to grants received for loans under the Bipartisan Infrastructure Law (BIL) and the issuance of the Series 2023SRF Revenue Bonds.

The decrease in total liabilities for the year ended June 30, 2024 of \$9.4 million was due mainly to a decrease in revenue bonds of \$11.8 million. Bond principal paid this fiscal year was \$8.7 million and bond premium amortized was \$3.1 million. No bond proceeds were received. In addition, there was an increase in loan reserve accounts of \$1.5 million and an increase in arbitrage rebate payable of \$0.4 million. There was an increase in other payables of \$0.5 million. Other payables include the long-term liability for the excess yield on bond-financed loans. Please refer to Note 7 for more information on bond-financed loans.

The increase in total liabilities for the year ended June 30, 2023 of \$176.6 million was due mainly to an increase in revenue bonds of \$173.3 million. Bond principal paid this fiscal year was \$5.9 million and bond premium amortized was \$1.9 million. Bond proceeds totaling \$181.2 million were received. In addition, there was an increase in bond

**KANSAS PUBLIC WATER SUPPLY LOAN FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

interest payable of \$1.2 million due to the increase in revenue bonds. There was an increase in loan reserve accounts of \$0.9 million and an increase in arbitrage rebate payable of \$0.9 million. There was a combined increase in loan reserve account earnings and other payables of \$0.3 million. Other payables include the long-term liability for the excess yield on bond-financed loans. Please refer to Note 7 for more information on bond-financed loans.

All net position of the Fund has been determined to be restricted net position in accordance with the conditions of the Public Water Supply capitalization grants and bond covenants.

The balance of outstanding loan principal that was pledged as security to the outstanding revenue bond debt service as of June 30, 2024 and 2023 was \$439.4 million and \$335.9 million respectively. The principal and interest received from these loans during the fiscal year is used to make the semi-annual debt service payments on the revenue bonds. After the final debt service payment in a fiscal year, any excess of principal and interest received over the required bond debt service may be used for future loan disbursements.

**KANSAS PUBLIC WATER SUPPLY LOAN FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**REVENUES, EXPENSES, AND CHANGE IN NET POSITION**

The Statements of Revenues, Expenses, and Change in Net Position demonstrate that sufficient resources have been generated to cover expenses in fiscal years 2022, 2023, and 2024.

	2024	2023	2022
Revenues:			
Operating revenues:			
Loan interest	\$ 3,223,554	\$ 2,827,882	\$ 2,788,352
Loan service fees	4,122,970	2,727,058	1,803,619
Capitalization grants for program administration	1,106,920	382,114	406,035
Capitalization grants for other set-asides	1,940,710	1,476,959	1,196,826
Other operating revenues	893	1,040	4,093
Nonoperating revenues:			
Investment interest	7,517,599	4,655,585	410,023
Capitalization grants for loans	32,884,150	26,415,147	11,963,000
Capitalization grants for vehicles	-	20,453	-
Total revenues	<u>50,796,796</u>	<u>38,506,238</u>	<u>18,571,948</u>
Expenses:			
Operating expenses:			
Program administration from capitalization grants	1,106,920	382,114	406,035
Program administration from other set-asides	1,940,710	1,476,959	1,196,826
Program administration from loan service fees	891,782	920,478	822,909
Depreciation	12,457	6,581	2,678
Nonoperating expenses:			
Loan principal forgiveness	8,423,508	1,329,386	1,091,875
Bond interest	6,505,999	3,361,047	1,598,277
Bond issuance costs	-	1,119,281	38,338
Arbitrage rebate	372,134	863,382	-
Other nonoperating expenses	97,075	15,445	78,547
Total expenses	<u>19,350,585</u>	<u>9,474,673</u>	<u>5,235,485</u>
Change in net position	31,446,211	29,031,565	13,336,463
Net position, beginning of year	288,396,820	259,365,255	246,028,792
Total net position	<u>\$319,843,031</u>	<u>\$288,396,820</u>	<u>\$259,365,255</u>

The increase in net position as of June 30, 2024 was \$31.4 million. The Fund operating revenues increased by 40.2% due mainly to an increase in loan interest and service fee revenue. Capitalization grants received for program administration and other set-asides also increased. The Fund operating expenses increased by 41.8% due mainly to an increase in program administration expenses. Principal forgiveness awarded increased by 533.6% due mainly to an increase in the number of projects receiving 100% principal forgiveness. For these projects, principal forgiveness is recognized as project payments are disbursed. Nonoperating revenues increased by 29.9% due mainly an increase in capitalization grants received for loans under the Bipartisan Infrastructure Law (BIL) and an increase in investment interest revenue. Nonoperating expenses (excluding principal forgiveness) increased by 30.2% due mainly to an increase in bond interest expense.

The increase in net position as of June 30, 2023 was \$29.0 million. The Fund operating revenues increased by 19.6% due mainly to an increase in loan interest and service fee revenue. The Fund operating expenses increased by 14.7%

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**

due mainly to an increase in program administration expenses. Principal forgiveness awarded increased by 21.8%. Nonoperating revenues increased by 151.3% due mainly an increase in capitalization grants received for loans under the Bipartisan Infrastructure Law (BIL) and an increase in investment interest revenue. Nonoperating expenses (excluding principal forgiveness) increased by 212.5% due mainly to increases in arbitrage rebate expense, bond issuance costs, and bond interest expense.

**CASH FLOWS**

The Statements of Cash Flows are provided to identify the sources and the uses of cash and cash equivalents during the fiscal year, and to demonstrate that the Fund has sufficient cash and cash equivalents to meet its obligations.

	2024	2023	2022
Net cash provided by operating activities	\$ 5,642,510	\$ 4,197,055	\$ 3,580,042
Net cash provided by noncapital financing activities	14,561,885	196,514,526	7,713,077
Net cash used by investing activities	(18,534,168)	(187,813,387)	(7,819,035)
Net increase in cash and cash equivalents	1,670,227	12,898,194	3,474,084
Cash and cash equivalents, beginning of year	28,698,668	15,800,474	12,326,390
Total cash and cash equivalents	<u>\$ 30,368,895</u>	<u>\$ 28,698,668</u>	<u>\$ 15,800,474</u>

The Fund experienced an increase in cash and cash equivalents during the years ended June 30, 2024 and 2023 of \$1.7 million and \$12.9 million respectively. The balances of the increases are due to routine program operations.

For the year ended June 30, 2024, operating activities consisted mainly of loan interest and service fees received totaling \$6.6 million, which was an increase of \$1.5 million from the prior year. Noncapital financing activities consisted mainly of bond principal and interest paid totaling \$18.3 million, which was an increase of \$8.4 million. No bond proceeds were received and no issuance costs were paid this fiscal year, resulting in a combined decrease to these activities of \$180.0 million. Also included in noncapital financing activities was capitalization grants received for loans totaling \$32.9 million, which was an increase of \$6.5 million. Investing activities consisted mainly of investment maturities totaling \$689.5 million and investment purchases totaling \$606.6 million, which were increases of \$361.7 million and \$196.1 million respectively. Loan principal received totaled \$26.7 million and loan disbursements paid totaled \$138.3 million, which were increases of \$12.2 million and \$14.8 million respectively. Also included in investing activities was investment interest received totaling \$8.6 million, which was an increase of \$5.7 million. Loan reserve accounts funded totaled \$1.5 million, which was an increase of \$0.6 million.

For the year ended June 30, 2023, operating activities consisted mainly of loan interest and service fees received totaling \$5.0 million, which was an increase of \$0.6 million from the prior year. Noncapital financing activities consisted mainly of bond proceeds received totaling \$181.2 million, which was an increase of \$172.2 million. Bond principal and interest paid totaled \$10.0 million and bond issuance costs paid totaled \$1.1 million, which was a decrease of \$3.2 million and an increase of \$1.1 million respectively. Also included in noncapital financing activities was capitalization grants received for loans totaling \$26.4 million, which was an increase of \$14.5 million. Investing activities consisted mainly of investment maturities totaling \$327.8 million and investment purchases totaling \$410.5 million, which were increases of \$23.8 million and \$155.2 million respectively. Loan principal received totaled \$14.5 million and loan disbursements paid totaled \$123.5 million, which was a decrease of \$6.7 million and an increase of \$47.3 million respectively. Also included in investing activities was investment interest received totaling \$2.9 million, which was an increase of \$2.7 million. The net activity in loan reserve accounts totaled \$0.9 million, which was an increase of \$2.7 million.

# **KANSAS PUBLIC WATER SUPPLY LOAN FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Investments are generally purchased in \$10.0 million increments and allocated between the Kansas Public Water Supply Loan Fund and the Kansas Water Pollution Control Revolving Fund based on cash balances. Maturity dates are staggered such that a maturity occurs every week. This strategy allows funds to be readily available for weekly loan disbursements. A small cash balance is maintained with the Trustee and invested in a highly liquid money market mutual fund. Most funds that are not used for disbursements are reinvested in the bond market weekly.

### **DEBT INFORMATION**

The 2019 issuance of state match and leveraging bonds was a public offering in conjunction with the Kansas Water Pollution Control Revolving Fund (KWPCRF) state match bonds. The 2023 issuance of leveraging bonds was also a public offering. The 2022 issuance of state match bonds was an internal placement with the KWPCRF, with a term of four years and maturity dates to coincide with the debt service payment dates of the Master Financing Indenture bonds. The Fund received a high bond rating of AAA with a stable outlook from S&P Global Ratings on the Series 2019SRF. The Fund received high bond ratings of AAA with a stable outlook from Fitch Ratings and Aaa with a stable outlook from Moody's Investors Service on the Series 2023SRF. At this time, it is anticipated there will be a state match and leveraged borrowing in October 2024. The anticipated leveraged borrowing is due to an increase in loan demand.

On February 28, 2019, the Series 2019SRF Revenue Bonds were issued in the original amount of \$47,445,000 for the Public Water Supply (PWS) and Water Pollution Control (WPC) Programs. The PWS portion of the bonds was issued in the original amount of \$44,040,000 and consists of tax-exempt serial bonds totaling \$33,790,000 and \$37,745,000 as of June 30, 2024 and 2023 respectively. The bonds are due in annual principal payments ranging from \$2,530,000 to \$5,560,000 with the final payment due on May 1, 2031. The interest rate on the bonds is 5.00% and paid semi-annually beginning November 1, 2019. The proceeds, along with premium received on the bonds, provided \$2,600,000 of state match loan funds for the Program, \$49,880,000 of leveraged funds to refund the Series 2011SRF bonds, and an amount required to pay costs of issuance.

On March 31, 2022, the Series 2022SRF Revenue Bonds were issued in the original amount of \$18,000,000 for the Public Water Supply (PWS) and Water Pollution Control (WPC) programs. The PWS portion of the bonds was issued in the original amount of \$9,000,000, totaling \$4,600,000 and \$6,830,000 as of June 30, 2024 and 2023 respectively. The issuance was an internal placement with WPC. The bonds are due in annual principal payments ranging from \$2,170,000 to \$2,325,000 with the final payment due on May 1, 2026. The interest rate on the bonds is 2.050% and paid semi-annually beginning November 1, 2022. The proceeds provided \$9,000,000 of state match loan funds for the Program.

On February 8, 2023, the Series 2023SRF Revenue Bonds were issued in the original amount of \$152,200,000 for the Public Water Supply (PWS) Program. The bonds consist of tax-exempt serial bonds totaling \$149,700,000 and \$152,200,000 as of June 30, 2024 and 2023 respectively. The bonds are due in annual principal payments ranging from \$1,000,000 to \$10,435,000 with the final payment due on May 1, 2044. The interest rate on the bonds is 5.00% and paid semi-annually beginning May 1, 2023. The proceeds, along with premium received on the bonds, provided \$180,000,000 of leveraged loan funds for the Program and an amount required to pay costs of issuance.

As a requirement for issuance of tax-exempt bonds, the Internal Revenue Service requires issuers to calculate and remit the amount of earnings attributable to the bonds that are in excess of the cost of the debt. As of June 30, 2024 and 2023, there is no rebate liability for the Series 2019SRF bonds and a rebate liability for the Series 2023SRF bonds of \$1,235,517 and \$863,382 respectively. The Series 2022SRF bonds are taxable and not subject to arbitrage. The Fund's revenue bonds payable totaled \$188,090,000 and \$196,775,000 as of June 30, 2024 and 2023 respectively. Please refer to Note 5 for more information on debt activity.

Effective October 30, 2018, the Securities and Exchange Commission (SEC) adopted the 2018 Amendments to Rule 15c2-12 of the Securities Exchange Act with a compliance date of February 27, 2019. These amendments

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**

include two additional disclosure events that require notice in continuing disclosure undertakings. In response to these changes, a Revolving Fund Disclosure Team was formed to provide oversight to the Fund and ensure reporting requirements are met. Additionally, KDHE SRF Disclosure Policies and Procedures were established. The issuance of the Series 2019SRF bonds and all subsequent bonds comply with the new requirements set forth by the SEC through the review and approval of this document by the Revolving Fund Disclosure Team. The State Revolving Fund disclosure policies and procedures document is available upon request.

**CAPITAL ASSETS**

The Fund’s investment in capital assets as of June 30, 2024 and 2023 was \$54,454 and \$47,177 respectively. This investment in capital assets includes equipment and vehicles. The total increase in the investment in capital assets for the current fiscal year was 15.4% in terms of net book value. Depreciation charges for the year totaled \$12,457. Please refer to Note 9 for more information on capital assets.

**BUDGETARY INFORMATION**

The Fund has no spending limits and is not subject to any State General Fund appropriations or any other appropriations. Thus, the funds are immediately available upon receipt, allowing for timely and expeditious disbursement to the loan participants.

**ECONOMIC FACTORS**

While the financial strength of the Fund does face risk from the overall health of the United States and Kansas economies indirectly through the Program’s borrowers, this risk is mitigated by several factors: 1) the Program is well capitalized and lightly leveraged at this point in time, 2) it is anticipated that the Program will receive additional capitalization grants from the Environmental Protection Agency (EPA), 3) the Program, through the loan agreements, has a relatively strong security position in the borrowers’ financial resources, and 4) the Program’s history of experiencing no borrower defaults through the prior two economic recessions.

**REQUESTS FOR INFORMATION**

This report is intended to provide financial information about the Kansas Public Water Supply Loan Fund to State of Kansas and United States Environmental Protection Agency officials, investors, and other interested parties and to discuss the activity and success of the Fund. For additional information, you may contact William Carr, Assistant Director, Bureau of Water, Kansas Department of Health and Environment at [william.j.carr@ks.gov](mailto:william.j.carr@ks.gov) or Stacy Jaramillo, Deputy Director, Statewide Agency Audits and Municipal Services, Office of Accounts and Reports, Department of Administration at [stacy.jaramillo@ks.gov](mailto:stacy.jaramillo@ks.gov).

**KANSAS PUBLIC WATER SUPPLY LOAN FUND  
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**STATEMENTS OF NET POSITION**

	As of June 30	
	2024	2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 25,315,484	\$ 23,450,424
Restricted cash - loan reserve account earnings	112,205	32,583
Investments	68,517,020	139,034,918
Investment interest receivable	345,439	547,571
Loans receivable	22,771,270	26,636,670
Loan interest receivable	1,463,601	1,198,234
Loan service fees receivable	1,789,831	1,273,537
Other receivables	749,687	357,581
Total current assets	121,064,537	192,531,518
Noncurrent assets:		
Restricted cash - arbitrage rebate	900,191	-
Restricted cash - state match	325,192	2,955,058
Loan reserve accounts	3,715,823	2,260,603
Investments	2,325,000	15,660,700
Loans receivable	416,696,840	309,626,508
Capital assets, net of accumulated depreciation	54,454	47,177
Total noncurrent assets	424,017,500	330,550,046
<b>TOTAL ASSETS</b>	<b>545,082,037</b>	<b>523,081,564</b>
<b>LIABILITIES</b>		
Current liabilities:		
Loan reserve account earnings	126,237	40,779
Bond interest	1,544,800	1,606,211
Revenue bonds, net	10,363,396	11,754,855
Other payables	848,199	487,557
Total current liabilities	12,882,632	13,889,402
Noncurrent liabilities:		
Loan reserve accounts	3,715,823	2,260,603
Revenue bonds, net	207,092,384	217,455,781
Arbitrage rebate	1,235,517	863,382
Other payables	312,650	215,576
Total noncurrent liabilities	212,356,374	220,795,342
<b>TOTAL LIABILITIES</b>	<b>225,239,006</b>	<b>234,684,744</b>
Net investment in capital assets	54,454	47,177
Restricted net position	319,788,577	288,349,643
<b>TOTAL NET POSITION</b>	<b>\$ 319,843,031</b>	<b>\$ 288,396,820</b>



**KANSAS PUBLIC WATER SUPPLY LOAN FUND  
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**STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**

	<b>For the Fiscal Years Ending June 30</b>	
	<b>2024</b>	<b>2023</b>
<b>OPERATING REVENUES</b>		
Loan interest	\$ 3,223,554	\$ 2,827,882
Loan service fees	4,122,970	2,727,058
Capitalization grants for program administration	138,021	382,114
Capitalization grants for program administration - BIL	968,899	-
Capitalization grants for other set-asides	84,342	1,476,959
Capitalization grants for other set-asides - BIL	1,856,368	-
Other operating revenues	893	1,040
Total operating revenues	10,395,047	7,415,053
<b>OPERATING EXPENSES</b>		
Program administration from capitalization grants	138,021	382,114
Program administration from capitalization grants - BIL	968,899	-
Program administration from other set-asides	84,342	1,476,959
Program administration from other set-asides - BIL	1,856,368	-
Program administration from loan service fees	891,782	920,478
Depreciation	12,457	6,581
Total operating expenses	3,951,869	2,786,132
<b>OPERATING INCOME</b>	<b>6,443,178</b>	<b>4,628,921</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment interest	7,517,599	4,655,585
Capitalization grants for vehicles	-	20,453
Capitalization grants for loans	5,577,600	6,755,000
Capitalization grants for loans - BIL	27,306,550	19,660,147
Loan principal forgiveness	(8,423,508)	(1,329,386)
Bond interest	(6,505,999)	(3,361,047)
Bond issuance costs	-	(1,119,281)
Arbitrage rebate	(372,134)	(863,382)
Other nonoperating expenses	(97,075)	(15,445)
<b>TOTAL NONOPERATING REVENUES</b>	<b>25,003,033</b>	<b>24,402,644</b>
Change in net position	31,446,211	29,031,565
Net position, beginning of year	288,396,820	259,365,255
<b>TOTAL NET POSITION</b>	<b>\$ 319,843,031</b>	<b>\$ 288,396,820</b>

**KANSAS PUBLIC WATER SUPPLY LOAN FUND  
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**STATEMENTS OF CASH FLOWS**

	<b>For the Fiscal Years Ending June 30</b>	
	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loan interest received	\$ 2,958,187	\$ 2,757,801
Loan service fees received	3,606,676	2,283,757
Loan service fees paid	(921,970)	(845,932)
Capitalization grants received for program administration	161,959	376,461
Capitalization grants received for program administration - BIL	702,945	-
Capitalization grants paid for program administration	(162,328)	(376,366)
Capitalization grants paid for program administration - BIL	(702,943)	-
Capitalization grants received for other set-asides	414,595	1,358,568
Capitalization grants received for other set-asides - BIL	1,376,025	-
Capitalization grants paid for other set-asides	(415,503)	(1,358,275)
Capitalization grants paid for other set-asides - BIL	(1,376,026)	-
Other operating receipts	893	1,041
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>5,642,510</b>	<b>4,197,055</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Capitalization grants received for loans	5,577,600	6,755,000
Capitalization grants received for loans - BIL	27,306,550	19,660,147
Capitalization grants received for vehicles	-	20,453
Bond proceeds received, including premium	-	181,159,048
Bond issuance costs paid	-	(1,120,031)
Bond principal paid	(8,685,000)	(5,935,000)
Bond interest paid	(9,637,265)	(4,030,415)
Other nonoperating receipts	-	5,324
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>14,561,885</b>	<b>196,514,526</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan principal received	26,686,098	14,506,711
Loan disbursements paid	(138,314,537)	(123,526,589)
Investments matured	689,536,796	327,833,772
Investments purchased	(606,603,544)	(410,477,778)
Investment interest received	8,645,911	2,931,667
Vehicles purchased	(19,734)	(39,030)
Loan reserve account earnings received	130,161	43,542
Loan reserve account earnings disbursed	(50,539)	(12,194)
Loan reserve accounts funded	1,542,979	931,643
Loan reserve accounts closed	(87,759)	(5,131)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(18,534,168)</b>	<b>(187,813,387)</b>
Net increase in cash and cash equivalents	1,670,227	12,898,194
Cash and cash equivalents, beginning of year	28,698,668	15,800,474
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 30,368,895</b>	<b>\$ 28,698,668</b>

**KANSAS PUBLIC WATER SUPPLY LOAN FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**STATEMENTS OF CASH FLOWS**

	<b>For the Fiscal Years Ending June 30</b>	
	<b>2024</b>	<b>2023</b>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>		
Cash and cash equivalents	\$ 25,315,484	\$ 23,450,424
Restricted cash - arbitrage rebate	900,191	-
Restricted cash - loan reserve account earnings	112,205	32,583
Restricted cash - state match	325,192	2,955,058
Loan reserve accounts	3,715,823	2,260,603
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 30,368,895</b>	<b>\$ 28,698,668</b>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 6,443,178	\$ 4,628,921
Adjustments for noncash effects:		
Depreciation	12,457	6,581
Changes in operating assets and liabilities:		
Loan interest receivable	(265,367)	(70,081)
Loan service fees receivable	(516,294)	(443,301)
Other receivables	(392,106)	(124,043)
Other payables	360,642	198,978
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 5,642,510</b>	<b>\$ 4,197,055</b>
 <b>NONCASH NONCAPITAL FINANCING ACTIVITIES</b>		
Amortization of bond premium	\$ 3,069,855	\$ 1,875,594

**KANSAS PUBLIC WATER SUPPLY LOAN FUND  
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

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**NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES**

**Description of Program** – The Kansas Public Water Supply Loan Fund (the Fund) was established pursuant to Kansas Statutes Annotated (K.S.A.) 65-163d et seq. in 1994 by the Kansas Legislature. The Fund was created to implement the State of Kansas’ (Kansas or the State) participation under the Federal Safe Drinking Water Act (the Federal Act) as amended by the Safe Drinking Water Act Amendments of 1996. Under State law, the Secretary of the Kansas Department of Health and Environment (KDHE) administers the Public Water Supply Loan Program (the Program). The Federal Act authorizes the Environmental Protection Agency (EPA) to award capitalization grants for deposit into state revolving funds to provide financial assistance for construction of water supply systems. The State Revolving Fund may be used to make loans, fund debt service reserves, and provide other types of financial assistance to public entities. Initial funding for the Program was provided from capitalization grants and proceeds of bonds, which provides state match funds. The state match funds must be equal to 20% of the capitalization grants, excluding the 2009 American Recovery and Reinvestment Act (ARRA) capitalization grant. The Bipartisan Infrastructure Law (BIL) requires state match funds be equal to 10% of the General Supplemental capitalization grants for federal fiscal years 2022 and 2023, and 20% for federal fiscal years 2024 through 2026. The BIL Emerging Contaminants and Lead Service Line Replacement capitalization grants do not require state match funds.

Loans are made to municipalities from the Fund for eligible project costs as defined by federal and state law and regulations. These costs are primarily construction, planning and design engineering costs, and other costs related to a municipal construction project. The Intended Use Plan establishes the interest rates for the loans, which includes fees for servicing the loans, to be a percentage of the preceding three months’ average of the Bond Buyers 20 Year General Obligation Bond Index as according to the following table:

<b>Loan Repayment Period</b>	<b>Percentage of Index 3 Month Average</b>
Up to 20 years	60%
Between 20 and 30 years	70%
Between 30 and 40 years	80%

KDHE administers the aspects of the Program relating to selection of projects and the making of loans to eligible municipalities. The Department of Administration administers the accounting and reporting aspects of the Program relating to the receipt and disbursement of monies within the Fund, including disbursement of loans to municipalities, and billing and collecting of loan repayments. The Kansas Development Finance Authority (KDFA) issues revenue bonds for the state match funds needed and for leveraged borrowing for the Fund. Monies in the Fund are deposited with the Treasurer of the State of Kansas (the Treasurer) and UMB (the Trustee).

**Basis of Presentation and Accounting** – The Fund is an enterprise fund of the State. The financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of accounting refers to when revenues, expenses, and the related assets, deferred outflows of resources, liabilities, and deferred inflows of resources are recognized in the accounts and reported in the financial statements. Measurement focus refers to what is being measured. The financial statements are prepared on the accrual basis of accounting and on an economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the Statements of Net Position. The Statements of Revenues, Expenses, and Change in Net Position present increases (revenues) and decreases (expenses) in total net position. The Statements of Cash Flows provide information about how the Fund meets the cash flow needs of its activities.

**KANSAS PUBLIC WATER SUPPLY LOAN FUND  
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**NOTES TO FINANCIAL STATEMENTS**

***Cash and Cash Equivalents*** – Cash includes balances on deposit with the Treasurer and the Trustee. Cash equivalents are short-term, highly liquid investments held by the Trustee that are readily convertible to cash.

***Investments*** – The Fund invests in state or municipal debt obligations, government and agency bonds, commercial paper, and money market funds. These investments are stated at their fair value or amortized cost.

***Capital Assets*** – The Fund occasionally invests in capital assets such as equipment and vehicles. Capital assets have a useful life of more than one year and are depreciated over their estimated useful lives on an annual basis.

***Loans and Other Receivables*** – Receivables include interest earnings, current loan repayments due, and loan principal balances outstanding. All receivables are considered collectable; therefore, no allowance account has been established.

***Loan Reserve Accounts*** – The loan reserve accounts have been established as required under certain provisions of certain loan agreements and consist of cash. Such loan reserve accounts may only be used to prevent an event of default in the repayment of principal or interest on certain loans.

***Bond Premiums and Discounts*** – The interest method is being used to calculate amortization of bond premiums and discounts.

***Revenues*** – The Fund revenues consist of operating and nonoperating revenues. Operating revenues include: 1) interest earned on loans, 2) loan service fees, and 3) capitalization grant dollars earned for administrative costs, also known as program set-asides (program administration, technical assistance, state program management, and other authorized activities under the Safe Drinking Water Act, section 1452k(1)(b)). Nonoperating revenues include: 1) interest earned on invested program monies, 2) capitalization grant dollars earned for loans, and 3) any other revenues not classified as operating revenues.

***Expenses*** – The Fund expenses consist of operating and nonoperating expenses. Operating expenses include: 1) administrative costs paid from capitalization grant monies, also known as program set-asides (program administration, technical assistance, state program management, and other authorized activities under the Safe Drinking Water Act, section 1452k(1)(b)), 2) administrative costs paid from loan service fees, and 3) depreciation of capital assets. Nonoperating expenses include: 1) loan principal forgiveness which is generally recognized upon completion of the project but is occasionally recognized as project payments are disbursed, 2) bond interest, including premium amortization, 3) bond issuance costs, 4) arbitrage rebate, and 5) any other expenses not classified as operating expenses.

***Net Position*** – Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are external limitations imposed on their use. All assets of the Program, except for equipment and vehicles, have been determined to be restricted assets in accordance with the conditions of the Drinking Water State Revolving Fund EPA capitalization grants and bond covenants. Restricted net position includes capitalization grants restricted for 1) loans to municipalities, 2) program administration expenses, 3) technical assistance, 4) state program management, and 5) other authorized activities under the Safe Drinking Water Act, section 1452k(1)(b). The amount of capitalization grants restricted for program administration, technical assistance, state program management, and other authorized activities is being recognized as revenue when earned.

***Deferred Outflows/Inflows of Resources*** – In addition to assets, the Statements of Net Position 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 future periods and will not be

# KANSAS PUBLIC WATER SUPPLY LOAN FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)

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## NOTES TO FINANCIAL STATEMENTS

recognized as an outflow of resources (expense) until that time. The Fund has no items that qualify for reporting in this category.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Fund has no items that qualify for reporting in this category.

*Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 1) the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and 2) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

## 2. INVESTMENTS

The Fund's investment policies are governed by Article VIII of the Master Financing Indenture. Allowable investments for the Fund cash balances held in the State Treasury and invested through the State Pooled Money Investment Board are as follows:

- Direct obligations of, or obligations that are insured as to principal and interest by, the U.S. Government or any direct agency thereof, with maturities up to four years
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Limited interest-bearing loans to various State agencies as specifically provided by law
- Certain Kansas agency and IMPACT Act projects and bonds
- High grade commercial paper

*Specific Fund Investments* – Monies held in the funds and accounts established under the Master Financing Indenture may be invested by the KDFA or by the Trustee to the fullest extent practicable in Investment Securities as defined in the Master Financing Indenture which include:

- Defeasance obligations
- Obligations of certain agencies not backed by the full faith and credit of the U.S. government
- Investments in money market funds
- Investment agreements
- Deposits fully insured by FDIC
- Commercial paper
- State or municipal debt obligations
- Investments in the Municipal Investment Pool Fund
- Repurchase agreements
- Guaranteed investment contracts

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The Fund's investments consisted of the following as of June 30:

Investment Type	2024			2023		
	Fair Value	Maturity		Fair Value	Maturity	
		Less Than 1 Year	1-5 Years		Less Than 1 Year	1-5 Years
Money Market Mutual Funds	\$ 22,106,060	\$ 22,106,060	\$ -	\$ 20,376,211	\$ 20,376,211	\$ -
Commercial Paper	54,776,175	54,776,175	-	17,456,033	17,456,033	-
Government & Agency Bonds	11,465,845	11,465,845	-	130,409,585	119,348,885	11,060,700
Municipal Bonds	4,600,000	2,275,000	2,325,000	6,830,000	2,230,000	4,600,000
	<u>\$ 92,948,080</u>	<u>\$ 90,623,080</u>	<u>\$ 2,325,000</u>	<u>\$175,071,829</u>	<u>\$159,411,129</u>	<u>\$ 15,660,700</u>

As of June 30, 2024 and 2023, the Fund had invested \$22,106,060 and \$20,376,211 respectively in Morgan Stanley Institutional Liquidity Funds (MSILF), money market mutual funds which comply with the Rule 2a-7 definition of a government money market fund. These funds are rated AAAM by S&P Global Ratings and are valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72. The money market mutual funds are classified as cash equivalents on the Statements of Net Position.

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Fund has the following recurring fair value measurements as of June 30, 2024:

- Commercial paper of \$54.8 million is valued using quoted market prices (Level 2 inputs).
- Government & agency bonds of \$11.5 million are valued using other observable inputs (Level 2 inputs).
- Municipal bonds of \$4.6 million are valued using other observable inputs (Level 2 inputs).

The Fund has the following recurring fair value measurements as of June 30, 2023:

- Commercial paper of \$17.5 million is valued using quoted market prices (Level 2 inputs).
- Government & agency bonds of \$130.4 million are valued using other observable inputs (Level 2 inputs).
- Municipal bonds of \$6.8 million are valued using other observable inputs (Level 2 inputs).

**Interest Rate Risk** – For invested loan funds, the Fund generally invests to maximize the interest rate and sets a term of investment based on estimated expenditures which is generally less than three years.

**Credit Risk** – The Fund holds certain investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

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**Concentration of Credit Risk** – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30:

Investment Type Investment Provider	2024		2023	
	Fair Value	Percent of Total	Fair Value	Percent of Total
<b>Money Market Mutual Funds</b>				
Morgan Stan Inst'l Liq Gov't - I 8302	\$ 22,106,060	23.78%	\$ 20,376,211	11.64%
	22,106,060	23.78%	20,376,211	11.64%
<b>Commercial Paper</b>				
Anglesea Funding PLC/ Anglesea Funding L	4,975,433	5.35%	-	0.00%
BROOKFIELD CORPORATE TREAS LTD	9,946,167	10.70%	-	0.00%
CHESHAM FIN LTD/CHESHAM FIN LLC SERII	-	0.00%	9,980,050	5.70%
Great Bear Funding DAC / Great Bear Fund	9,958,467	10.72%	-	0.00%
Halkin Finance LLC	9,958,389	10.71%	-	0.00%
Jupiter Securitization Co LLC	9,948,083	10.70%	-	0.00%
Longship Funding Designated Activity Com	9,989,636	10.75%	-	0.00%
PRUDENTIAL INTL TREAS LTD	-	0.00%	7,475,983	4.27%
	54,776,175	58.93%	17,456,033	9.97%
<b>Government &amp; Agency Bonds</b>				
United States Treasury Notes	11,465,845	12.34%	56,387,375	32.21%
US Treasury FRN	-	0.00%	17,922,565	10.24%
US Treasury N/B	-	0.00%	56,099,645	32.04%
	11,465,845	12.34%	130,409,585	74.49%
<b>Municipal Bonds</b>				
KDFA-KDHE Series 2022SRF Bond	4,600,000	4.95%	6,830,000	3.90%
	4,600,000	4.95%	6,830,000	3.90%
	\$ 92,948,080	100.00%	\$175,071,829	100.00%

**3. LOANS**

The loans made by the Fund to the municipalities may include interest and service fees capitalized during project construction. Previously, all loans were to be repaid no later than 21 years after project completion. Due to an amendment of K.S.A. 65-163i effective July 1, 2019, and amendments to Kansas Administrative Regulation (K.A.R.) 28-15-52 and K.A.R. 28-15-53 effective February 28, 2020, the Program is permitted to finance certain new loans up to 40 years and loans are to be repaid no later than 41 years after completion. All loans must begin repayments no later than one year after project completion. Principal and interest payments are due semi-annually. Net interest rates on the loans outstanding as of June 30, 2024 range from 0.35% to 3.82%.



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Estimated future maturities of the loans receivable and interest payments as of June 30, 2024 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 22,771,270	\$ 3,493,876	\$ 26,265,146
2026	28,727,981	3,374,059	32,102,040
2027	28,509,320	3,122,648	31,631,968
2028	27,616,845	2,912,172	30,529,017
2029	26,298,084	2,891,415	29,189,499
2030 - 2034	121,716,974	18,056,736	139,773,710
2035 - 2039	97,959,932	9,654,671	107,614,603
2040 - 2044	70,719,948	3,521,730	74,241,678
2045 - 2049	14,905,558	192,747	15,098,305
2050 - 2054	242,198	2,840	245,038
	<b>\$439,468,110</b>	<b>\$ 47,222,894</b>	<b>\$486,691,004</b>

Certain loans are awarded principal forgiveness as required by the 2009 ARRA capitalization grant, the 2010 through 2023 capitalization grants, and the 2022 through 2023 BIL capitalization grants. Principal forgiveness awards consisted of the following as of June 30:

<b>Grant</b>	<b>Awarded in Full</b>	<b>2024</b>	<b>2023</b>	<b>Cumulative</b>	<b>Number of Loans</b>
2009 ARRA	Yes	\$ -	\$ -	\$ 9,837,408	23
2010	Yes	-	-	5,034,087	24
2011	Yes	-	-	3,717,376	2
2012	Yes	-	-	2,698,250	5
2013	Yes	-	-	3,033,936	3
2014	Yes	-	-	3,024,000	1
2015	Yes	-	-	2,517,415	1
2016	No	-	-	1,843,406	4
2017	No	-	-	380,496	1
2018	No	-	138,250	446,905	3
2019	No	65,493	616,828	2,053,175	6
2020	No	64,143	309,747	809,892	3
2021	No	701,177	123,749	836,526	4
2022	No	-	-	-	0
2022 BIL GS	No	837,928	140,812	978,740	11
2022 BIL EC	No	5,117,701	-	5,117,701	4
2022 BIL LSLR	No	-	-	-	0
2023	No	-	-	-	0
2023 BIL GS	No	1,349,416	-	1,349,416	7
2023 BIL EC	No	287,650	-	287,650	1
		<b>\$ 8,423,508</b>	<b>\$ 1,329,386</b>	<b>\$43,966,379</b>	<b>103*</b>

\* Individual loans may have been awarded principal forgiveness from multiple grants.

Each of the municipalities has established a dedicated source of revenue for repayment of the loans. The dedicated sources of revenue are either an obligation of system revenues and ad valorem property taxes levied or, if not so pledged, a secured lien on the system revenues which requires debt service coverage of 125% with a 10% reserve account or debt service coverage of 140%.

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*Loans to Major Loan Participants* – The Fund has made loans to the following major loan participants. The aggregate outstanding loan balances for each of these participants exceeds five percent of total loans receivable. The combined outstanding loan balances for major loan participants consisted of the following as of June 30:

<b>Participant</b>	<b>2024</b>		<b>2023</b>	
	<b>Outstanding Principal Balance</b>	<b>Percent of Total Loans Receivable</b>	<b>Outstanding Principal Balance</b>	<b>Percent of Total Loans Receivable</b>
Wichita	\$190,000,000	43.23%	\$128,712,523	38.28%
Salina	37,859,948	8.61%	39,438,518	11.73%
Kansas City BPU	31,502,605	7.17%	25,246,185	7.51%
Bonner Springs	23,403,378	5.33%	7,319,038	2.18%

**4. LOAN RESERVE ACCOUNTS**

Loan reserve accounts for 27 Rural Water Districts, one Public Wholesale Water Supply District, and one Improvement District total \$3,715,823 and \$2,260,603 as of June 30, 2024 and 2023 respectively, with restricted cash earnings of \$112,205 and \$32,583 respectively. The balances are on deposit with the Treasurer.

**5. BONDS PAYABLE**

Outstanding revenue bonds for the Fund consisted of the following as of June 30:

	<b>2024</b>	<b>2023</b>
Series 2019SRF	\$ 33,790,000	\$ 37,745,000
Series 2022SRF	4,600,000	6,830,000
Series 2023SRF	149,700,000	152,200,000
Total bonds payable	188,090,000	196,775,000
Current maturities	(7,425,000)	(8,685,000)
Unamortized net original issue premium	29,365,780	32,435,636
Current unamortized net original issue premium	(2,938,396)	(3,069,855)
Long-term revenue bonds payable, net	\$207,092,384	\$217,455,781

Revenue bond activity for the Fund consisted of the following as of June 30:

	<b>2024</b>	<b>2023</b>
Beginning Balance	\$196,775,000	\$ 50,510,000
Additions	-	152,200,000
Reductions	(8,685,000)	(5,935,000)
Ending Balance	188,090,000	196,775,000
Due Within One Year	(7,425,000)	(8,685,000)
Long-Term Liability	\$180,665,000	\$188,090,000

On February 28, 2019, the Series 2019SRF Revenue Bonds were issued in the original amount of \$47,445,000 for the Public Water Supply (PWS) and Water Pollution Control (WPC) programs. The PWS portion of the bonds was issued in the original amount of \$44,040,000 and consists of tax-exempt serial bonds totaling \$33,790,000 and \$37,745,000 as of June 30, 2024 and 2023 respectively. The bonds are due in annual principal payments ranging from \$2,530,000 to \$5,560,000 with the final payment due on May 1, 2031. The interest rate on the

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bonds is 5.00% and paid semi-annually beginning November 1, 2019. The proceeds, along with premium received on the bonds, provided \$2,600,000 of state match loan funds for the Program, \$49,880,000 of leveraging funds to refund the Series 2011SRF bonds, and an amount required to pay costs of issuance. The Series 2019SRF Revenue Bonds, or portions thereof, maturing on May 1, 2030 and thereafter may be called for redemption and payment prior to maturity on or after May 1, 2029, in whole or in part at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the date of redemption.

Series 2019SRF bond proceeds totaling \$49,880,000 were deposited into the Redemption Fund held by the Trustee and used to refund the remaining balance of the Series 2011SRF bonds. This refunding was undertaken to reduce the total debt service payments, including interest, over the life of the debt by \$6,406,042. The refunding resulted in an economic gain (difference between the present value of the debt service payments of the refunded bonds and the refunding bonds) of \$5,950,348.

On March 31, 2022, the Series 2022SRF Revenue Bonds were issued in the original amount of \$18,000,000 for the Public Water Supply (PWS) and Water Pollution Control (WPC) programs. The PWS portion of the bonds was issued in the original amount of \$9,000,000, totaling \$4,600,000 and \$6,830,000 as of June 30, 2024 and 2023 respectively. The issuance was a private placement with WPC. The bonds are secured by interest revenue from pledged loans and other earnings as provided in the Master Financing Indenture. If an event of default occurs and is continuing, principal and interest accrued thereon shall become immediately due and payable if requested by the owner of the outstanding bonds. The bonds are due in annual principal payments ranging from \$2,170,000 to \$2,325,000 with the final payment due on May 1, 2026. The interest rate on the bonds is 2.050% and paid semi-annually beginning November 1, 2022. The proceeds provided \$9,000,000 of state match loan funds for the Program. The Series 2022SRF Revenue Bonds are subject to redemption and payment prior to maturity in whole or in part at any time at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the date of redemption.

On February 8, 2023, the Series 2023SRF Revenue Bonds were issued in the original amount of \$152,200,000 for the Public Water Supply (PWS) program. The bonds consist of tax-exempt serial bonds totaling \$149,700,000 and \$152,200,000 as of June 30, 2024 and 2023 respectively. The bonds are due in annual principal payments ranging from \$1,000,000 to \$10,435,000 with the final payment due on May 1, 2044. The interest rate on the bonds is 5.00% and paid semi-annually beginning May 1, 2023. The proceeds, along with premium received on the bonds, provided \$180,000,000 of leveraged loan funds for the Program and an amount required to pay costs of issuance. The Series 2023SRF Revenue Bonds, or portions thereof, maturing on May 1, 2034 and thereafter may be called for redemption and payment prior to maturity on or after May 1, 2033, in whole or in part at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the date of redemption.

The Master Financing Indenture provides for the establishment of funds in the custody of the Trustee in the name of the K DFA. As of June 30, 2024 and 2023, management believes the Fund was not in default of significant provisions of the Master Financing Indenture or the Supplemental Indentures.

The provisions of the Master Financing Indenture implement a limited cross-collateralization of certain monies that are part of the PWS and WPC programs. The Master Financing Indenture provides that, initially, 1) assets available from the Fund are to be applied to repayment of the debt service requirements designated as the PWS portion and 2) assets available from the Kansas Water Pollution Control Revolving Fund are to be applied to repayment of the debt service requirements designated as the WPC portion. Following such application of funds, 1) to the extent that assets available in the Fund are insufficient to pay debt service requirements on the WPS portion, assets remaining in the Kansas Water Pollution Control Revolving Fund are to be applied to such deficiency and 2) to the extent that assets available in the Kansas Water Pollution Control Revolving Fund are insufficient to pay debt service requirements on the WPC portion, assets remaining in the Fund are to be applied to such deficiency.

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Aggregate revenue bond debt service requirements to maturity as of June 30, 2024 are as follows:

Year Ending June 30,	Public Water Supply Portion			Water Pollution Control Portion		
	Principal Amount Due	Interest Amount Due	Total	Principal Amount Due	Interest Amount Due	Total
2025	\$ 7,425,000	\$ 9,268,800	\$ 16,693,800	\$ 3,920,000	\$ 529,550	\$ 4,449,550
2026	9,185,000	8,964,662	18,149,662	3,295,000	400,662	3,695,662
2027	7,980,000	8,574,000	16,554,000	1,050,000	304,500	1,354,500
2028	8,285,000	8,175,000	16,460,000	1,175,000	252,000	1,427,000
2029	8,800,000	7,760,750	16,560,750	1,565,000	193,250	1,758,250
2030 - 2034	49,395,000	31,759,750	81,154,750	2,300,000	115,000	2,415,000
2035 - 2039	50,505,000	19,234,000	69,739,000	-	-	-
2040 - 2044	46,515,000	6,700,000	53,215,000	-	-	-
	<u>\$188,090,000</u>	<u>\$100,436,962</u>	<u>\$288,526,962</u>	<u>\$ 13,305,000</u>	<u>\$ 1,794,962</u>	<u>\$ 15,099,962</u>

Certain of the above bonds may be redeemed prior to maturity in accordance with related bond indentures.

The Fund's debt service payment in fiscal year 2024 was \$8,685,000 for principal and \$9,637,265 for interest. The Fund has cumulative principal payments totaling \$321,590,000 and cumulative interest payments totaling \$194,353,759.

**6. ARBITRAGE REBATE**

In accordance with Internal Revenue Code Section 148(f) relating to arbitrage restrictions on tax-exempt bonds, there is no rebate liability for the Series 2019SRF bonds as of June 30, 2024 and 2023 and a rebate liability of \$1,235,517 and \$863,382 for the Series 2023SRF bonds as of June 30, 2024 and 2023 respectively. The Series 2022SRF bonds are taxable and not subject to arbitrage.

As of June 30, 2024 and 2023, the Fund had a restricted cash balance of \$900,191 and \$0 respectively for future arbitrage liabilities.

**7. YIELD ON BOND-FINANCED LOANS**

On February 27, 2020, the Series 2020SRF Revenue Bonds were issued in the original amount of \$68,730,000 for the Public Water Supply (PWS) and Water Pollution Control (WPC) programs. The PWS portion of the bonds was issued in the original amount of \$17,450,000 with a final maturity date of May 1, 2022. The proceeds, along with premium received on the bonds, provided \$2,600,000 of state match loan funds for the Program, \$15,923,322 of leveraging funds to refund the Series 2010SRF-1 bonds, and an amount required to pay costs of issuance. Loans funded by the Series 2020SRF bonds and loans funded by bonds refunded by the Series 2010SRF-1 bonds are considered bond-financed loans for the Series 2020SRF bonds.

Bond-financed loans are purpose investments and qualify as "program investments" within the meaning of Regulations § 1.148-1(b). If the yield on bond-financed loans exceeds the bond yield by 1.5%, the bonds may become arbitrage bonds. The yield on the Series 2020SRF bonds is 0.95942%. Therefore, the yield on loans financed from the Series 2020SRF bonds, including loans financed from bonds refunded by the Series 2020SRF bonds, may not exceed 2.45942% (allowable yield).

The estimated yield on the bond-financed loans is calculated using actual and expected loan repayment cash flows over the life of the bonds. As of February 2024, the estimated yield on the bond-financed loans was 2.84468%,

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resulting in an estimated excess yield amount of \$898,765. Of this amount, \$364,267 is attributable to PWS loans and \$534,498 is attributable to WPC loans.

The accrued liability on the bond-financed loans is calculated using actual and expected loan repayment cash flows from the issuance date of the Series 2020SRF bonds through the end of the current fiscal year. As of February 2024, the accrued liability on the bond financed loans was \$763,975. Of this amount, \$312,650 is attributable to PWS loans and \$451,325 is attributable to WPC loans.

Loan prepayments are generally expected to decrease the yield on the bond-financed loans. However, some factors may cause a prepayment to increase the yield on the bond-financed loans, such as a prepayment being made on a loan with a lower interest rate than the allowable yield. Since February 2024, one loan prepayment has been received that affects the above calculations and one is scheduled. The estimated yield and accrued liability on the bond-financed loans will be recalculated annually to monitor the effect of loan prepayments.

From time to time, the Program may reduce or credit loan repayments to ensure compliance with program investment yield restrictions under federal tax law. The amount of such reductions or credits are expected to not exceed the estimated excess yield amount. The actual excess yield amount will be determined based on the Program's actual loan yield which will be influenced, perhaps substantially, by participant loan prepayments that the Program has historically experienced.

**8. FEDERAL CAPITALIZATION GRANTS**

Capitalization grants awarded by EPA as of June 30 are as follows:

	2024	2023
Prior Federal Capitalization Grant Awards	\$356,435,411	\$285,774,411
Less Draws for Loans	(169,680,015)	(143,264,868)
Less Draws for Reserves	(115,468,720)	(115,468,720)
Less Draws for Program Administration	(10,146,441)	(9,749,527)
Less Draws for Other Set-Asides	(17,519,915)	(16,161,347)
Available for Fiscal Year	43,620,320	1,129,949
2021 Federal Capitalization Grant Amendment	116,000	-
2022 Federal Capitalization Grant Award - Base Appropriation	-	8,130,000
2022 Federal Capitalization Grant Award - BIL General Supplemental	-	20,875,000
2022 Federal Capitalization Grant Award - BIL Emerging Contaminants	-	8,765,000
2022 Federal Capitalization Grant Award - BIL Lead Service Line Replacement	-	32,891,000
2023 Federal Capitalization Grant Award - Base Appropriation	5,461,600	-
2023 Federal Capitalization Grant Award - BIL General Supplemental	23,482,000	-
2023 Federal Capitalization Grant Award - BIL Emerging Contaminants	8,521,000	-
Less Draws for Loans	(32,884,150)	(26,415,147)
Less Draws for Program Administration	(864,903)	(396,914)
Less Draws for Other Set-Asides	(1,790,620)	(1,358,568)
Available to Draw	\$ 45,661,247	\$ 43,620,320

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Capitalization grant balances as of June 30 are as follows:

	2024	2023
2019 Federal Capitalization Grant		
Technical Assistance	\$ -	\$ 15,757
Available to Draw from 2019 Grant	-	15,757
2020 Federal Capitalization Grant		
Other Authorized Activities	-	91,421
Available to Draw from 2020 Grant	-	91,421
2021 Federal Capitalization Grant		
Program Administration	-	36,765
Technical Assistance	10,914	74,254
Available to Draw from 2021 Grant	10,914	111,019
2022 Federal Capitalization Grant		
Base Appropriation		
Program Administration	-	125,193
Technical Assistance	162,000	162,000
State Program Management	-	244,077
Available to Draw from 2022 Grant	162,000	531,270
2022 Federal Capitalization Grant		
BIL General Supplemental		
Program Administration	664,846	835,000
Technical Assistance	286,523	417,500
Available to Draw from 2022 Grant - BIL GS	951,369	1,252,500
2022 Federal Capitalization Grant		
BIL Emerging Contaminants		
Loans	3,629,527	8,727,353
Available to Draw from 2022 Grant - BIL EC	3,629,527	8,727,353
2022 Federal Capitalization Grant		
BIL Lead Service Line Replacement		
Loans	30,621,701	30,917,540
Program Administration	1,118,184	1,315,640
Technical Assistance	592,112	657,820
Available to Draw from 2022 Grant - BIL LSLR	32,331,997	32,891,000
2023 Federal Capitalization Grant		
BIL General Supplemental		
Program Administration	164,665	-
Technical Assistance	100,000	-
State Program Management	215,559	-
Other Authorized Activities	5,101	-
Available to Draw from 2023 Grant - BIL GS	485,325	-
2023 Federal Capitalization Grant		
BIL Emerging Contaminants		
Loans	8,090,115	-
Available to Draw from 2023 Grant - BIL EC	8,090,115	-
Available to Draw	\$45,661,247	\$43,620,320

As of June 30, 2024 and 2023, \$45,661,247 and \$43,620,320 respectively of the capitalization grants had not been drawn down. At fiscal year-end, grant revenue and the corresponding grant expense are recorded for administration costs incurred that will be paid with grant funds. As of June 30, 2024 and 2023, \$749,687 and

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\$357,581 respectively of grant revenue had been recorded as accruals but had not been drawn down from the grant.

**9. CAPITAL ASSETS**

Capital assets are reported at actual or estimated historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capitalization policies, depreciation methods, and estimated useful lives of capital assets reported are as follows:

Asset Class	Capitalization Policy*	Depreciation Method	Estimated Useful Life
Land	\$100,000	Not applicable	Not applicable
Buildings and leasehold improvements	100,000	Straight line	40 years
Furnishings and equipment	5,000	Straight line	8 years
Automobiles	5,000	Straight line	5 years
Intangibles, software	250,000	Straight line	8 years
Intangibles, other	250,000	Straight line	50 years

\*Capital asset acquisitions below the capitalization policy are reported as expenditures at the time of purchase.

The depreciation method is straight line with no salvage value. Accumulated depreciation is calculated in total by class of assets by year using the one-half year convention in year of purchase.

Capital assets activity for the year ended June 30, 2024 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Equipment	\$ 21,422	\$ -	\$ -	\$ 21,422
Accumulated Depreciation	(9,372)	(2,678)	-	(12,050)
Equipment, net of accumulated depreciation	12,050	(2,678)	-	9,372
Vehicles	39,030	19,734	-	58,764
Accumulated Depreciation	(3,903)	(9,779)	-	(13,682)
Vehicles, net of accumulated depreciation	35,127	9,955	-	45,082
Capital Assets, net of accumulated depreciation	\$ 47,177	\$ 7,277	\$ -	\$ 54,454

As of June 30, 2024 and 2023, the Program had capital assets of \$54,454 and \$47,177 respectively, in terms of net book value.



**INDEPENDENT AUDITORS' 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**

Janet Stanek  
Secretary of the Kansas Department  
of Health and Environment  
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, the financial statements of the State of Kansas Public Water Supply Loan Fund (the Fund), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated September 11, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fund'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 a 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.



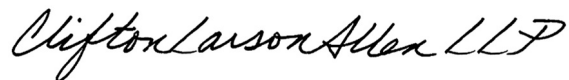
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund'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 the 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 and 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
September 11, 2024

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**APPENDIX E**

**PRINCIPAL PARTICIPATING MUNICIPALITIES**

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## **INFORMATION REGARDING**

### **CITY OF WICHITA, KANSAS**

#### **Overview**

Wichita, the largest city in Kansas, with an estimated population of 397,532 as indicated in the 2020 Census from the U.S. Census Bureau, is the county seat of Sedgwick County. The City operates the Wichita Water and Sewer Utility (the “Utility”). The Utility is owned and operated by the City through its Public Works & Utilities Department (the “Department”). The City and its departments, including the Department, are managed under the Council-Manager form of government, in which the City Manager serves as the chief administrative officer and appoints professional staff to operate the various Departments.

Wichita’s Utility is comprised of over 4,600 miles of water and sewer mains, 62 sanitary sewer lift stations, four wastewater treatment plants, one drinking water treatment plant, one surface water treatment plant, about 150,000 water meters, and numerous other assets. More than 450,000 citizens of southcentral Kansas are served by the Utility.

The Utility’s two largest ongoing construction projects are the construction of a new water treatment plant, called the Wichita Water Works (“WWW”) (previously known as the Northwest Water Facility), to replace its aging drinking water treatment plant, and upgrades to wastewater treatment facilities that are needed to meet new regulatory standards regarding Biological Nutrient Removal (“BNR”).

#### **Wichita Water Works Project**

Construction of the WWW project has commenced and is expected to be substantially complete in September 2024. The estimated cost of the WWW project is approximately \$570 million. On April 27, 2020, the City entered into a Water Infrastructure Finance and Innovation Act (“WIFIA”) credit agreement at an interest rate of 1.17% for up to \$280,860,714 with the United States Environmental Protection Agency (“EPA”), to fund part of the WWW project. Such loan was incurred in the form of a revenue bond issued and delivered by the City to the EPA. The WIFIA bond will be due in semi-annual installments of interest and annual installments of principal with a final maturity date of 35 years following substantial completion of the WWW project. Interest began accruing when the City made its first drawdown of funds from the WIFIA bond on May 10, 2021. The City has drawn \$258,153,156 of funds from the WIFIA bond as of June 30, 2024. No interest will be due until after the substantial completion date of the WWW project and such interest accrued will be rolled into the WIFIA credit balance up to a maximum principal amount of \$331 million.

The remainder of the estimated cost of the WWW project (\$288 million) is financed with a combination of State Revolving Fund (“SRF”) drinking water loans from the Kansas Department of Health and Environment (“KDHE”), and City cash and revenue bonds.

The SRF drinking water loans for the WWW project in aggregate do not to exceed \$267,342,000. The City has incurred four (4) SRF drinking water loans for the WWW project, each of which is secured by Build America Mutual Assurance Company municipal bond insurance in addition to Utility revenues. The City has no other outstanding SRF drinking water loans. The outstanding SRF drinking water loans for the WWW project are described as follows:

Effective Date of Loan Agreement	Loan Maturity	Interest Rate <sup>(1)</sup>	Loan Agreement Commitment	Balance to be Disbursed <sup>(2)</sup>	Principal Amount of Loan Outstanding <sup>(2)</sup>
06/22/2020	02/01/2045	1.48%	\$55,000,000.00	-	\$55,000,000.00
03/01/2022	02/01/2045	1.34%	\$60,000,000.00	-	\$60,000,000.00
02/17/2023	02/01/2045	2.20%	\$76,000,000.00	-	\$75,000,000.00
03/07/2024	02/01/2045	2.05%	\$76,342,000.00	\$76,342,000.00	-

<sup>(1)</sup> The interest rate includes a 0.35% annual administrative fee payable to KDHE pursuant to the Loan Agreement. The administrative fee for the first 4 years of repayments is equal to the gross interest rate minus 0.35% and for the remaining repayment term the administrative fee is 0.35%.

<sup>(2)</sup> As of June 30, 2024.

### Biological Nutrient Removal Project

The City is in the early stages of the BNR sewer system project. Construction of the BNR project has commenced and is expected to be substantially complete by the end of 2027. The estimated cost of the BNR project is approximately \$387 million. On April 14, 2023, the City entered into a WIFIA credit agreement at an interest rate of 3.77% for up to \$191,481,121 with the EPA, to fund part of the BNR project. Such loan was incurred in the form of a revenue bond issued and delivered by the City to the EPA. The WIFIA bond will be due in semi-annual installments of interest and annual installments of principal with a final maturity date of October 1, 2061. Interest began accruing when the City made its first drawdown of funds from the WIFIA bond on November 15, 2023. The City has drawn \$14,443,073 of funds from the WIFIA bond as of June 30, 2024. No interest will be due until after the substantial completion date of the BNR project and such interest accrued will be rolled into the WIFIA credit balance up to a maximum principal amount of \$250 million.

The remainder of the estimated cost of the BNR project (\$196 million) is expected to be financed with a combination of SRF clean water loans from the KDHE, and City cash and revenue bonds.

The SRF wastewater loans for the BNR project in aggregate are not to exceed approximately \$185 million. The loan agreement for the first wastewater loan which KDHE made to the City for the BNR project (described below) provided that an additional two loans could be made, up to such not to exceed amount, with each additional loan to be subject to such conditions as availability of funds and successful negotiation of the applicable loan agreement.

To date, the City has incurred one (1) SRF wastewater loan for the BNR project, which is secured by Build America Mutual Assurance Company municipal bond insurance in addition to Utility revenues. The City has no other outstanding SRF wastewater loans. The outstanding SRF wastewater loan for the BNR project is described as follows:

<b>Effective Date of Loan Agreement</b>	<b>Loan Maturity</b>	<b>Interest Rate <sup>(1)</sup></b>	<b>Loan Agreement Commitment</b>	<b>Balance to be Disbursed <sup>(2)</sup></b>	<b>Principal Amount of Loan Outstanding <sup>(2)</sup></b>
04/10/2023	9/1/2044	2.13%	\$65,000,000.00	\$49,624,045.23	\$15,375,954.77

<sup>(1)</sup> The interest rate includes a 0.25% annual administrative fee payable to KDHE pursuant to the Loan Agreement. The administrative fee for the first 4 years of repayments is equal to the gross interest rate minus 0.25% and for the remaining repayment term the administrative fee is 0.25%.

<sup>(2)</sup> As of June 30, 2024.

Pursuant to the SRF loan agreements entered between KDHE and the City, no interest accrues until the City makes its first drawdown of funds from the respective loan and no principal payments are due until March 1, 2025, for the wastewater loan and August 1, 2025, for the drinking water loans. The loan agreements restrict the City’s ability to prepay the loans, providing that the City may not prepay the outstanding principal of any loan, except as may be consented in writing by KDHE in advance of such prepayment, which consent, if any, shall be at the sole discretion of KDHE. There are also restrictions on partial prepayments. Under the loan agreements, the lien of such loans on the net revenues of the City’s Utility is on a parity with the City’s parity utility revenue bonds and with the WIFIA bonds. The loan agreements contain definitional terms relating to utility revenue bonds and obligations that are comparable to the terms contained in the documents under which the City issues its utility revenue bonds, including but not limited to definitional terms relating to parity and subordinate bonds and obligations. Each loan is secured by a pledge of Utility revenues and by municipal bond insurance. This is in accordance with KDHE requirements for drinking water loans made to Municipalities with general taxing powers where the dedicated source of revenues for repayment of the loans is not unlimited ad valorem property taxes, as is the case with the Wichita loans. See Appendix C, “CLEAN WATER PROGRAM - CW Loans – *Loan Agreements*,” and Appendix D, “DRINKING WATER PROGRAM - DW Loans – *Loan Agreements*.”

### **Drought Response Plan**

The City’s Drought Response Plan was adopted in 2013, as codified in Code of Ordinances, Chapter 17.14, and most recently modified in June 2024 as described below. The Department enacted Stage 1 of the Drought Response Plan in January of 2023 based on the 12-month moving average of Cheney Reservoir’s conservation pool going below 89%. The first stage of the Drought Response Plan called for the City Manager to encourage voluntary water conservation from the City’s water customers and implement an internal conservation plan within the organization. An internal conservation plan employed various concepts and strategies to be implemented to reduce water consumption during the drought. This effort included shutting off all decorative fountains, reducing water usage for Fire Department training, reduced watering on City-owned grass covered land and golf courses as well as many other actions. The Department also began a public education and outreach effort to promote water conservation and drought awareness in early 2023, and this campaign has continued through present day.

Since 2013, significant strides have been made to improve drought resiliency. Progress includes adaptive treatment capabilities with the new WWW treatment plant and initiation of other projects like rehabilitation of the Local Wellfield and added Aquifer Storage and Recovery recharge capacity. On June 18, 2024, the City Council voted to revise the ordinance in alignment with current conditions. The Drought Response Plan ordinance was revised to allow the City Manager to enact each stage at their discretion. This allowed the City Manager to assess other critical factors that would enable an adaptive approach to implementing drought measures and water management.

On August 5, 2024, the City Manager declared Stage 2 of the Drought Response Plan be enacted as a result of the Cheney Reservoir conservation pool 12-month moving average having fallen below 69%. This stage of the plan restricted outdoor watering for City customers using potable water for irrigation to once a week on a day designated by their geographic location within the City. Repeated violations of these restrictions will result in fines levied against the account holder to ensure adherence. A goal of 10% reduction in water production was set to reduce the burden on Cheney and an average of 30% reduction in the last 6 weeks has been realized. Stage 3 of the response plan which restricts all outdoor watering is projected to occur in 12-18 months if less than normal precipitation continues.

The measures taken under the Drought Response Plan to date have reduced water production as described above and are expected to reduce Utility revenues tied to such water production.

### **Utility Financial Information**

The City's Annual Comprehensive Financial Report for the year ended December 31, 2023 (the "2023 ACFR") is filed on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system (commonly known as EMMA) for certain bonds issued by the City and contains information about the City and the Utility. A link to an EMMA filing of the 2023 ACFR made in connection with the City's \$28,060,000 Water and Sewer Utility Bonds, Series 2023A is as follows: <https://emma.msrb.org/P21824689-P21398971-P21840464.pdf>. The information at such link in the "Water Utilities Section" of the 2023 ACFR (beginning on pdf page 357 of 384, including the numbered pages I-1 through I-26) is incorporated herein by this reference. Only the information contained on the portion of the Internet web page identified above is incorporated herein, and no additional information on that page or that may be reached from such page by linking to any other page or by following a reference to underlying source documents is incorporated herein.

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## **INFORMATION REGARDING**

### **JOHNSON COUNTY, KANSAS**

Johnson County, Kansas (the “County”) is one of 15 Kansas and Missouri counties that comprise the Kansas City Metropolitan Statistical Area (the “KCMSA”). With a County population estimate of 622,237, it is the largest county in the State of Kansas. The County encompasses approximately 477 square miles (305,280 acres). Within the County, there are nine townships and 20 incorporated cities, of which eight have populations in excess of 10,000. The County’s largest city, Overland Park, with an estimated population of 197,089, is located only 12 miles from both downtown Kansas City, Missouri, and Kansas City, Kansas. Approximately one-half of the County’s area is located outside the corporate limits of any city. The County’s form of government is a seven-member Commission with a County Manager.

Johnson County Wastewater (JCW) is a department of the County. JCW operates numerous pumping stations, lift stations and treatment plants throughout the County. JCW is currently in the process of a substantial upgrade to the oldest treatment facility, the Nelson Wastewater Treatment Plant. This project is anticipated to cost approximately \$574 million and is being financed through a combination of general obligation bonds, financing from the Federal Water Infrastructure Finance and Innovation Act (the herein-defined WIFIA Bond), and state revolving loans through the KDHE. Construction of the Nelson Wastewater Treatment Plant Improvements Project (the NWTP Project) has commenced. The County expects the NWTP Project to be completed by December 2029.

On May 2, 2022, the County entered into a Water Infrastructure and Innovation Act (“WIFIA”) Credit Agreement with the United States Environmental Protection Agency (“EPA”) and, to enable the County’s participation in the WIFIA program, on May 24, 2022, the County issued to the EPA, as purchaser, its not to exceed \$281,260,000 Taxable General Obligation Internal Improvement Bonds, Series 2022A (WIFIA) (the “WIFIA Bond”) at an interest rate of 3.01% to fund a portion of the NWTP Project. The WIFIA Bond is a draw down bond and will be due in semi-annual installments of interest and annual payments of principal, with a final maturity date expected to be approximately 30 years and 7 months following substantial completion of the project. As of June 30, 2024, the County has not drawn down any funds on the WIFIA Bond. No interest will be due until after the substantial completion date of the NWTP project and such interest accrued will be rolled into the WIFIA credit balance up to a maximum principal amount of \$281,260,000. The WIFIA Bond is a general obligation of the County payable as to both principal and interest from ad valorem taxes. However, similar to other outstanding bonds financing wastewater improvements, the County intends to repay the WIFIA Bond from certain charges assessed to users of the County’s wastewater system.

The SRF clean water loans for the NWTP project in aggregate are not to exceed approximately \$277 million. The loan agreement for the first clean water loan which KDHE made to the County for the NWTP project (the KDHE loan which has been made so far is described below) provided that an additional two loans could be made, up to such not to exceed amount, with each additional loan to be subject to such conditions as availability of funds and successful negotiation of the applicable loan agreement. One of such additional loans is pending and is also described below.

The outstanding SRF clean water loan and the pending clean water loan for the NWTP project are described as follows:

<b>Effective Date of Loan Agreement</b>	<b>Loan Maturity</b>	<b>Interest Rate <sup>(1)</sup></b>	<b>Loan Agreement Commitment</b>	<b>Balance to be Disbursed <sup>(2)</sup></b>	<b>Principal Amount of Loan Outstanding <sup>(2)</sup></b>
06/15/2023	09/01/2044	2.14%	\$100,000,000.00	\$43,527,615.17	\$56,472,384.83
06/25/2024 <sup>(3)</sup>	09/01/2045	2.29%	\$100,000,000.00	N/A	N/A

<sup>(1)</sup> The interest rate includes a 0.25% annual administrative fee payable to KDHE pursuant to the Loan Agreement. The administrative fee for the first 4 years of repayments is equal to the gross interest rate minus 0.25% and for the remaining repayment term the administrative fee is 0.25%.

<sup>(2)</sup> As of June 30, 2024.

<sup>(3)</sup> Pending loan; not yet closed.

Pursuant to the SRF clean water loan agreement entered between KDHE and the County for the loan made to date, no interest accrues until the County makes its first drawdown of funds from the loan and no principal payments are due until the earlier of March 1, 2025 or one year after completion of the NWTP project. The loan agreement restricts the County’s ability to prepay the loan, providing that the County may only prepay the outstanding principal of the loan, in whole or in part, if consent from KDHE is obtained. There are also restrictions on partial prepayments. Under the loan agreement, the County agrees that to the extent other revenues dedicated thereto are insufficient to meet the obligations thereunder, the County covenants to levy ad valorem taxes without limitation as to rate or amount upon all the taxable tangible property, real or personal, within the territorial limits of the County to produce the amounts necessary for the prompt payment of the obligations under the loan agreement. There are comparable provisions in the pending loan agreement. See Appendix C, “CLEAN WATER PROGRAM - CW Loans – *Loan Agreements.*”

The County also previously entered into Loan Agreements with KDHE for clean water purposes. The Loan Agreements which remain outstanding for these projects are described as follows:

<b>Effective Date of Loan Agreement</b>	<b>Loan Maturity</b>	<b>Interest Rate <sup>(1)</sup></b>	<b>Loan Agreement Commitment</b>	<b>Principal Amount of Loan Outstanding <sup>(2)</sup></b>
06/02/2004	03/01/2026	2.86%	\$12,519,392.00	1,540,792.97
10/23/2009	03/01/2031	2.72%	18,307,268.70	4,074,422.36
01/23/2012	09/01/2034	2.42%	10,193,392.32	3,444,470.33
01/23/2012	09/01/2034	2.42%	1,128,966.94	385,188.00

<sup>(1)</sup> The interest rate includes a 0.25% annual administrative fee payable to KDHE pursuant to the Loan Agreement.

<sup>(2)</sup> As of June 30, 2024.

The County’s Annual Comprehensive Financial Report for the year ended December 31, 2023 (the “2023 ACFR”) is filed on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (commonly known as EMMA) for certain bonds issued by the County and contains information about the County and the Utility. A link to an EMMA filing of the 2023 ACFR made in connection with the County’s General Obligation Internal Improvement Bonds, Series 2023A and Series 2023B is as follows: <https://emma.msrb.org/P11762357-P11354175-P11790800.pdf>. The information at

such link is incorporated herein by this reference. Only the information contained on the Internet web page identified above is incorporated herein, and no additional information on that page or that may be reached from such page by linking to any other page or by following a reference to underlying source documents is incorporated herein.

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**INFORMATION REGARDING**  
**CITY OF JUNCTION CITY, KANSAS**

The City of Junction City (the “City”) is the county seat of Geary County, Kansas, and is located approximately 130 miles west of Kansas City, Missouri, 112 miles north of Wichita, Kansas, and 64 miles west of Topeka, Kansas. The City encompasses approximately 7.6 square miles and has an estimated population of 22,932 as indicated in the 2020 Census from the U.S. Census Bureau.

The City owns and operates its own water and sewer utility systems. The City has recently obtained a clean water loan from KDHE in the amount of \$79,528,000 to finance Phase 2 of an improvements project to rehabilitate, repair and upgrade two City wastewater treatment plants, its East Wastewater Treatment Plant (the “East WWTP”) and its Southwest Wastewater Treatment Plant (the “SW WWTP”). This clean water loan is described as follows:

<b>Effective Date of Loan Agreement</b>	<b>Loan Maturity</b>	<b>Interest Rate <sup>(1)</sup></b>	<b>Loan Agreement Commitment</b>	<b>Balance to be Disbursed <sup>(2)</sup></b>	<b>Principal Amount of Loan Outstanding <sup>(2)</sup></b>
05/01/2023	09/01/2044	2.13%	\$79,528,000.00	\$73,448,136.90	\$6,079,863.10

<sup>(1)</sup> The interest rate includes a 0.25% annual administrative fee payable to KDHE pursuant to the Loan Agreement. The administrative fee for the first 4 years of repayments is equal to the gross interest rate minus 0.25% and for the remaining repayment term the administrative fee is 0.25%.

<sup>(2)</sup> As of June 30, 2024.

Primary components of the Phase 2 improvements project include the addition of a waste activated sludge thickening process and construction of additional lime stabilized sludge storage at the City’s East WWTP, and the addition of aerobic digestion, chemical phosphorus removal and a new administration building at the City’s SW WWTP. Construction of the project began on June 9, 2023 and is estimated to be completed on February 23, 2026.

Pursuant to the SRF clean water loan agreement entered between KDHE and the City for such wastewater treatment facilities project, no interest accrues until the City makes its first drawdown of funds from the loan and no principal payments are due until the earlier of March 1, 2025 or one year after completion of the project. The loan agreement restricts the City’s ability to prepay the loan, providing that the City may only prepay the outstanding principal of the loan, in whole or in part, if consent from KDHE is obtained. There are also restrictions on partial prepayments. Under the loan agreement, the City agrees that to the extent other revenues dedicated thereto are insufficient to meet the obligations thereunder, the City covenants to levy ad valorem taxes without limitation as to rate or amount upon all the taxable tangible property, real or personal, within the territorial limits of the City to produce the amounts necessary for the prompt payment of the obligations under the loan agreement. See Appendix C, “CLEAN WATER PROGRAM - CW Loans – *Loan Agreements.*”

The City also previously entered into Loan Agreements with KDHE for drinking water and clean water purposes. The Loan Agreements which remain outstanding for these projects are described as follows:

<b>Effective Date of Loan Agreement</b>	<b>Loan Maturity</b>	<b>Interest Rate <sup>(1)</sup></b>	<b>Loan Agreement Commitment</b>	<b>Balance to be Disbursed <sup>(2)</sup></b>	<b>Principal Amount of Loan Outstanding <sup>(2)</sup></b>
12/03/2004 (clean water)	09/01/2026	2.71%	\$6,002,166.00	\$0.00	\$943,245.87
06/22/2009 (drinking water)	08/01/2030	3.82%	\$406,516.29	\$0.00	\$104,227.32
09/29/2015 (clean water)	09/01/2037	2.27%	\$10,702,850.37	\$0.00	\$7,543,658.54
12/04/2015 (drinking water)	08/01/2037	2.22%	\$9,382,427.43	\$0.00	\$5,454,367.85
02/04/2021 (drinking water)	02/01/2043	1.30%	\$15,000,000.00	\$1,073,185.16	\$13,151,783.61

<sup>(1)</sup> The interest rate includes a 0.25% annual administrative fee for clean water loans and a 0.35% annual administrative fee for drinking water loans payable to KDHE pursuant to the Loan Agreement. For the loan effective February 4, 2021, the administrative fee for the first 4 years of repayments is equal to the gross interest rate minus 0.35% and for the remaining repayment term the administrative fee is 0.35%.

<sup>(2)</sup> As of June 30, 2024.

The City’s Annual Comprehensive Financial Report for the year ended December 31, 2022 (the “2022 ACFR”) was posted on July 19, 2023 to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (commonly known as “EMMA”) for certain bonds issued by the City. A Notice of Failure to File Financial Statements dated July 27, 2024 (the “Notice”) was posted to EMMA on July 30, 2024 with respect to certain bonds issued by the City. Such Notice states that the City “did not provide financial statements in a timely manner pursuant to its outstanding continuing disclosure obligations” and that the City “failed to file unaudited financial statements when audited financial statements were not available to timely file on EMMA for fiscal years ending December 31, 2023.” The information in the 2022 ACFR and the Notice is not incorporated herein.

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**APPENDIX F**

**SUMMARY OF PRINCIPAL FINANCING DOCUMENTS**

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## APPENDIX F

### SUMMARY OF PRINCIPAL FINANCING DOCUMENTS

*The following are summaries of certain provisions of the Indenture and the Loan Agreements, as well as certain defined terms used therein. The summaries do not purport to be complete, and reference is made to the full text of the Indenture and the Loan Agreements, respectively, for a complete recital of their terms, as well as a complete recital of the defined terms used therein.*

### DEFINITIONS

*In addition to the words and terms defined elsewhere in this Official Statement the following words and terms shall have the following meanings, unless some other meaning is plainly intended.*

**“Account”** or **“Accounts”** means one or more of the separate accounts created in the Funds established in the Master Financing Indenture or pursuant to any Supplemental Indenture.

**“Accreted Value”** means, with respect to any Capital Appreciation Indebtedness and to any Convertible Capital Appreciation Indebtedness prior to the related Current Interest Commencement Date, (a) as of any Valuation Date, the amount specified as the value of such Bonds on such Valuation Date as set forth in the Supplemental Indenture authorizing such Bonds, and (b) as of any date other than a Valuation Date the sum of (1) the Accreted Value on the next preceding Valuation Date and (2) the product of (A) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (B) the difference between the Accreted Values for such Valuation Dates.

**“Additional Obligations”** means any Indebtedness other than the Bonds, issued or incurred by the Authority or KDHE which are secured by the Trust Estate, other than moneys in the Debt Service Reserve Fund.

**“Additional Program”** means a financing program identified as an “Additional Program” in a Supplemental Indenture, administered by KDHE, pursuant to which the Authority is authorized to issue Indebtedness and apply the proceeds thereof to the acquisition of obligations issued or incurred by recipients to finance programs or facilities or otherwise make such proceeds available to such recipients for such purpose.

**“Authority”** means the Kansas Development Finance Authority, a body politic and corporate and an independent instrumentality of the State, and its successors and assigns.

**“Authority Certificate”** means a written certificate, written order or written request of the Authority signed on behalf of the Authority by an Authorized Representative, which certificate shall be deemed to constitute a representation of, and shall be binding upon, the Authority with respect to matters set forth therein, and which certificate in each instance, including the scope, form, substance and other aspects thereof, is not unacceptable to the Trustee.

**“Authorized Denomination”** means the authorized denominations of any Series of Bonds set forth in a Supplemental Indenture authorizing the issuance of such Series.

**“Authorized Representative”** means: (a) with respect to the Authority, the President, Executive Vice President or any Vice President; (b) with respect to KDHE, its Secretary, any Acting or Deputy Secretary, the Director - Division of Environment, the Director or Assistant Director - Bureau of Water, the Chief of any Section within the Bureau of Water, the Chief of Municipal Programs Unit, or the Chief of the State Revolving Fund Unit; (c) with respect to the Trustee, any Vice President; and (d) such other person or persons at the time designated to act on behalf of the Authority or KDHE in matters relating to the Indenture as evidenced by a written certificate furnished to the Trustee containing the specimen signature of such person or persons and signed by the President or Executive Vice President of the Authority or the Secretary or any Assistant Secretary of KDHE.

**“Authorized Repurchase Agreement Collateral”** means: (a) Government Obligations; and (b) any other Investment Securities, which, under guidelines effective at the time of determination, would, at the time of determination, constitute a Defeasance Obligation described in subsection (d) of that definition.

**“BAB Interest Subsidy Payments”** means payments to be received by the Authority from the U.S. Department of the Treasury under Internal Revenue Code §§ 54AA(g) and 6431 in connection with payments of interest on any Bonds.

**“Balloon Indebtedness”** means Long-Term Indebtedness, 25% or more of the original principal amount of which becomes due (either by maturity or mandatory redemption) during any consecutive 12-month period, if such principal amount becoming due is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such 12-month period and designated as Balloon Indebtedness by the Authority in the Supplemental Indenture authorizing such Long-Term Indebtedness.

**“Beneficial Owner”** of any Bonds includes any Owner of such Bonds and any other Person who, directly or indirectly has the investment power with respect to such Bonds.

**“Bond”** or **“Bonds”** means any bond or bonds, including any Parity Bonds and any Subordinate Bonds, authorized by and issued, authenticated and delivered under and pursuant to the Indenture.

**“Bond Counsel”** means the firm of Gilmore & Bell, P.C., or any other attorneys or firm of attorneys whose expertise in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and acceptable to the Authority.

**“Bondowner,” “Owner”** or **“Registered Owner”** means the Person in whose name any Bond is registered as shown on the Bond Register kept by the Bond Registrar.

**“Bond Registrar”** means the Trustee and any other bank or trust company organized under the laws of any state of the United States of America or national banking association appointed by the Trustee to perform the duties of Bond Registrar enumerated in the Indenture.

**“Bond Register”** means the books for the registration, transfer and exchange of Bonds kept at the office of the Bond Registrar.

**“Book-Entry System”** means the book-entry system maintained by the Securities Depository.

**“Borrower”** means any entity that enters into a Loan Agreement with KDHE pursuant to the KPWS Act or the KWPC Act.

**“Business Day”** means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal corporate trust office or designated payment office of the Trustee is located are required or authorized by law to remain closed, or (c) a day on which the New York Stock Exchange or the Securities Depository is closed.

**“Capital Appreciation Indebtedness”** means any Indebtedness for which interest: (a) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such Series of Indebtedness, and (b) is payable only at the maturity of such Indebtedness, upon the redemption of such Indebtedness before maturity, or upon the conversion of such Indebtedness to Indebtedness with interest payable periodically in installments prior to maturity or prior to redemption or conversion before maturity. For the purposes of: (1) receiving payment of the Redemption Price if a Capital Appreciation Indebtedness is redeemed prior to maturity; (2) receiving payment of a Capital Appreciation Indebtedness if the principal of all Indebtedness is declared immediately due and payable following an Event of Default; or (3) computing the principal amount of Indebtedness held by the registered owner of Capital Appreciation Indebtedness in giving to the Authority, KDHE or the Trustee any notice, consent, request or demand pursuant to the Indenture for any

purpose whatsoever, the principal amount of any Capital Appreciation Indebtedness shall be deemed to be its Accreted Value.

**“Capitalized Interest Fund”** means, the Capitalized Interest Fund created in the Indenture, and within such Fund a separate Capitalized Interest Account for each Series of Bonds established pursuant to the Supplemental Indenture authorizing such Series of Bonds.

**“Capitalized Interest Account”** means, with respect to any Series of Bonds, the Capitalized Interest Account created within the Capitalized Interest Fund created pursuant to the Supplemental Indenture authorizing such Series of Bonds.

**“Cede & Co.”** means Cede & Co., the nominee of DTC, and any successor nominee of DTC.

**“Clean Water Bond Resolution”** means the Authority’s Bond Resolution No. 37, as amended and supplemented.

**“Clean Water Portion”** means any Series of Bonds or portion thereof, Revenues, State Match Revenues, Fund, Account or Sub-account issued or created pursuant to the Indenture designated by the Authority as the Clean Water Portion thereof.

**“Clean Water Revolving Fund”** means Kansas Water Pollution Control Revolving Fund established pursuant to the KWPC Act.

**“Commitment Indebtedness”** means the obligation to repay amounts disbursed pursuant to a binding commitment from a Qualified Financial Institution (including a line of credit, letter of credit, standby bond purchase agreement, reimbursement agreement or similar credit or liquidity facility or arrangement established in connection with the issuance or incurrence of any Indebtedness) to refinance, pay, purchase or redeem when due, tendered or required to be paid, purchased or redeemed, other Indebtedness which was incurred or issued in accordance with the provisions of the Indenture, and the obligation to pay interest payable on amounts disbursed for such purposes, plus any fees payable to such financial institution for such commitment.

**“Consultant”** means an individual consultant or certified public accountant or firm of consultants or certified public accountants, selected by the Authority and acceptable to KDHE, having the skill and experience necessary to render the particular report, certification or service required by the Indenture and having a favorable reputation for such skill and experience in financial affairs.

**“Convertible Capital Appreciation Indebtedness”** means any Indebtedness as to which interest is payable only following the Current Interest Commencement Date for such Bonds, as set forth in the Supplemental Indenture under which such Indebtedness is issued, and at the maturity or prior redemption of such Indebtedness. For the purposes of: (a) receiving payment of the Redemption Price if Convertible Capital Appreciation Indebtedness is redeemed prior to maturity, or (b) receiving payment of any Convertible Capital Appreciation Indebtedness if the principal of all Indebtedness is declared immediately due and payable following an Event of Default; or (c) computing the principal amount of Indebtedness held by the registered owner of a Convertible Capital Appreciation Indebtedness in giving to the Authority, KDHE or the Trustee any notice, consent, request or demand pursuant to the Indenture for any purpose whatsoever, the principal amount of any Convertible Capital Appreciation Indebtedness shall be deemed to be its Accreted Value.

**“Costs of Issuance”** means costs and expenses incurred in connection with the authorization, sale and issuance of a Series of Bonds described in the Internal Revenue Code, including but not limited to the following:

(a) underwriter’s fees (whether realized directly or derived through purchase of Bonds at a price below the price at which they are expected to be sold to the public);

(b) counsel fees (including bond counsel, disclosure counsel, underwriter’s counsel, Authority’s counsel, Trustee’s counsel, counsel to the provider of a Qualified Credit Facility or Qualified Liquidity Facility, as well as any other specialized counsel fees incurred in connection with the borrowing);

(c) financial advisor fees of any financial advisor or swap advisor to the Authority incurred in connection with the issuance of the Bonds;

(d) initial costs of the Qualified Credit Facility or Qualified Liquidity Facility, if any;

(e) rating agency fees, if any;

(f) trustee, escrow agent and paying agent fees;

(g) accountant fees, feasibility consultant fees and other expenses related to issuance of the Bonds;

(h) printing, distribution and related costs (for the Bonds and of the preliminary and final official statements relating to the Bonds); and

(i) any other fees and expenses of the Authority incurred in connection with the issuance of the Bonds.

**“Costs of Issuance Account”** means, with respect to any Series of Bonds, the Costs of Issuance Account created within the Costs of Issuance Fund pursuant to the Indenture and the Supplemental Indenture authorizing such Series of Bonds.

**“Costs of Issuance Fund”** means the Costs of Issuance Fund established in the Indenture, and within such Fund a separate Costs of Issuance Account for each Series of Bonds established pursuant to the Indenture and the Supplemental Indenture authorizing such Series of Bonds.

**“Credit Facility Provider”** means, with respect to a Series of Bonds, the provider of the Qualified Credit Facility with respect to such Series of Bonds, if any.

**“Cross-Over Date”** means, the date on which the principal portion of the Cross-Over Refunded Indebtedness is paid or redeemed, or on which it is anticipated that such principal portion will be paid or redeemed, from the proceeds of such Cross-Over Refunding Indebtedness.

**“Cross-Over Refunded Indebtedness”** means, Indebtedness refunded by Cross-Over Refunding Indebtedness.

**“Cross-Over Refunding Indebtedness”** means, Indebtedness issued for the purpose of refunding if the proceeds of such Cross-Over Refunding Indebtedness are irrevocably deposited in escrow to secure the payments on the applicable Cross-Over Date of the Cross-Over Refunded Indebtedness, and the earnings on such escrow are required to be applied to pay interest on either or both of such Cross-Over Refunding Indebtedness or such Cross-Over Refunded Indebtedness until the Cross-Over Date.

**“Current Interest Commencement Date”** means the date specified in a Supplemental Indenture as the date on and from which interest on the Accreted Value of Convertible Capital Appreciation Indebtedness issued under such Supplemental Indenture will thereafter accrue and be payable on the dates specified in such Supplemental Indenture and otherwise as if such Bonds were Interest Bearing Bonds.

**“Dated Date”** means, the dated date of any Series of Bonds set forth in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

**“De-allocated Reserve Fund Release Payments”** means moneys released from the Debt Service Reserve Fund pursuant to the Indenture and deposited into the Program Equity Fund.

**“Debt Service Account”** means, with respect to any Series of Bonds, the Debt Service Account created within the Debt Service Fund pursuant to the Supplemental Indenture authorizing such Series of Bonds.

**“Debt Service Fund”** means the Debt Service Fund established in the Indenture, and within such Fund a separate Debt Service Account for each Series of Bonds established pursuant to the Indenture and the Supplemental Indenture authorizing such Series of Bonds

**“Debt Service Requirements”** means, for the period of time for which calculated and for the Indebtedness subject to such calculation, the aggregate principal payments (whether at maturity, or upon mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest payments required to be made during such period on such Indebtedness; *plus*, if the Authority determines that a Qualified Swap Facility is being entered into for the purpose of providing substitute interest payments for a Series of Indebtedness, Authority Swap Payments, *less* Swap Provider Payments (excluding Termination Payments made by a Swap Provider), *less*, during any period of time that includes the maturity of a series of Indebtedness, the amount, if any, projected to be transferred from the Debt Service Reserve Fund to the Debt Service Fund at maturity of such Series of Indebtedness pursuant to the Indenture as determined by the Authority); provided that:

(a) the amount of such payments for any future period shall be calculated in accordance with the assumptions contained in the Indenture;

(b) such payments shall be excluded from Debt Service Requirements to the extent that such payments were paid or are payable from Escrowed Deposits, or from the proceeds of Refunding Indebtedness or other Long-Term Indebtedness or other amounts held under the Indenture for purposes of making such payments (e.g., accrued and capitalized interest), including amounts on deposit in the Capitalized Interest Fund; and

(c) Debt Service Requirements required to be made pursuant to a Qualified Swap Facility shall be based upon the actual amount required to be paid by the Authority, if any, to the Swap Provider. In determining that amount, any payments required to be made by either party pursuant to the Qualified Swap Facility at a variable interest rate shall be computed, in determining the obligation of the Authority under the Qualified Swap Facility, using the procedures set forth in the Indenture.

**“Debt Service Reserve Account”** means, with respect to any Series of Bonds, the Debt Service Reserve Account created within the Debt Service Reserve Fund pursuant to the Supplemental Indenture authorizing such Series of Bonds.

**“Debt Service Reserve Fund”** means the Debt Service Reserve Fund established in the Indenture, and within such Fund a separate Debt Service Reserve Account for each Series of Bonds established pursuant to the Indenture and the Supplemental Indenture authorizing such Series of Bonds.

**“Debt Service Reserve Requirement”** means, with respect to any Series of Bonds, the amount, if any, determined in accordance with the Supplemental Indenture authorizing the issuance of such Series of Bonds.

**“Dedicated Source of Revenue”** means: (a) with respect to Loans made pursuant to the KWPC Act, the revenue sources described in K.S.A. 65-3327, as amended; and (b) with respect to Loans made pursuant to the KPWS Act, the revenue sources described in K.S.A. 65-163j, as amended.

**“Defaulted Loan”** means: (a) a Loan on which any Loan Repayment is **60** days in arrears (but not a Loan as to which all defaults have been cured to the satisfaction of the Authority); or (b) any Loan, whether or not any Loan Repayments are in arrears, to a Borrower which has: (1) admitted in writing its inability to pay its debts generally as they become due; (2) consented to the appointment of a custodian (as the term is defined in the United States Bankruptcy Code) for an assignment to a custodian of the whole or any substantial part of the Borrower’s property, or failed to stay, set aside or vacate within **90** days from the date of entry thereof any order or decree entered by a court of competent jurisdiction ordering such appointment or assignment; or (3) commenced any proceeding or filed a petition under the provisions of the United States Bankruptcy Code for

liquidation, reorganization or adjustment of debtors, or under any insolvency law or other statute of law providing for the modification or adjustment of the rights of creditors or failed to stay, set aside or vacate within **90** days from the date of entry thereof any order or decree entered by a court of competent jurisdiction pursuant to an involuntary proceeding, whether under federal or State law, providing for liquidation or reorganization of such Borrower or modification or adjustment of the rights of creditors.

**“Defeasance Obligations”** means:

- (a) Cash;
- (b) Government Obligations;
- (c) Pre-refunded municipal bonds for which any optional redemption has been exercised or has not been reserved and are rated “Aaa” by Moody’s or “AAA” by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition; or
- (d) Any other Investment Securities, which, under guidelines effective at the time of determination, are permitted to be included in an escrow that is rated in the highest rating category by any Rating Agency.

Provided that any such obligations described in (b) through (d) above are not subject to redemption prior to maturity or the date such obligations must be liquidated for their intended purposes.

**“Depository”** means any bank or trust company or national banking association that satisfies the requirements of the Indenture, including the Trustee, selected by the Authority and satisfactory to the Trustee as a depository of moneys and securities held under the provisions of the Indenture.

**“Disclosure Undertaking”** means any agreement among the Authority, KDHE and the Trustee or other party (as may be amended from time to time) relating to certain matters within the scope of the SEC Rule.

**“Drinking Water Bond Resolution”** means the Authority’s Bond Resolution No. 106, as amended and supplemented.

**“Drinking Water Portion”** means any Series of Bonds or portion thereof, Revenues, State Match Revenues, Fund, Account or Sub-account issued or created pursuant to the Indenture designated by the Authority as the Drinking Water Portion thereof.

**“Drinking Water Revolving Fund”** means the Kansas Public Water Supply Loan Fund established pursuant to the KPWS Act.

**“DTC”** means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns, including any successor securities depository duly appointed.

**“EPA”** means the Environmental Protection Agency, its successors and assigns.

**“EPA Capitalization Grants”** means amounts received by KDHE from the EPA pursuant to the Federal Acts.

**“Escrowed Deposits”** means cash, including proceeds of Refunding Indebtedness or other Long-Term Indebtedness, or Defeasance Obligations (including, where appropriate, the earnings or other increment to accrue thereon) that are on deposit in an irrevocable escrow or trust account with the Trustee or a third party escrow agent and are required to be applied to pay all or a portion of the principal of and interest on, as the same shall become due, any Bonds or Indebtedness which would otherwise be considered Outstanding and such amounts so required to be applied are sufficient to pay such principal and interest.

**“Event of Default”** means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any interest on any Bond when such interest becomes due and payable; or

(b) default in the payment of the principal or Redemption Price of any Bond when the same becomes due and payable (whether at maturity, upon proceedings for redemption, by acceleration or otherwise); or

(c) default in the payment of any amount under any other Indebtedness when such interest becomes due and payable; or

(d) if the amounts on deposit in the Debt Service Reserve Fund are at any time less than the Debt Service Reserve Requirement and such deficiency shall not have been cured in the time parameters established in the Indenture; or

(e) default in the performance, or breach, of any covenant or agreement of the Authority in the Indenture (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere in this definition), and continuance of such default or breach for a period of **60** days after there has been given to the Authority and KDHE by the Trustee or to the Authority, KDHE and the Trustee by the Owners of at least **25%** in principal amount of the Indebtedness Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such **60**-day period, but can reasonably be expected to be fully remedied, such default shall not constitute an Event of Default if the Authority and/or KDHE shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; or

(f) the entry of a decree or order by a court having jurisdiction in the premises for relief in respect of the Authority or KDHE, or adjudging the Authority or KDHE a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, adjustment or composition of or in respect of the Authority or KDHE under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of or for the Authority or KDHE or any substantial part of either entity’s property, or ordering the winding up or liquidation of its affairs; or

(g) any other event described as an Event of Default in a Supplemental Indenture.

**“Excess KPWS Payments”** means the money or Investment Securities transferred by the Authority to the Trustee pursuant to Drinking Water Bond Resolution.

**“Excess KWPC Payments”** means the money or Investment Securities transferred by the Authority to the Trustee pursuant to the Clean Water Bond Resolution.

**“Existing KPWS Loans”** means Loans entered into by KDHE pursuant to the KPWS Act prior to the Operative Date.

**“Existing KWPC Loans”** means Loans entered into by KDHE pursuant to the KWPC Act prior to the Operative Date.

**“Federal Acts”** means, collectively, the Safe Drinking Water Act and the Water Quality Act.

**“Federal Fiscal Year”** means the annual 12-month accounting period of the United States as from time to time in effect, initially the period commencing on October 1 of each year and ending on the September 30 of such year.

**“Fiscal Year”** means: (a) with respect to the Authority, KDHE and the State, the annual 12-month accounting period, as from time to time in effect with respect to such entity, initially the period commencing on July 1 of each year and ending on the June 30 of the subsequent year; and (b) with respect to any Borrower, the annual 12-month accounting period of such Borrower as from time to time in effect.

**“Fitch”** means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority with notice to KDHE and the Trustee.

**“Fund”** or **“Funds”** means one or more of the funds established pursuant to the Indenture, together with any additional funds established by a Supplemental Indenture.

**“General Fund”** means the General Fund established in the Indenture.

**“Government Interest Subsidy Bonds”** means any Bonds with respect to which the Authority intends to be entitled to receive Government Interest Subsidy Payments.

**“Government Interest Subsidy Payments”** means payments received by the Authority from the federal or state government that are made to reduce or off-set debt service payments on any Indebtedness, including without limitation any BAB Interest Subsidy Payments.

**“Government Obligations”** means:

(a) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series “SLGs”).

(b) Direct obligations of the Treasury which have been stripped by the Treasury itself, as well as CATS, TIGRS and similar securities.

(c) The interest component of Resolution Funding Corp. (REFCORP) strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form.

(d) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by the following agencies that are backed by the full faith and credit of the United States (stripped securities are only permitted if they have been stripped by the agency itself):

- (1) *U.S. Export-Import Bank (Eximbank)*  
Direct obligations or fully guaranteed certificates of beneficial ownership
- (2) *Rural Economic Community Development Administration (formerly the Farmers Home Administration)*  
Certificates of beneficial ownership
- (3) *Federal Financing Bank*
- (4) *General Services Administration*  
Participation certificates
- (5) *U.S. Maritime Administration*  
Guaranteed Title XI financing
- (6) *U.S. Department of Housing and Urban Development (HUD)*



Project Notes  
Local Authority Bonds  
New Communities Debentures - U.S. government guaranteed debentures  
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

- (7) *Small Business Administration (SBA)*  
Guaranteed participation certificates  
Guaranteed pool certificates
- (8) *Federal Housing Administration (FHA)*  
Debentures
- (9) *Government National Mortgage Association (GNMA)*  
GNMA - guaranteed mortgage-backed securities  
GNMA - guaranteed participation certificates.

**“Indebtedness”** means: (a) any Bonds; (b) any Additional Obligation; or (c) any other indebtedness or obligations of the Authority or KDHE for the repayment of borrowed money payable from and secured by the Trust Estate (other than the Debt Service Reserve Fund with respect to Additional Obligations or Subordinate Bonds); provided that Indebtedness shall not include any portion of any Indebtedness that is payable from Escrowed Deposits and is deemed to be discharged or defeased in accordance with the terms of the instrument or instruments creating or evidencing such Indebtedness.

**“Indenture”** means collectively the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture, the Thirteenth Supplemental Indenture, the Fourteenth Supplemental Indenture, the Fifteenth Supplemental Indenture, and any other Supplemental Indentures executed from time to time by the Authority, KDHE and the Trustee, in accordance with the provisions of the Master Indenture.

**“Independent Accountant”** means an independent certified public accountant or firm of independent certified public accountants at the time employed by the Authority for the purpose of carrying out the duties imposed on the Independent Accountant by the Indenture.

**“Index Rate”** means the rate of interest set forth in *The Bond Buyer* 25-year Revenue Bond Index (or, in the event that *The Bond Buyer* does not compile such index or ceases publication, another comparable publication recognized in the municipal bond market) published for the week immediately preceding the date of determination.

**“Interest Account”** means the Interest Account created within the Revenue Fund pursuant to the Indenture.

**“Interest Bearing Bonds”** means Bonds as to which interest is payable on each Interest Payment Date.

**“Interest Payment Dates”** means the dates on which interest shall be paid on the Bonds or provision is made therefor as specified in the Supplemental Indenture authorizing such Series of Bonds.

**“Interim Indebtedness”** means Indebtedness having a term not less than one year, and not in excess of five years, incurred or assumed in anticipation of being refinanced or refunded with Long-Term Indebtedness.

**“Internal Revenue Code”** means the Internal Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all applicable regulations (whether proposed, temporary or final) thereunder and any applicable official rulings, announcements, notices, procedures and judicial determinations relating to the foregoing.

**“Investment Securities”** means and includes any of the following securities which are at the time legal for investment of the Authority’s funds under applicable law and the investment policies adopted by the Authority:

(a) Defeasance Obligations;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(1) *Federal Home Loan Bank System*  
Senior debt obligations

(2) *Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)*  
Participation Certificates  
Senior debt obligations

(3) *Federal National Mortgage Association (FNMA or “Fannie Mae”)*  
Mortgage-backed securities and senior debt obligations

(4) *Resolution Funding Corp.*  
(REFCORP) obligations

(5) *Farm Credit System*  
Consolidated system wide bonds and notes;

(c) Money market mutual funds that:

(1) invest only in Government Obligations or are registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933; and

(2) have a Minimum Investment Rating,

including those for which the Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise;

(d) certificates of deposit or time or demand deposits constituting direct obligations of any bank, bank holding company, savings and loan association, trust company or other financial institution organized under the laws of the United States or any state thereof (including the Trustee or any of its affiliates), except that investments may be made only in certificates of deposit or time or demand deposits which are:

(1) insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation, or any other similar United States Government deposit insurance program then in existence; or

(2) continuously and fully secured by Government Obligations, which have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such certificates of deposit or time or demand deposits; or

(3) issued by a bank, bank holding company, savings and loan association, trust company or other financial institution organized under the laws of the United States or any state thereof (including the Trustee or any of its affiliates) whose outstanding unsecured long-term debt has a Minimum Investment Rating or higher;

(e) Investment agreements (including guaranteed investment contracts, forward purchase agreements and reserve fund put agreements) constituting an obligation of a bank, bank holding company, savings and loan association, trust company, insurance company or other financial institution or provider whose outstanding uninsured, unsecured and unguaranteed long-term debt has a Minimum Investment Rating, or higher, or guaranteed by a parent corporation, holding company or other affiliate of such provider that has a Minimum Investment Rating or higher;

(f) Commercial paper which matures not more than 270 days after date of purchase, that has a Minimum Investment Rating (including the Trustee and its affiliates);

(g) State or municipal debt obligations that have a Minimum Investment Rating or higher (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(h) Investments in the Municipal Investment Pool Fund pursuant to K.S.A. 12-1677a;

(i) Federal funds or banker's acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating equal to the Minimum Investment Rating;

(j) repurchase agreements with any bank, bank holding company, savings and loan association, trust company, insurance company or other financial institution or provider organized under the laws of the United States or any state thereof (including the Trustee or any of its affiliates), that are continuously and fully secured by Authorized Repurchase Agreement Collateral and which have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such repurchase agreement, provided that each such repurchase agreement conforms to current industry standards as to form and time, is in commercially reasonable form, is for a commercially reasonable period, results in transfer of legal title to identified Authorized Repurchase Agreement Collateral which are segregated in a custodial or trust account for the benefit of the Trustee, and further provided that Authorized Repurchase Agreement Collateral acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value thereof or the repurchase price thereof set forth in the applicable repurchase agreement; and

(k) Any other investments authorized by State law that has a Minimum Investment Rating or higher.

**“KDF Act”** means K.S.A. 74-8901 *et seq.*, as amended from time to time.

**“KDHE”** means the Kansas Department of Health and Environment, its successors and assigns.

**“KDHE Certificate”** means a written certificate, written order or written request of the Authority signed on behalf of KDHE by an Authorized Representative, which certificate shall be deemed to constitute a representation of, and shall be binding upon, KDHE with respect to matters set forth therein, and which certificate in each instance, including the scope, form, substance and other aspects thereof, is acceptable to the Trustee.

**“KPWS Act”** means the Kansas Public Water Supply Loan Act, K.S.A. 65-163d *et seq.*, as amended from time to time.

**“KPWS Bonds”** means the Authority’s Kansas Public Water Supply Revolving Loan Fund Revenue Bonds issued pursuant to the Drinking Water Bond Resolution.

**“KPWS Loans”** means Loans entered into by KDHE pursuant to the KPWS Act prior to the Operative Date.

**“KPWS Pledge Agreement”** means the Pledge Agreement between the Authority and KDHE, as amended and supplemented, relating to the Drinking Water Revolving Fund.

**“KWPC Act”** means the Kansas Water Pollution Control Revolving Fund Act, K.S.A. 65-3321 *et seq.*, as amended from time to time.

**“KWPC Bonds”** means the Authority’s Kansas Water Pollution Control Revolving Fund Revenue Bonds issued pursuant to the Clean Water Bond Resolution.

**“KWPC Loans”** means Loans entered into by KDHE pursuant to the KWPC Act prior to the Operative Date.

**“KWPC Pledge Agreement”** means the Pledge Agreement between the Authority and KDHE, as amended and supplemented, relating to the Clean Water Revolving Fund.

**“Leveraged Portion”** means that portion of any Series of Bonds or portion thereof, Fund, Account or Sub-account issued or created pursuant to the Indenture designated by the Authority as Leveraged portion thereof.

**“Loan”** or **“Loans”** means all loans of funds made from the Revolving Funds to a Borrower pursuant to a Loan Agreement.

**“Loan Agreement”** means the documentation supporting a Loan whether in the form of a loan agreement, a bond, note or other evidence of indebtedness.

**“Loan Fund”** means the Loan Fund created pursuant to the Indenture.

**“Loan Prepayments”** means the prepayment of the principal component of any Loan in advance of its scheduled Loan Repayment in accordance with a Loan Agreement.

**“Loan Repayments”** means the scheduled payments payable by a Borrower pursuant to a Loan Agreement.

**“Long-Term Indebtedness”** means (a) Indebtedness having an original stated maturity or term greater than one year, or (b) Indebtedness having an original stated maturity or term equal to or less than one year that is renewable or extendable at the option of the debtor for a period greater than one year from the date of original issuance or incurrence thereof, or with respect to which the Authority has incurred Commitment Indebtedness that would refinance such Indebtedness for a period extending beyond one year from the date of original issuance or incurrence thereof.

**“Master Indenture”** means the Master Financing Indenture, dated as of November 1, 2010, among the Authority, KDHE and the Trustee.

**“Material Loan Prepayments”** means an aggregate amount of Loan Prepayments received in any consecutive 12-month period, in excess of 5% of the aggregate outstanding principal balances on (a) Pledged Loans; (b) Existing KPWS Loans; and (c) Existing KWPC Loans; determined as of the last day of the preceding Fiscal Year; provided, however, that Material Loan Prepayments shall not include any Loan Prepayments that are made within 18 months of the maturity date of the related Loan.

**“Maturity”** when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein and provided in the Indenture, whether at the Stated Maturity thereof or call for redemption or otherwise.

**“Minimum Investment Rating”** means, at the time of investment:

(a) for moneys held in the Program Equity Fund or the General Fund:

(1) with respect to Investment Securities with a stated maturity of more than **one** year, Investment Securities shall be rated in one of the **three** highest long-term Rating Categories by any Rating Agency; and

(2) with respect to Investment Securities with a stated maturity of **one** year or less, are rated in one of the **three** highest short-term or long-term Rating Categories by any Rating Agency.

(b) for moneys held in any other Funds and Accounts established pursuant to the Indenture:

(1) with respect to Investment Securities with a stated maturity of more than **one** year, Investment Securities shall be rated in one of the **two** highest long-term Rating Categories by any Rating Agency; and

(2) with respect to Investment Securities with a stated maturity of **one** year or less, are rated in one of the **two** highest short-term or long-term Rating Categories by any Rating Agency.

**“Modified Debt Service Requirements”** means, for any period of calculation, the Debt Service Requirements received during such period less any Government Interest Subsidy Payments expected to be received during such period.

**“Modified Revenues”** means, for any period of calculation, the Revenues received during such period less any Government Interest Subsidy Payments expected to be received during such period.

**“Modified State Match Revenues”** means, for any period of calculation, the State Match Revenues received during such period less any Government Interest Subsidy Payments associated with the State Match Portion of any Indebtedness expected to be received during such period.

**“Moody’s”** means Moody’s Investor’s Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority with notice to KDHE and the Trustee.

**“Non-Pledged Loan(s)”** means any Loan that is not a Pledged Loan.

**“Notice Address”** means the applicable notice address set forth in the Indenture.

**“Notice Representative”** means the applicable notice representative set forth in the Indenture.

**“Operative Date”** means: (a) with respect to the Indenture, the final date of execution of the Indenture by all of the parties to the Indenture as set forth on the counterparty signature pages; and (b) with respect to any Loan, November 1, 2010.

**“Opinion of Bond Counsel”** means a written opinion of Gilmore & Bell, P.C., or other legal counsel selected by the Authority who is nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers and the exemption from federal income taxation of interest on such obligations, addressed and delivered to the Authority and the Trustee.

**“Opinion of Counsel”** means a written opinion of legal counsel having expertise in the matters covered in such opinion, selected by the Authority. Any Opinion of Counsel may be based, insofar as it relates to factual matters or information which is in the possession of the Authority, upon an Authority Certificate, unless such counsel knows, or in the exercise of reasonable care should know, that such Authority Certificate is erroneous.

**“Outstanding”** means, as of the date of determination (subject to the applicable provisions of the Indenture), all Indebtedness theretofore authenticated and delivered under the Indenture, except the following:

(a) Indebtedness theretofore cancelled by the Trustee or delivered to the Trustee for cancellation as provided in the Indenture;

(b) Indebtedness for whose payment or redemption money or Defeasance Obligations in the necessary amount has been deposited with the Trustee in trust for the Owners of such Indebtedness as provided in the Indenture, provided that, if such Indebtedness are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor not unsatisfactory to the Trustee has been made;

(c) Indebtedness in exchange for or in lieu of which other Indebtedness has been authenticated and delivered under the Indenture; and

(d) Indebtedness alleged to have been destroyed, lost or stolen which have been paid as provided in the Indenture.

**“Parity Bonds”** means a Series of Bonds that meet the requirements set forth in the Indenture and that are superior in priority to all Subordinate Bonds and are designated as “Parity Bonds” pursuant to the Supplemental Indenture authorizing the issuance of such Series of Bonds or any subsequent Supplemental Indenture.

**“Parity Indebtedness”** means any Indebtedness (other than Parity Bonds) that is incurred by the Authority pursuant to the Indenture and is on a parity with the Parity Bonds.

**“Participants”** means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

**“Paying Agent”** means the Trustee, any other bank or trust company or national banking association designated as Paying Agent for the Bonds of any Series, and its successor or successors appointed in the manner provided in the Indenture.

**“Payment Date(s)”** means each date on which principal and/or interest shall be paid on the Bonds or provision is made therefor as specified in the Supplemental Indenture authorizing such Series.

**“Person(s)”** means any natural person, firm, association, corporation, partnership, joint-stock company, joint venture, trust, unincorporated organization or firm, or a government or any agency or political subdivision thereof or other public body.

**“Pledged Loan(s)”** means any Loan made pursuant to a Loan Agreement entered into:

(a) on or after the Operative Date that is funded in whole or in part from moneys in the Loan Fund or the Program Equity Fund;

(b) on or after the Operative Date that is funded from moneys not described in (a) and is designated by KDHE as a Pledged Loan;

(c) prior to the Operative Date, the Loan Repayments on which are not pledged as security for KPWS Bonds or KWPC Bonds and is designated by KDHE as a Pledged Loan; and

(d) prior to the Operative Date, the Loan Repayments on which are released from serving as security for KPWS Bonds or KWPC Bonds pursuant to the provisions of the Clean Water Bond Resolution or Drinking Water Resolution;

provided a Pledged Loan may be converted to a Non-Pledged Loan or a Non-Pledged Loan may be converted to a Pledged Loan in accordance with the provisions of the Indenture.

**“Principal Account”** means the Principal Account created within the Revenue Fund pursuant to the Indenture.

**“Program Equity Fund”** means the Program Equity Fund established in the Indenture.

**“Project(s)”** means: (a) the acquisition, construction, improvement, repair, rehabilitation, or extension of Wastewater Treatment Works; and (b) any acquisition, construction, reconstruction, improvement, equipping, rehabilitation, or extension of all or any part of a Public Water Supply System, other than related to the diversion of water acquired through a water transfer as defined by K.S.A. 82a-1501, and amendments thereto.

**“Project Costs”** means all costs or expenses which are necessary or incident to a Project and which are directly attributable thereto, including, but not limited to: (a) costs of any Loan reserves; (b) interest on the Loan during the construction of the Project; and (c) financing and administrative costs associated with the Loan Agreement.

**“Projected Revenue Certificate”** means a projection prepared and certified by the Authority or a Consultant retained by the Authority, showing a schedule of, as applicable, Projected Revenues, a schedule of Debt Service Requirements on Indebtedness at the time Outstanding and a coverage ratio of such Projected Revenues versus Debt Service Requirements.

**“Projected Revenues”** means, for the period of determination, the Modified Revenues estimated to be received (including, without duplication of investment earnings on Funds and Accounts, from Pledged Loans reasonably expected by KDHE to be made during the period of the calculation, but less scheduled Loan Repayments on Pledged Loans that are Defaulted Loans). In estimating such Modified Revenues, the following assumptions shall be made: (a) disbursements of all EPA Capitalization Grants awarded to KDHE on a schedule and for the purposes approved by the Authority and KDHE; and (b) Funds and Accounts will achieve an investment yield not in excess of the average annual yield on such investments for the last 3 preceding Fiscal Years, or such other yield as may be approved by a Consultant.

**“Projected State Match Revenues”** means, for the period of determination, the Modified State Match Revenues estimated to be received (including Pledged Loans reasonably expected to be made during the period of the calculation, but less scheduled Loan Repayments on Pledged Loans that are Defaulted Loans). In estimating such Modified State Match Revenues, the following assumptions shall be made: (a) disbursements of all EPA Capitalization Grants awarded to KDHE on a schedule and for the purposes approved by the Authority and KDHE; and (b) Funds and Accounts will achieve an investment yield not in excess of the average annual yield on such investments for the last 3 preceding Fiscal Years, or such other yield as may be approved by a Consultant.

**“Public Water Supply System”** shall have the meaning ascribed thereto in the KPWS Act and any regulations promulgated thereunder.

**“Qualified Borrower”** means an entity that is qualified under either the KPWS Act or the KWPC Act to enter into a Loan Agreement and receive funds to finance a Project.

**“Qualified Credit Facility”** means: (a) with respect to any Bonds or Series of Bonds, an insurance policy, surety bond, letter of credit, line of credit or other form of credit enhancement in favor of the Owners of such Bonds, issued by a bank, trust company, national banking association, insurance company or other credit enhancer, for the purpose of providing a source of funds for the payment of all or a portion of the principal of and interest on such Bonds when due; or (b) with respect to any Loan, an insurance policy, surety bond, letter of credit, line of credit or other form of credit enhancement in favor of the Authority, KDHE or the Trustee, issued by a bank, trust company, national banking association, insurance company or other credit enhancer, for the purpose of providing a source of funds for the payment of all or a portion of Loan Repayments on such Loan when due.

**“Qualified Financial Institution”** means a bank, trust company, national banking association, insurance company or other financial services company or entity, and whose unsecured long-term debt obligations (in the case of a bank, trust company, national banking association or other financial services company or entity) or whose claims paying abilities (in the case of an insurance company) are rated, at the time of issuance of any Commitment Indebtedness, in one of the two highest long-term Rating Categories by a nationally recognized rating service (without regard to any refinements of gradation of any Rating Category by numerical modifier or otherwise).

**“Qualified Liquidity Facility”** means with respect to any Bonds or Series of Bonds, a letter of credit, line of credit, standby bond purchase agreement, or other liquidity facility or arrangement for liquidity support in favor of the Owners of such Bonds, issued by a bank, trust company, national banking association or other liquidity provider, for the purpose of providing a source of funds for the payment of all or a portion of the purchase price of such Bonds that are tendered for purchase by the Owners thereof.

**“Qualified Reserve Facility”** means with respect to any Bonds or Series of Bonds, a letter of credit, surety bond or similar instrument issued by a bank, insurance company or other financial institution with a credit rating, at the time of delivery, in one of the two highest long-term Rating Categories (without regard to any refinements of gradation of any rating category by numerical modifier or otherwise) by any nationally recognized rating service at the time the Qualified Reserve Facility is delivered, for the purpose of satisfying all or any portion of the Debt Service Reserve Requirement attributable to such Series of Bonds.

**“Qualified Swap Facility”** means with respect to any Bonds or Series of Bonds, an interest rate exchange, hedge or similar agreement or facility entered into by the Authority and a Swap Provider who is a member of the International Swap Dealers Association, pursuant to which either or both the Authority and/or the Swap Provider is obligated to make interest-like payments to or on behalf of the other (based on a specific rate or formula for interest), with neither party obligated to repay any principal, which agreement: (a) may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor, collar or swaption); and (b) does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

**“Rating Agency”** means Moody’s, S&P and any other company, agency or entity that provides ratings for any Series of Indebtedness.

**“Rating Category”** shall mean a generic securities rating category assigned by a Rating Agency, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

**“Rebate Fund”** means the Rebate Fund established in the Indenture, and within such Fund a separate Rebate Account for each Series of Bonds the interest on which is intended to be tax-exempt and each Series of Government Interest Subsidy Bonds, established pursuant to the Supplemental Indenture authorizing each such Series of Bonds, for the purpose of facilitating compliance with Section 148 of the Internal Revenue Code.

**“Record Date”** means, with respect to any Interest Payment Date for any Series of Bonds, the 15th day of the calendar month immediately preceding such Interest Payment Date (whether or not a Business Day), or such other date as shall be specified as the Record Date in the Supplemental Indenture authorizing such Series of Bonds.



**“Recovery Act”** means the American Recovery and Reinvestment Act of 2009 (H.R. 1 of the 111<sup>th</sup> United States Congress), and amendments thereto.

**“Redemption Date”** when used with respect to any Bond to be redeemed means the date fixed for the redemption of such Bond pursuant to the terms of any Supplemental Indenture authorizing such Series of Bonds to be redeemed.

**“Redemption Price”** means, with respect to any Bond, the principal thereof plus the applicable redemption premium, if any, payable upon redemption thereof.

**“Refunding Bonds”** means any Series of Bonds issued, authenticated and delivered on original issuance pursuant to the Indenture, for the purpose of refunding other Indebtedness of the Authority (including without limitation bonds commonly referred to as current refunding bonds, advance refunding bonds or cross-over refunding bonds where the proceeds of such Refunding Bonds are deposited in an irrevocable escrow or trust account to secure the payment on the applicable payment dates of the interest on and principal or Redemption Price of such bonds being refunded and/or such Refunding Bonds).

**“Refunding Indebtedness”** means Long-Term Indebtedness issued for the purpose of refunding other Long-Term Indebtedness (including without limitation Long-Term Indebtedness commonly referred to as current refunding indebtedness, advance refunding indebtedness or cross-over refunding indebtedness where the proceeds of such Refunding Indebtedness are deposited in an irrevocable escrow or trust account to secure the payment on the applicable payment dates of the interest and principal on such Refunding Indebtedness and/or the Indebtedness being refunded).

**“Regulations”** means any administrative regulations promulgated by KDHE with respect to the KPWS Act or the KWPC Act, as amended.

**“Reimbursement Obligation”** means any amounts payable by the Authority to reimburse or repay the provider of a Qualified Credit Facility, a Qualified Liquidity Facility or a Qualified Reserve Facility for amounts paid or advanced thereunder in connection with any Bonds, to refinance, pay, purchase or redeem when due, tendered or required to be paid, purchased or redeemed, Bonds under the Indenture, and the obligation of the Authority to pay interest payable on amounts disbursed for such purposes, plus any fees payable to the provider of such Qualified Credit Facility, Qualified Liquidity Facility or Qualified Reserve Facility.

**“Revenue Fund”** means the Revenue Fund established pursuant to the Indenture, which shall consist of a Principal Account and an Interest Account.

**“Revenues”** means:

- (a) the interest portion of all Loan Repayments from Pledged Loans received by KDHE;
- (b) the principal portion of all Loan Repayments from Pledged Loans received by KDHE;
- (c) interest earnings on all Funds and Accounts established under the Indenture;
- (d) interest earnings on all other Funds and Accounts, if pledged as Revenues by KDHE;
- (e) Excess KPWS Payments;
- (f) Excess KWPC Payments;
- (g) Government Interest Subsidy Payments;

(h) De-allocated Reserve Fund Release Payments; and

(i) any other revenues or amounts pledged by the Authority or KDHE to the repayment of Indebtedness or a portion thereof pursuant to the Indenture.

Notwithstanding the foregoing, Revenues shall not include: (1) the proceeds from the sale of the Bonds; (2) interest and other investment income received or to be received on any moneys or securities held pursuant to an indenture of trust other than the Indenture entered into by the Authority and/or KDHE with respect to bonds, notes or other evidences of indebtedness payable on a basis subordinate to the Bonds, except to the extent that the Authority specifies in a Supplemental Indenture that such interest and other investment income shall constitute Revenues; (3) Swap Provider Payments received by or on behalf of the Authority, except to the extent that the Authority specifies in a Supplemental Indenture that such amounts shall constitute Revenues; (4) amounts received by or on behalf of the Authority pursuant to a Qualified Credit Facility, except to the extent that the Authority specifies in a Supplemental Indenture that such amounts shall constitute Revenues; (5) interest earnings on proceeds of Government Interest Subsidy Bonds or other money restricted as to use in order to comply with the covenants contained in the Indenture; or (6) any of the foregoing defined Revenues that are released in accordance with the provisions of the Indenture.

**“Revolving Funds”** means, collectively, the Clean Water Revolving Fund and the Drinking Water Revolving Fund.

**“Revolving Funds Acts”** means, collectively, the KPWS Act and the KWPC Act.

**“Safe Drinking Water Act”** means Federal Safe Drinking Water Act (42 U.S.C. §300f *et seq.*), as amended from time to time.

**“SEC”** means the Securities and Exchange Commission of the United States.

**“SEC Rule”** means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as may be amended from time to time.

**“Secretary”** means the Secretary of KDHE.

**“Securities Depository”** means, initially, DTC, or its nominee, and its successors and assigns, acting as securities depository under a Book-Entry System.

**“Series”** means all of the Bonds designated as being of the same Series authenticated and delivered on original issuance and identified pursuant to the Indenture and the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

**“Short-Term Indebtedness”** means Indebtedness having an original maturity less than or equal to **one** year from the date of original incurrence thereof, and not renewable or extendible at the option of the obligor thereon for a term greater than **one** year beyond the date of original issuance.

**“Sinking Fund Installment”** means, with respect to one or more maturities of any Series of Bonds, a principal amount of such maturity that is subject to mandatory redemption prior to maturity on a specified date, as provided in the Supplemental Indenture authorizing such Series of Bonds.

**“S&P”** means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, S&P shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority with notice to KDHE and the Trustee.

**“State”** means the State of Kansas.

**“State Match Portion”** means that portion of any Series of Bonds or portion thereof, Fund, Account or Sub-account issued or created pursuant to the Indenture designated by the Authority as the State Match portion thereof.

**“State Match Revenues”** means

- (a) the interest portion of all Loan Repayments from Pledged Loans received by KDHE;
- (b) interest earnings on all Funds and Accounts within the Revolving Fund;
- (c) interest earnings on all other Funds and Accounts, if pledged as Revenues by KDHE;
- (d) the interest component, if any, of Excess KPWS Payments;
- (e) the interest component, if any, of Excess KWPC Payments;
- (f) Government Interest Subsidy Payments related to the State Match Portion of any Indebtedness; and
- (g) any other revenues or amounts properly pledged by the Authority or KDHE to the repayment of the State Match Portion of any Indebtedness or a portion thereof pursuant to the Indenture.

Notwithstanding the foregoing, State Match Revenues shall not include: (1) the proceeds from the sale of the Bonds; (2) interest and other investment income received or to be received on any moneys or securities held pursuant to an indenture of trust other than the Indenture entered into by the Authority and/or KDHE with respect to bonds, notes or other evidences of indebtedness payable on a basis subordinate to the Bonds, except to the extent that the Authority specifies in a Supplemental Indenture that such interest and other investment income shall constitute State Match Revenues; (3) Swap Provider Payments received by or on behalf of the Authority, except to the extent that the Authority specifies in a Supplemental Indenture that such amounts shall constitute State Match Revenues; (4) amounts received by or on behalf of the Authority pursuant to a Qualified Credit Facility, except to the extent that the Authority specifies in a Supplemental Indenture that such amounts shall constitute State Match Revenues; (5) interest earnings on proceeds of Government Interest Subsidy Bonds or other money restricted as to use in order to comply with the covenants contained in the Indenture; or (6) any of the foregoing defined State Match Revenues that are released in accordance with the provisions of the Indenture.

**“State Treasurer”** means the duly elected Treasurer or, in the Treasurer’s absence, the duly appointed Deputy Treasurer or acting Treasurer of the State.

**“Stated Maturity”** when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond and the Indenture or any Supplemental Indenture authorizing such Series of Bonds, as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

**“Subordinate Bonds”** means a Series of Bonds issued pursuant to the provisions of the Indenture that does meet the requirements of the Indenture for Parity Bonds and is subordinated to the Parity Bonds and any Parity Indebtedness and is designated as “Subordinate Bonds” pursuant to the Supplemental Indenture authorizing the issuance of such Series of Bonds or any subsequent Supplemental Indenture.

**“Subordinated Indebtedness Fund”** means the Subordinated Indebtedness Fund established pursuant to the Indenture.

**“Subordinated Indebtedness”** means any Indebtedness (other than Subordinate Bonds) that by the terms thereof is specifically subordinate and junior in right of payment to any Parity Bonds and any Parity Indebtedness.

**“Supplemental Indenture”** means any indenture supplemental or amendatory to the Indenture entered into by the Authority, KDHE and the Trustee pursuant to the Indenture.

**“Suspense Fund”** means the Suspense Fund established pursuant to the Indenture.

**“Swap Provider”** shall mean any counterparty (or guarantor thereof) with whom the Authority enters into a Qualified Swap Facility whose senior long-term debt obligations, or whose obligations under a Qualified Swap Facility are guaranteed by a party whose senior long-term debt obligations, at the time the Authority enters into a transaction under a Qualified Swap Facility with the Swap Provider, are rated (at the time of execution of the Qualified Swap Facility) in one of the two highest long-term Rating Categories by any nationally recognized rating service, and which is obligated to make Swap Provider Payments under a Qualified Swap Facility.

**“Swap Provider Payments”** shall mean any payment (including Termination Payments) required to be made by or on behalf of a Swap Provider pursuant to a Qualified Swap Facility.

**“Tax Compliance Agreement”** shall mean the tax compliance agreement (or similar agreement) among the Authority, KDHE and the Trustee with respect to each Series of Bonds setting forth such provisions as are necessary or desirable by Bond Counsel to assure compliance with the requirements imposed by the Internal Revenue Code and related regulations, as amended from time to time.

**“Termination Payments”** shall mean the amount payable by the Authority or Swap Provider pursuant to a Qualified Swap Facility for the early termination of the obligations, in whole or in part, of the parties to that Qualified Swap Facility.

**“Trustee”** means UMB Bank, N.A., Kansas City, Missouri, in its capacity as trustee under the Indenture, and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

**“Trust Estate”** means:

- (a) the Revenues;
- (b) all moneys and Investment Securities in the Suspense Fund and in the following Funds and Accounts held by the Trustee under the Indenture: (1) Loan Fund; (2) Revenue Fund; (3) Debt Service Fund; (4) Capitalized Interest Fund; (5) Debt Service Reserve Fund; (6) Redemption Fund; (7) Program Equity Fund; and (8) Costs of Issuance Fund; subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture; and
- (c) any and all other property (real, personal or mixed) of every kind and nature from time to time, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under the Indenture by the Authority or KDHE, or by anyone on behalf of or with written consent of the Authority or KDHE, to the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

**“Valuation Date”** means, with respect to any Capital Appreciation Indebtedness, and to any Convertible Capital Appreciation Indebtedness prior to the related Current Interest Commencement Date, the date or dates for which specific Accreted Values are assigned to the Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness, as set forth in the Supplemental Indenture relating to such Bonds.

“**Value**” means, with respect to any Fund or Account, the amount determined in accordance with the Indenture.

“**Variable Rate Bonds**” means Bonds that provide for interest to be payable thereon at a rate per annum that may vary from time to time over the term thereof in accordance with procedures provided in the Supplemental Indenture with respect to such Bonds and which for any future period of time is not susceptible of precise determination.

“**Water Quality Act**” means Federal Water Quality Act of 1987 (33 U.S.C. §1251 *et seq.*), as amended from time to time.

“**Wastewater Treatment Works**” shall have the meaning ascribed thereto in the KWPC Act and any regulations promulgated thereunder.

## THE INDENTURE

*The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete, and reference is made to the full text of the Indenture for a complete recital of its terms, as well as a complete recital of the defined terms used therein.*

### **Authorization of Bonds.**

The Authority is authorized to issue Bonds in one or more Series from time to time under the Indenture and pursuant to one or more Supplemental Indentures for the purpose of (a) providing funding for Loans to pay all or a portion of Project Costs, (b) reimbursing the Authority or KDHE for any amounts advanced pursuant to Loan Agreements to pay Project Costs; (c) refunding all or a portion of one or more Series of Bonds then Outstanding or all or a portion of any Indebtedness issued or incurred by the Authority or KDHE to finance Project Costs, (d) funding deposits to the Debt Service Reserve Fund and Capitalized Interest Account; and/or (e) paying Costs of Issuance. The number of Series of Bonds and the aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Indenture is not limited except as may be provided in the Indenture or as may be limited by law. A Series of Bonds may be issued in one or more subseries.

Parity Bonds may be issued under and equally and ratably secured by the Indenture on a parity (except as otherwise provided in the Indenture) with any other Parity Bonds at any time and from time to time, upon compliance with the conditions set forth in the Indenture. The Authority shall designate each series of Parity Bonds as “Parity Bonds” in the Supplemental Indenture authorizing such Parity Bonds. Subordinate Bonds may be issued under the Indenture on a subordinate basis as to the payment of principal, premium and interest to the Parity Bonds at any time and from time to time, upon compliance with the conditions set forth in the Indenture. The Authority shall designate each series of Subordinate Bonds as “Subordinate Bonds” in the Supplemental Indenture authorizing such Subordinate Bonds.

The Bonds, if and when authorized by the Authority pursuant to one or more Supplemental Indentures, may be issued in one or more Series, shall be designated “Kansas Revolving Funds Revenue Bonds (Kansas Department of Health and Environment)” and in addition shall include such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the Authority may determine.

One or more Series of Bonds may be authenticated and delivered upon original issuance from time to time in such principal amount for each such Series as may be determined by the Authority for an authorized purpose. Each such Series shall be in such principal amount which, when taken together with funds previously used, funds then legally available, or funds to be obtained in the future for such authorized purpose, will provide sufficient funds for purposes set forth in the initial paragraph under this caption, as shall be set forth in an Authority Certificate.

Any Bonds may be issued as Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness pursuant to the terms of the Supplemental Indenture authorizing such Bonds. Whenever the term “principal amount” is used in the Indenture with respect to Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness prior to the Current Interest Commencement Date, other than in connection with the original principal amount of a Series of Bonds, such term shall mean Accreted Value.

The proceeds, including accrued interest, if any, of each Series of Bonds shall be applied simultaneously with the delivery of such Bonds as shall be provided in the Supplemental Indenture authorizing such Series.

Nothing contained in the Indenture shall prevent the issuance, authentication and delivery of one or more Series of Bonds for any combination of the authorized purposes set forth above, if so directed by the Authority, pursuant to a Supplemental Indenture; provided that each of the tests, conditions and other requirements contained in the Indenture, as applicable to each such separate Series, shall be met and complied with. Except as otherwise provided under this caption or in such Supplemental Indenture, such a consolidated Series shall be treated as a single Series for all purposes of the Indenture.

Each Bond shall recite in substance that it, including the interest thereon, is a special obligation of the Authority and is payable solely from and secured by the Trust Estate, and that the Bonds are not obligations of the State, or any other political subdivision of the State, and neither the faith and credit nor the taxing or appropriation power of the State or any political subdivision thereof is pledged to the payment of the Bonds.

Under no circumstances shall the Authority incur any Indebtedness secured in any manner on a basis superior to the Parity Bonds.

***General Provisions for Issuance of Bonds.***

The Bonds of each Series shall be executed by the Authority for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered by the Trustee to or upon the order of the Authority, but only upon compliance with the conditions set forth in the Indenture and upon the receipt by the Trustee of:

- (a) A copy, certified by an Authorized Officer of the Authority, of the resolution(s) adopted by the Authority authorizing the execution of the Indenture, the issuance of such Series of Bonds and the execution of the Supplemental Indenture and other agreements with respect to such Series of Bonds;
- (b) An original executed counterpart of the Indenture, executed by the Authority, KDHE and the Trustee;
- (c) An original executed counterpart of the Supplemental Indenture authorizing each Series of Bonds executed by the Authority, KDHE and the Trustee, which shall, among other provisions, specify:
  - (1) the Series, authorized principal amount, and designation of such Bonds;
  - (2) the purpose or purposes for which such Series of Bonds is being issued, which shall be an authorized purpose or any combination of such purposes authorized by the Indenture, or in the case of a Series of Refunding Bonds, specifying the Indebtedness of the Authority to be refunded;
  - (3) the Dated Date, the Stated Maturities, the Authorized Denominations of, and the manner of numbering and lettering, the Bonds of such Series;
  - (4) the interest rate or rates of the Bonds of such Series, and, with respect to Variable Rate Bonds, the method of determining the variable interest rates, and the method of determining the Interest Payment Dates thereof;

- (5) the Paying Agent or Paying Agents, Bond Registrar or Bond Registrars, and the place or places of payment of the principal or Redemption Price of, and interest on, the Bonds of such Series;
  - (6) the Redemption Price or prices, if any, and the redemption terms for the Bonds of such Series;
  - (7) the amount and due date of each Sinking Fund Installment, if any, for Bonds of such Series;
  - (8) with respect to Variable Rate Bonds, the terms, if any, upon which such Bonds may be optionally or shall be mandatorily tendered for purchase by the Owners thereof and provisions with respect to any Qualified Liquidity Facility to provide a source of funds for payment of the purchase price of Bonds tendered for purchase and that are not remarketed and provisions for the appointment of such remarketing agents, tender agents or other agents as the Authority may determine;
  - (9) the amount (or the method of determining the amount), if any, to be deposited from the proceeds of such Series of Bonds in the Capitalized Interest Account and provisions for the application thereof to the payment of all or a portion of the interest on such Series of Bonds to be financed with the proceeds of such Series of Bonds (as may then be permitted by law);
  - (10) the amount to be deposited from the proceeds of such Series of Bonds in the Debt Service Reserve Fund;
  - (11) the amount to be deposited from the proceeds of such Series of Bonds or from other legally available sources in any other Fund or Account;
  - (12) the forms of the Bonds of such Series, and of the Trustee's certificate of authentication;
  - (13) to the extent applicable, the provisions relating to the authorization of the delivery to the Trustee of one or more Qualified Credit Facilities, Qualified Liquidity Facilities, Qualified Reserve Facilities or Qualified Swap Facilities, if any, with respect to such Series of Bonds and the execution and delivery of any agreements deemed necessary in connection therewith and establishing the priority of payments with respect thereto under the Indenture consistent with the provisions of the Indenture;
  - (14) designation of the State Match Portion, Leveraged Portion, Drinking Water Portion and/or Clean Water Portion of such Series of Bonds, provided such designations may be adjusted by the Authority from time to time to reflect: (i) actual amounts used to fund Loans, (ii) modifications to Loan Repayment schedules, or (iii) refunding or redemption of Bonds;
  - (15) any further provisions or covenants by the Authority, including provisions relating to the sale of the Bonds of such Series, required by the purchaser of such Bonds and deemed necessary or desirable by the Authority in connection with the sale of such Series of Bonds; and
  - (16) such other matters, not contrary to or inconsistent with the Indenture, as the Authority may deem advisable or necessary in connection with the authorization, issuance, sale, or delivery of such Series of Bonds.
- (d) Executed or certified copy of the purchase agreement or agreements relating to the sale of such Series of Bonds;
- (e) Executed or certified copies of each Qualified Credit Facility, Qualified Liquidity Facility, Qualified Reserve Facility and Qualified Swap Facility, if any, authorized by the Supplemental Indenture with respect to such Series of Bonds;

- (f) An Authority Certificate that contains the following:
- (1) a statement of the authorized purpose for which such Series of Bonds is being issued;
  - (2) except in the case of the initial Series of Bonds issued under the Indenture and any Series of Refunding Bonds, a statement that, upon the authentication and delivery of the Bonds of such Series, no Event of Default has occurred and is then continuing under the Indenture and no event has or will have occurred which, with the passage of time or the giving of notice, or both, would give rise to an Event of Default under the Indenture;
  - (3) a statement that the issuance of such Series of Bonds complies with the requirements of the Indenture;
  - (4) a classification of the type of Indebtedness represented by the Bonds;
  - (5) a statement that, upon the authentication and delivery of the Bonds of such Series, no Event of Default has occurred and is then continuing under the Indenture, the Clean Water Bond Resolution or the Drinking Water Bond Resolution, and no event has or will have occurred which, with the passage of time or the giving of notice, or both, would give rise to an Event of Default under the Indenture, the Clean Water Bond Resolution or the Drinking Water Bond Resolution; and
  - (6) a written order of the Authority to the Trustee as to the delivery of such Bonds;
- (g) A KDHE Certificate that contains the following:
- (1) a listing of all Loan Agreements for outstanding Pledged Loans that have been executed by KDHE and a Borrower as of the last day of the preceding Fiscal Year prior to the Dated Date of such Series of Bonds, the effective date of such Loan Agreement, the commitment amount or the original or principal amount of the Loan, the balance to be disbursed, the outstanding balance, any loan reserve balances, any credit enhancement, the interest rate, the repayment terms, a summary of the Dedicated Source of Revenue, and all other information related thereto reasonably requested by the Authority; provided, however, that, if substantially the same information has been provided in a contemporaneous official statement, offering memorandum or any other disclosure material prepared or distributed with respect to such Series of Bonds the requirements of this subsection shall not be required;
  - (2) a listing of all Loan Agreements for Pledged Loans that are expected to be executed by KDHE and a Borrower, the anticipated principal amount of the Loan, and all other information related thereto reasonably requested by the Authority; provided, however, that, if substantially the same information has been provided in a contemporaneous official statement, offering memorandum or any other disclosure material prepared or distributed with respect to such Series of Bonds the requirements of this subsection shall not be required;
  - (3) a listing of all Pledged Loans that are or have been at any time, Defaulted Loans, and the details of such default and/or cure;
  - (4) except in the case of the initial Series of Bonds issued under the Indenture and any Series of Refunding Bonds, a statement that, upon the authentication and delivery of the Bonds of such Series, no Event of Default has occurred and is then continuing under the Indenture and no event has or will have occurred which, with the passage of time or the giving of notice, or both, would give rise to an Event of Default under the Indenture; and
  - (5) a statement that, upon the authentication and delivery of the Bonds of such Series, no Event of Default has occurred and is then continuing under the KPWS Pledge Agreement or the KWPC Pledge Agreement, and no event has or will have occurred which, with the passage of time or



the giving of notice, or both, would give rise to an Event of Default under the KPWS Pledge Agreement or the or the KWPC Pledge Agreement;

(h) An Opinion of Bond Counsel to the effect that:

(1) the Authority has the right and power to enter into the Indenture, and the Indenture has been duly and lawfully authorized by the Authority, is in full force and effect and is valid and binding upon the Authority in accordance with its terms, and no other authorization for the Indenture is required;

(2) the Indenture creates a valid pledge of the Trust Estate and other funds held under the Indenture subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and the conditions set forth in the Indenture;

(3) the Bonds of such Series are valid and binding obligations of the Authority as provided in the Indenture, and are entitled to the benefits of the Indenture and of the K DFA Act, and such Bonds have been duly and validly authorized and issued in accordance with law, including the K DFA Act as amended to the date of such Opinion, and in accordance with the Indenture; and

(4) unless the K DFA Act or other State law shall not so provide, the interest on such Series of Bonds is exempt from State income taxation, and, if the interest on such Series of Bonds, or a subseries of such Series of Bonds, is intended to be tax-exempt under the Internal Revenue Code, the interest on such Bonds is excludable from gross income for federal income tax purposes;

provided that such Opinion of Bond Counsel may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally and need not express any opinion as to the availability of any specific remedy;

(i) Such other opinions, certificates, statements, receipts and documents required by the Supplemental Indenture authorizing such Series of Bonds or as the Trustee or its legal counsel shall reasonably require for the delivery of such Series of Bonds.

***Refunding Bonds.***

One or more Series of Refunding Bonds may be issued, authenticated and delivered under the Indenture to refund any outstanding Indebtedness of the Authority. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding.

Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents described above under the caption "General Provisions for Issuance of Bonds") of:

(a) if any of the Indebtedness to be refunded are bonds to be redeemed, an Authority Certificate stating that irrevocable instructions have been given to the trustee with respect to such bonds to give notice of redemption, on a Redemption Date or dates specified in such instructions, to the owners of the refunded bonds to be redeemed, subject to the provisions of the trust indenture pursuant to which such refunded bonds were issued; and

(b) if the Indebtedness to be refunded are bonds to be deemed paid within the meaning of the trust indenture pursuant to which such refunded bonds were issued, an Authority Certificate stating that either (1) moneys (including moneys withdrawn and deposited pursuant to the Indenture and any Supplemental Indenture) in an amount sufficient to effect payment at the applicable Redemption Price of the refunded bonds of the Authority to be redeemed and of the principal amount of refunded bonds not to be redeemed, together with accrued interest on such bonds to the Redemption Date or maturity date, as the case may be, which moneys shall be held by the trustee or paying agent with respect to such bonds in a separate account irrevocably in trust for and assigned to the respective owners of the bonds to be refunded, or (2) Defeasance Obligations permitted

by the terms of the trust indenture pursuant to which such refunded bonds were issued in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of such trust indenture, which defeasance obligations and moneys shall be held in trust and used only as provided therein; and

The net proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied for the purposes of making deposits as shall be provided by the Supplemental Indenture authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Indenture.

***Qualified Credit Facilities.***

The Supplemental Indenture providing for the issuance of a Series of Bonds may provide that the Authority obtain or cause to be obtained as additional security for such Series of Bonds (or one or more maturities thereof) a Qualified Credit Facility providing for payment of the principal and interest due or to become due on such Bonds of such Series. Any such additional security with respect to a particular Series of Bonds (or one or more maturities thereof) need not extend to any other Series of Bonds unless required under the Indenture. The Supplemental Indenture pursuant to which any Series of Bonds is issued may provide for such additional security and permit realization upon such security solely for the benefit of the Bonds entitled thereto, and as are not inconsistent with the intent of the Indenture.

Unless otherwise provided in a Supplemental Indenture, if a Series of Bonds is secured by a Qualified Credit Facility, so long as the Qualified Credit Facility is in full force and effect, and payment on the Qualified Credit Facility is not in default, (a) the provider of the Qualified Credit Facility shall be deemed to be the Owner of the Outstanding Bonds of such Series (or portion thereof secured thereby) when the approval, consent or action of the Bondowners of such Series of Bonds is required or may be exercised under the Indenture, including upon occurrence of an Event of Default, except that such provider may not cause a modification of the Indenture described in the Indenture without the consent of the Owner of each Outstanding Bond affected thereby, and (b) the Indenture may not be amended in any manner which adversely affects the rights of the provider of such Qualified Credit Facility without its prior written consent.

The Authority may include such provisions in a Supplemental Indenture authorizing the issuance of a Series of Bonds secured by a Qualified Credit Facility as the Authority deems appropriate, including a provision to the effect that in the event that the principal or Redemption Price, if applicable, and interest due on any Series of Bonds Outstanding (or portion thereof secured thereby) shall be paid under the provisions of a Qualified Credit Facility, all covenants, agreements and other obligations of the Authority to the Bondowners of such Series of Bonds (or portion thereof secured thereby) shall continue to exist and the provider of such Qualified Credit Facility shall be subrogated to the rights of such Bondowners in accordance with the terms of such Qualified Credit Facility and the Supplemental Indenture. In addition, such Supplemental Indenture may establish such provisions as are necessary (a) to comply with the provisions of such Qualified Credit Facility, (b) to provide relevant information to the provider of such Qualified Credit Facility, (c) to provide a mechanism for paying principal or Redemption Price of and interest on such Series of Bonds (or portion thereof secured thereby) from such Qualified Credit Facility, (d) to make provision for any Events of Default or for additional or improved security required by the provider of such Qualified Credit Facility, and (e) to authorize agreements with the provider or issuer of such Qualified Credit Facility providing for (1) the payment of fees and expenses to such provider for the issuance of such Qualified Credit Facility, (2) the terms and conditions of such Qualified Credit Facility and the Series of Bonds (or portion thereof secured thereby) affected thereby, including the security, if any, to be provided for the issuance of such Qualified Credit Facility, (3) such adjustments to the rate of interest, method of determining the rate of interest, maturity or redemption provisions as are specified by the Authority or determined as provided in such Supplemental Indenture or in any agreement referred to therein, and (4) the obligation to reimburse the provider of such Qualified Credit Facility for payment of Bonds pursuant to such Qualified Credit Facility on either a parity or subordinated basis with respect to such Series of Bonds.

### ***Qualified Liquidity Facilities.***

The Supplemental Indenture providing for the issuance of a Series of Bonds may provide that the Authority obtain or cause to be obtained for such Series of Bonds (or one or more maturities thereof) a Qualified Liquidity Facility providing for payment of the purchase price of such Bonds that are tendered for purchase by the Owners thereof.

Such Supplemental Indenture may establish such provisions as are necessary (a) to comply with the provisions of such Qualified Liquidity Facility, (b) to provide relevant information to the provider of such Qualified Liquidity Facility, (c) to provide a mechanism for paying the purchase price of tendered Bonds of such Series of Bonds from such Qualified Liquidity Facility, (d) to make provision for any Events of Default or for additional or improved security required by the provider of such Qualified Liquidity Facility, and (e) to authorize agreements with the provider or issuer of such Qualified Liquidity Facility providing for (1) the payment of fees and expenses to such provider for the issuance of such Qualified Liquidity Facility, (2) the terms and conditions of such Qualified Liquidity Facility and the Series of Bonds (or portion thereof) supported thereby, including the security, if any, to be provided for the issuance of such Qualified Liquidity Facility, (3) such adjustments to the rate of interest, method of determining the rate of interest, maturity or redemption provisions as are specified by the Authority or determined as provided in such Supplemental Indenture or in any agreement referred to therein, and (4) the payment of Reimbursement Obligations.

### ***Qualified Swap Facilities.***

In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Authority may obtain or enter into a Qualified Swap Facility if (a) the Authority determines that any such agreement (1) will assist the Authority in more effectively managing its interest costs or cash flow, and (2) will not result in a downward revision or withdrawal of any rating on any Series of Bonds by a nationally recognized rating service, and (b) the Authority would be in compliance with the conditions for the issuance of such Series of Bonds to which the Qualified Swap Facility relates assuming such Bonds were being issued at the time the Authority enters into the Qualified Swap Facility.

The Authority may determine from time to time to enter into one or more Qualified Swap Facilities, provided that the Authority and the Trustee execute a Supplemental Indenture that shall include provisions that:

(a) Set forth the manner or method for the calculation of the payments and receipts under such Qualified Swap Facility and the scheduled payment dates therefor;

(b) Provide that payments under such Qualified Swap Facility (other than the amount, if any, payable by the Authority, or by the Trustee for the account of the Authority, upon the commencement or termination of such Qualified Swap Facility, or for other fees, expenses, or indemnification obligations under such Qualified Swap Facility) shall be made by the Authority, or by the Trustee for the account of the Authority, (1) out of a special subaccount in the Debt Service Fund, on a parity with the principal of and interest on the Parity Bonds, or (2) out of the Subordinated Indebtedness Fund, as applicable; provided, however, that no payments under such Qualified Swap Facility may be payable from or secured by amounts on deposit in the Debt Service Reserve Fund; and provided further, that payments made upon the commencement or termination of such Qualified Swap Facility, or for other fees, expenses or indemnification obligations under such Qualified Swap Facility, shall be payable pursuant to the applicable provisions of the Indenture;

(c) Provide that any amounts received by the Authority or the Trustee from a Swap Provider under such Qualified Swap Facility (other than a Termination Payment) shall be applied in the manner set forth in the Indenture.

(d) Provide that any Termination Payment (1) owed by the Authority shall be payable solely as provided in the Indenture, or (2) received by the Authority or the Trustee shall be deposited into the Program Equity Fund (if the associated Swap Payments are designated as Revenues) and applied in accordance with the Indenture, and if not, deposited into the General Fund and applied as provided in the Indenture.

The Authority may also enter into a Qualified Swap Facility under which swap payments, excluding swap termination payments, are to be made solely from the Subordinated Indebtedness Fund.

***Calculation of Debt Service Requirements.***

For purposes of the various calculations under the Indenture, the amount of Long-Term Indebtedness, the amortization schedule of such Indebtedness and the Debt Service Requirements with respect to such Indebtedness shall be calculated in accordance with the actual amortization schedule for such Indebtedness, except as follows:

(a) *Balloon Indebtedness.* The Debt Service Requirements on Balloon Indebtedness may be deemed to be payable as follows:

(1) If the Authority has incurred and there is in effect at the time Commitment Indebtedness to provide refinancing sufficient to pay the principal amount of any Balloon Indebtedness, such Indebtedness may be deemed to be payable in accordance with the terms of such Commitment Indebtedness; or

(2) If the Authority delivers an Authority Certificate to the Trustee that establishes an amortization schedule for any such Indebtedness, which provides for payments of principal and interest for each Fiscal Year that are sufficient to make any actual payments required to be made in such Fiscal Year by the terms of such Indebtedness; and the Authority agrees in such Authority Certificate that the Authority will deposit for each Fiscal Year with a bank or trust company (pursuant to an agreement between the Authority and such bank or trust company, which agreement shall be satisfactory in form and substance to the Trustee) the amount of principal shown on such amortization schedule net of any amount of principal actually paid on such Indebtedness during such Fiscal Year (other than from amounts on deposit with such bank or trust company), which deposit shall be made prior to any such required actual payments, then such Indebtedness may be deemed to be payable in accordance with the terms of such amortization schedule and agreement; or

(3) Such Indebtedness may be deemed to be payable on a level annual debt service basis over a period of up to 22 years from the date of issuance or incurrence of such Bonds (or such longer period as set forth and deemed reasonable in a written report of a Consultant), as designated by the Authority, bearing interest on the unpaid principal balance at the assumed rate equal to the rate set forth in the 25-year Bond Buyer Revenue Bond Index most recently published in The Bond Buyer (or such other index as set forth and deemed reasonable in a report of a Consultant).

(b) *Capital Appreciation Indebtedness.* The principal amount of Indebtedness that constitutes Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness prior to the Current Interest Commencement Date, shall be deemed to be the Accreted Value thereof as of the relevant date.

(c) *Commitment Indebtedness.* No debt service shall be deemed payable with respect to Commitment Indebtedness until such time as the obligation to make payments under the commitment actually rises (and only to the extent of advances actually made under such Commitment Indebtedness) except as provided in clause (a) above or clause (d) below. From and after such funding, the amount of such debt service shall be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto. No Indebtedness shall be deemed to arise when any funding occurs under any such commitment if such funding is immediately repaid and such commitment is reinstated in accordance with its terms, or when any such commitment is renewed upon terms which provide for substantially the same terms of repayment of amounts disbursed pursuant to such commitment as existed prior to such renewal.

(d) *Long-Term Indebtedness Supported By Commitment Indebtedness.* The Debt Service Requirements on Long-Term Indebtedness with respect to which the Authority has incurred Commitment Indebtedness that would refinance such Indebtedness for a period extending beyond its original maturity date, may be deemed to be payable in accordance with the terms of such Commitment Indebtedness.

(e) *Qualified Credit Facilities.* No Reimbursement Obligations shall be deemed payable with respect to Bonds supported by a Qualified Credit Facility until such time as amounts are paid under such Qualified Credit Facility and the obligation to make payments under the Qualified Credit Facility actually arises (and only to the extent of advances actually made under such Qualified Credit Facility). From and after such funding, the amount of the Debt Service Requirement with respect to the Qualified Credit Facility shall be calculated in accordance with the actual amount of Reimbursement Obligations required to be repaid on such Qualified Credit Facility and the actual interest rate and amortization schedule applicable thereto. No Debt Service Requirement shall be deemed to arise with respect to a Qualified Credit Facility when any funding occurs under any such commitment if such funding is immediately repaid and such commitment is reinstated in accordance with its terms, or when any such commitment is renewed upon terms which provide for substantially the same terms of repayment of amounts disbursed pursuant to such commitment as existed prior to such renewal.

(f) *Interest Rate Exchange Agreements.* If the Authority enters into any interest rate exchange agreement or comparable agreement for a term exceeding one year in connection with Long-Term Indebtedness, pursuant to which the Authority is obligated to make interest-like payments to or on behalf of another Person and that Person is obligated to make similar interest-like payments to or on behalf of the Authority (based on a different rate of, or formula for, interest), with neither party obligated to repay any principal, so long as interest rate exchange or comparable agreement constitutes a Qualified Swap Facility, the Indebtedness shall be deemed to bear interest for the period of time such agreement is in effect at a net interest rate which takes into account the interest payments made or to be made by the Authority with respect to such Indebtedness and the net payments expected to be paid or received by the Authority under the agreement, and if such net interest rate is less than zero, the net amount to be received by the Authority may be credited against other interest coming due in so calculating Debt Service Requirements; provided, however, that if the Indebtedness bears interest at a variable rate and the Authority has agreed to pay a fixed rate of interest under the agreement, such Indebtedness shall be deemed to bear interest at the fixed rate of interest payable under the agreement for the period of time such agreement is in effect. In computing the net interest rate, the Authority shall take into account: (i) any historical discrepancies between the rates it pays on its Long-Term Indebtedness, its payments under the interest rate exchange agreement and those it receives pursuant to the interest rate exchange agreement, (ii) anticipated or intended discrepancies between the rates it pays on its Long-Term Indebtedness, its payments under the interest rate exchange agreement and those it receives pursuant to the interest rate exchange agreement, and (iii) remarketing agent and similar costs associated with such Long-Term Indebtedness.

(g) *Variable Rate Indebtedness.* In determining the Debt Service Requirements on any Indebtedness that provides for interest to be payable thereon at a rate per annum that may vary from time to time over the term thereof in accordance with procedures provided in the instrument creating such Indebtedness, including any Variable Rate Bonds, the interest rate on such Indebtedness for any period prior to the date of calculation or for which the interest rate has been determined shall be the actual interest rate payable during such period, and the interest rate on such Indebtedness for any period for which the actual interest rate cannot be determined shall be deemed to be the greater of (1) the variable rate certified by a Consultant or a remarketing agent or auction agent with respect to a Series of Bonds, to be the variable rate then in effect for such Variable Rate Indebtedness and (2) an assumed rate equal to the average during the preceding 90-day period of the rates set forth in the 25-year Bond Buyer Revenue Bond Index most recently published in *The Bond Buyer* (or if *The Bond Buyer* or such index is no longer published, any other published similar index as is determined by the Authority in its sole discretion to be appropriate). In the event that and an accelerated repayment of the principal of such Variable Rate Indebtedness is required in the event of a failure to remarket such Variable Rate Indebtedness or a similar market or credit failure in connection therewith by the Supplemental Indenture or other document pursuant to which such Variable Rate Indebtedness is authorized and issued, or would be required by a related Qualified Liquidity Facility or Qualified Credit Facility in the event that the provider of such facility became the owner of such Variable Rate Indebtedness following such event, the Variable Rate Indebtedness shall assume to be due in the Fiscal Year of such accelerated.

(h) *Cross-Over Refunding Indebtedness.* In determining the Debt Service Requirements on any Cross-Over Refunding Indebtedness, such Debt Service Requirements shall be deemed to be that of the Cross-

Over Refunded Indebtedness until the Cross-Over Date and thereafter deemed to be the Debt Service Requirements on the Cross-Over Refunding Indebtedness.

***Requirements for the Issuance of Parity Bonds.***

In order for any Bonds to be deemed to be Parity Bonds, in addition to the general requirements for the issuance of Bonds described above, there shall be delivered to the Trustee a Projected Revenue Certificate, with supporting schedules, stating that:

(a) with respect to *Long-Term Indebtedness*: (1) the Projected Revenues will be an amount not less than 105% of the aggregate Modified Debt Service Requirements due on the Payment Dates in each year of all Indebtedness then Outstanding and the Indebtedness to be issued; (2) the Clean Water Portion of the Projected Revenues will be an amount not less than 100% of the aggregate Modified Debt Service Requirements due on the Payment Dates in each year of the Clean Water Portion of all Indebtedness then Outstanding and the Indebtedness to be issued; (3) the Drinking Water Portion of the Projected Revenues will be an amount not less than 100% of the aggregate Modified Debt Service Requirements due on the Payment Dates in each year of the Drinking Water Portion of all Indebtedness then Outstanding and the Indebtedness to be issued; (4) the Projected State Match Revenues will be an amount not less than 100% of the aggregate Modified Debt Service Requirements due on each of the Payment Dates in each year of all State Match Indebtedness then Outstanding and any State Match Indebtedness to be issued; (5) the Clean Water Portion of Projected State Match Revenues will be an amount not less than 100% of the aggregate Modified Debt Service Requirements due on each of the Payment Dates in each year of the Clean Water Portion of all State Match Indebtedness then Outstanding and the Indebtedness to be issued; (6) the Drinking Water Portion of Projected State Match Revenues will be an amount not less than 100% of the aggregate Modified Debt Service Requirements due on each of the Payment Dates in each year of the Drinking Water Portion of all State Match Indebtedness then Outstanding and the Indebtedness to be issued;

(b) with respect to *Short-Term Indebtedness*: (1) immediately after the incurrence of such Short-Term Indebtedness, the principal amount of all Outstanding Short-Term Indebtedness does not exceed 10% of the Revenues to be available during the Fiscal Year that such Short-Term Indebtedness shall have a Stated Maturity; (2) such Short-Term Indebtedness could be incurred under (a) above assuming it was Long-Term Indebtedness; or (3) there is delivered to the Authority a written statement of a Consultant to the effect that it is such Consultant's opinion that it is reasonable to assume that the Authority will be able to refinance such Short-Term Indebtedness prior to its Stated Maturity in compliance with the provisions of the Indenture and the conditions described in (a) above are met with respect to such Short-Term Indebtedness when it is assumed that such Short-Term Indebtedness is Long-Term Indebtedness maturing over 22 years (or such shorter period as such Consultant indicates is reasonable to assume in such statement) from the date of issuance of the Short-Term Indebtedness and bears interest on the unpaid principal balance at the Index Rate and is payable on a level annual debt service basis over a 22-year period (or such shorter period as such Consultant indicates is reasonable to assume in such statement); or

(c) with respect to *Interim Indebtedness*: (1) such Interim Indebtedness could be incurred under (a) above assuming it was Long-Term Indebtedness; or (2) there is delivered to the Authority a written statement of a Consultant to the effect that it is such Consultant's opinion that it is reasonable to assume that the Authority will be able to refinance such Interim Indebtedness prior to its Stated Maturity in compliance with the provisions under this caption and the conditions described in (a) are met with respect to such Interim Indebtedness when it is assumed that such Interim Indebtedness is Long-Term Indebtedness maturing over 22 years (or such shorter period as such Consultant indicates is reasonable to assume in such statement) from the date of issuance of the Interim Indebtedness and bears interest on the unpaid principal balance at the Index Rate and is payable on a level annual debt service basis over a 22-year period (or such shorter period as such Consultant indicates is reasonable to assume in such statement); or

(d) with respect to *Refunding Indebtedness*: (1) the Refunding Indebtedness could be incurred under (a) assuming it was Long-Term Indebtedness; or (2) the Modified Debt Service Requirements on such Refunding Indebtedness do not exceed in any year the Modified Debt Service Requirements of the Indebtedness to be refunded; or

(e) with respect to *Commitment Indebtedness*: the Commitment Indebtedness shall be on a parity with the Bonds supported by such Commitment Indebtedness (*i.e.*, Commitment Indebtedness incurred with respect to Parity Bonds shall be on a parity with the Parity Bonds;

provided that there shall not be taken into account (i) Indebtedness and interest thereon refunded from the proceeds of the Bonds to be issued, (ii) Bonds for which anticipated transfers from the Debt Service Reserve Fund are to be made for payment of the final Stated Maturity of principal for each respective Series, (iii) Payment Dates prior to the initial amortization of principal on such Series of Indebtedness to be issued and (iv) the Debt Service Requirements shall be based on the requirements set forth under the caption "Calculation of Debt Service Requirements."

***Requirements for the Issuance of Parity Indebtedness.***

Indebtedness, other than Bonds, shall constitute Parity Indebtedness if the requirements described above under the caption "Requirements for the Issuance of Parity Bonds" are satisfied, substituting the term Indebtedness for Bonds.

***Requirements for the Issuance of Subordinate Indebtedness.***

Subordinate Bonds may be issued and Subordinate Indebtedness may be issued on a parity with other Subordinate Bonds and Subordinate Indebtedness if the requirements described above under the caption "Requirements for the Issuance of Parity Bonds" are satisfied, substituting the term Indebtedness for Bonds; provided that the provisions described under the caption "Requirements for the Issuance of Parity Bonds" shall be satisfied if the "100%" is substituted for "105%" in clause (a)(1) under such caption.

***Bonds Limited Obligations.***

The Bonds and the interest thereon shall be special, limited obligations of the Authority payable solely out of and secured by a transfer, pledge and assignment of and a grant of a security interest in the Trust Estate to the Trustee and in favor of the Bondowners, as provided in the Indenture. The Bonds and interest thereon shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof within the meaning of any state constitutional provision or statutory limitation and shall not constitute a pledge of the full faith and credit of the State or of any political subdivision thereof, but shall be payable solely from the funds provided for in the Indenture. The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. Neither the State nor the Authority is obligated to pay the Bonds or the interest thereon except from the Trust Estate pledged under the Indenture, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds.

***Redemption of Bonds Prior to Maturity.***

The Bonds of each Series shall be subject to optional, mandatory and sinking fund redemption prior to maturity in accordance with the applicable terms and provisions contained in the Indenture and as may be specified in such Bonds and the Supplemental Indenture authorizing such Bonds.

***Notice of Redemption.***

Unless waived by any Owner of Bonds to be redeemed, and except as otherwise provided in the Supplemental Indenture authorizing a Series of Bonds, official notice of any such redemption shall be given by the Trustee to each Registered Owner of the Bonds to be redeemed at the address shown on the Bond Register at such notice period that is specified in the Supplemental Indenture authorizing the issuance of such Bonds to be redeemed.

All official notices of redemption shall be dated and shall state the following:

- (a) the Redemption Date;
- (b) the Redemption Price;
- (c) the Series and principal amount (and, in the case of partial redemption, the respective principal amounts, identification numbers and maturity dates) of the Bonds to be redeemed;
- (d) that on the Redemption Date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after the Redemption Date;
- (e) the place where the Bonds to be redeemed are to be surrendered for payment of the Redemption Price, which place of payment shall be a corporate trust office of the Trustee; and
- (f) such other conditions to the redemption as are required under the Supplemental Indenture relating to the Bonds to be redeemed.

Such notice may be conditioned upon moneys being on deposit with the Trustee on or prior to the Redemption Date in an amount sufficient to pay the Redemption Price on the Redemption Date. If such notice is conditional and moneys are not received, such notice shall be of no force and effect, the Trustee shall not redeem such Bonds and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

The failure of any Owner of Bonds to receive notice given as provided in the Indenture, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bonds. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any Owner receives such notice.

In addition to the foregoing notice, the Trustee shall give further notice: (a) as may be required by the Supplemental Indenture authorizing such Series of Bonds to be redeemed; or (b) by electronic transmission to the Electronic Municipal Market Access system for municipal securities disclosures or such other manner as may be required by the SEC. Each further notice of redemption given shall contain the information required above for an official notice of redemption plus (a) the CUSIP numbers of all Bonds being redeemed, (b) the date of issue of the Bonds as originally issued, (c) the rate of interest borne by each Bond being redeemed, (d) the maturity date of each Bond being redeemed, and (e) any other descriptive information needed to identify accurately the Bonds being redeemed. No defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given to the Registered Bondowners as above prescribed.

So long as a Securities Depository is effecting book-entry transfers of a Series of Bonds under a Book-Entry System, the Trustee shall provide the notices to Owners of Bonds only to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants, and that the Participants, in turn, will notify or cause to be notified the beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a beneficial Owner of a Bond (having been mailed notice from the Trustee, a Participant or otherwise), to notify the beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

***Credits Against Sinking Fund Installments.***

Under the circumstances described in the Indenture, the Authority may from time to time and at any time determine the portions, if any, of Bonds purchased, redeemed or deemed to have been paid and not previously applied as a credit against any Sinking Fund Installment which are to be credited against future Sinking Fund Installments, and shall execute and deliver to the Trustee an Authority Certificate to such effect at least 45 days prior to the due date of the Sinking Fund Installment so to be credited. Such determination shall



include the amounts of such Bonds to be applied as a credit against such Sinking Fund Installment or Installments and the particular Sinking Fund Installment or Installments against which such Bonds are to be applied as a credit; provided, however, that unless otherwise provided in the Supplemental Indenture authorizing such Series of Bonds, none of such Bonds may be applied as a credit against a Sinking Fund Installment to become due less than 45 days after such determination is made.

***Establishment of Funds and Accounts.***

(a) The following Funds and Accounts are established in the name of the Authority in the custody of the Trustee, which shall be within the Revolving Funds:

(1) “Kansas Development Finance Authority-Loan Fund for Revolving Fund Revenue Bonds” (the “Loan Fund”), which shall consist of one or more Accounts established for each Series or subseries of Bonds.

(2) “Kansas Development Finance Authority-Revenue Fund for Revolving Fund Revenue Bonds” (the “Revenue Fund”), which shall consist of the:

(A) Interest Account; and

(B) Principal Account.

(3) “Kansas Development Finance Authority-Debt Service Fund for Revolving Fund Revenue Bonds” (the “Debt Service Fund”), which shall consist of separate Accounts for each Series or subseries of Bonds.

(4) “Kansas Development Finance Authority-Capitalized Interest Fund for Revolving Fund Revenue Bonds” (the “Capitalized Interest Fund”) which shall consist of a separate Capitalized Interest Account for each Series or subseries of Bonds.

(5) “Kansas Development Finance Authority-Debt Service Reserve Fund for Revolving Fund Revenue Bonds” (the “Debt Service Reserve Fund”) which shall consist of a separate Debt Service Reserve Account for each Series or subseries of Bonds.

(6) “Kansas Development Finance Authority-Redemption Fund for Revolving Fund Revenue Bonds” (the “Redemption Fund”).

(7) “Kansas Development Finance Authority-Subordinate Indebtedness Fund” (the “Subordinate Indebtedness Fund”) which may consist of a separate debt service and/or debt service reserve funds for each Series or subseries of Subordinate Indebtedness.

(8) “Kansas Development Finance Authority- Program Equity Fund for Revolving Fund Revenue Bonds” (the “Program Equity Fund”).

(9) “Kansas Development Finance Authority-Rebate Fund for Revolving Fund Revenue Bonds” (the “Rebate Fund”) which shall consist of a separate Rebate Account for each Series or subseries of Bonds the interest on which is intended to be tax-exempt or which constitutes a Series or subseries of Government Interest Subsidy Bonds.

(10) “Kansas Development Finance Authority-General Fund for Revolving Fund Revenue Bonds” (the “General Fund”).

(b) The following Funds and Accounts are established in the name of the Authority in the custody of the Trustee, which shall not be within the Revolving Funds:

(1) “Kansas Development Finance Authority-Costs of Issuance Fund for Revolving Fund Revenue Bonds” (the “Costs of Issuance Fund”) which shall consist of a separate Costs of Issuance Account for each Series or subseries of Bonds.

(2) Each Supplemental Indenture authorizing the issuance of Bonds that provide for the tender of such Bonds by the Owners thereof shall create and establish a separate trust fund held by the Trustee and known as the “Kansas Development Finance Authority-Tender Purchase Fund for Revolving Fund Revenue Bonds” (the “Tender Purchase Fund”) (inserting therein the Series designation of such Bonds); the deposits to and withdrawals from such Tender Purchase Fund shall be as set forth in such Supplemental Indenture.

(c) The following Funds and Accounts are established with the State Treasurer, which shall be within the Revolving Funds:

(1) “Kansas Department of Health and Environment-Suspense Fund for Revolving Funds” (the “Suspense Fund”).

(2) “Kansas Department of Health and Environment-Administrative Expense Fund for Revolving Funds” (the “Administrative Expense Fund”).

(d) The “Kansas Development Finance Authority-Surcharge Fund for Revolving Fund Revenue Bonds” (the “Surcharge Fund”) is established with the State Treasurer, which shall *not* be within the Revolving Funds.

(e) The Authority, KDHE or the Trustee may establish such Accounts or sub-accounts as are necessary or desirable to segregate each Fund or Account among each Series of Indebtedness and to account for deposit of proceeds of such Indebtedness or other moneys.

(f) The Authority or KDHE may designate a State Match Portion, Leveraged Portion, Clean Water Portion and/or Drinking Water Portion of any Fund, Account or sub-account. For purposes of compliance with the provisions of the Safe Drinking Water Act and the KPWS Act, the Drinking Water Portion of all Funds and Accounts shall constitute the Drinking Water Revolving Fund. For purposes of compliance with the provisions of the Water Quality Act and the KWPC Act, the Clean Water Portion of all Funds and Accounts shall constitute the Clean Water Revolving Fund

(g) The Authority may, by Supplemental Indenture, establish one or more additional Funds, Accounts or sub-accounts to be held by the Trustee, the Authority or KDHE. All moneys deposited with or paid to the Trustee, the Authority or KDHE for the Funds and Accounts held by the Trustee, the Authority or KDHE, respectively, under the Indenture shall be held and applied, as applicable, only in accordance with the provisions of the Indenture and each applicable Supplemental Indenture.

#### ***Administration of Funds and Accounts.***

The Funds and Accounts described above shall be maintained and administered solely for the purposes and in the manner as provided in the Indenture and any Supplemental Indenture entered into pursuant to the terms of the Indenture.

#### ***Bond Proceeds and Other Moneys.***

(a) The proceeds of any Series of Bonds and other moneys not described in (b) or (c) below, shall be deposited into the Funds and Accounts in the manner and amounts set forth in the Supplemental Indenture authorizing such Series of Bonds; provided no proceeds of any Series of Bonds may be deposited into the General Fund.

(b) The proceeds of any EPA Capitalization Grants or other moneys received pursuant to the Recovery Act or similar federal enactment, shall be deposited into: (1) the Administrative Expense Fund to the extent permitted by the Federal Acts; and (2) into such other Funds and Accounts as may be designated by KDHE in accordance with the requirements and restrictions of the Federal Acts.

(c) Other moneys received by KDHE from the EPA or any other source not constituting Revenues, shall be deposited into Funds and Accounts as may be designated by KDHE in accordance with the requirements and restrictions of the Federal Acts, if applicable.

(d) KDHE shall provide written evidence to the Authority and the Trustee of the designations made pursuant to (b) and (c).

***Administrative Expense Fund.***

Moneys in the Administrative Expense Fund shall be used by KDHE for the purpose of administering the Revolving Funds and other KDHE activities (including items described as “set-asides” in the Federal Act) to the extent permitted by the Federal Act.

***Loan Fund.***

The moneys in the Loan Fund shall be disbursed by the Trustee to KDHE upon written disbursement requests of KDHE, stating that all conditions for disbursement have been satisfied, signed by an Authorized Representative, to make Loans to Borrowers for payment of the Project Costs pursuant to the provisions of the Indenture, the Loan Agreements, the Revolving Funds Acts and the Federal Acts.

No Loan disbursement shall be made unless a fully executed Loan Agreement between KDHE and a Borrower has been filed with the Authority together with an opinion of counsel to such Borrower, addressed to the Authority and KDHE and attached to such Loan Agreement, to the effect that: (1) the Borrower is a Qualified Borrower; (2) the Project has been duly authorized by the Borrower; (3) the Loan Agreement has been duly authorized, executed and delivered by the Borrower and constitutes a valid and binding agreement of the Borrower enforceable in accordance with its terms, subject as to enforcement of remedies to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors’ rights heretofore or hereafter enacted, and subject further to the exercise of judicial discretion in accordance with general principles of equity; (4) the Borrower has duly authorized a Dedicated Source of Revenue for Loan Repayments; (5) the Borrower has all requisite legal power and authority to, and has been duly authorized under the terms and provisions of the resolution or ordinance adopted by its governing body to, execute and deliver, and perform its obligations under, the Loan Agreement; and (6) the execution and delivery of the Loan Agreement by the Borrower will not conflict with or result in a breach of any of the terms of, or constitute a default under, any ordinance, resolution, indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Borrower is a party or by which it or any of its property is bound or any of the rules or regulations applicable to the Borrower or its property or of any court or other governmental body. Such opinion shall be in a form acceptable to the Authority, KDHE and Bond Counsel, and may contain such additional opinions as mutually agreed upon between such counsel, the Authority, KDHE and Bond Counsel.

Each Borrower shall establish a Dedicated Source of Revenue.

KDHE agrees to exercise due diligence to enter into Loan Agreements and to consult with the Authority and any applicable Consultant; to the extent that KDHE will not enter into or modify the provisions of any Loan Agreement that will have the effect of reducing: (1) the Projected Revenues will be an amount not less than 100% of the aggregate Modified Debt Service Requirements due on the Payment Dates in each year of all Indebtedness then Outstanding and to be issued to fund such Loan; and (2) the Projected State Match Revenues will be an amount not less than 100% of the aggregate Modified Debt Service Requirements due on each of the Payment Dates in each year of all State Match Indebtedness then Outstanding and to be issued to fund such Loan.

KDHE covenants and agrees that it shall enforce all of its rights and all of the obligations of the Borrowers (at the expense of the Borrowers) under the various Loan Agreements entered into from time to time to the extent permitted by law, including without limitation, all rights given to KDHE under the Revolving Funds Acts and the Federal Acts, and as necessary to protect the rights of the Authority and Trustee with respect to the pledge and assignment of the Revenues as a part of the Trust Estate under the Indenture.

KDHE shall make reports to the Authority (not less frequently than quarterly), specifying Loan disbursements delineated by Borrower and Loan Agreement, together with such additional information as may be agreed upon by the Authority and KDHE. After any Project has been completed and a certificate of payment of all Project Costs with respect thereto has been filed as provided in the Loan Agreement, KDHE shall file a final statement of receipts and disbursements with respect thereto with the Authority.

Any balance remaining in the Loan Fund which is no longer necessary to make Loans to fund Project Costs, upon receipt of written authorization from KDHE to the Trustee, shall be deposited: (1) in the Redemption Fund to the extent such transferred balance is in an amount equal to or greater than a Material Loan Prepayment; or (2) in the Program Equity Fund.

***Costs of Issuance Fund.***

Moneys in the Costs of Issuance Fund shall be used for the purpose of paying Costs of Issuance with respect to the applicable Series of Bonds.

At such time as the Trustee is furnished with an Authority Certificate stating that all Costs of Issuance with respect to a Series of Bonds have been paid, and in any case not later than 9 months from the date of original issuance of such Series of Bonds, the Trustee shall transfer any moneys remaining in the Costs of Issuance Account with respect to such Series of Bonds to the Debt Service Account for such Series of Bonds (if the Bonds are Parity Bonds) or the Subordinated Indebtedness Fund (if the Bonds are Subordinate Bonds).

***Capitalized Interest Fund.***

Moneys in each Capitalized Interest Account in the Capitalized Interest Fund shall be transferred to the appropriate Debt Service Account of the Debt Service Fund (if the related Bonds are Parity Bonds) or the Subordinated Indebtedness Fund (if the related Bonds are Subordinate Bonds) and used to pay interest on the related Series of Bonds. To the extent funds are on deposit in a Capitalized Interest Account, the Trustee shall cause the transfer to the credit of the appropriate Debt Service Account of the Debt Service Fund or the Subordinated Indebtedness Fund, as applicable, no later than 20 days prior to each Interest Payment Date, such amount as may be required (taking into account other moneys on deposit in such Fund or Account to make the amount then held for the credit of such Fund or Account) for the payment of such Series of Bonds equal to the amount of interest to become due and payable on such Series of Bonds on such Interest Payment Date. Any moneys remaining in a Capitalized Interest Account as of the time period established in the Supplemental Indenture authorizing the issuance of such Series of Bonds, the proceeds of which are deposited into such Capitalized Interest Account, shall, pursuant to an Authority Certificate signed by an Authorized Officer, be applied as follows:

- (a) deposited into the Loan Fund;
- (b) deposited into the Debt Service Reserve Fund;
- (c) deposited into the Debt Service Account of the Debt Service Fund or the Subordinated Indebtedness Fund, as applicable and applied to the payment of Debt Service Requirements on the applicable Series of Bonds.

***Deposits.***

- (a) *Suspense Fund.* All Loan Repayments and Loan Prepayments received by KDHE or by the State Treasurer on behalf of KDHE shall be deposited to the credit of the Suspense Fund. Not later than the 15<sup>th</sup>

and last day of each month, KDHE shall cause the State Treasurer to make the following transfers or deposits of moneys:

(1) there shall be deposited into the Surcharge Fund all moneys received as Loan Repayments or Loan Prepayments that is not designated as interest or principal repayments on such Loan; and

(2) there shall be transferred to the Trustee all other funds then held in the Suspense Fund.

(b) *Revenues.* The Trustee shall apply Revenues received, as follows:

(1) Interest Account. There shall be deposited into the Interest Account the following:

(i) the interest component of all Loan Repayments associated with Pledged Loans;

(ii) Swap Provider Payments (excluding Termination Payments), if pledged as Revenues, associated with the State Match Portion of any Bonds;

(iii) Government Interest Subsidy Payments associated with the State Match Portion of any Bonds;

(iv) interest earnings on all Funds and Accounts; and

(v) the interest component, if any, of Excess KPWS Payments and Excess KWPC Payments.

(2) Principal Account. There shall be deposited into the Principal Account the following:

(i) the principal component of all Loan Repayments associated with Pledged Loans;

(ii) Swap Provider Payments (excluding Termination Payments), if pledged as Revenues, not deposited into the Interest Account pursuant to clause (b)(1)(ii) above;

(iii) Excess KPWS Payments and Excess KWPC Payments not deposited into the Interest Account pursuant to clause (b)(1)(v) above;

(iv) Loan Prepayments (not constituting Material Loan Prepayments) associated with Pledged Loans, *provided*, all or a portion of such Loan Prepayments may be deposited into the Redemption Fund if the Trustee receives an Authority Certificate directing such deposit, accompanied by a Projected Revenue Certificate, with supporting schedules, projecting that, as a result of such deposit to the Redemption Fund: (A) as of each Payment Date, the Projected Revenues, will be an amount not less than 120% of the Modified Debt Service Requirement due on each Payment Date of all Bonds then Outstanding; and (B) Projected State Match Revenues will be an amount not less than 100% of the Modified Debt Service Requirement due on each Payment Date of the State Match Portion of all Bonds then Outstanding;

(v) Material Loan Prepayments associated with Pledged Loans not deposited into the Redemption Fund pursuant to clause (b)(3)(ii) below; and

(vi) all other Revenues.

(3) Redemption Fund. There shall be deposited into the Redemption Fund the following:

(i) Loan Prepayments (not constituting Material Loan Prepayments) associated with Pledged Loans not deposited into the Principal Account pursuant to clause (b)(2)(iv) above; and

(ii) Material Loan Prepayments associated with Pledged Loans, *provided* all or a portion of such Material Loan Prepayments may be deposited into the Principal Account if the Trustee receives an Authority Certificate directing such deposit, accompanied by a Projected Revenue Certificate, with supporting schedules, projecting that, as a result of such deposit: (a) as of each Payment Date, the Projected Revenues, will be an amount not less than 120% of the Modified Debt Service Requirement due on each Payment Date of all Bonds then Outstanding; and (b) Projected State Match Revenues will be an amount not less than 100% of the Modified Debt Service Requirement due on each Payment Date of the State Match Portion of all Bonds then Outstanding

(c) *Other Funds*. There shall be deposited into the General Fund the following:

(1) all Loan Repayments and Loan Prepayments associated with Non-Pledged Loans; and

(2) all other funds received by the Trustee that:

(i) do not constitute Revenues; and

(ii) are not deposited into Funds and Accounts as described above.

***Surcharge Fund.***

Moneys in the Surcharge Fund may be withdrawn at any time upon written request executed by the Authorized Officer of the Authority which is approved by an Authorized Officer of KDHE, and shall be used to pay the costs incurred by the Authority in servicing the Bonds, including payment of fees and expenses of the Trustee, Paying Agent and Bond Registrar, and to pay the costs incurred by KDHE in servicing the Revolving Funds and any other use to the extent permitted by the Revolving Funds Acts and Federal Acts.

***Revenue Fund.***

(a) *Interest Account*. Not less than **15** days prior to each Payment Date, moneys held in the Interest Account shall be applied in the following order, as follows:

(1) An amount necessary, taking into account any transfers from the Capitalized Interest Fund or other moneys therein, to meet the Debt Service Requirement on the State Match Portion of any Bonds due on such Payment Date shall be transferred for deposit into the appropriate Debt Service Account of the Debt Service Fund; and

(2) The balance, less any amounts necessary to be retained in the Interest Account necessary to be used to meet the Debt Service Requirements on the State Match Portion of any Bonds due on the next Payment Date, shall be immediately transferred for deposit into the Principal Account. The Trustee may rely on an Authority Certificate with respect to any amount necessary to be retained in the Interest Account.

(b) *Principal Account.* Not less than **10** days prior to each Payment Date, moneys held in the Principal Account shall be applied in the following order, as follows:

(1) An amount necessary, taking into account any transfers from the Capital Interest Fund or other moneys therein, to meet the Debt Service Requirement on the Leveraged Portion of any Bonds due on such Payment Date shall be transferred for deposit into the appropriate Debt Service Account of the Debt Service Fund;

(2) Any amount necessary to bring the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement shall be transferred for deposit into the Debt Service Reserve Fund; and

(3) The balance remaining in the Principal Account after the final Payment Date in each Fiscal Year, less any amounts necessary to be retained in the Principal Account necessary to be used to meet the Debt Service Requirements on the Leveraged Portion of any Bonds due on the next Payment Date, shall be immediately transferred for deposit into the Program Equity Fund. The Trustee may rely on an Authority Certificate with respect to any amount necessary to be retained in the Principal Account.

***Debt Service Fund.***

(a) Amounts on deposit in the Debt Service Fund shall be used and withdrawn as provided in the Indenture and in any Supplemental Indenture authorizing the issuance of a Series of Bonds, with respect to Parity Bond, as follows:

(1) to the payment of interest on each Interest Payment Date on all Parity Bonds;

(2) to the payment of the principal of or Sinking Fund Installment due on each Payment Date on all Parity Bonds;

(3) to the payments required to be made to a Swap Provider pursuant to a Qualified Swap Facility entered into with respect to any Parity Bonds; provided, however, that if the amounts due on any such payment and/or Redemption Date are intended to be paid from a Qualified Credit Facility prior to any application of amounts in the Debt Service Fund to such payments, then the Trustee shall not pay any such amounts unless such amounts have failed to be provided from such Qualified Credit Facility at the time required, and if any such amounts due are paid from such Qualified Credit Facility the Trustee shall apply the amounts in the Debt Service Fund to provide payment of the Reimbursement Obligations with respect to such Qualified Credit Facility as provided in the agreement governing reimbursement of such amounts to the provider of such Qualified Credit Facility.

(4) Except as otherwise provided in a Supplemental Indenture authorizing a Series of Bonds, amounts accumulated in the Debt Service Fund with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) shall, if so directed by the Authority in an Authority Certificate not less than 45 days before the due date of such Sinking Fund Installment, be applied by the Trustee to: (A) the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, (B) the redemption at the applicable sinking fund Redemption Price of such Bonds, if then redeemable by their terms, or (C) any combination of (A) and (B). All purchases of any Bonds pursuant to this subsection shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the Authority shall direct the Trustee. As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date, by giving notice as required by the Indenture, Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the Debt Service

Fund to the appropriate Paying Agents, on or before such Redemption Date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Bonds shall be paid by the Authority as an operating expense of the Authority.

(b) After payment in full of all Debt Service Requirements on the Parity Bonds (or after provision has been made for the payment thereof as provided in the Indenture), moneys in the Debt Service Fund shall be applied as follows: (1) if any Parity Indebtedness remains outstanding, such moneys shall be transferred to the debt service account established with respect to such Parity Indebtedness and applied to pay the principal of and redemption premium, if any, and interest on the Parity Indebtedness as the same become due and payable; and (2) if no Parity Indebtedness remains outstanding but any Subordinate Bonds or Subordinated Indebtedness remains outstanding, such moneys shall be transferred to the Subordinated Indebtedness Fund and applied to pay the principal of and redemption premium, if any, and interest on the Subordinate Bonds and Subordinate Indebtedness as the same become due and payable. All amounts remaining in the Debt Service Fund following such payments shall be transferred for deposit into the Program Equity Fund.

***Debt Service Reserve Fund.***

(a) Each Series of Parity Bonds issued under the Indenture shall be secured by the Debt Service Reserve Fund. Except as otherwise provided in the Indenture, amounts held in the Debt Service Reserve Fund shall be applied only to prevent deficiencies in the payments of principal of and interest on the Parity Bonds.

(b) Upon the issuance of any Series of Parity Bonds, any resulting increase in the amount of the Debt Service Reserve Requirement will be funded in whole at the time of issuance of a Series of Parity Bonds by the deposit of cash, Investment Securities or a Qualified Reserve Facility.

(c) Amounts on deposit in the Debt Service Reserve Fund shall be disbursed and expended by the Trustee solely for the payment of the principal of and interest on the Parity Bonds if sufficient moneys therefor are not available in the Debt Service Fund or the Capitalized Interest Fund. In the event the balance of moneys in the applicable Accounts in the Debt Service Fund and the Capitalized Interest Funds is insufficient to pay the principal of and interest on a Series of Parity Bonds when due and payable, the Trustee shall apply amounts from the Debt Service Reserve Fund to the payment of principal of and interest on such Series of Parity Bonds to the extent necessary to cure such deficiency with respect to such Series of Parity Bonds. The Trustee may use moneys in the Debt Service Reserve Fund for such purpose whether or not the amount in such Fund at that time equals the Debt Service Reserve Requirement. Such moneys shall be used first to make up any deficiency in the payment of interest and then principal with respect to such Series of Bonds. Moneys in the Debt Service Reserve Fund shall, to the extent permitted by the Federal Acts, also be used to pay the last Bonds becoming due unless such Bonds and all interest thereon be otherwise paid, and thereafter any remaining balance in the Debt Service Reserve Fund shall be transferred for deposit into the Program Equity Fund.

(d) The Authority may cause to be deposited into the Debt Service Reserve Fund one or more Qualified Reserve Facilities to satisfy any or all of the Debt Service Reserve Requirement. Each Qualified Reserve Facility in the Debt Service Reserve Fund shall be payable (upon the giving of notice as required thereunder) on a pro rata basis with any other Qualified Reserve Facilities on deposit in the Debt Service Reserve Fund based on the available principal amount of such Qualified Reserve Facilities on any day on which moneys will be required to be withdrawn from the Debt Service Reserve Fund and applied to make up any deficiency in the Debt Service Fund and Capitalized Interest Fund pursuant to subsection (c) above; provided, that prior to drawing on any Qualified Reserve Facility, any cash or Investment Securities in the Debt Service Reserve Fund shall be applied to cure such deficiency. Not less than 60 days prior to the expiration of any Qualified Reserve Facility, the Authority shall provide a commitment for the extension of the term thereof or a new Qualified Reserve Facility to be deposited in the Debt Service Reserve Fund on or before the date of such expiration or shall make provision for the deposit of cash and Investment Securities into such Fund in an amount necessary to provide that the amount held therein at the expiration of the Qualified Reserve Facility shall equal the Debt Service Reserve Requirement.



(e) If the Qualified Reserve Facility is terminated or not renewed by the Authority, then the Authority must provide funds for deposit in the Debt Service Reserve Fund in an amount sufficient to satisfy the Debt Service Reserve Requirement in not more than 36 months from the date of termination or non-renewal.

(f) The Value of the Debt Service Reserve Fund shall be determined following the final Payment Date in each Fiscal Year. If the Value of the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the cash or Investment Securities held in such Fund in excess of the required amount shall be transferred for deposit into the Program Equity Fund. If the Value of the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement because of a withdrawal from said Fund or a valuation required by the Indenture, the Trustee shall calculate the amount of such deficiency and then determine the amount necessary to restore the amount in such Fund to the Debt Service Reserve Requirement.

(g) In the event of the refunding of all or a portion of a Series of Parity Bonds, the Trustee shall, upon the direction of the Authority, withdraw from the Debt Service Reserve Fund amounts accumulated therein with respect to the Series of Parity Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (1) immediately thereafter the Bonds being refunded shall be deemed to have been paid within the meaning of the Indenture, and (2) the amount remaining in the Debt Service Reserve Fund after such withdrawal shall not be less than the Debt Service Reserve Requirement.

(h) Whenever the amount in the Debt Service Reserve Fund, excluding the amounts available under any Qualified Reserve Facility, together with the amounts in the Debt Service Fund are sufficient to pay in full all Outstanding Parity Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in each the Debt Service Reserve Fund may, at the direction of the Authority, be transferred to the Debt Service Fund or Redemption Fund and no further deposits shall be required to be made into the Debt Service Reserve Fund.

***Subordinated Indebtedness Fund.***

The Trustee shall apply amounts in the Subordinated Indebtedness Fund at the times, in the amounts and to the purposes specified with respect thereto in the respective resolutions, indentures or other instruments, including any Supplemental Indenture, relating to such Fund and the Subordinate Bonds and/or Subordinated Indebtedness payable therefrom or secured thereby. Subject to the provisions of, and to the priorities and limitations and restrictions provided in, the Indenture, and the indenture or other instrument, including any Supplemental Indenture, securing each issue of Subordinate Bonds and Subordinated Indebtedness, amounts in the Subordinated Indebtedness Fund which the Authority at any time determines to be in excess of the requirements of such Fund, may, at the discretion of the Authority, be transferred to the Principal Account.

***Redemption Fund.***

Money in the Redemption Fund shall be applied, in accordance with the provisions of an Authority Certificate signed by an Authorized Representative, to the payment of the Redemption Price of any Bonds to be redeemed. Amounts in the Redemption Fund not needed for the payment of the Redemption Price of any Bonds may, in accordance with the provisions of an Authority Certificate signed by an Authorized Representative, be transferred for deposit into the Principal Account.

***Rebate Fund.***

There shall be deposited in each Rebate Account in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Compliance Agreement applicable to any Series of Bonds under a Supplemental Indenture or a separate Tax Compliance Agreement with respect to a Series of Bonds. All amounts on deposit at any time in the Rebate Fund shall be held by the Trustee in trust to the extent required to pay rebatable arbitrage to the United States of America, and neither the Authority, KDHE nor the owner of any Bonds shall have any rights in or claim to such money.

The Trustee shall remit from moneys in each Rebate Account in the Rebate Fund all rebate installments and a final rebate payment to the United States required by the Tax Compliance Agreement applicable to any Series of Bonds under a Supplemental Indenture or a separate Tax Compliance Agreement with respect to a Series of Bonds. The Trustee shall not have any obligation to pay any amounts required to be rebated and such Tax Compliance Agreement, other than from moneys held in the Rebate Fund created under the Indenture as provided in the Indenture or from other moneys provided to it by the Authority. Any moneys remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any rebatable arbitrage shall be transferred for deposit into the Program Equity Fund.

The obligation to pay arbitrage rebate to the United States and to comply with all other requirements of the Indenture relating to arbitrage rebate and the applicable Tax Compliance Agreement shall survive the defeasance or payment in full of the Bonds until all rebatable arbitrage shall have been paid.

***Purchase of Bonds.***

The Authority may purchase Parity Bonds of any Series from moneys on deposit in the Debt Service Fund as provided in the Indenture. In addition, the Authority may purchase Bonds of any Series from any other available funds, other than from the Debt Service Fund (with respect to Parity Bonds) or the Subordinated Indebtedness Fund (with respect to Subordinate Bonds) at public or private sale, as and when and at such prices consistent with the market value thereof as the Authority may in its discretion determine. All Bonds so purchased shall at such times as shall be selected by the Authority be delivered to and cancelled by the Trustee (or provision made therefor). In the case of the purchase of Bonds of a Series and maturity for which Sinking Fund Installments shall have been established, the Authority shall, by an Authority Certificate delivered to the Trustee, elect the manner in which the principal amount of such Bonds shall be credited toward Sinking Fund Installments, consistent with the procedures of the Indenture and the Supplemental Indenture authorizing such Bonds.

***Program Equity Fund.***

Amounts on deposit in the Program Equity Fund may be used, in accordance with the provisions of an Authority Certificate signed by an Authorized Representative, for the following purposes:

- (a) to make Pledged Loans to Borrowers for payment of Project Costs;
- (b) to make Termination Payments;
- (c) to make deposits into Funds and Accounts that are part of the Revolving Fund; provided that, prior to the transfer or a deposit into the General Fund, the Trustee shall receive a Projected Revenue Certificate, with supporting schedules, projecting that: (1) as of each Payment Date, the Projected Revenues, will be an amount not less than 120% of the Modified Debt Service Requirement due on each Payment Date of all Bonds then Outstanding; and (2) Projected State Match Revenues will be an amount not less than 100% of the Modified Debt Service Requirement due on each Payment Date of the State Match Portion of all Bonds then Outstanding.

***General Fund.***

Amounts on deposit in the General Fund may be used, in accordance with the provisions of an Authority Certificate signed by an Authorized Representative, for the following purposes:

- (a) to make Loans to Borrowers for payment of the Project Costs;
- (b) to pay for other capital improvements authorized by the Revolving Funds Acts, the Federal Acts or the Recovery Act;
- (c) to provide financial assistance to Borrowers as authorized by the Revolving Funds Acts, the Federal Acts or the Recovery Act;

(d) to make deposits into other Funds and Accounts; or

(e) for any other purpose authorized by the Revolving Funds Acts, the Federal Acts or the Recovery Act.

***Deposit of Funds.***

(a) All moneys held in Funds and Accounts under the provisions of the Indenture shall constitute trust funds and the Trustee, the Authority and KDHE may deposit such moneys with one or more Depositories in trust for said parties. All moneys deposited under the provisions of the Indenture shall be applied only in accordance with the provisions of the Indenture.

(b) Each Depository shall be a bank or trust company organized under the laws of any state of the United States or a national banking association having capital stock, surplus and undivided earnings of \$100,000,000, or must provide a guaranty of the full and prompt performance by the Trustee of its obligations under the Indenture, and any other agreements made in connection with the Bonds, on terms satisfactory to the Authority, by a guarantor with such combined capital and surplus or consolidated net worth, and willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the Indenture.

(c) All moneys held by any Depository under the Indenture may be placed on demand or time deposit, if and as directed by the Authority, provided that such deposits shall permit the moneys so held to be available for use at the time when needed. Any such deposit may be made in the commercial banking department of any Depository which may honor checks and drafts on such deposit with the same force and effect as if it were not such Depository. All moneys held by any Depository, as such, may be deposited by such Depository in its banking department on demand or, if and to the extent directed by the Authority and acceptable to such Depository, time deposit, provided that such moneys on deposit be available for use at the time when needed. Such Depository shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(d) Any moneys held in cash in excess of the amount insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation shall be continuously secured for the benefit of the Trustee, the Authority and KDHE by such collateral or indemnification bonds as the laws of the State shall require, which shall be not less than the requirements contained in the definition of Investment Securities.

(e) All moneys deposited with the Trustee and each Depository shall be credited to the particular Fund or Account to which such moneys belong and, except as provided with respect to the investment of moneys in Investment Securities, the moneys credited to each particular Fund or Account shall be kept separate and apart from, and not commingled with, any moneys credited to any other Fund or Account or any other moneys deposited with the Trustee, the Authority, KDHE and each Depository.

***Investment of Moneys.***

Moneys held in the Funds and Accounts established under the Indenture shall be invested and reinvested by the Authority (with respect to moneys held by the State Treasurer), or by the Trustee at the written direction of the Authority (with respect to moneys held by the Trustee), to the fullest extent practicable in Investment Securities which mature or are available not later than such times as reasonably expected to be necessary to provide moneys when needed for payments to be made from such Funds and Accounts. The Trustee shall make all such investments of moneys held by it in accordance with the written directions of an Authorized Representative, which shall include a certification that the investments being directed are Investment Securities as required by the Indenture. Provided, however, that if the Authorized Representative fails to provide such written direction to the Trustee, the Trustee may invest and reinvest money in the Funds held by the Trustee in securities as described in subsection (c) of the definition of Investment Securities. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries.

In making any investment in any Investment Securities with moneys in any Fund or Account established under the Indenture, the Authority or the Trustee may combine such moneys with moneys in any other Fund or Account but solely for the purposes of making such investment in such Investment Securities and provided that any amount so combined shall be separately accounted for.

***Valuation and Sale of Investments.***

Obligations purchased as an investment of moneys in any Fund or Account created under the provisions of the Indenture shall be deemed at all times to be a part of such Fund or Account and any profit realized from the liquidation of such investment shall be credited to such Fund or Account and any loss resulting from the liquidation of such investment shall be charged to the respective Fund or Account.

In computing the amount in any Fund or Account created under the provisions of the Indenture for any purpose provided in the Indenture, obligations purchased as an investment of moneys therein shall be valued, as of any particular time of determination, as follows:

- (a) with respect to cash, at the face value thereof,
- (b) with respect to investment agreements and any other Investment Securities eligible to be withdrawn at par, at the face value thereof,
- (c) except as provided in subsection (b), with respect to any Investment Securities, at the fair market price of the investment on the date of valuation, and
- (d) with respect to a Qualified Reserve Facility guaranteeing payments into the Debt Service Reserve Fund, at the maximum amount available under such Qualified Reserve Facility,

except as otherwise provided in any Supplemental Indenture with respect to funds or accounts created thereunder. Such computations shall be determined promptly following each Interest Payment Date, or more frequently, at the direction of the Authority.

Except as otherwise provided in the Indenture, the Trustee shall sell at the best price obtainable, or present for redemption, any obligation so purchased as an investment whenever it shall be directed in writing by the Authority so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

***Payment of Bonds.***

The Authority shall duly and punctually pay or cause to be paid, but solely from the sources specified in the Indenture, the principal or Redemption Price of and interest on the Bonds in accordance with the terms of the Bonds and the Indenture and the Supplemental Indentures with respect to the Bonds.

***Administration of Revolving Funds.***

KDHE represents, covenants and agrees that:

(a) it is duly authorized under the Revolving Funds Acts and the Federal Acts to administer the Revolving Funds, to enter into the Loan Agreements and to pledge and assign the Revenues in the manner and to the extent set forth in the Indenture;

(b) it shall enforce all of its rights and all of the obligations of the Borrowers (at the expense of the Borrowers) under the various Loan Agreements entered into from time to time to the extent permitted by law;

(c) it will not create or suffer to be created any lien, encumbrance or charge upon the Revenues pledged under the Trust Estate, except the pledge, lien and charge for the security of the Bonds and any Additional Indebtedness, and that, from the Revenues and other funds available therefor, it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within 60 days after the same shall accrue, all lawful claims and demands or other obligations which, if unpaid, might by law become a lien upon such Revenues; provided, however, that nothing contained in this caption shall require KDHE to pay or cause to be discharged, or make provision for, any such lien, encumbrance or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings;

(d) except as provided in the Indenture, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Revenues or of its rights under the Loan Agreements;

(e) for purpose of compliance with the requirements of the Federal Acts, it will:

(1) designate the Revenues, State Match Revenues, Indebtedness, Loans and all Funds, Accounts and sub-accounts as a Clean Water Portion and a Drinking Water Portion;

(2) further designate any Indebtedness, Funds, Accounts and sub-accounts as a State Match Portion and/or Leveraged Portion;

(3) cause the application of Clean Water Portion of State Match Revenues, to the extent necessary, to the repayment of the Debt Service Requirements on the Clean Water Portion of any Indebtedness designated as State Match Portion;

(4) cause the application of Drinking Water Portion of State Match Revenues, to the extent necessary, to the repayment of the Debt Service Requirements on the Drinking Water Portion of any Indebtedness designated as State Match Portion;

(5) cause the application of assets in the Clean Water Revolving Fund to the repayment of the Debt Service Requirements on any Indebtedness designated as the Clean Water Portion;

(6) cause the application of assets in the Drinking Water Revolving Fund to the repayment of the Debt Service Requirements on any Indebtedness designated as the Drinking Water Portion;

(7) to the extent that assets in the Clean Water Revolving Fund are insufficient to provide for the requirements of clause (5), cause the application of assets remaining in the Drinking Water Revolving Fund after compliance with clause (6), to such deficiency;

(8) to the extent that assets in the Drinking Water Revolving Fund are insufficient to provide for the requirements of clause (6), cause the application of assets remaining in the Clean Water Revolving Fund after compliance with clause (5), to such deficiency;

(9) to the extent that assets in the Drinking Water Revolving Fund are applied in the manner set forth in clause (7), cause the re-allocation of moneys designated as the Clean Water Portion of the Program Equity Fund as being the Drinking Water Portion to the extent of the application in clause (7); and

(10) to the extent that assets in the Clean Water Revolving Fund are applied in the manner set forth in clause (8), cause the re-allocation of moneys designated as the Drinking Water Portion of the Program Equity Fund as being the Clean Water Portion to the extent of the application in clause (8).

(f) in accordance with the Clean Water Bond Resolution, KDHE has covenanted to cause to be prepared, within sixty days after each November 1 Payment Date on the KWPC Bonds, a Projected Revenues Certificate prepared in accordance with the provisions of said Section. In the event the delivered Projected Revenue Certificate permits transfer of funds in accordance with said Section from the Recycled Loan Account to the Trustee for application in accordance with the Indenture, KDHE shall cause such transfer to the Trustee to occur within ninety days after such Payment Date on the KWPC Bonds; and

(g) in accordance with the Drinking Water Bond Resolution, KDHE has covenanted to cause to be prepared, within sixty days after the final Principal Payment Date in each Fiscal Year on the KPWS Bonds, a Projected Revenues Certificate prepared in accordance with the provisions of said Section. In the event the delivered Projected Revenue Certificate permits transfer of funds in accordance with said Section from the Principal Account to the Trustee for application in accordance with the Indenture, KDHE shall cause such transfer to the Trustee to occur within ninety days after such final Principal Payment Date on the KPWS Bonds.

#### ***Accounts and Reports.***

(a) KDHE shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to the Revolving Fund and each Fund and Account established under the Indenture, and which shall at all times be subject to the inspection of the Trustee, the Authority, and the Owners of an aggregate of not less than 10 percent in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

(b) The Trustee shall furnish statements to the Authority and KDHE within 15 Business Days after each March 31, June 30, September 30 and December 31, commencing March 31, 2011, of the transactions during such quarterly period relating to each Fund and Account held by it under the Indenture. The Authority and KDHE shall have the right upon reasonable notice and during reasonable business hours to audit the books and records of the Trustee with respect to the Funds and Accounts held by the Trustee under the Indenture.

(c) KDHE covenants that, not later than nine months after the close of each Fiscal Year, it will file with EPA, the Authority and the Trustee, an audit of the financial reports of the Revolving Funds for such Fiscal Year, prepared for and approved by KDHE, reflecting in reasonable detail the Loan Agreements entered into between KDHE and Borrowers, including a statement of the Revenues for such Fiscal Year and the status of any separate accounts and funds required by the Loan Agreements;

(d) KDHE shall file with the Authority a copy of each audit report of KDHE prepared by the Kansas Legislative Division of Post Audit or by any other proper auditing official of the State;

(e) The Authority shall file with the Trustee and KDHE forthwith upon becoming aware of any Event of Default or default in the performance by the Authority of any covenant, agreement or condition contained in the Indenture, an Authority Certificate specifying such Event of Default or default;

(f) KDHE shall file with the Trustee and the Authority forthwith upon becoming aware of any Event of Default or default in the performance by KDHE of any covenant, agreement or condition contained in the Indenture, a KDHE Certificate specifying such Event of Default or default;

(g) The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Indenture shall be available for the inspection of Bondowners at the office of the Trustee and shall be mailed to each Bondowner who shall file a written request therefor with the Trustee. The Trustee may charge each Bondowner requesting such reports, statements and other documents a reasonable fee to cover reproduction, handling and postage.

(h) The Trustee shall have no duty to review or analyze any financial statements provided and shall hold such financial statements solely as a repository for the benefit of the Bondowners. The Trustee shall not be deemed to have notice of any information contained therein or Event of Default which may be disclosed therein in any manner.

#### ***Tax Covenants.***

(a) The Authority and KDHE each agrees it will not use or permit the use of any proceeds of any tax-exempt Bonds or Government Interest Subsidy Bonds or any other funds of the Authority, directly or indirectly, in any manner, shall not take or permit to be taken any other action or actions, which would adversely affect the exclusion of the interest on any tax-exempt Bond from gross income for federal income tax purposes or would adversely affect the Authority's right to receive Government Interest Subsidy Payments with respect to each payment of interest on any Government Interest Subsidy Bonds, and that so long as any of the Bonds remain Outstanding, it will comply with the tax compliance provisions applicable to the Authority and KDHE under any Supplemental Indenture with respect to a Series of Bonds.

(b) The Authority, KDHE and the Trustee each agree to comply with the tax compliance provisions under any Supplemental Indenture or tax compliance agreement with respect to any Series of Bonds issued as tax-exempt Bonds and any Series of Government Interest Subsidy Bonds and the Trustee agrees to comply with any statute, regulation or ruling that may apply to it as Trustee and relating to reporting requirements or other requirements necessary to preserve the exclusion from federal gross income of the interest on such tax-exempt Bonds or the Authority's right to receive Government Interest Subsidy Payments with respect to each payment of interest on such Government Interest Subsidy Bonds. The Trustee from time to time may cause a firm of attorneys, consultants or independent accountants or an investment banking firm to supply the Trustee, on behalf of the Authority, with such information as the Trustee, on behalf of the Authority, may request in order to determine in a manner reasonably satisfactory to the Trustee, on behalf of the Authority, all matters relating to (a) the actuarial yields on the Bonds as the same may relate to any data or conclusions necessary to verify that the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code, and (b) compliance with the rebate requirements of Section 148(f) of the Internal Revenue Code. Payment for costs and expenses incurred in connection with supplying the foregoing information shall be paid by the Authority from amounts held in the Surcharge Fund.

(c) Notwithstanding any provision of clauses (a) and (b) above, if the Authority or KDHE provides to the Trustee an Opinion of Bond Counsel to the effect that any action required under (a) and (b) above is no longer required, or to the effect that some other or further action is required, to maintain the exclusion of interest on any tax-exempt Bonds from federal gross income and the right of the Authority to receive Government Interest Subsidy Payments with respect to each payment of interest on any Government Interest Subsidy Bonds, the Authority, KDHE and the Trustee may conclusively rely on such opinion in complying with the provisions of the Indenture, and the covenants under the Indenture shall be deemed to be modified to that extent.

#### ***Additional Program.***

In the event that one or more Additional Programs are approved by the Legislature of the State or by the U.S. Congress that are administrated by KDHE, notwithstanding any other provisions of the Indenture, the

Authority may issue bonds or other evidences of indebtedness that will have the same status as Indebtedness issued under the Indenture upon compliance with the provisions for the issuance of Bonds or Additional Obligations. Such Indebtedness shall be issued pursuant to the provisions of a Supplemental Indenture which shall create appropriate additional Funds and Accounts and pledge such Funds and Accounts and the revenues derived from such Additional Programs as part of the Trust Estate to secure Indebtedness of the Revolving Funds and such Additional Program.

***Release of Pledged Revenues; Pledge of Additional Revenues.***

(a) Subject to the provisions of clause (c) below, any of the enumerated items contained within the definition of “*Revenues*” or the definition of “*Trust Estate*” may be removed in whole or in part from such definition, including the re-designation of a Pledged Loan to a Non-Pledged Loan, and such item shall no longer constitute a part of Revenues or the Trust Estate.

(b) The Authority and KDHE may pledge and add any item to the definition of “*Revenues*” or the definition of “*Trust Estate*,” including the re-designation of a Non-Pledged Loan to a Pledged Loan by providing and filing with the Trustee a schedule describing the specific item to be added thereto.

(c) Prior to any removal described in (a), the Authority and KDHE shall file with the Trustee: (1) a schedule describing the item to be removed; and (2) a Projected Revenue Certificate, with supporting schedules, projecting that: (1) as of each Payment Date, the Projected Revenues, will be an amount not less than 120% of the Modified Debt Service Requirement due on each Payment Date of all Bonds then Outstanding; and (2) the Projected State Match Revenues will be an amount not less than 100% of the Modified Debt Service Requirement due on each Payment Date of the State Match Portion of all Bonds then Outstanding.

(d) The Trustee, the Authority and KDHE shall execute a Supplemental Indenture evidencing the amended definition(s) affected by such release or addition.

***No Other Obligations.***

Subsequent to the Operative Date of the Indenture:

(a) the Authority covenants that it will not issue any KPWS Bonds or KWPC Bonds; and

(b) KDHE covenants that it will not incur any Additional Obligations or other Indebtedness pursuant to the KPWS Pledge Agreement or the KWPC Pledge Agreement.

***Acceleration of Maturity; Rescission and Annulment.***

If an Event of Default occurs and is continuing, the Trustee may, and if requested by the Owners of not less than 25% in principal amount of the Outstanding Bonds of the affected Series shall, by written notice to the Authority and KDHE, declare the principal of the affected Series of Bonds and the interest accrued thereon to the date of acceleration to be due and payable, subject to the rights or limitations specified in a Supplemental Indenture with respect to a Series of Bonds, and upon any such declaration such principal and interest shall become immediately due and payable.

**Notwithstanding the foregoing or any other provision of the Indenture to the contrary, there shall be no acceleration of any Subordinate Bonds as long as any series of Parity Bonds remains Outstanding.**

At any time after such a declaration of acceleration has been made with respect to a Series of Bonds, but before any judgment or decree for payment of money due on any such Series of Bonds has been obtained by the Trustee, the Owners of a majority in principal amount of the Outstanding Bonds of the affected Series may, by written notice to the Authority, KDHE and the Trustee, rescind and annul such declaration and its consequences if:



- (a) there is deposited with the Trustee a sum sufficient to pay the following:
- (1) all overdue installments of interest on all Bonds of the affected Series;
  - (2) the principal (and Redemption Price, if any) of any Bonds of the affected Series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Bonds;
  - (3) interest upon overdue installments of interest at the rate or rates prescribed therefor in the affected Series of Bonds; and
  - (4) all sums paid or advanced by the Trustee and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and
- (b) all Events of Default, other than the non-payment of the principal of such Series of Bonds which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in the Indenture.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

***Exercise of Remedies by the Trustee.***

(a) Upon the occurrence and continuance of any Event of Default under the Indenture, unless the same is waived as provided in the Indenture, the Trustee shall have the following rights and remedies, in addition to any other rights and remedies provided under the Indenture or by law:

(1) *Right to Bring Suit, Etc.* The Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, Redemption Price, if any, and interest on the affected Series of Bonds Outstanding, including interest on overdue principal and on overdue installments of interest, and any other sums due under the Indenture, to realize on or to foreclose any of its interests or liens under the Indenture to enforce and compel the performance of the duties and obligations of the Authority and KDHE as set forth in the Indenture and to enforce or preserve any other rights or interests of the Trustee under the Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.

(2) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondowners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.

(3) *Suits to Protect the Trust Estate.* The Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Indenture and to protect its interests and the interests of the Bondowners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Indenture or be prejudicial to the interests of the Bondowners or the Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the Bondowners in any judicial proceeding to which the Authority is a party and which in the judgment of the Trustee has a substantial bearing on the interests of the Bondowners.

(4) *Enforcement Without Possession of Bonds.* All rights of action under the Indenture or any of the Bonds may be enforced and prosecuted by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit

or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and subject to the provisions of the Indenture, be for the equal and ratable benefit of the Bondowners in respect of which such judgment has been recovered.

(5) *Restoration of Positions.* If the Trustee or any Bondowner has instituted any proceeding to enforce any right or remedy under the Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Bondowner, then and in every case the Authority, the Trustee and the Bondowners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Indenture, and thereafter all rights and remedies of the Trustee and the Bondowners shall continue as though no such proceeding had been instituted.

(b) If requested in writing to do so by the Owners of not less than 25% in principal amount of Outstanding Bonds of the affected Series and if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by the Indenture as the Trustee shall deem most expedient in the interests of the Bondowners.

(c) Notwithstanding anything to the contrary contained in the Indenture, the owners of Subordinate Bonds, by their acceptance thereof, the Trustee and the Authority expressly agree to and acknowledge that, so long as any Parity Bonds are Outstanding, neither the Trustee on behalf of the owners of Subordinate Bonds or otherwise, nor any owner of Subordinate Bonds, shall have the right to or will (i) institute against, or join any other person in instituting against, the Authority any bankruptcy, reorganization, arrangement, insolvency, receivership or liquidation proceedings or other collection or enforcement proceeding under any law or pursuant to the terms of the Indenture or a Supplemental Indenture, or (ii) challenge any liens and security interests securing the Parity Bonds.

***Limitation on Suits by Bondowners.***

No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, or for the appointment of a receiver or trustee or for any other remedy under the Indenture, unless:

(a) such Owner has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Owners of not less than 25% in principal amount of the Outstanding Bonds of the affected Series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture;

(c) such Owner or Owners have offered to the Trustee indemnity as provided in the Indenture against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in principal amount of the Outstanding Bonds of the affected Series;

and such notification, request and indemnity are declared in every case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of the Indenture or the rights of any other Owners of Bonds, or to obtain or to seek to obtain priority or preference

over any other Owners or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all Outstanding Bonds (except to the extent the Subordinate Bonds are subordinate to the Parity Bonds as provided in the Indenture).

Notwithstanding the foregoing or any other provision in the Indenture, however, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and Redemption Price, if any) and interest on such Bond on the respective stated maturity expressed in such Bond (or, in the case of redemption, on the Redemption Date) and nothing contained in the Indenture shall affect or impair the right of any Owner to institute suit for the enforcement of any such payment.

***Control of Proceedings by Bondowners.***

Subject to the provisions described above under the caption "Limitation on Suits by Bondowners," the Owners of a majority in principal amount of the Outstanding Bonds of the affected Series shall have the right, during the continuance of an Event of Default,

(a) to require the Trustee to proceed to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the affected Series of Bonds and the foreclosure of the Indenture, or otherwise; and

(b) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture;

provided that, with respect to direction pursuant to either clause (a) or (b):

(1) such direction shall not be in conflict with any rule of law or the Indenture;

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction; and

(3) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Owners not taking part in such direction.

***Application of Moneys Collected.***

Notwithstanding anything in the Indenture to the contrary, any moneys collected by the Trustee (after the deductions for payment of costs and expenses of proceedings resulting in the collection of such moneys), together with any other sums then held by the Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the affected Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) First: To the payment of all amounts due the Trustee under the Indenture.

(b) Second: To the payment of the interest and principal then due on the Parity Bonds and Parity Indebtedness as follows:

(1) If the principal of all the Parity Bonds and Parity Indebtedness shall not have become and shall not have been declared due and payable, all such moneys shall be applied:

*First:* To the payment to the Persons entitled thereto of all installments of interest then due on the Parity Bonds and Parity Indebtedness, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

*Second:* To the payment to the Persons entitled thereto of the unpaid principal (including unpaid Sinking Fund Installments) and premium, if any, on the Parity Bonds and Parity Indebtedness which shall have become due (other than Bonds called for redemption or for which moneys for the payment thereof held pursuant to the provisions of the Indenture), in the order of the scheduled dates of their payment, and, if the amount available shall not be sufficient to pay in full Parity Bonds and Parity Indebtedness due on any particular date, then to the payment ratably, according to the amount of principal and premium due on such date, to the Persons entitled thereto without any discrimination or privilege.

(2) If the principal of all the Parity Bonds and Parity Indebtedness shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Parity Bonds and Parity Indebtedness without preference or priority of principal, premium or interest over the others, or of any installment of interest over any other installment of interest, or of any Parity Bond or Parity Indebtedness over any other Parity Bond or Parity Indebtedness, ratably, according to the amounts due respectively for principal, premium, if any, and interest to the Persons entitled thereto without any discrimination or privilege; and

(3) If the principal of all the Parity Bonds and Parity Indebtedness shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture, then, provided that no distribution has been made pursuant to the provisions of paragraph (2) of this subsection, the moneys shall be applied in accordance with the provisions of paragraph (1) of this subsection.

(c) Third: To the payment of the interest and principal then due on the Subordinate Bonds and Subordinated Indebtedness as provided in the resolutions, indentures or other instruments, including any Supplemental Indenture, authorizing the Subordinate Bonds and Subordinated Indebtedness.

(d) Fourth: To the payment of the remainder, if any, for deposit into the Program Equity Fund or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, or as otherwise provided in a Supplemental Indenture.

Whenever moneys are to be applied by the Trustee pursuant to the provisions described above, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

***Rights and Remedies Cumulative.***

No right or remedy conferred upon or reserved to the Trustee or to the Bondowners is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy. No delay or omission of the Trustee or of any Owner of any Bond to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by the Indenture or by law to the Trustee or to the Bondowners may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Bondowners, as the case may be.

***Advances by Trustee.***

If the Authority shall fail to make any payment or perform any of its covenants in the Indenture, the Trustee may, at any time and from time to time, use and apply any moneys held by it under the Indenture, or make advances, to effect payment or performance of any such covenant on behalf of the Authority. All moneys so used or advanced by the Trustee, together with interest at the Trustee's announced prime rate per annum (or if no prime rate is announced, the publicly available per annum interest rate for high grade commercial loans) plus two percent, shall be repaid by the Authority upon demand and such advances shall be secured under the Indenture prior to the Bonds. For the repayment of all such advances the Trustee shall have the right to use and apply any moneys at any time held by it under the Indenture but no such use of moneys or advance shall relieve the Authority from any default under the Indenture.

***Waiver of Past Defaults.***

Before any judgment or decree for payment of money due has been obtained by the Trustee as provided in the Indenture, the Owners of a majority in principal amount of the Outstanding Bonds of the affected Series may, by written notice delivered to the Trustee and the Authority, on behalf of the Owners of all the Bonds waive any past default and its consequences, except a default (a) in the payment of the principal of (or premium, if any) or interest on any Bond, (b) in respect of a covenant or provision of the Indenture which under the Indenture cannot be modified or amended without the consent of the Owner of each Outstanding Bond affected, or (c) in the payment of the fees, charges and expenses of the Trustee or its agents and attorneys without the consent of the Trustee.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Indenture; but no such waiver shall extend to or affect any subsequent or other default or impair any right or remedy consequent thereon.

***Effect of Discontinuance of Proceedings.***

If the Trustee has proceeded to enforce any right under the Indenture by the appointment of a receiver, by entry, or otherwise, and such proceedings have been discontinued or abandoned for any reason, or have been determined adversely, then the Authority, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

***Acceptance of Trusts; Certain Duties and Responsibilities.***

The Trustee accepts and agrees to execute the trusts imposed upon it by the Indenture, but only upon the following terms and conditions:

(a) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and in the absence of gross negligence or willful misconduct on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture.

(b) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances.

(c) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own gross negligent action, its own gross negligent failure to act, or its own willful misconduct, except:

- (1) that this subsection shall not be construed to limit the effect of subsection (a);

(2) that the Trustee shall not be liable for any error of judgment made in good faith by an authorized officer of the Trustee, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent facts;

(3) that the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture; and

(4) that no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions described under the caption.

(e) With respect to each Series of Government Interest Subsidy Bonds, the Trustee will assist the Authority in filing IRS Form 8038-CP (or any similar form required to be filed in order for the Authority to receive Government Interest Subsidy Payments) at such times as may be required in order for the Authority to timely receive Government Interest Subsidy Payments. The Authority and Trustee understand that (1) current IRS procedures require that IRS Form 8038-CP be filed no more than 90 days and no less than 45 days prior to each Interest Payment Date in order for the Authority to timely receive BAB Interest Subsidy Payments, and (2) the Authority is responsible for preparing each IRS Form 8038-CP (or other similar form) and making each filing, with the cooperation of the Trustee.

***Certain Rights of Trustee.***

Except as otherwise provided under the immediately preceding caption:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Any action taken by the Trustee pursuant to the Indenture upon the request or authorized consent of any Person who, at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds delivered in exchange therefor or upon transfer or in substitution thereof.

(b) The Trustee shall be entitled to rely upon an Authority Certificate as to the sufficiency of any request or direction of the Authority mentioned in the Indenture or a KDHE Certificate as to the sufficiency of any request or direction of KDHE mentioned in the Indenture, the existence or non-existence of any fact or the sufficiency or validity of any instrument, paper or proceeding, that a resolution in the form therein set forth has been duly adopted by the governing board of the Authority or such other document approved by the Secretary on behalf of KDHE is in full force and effect.

(c) Whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action under the Indenture, the Trustee (unless other evidence be specifically prescribed) may, in the absence of bad faith on its part, rely upon an Authority Certificate or KDHE Certificate.

(d) The Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel or Opinion of Bond Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee in good faith and in reliance thereon, and may in all cases pay

such reasonable compensation to all such agents, attorneys and receivers as may reasonably be employed in connection with the trusts.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Bondowners or other parties pursuant to the Indenture, unless there shall have been offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (except as may result from the Trustee's own gross negligence or willful misconduct, including, without limitation, attorney's fees and expenses) which might be incurred by it in compliance with such request or direction; provided that the Trustee may not require indemnity as a condition to declaring the principal of and interest on the Bonds to be due and payable under the Indenture, or to making any payment of principal, purchase price, premium or interest on the Bonds, or making a draw under a Qualified Credit Facility or a Qualified Liquidity Facility.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.

(g) The Trustee assumes no responsibility for the correctness of the recitals contained in the Indenture and in the Bonds, except the certificate of authentication on the Bonds. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title thereto or as to the security afforded thereby, or as to the validity or sufficiency of the Indenture or of the Bonds. The Trustee shall not be accountable for the use or application by the Authority of any of the Bonds or the proceeds thereof or of any money paid to or upon the order of the Authority under any provision of the Indenture.

(h) The Trustee, in its individual or any other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Authority with the same rights it would have if it were not Trustee.

(i) All money received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received. Money held by the Trustee in trust under the Indenture need not be segregated from other funds except to the extent required by law or by the Indenture. The Trustee shall be under no liability for interest on any money received by it under the Indenture except as otherwise provided in the Indenture.

(j) The Trustee may execute any of the trusts or powers hereunder or perform any duties under the Indenture either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or gross negligence on the part of any agent or attorney appointed with due care by it.

(k) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(l) The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers under the Indenture.

(m) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its gross negligence or willful misconduct.

(n) The Trustee shall have the right, but shall not be required, to demand, with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms of the Indenture required, as a condition of

such action by the Trustee deemed desirable for the purpose of establishing the right to the withdrawal of any cash, the release of any property, or the taking of any other action by the Trustee.

***Notice of Defaults.***

The Trustee shall not be required to take notice or be deemed to have notice of any default under the Indenture except a default in any of the payments to the Trustee required to be made to the Funds and Accounts required by the Indenture, unless the Trustee shall be specifically notified in writing of such default by the Authority, or the Owners of at least 25% in principal amount of all Bonds Outstanding, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid. Within 30 days after the occurrence of any default under the Indenture of which the Trustee is required to take notice or has received notice as, the Trustee shall give written notice of such default to the Authority, KDHE and all Owners of Bonds as shown on the Bond Register maintained by the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in any of the payments to the Trustee required to be made to the Funds and Accounts under the Indenture, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of the Owners. For the purpose of this caption, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

***Compensation and Reimbursement.***

The Trustee shall be entitled to payment or reimbursement, as follows:

(a) from time to time for reasonable compensation for all services rendered by it under the Indenture (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided in the Indenture, upon its request, for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of the Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's gross negligence or willful misconduct;

(c) indemnity of the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Indenture; and

(d) in the event that it should become necessary for the Trustee to perform extraordinary services, the Trustee shall be entitled to reasonable additional compensation therefor and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided that if such extraordinary services or extraordinary expenses are occasioned by the gross negligence or willful misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefor.

All such payments and reimbursements shall be made by the Authority with interest at the rate of interest per annum equal to the prime rate announced from time to time by the Trustee, plus 2%.

The Trustee shall promptly notify the Authority and KDHE in writing of any claim or action brought against the Trustee in respect of which indemnity may be sought against the Authority, setting forth the particulars of such claim or action, and the Authority or KDHE will assume the defense thereof, including the employment of counsel satisfactory to the Trustee and the payment of all expenses. The Trustee may employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall not be payable by the Authority or KDHE unless (1) such employment has been specifically authorized by the Authority or KDHE, (2) in the opinion of the Trustee the Authority or KDHE has failed to



actively and competently pursue the defense of such claim or action, or (3) the Authority's counsel and KDHE's counsel are precluded, by the rules governing conflicts of interest, from representing the Trustee.

***Corporate Trustee Required; Eligibility.***

There shall at all times be a Trustee under the Indenture which shall be a bank or trust company organized and doing business under the laws of the United States of America or of any state thereof or national banking association, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority. The Trustee must have a combined capital and surplus or consolidated net worth of at least \$100,000,000, or must provide a guaranty of the full and prompt performance by the Trustee of its obligations under the Indenture and any other agreements made in connection with the Bonds, on terms satisfactory to the Authority, by a guarantor with such combined capital and surplus or consolidated net worth. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this caption, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this caption, it shall resign immediately in the manner and with the effect specified in the Indenture.

***Resignation and Removal of Trustee.***

(a) The Trustee may resign at any time by giving written notice thereof to the Authority and KDHE and each Owner of Bonds Outstanding as shown by the Bond Register required by the Indenture to be kept by the Trustee. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee. Such resignation shall take effect upon the earlier of (i) the end of such 30 days or (ii) the appointment of a successor Trustee

(b) The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Authority, KDHE and the Trustee signed by the Owners of a majority in principal amount of the Outstanding Bonds. The Authority, KDHE or any Bondowner may at any time petition any court of competent jurisdiction for the removal for cause of the Trustee.

(c) The Trustee may be removed at any time (so long as no Event of Default has occurred and is continuing under the Indenture and no condition exists which could become an Event of Default with the passage of time pursuant to subsection (f) of the definition of Event of Default) by an instrument in writing signed by the Authority and KDHE delivered to the Trustee. The foregoing notwithstanding, the Trustee may not be removed by the Authority and KDHE unless written notice of the delivery of such instrument is given to the Owners of all Bonds Outstanding under the Indenture, which notice indicates the Trustee will be removed and replaced by the successor trustee named in such notice, such removal and replacement to become effective not less than 60 days from the date of such notice, unless the Owners of not less than 25% in aggregate principal amount of such Bonds Outstanding shall object in writing to such removal and replacement.

(d) If at any time (1) the Trustee shall cease to be eligible under the Indenture and shall fail to resign after written request therefor by the Authority and KDHE or by any such Bondowner, or (2) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation; then, in any such case, the Authority and KDHE may remove the Trustee, or any Bondowner may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

The Trustee shall give notice of such resignation and such removal of the Trustee and such appointment of a successor Trustee to the Registered Owners of Bonds as their names and addresses appear in the Bond Register maintained by the Trustee. Each notice shall include the name of the successor Trustee and the address of its corporate trust office.

(e) No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the acceptance of appointment by the successor Trustee under the Indenture.

***Appointment of Successor Trustee.***

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Authority and KDHE, or the Owners of a majority in principal amount of Bonds Outstanding (if an Event of Default has occurred and is continuing), by an instrument or concurrent instruments in writing delivered to the Authority, KDHE and the retiring Trustee, shall promptly appoint a successor Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a temporary successor to fill such vacancy until a new Trustee shall be so appointed by the Authority and KDHE or the Bondowners. If, within 30 days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee shall be appointed in the manner provided in the Indenture, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the retiring Trustee and any temporary successor Trustee appointed by such receiver or trustee. If no successor Trustee shall have been so appointed and accepted appointment in the manner provided in the Indenture, the Trustee or any Bondowner may petition any court of competent jurisdiction for the appointment of a successor Trustee, until a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided. Every such successor Trustee appointed pursuant to the provisions of the Indenture shall be a bank with trust powers or trust company or national banking association in good standing under the law of the jurisdiction in which it was created and by which it exists, meeting the eligibility requirements of the Indenture.

***Acceptance of Appointment by Successor.***

Every successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to the Authority, KDHE and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Trustee and thereupon the duties and obligations of the predecessor shall cease and terminate; but, on written request of the Authority and KDHE or the successor Trustee, and upon approval by the Authority of the records and accounts of the predecessor Trustee, a release of the predecessor Trustee by the Authority, and the payment of the fees and expenses owned to the predecessor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts expressed all the estates, properties, rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee. Upon request of any such predecessor or successor Trustee, the Authority and KDHE shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under the Indenture.

***Merger, Consolidation and Succession to Business.***

Any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation or association succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee under the Indenture, provided such corporation or association shall be otherwise qualified and eligible under the Indenture, and shall be vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or any further act on the part of any of the parties to the Indenture. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger or consolidation to such authenticating Trustee may adopt such authentication and

deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

***Co-Trustees and Separate Trustees.***

At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any of the Trust Estate may at the time be located, or in the enforcement of any default or the exercise any of the powers, rights or remedies herein granted to the Trustee, or any other action which may be desirable or necessary in connection therewith, the Trustee shall have the power to appoint, and, upon the written request of the Trustee or of the Owners of at least 25% in principal amount of the Bonds Outstanding, the Authority and KDHE shall for such purposes join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee either to act as co-trustee, jointly with the Trustee, of all or any part of the Trust Estate, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable. If the Authority and KDHE do not join in such appointment within 15 days after the receipt by it of a request so to do, or in case an Event of Default has occurred and is continuing, the Trustee alone shall have power to make such appointment.

***Paying Agents and Bond Registrars.***

The Trustee is designated and agrees to act as principal Paying Agent and Bond Registrar for and in respect to the Bonds. The Authority may, in its discretion, cause the necessary arrangements to be made through the Trustee for the designation of alternate Paying Agents, if any, and for the making available of funds under the Indenture for the payment of the principal of, Redemption Price, if any, and interest on the Bonds of any Series or of alternate Bond Registrars for the purpose of registering, transferring and exchanging Bonds of any Series at the designated corporate trust office of said alternate Bond Registrars. In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or been removed shall cease to be trustee of any funds provided under the Indenture and Paying Agent and Bond Registrar for the Bonds, and the successor Trustee shall become such Trustee and Paying Agent and Bond Registrar unless a separate Paying Agent and Bond Registrar are appointed by the Authority in connection with the appointment of any successor Trustee.

***Supplemental Indentures without Consent of Bondowners.***

Without the consent of the Owners of any Bonds, the Authority, KDHE and the Trustee may from time to time enter into one or more Supplemental Indentures for any of the following purposes:

(a) to reallocate the use of the proceeds of the Bonds, or to correct or amplify the description thereof at any time subject to the lien of the Indenture, or better to assure, convey and confirm unto the Trustee a security interest in property, documents or revenues subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property, documents or revenues;

(b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds or of any Series of Bonds, as set forth in the Indenture, additional conditions, limitations and restrictions thereafter to be observed;

(c) to authorize the issuance of any Series of Bonds and make such other provisions as provided in the Indenture and to specify any other terms and provisions with respect to such Bonds that are not inconsistent with the provisions of the Indenture then in effect;

(d) to modify or eliminate any of the terms of the Indenture; provided, however, that: (1) such Supplemental Indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Bond Outstanding of any Series issued prior to the execution of such Supplemental Indenture, and (2) the Trustee may, in its discretion, decline to enter into any such Supplemental Indenture which, in its judgment, may not afford adequate protection to the Trustee when the same becomes operative;

(e) to evidence the appointment of a separate Trustee or the succession of a new Trustee under the Indenture;

(f) to add to the covenants of the Authority or KDHE or to the rights, powers and remedies of the Trustee for the benefit of the Owners of all of the Bonds or to surrender any right or power conferred upon the Authority or KDHE;

(g) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision, or to make any other change with respect to matters or questions arising under the Indenture, which shall not be inconsistent with the provisions of the Indenture, provided such action shall not materially adversely affect the interests of the Bondowners;

(h) to authorize Parity Indebtedness and Subordinated Indebtedness and, in connection therewith, specify and determine any matters and things relative to such Parity Indebtedness and Subordinated Indebtedness which are not contrary to or inconsistent with the Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the original issuance and delivery of such Parity Indebtedness and Subordinated Indebtedness;

(i) to authorize a Qualified Credit Facility, Qualified Liquidity Facility, Qualified Reserve Facility, or Qualified Swap Facility with respect to any Series of Bonds, permitted under the Indenture;

(j) to add additional Events of Default under the Indenture, including any default in the performance, or breach of any covenant or agreement, of the Authority under any Qualified Credit Facility or Qualified Liquidity Facility;

(k) to modify, eliminate or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or under any similar federal statute hereafter enacted, or to permit the qualification of the Bonds for sale under the securities laws of the United States or any state of the United States; or

(l) except as otherwise provided below under clause (b) of the caption “Supplemental Indentures with Consent of Bondowners”, to modify, eliminate or add to any provisions of the Indenture other than under the caption “Requirements for the Issuance of Parity Bonds”, so long as:

(1) the Authority provides a certificate to the Trustee that any such modifications, eliminations or additions will not result in a downward revision or withdrawal of any rating on any Series of Bonds by a Rating Agency;

(2) the Authority delivers to the Trustee a Projected Revenue Certificate, with supporting schedules, projecting that: (1) as of each Payment Date, the Projected Revenues will be an amount not less than 120% of the Modified Debt Service Requirement due on each Payment Date of all Bonds then Outstanding; and (2) Projected State Match Revenues will be an amount not less than 100% of the Modified Debt Service Requirement due on each Payment Date of the State Match Portion of all Bonds then Outstanding.

***Supplemental Indentures with Consent of Bondowners.***

(a) Except as provided in clause (b) below, with the consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Indenture, the Authority, KDHE and the Trustee may enter into one or more Supplemental Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Bondowners under the Indenture.

(b) Notwithstanding any other provision of the Indenture, no Supplemental Indenture shall, without the consent of the Owner of each Outstanding Bond affected thereby, carry out any of the following:

(1) change the stated maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, any Bond, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the Redemption Date);

(2) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Owners is required for any such Supplemental Indenture, or the consent of whose Owners is required for any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain defaults under the Indenture and their consequences;

(3) modify the obligation of the Authority or KDHE to make payment on or provide funds for the payment of any Bond;

(4) modify or alter the provisions of the definition of the term “Outstanding”;

(5) modify any of the provisions described under this caption or the provisions described under the caption “Waiver of Past Defaults”, except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Owner of each Bond affected thereby; or

(6) permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the Trust Estate or terminate the lien of the Indenture on any property at any time subject to the Indenture or deprive the Owner of any Bond of the security afforded by the lien of the Indenture.

#### ***Execution of Supplemental Indentures.***

In executing, or accepting the additional trusts created by, any Supplemental Indenture permitted by the Indenture or the modification thereby of the trusts created by the Indenture, the Trustee, the Authority and KDHE shall receive and, subject to the provisions of the Indenture, shall be fully protected in relying upon, an Opinion of Bond Counsel stating that the execution of such Supplemental Indenture is permitted by and in compliance with the Indenture and the Act, and will, upon the execution and delivery thereof, be valid and binding upon the Authority and KDHE in accordance with its terms, and that the execution and delivery thereof will not adversely affect the exclusion of interest on any tax-exempt Bonds from gross income for federal income tax purposes.

#### ***Effect of Supplemental Indentures.***

Upon the execution of any Supplemental Indenture under the Indenture, the Indenture shall be modified in accordance therewith and such Supplemental Indenture shall form a part of the Indenture for all purposes; and every Owner of Bonds theretofore or thereafter authenticated and delivered under the Indenture shall be bound thereby.

#### ***Payment, Discharge and Defeasance of Bonds.***

All or part of the Bonds of any Series or maturity will be deemed to be paid and discharged and no longer Outstanding under the Indenture and will cease to be entitled to any lien, benefit or security of the Indenture if the Authority shall pay or provide for the payment of such Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal or Redemption Price of (including redemption premium, if any) and interest on such Bonds, as and when the same become due and payable;

(b) by delivering such Bonds to the Trustee for cancellation; or

(c) by depositing in trust with the Trustee moneys and Defeasance Obligations in an amount, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity or Redemption Dates (including the payment of the principal or Redemption Price of and interest payable on such Bonds to the maturity or Redemption Date thereof); provided that, if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption is given in accordance with the requirements of the Indenture or provision not unsatisfactory to the Trustee is made for the giving of such notice.

Bonds may be defeased in advance of their maturity or Redemption Dates pursuant to subsection (c) above only upon receipt by the Trustee, KDHE and the Authority of (1) a verification report prepared by Independent Accountant, or other verification agent, satisfactory to the Trustee and the Authority, and (2) an Opinion of Bond Counsel to the effect that (A) the payment of the principal of and Redemption Price, if any, and interest on all such Bonds has been provided for in the manner set forth in the Indenture, and (B) so providing for the payment of such Bonds will not cause the interest on any tax-exempt Bonds to be included in gross income for federal income tax purposes.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or Redemption Date thereof, as the case may be, by the deposit of moneys, or Defeasance Obligations and moneys, if any, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or Redemption Date thereof, as the case may be (which maturity or Redemption Date shall not be later than the first date following the date of such deposit on which the Variable Rate Bonds are subject to mandatory or optional tender for purchase), shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Defeasance Obligations on deposit with the Trustee for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Rate Bonds in order to satisfy the requirements described under this caption, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority or KDHE free and clear of any trust, lien, security interest, pledge or assignment securing the Bonds or otherwise existing under the Indenture.

The foregoing notwithstanding, the liability of the Authority and KDHE in respect of such Bonds shall continue, but the Owners thereof shall thereafter be entitled to payment only out of the moneys and Defeasance Obligations deposited with the Trustee as aforesaid.

Moneys and Defeasance Obligations so deposited with the Trustee pursuant this caption shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Such moneys and Defeasance Obligations shall be applied by the Trustee to the payment to the Persons entitled thereto, of the principal (and Redemption Price, if any) and interest for whose payment such moneys and Defeasance Obligations have been deposited with the Trustee.

***Satisfaction and Discharge of Indenture.***

The Indenture and the lien, rights and interests created by the Indenture shall cease, determine and become null and void (except as to any surviving rights described under the caption “Rights Retained After Discharge”) if the following conditions are met:

(a) the principal or Redemption Price of and interest on all Bonds of all Series has been paid or is deemed to be paid and discharged by meeting the conditions described under the caption “Payment, Discharge and Defeasance of Bonds”;

(b) all other sums payable under the Indenture with respect to the Bonds are paid or provision satisfactory to the Trustee is made for such payment;

(c) the Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that (1) all conditions precedent to the satisfaction and discharge of the Indenture have been complied with, and (2) so providing for the payment of the Bonds will not adversely affect the exclusion of the interest on any tax-exempt Bonds from gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Indenture; and

(d) the Trustee receives an opinion of nationally recognized bankruptcy counsel addressed to the Trustee and the Authority to the effect that any deposit of cash or securities and any deposit of investment earnings thereon to effect such defeasance and subsequent payment to Bondowners shall not constitute a avoidable preference in a case commenced under the United States Bankruptcy Code (including §§544 and 547 thereof) or any applicable state statute by or against the Authority or KDHE.

Thereupon, the Trustee shall execute and deliver to the Authority a termination statement and such instruments of satisfaction and discharge of the Indenture as may be necessary and shall pay, assign, transfer and deliver to the Authority, or other Persons entitled thereto, all moneys, securities and other property then held by it under the Indenture as a part of the Trust Estate, other than moneys or Defeasance Obligations held in trust by the Trustee as provided in the Indenture for the payment of the principal or Redemption Price of and interest on the Bonds.

***Rights Retained After Discharge.***

Notwithstanding the satisfaction and discharge of the Indenture, the Trustee shall retain such rights, powers and duties under the Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the registration, transfer and exchange of Bonds as provided in the Indenture. Nevertheless, any moneys held by the Trustee for the payment of the principal or Redemption Price of or interest on any Bond remaining unclaimed for 3 years after the principal of all Bonds has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided in the Indenture, shall then be paid without liability for interest thereon to the Authority, KDHE and the Owners of any Bonds not theretofore presented for payment shall thereafter be entitled to look only to the Authority for payment thereof and all liability of the Trustee with respect to such moneys shall thereupon cease.

***No Recourse Against Officers, Directors, Employees or Agents of the Authority and KDHE.***

No recourse shall be had for the payment of the principal or Redemption Price of, or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in the Indenture against any past, present or future officer, director, employee or agent of the Authority or KDHE, or of any successor private or public corporation, under any rule of law or equity, statute or constitution, or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, directors, employees or agents as such is expressly waived and released as a condition of and consideration for the execution of the Indenture and the issuance, authentication and delivery of Bonds.

***Limitation on Authority Obligations.***

Any other term or provision in the Indenture or elsewhere to the contrary notwithstanding:

(a) Any and all obligations (including without limitation, fees, claims, demands, payments, damages, liabilities, penalties, assessments and the like) of or imposed upon the Authority or its members, officers, agents, employees, representatives, advisors or assigns, whether under the Indenture or elsewhere and whether arising out of or based upon a claim or claims of tort, contract, misrepresentation, or any other or additional legal theory or theories whatsoever (collectively the "Obligations"), shall in all events be absolutely limited obligations and liabilities, payable solely out of the following, if any, available at the time the Obligation in question is asserted:

- (1) Bond proceeds, investments thereof and investment earnings thereon; and

(2) Payments derived from the Bonds, the Indenture (including the Trust Estate to the extent provided in the Indenture);

The above provisions (1) and (2) being collectively referred to as the “exclusive sources of the Obligations.”

(b) The Obligations shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and shall not constitute a pledge of the full faith and credit of the State or of any political subdivision thereof, but shall be payable solely from and out of the exclusive sources of the Obligations and shall otherwise impose no liability whatsoever, primary or otherwise, upon the State or any political subdivision thereof or any charge upon their general credit or taxing power.

(c) In no event shall any member, officer, agent, employee, representative or advisor of the Authority, or any successor or assign of any such person or entity, be liable, personally or otherwise, for any Obligation.

(d) In no event shall the Indenture be construed as:

(1) depriving the Authority of any right or privilege; or

(2) requiring the Authority or any member, officer, agent, employee, representative or advisor of the Authority to take or omit to take, or to permit or suffer the taking of, any action by itself or by anyone else;

which deprivation or requirement would violate or result in the Authority’s being in violation of the KDFA Act or any other applicable state or federal law.

***Payments Due on Non-Business Days.***

In any case where the date of maturity of principal or Redemption Price of or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day other than a Business Day, then payment of principal or Redemption Price of or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

***Benefit of Indenture.***

The Indenture shall inure to the benefit of and shall be binding upon the Authority, KDHE and the Trustee and their respective successors and assigns, subject, however, to the limitations contained in the Indenture. With the exception of rights expressly conferred in the Indenture, nothing in the Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties to the Indenture and their successors and assigns hereunder, any separate trustee or co-trustee appointed hereunder and the Owners of Outstanding Bonds, any benefit or any legal or equitable right, remedy or claim under the Indenture.

**THE LOAN AGREEMENTS – CLEAN WATER PROGRAM**

*Set forth below is a general summary of certain provisions of the current form of the Loan Agreements for the Clean Water Program. The references in this summary to a single Loan Agreement, Loan, Municipality and System are equally applicable to all Loan Agreements, Loans, Municipalities, and Systems unless otherwise indicated. The provisions summarized herein may not necessarily be applicable to all Loan Agreements entered into prior to the issuance of the Bonds. In addition, the terms of the Loan Agreements may be amended in the future without notice to the Bondholders.*



***Definitions.***

**“Authorized Municipality Representative”** means any person authorized pursuant to a resolution of the governing body of the Municipality to perform any act or execute any document relating to the Loan, or the Loan Agreement.

**“Bonds”** means the Kansas Development Finance Authority, Kansas Revolving Funds Revenue Bonds, issued in one or more series pursuant to the Master Indenture, and supplements thereto.

**“Continuing Disclosure Undertaking”** means, with respect to any series of Bonds, the undertaking or agreement by KDHE and any other parties thereto with respect to continuing disclosure matters within the scope of the SEC Rule.

**“Loan Act”** means the Constitution and laws of the State of Kansas, including particularly K.S.A. 65-3321 through 65-3329, inclusive, as amended and supplemented.

**“Master Indenture”** means the Master Financing Indenture adopted by the Board of Directors of the Authority, as amended and supplemented from time to time by Supplemental Resolutions.

**“Project”** means the acquisition, construction, improvement, repair, rehabilitation or extension of the System, which constitutes a project pursuant to the Loan Act for which KDHE is making a Loan to the Municipality pursuant to the Loan Agreement.

**“Project Costs”** means all costs or expenses which are necessary or incident to the Project and which are directly attributable thereto, including, but not limited to: (a) costs of any Loan reserves; (b) interest on the Loan during the construction of the Project; (c) financing and administrative costs associated with the Loan Agreement; and (d) subject to the approval of Bond Counsel and the Authority, payment of temporary financing obligations issued by the Municipality to pay Project Costs;

**“Regulations”** means Kansas Administrative Regulations (K.A.R.) 28-16-110 to 28-16-138, and any amendments thereto promulgated by KDHE pursuant to the Loan Act.

**“Revolving Fund”** means the Kansas Water Pollution Control Revolving Fund established by the Loan Act.

**“SEC Rule”** means Rule 15c2-12 adopted by the Securities and Exchange Council under the Securities Exchange Act of 1934, as may be amended from time to time or such other similar rule regarding disclosure of information in securities transactions.

**“Secretary”** means the Secretary of KDHE.

**“System”** means wastewater collection and treatment system of the Municipality, as the same may be modified or enlarged from time to time, including the Project, for which the Municipality is making the borrowing under the Loan Agreement, which constitutes or includes a Wastewater Treatment System.

**“System Revenues”** means all revenues derived by the Municipality from the ownership and operation of the System.

**“Wastewater Treatment System”** means any Wastewater Treatment Works, as defined in the Federal Act, that is publicly owned, and as further described in the Regulations.

***Amount of the Loan.***

Subject to all of the terms, provisions and conditions of the Loan Agreement, and subject to the availability of State and Federal funds and proceeds of Bonds, KDHE will loan the amount set forth in the Loan Agreement to the Municipality to pay all or a portion of Project Costs. The final actual amount of the Loan may

be reduced without revision of any other terms, provisions or conditions of the Loan Agreement, other than the Loan Repayment Schedule, to reflect reductions in the estimated or actual total Project Costs as impacted by opening of bids for construction, change orders, final actual costs, and prepayments. The Municipality shall be responsible for any costs incurred by the Municipality in connection with the Project in addition to the amount of the Loan. The interest rate on the loan shall be the percentage per annum set forth in the Loan Agreement, which shall be assessed on the unpaid principal balance to be paid as set out in the Loan Repayment Schedule. The interest rate consists of a net loan interest rate, and a service fee.

***Disbursement of Loan Proceeds.***

Subject to the conditions described in the Loan Agreement, KDHE agrees to disburse the proceeds of the Loan during the progress of the Project for Project Costs. Requests for disbursement may be submitted by the Municipality, not more than once per month, in accordance with the procedures set forth by KDHE. Any request for disbursement must be supported by proper invoices and a certificate of the Authorized Municipality Representative to the effect that all representations made in the Loan Agreement remain true as of the date of the request and, based upon that information then available to such person, no adverse developments affecting the financial condition of the Municipality or its ability to complete the Project or to repay the Loan have occurred. KDHE shall not be under any obligation to disburse any Loan proceeds to the Municipality under the Loan Agreement unless:

- (1) there are moneys available in the Revolving Fund to fund the Loan, as determined solely by KDHE;
- (2) the Municipality shall certify to KDHE that it has executed a Project contract or contracts and has funds available to pay for that portion of the Project Costs not eligible (pursuant to the Loan Act or the Federal Act) to be funded under the Loan Agreement, if any;
- (3) no Event of Default by the Municipality shall have occurred and be continuing; and
- (4) the Municipality continues to maintain reasonable progress towards completion of the Project.

***Repayment of the Loan.***

***Loan Repayments.*** The Municipality shall pay to KDHE, on or before the due dates, installments of principal and interest on the Loan in accordance with the Loan Repayment Schedule attached as an exhibit to the Loan Agreement, until the Loan has been paid in full. Installments of principal and interest on the Loan shall be computed and paid in accordance with the Loan Repayment Schedule. Notwithstanding any other provision of the Loan Agreement, the first payment of principal and interest due on the Loan shall be made the earlier of two years after receipt by the Municipality of the first disbursement under the Loan or one year after Project completion. The final installment of principal under the Loan shall be fully repaid not later than 20 years after Project completion.

***Prepayment of the Loan.*** The Municipality may prepay the outstanding principal of the Loan, in whole, or in part, without penalty, if consent from KDHE is obtained. The municipality must provide a written request to KDHE of its desire to prepay, such request shall indicate the actual source of funds that will be used to make the prepayment (specifically proceeds from a tax exempt bond issue, proceeds from a taxable bond issue, cash on hand, or some other instrument) and the desired date of prepayment. KDHE may require the prepayment date coincide with a scheduled repayment date. A partial prepayment may be made only if the prepayment amount is the greater of 10% of the original principal amount of the Loan or \$50,000. A new Loan Repayment Schedule will be prepared by KDHE following receipt of any acceptable partial prepayment, reamortizing the remaining principal amount over the remaining term of the Loan.

***Principal Forgiveness.*** Certain loans may be awarded principal forgiveness if the Project meets certain requirements or if the Municipality meets affordability criteria set by KDHE. The amount of principal forgiveness will be finalized when the Loan Agreement is amended to reflect the final costs of the Project. The

Municipality will be responsible for paying interest and service fee costs semiannually for any accrual that is calculated before the principal forgiveness is awarded.

***Additional Payments.***

The Municipality shall pay as Additional Payments the following amounts:

(a) Any amounts required to be paid by the Authority to the United States of America as arbitrage rebate, arising due to the Municipality's failure to expend proceeds of the Loan at the times certified to KDHE by the Municipality, that result in arbitrage rebate liability for the Authority, but only to the extent that the funds in the Rebate Fund established by the Master Resolution are insufficient to make such payments; and

(b) All other payments of whatever nature which the Municipality has agreed to pay or assume under the Loan Agreement.

***Particular Covenants of the Municipality.***

***Dedicated Source of Revenue for Repayment of the Loan.*** Pursuant to the Loan Agreement, the Municipality establishes a dedicated source of revenue for repayment of the Loan. In accordance therewith, the Municipality shall impose and collect such rates, fees and charges for the use and services furnished by or through the System, including all improvements and additions thereto hereafter constructed or acquired by the Municipality as will provide System Revenues or levy ad valorem taxes without limitation as to rate or amount upon all the taxable tangible property, real or personal, within the territorial limits of the Municipality to produce amounts which are sufficient to (a) pay the cost of the operation and maintenance of the System, (b) pay the principal of and interest on the Loan as and when the same become due, and (c) pay all other amounts due at any time under the Loan Agreement; provided, however, no lien or other security interest is granted by the Municipality to KDHE on the System Revenues under the Loan Agreement. In the event that the System Revenues are insufficient to meet the obligations under the Loan and the Loan Agreement, the Municipality shall levy ad valorem taxes without limitation as to rate or amount upon all the taxable tangible property, real or personal, within the territorial limits of the Municipality to produce the amounts necessary for the prompt payment of the obligations under the Loan and Loan Agreement. The Dedicated Source of Revenue is pledged to the Loan Repayments, Additional Payments and all other obligations of the Municipality under the Loan Agreement.

***Operation and Maintenance of System.*** The Municipality covenants and agrees that it shall, in accordance with prudent wastewater treatment utility practice:

(1) at all times operate the properties of its System in an efficient manner in accordance with applicable laws and regulations;

(2) maintain its System, making all necessary and proper repairs, renewals, replacements, additions, betterments and improvements necessary to maintain its System in good repair, working order and operating condition;

(3) implement any modification of the rates fees and charges for use of the System that comprise the Dedicated Source of Revenues as the Secretary may require to ensure repayment of the Loan in accordance with the provisions of the Loan Act; and

(4) take such other action as the Secretary may require in accordance with powers granted to the Secretary under the Loan Act and the Regulations.

***Disposition of System.*** The Municipality shall not sell, lease or otherwise transfer ownership of all or substantially all of its System without the consent of the Secretary. In no event shall the Municipality sell, abandon or otherwise transfer ownership of the System to any person or entity other than a city, county, township, sewer district, improvement district, or other political subdivision of the State, or any combination

thereof, that has legal responsibility to treat wastewater. The Municipality shall provide the Secretary with ninety (90) days' prior written notice to KDHE of such sale, lease or transfer. No such sale, lease or transfer shall be effective unless compliance is with the provisions of the Loan Agreement set forth under the heading "**Assignment by the Municipality,**" assuming such sale, lease or transfer is deemed to be an assignment for the purposes of such Section. The provisions of this paragraph shall not be construed to prohibit the lease of portions of the System by the Municipality in connection with a lease-purchase transaction to finance improvements to the System; provided that a termination or an event of default by the Municipality under such arrangement shall not have a material adverse effect on the Municipality's Dedicated Source of Revenues.

**Records and Accounts.** The Municipality shall keep accurate records and accounts for its System (the "System Records"), separate and distinct from its other records and accounts (the "General Accounts"). Such System Records shall be audited annually in accordance with generally accepted auditing standards if the total Disbursement of Loan Proceeds exceed \$25,000 for the Municipalities fiscal year. This audit shall be completed by an independent certified public accountant or firm of independent certified public accountants, or by an independent registered municipal accountant, and may be part of the single agency audit made on the Municipality's General Accounts in accordance with the Federal Single Audit Act of 1984, OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations as amended in 1996 and 2003 and as may be further amended and revised. Such System Records and General Accounts shall be made available for inspection by KDHE at any reasonable time, and a copy of the Municipality's annual audit, including all written comments and recommendations of such accountant, shall be furnished to KDHE within 270 days of the close of the Municipal Fiscal Year being so audited. The Municipality shall maintain Project accounts in accordance with generally accepted government accounting standards including standards relating to the reporting of infrastructure assets.

**Inspections.** The Municipality shall permit the EPA, KDHE and any party designated by KDHE to examine, visit and inspect, at any and all reasonable times, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, including the System Records and General Accounts, and shall supply such reports and information as the EPA and KDHE may reasonably require in connection therewith.

**Continuing Disclosure.** The Municipality agrees to provide to KDHE such annual financial information and operating data, together with ongoing notice of the occurrence of certain events, each with respect to the Municipality, as is necessary for KDHE to comply with each Continuing Disclosure Undertaking from time to time in effect. Such information, data and notices will be required to be provided by the Municipality upon notice from KDHE that the Municipality is a Principal Participating Municipality (which is a borrower for which information and notices are required to be filed pursuant to a Continuing Disclosure Undertaking), as defined in a Continuing Disclosure Undertaking.

**Insurance.** The Municipality will carry and maintain such reasonable amount of all-risk insurance on all properties and all operations of its System as would be carried by similar municipal operators of Systems, insofar as the properties are of an insurable nature. The Municipality also will carry general liability insurance in amounts not less than the maximum liability of a governmental entity for claims arising out of a single occurrence, as provided by the Kansas Tort Claims Act, K.S.A. 75-6101 *et seq.*, or other similar future law (currently \$500,000 per occurrence).

**Notice of Material Adverse Change.** The Municipality shall promptly notify KDHE of any material adverse change in the activities, prospects or condition (financial or otherwise) of the System, or in the ability of the Municipality to make all Loan Repayments and otherwise observe and perform its duties, covenants, obligations and agreements under the Loan Agreement.

**Additional Covenants and Requirements.** The parties acknowledge that the Loan Agreement may be assigned or pledged to secure financings of the Authority. Should it be necessary to modify any covenants or obtain or enhance the security of the financings, the parties agree to take all reasonable actions and make reasonable covenants and agreements necessary to accomplish such purpose to the extent permitted by applicable laws.

***Assignment and Transfer by KDHE.***

The Loan Agreement may be assigned or transferred by KDHE in connection with the operation and administration of the Revolving Fund. The Municipality specifically approves the assignment and pledging of the Loan Repayments and Additional Payments to the Authority, and the Authority's pledging of all or a portion of the same to the Bonds.

***Assignment by the Municipality.***

The Loan Agreement may not be assigned by the Municipality for any reason, unless the following conditions shall be satisfied:

- (a) KDHE and the Authority shall have approved said assignment in writing;
- (b) the assignee is a city, county, township, sewer district, improvement district or other political subdivision of the State or any combination thereof that has legal responsibility to treat wastewater;
- (c) the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Municipality's duties, covenants, and obligations under the Loan Agreement; provided, however, such assignment shall not relieve the Municipality of its duties, covenants, and obligations under the Loan Agreement;
- (d) the assignment will not adversely impact KDHE's ability to meet its duties, covenants and obligations to the Authority under the Master Indenture, nor may the sale endanger the exclusion from gross income for federal income tax purposes of the interest on the Bonds; and
- (e) the Municipality shall, at its expense, provide KDHE and the Authority with an opinion of a qualified attorney that each of the conditions set forth in *subparagraphs (b), (c), and (d)* above have been met.

***Event of Default.***

An "Event of Default" means any occurrence of the following events:

- (a) failure by the Municipality to pay, or cause to be paid, any Loan Repayment required to be paid under the Loan Agreement when due;
- (b) failure by the Municipality to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under the Loan Agreement, other than as referred to in paragraph (a) above, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Municipality by KDHE, unless KDHE shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in such notice is correctable but cannot be corrected within the applicable period KDHE may not unreasonably withhold its consent to an extension of such time up to 90 days from the delivery of the written notice referred to above if corrective action is instituted by the Municipality within the applicable period and diligently pursued until the Event of Default is corrected;
- (c) failure by the KDHE to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Agreement which shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to KDHE by the Municipality, unless the Municipality shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in such notice is correctable but cannot be corrected within the applicable period the Municipality may not

unreasonably withhold its consent to an extension of such time up to 90 days from the delivery of the written notice referred to above if corrective action is instituted by KDHE within the applicable period and diligently pursued until the Event of Default is corrected;

(d) any representation made by or on behalf of the Municipality contained in the Loan Agreement, or in any instrument furnished in compliance with or with reference to the Loan Agreement or the Loan, is intentionally false or misleading in any material respect;

(e) any representation made by or on behalf of KDHE contained in this Agreement, or in any instrument furnished in compliance with or with reference to this Agreement, is intentionally false or misleading in any material respect;

(f) a petition is filed by or against the Municipality under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of the Loan Agreement or thereafter enacted, unless in the case of any such petition filed against the Municipality, such petition shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal;

(g) the Municipality shall generally fail to pay its debts as such debts become due;

(h) failure of KDHE to promptly pay any Project Costs when reasonably requested to do so by the Municipality.

***Notice of Default.***

If an Event of Default shall occur, the non-defaulting party shall give the party in default and the Authority prompt telephonic notice of the occurrence of such Event of Default, provided the non-defaulting party has knowledge of such Event of Default.

***Remedies on Default.***

Whenever an Event of Default shall have occurred and be continuing, KDHE or the Municipality shall have the right to take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and to become due or to enforce the performance and observance of any obligation or agreement of KDHE or the Municipality (including, without limitation, withholding remaining Loan disbursements, cancellation of the Loan Agreement and acceleration of the remaining scheduled principal payments, or such other remedies provided to the Secretary in the Loan Act and the Regulations).

***Amendments, Supplements and Modifications.***

The Loan Agreement may not be amended, supplemented or modified without the prior written consent of the Authority.

**THE LOAN AGREEMENTS – DRINKING WATER PROGRAM**

*Set forth below is a general summary of certain provisions of the current form of the Loan Agreements for the Drinking Water Program, except that there are separate forms of Loan Agreements for Municipalities with general taxing powers and Municipalities that do not have general taxing powers (e.g. rural water supply districts). The references in this summary to a single Loan Agreement, Loan, Municipality and System are equally applicable to all Loan Agreements, Loans, Municipalities, and Systems unless otherwise indicated. Provisions of the Loan Agreement described below marked by an asterisk [\*] are applicable **only** to Loan Agreements for Municipalities that do **not** have general taxing powers. **The provisions summarized herein may not necessarily be applicable to all Loan Agreements entered into prior to the issuance of the Bonds. In addition, the terms of the Loan Agreements may be amended in the future without notice to the Bondholders.***

**Definitions.**

**“Additional Revenue Obligations”** means any obligation for the payment of money undertaken by the Municipality which is payable from or secured by a pledge of, or lien upon, the System Revenues incurred after the date of execution and delivery of the Loan Agreement.

**“Authorized Municipality Representative”** means any person authorized pursuant to a resolution of the governing body of the Municipality to perform any act or execute any document relating to the Loan, or the Loan Agreement.

**“Bonds”** means the Kansas Development Finance Authority, Kansas Revolving Loan Fund Revenue Bonds, issued in one or more series, pursuant to Bond Resolution No. 287, and supplements thereto, or such other authorization, resolution, indenture, instrument or security agreement deemed appropriate by KDFA and KDHE.

**“Continuing Disclosure Undertaking”** means, with respect to any series of Bonds, the undertaking or agreement by KDHE and any other parties thereto with respect to continuing disclosure matters within the scope of the SEC Rule.

[\*] **“Debt Service Coverage Ratio”** means for any Municipal Fiscal Year, the ratio of Net Revenue Available for Debt Service to all payments payable on all Revenue Obligations during that year.

**“Existing Revenue Obligation”** means any obligation for the payment of money undertaken by the Municipality which is payable from or secured by a pledge of, or lien upon, the System Revenues existing or outstanding at the time of execution and delivery of the Loan Agreement by the Municipality.

**“Federal Act”** means the Safe Drinking Water Act, including the Safe Drinking Water Act Amendments of 1996 [PL 104-182] thereto.

**“FIAC”** means the Financial Integrity Assurance Conditions, attached as an exhibit to the Loan Agreement.

**“Indebtedness”** means any financial obligation of the Municipality evidenced by an instrument executed by the Municipality, including the Loan, Existing Revenue Obligations, Additional Revenue Obligations, general obligation bonds or notes, lease or lease-purchase agreement or similar financial transactions.

**“Loan Act”** means the Constitution and laws of the State of Kansas, including particularly K.S.A. 65-163d through 65-163u inclusive, as amended and supplemented.

[\*] **“Loan Reserve Account”** means the Loan Reserve Account established with the Authority.

[\*] **“Loan Reserve Requirement”** means an amount equal to 10% of the original principal amount of the Loan, as adjusted in accordance with the provisions of the Loan Agreement.

**“Municipal Fiscal Year”** means the twelve-month fiscal year applicable to the Municipality.

**“Master Indenture”** means the Master Indenture between the Authority and KDHE, dated as of November 1, 2010, and any agreement or agreements amendatory or supplemental thereto.

[\*] **“Net Revenues Available for Debt Service”** means, for any Municipal Fiscal Year, its System Revenues for the year, less the ordinary and necessary expenses of operating the System during the year, but not reduced by (a) charges for interest paid on Revenue Obligations, (b) principal paid on Revenue Obligations, (c) Revenue Obligations payable as capital lease payments, or (d) charges for depreciation.

[\*] **“Parity Obligation”** means any Revenue Obligation the lien of which on the Municipality’s System Revenues stands on a parity basis with any other Revenue Obligation.

**“Project”** means the acquisition, design, construction, improvement, repair, rehabilitation or extension of the System, which constitutes a project pursuant to the Loan Act for which KDHE is making a Loan to the Municipality pursuant to the Loan Agreement.

**“Project Costs”** means all costs or expenses which are necessary or incident to the Project and which are directly attributable thereto, including, but not limited to: (a) costs of any Loan reserves; (b) interest on the Loan during the construction of the Project; (c) principal of and interest on any temporary financing obligations issued by the Municipality to pay Project Costs incurred for contracts entered into on or after August 6, 1996; and (d) financing and administrative costs associated with the Loan Agreement.

**“Public Water Supply System”** means a system for the provision to the public of piped water for human consumption, if such system has at least ten (10) service connections or regularly serves an average of at least twenty-five (25) individuals daily at least sixty (60) days out of the year, and as further defined in K.S.A. 65-162a, and amendments thereto.

**“Regulations”** means Kansas Administrative Regulations (K.A.R.) 28-15-50 to 28-15-65, and any amendments thereto promulgated by KDHE pursuant to the Loan Act.

[\*] **“Revenue Obligation(s)”** means: (a) the Loan; (b) any revenue bonds of the Municipality outstanding from time to time and payable from, or secured by a pledge of or lien upon, System Revenues; and (c) any capital leases entered into by the Municipality the rentals of which are payable from, or secured by a pledge of or lien upon, System Revenues.

**“Revolving Fund”** means the Kansas Public Water Supply Loan Fund established by the Loan Act.

**“SEC Rule”** means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as may be amended from time to time or such other similar rule regarding disclosure of information in securities transactions.

**“Secretary”** means the Secretary of KDHE.

**“System”** means the water system of the Municipality, as the same may be modified or enlarged from time to time, including the Project, for which the Municipality is making the borrowing under the Loan Agreement, which constitutes or includes a Public Water Supply System.

**“System Revenues”** means all revenues derived by the Municipality from the ownership and operation of the System.

***Amount of the Loan.***

Subject to all of the terms, provisions and conditions of the Loan Agreement, and subject to the availability of State and Federal funds and proceeds of Bonds, KDHE will loan the amount set forth in the Loan Agreement to the Municipality to pay all or a portion of the Project Costs for the Project. The final actual amount of the Loan may be reduced without revision of any other terms, provisions or conditions of the Loan Agreement, other than the Loan Repayment Schedule, to reflect reductions in the estimated or actual total Project Costs as impacted by opening of bids for construction, change orders, final actual costs, and prepayments. The Municipality shall be responsible for any costs incurred by the Municipality in connection with the Project in excess of the amount of the Loan. The gross interest rate on the loan shall be the percentage per annum set forth in the Loan Agreement, which shall be assessed on the unpaid principal balance to be paid as set out in the Loan Repayment Schedule. The interest rate consists of a net loan interest rate, and a service fee.



### ***Disbursement of Loan Proceeds.***

Subject to the conditions described in the Loan Agreement, KDHE agrees to disburse the proceeds of the Loan during the progress of the Project for Project Costs. Requests for disbursement may be submitted by the Municipality, not more than once per month, in accordance with the procedures set forth by KDHE. Any request for disbursement must be supported by proper invoices and a certificate of the Authorized Municipality Representative to the effect that all representations made in the Loan Agreement remain true as of the date of the request and, based upon that information then available to such person, no adverse developments affecting the financial condition of the Municipality or its ability to complete the Project or to repay the Loan have occurred. KDHE shall not be under any obligation to disburse any Loan proceeds to the Municipality under the Loan Agreement unless:

- (1) there are moneys available in the Revolving Fund to fund the Loan, as determined solely by KDHE;
- (2) the Municipality shall certify to KDHE that it has funds available to pay for that portion of the Project Costs not eligible (pursuant to the Loan Act or the Federal Act) to be funded under the Loan Agreement;
- (3) no Event of Default by the Municipality shall have occurred and be continuing; and
- (4) the Municipality continues to maintain reasonable progress towards completion of the Project.

### ***Repayment of the Loan.***

***Loan Repayments.*** The Municipality shall pay to KDHE, on or before the due dates, installments of principal and interest on the Loan in accordance with Loan Repayment Schedule attached as an exhibit to the Loan Agreement, until the Loan has been paid in full. Installments of principal and interest on the Loan shall be computed and paid in accordance with the Loan Repayment Schedule. Notwithstanding any other provision of the Loan Agreement, the first payment of principal and interest due on the Loan shall be made no more than one year after project initiation of operation. The final installment of principal under the Loan shall be fully repaid not later than 21 years after Project completion.

***Prepayment of the Loan.*** The Municipality may prepay the outstanding principal of the Loan, in whole, or in part, without penalty, if consent from KDHE is obtained. The municipality must provide a written request to KDHE of its desire to prepay, such request shall indicate the actual source of funds that will be used to make the prepayment (specifically proceeds from a tax exempt bond issue, proceeds from a taxable bond issue, cash on hand, or some other instrument) and the desired date of prepayment. KDHE may require the prepayment date coincide with a scheduled repayment date. A partial prepayment may be made only if the prepayment amount is the greater of 10% of the original principal amount of the Loan or \$50,000. A new Loan Repayment Schedule will be prepared by KDHE following receipt of any acceptable partial prepayment, reamortizing the remaining principal amount over the remaining term of the Loan.

***Principal Forgiveness.*** Certain loans may be awarded principal forgiveness if the Project meets certain requirements or if the Municipality is designated as a Disadvantaged Community by KDHE. The amount of principal forgiveness will be finalized when the Loan Agreement is amended to reflect the final costs of the Project. The Municipality will be responsible for paying interest and service fee costs semiannually for any accrual that is calculated before the principal forgiveness is awarded.

### ***Additional Payments.***

The Municipality shall pay as Additional Payments the following amounts:

- (a) Any amounts required to be paid by the Authority to the United States of America as arbitrage rebate, arising due to the Municipality's failure to expend proceeds of the Loan at the times

certified to KDHE by the Municipality, that result in arbitrage rebate liability for the Authority, but only to the extent that the funds in the Rebate Fund established by the Master Indenture are insufficient to make such payments; and

(b) All other payments of whatever nature which the Municipality has agreed to pay or assume under the Loan Agreement.

***Particular Covenants of the Municipality.***

***Dedicated Source of Revenue for Repayment of the Loan.*** Pursuant to the Loan Act, the Municipality establishes a dedicated source of revenue for repayment of the Loan. In accordance therewith, the Municipality shall impose and collect such rates, fees and charges for the use and services furnished by or through the System, including all improvements and additions thereto hereafter constructed or acquired by the Municipality as will provide System Revenues (as defined in the Loan Agreement) sufficient to (a) pay the cost of the operation and maintenance of the System, (b) pay the principal of and interest on the Loan as and when the same become due, (c) pay all other amounts due at any time under the Loan Agreement, and (d) pay the principal of and interest on Additional Revenue Obligations (as defined in the Loan Agreement) as and when the same become due; provided, however, the pledge of the System Revenues contained in the Loan Agreement (i) shall be subject to reasonable expenses of operation and maintenance of the System, and (ii) shall be junior and subordinate in all respects to the pledge of System Revenues to any Additional Revenue Obligations. In the event that the System Revenues are insufficient to meet the obligations under the Loan and the Loan Agreement, the Municipality shall levy ad valorem taxes without limitation as to rate or amount upon all the taxable tangible property, real or personal, within the territorial limits of the Municipality to produce the amounts necessary for the prompt payment of the obligations under the Loan and Loan Agreement. In accordance with the Loan Act, the obligations under the Loan and the Loan Agreement shall not be included within any limitation on the bonded indebtedness of the Municipality. The Dedicated Source of Revenue is pledged to the Loan Repayments, Additional Payments and all other obligations of the Municipality under the Loan Agreement.

**[\*] *Dedicated Source of Revenue for Repayment of the Loan.*** Pursuant to the Loan Act, the Municipality shall impose and collect such rates, fees and charges for the use and services furnished by or through the System, including all improvements and additions thereto hereafter constructed or acquired by the Municipality as will provide System Revenues sufficient to (a) pay the cost of the operation and maintenance of the System, (b) pay the principal of and interest on the Loan as and when the same become due, (c) pay all other amounts due at any time under the Loan Agreement, and (d) pay the principal of and interest on Additional Revenue Obligations as and when the same become due; provided, however, the pledge of the System Revenues (i) shall be subject to reasonable expenses of operation and maintenance of the System, and (ii) shall be junior and subordinate in all respects to the pledge of System Revenues to any Additional Revenue Obligations. The Dedicated Source of Revenue is pledged to the Loan Repayments, Additional Payments and all other obligations of the Municipality under the Loan Agreement.

**[\*] *Rate Covenant.*** The Municipality covenants to collect such rates, fees and charges for the use and services furnished by or through the System, including all improvements and additions thereto hereafter constructed or acquired by the Municipality, as will provide System Revenues sufficient to (1) pay the cost of the operation and maintenance of the System; (2) pay the principal of and interest on the Loan as and when the same become due; (3) pay all Existing Revenue Obligations; (4) pay all other amounts due at any time under the Loan Agreement or any resolution providing for payment of any Existing Revenue Obligation or additional Revenue Obligation; (5) maintain a Debt Service Coverage Ratio of 125% or 140%; and (6) maintain the Loan Reserve Account at the Loan Reserve Requirement.

**[\*] *Loan Reserve Account.*** A Loan Reserve Account shall be established with the Authority and shall be funded with proceeds of the Loan in accordance with the provisions of the Loan Agreement, or shall be funded from moneys of the Municipality. If funded from proceeds of the Loan, such funding shall be made during the construction and/or acquisition of the Project in proportionate amounts relating to each disbursement for Project Costs such that when the Project is completed, the Loan Reserve Account shall equal the Loan Reserve Requirement. If funded from moneys of the Municipality, the Loan Reserve Account shall equal the Loan Reserve Requirement prior to the initial disbursement for Project Costs. Except as provided in the Loan

Agreement, all amounts paid and credited to the Loan Reserve Account shall be expended and used by the Municipality solely to prevent any default in the payment of interest on or principal of the Loan if the moneys in the debt service account are insufficient to pay the interest on or principal of said Loan as they become due. So long as the Loan Reserve Account aggregates the Loan Reserve Requirement, no payments into said Account shall be required, but if the Municipality is ever required to expend and use a part of the moneys in the Loan Reserve Account for the purpose authorized by the Loan Agreement and such expenditure reduces the amount of the Loan Reserve Account below the Loan Reserve Requirement, the Municipality shall transfer all available System Revenues, after providing for the transfers to pay the operation and maintenance expenses of the System and necessary to meet on each payment date the payment of all interest on and principal of the Loan, into the Loan Reserve Account until the Loan Reserve Account shall again aggregate the Loan Reserve Requirement. Moneys in the Loan Reserve Account may be used to prepay and/or retire all Outstanding principal and interest payments under the Loan.

***Operation and Maintenance of System.*** The Municipality covenants and agrees that it shall, in accordance with prudent public water supply utility practice:

- (1) at all times operate System in an efficient manner in accordance with applicable laws and regulations;
- (2) maintain its System, making all necessary and proper repairs, renewals, replacements, additions, betterments and improvements necessary to maintain its System in good repair, working order and operating condition;
- (3) implement any modification of the rates fees and charges for use of the System that comprise the Dedicated Source of Revenues as the Secretary may require to ensure repayment of the Loan in accordance with the provisions of the Loan Act; and
- (4) take such other action as the Secretary may require in accordance with powers granted to the Secretary under the Loan Act and the Regulations.

***Disposition of System.*** The Municipality shall not sell, lease or otherwise transfer ownership of all or substantially all of its System without the consent of the Secretary. The Municipality shall provide the Secretary with ninety (90) days' prior written notice to KDHE of such sale, lease or transfer. No such sale, lease or transfer shall be effective unless compliance is with the provisions of the Loan Agreement set forth under the heading "***Assignment by the Municipality,***" assuming such sale, lease or transfer is deemed to be an assignment for the purposes of such Section. These provisions shall not be construed to prohibit the lease of portions of the System by the Municipality in connection with a lease-purchase transaction to finance improvements to the System; provided that a termination or an event of default by the Municipality under such arrangement shall not have a material adverse effect on the Municipality's Dedicated Source of Revenues [\*]; and provided further that such lease-purchase transaction is deemed to be an Additional Revenue Obligation.

[\*] ***Creation of Liens.*** The Municipality will neither create, nor permit the creation of, any lien, encumbrance or charge upon its System or upon the System Revenues except the pledge, lien and charge securing its obligations under the Loan Agreement, any Existing Revenue Obligation, any Additional Revenue Obligations issued as Parity Obligations, or any pledge, lien or charge created to secure any junior lien Revenue Obligation issue by the Municipality, as long as the rights of the owners of such obligations are subordinate in all respects to the covenants and provisions of the Loan Agreement. The Municipality further covenants that it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within 60 days after the same accrue, all lawful claims and demands for labor, materials, supplies or other obligations constituting operating expenses of its System which, if unpaid, might by law become a lien upon the System or upon the System Revenues. Nothing shall require the Municipality to pay or cause to be discharged, or to make provisions for payment of, any such lien, encumbrance or charge so long as the validity thereof is contested in good faith and by appropriate legal proceedings. If the Municipality proposes to issue any Revenue Obligations or otherwise create a pledge of, or lien upon, its System Revenues, the System, or any part thereof, written notice of such proposed issuance or lien shall be given to KDHE and the Authority.

**Records and Accounts.** The Municipality shall keep accurate records and accounts for its System (the “System Records”), separate and distinct from its other records and accounts (the “General Accounts”). Such System Records shall be audited annually by an independent certified public accountant or firm of independent certified public accountants, in accordance with generally accepted auditing standards, if municipal aggregate annual gross receipts are in excess of \$750,000 or if the municipality has outstanding debt in excess of \$750,000. Such audit may be a part of the single agency audit made in accordance with 2 C.F.R. 200 which implements the Single Audit Act. Such System Records and General Accounts shall be made available for inspection by KDHE at any reasonable time, and a copy of the Municipality’s annual audit, including all written comments and recommendations of such accountant, shall be furnished to KDHE within 210 days of the close of the Municipal Fiscal Year being so audited. The Municipality shall maintain financial statements in accordance with generally accepted government accounting standards defined in the Government Accounting, Auditing, and Financial Reporting Manual (1994 Ed.), or any revised edition, issued by the Government Finance Officers Association. The financial information shall be prepared in accordance with generally accepted accounting principles (GAAP) for state and local governments.

**Inspections.** The Municipality shall permit the EPA, KDHE and any party designated by KDHE to examine, visit and inspect, at any and all reasonable times, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, including the System Records and General Accounts, and shall supply such reports and information as the EPA and KDHE may reasonably require in connection therewith. [\*] In addition, at least every five years as long as there is a principal balance outstanding on the Loan, the Municipality will cause a comprehensive inspection of the System to be conducted by a professional engineer or other qualified inspector approved by KDHE for the purposes of assessing the general condition of the System and making recommendations for repairs, modifications or improvements needed to keep the System functioning efficiently. A written report of the inspection prepared by the inspector shall be filed with the Secretary within a reasonable time after the inspection is completed.

**Continuing Disclosure.** The Municipality agrees to provide to KDHE such annual financial information and operating data, together with ongoing notice of the occurrence of certain events, each with respect to the Municipality, as is necessary for KDHE to comply with each Continuing Disclosure Undertaking from time to time in effect. Such information, data and notices will be required to be provided by the Municipality upon notice from KDHE that the Municipality is a Principal Participating Municipality (which is a borrower for which information and notices are required to be filed pursuant to a Continuing Disclosure Undertaking), as defined in a Continuing Disclosure Undertaking.

**Insurance.** The Municipality will carry and maintain such reasonable amount of all-risk insurance on all properties and all operations of its System as would be carried by similar municipal operators of Systems, insofar as the properties are of an insurable nature. The Municipality also will carry general liability insurance in amounts not less than the maximum liability of a governmental entity for claims arising out of a single occurrence, as provided by the Kansas Tort Claims Act, K.S.A. 75-6101 *et seq.*, or other similar future law (currently \$500,000 per occurrence).

**Notice of Material Adverse Change.** The Municipality shall promptly notify KDHE of any material adverse change in the activities, prospects or condition (financial or otherwise) of the System, or in the ability of the Municipality to make all Loan Repayments and otherwise observe and perform its duties, covenants, obligations and agreements under the Loan Agreement.

**[\*] Additional Revenue Obligations.** The Municipality covenants that it will not issue any Additional Revenue Obligations that are senior in lien status to the lien of KDHE on the System Revenues under the Loan Agreement. The Municipality may issue Additional Revenue Obligations payable from, and secured by a lien or charge upon, System Revenues on a parity of lien basis with the lien of KDHE on the System Revenues under the Loan Agreement upon satisfaction of the following conditions:

- (a) The Municipality shall not be in default in the payment of principal of or interest under the Loan Agreement or on any Revenue Obligations at the time Outstanding or in making any

payment at the time required to be made into the respective funds and accounts created by and referred to in the Loan Agreement (unless such Additional Revenue Obligations are being issued to provide funds to cure such default) nor shall any other Event of Default have occurred and be continuing; and

(b) The Municipality shall sign a certificate evidencing *either* of the following:

(1) The Net Revenues Available for Debt Service for the Municipal Fiscal Year immediately preceding the issuance of additional obligations as reflected by information provided by the Independent Accountant shall have been equal to at least 125% of the average Debt Service Requirements to be paid out of said Net Revenues Available for Debt Service with respect to the Loan and all Parity Obligations, including the Additional Revenue Obligations proposed to be issued. In the event that the Municipality has instituted any increase in rates for the use and services of the System and such increase shall not have been in effect during the full Municipal Fiscal Year immediately preceding the issuance of Additional Revenue Obligations, the additional Net Revenues Available for Debt Service which would have resulted from the operation of the System during said preceding Municipal Fiscal Year had such rate increase been in effect for the entire period may be added to the stated Net Revenues Available for Debt Service, provided that such estimated additional Net Revenues shall be determined by an independent consulting engineer or independent accountant.

(2) The estimated Net Revenues, as determined by an independent consulting engineer or independent accountant, to be derived by the Municipality from the operation of the System for the Municipal Fiscal Year immediately following the Municipal Fiscal Year in which the project, the cost of which is being financed by such Additional Revenue Obligations, are to be in commercial operation, shall be equal to at least 125% of the average Debt Service Requirements to be paid out of said Net Revenues Available for Debt Service with respect to the Loan and all Parity Obligations, including the Additional Revenue Obligations proposed to be issued. In the event that the Municipality increases the rates for the use and services of the System prior to the issuance of such Additional Revenue Obligations proposed to be issued, the Municipality may adjust said estimated Net Revenues Available for Debt Service by adding thereto any estimated increase in Net Revenues resulting from any increase in rates for the use and services of the System, which, in the opinion of an independent consulting engineer or independent accountant, are reasonable based on projected operations of the System.

(c) When the issuance of Additional Revenue Obligations of equal stature and priority is permitted by the Statutes of the State.

(d) The resolution authorizing such Additional Revenue Obligations shall contain or provide for substantially the same terms, conditions, covenants and procedures as established in the Loan Agreement; provided that Additional Revenue Obligations that are not Loans, need not require: (1) the establishment of a debt service reserve account or fund, or (2) the compliance of additional FIAC.

The Secretary may waive any or all or any part of either of the above conditions by written waiver delivered to the Municipality preceding issuance of the Additional Revenue Obligations. The Municipality will not issue any Revenue Obligations as Parity Obligations unless either of the foregoing conditions is first satisfied or waived by the Secretary. The lien on the System Revenues of any Revenue Obligations otherwise issued by the Municipality will be junior and subordinate to the lien of the Loan and any properly issued Parity Obligations.

***Additional Covenants and Requirements.*** The parties acknowledge that the Loan Agreement may be assigned or pledged to secure Bonds or other financings of the Authority. Should it be necessary to modify any covenants or obtain or enhance the security of the Bonds or other financings, the parties agree to take all

reasonable actions and make reasonable covenants and agreements necessary to accomplish such purpose to the extent permitted by applicable laws.

***Assignment and Transfer by KDHE.***

The Municipality approves and consents to any assignment or transfer of the Loan Agreement that KDHE deems necessary in connection with the operation and administration of the Revolving Fund. The Municipality specifically approves the assignment and pledging of the Loan Repayments and Additional Payments to the Authority, and the Authority's pledging of all or a portion of the same to the Bonds.

***Assignment by the Municipality.***

The Loan Agreement may not be assigned by the Municipality for any reason, unless the following conditions shall be satisfied:

- (a) KDHE and the Authority shall have approved said assignment in writing;
- (b) the assignee is a city, county, township, water district, improvement district or other political subdivision of the State or any combination thereof;
- (c) the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Municipality's duties, covenants, and obligations under the Loan Agreement; provided, however, such assignment shall not relieve the Municipality of its duties, covenants, and obligations under the Loan Agreement;
- (d) the assignment will not adversely impact KDHE's ability to meet its duties, covenants and obligations under the Authority under the Master Indenture, nor may the sale endanger the exclusion from gross income for federal income tax purposes of the interest on the Bonds; and
- (e) the Municipality shall, at its expense, provide KDHE and the Authority with an opinion of a qualified attorney that each of the conditions set forth in *subparagraphs (b), (c), and (d)* hereof have been met.

***Event of Default.***

An "Event of Default" means any occurrence of the following events:

- (a) failure by the Municipality to pay, or cause to be paid, any Loan Repayment required to be paid under the Loan Agreement when due;
- (b) failure by the Municipality to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under the Loan Agreement, other than as referred to in paragraph (a) above, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Municipality by KDHE, unless KDHE shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in such notice is correctable but cannot be corrected within the applicable period KDHE may not unreasonably withhold its consent to an extension of such time up to 90 days from the delivery of the written notice referred to above if corrective action is instituted by the Municipality within the applicable period and diligently pursued until the Event of Default is corrected;
- (c) failure by the KDHE to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under the Loan Agreement which shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to KDHE by the Municipality, unless the Municipality shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in such notice is

correctable but cannot be corrected within the applicable period the Municipality may not unreasonably withhold its consent to an extension of such time up to 90 days from the delivery of the written notice referred to above if corrective action is instituted by KDHE within the applicable period and diligently pursued until the Event of Default is corrected;

(d) any representation made by or on behalf of the Municipality contained in the Loan Agreement, or in any instrument furnished in compliance with or with reference to the Loan Agreement or the Loan, is intentionally false or misleading in any material respect;

(e) any representation made by or on behalf of KDHE contained in the Loan Agreement, or in any instrument furnished in compliance with or with reference to the Loan Agreement, is intentionally false or misleading in any material respect;

(f) a petition is filed by or against the Municipality under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of the Loan Agreement or thereafter enacted, unless in the case of any such petition filed against the Municipality, such petition shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal;

(g) the Municipality shall generally fail to pay its debts as such debts become due;

(h) failure of KDHE to promptly pay any Project Costs when reasonably requested to do so by the Municipality; and

[\*] (i) any Event of Default under any Existing Revenue Obligation or Additional Revenue Obligation of the Municipality.

***Notice of Default.***

If an Event of Default shall occur, the non-defaulting party shall give the party in default and the Authority prompt telephonic notice of the occurrence of such Event of Default, provided the non-defaulting party has knowledge of such Event of Default.

***Remedies on Default.***

Whenever an Event of Default shall have occurred and be continuing, KDHE or the Municipality shall have the right to take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and to become due or to enforce the performance and observance of any obligation or agreement of KDHE or the Municipality (including, without limitation, withholding remaining Loan disbursements, cancellation of the Loan Agreement and acceleration of the remaining scheduled principal payments, or such other remedies provided to the Secretary in the Loan Act and the Regulations).

***Amendments, Supplements and Modifications.***

The Loan Agreement may not be amended, supplemented or modified without the prior written consent of the Authority.

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## APPENDIX G

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

§ \_\_\_\_\_

**KANSAS DEVELOPMENT FINANCE AUTHORITY**  
**Kansas Revolving Funds Revenue Bonds**  
**(Kansas Department of Health and Environment)**  
**Series 2024SRF**

**THIS CONTINUING DISCLOSURE UNDERTAKING** (this “Disclosure Undertaking”), dated as of October 1, 2024, is executed and delivered by the Kansas Department of Health and Environment (the “KDHE”) in connection with the issuance of the above-referenced Series 2024SRF Bonds (the “Series 2024 Bonds”) pursuant to the hereinafter defined Indenture for the purpose providing certain information with respect to the Series 2024 Bonds in order to assist the underwriters or original purchasers of the Series 2024 Bonds in complying with the provisions of the Rule (as hereinafter defined).

**Section 1. Definitions.** In addition to the definitions set forth in the hereinafter defined Indenture, which apply to any capitalized term used in this Disclosure Undertaking, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report described in Section 2 of this Disclosure Undertaking.

“**Authority**” means the Kansas Development Finance Authority.

“**Beneficial Owner**” means any registered owner of any Series 2024 Bonds and any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2024 Bonds (including persons holding Series 2024 Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Series 2024 Bonds for federal income tax purposes.

“**Clean Water Revolving Fund**” means Kansas Water Pollution Control Revolving Fund established pursuant to the Kansas Water Pollution Control Revolving Fund Act, K.S.A. 65-3321 et seq., as amended from time to time.

“**Combined Revolving Funds Unrestricted Assets**” means (a) the total assets as shown on the financial statements of the Clean Water Revolving Fund and the Drinking Water Revolving Fund as of the end of the most recent Fiscal Year of KDHE, including without duplication, the total amount of cash and Investment Securities held in Funds and Accounts included in the Trust Estate under the Indenture, minus (b) the sum of restricted cash and restricted loan reserve accounts as shown on the financial statements of the Clean Water Revolving Fund and the Drinking Water Revolving Fund as of the end of the most recent Fiscal Year of KDHE and, without duplication, assets held in the General Account under the Indenture.

“**Dissemination Agent**” means any entity designated in writing by KDHE to serve as dissemination agent pursuant to this Disclosure Undertaking, as set forth in Section 5.

“**Drinking Water Revolving Fund**” means the Kansas Public Water Supply Loan Fund established pursuant to the Kansas Public Water Supply Loan Act, K.S.A. 65-163d et seq., as amended from time to time.

“**EMMA**” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB at <http://emma.msrb.org>.

“**Financial Information**” means the financial information of the Revolving Funds and any Principal Participating Municipalities, described in Section 2(a)(1) hereof.

“**Fiscal Year**” means the one-year period commencing on July 1 of any year and ending on June 30 of the following year, and numbered for the year in which it ends, or such other date or dates as may be adopted by KDHE for its general accounting purposes.

“**GAAP**” means accounting principles generally accepted in the United States of America, as applied to governmental units as in effect at the time of the preparation of the Financial Information.

“**Indenture**” means the Master Financing Indenture dated as of November 1, 2010, as amended and supplemented among the Authority, KDHE and UMB Bank, N.A., as Trustee.

“**KDHE**” means the Kansas Department of Health and Environment.

“**Loan**” means a loan of funds made from the Revolving Funds to a Municipality pursuant to a Loan Agreement (as defined in the Indenture).

“**Material Events**” means any of the events listed in Section 3(a) hereof.

“**Municipal Fiscal Year**” means the one-year period commencing on January 1 of any year and ending on December 31 of the following year, and numbered for the year in which it ends, or such other date or dates as may be adopted by each Principal Participating Municipality for its general accounting purposes.

“**MSRB**” means the Municipal Securities Rulemaking Board or any successor repository designated as such by the SEC in accordance with the Rule.

“**Official Statement**” means the Official Statement for the Series 2024 Bonds dated as of September \_\_, 2024.

“**Operating Data**” means the operating data of the Revolving Funds and any Principal Participating Municipalities, described in Section 2(a)(2) hereof.

“**Principal Participating Municipalities**” means those Municipalities that have, as of the end of each Fiscal Year of KDHE, an unpaid balance on all Loans to such Municipality (including undisbursed loan commitments under any Loan Agreement with such Municipality) in an amount equal to or greater than fifteen percent (15%) of the amount of Combined Revolving Funds Unrestricted Assets.

“**Revolving Funds**” means, collectively, the Clean Water Revolving Fund and the Drinking Water Revolving Fund.

“**Rule**” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“**SEC**” means the Securities and Exchange Commission of the United States.

“**State**” means the State of Kansas.

## **Section 2. Provision of Annual Reports.**

(a) **Annual Report.** KDHE, as an “obligated person” for purposes of the Rule, agrees to provide, or cause to be provided, to the MSRB as soon as practicable after they are available, but in no event more than 190 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2024 (except as otherwise provided below for a Principal Participating Municipality), the Financial Information and the Operating Data (jointly, the “Annual Report”) as follows:

### **(1) Financial Information.**

(A) **Revolving Funds.** Financial Information with respect to the Revolving Funds shall consist of the financial statements of the Revolving Funds for such prior Fiscal Year, which shall be prepared on the accrual basis of accounting, in substantially the form contained in Attachment II to Appendix C and Attachment II to Appendix D to the Official Statement. Such Financial Information shall be audited in accordance with auditing standards generally accepted in the United States of America, as such standards may be amended, if available. If audited Financial Information is not available to meet the filing requirement set forth herein, KDHE shall provide unaudited Financial Information within the prescribed time and shall furnish audited Financial Information promptly after it becomes available. If the basis of accounting is changed to a basis less comprehensive than previously described, KDHE shall provide notice of such change in the same manner as for a Material Event under Section 3(b) hereof.

(B) **Principal Participating Municipalities.** Financial Information with respect to any Principal Participating Municipality shall consist of the financial statements of each such Principal Participating Municipality in substantially the scope and form contained in the Principal Participating Municipality’s Annual Comprehensive Financial Report (“ACFR”) or, if such Principal Participating Municipality does not issue an ACFR, its publicly available financial statements, updated for each Municipal Fiscal Year beginning in the year ending December 31, 2023. Such Financial Information shall be prepared in accordance with GAAP, or such other basis of accounting that demonstrates compliance with State law. Such Financial Information may be in the form of such Principal Participating Municipality’s ACFR and/or annual report of its System (as defined in the applicable Loan Agreement) if System revenues are included in the dedicated source of repayment of applicable Loan(s). KDHE agrees to obtain such Financial Information from any Principal Participating Municipality and provide, or cause to be provided, to the MSRB as soon as practicable after it is available, but in no event more than 270 days after the end of each Municipal Fiscal Year of such Principal Participating Municipality. KDHE shall cause each Municipality that could become a Principal Participating Municipality to agree to provide such information to KDHE. If audited Financial Information is not available to meet the filing requirement set forth herein, KDHE shall obtain and provide, or cause to be provided, to the MSRB unaudited Financial Information within the prescribed time and shall obtain and provide, or cause to be provided, to the MSRB audited Financial Information promptly after it becomes available. If the method of preparation and the basis of accounting is changed to a basis less comprehensive than previously described, KDHE shall provide notice of such change in the same manner as for a Material Event under Section 3(b) hereof.

### **(2) Operating Data.**

(A) **Revolving Funds.** Operating Data with respect to the Revolving Funds shall consist of the operating data (including any information characterized as financial information) in substantially the scope and form contained in Appendix A (actual debt service coverage only), Appendix C and Appendix D to the Official Statement, updated as of the end of each Fiscal Year,

beginning with the Fiscal Year ended June 30, 2024. Such information shall include actual information for such Fiscal Year but need not include revised estimates or projections for future Fiscal Years.

(B) ***Principal Participating Municipalities.*** Operating Data with respect to any Principal Participating Municipality shall consist of the operating data set forth in such Principal Participating Municipality's ACFR or, if such Principal Participating Municipality does not issue an ACFR, its publicly available financial statements, and annual report of its System if System revenues are included in the dedicated source of repayment of applicable Loan(s). KDHE agrees to obtain from any Principal Participating Municipality and provide, or cause to be provided, to the MSRB as soon as practicable after it is available, but in no event more than 270 days after the end of each Municipal Fiscal Year, beginning with the Municipal Fiscal Year ending December 31, 2023, such operating data updated for such Municipal Fiscal Year then ended. KDHE shall cause each Municipality that could become a Principal Participating Municipality to agree to provide such information to KDHE.

Any or all of the Financial Information or Operating Data may be incorporated by reference from other documents, including official statements of debt issues with respect to KDHE or the Principal Participating Municipalities, that have been filed with the MSRB or the SEC, and in the case of a final official statement, that is available from the MSRB. KDHE shall clearly identify in the Annual Report each document incorporated by reference and the source from which it is available. A portion of the Financial Information and Operating Data may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if it is not available by that date, provided that a notice as described in Section 2(b) is filed with respect to the missing or delayed information. If the Fiscal Year changes, KDHE shall provide notice of such change in the same manner as for a Material Event under Section 3(b).

(b) ***Notice of Failure to File Annual Report.*** If the Annual Report is not filed with the MSRB within the time period specified in Section 2(a) hereof, KDHE shall, file, or cause to be filed, with the MSRB, in a timely manner, a notice in substantially the form attached as Exhibit A.

### **Section 3. Reporting of Material Events.**

(a) KDHE agrees that it will file, or cause to be filed, with the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of any of the following events with respect to the Series 2024 Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) modifications to rights of security holders, if material;
- (8) bond calls, if material, and tender offers;

- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of KDHE or the Revolving Funds or of a Principal Participating Municipality\*;
- (13) the consummation of a merger, consolidation or acquisition involving KDHE or the Revolving Funds or a Principal Participating Municipality or the sale of all or substantially all of the assets of KDHE or the Revolving Funds or a Principal Participating Municipality, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a financial obligation\*\* of KDHE or the Revolving Funds or a Principal Participating Municipality, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation\*\* of KDHE or the Revolving Funds or a Principal Participating Municipality, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation\*\* of KDHE or the Revolving Funds or a Principal Participating Municipality, any of which reflect financial difficulties.

(b) KDHE shall file, or cause to be filed, in a timely manner, not in excess of 10 business days after the occurrence of the event, a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series 2024 Bonds or defeasance of any

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\*This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for KDHE or the Revolving Funds or a Principal Participating Municipality in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of KDHE or the Revolving Funds or a Principal Participating Municipality, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of KDHE or the Revolving Funds or a Principal Participating Municipality.

\*\*The term “financial obligation,” as used in clauses (15) and (16) of Section 3(a) of this Disclosure Undertaking, means a:

- (A) debt obligation;
- (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) guarantee of (A) or (B) above.

The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Series 2024 Bonds need not be given under this Disclosure Undertaking any earlier than the notice of such redemption or defeasance is given to the owners of the Series 2024 Bonds pursuant to the Indenture.

**Section 4. Filing.** The filing of Annual Reports, notice of Material Events or any other notice required by this Disclosure Undertaking shall be effected by sending the filing or notice to the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org) (or such other address or addresses as the MSRB may from time to time specify), in such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

**Section 5. Dissemination Agent.** KDHE may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The appointment of a Dissemination Agent shall be effective upon the delivery to KDHE of written acceptance of such designation. The Dissemination Agent may resign as dissemination agent hereunder at any time upon 30 days prior written notice to KDHE. The Dissemination Agent shall, promptly upon receipt of the Annual Report or notice of the occurrence of an event described in Section 3(a), provide the Annual Report or notice, as applicable, to the MSRB and provide a report to KDHE certifying the Annual Report or notice, as applicable, has been filed pursuant to this Disclosure Undertaking. The Dissemination Agent shall not be responsible in any manner for the content of the Annual Report or any notice prepared by KDHE pursuant to this Disclosure Undertaking.

**Section 6. Termination of Reporting Obligation.** The obligations of KDHE under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of the Series 2024 Bonds. If KDHE's obligations hereunder are assumed in full by some other entity as permitted in the Indenture, such person shall be responsible for compliance with this Disclosure Undertaking in the same manner as if it were the signatory hereto, and the assignor shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Series 2024 Bonds, notice of such termination or substitution shall be given in the same manner as for a Material Event under Section 3.

**Section 7. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Undertaking, KDHE may amend this Disclosure Undertaking and any provision of this Disclosure Undertaking may be waived, provided that: (a) Bond Counsel or other counsel experienced in federal securities law matters provides KDHE (with a copy to the Authority) with its opinion that the undertakings contained herein, as so amended or after giving effect to such waiver, are in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to of this Disclosure Undertaking; (b) if the amendment or waiver relates to Sections 2(a) or 3(a), it may only be made in connection with a change in circumstances that arises from a change in law or legal requirements, or change in the identity, nature or status of an obligated person with respect to the Series 2024 Bonds, or the type of business conducted; and (c) the amendment or waiver is either (1) approved by the Owners of the Series 2024 Bonds in the same manner as provided in the Indenture with consent of the Owners, or (2) does not in the opinion of Bond Counsel (provided to KDHE with a copy to the Authority) materially impair the interests of the Owners or Beneficial Owners of the Series 2024 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, such amendment or waiver shall be described in the next Annual Report, and shall include a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of Financial Information or Operating Data being presented. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Material Event under Section 3, and (b) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Section 8. Additional Information.** Nothing in this Disclosure Undertaking shall be deemed to prevent KDHE from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Undertaking. If KDHE chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Disclosure Undertaking, KDHE shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

**Section 9. Noncompliance.** In the event of a failure of KDHE or the Dissemination Agent, if any, to comply with any provision of this Disclosure Undertaking, any Beneficial Owner of the Series 2024 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the KDHE or the Dissemination Agent, if any, as the case may be, to comply with its obligations under this Disclosure Undertaking. Noncompliance with the provisions of this Disclosure Undertaking shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Undertaking in the event of any failure of KDHE or the Dissemination Agent, if any, to comply with this Disclosure Undertaking shall be an action to compel performance.

**Section 10. Beneficiaries.** This Disclosure Undertaking shall inure solely to the benefit of the Beneficial Owners from time to time of the Series 2024 Bonds, and shall create no rights in any other person or entity.

**Section 11. Severability.** If any provision in this Disclosure Undertaking shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 12. Governing Law.** This Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State and any suits and actions arising out of this Disclosure Undertaking shall be instituted in a court of competent jurisdiction in the State.

**KANSAS DEPARTMENT OF HEALTH  
AND ENVIRONMENT**

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Janet Stanek  
Secretary

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

**Name of Issuer:** Kansas Development Finance Authority

**Name of Bond Issue:** \$\_\_\_\_\_ Kansas Development Finance Authority Kansas Revolving Funds Revenue Bonds (Kansas Department of Health and Environment) Series 2024SRF (the "Series 2024 Bonds")

**Name of Obligated Person:** Kansas Department of Health and Environment

**Date of Issuance:** October \_\_, 2024

**NOTICE IS HEREBY GIVEN** that the Obligated Person has not provided an Annual Report with respect to the above-named Series 2024 Bonds as required by the Continuing Disclosure Undertaking dated as of October 1, 2024. The Obligated Person anticipates that the Annual Report will be filed by \_\_\_\_\_.

**Dated:** \_\_\_\_\_

**KANSAS DEPARTMENT OF HEALTH  
AND ENVIRONMENT**

By \_\_\_\_\_



**EXHIBIT B**

**ACCEPTANCE OF DISSEMINATION AGENT**

**Name of Issuer:** Kansas Development Finance Authority

**Name of Bond Issue:** \$\_\_\_\_\_ Kansas Development Finance Authority Kansas Revolving Funds Revenue Bonds (Kansas Department of Health and Environment) Series 2024SRF (the "Series 2024 Bonds")

**Name of Obligated Person:** Kansas Department of Health and Environment

**Date of Issuance:** October \_\_, 2024

**Dissemination Agent:**

**Notice Address of  
Dissemination Agent:**

The Dissemination Agent set forth above, having been duly appointed by the Obligated Person to act in the capacity of Dissemination Agent pursuant to the Continuing Disclosure Undertaking to which this acceptance is attached, hereby accepts such duties and responsibilities set forth therein.

**Dated:** \_\_\_\_\_

By \_\_\_\_\_,  
as Dissemination Agent

(cc: Issuer)

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## APPENDIX H

### BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2024 Bonds. The Series 2024 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each series of the Series 2024 Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

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

Purchases of the Series 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2024 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2024 Bonds, except in the event that use of the book-entry system for the Series 2024 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2024 Bonds are

credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. *So long as Cede & Co., as nominee for DTC, is the owner of the Series 2024 Bonds, the Authority shall treat Cede & Co. as the only owner of the Series 2024 Bonds for all purposes under the Indenture, including receipt of all principal of and interest on the Series 2024 Bonds and receipt of notices.*

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2024 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2024 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2024 Bonds may wish to ascertain that the nominee holding the Series 2024 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2024 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Paying Agent, on the Payment Date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2024 Bonds at any time by giving reasonable notice to the Authority or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

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

THE INFORMATION IN THIS APPENDIX CONCERNING DTC AND DTC'S BOOK ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC. NEITHER THE AUTHORITY, KDHE, THE ORIGINAL PURCHASER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2024 BONDS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDOWNER. THE BENEFICIAL OWNERS OF THE SERIES 2024 BONDS WILL RELY ON PARTICIPANTS FOR TIMELY PAYMENT AND OTHER NOTICES AND FOR OTHERWISE MAKING AVAILABLE TO THE BENEFICIAL OWNER THE RIGHTS OF A BONDOWNER. NO ASSURANCES CAN BE PROVIDED THAT, IN THE EVENT OF BANKRUPTCY OR INSOLVENCY OF DTC OR A PARTICIPANT THROUGH WHICH A BENEFICIAL OWNER HOLDS BENEFICIAL INTERESTS IN THE SERIES 2024 BONDS, PAYMENT WILL BE MADE BY DTC OR THE PARTICIPANT ON A TIMELY BASIS.

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**APPENDIX I**  
**SCHEDULE OF**  
**STATE MATCH PORTIONS AND LEVERAGED PORTIONS**

Set forth below are the portions of each maturity of Series 2024 Bonds that are designated the State Match Portion and the Leveraged Portion under the Indenture.

<b>Maturity (May 1)</b>	<b>Clean Water Program</b>			<b>Drinking Water Program</b>		
	<b>State Match Portion</b>	<b>Leveraged Portion</b>	<b>Total</b>	<b>State Match Portion</b>	<b>Leveraged Portion</b>	<b>Total</b>
2025	\$	\$	\$	\$	\$	\$
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
2039						
2040						
2041						
2042						
2043						
2044						
<b>TOTAL</b>						

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**APPENDIX J**

**FORM OF BOND COUNSEL OPINION**

Kansas Development Finance Authority  
Topeka, Kansas

\_\_\_\_\_  
\_\_\_\_\_, \_\_\_\_\_

Kansas Department of Health and Environment  
Topeka, Kansas

UMB Bank, N.A., as trustee  
Kansas City, Missouri

Re: Kansas Development Finance Authority Kansas Revolving Funds Revenue Bonds (Kansas Department of Health and Environment), Series 2024SRF (the “Series 2024SRF Bonds”)

We have acted as Bond Counsel in connection with the issuance by the Kansas Development Finance Authority (the “Authority”) of the Series 2024SRF Bonds. The Series 2024SRF Bonds have been authorized and issued pursuant to K.S.A. 65-163d et seq., K.S.A. 65-3321 et seq., and K.S.A. 74 8901 et seq., as amended (collectively the “Act”), Bond Resolution No. 287 of the Authority, as supplemented, specifically including Supplemental Bond Resolution No. 287-N (collectively, the “Bond Resolution”), a Master Financing Indenture, dated as of November 1, 2010 (the “MFI”), among the Authority, the Kansas Department of Health and Environment (“KDHE”) and UMB Bank, N.A., as trustee (the “Trustee”), as supplemented, specifically including a Fifteenth Supplemental Financing Indenture, dated as of October 1, 2024, among the Authority, KDHE and the Trustee (the “Fifteenth Supplemental Indenture,” together with the MFI, as amended, the “Indenture”). The Series 2024SRF Bonds are issued for such purposes, are payable, are issuable in such form, in such denominations, will mature, bear interest, and are subject to redemption and payment prior to maturity upon the terms and conditions set forth in the Indenture. *Capitalized terms utilized herein not otherwise defined shall have the meaning ascribed thereto in the Indenture.*

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have also relied upon the opinions rendered by legal counsel to the Borrowers regarding the authorization, execution, delivery, validity and enforceability of the Loan Agreements and the Dedicated Source of Revenue for the repayment of the Loans.

Based upon the foregoing, we are of the opinion, as of the date hereof, as follows:

1. The Series 2024SRF Bonds have been duly authorized and issued in accordance with the Constitution and laws of the State of Kansas (the “State”), including the Act.

2. The Series 2024SRF Bonds are valid and legally binding limited obligations of the Authority, payable solely from, and secured as to the payment of principal, premium, if any, and interest by a pledge by the Authority of the Trust Estate in favor of the Owners of the Series 2024SRF Bonds, on a parity with any Bonds designated as Parity Bonds, all as provided in the Indenture.

3. The Series 2024SRF Bonds do not constitute a debt or general obligation of the Authority, KDHE, the State or any municipal corporation or political subdivision thereof, and neither the Series 2024SRF Bonds, the interest thereon, nor any judgment thereon or with respect thereto (other than to

enforce obligations under certain of the Loan Agreements) are payable in any manner from unlimited tax revenues of any kind or character. The Series 2024SRF Bonds do not constitute an indebtedness or a pledge of the faith and credit of the Authority, KDHE, the State or any municipal corporation thereof, within the meaning of any constitutional or statutory limitations or restrictions.

4. The Bond Resolution has been duly adopted by the Authority.

5. The Indenture has been duly authorized and executed by the Authority and KDHE, and constitutes a valid and legally binding obligation of the Authority and KDHE in accordance with its terms.

6. In accordance with exemptions contained in the Act, Borrowers are not limited as to the amount or rate of property taxes which may be levied by such Borrowers in order to pay amounts due under a Loan Agreement, if such property taxes constitute a part of the Dedicated Source of Revenues pledged by such Borrower under a Loan Agreement.

7. The interest on the Series 2024SRF Bonds (including any original issue discount properly allocable to an owner thereof) is (a) excludable from gross income for federal income tax purposes; and (b) not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Authority, KDHE, the Trustee and the Borrowers comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Series 2024SRF Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority, KDHE and the Trustee have covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause interest on the Series 2024SRF Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2024SRF Bonds. The Series 2024SRF Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Code §265(b)(3).

8. The Series 2024SRF Bonds and the interest thereon are exempt from all Kansas state, county and municipal taxes, including income and property taxes; provided, however, that no opinion is expressed with respect to the applicability of the privilege tax imposed on banking institutions pursuant to K.S.A. 79-1107 and 79-1108.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2024SRF Bonds (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding tax consequences arising with respect to the Series 2024SRF Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Series 2024SRF Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours