

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 28, 2026

NEW ISSUE—BOOK-ENTRY ONLY

**RATINGS: Moody's Ratings: "Aa2"
S&P Global Ratings: "AA"
See "RATINGS" herein.**

In the opinion of Gilmore & Bell, P.C., Bond Counsel, 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 2026A 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, (2) the Series 2026A Bonds and all income or interest therefrom are exempt from all Kansas taxes, and (3) the Series 2026A 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 2026A 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 "TAX MATTERS RELATING TO THE SERIES 2026A BONDS" in this Official Statement.



\$400,000,000*
STATE OF KANSAS
Department of Transportation
Highway Revenue Bonds
Series 2026A

Dated: Date of Delivery

Due: As shown on inside cover

The Highway Revenue Bonds, Series 2026A, to be dated the date of delivery thereof (the "Series 2026A Bonds"), of the State of Kansas (the "State") are being issued by the Secretary of Transportation of the State (the "Secretary") for the purpose of (a) paying a portion of the costs of construction, reconstruction, maintenance and improvement of highways in the State; and (b) paying the costs associated with the issuance of the Series 2026A Bonds. The Series 2026A Bonds are being issued and will be secured on a parity with the Parity Bonds previously issued and Outstanding as described herein and any Additional Bonds that may be issued in the future.

Maturity Schedule on Inside Cover

Interest on the Series 2026A Bonds is payable semiannually on March 1 and September 1 of each year (each an "Interest Payment Date") commencing March 1, 2027. The Series 2026A Bonds are being issued as registered bonds in book-entry form in authorized denominations of \$5,000 and any integral multiple thereof and, when issued, will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as a securities depository for the Series 2026A Bonds (the "Securities Depository"). Purchases of the Series 2026A Bonds may be made only in book-entry form in authorized denominations by credit to participating broker-dealers and other institutions on the books of DTC as described herein. Purchasers will not receive certificates representing their interest in the Series 2026A Bonds purchased. Principal of and interest on the Series 2026A Bonds are payable by the Treasurer of the State of Kansas, as Paying Agent and Bond Registrar, to the Securities Depository, which will remit such payments in accordance with its normal procedures, as described herein.

The Series 2026A Bonds are subject to redemption prior to maturity as described herein.

THE SERIES 2026A BONDS AND THE INTEREST THEREON ARE SPECIAL OBLIGATIONS OF THE STATE AND ARE PAYABLE AND COLLECTIBLE SOLELY FROM THE REVENUES IN THE STATE HIGHWAY FUND AND TRANSFERRED TO THE DEBT SERVICE FUND. THE OWNERS OF THE SERIES 2026A BONDS MAY NOT LOOK TO THE STATE GENERAL FUND OR ANY OTHER FUND OF THE STATE FOR PAYMENT, AND THE SERIES 2026A BONDS WILL NOT CONSTITUTE INDEBTEDNESS OR A DEBT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION, NOR CAN THEY BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE STATE.

The Series 2026A Bonds are offered when, as and if issued and are subject to the final approving opinion of Gilmore & Bell, P.C., Bond Counsel. Certain legal matters will be passed upon for the Secretary and the Department of Transportation by its Chief Counsel and Gilmore & Bell, P.C., as Special Counsel and Disclosure Counsel, and certain legal matters will be passed upon for the Underwriters by Pierson Ferdinand LLP, Counsel to the Underwriters. It is expected that the Series 2026A Bonds will be available for delivery to DTC in New York, New York, on or about October 20, 2026.

BofA Securities

Morgan Stanley

Raymond James

Wells Fargo Securities

The date of this Official Statement is October ____, 2026

* 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.

\$400,000,000*
State of Kansas
Department of Transportation
Highway Revenue Bonds
Series 2026A

MATURITY SCHEDULE

<u>Maturity</u> <u>September 1*</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u> <u>Base: 485424</u>
2027	\$11,935,000			
2028	12,545,000			
2029	13,190,000			
2030	13,865,000			
2031	14,575,000			
2032	15,325,000			
2033	16,110,000			
2034	16,935,000			
2035	17,805,000			
2036	18,720,000			
2037	19,680,000			
2038	20,685,000			
2039	21,745,000			
2040	22,865,000			
2041	24,035,000			
2042	25,270,000			
2043	26,565,000			
2044	27,925,000			
2045	29,360,000			
2046	30,865,000			

* Preliminary; subject to change.

¹ CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc., and is included solely for the convenience of the owners of the Series 2026A Bonds. Neither the Secretary nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

STATE OF KANSAS

Laura Kelly, Governor

KANSAS DEPARTMENT OF TRANSPORTATION

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Greg M. Schieber, P.E.
Deputy Secretary of Transportation & State Transportation Engineer

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Senior Director of Administration

Troy Whitworth
Director of Safety

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Director of Field Operations

Shawn Brown
Director of IT Services

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Gilmore & Bell, P.C.

Independent Auditors

CliftonLarsonAllen LLP

Municipal Advisor

PFM Financial Advisors LLC

No dealer, broker, salesperson or other person has been authorized by the State of Kansas (the "State"), the Department of Transportation (the "Department"), the Secretary of Transportation (the "Secretary") or the Underwriters to give any information or to make any representation in connection with the offering of the Series 2026A Bonds, other than the information and representations contained in this Official Statement and, if given or made, such information or representation must not be relied upon as having been authorized by the State, the Department, the Secretary or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Series 2026A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State, the Department or the State Highway Fund since the date hereof. The information set forth herein concerning the State, the Department and the State Highway Fund has been obtained from the Department and is believed to be reliable. This Official Statement does not constitute a contract between the State, the Department, the Secretary or the Underwriters and any one or more of the purchasers or registered owners of the Series 2026A Bonds.

The Underwriters have provided the following sentence and paragraph for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement contains statements that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend," "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties, including those described in "INVESTMENT CONSIDERATIONS," that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

THE SERIES 2026A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE SERIES 2026A BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE SERIES 2026A BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THE COVER PAGE IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

THIS PRELIMINARY OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE DEPARTMENT FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

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OFFICIAL STATEMENT

\$400,000,000*
State of Kansas
Department of Transportation
Highway Revenue Bonds
Series 2026A

INTRODUCTION

This Official Statement, including the cover page and the Appendices, sets forth certain information concerning the \$400,000,000* Highway Revenue Bonds, Series 2026A, to be dated the date of delivery thereof (the “Series 2026A Bonds”), of the State of Kansas (the “State”). The Series 2026A Bonds are being issued by the Secretary of Transportation of the State (the “Secretary”) pursuant to the provisions of Sections 68-2314b to 68-2330 of the Kansas Statutes Annotated, as amended (the “Act”) and the 1992 Resolution adopted by the Secretary on March 31, 1992 (the “1992 Resolution”), as previously supplemented and as supplemented by the Thirty-Seventh Supplemental Resolution authorizing the Series 2026A Bonds (the “Thirty-Seventh Supplemental Resolution”), to be adopted by the Secretary prior to the delivery of the Series 2026A Bonds. The Series 2026A Bonds are being issued for the purposes of: (a) paying a portion of the costs of construction, reconstruction, maintenance and improvement of highways in the State by the Kansas Department of Transportation (the “Department”); and (b) paying the costs associated with the issuance of the Series 2026A Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Series 2026A Bonds will be issued and secured on a parity with the Outstanding Bonds previously issued under the 1992 Resolution and described and defined under “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Outstanding Bonds” herein.

The 1992 Resolution provides for the issuance of additional bonds on a parity with the Series 2026A Bonds and the Outstanding Bonds (“Additional Bonds”) and for the issuance of subordinate bonds (“Subordinate Bonds”). The Series 2026A Bonds, the Outstanding Bonds and any Additional Bonds issued under the terms of the 1992 Resolution (the “Parity Bonds”) and any Subordinate Bonds issued under the terms of the 1992 Resolution are herein collectively referred to as the “Bonds.” As of the date of this Official Statement, there are no Subordinate Bonds outstanding.

IKE Program

The Eisenhower Legacy Transportation Program (the “IKE Program”), a 10-year transportation infrastructure program enacted by the Kansas Legislature through certain amendments to the Act, was signed into law by Governor Laura Kelly on April 2, 2020 to provide for the continued construction, improvement, reconstruction and maintenance of the Kansas State Highway System (the “State Highway System”). Total expenditures on the IKE Program are currently estimated to equal approximately \$21 billion over the course of the 10-year duration of the program, with approximately \$7.3 billion having already been spent by the Department on IKE Program projects through June 30, 2026.

Projects under the IKE Program are to be selected and delivered to provide safer roads, economic growth and more transportation options for Kansans and resources for communities. The Department intends to achieve these goals by being transparent and accountable for investment decisions, being flexible

* Preliminary; subject to change.

and responsive to needs, assisting communities with problem solving, and leveraging partnerships to deliver projects efficiently.

The IKE Program legislation authorized an updated approach to preservation of existing roadways by allowing small safety improvements or connectivity improvements, such as paved shoulders, passing lanes, or traffic signals, to be added to the State Highway System. It also statutorily created the Local Bridge Program, Short Line Rail Program, Innovative Technology Program, and the Driver's Education Program. The IKE Program also established the new Broadband Construction Grant Program that is managed by the Kansas Department of Commerce with administrative assistance from the Department and required the Department to expend or commit to expend at least \$8 million for projects in each county of the State.

To support the delivery of the IKE Program, the Department's budget includes necessary funding levels for construction, maintenance, and operations. The construction program includes estimates for expansion, modernization, and major preservation projects such as bridge replacement and pavement reconstruction/rehabilitation. The IKE Program is a rolling program in which major modernization and expansion projects are selected every two years to address the most pressing needs of the State. One of the key aspects of this project selection flexibility is the local consultation process. Under the IKE Program, the Department conducts meetings across the State every two years to seek public feedback through the local consultation process, local workshops, and other outreach activities.

Prior Programs

The immediate predecessor to the IKE Program was the Transportation Works for Kansas Program (the "T-WORKS Program"), a 10-year program developed by the Department and authorized by the Kansas Legislature through certain amendments to the Act effective June 3, 2010.

The Department's modernization and expansion activities during the initial years of the IKE Program included delivering the final projects for the T-WORKS Program. As of June 30, 2026, approximately \$43 million in T-WORKS Program project expenditures remain. The Department currently anticipates that the final T-WORKS Program expenditures will be made by the end of Fiscal Year 2028. When completed, total expenditures for all T-WORKS Program projects are expected to equal approximately \$13 billion.

The Comprehensive Transportation Program, the predecessor to the T-WORKS Program, was developed by the Department as authorized by the 1999 Kansas Legislature. The expenditures for the ten-year Comprehensive Transportation Program were \$13.3 billion.

The Comprehensive Highway Program, a predecessor State highway program, was developed by the Department as authorized by the 1989 Kansas Legislature. The expenditures for the eight-year Comprehensive Highway Program were \$5.2 billion.

Statutory Authorization; Prior Bonds and Additional Bonds

The Comprehensive Highway Program authorized, and the Secretary subsequently issued, an original aggregate principal amount of \$890,000,000 (new money) of highway revenue bonds to fund a portion of such program, and the Comprehensive Transportation Program authorized, and the Secretary subsequently issued, an original aggregate principal amount of \$1,272,000,000 (new money) of highway revenue bonds to fund a portion of such program.

Beginning with the initiation of the T-WORKS Program and continuing with the IKE Program, the Act no longer imposes a specific dollar amount limitation on the issuance of additional highway revenue bonds by the Secretary. Any such issuance is subject, however, to the condition that the Secretary must certify that, as of the date of issuance of any such bonds, the maximum annual debt service on all Outstanding Bonds and on such bonds proposed to be issued will not exceed 18% of Revenues projected for the then-current or any future Fiscal Year. The Act provides that projected Revenues for the current or any future Fiscal Year for which the actual Revenues cannot be determined on the date of calculation shall be deemed to be the actual Revenues for the most recently completed Fiscal Year. The Act also provides for the issuance of refunding bonds.

The several series of Parity Bonds, including new money and refunding bonds, issued and remaining Outstanding are described under “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Outstanding Bonds” herein.

The 1992 Resolution contains conditions, in addition to those conditions provided in the Act described above, with respect to the issuance of Additional Bonds thereunder. The 1992 Resolution requires that, as a condition to the issuance of Additional Bonds, an Independent Accountant certify that the amount of Revenues (less any local reimbursement moneys received) transferred or deposited into the State Highway Fund in any 12 consecutive months out of the most recent 18 months prior to the issuance of the Additional Bonds, plus the amount of any other Revenues received by the State Treasurer during that period (less any local reimbursement moneys received), was not less than 300% of the maximum annual aggregate Adjusted Debt Service Requirements on all Parity Bonds to be Outstanding after the Additional Bonds are issued. The 1992 Resolution requires an adjustment to the Revenues actually transferred or deposited into the State Highway Fund if State legislation has been enacted that has changed the rate or distribution of any taxes or fees comprising the Revenues or that has changed any of the transactions subject to the fees, excises or license taxes comprising the Revenues at any time subsequent to the beginning of such 12-month period, to reflect the Revenues that would have been transferred or deposited in such 12-month period had the changes been effective for the entire period. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Additional Bonds.”

Source of Payment for the Series 2026A Bonds

The Series 2026A Bonds and the interest thereon are special obligations of the State payable and collectible solely from the Revenues in the State Highway Fund and transferred to the Highway Bond Debt Service Fund (the “Debt Service Fund”). The Owners of the Series 2026A Bonds may not look to the State General Fund or any other fund of the State for payment and the Series 2026A Bonds will not constitute indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation, nor can they be considered or held to be general obligations of the State. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS.”

The State Highway Fund is maintained within the State Treasury and serves as the general operating fund of the Department. The Act provides that all Bonds shall be obligations only of the State Highway Fund. The 1992 Resolution provides that all Bonds and the interest and premium thereon shall be secured by a first lien and claim on the Revenues. Such lien secures both Parity Bonds and Subordinate Bonds; however, under the 1992 Resolution, Revenues deposited into the Debt Service Fund are used first to pay interest on and principal of and premium, if any, on Parity Bonds before making payments on Subordinate Bonds. See “THE STATE HIGHWAY FUND—Sources of Funds in State Highway Fund.”

Miscellaneous

The purchase of the Series 2026A Bonds involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Series 2026A Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. The discussion of certain risks is not intended to be exhaustive and should be read in conjunction with this entire Official Statement including the Appendices hereto. See “INVESTMENT CONSIDERATIONS” herein.

This Official Statement contains descriptions of, among other matters, the Series 2026A Bonds, the 1992 Resolution, as supplemented by the Thirty-Seventh Supplemental Resolution, the Department, the Revenues and the State Highway Fund. Such descriptions and information do not purport to be comprehensive or definitive. Summaries of certain provisions of the 1992 Resolution are set forth in Appendix D hereto. Definitions of certain terms used in this Official Statement are set forth in Appendix E hereto. All references herein to the 1992 Resolution and the Thirty-Seventh Supplemental Resolution are qualified in their entirety by reference to the text of the 1992 Resolution and the Thirty-Seventh Supplemental Resolution and references herein to the Series 2026A Bonds are qualified in their entirety by reference to the forms thereof included in the 1992 Resolution and the Thirty-Seventh Supplemental Resolution. Executed copies of such documents are available for inspection at the office of the Secretary.

THE SERIES 2026A BONDS

General

The Series 2026A Bonds are being issued by the Secretary pursuant to the Act, the 1992 Resolution and the Thirty-Seventh Supplemental Resolution. The Series 2026A Bonds shall consist of fully registered bonds in denominations of \$5,000 and integral multiples thereof. The Series 2026A Bonds will be dated as of their date of delivery, will mature on the dates and will bear interest (computed on the basis of a 360-day year comprised of twelve 30-day months), payable on March 1 and September 1 in each year, commencing March 1, 2027 (each, an “Interest Payment Date”), at the rates per annum set forth on the inside cover page hereof.

Paying Agent and Bond Registrar

The Secretary has designated the Treasurer of the State of Kansas, Topeka, Kansas (the “State Treasurer”) as paying agent for the payment of principal of and interest on the Series 2026A Bonds and bond registrar with respect to the registration, transfer and exchange of the Series 2026A Bonds. References herein to the “Paying Agent” or “Bond Registrar” are to the State Treasurer unless a different paying agent or bond registrar has been appointed, in which case, references to the Paying Agent or Bond Registrar shall be to the successor.

Method and Place of Payment of Series 2026A Bonds

The principal of, premium, if any, and interest on the Series 2026A Bonds shall be payable in any coin or currency which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts.

The principal and premium, if any, of each Series 2026A Bond shall be paid upon presentation and surrender of such Series 2026A Bond as the same becomes due at the office of the Paying Agent. The interest payable on each Series 2026A Bond on any Interest Payment Date shall be paid by the Paying Agent to the Owner thereof whose name appears on the books maintained by the Bond Registrar at the

close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date (the “Record Date”) for such interest. Payment of the principal, premium, if any, and interest on each Series 2026A Bond shall be made (a) by check or draft, or (b) by electronic transfer of funds to a bank account in the United States, upon written request given to the Bond Registrar by such Owner on or before the Record Date, containing the electronic transfer instructions including the bank, ABA routing number and account number to which such Owner wishes to have such transfer directed.

SO LONG AS CEDE & CO., REMAINS THE REGISTERED OWNER OF THE SERIES 2026A BONDS, THE PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES. See “THE SERIES 2026A BONDS—DTC Book-Entry System.”

Registration, Transfer and Exchange of Bonds

As long as any of the Series 2026A Bonds remain Outstanding, the Secretary will cause to be kept, at the office of the Bond Registrar, books for the registration, transfer and exchange of such Series 2026A Bonds. The Series 2026A Bonds may be transferred and exchanged only upon such registration books as hereinafter provided.

Upon surrender of any Series 2026A Bond at the principal office of the Bond Registrar, the Bond Registrar shall transfer or exchange such Series 2026A Bond for a new Series 2026A Bond or Bonds in an authorized denomination of the same maturity and in the same aggregate principal amount as the Series 2026A Bond that was presented for transfer or exchange. Series 2026A Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Bond Registrar, duly executed by the Owner thereof or by the Owner’s duly authorized agent.

In all cases in which the privilege of transferring or exchanging Series 2026A Bonds is exercised, the Bond Registrar shall authenticate and deliver Bonds in accordance with the provisions of the 1992 Resolution. The Secretary shall pay the fees and expenses of the Bond Registrar for the registration, transfer and exchange of Series 2026A Bonds. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Bond Registrar, are the responsibility of the Owners.

The Bond Registrar shall not be required to register the transfer or exchange of any Series 2026A Bond that has been called for redemption or during the 15 days immediately preceding an Interest Payment Date.

So long as the Series 2026A Bonds are available through the book-entry only system of The Depository Trust Company (“DTC”), New York, New York, transfers of the Series 2026A Bonds may be made as described in “APPENDIX H—DTC BOOK-ENTRY-ONLY SYSTEM.”

DTC Book-Entry System

The Series 2026A Bonds will initially be registered to Cede & Co., as nominee of DTC, which will serve as Securities Depository for the Series 2026A Bonds. Beneficial Ownership interests in the Series 2026A Bonds, in non-certificated book-entry only form, may be purchased in authorized denominations of \$5,000 or any integral multiple thereof by or through DTC Participants. Beneficial Ownership interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired, and transfers of such Beneficial Ownership Interests will be accomplished by entries made on the books of the DTC Participants acting on behalf of the Beneficial Owners. References herein to the Owners of the Series 2026A Bonds mean Cede & Co. or such other nominee as may be designated

by DTC, and not the Beneficial Owners. For a more detailed description of the DTC book-entry system, see “APPENDIX H—DTC BOOK-ENTRY-ONLY SYSTEM.”

None of the Secretary, the Department, the State Treasurer or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant, (b) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Beneficial Owners of the Series 2026A Bonds under the 1992 Resolution, (c) the payment by DTC or any DTC Participant of any amount received with respect to the Series 2026A Bonds, (d) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2026A Bonds or (e) any other related matter.

Redemption Provisions

Optional Redemption. The Series 2026A Bonds maturing on and after September 1, 2038*, are subject to redemption prior to maturity, at the option of the Secretary, on or after September 1, 2037*, in whole or in part on any date, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

In the event less than all of the Series 2026A Bonds are to be redeemed pursuant to the optional redemption provisions set forth above, the Secretary may select the particular maturities to be redeemed. If less than all of the Series 2026A Bonds of the same maturity are to be redeemed, such Bonds within such maturity to be redeemed shall be selected at random by the Bond Registrar in such manner as the Bond Registrar may deem fair and appropriate.

The Series 2026A Bonds are to be redeemed only in the principal amount of \$5,000 or any integral multiple thereof and in the case of a partial redemption of any maturity of Series 2026A Bonds when Series 2026A Bonds of denominations greater than \$5,000 are then Outstanding, then for all purposes in connection with such redemption each \$5,000 of face value shall be treated as though it were a separate Series 2026A Bond of the denomination of \$5,000. If it is determined that one or more, but not all, of the \$5,000 units of face value represented by any Series 2026A Bond is selected for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the Owner of such Series 2026A Bond or the Owner’s duly authorized agent shall forthwith present and surrender such Series 2026A Bond to the Paying Agent, (a) for payment of the redemption price (including the premium, if any, and interest to the date fixed for redemption) of the \$5,000 unit or units of face value called for redemption, and (b) for exchange, without charge to the Owner thereof, for a new Series 2026A Bond of the aggregate principal amount of the unredeemed portion of the principal amount of such Series 2026A Bond. If the Owner of any such Series 2026A Bond of a denomination greater than \$5,000 shall fail to present such Series 2026A Bond to the Paying Agent for payment and exchange as aforesaid, if sufficient moneys to effect such payment shall be held in trust by or for the account of the Paying Agent, such Series 2026A Bond shall, nevertheless, become due and payable on the redemption date to the extent of the \$5,000 unit or units of face value called for redemption (and to that extent only).

Notice of Redemption. Under the terms of the 1992 Resolution, the Bond Registrar is to give notice, in the name of the Secretary, of the redemption of Series 2026A Bonds, by mailing a copy of the redemption notice to the Owners of the Series 2026A Bonds to be redeemed not less than 30 days nor more than 60 days prior to the redemption date. Notice will be mailed to the Owners at their last addresses appearing upon the registration books of the Bond Registrar. Any defect in a notice of redemption or the failure of the Bond Registrar to mail any notice to the Owner of any Series 2026A Bond which is to be redeemed shall not affect the validity of the proceedings for the redemption of any other Bonds for which

* Preliminary; subject to change.

notice is properly given. Any notice which is mailed in the manner provided in the 1992 Resolution shall be conclusively presumed to have been duly given, whether or not the Owner received the notice.

For so long as the Securities Depository is effecting book-entry transfers of the Series 2026A Bonds, the Bond Registrar shall provide the notices specified 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 Series 2026A Bond (having been mailed notice from the Bond Registrar, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the Series 2026A Bond so affected, shall not affect the validity of the redemption of such Series 2026A Bond.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds received from the sale of the Series 2026A Bonds are expected to be expended by the Department as follows:

Sources of Funds

Principal Amount of the Series 2026A Bonds	\$ _____
[Net] Original Issue Premium/(Discount)	
Total Sources of Funds	\$ _____

Uses of Funds

Deposit to Highway Bond Proceeds Fund	\$ _____
Costs of Issuance	
Underwriters' Discount	
Total Uses of Funds	\$ _____

Highway Projects

A portion of the proceeds of the Series 2026A Bonds will be deposited to the Highway Bond Proceeds Fund and applied to a portion of the costs of construction, reconstruction, maintenance and improvement of highways in the State in accordance with the Act and the IKE Program. The Highway Bond Proceeds Fund is created by the Act and is in the custody of the State Treasurer. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Funds and Accounts—*Highway Bond Proceeds Fund*."

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS

Legal Authority and Current Statutory Bond Authorization

The Series 2026A Bonds will be special obligations of the State and are being issued by the Secretary pursuant to the Act, the 1992 Resolution and the Thirty-Seventh Supplemental Resolution. Under the terms and provisions of the Act, the Secretary is authorized to issue bonds to pay costs of construction, reconstruction, maintenance and improvement of highways in the State and expenses incidental thereto, pay costs of issuance, provide credit enhancement and pay administrative and other expenses incurred in carrying out the powers granted by the Act.

The Series 2026A Bonds will be issued and secured on a parity with the Outstanding Bonds previously issued under the 1992 Resolution and described under "Outstanding Bonds," below. Except as

described under “INTRODUCTION—Statutory Authorization; Prior Bonds and Additional Bonds,” the Act permits the Secretary to issue additional highway revenue bonds without a stated statutory dollar limitation, but subject, however, to the condition that the Secretary certify that, as of the date of issuance of any such bonds, the maximum annual debt service on all Outstanding Bonds and on such bonds proposed to be issued will not exceed 18% of Revenues projected for the then-current or any future Fiscal Year.

In addition to the requirements of the Act, the 1992 Resolution also contains conditions with respect to the issuance of Additional Bonds thereunder. See the sub-caption “Additional Bonds,” below.

Outstanding Bonds

Beginning with the issuance on March 15, 1992, of the Highway Revenue Bonds, Series 1992, the Secretary has issued 36 series of Bonds under the 1992 Resolution, as supplemented by the First through the Thirty-Sixth Supplemental Resolutions (the “Existing Supplemental Resolutions”). All such Bonds have been issued as Parity Bonds and no Subordinate Bonds have been issued thereunder.

The Parity Bonds currently Outstanding under the 1992 Resolution (collectively, the “Outstanding Bonds”) are shown in the following table:

Outstanding Parity Bonds

<u>Series</u>	<u>Dated Date</u>	<u>Bond Name</u>	<u>Final Scheduled Maturity</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding 9/28/2026</u>
2017A	10/10/2017	Highway Revenue Bonds	9/1/2037	\$200,000,000	\$149,080,000
2018A	10/16/2018	Highway Revenue Bonds	9/1/2037	173,035,000	123,555,000
2024A	6/25/2024	Highway Revenue and Refunding Bonds	9/1/2043	694,015,000	613,390,000
2025A	6/11/2025	Highway Revenue and Refunding Bonds	9/1/2044	729,980,000	<u>672,670,000</u>
					<u>\$1,558,695,000</u>

Expectations for Issuance of Additional Bonds

The Secretary expects to issue approximately \$1.2 billion in total principal amount of Bonds (which amount includes the non-refunding portions of the Highway Revenue and Refunding Bonds, Series 2024A and the Highway Revenue and Refunding Bonds, Series 2025A, and the Series 2026A Bonds) over the duration of the IKE Program to finance construction, improvement, reconstruction and maintenance of the State Highway System pursuant to the IKE Program. Of such amount, the Secretary currently expects to issue Additional Bonds in the approximate principal amount of \$200 million in the beginning of Fiscal Year 2028. The Secretary may also issue Refunding Bonds for debt service savings when possible. See the sub-captions “Additional Bonds” and “Refunding Bonds,” below.

Special Obligations

The Series 2026A Bonds and the interest thereon are special obligations of the State and are payable and collectible solely from the Revenues in the State Highway Fund and transferred to the Debt Service Fund. The owners of the Series 2026A Bonds may not look to the State General Fund or any other fund of the State for payment, and the Series 2026A Bonds will not constitute indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation, nor can they be considered or held to be general obligations of the State.

Revenues

Payments of principal of, premium, if any, and interest on all Bonds are payable solely from Revenues deposited in or transferred to the State Highway Fund and transferred to the Debt Service Fund.

The Act authorizes and empowers the Secretary to transfer from the State Highway Fund to the Debt Service Fund such amounts as shall be required for paying principal of, premium, if any, and interest on all Bonds and refunding bonds issued under the Act and for creating reserves for such purposes.

The 1992 Resolution provides that all Bonds and the interest and premium thereon shall be secured by a first lien and claim on the Revenues. Such lien secures both Parity Bonds and Subordinate Bonds; however, under the 1992 Resolution, Revenues deposited into the Debt Service Fund are used first to pay interest on, principal of and premium, if any, on Parity Bonds before making payments on Subordinate Bonds.

Information concerning the State Highway Fund and the current sources of funding for the State Highway Fund is set forth under “THE STATE HIGHWAY FUND” and in Appendix C. Such sources of funding for the State Highway Fund and the level of such funding may be changed from time to time at the discretion of the Kansas Legislature.

The Revenues are defined in the 1992 Resolution, as supplemented through the Sixth Amendatory Supplemental Resolution adopted by the Secretary on August 17, 2010, to include the following:

Motor Fuels Taxes. The Kansas Constitution, at Article 11, Section 10, provides that the State shall have the power to levy special taxes on motor fuels and requires that the revenues from such motor fuel taxes be used for road and highway purposes. A portion of the State’s motor fuel tax, special fuels tax and trip permit fees is transferred or credited to the State Highway Fund in the manner and in the percentages provided by State statute. Since July 1, 2003, the applicable State statute has provided that the State Treasurer shall credit 66.37% of the total amounts received from the Motor Fuels Taxes (as defined herein) after provisions for refunds to the State Highway Fund. See “Motor Fuels Taxes” under “THE STATE HIGHWAY FUND” herein and in Appendix C hereto.

Sales Taxes and Compensating Use Taxes. The current State sales tax and compensating use tax rates, effective July 1, 2015, are 6.50%. The 2022 Kansas Legislature enacted legislation which phased out sales tax and compensating use tax imposed on the sale of food and food ingredients. Over three annual reductions on January 1, 2023, 2024 and 2025, the bill reduced the state sales tax and compensating use tax rate on food and food ingredients from 6.50% to 0.00%. See the sub-caption “Legislative Changes Affecting Revenues,” below, and “INVESTMENT CONSIDERATIONS—General Factors Affecting Revenues.”

A portion of the receipts from the Sales Tax (as defined herein) and Compensating Use Tax (as defined herein) (after refunds) have been designated to be credited directly to the State Highway Fund since 1989. Since January 1, 2025, 18.0% of Sales Tax and Compensating Use Tax receipts collected have been credited to the State Highway Fund. See “Sales Taxes and Compensating Use Taxes” under “THE STATE HIGHWAY FUND” herein and in Appendix C hereto.

Drivers’ License and Vehicle Registration Fees. The Kansas Constitution, at Article 11, Section 10, specifically and additionally provides that the State shall have the power to levy special taxes on motor vehicles, with the receipts from such special taxes to be used for road and highway purposes. The State’s vehicle registration and certificates of title fees are transferred or credited to the State Highway Fund in accordance with State statute. Currently, under K.S.A. 8-146, the Division of Vehicles of the Department

of Revenue is required, at least monthly, to remit all vehicle registration fees (“Vehicle Registration Fees”) received to the State Treasurer, who is directed to credit such amounts as required by statute to the State Highway Fund. Since January 1, 2026, the applicable State statute has provided that the State Treasurer shall, after provisions for refunds, credit 66.37% of amounts received from Vehicle Registration Fees for electric, electric hybrid and plug-in electric hybrid vehicles and 100% of amounts received from Vehicle Registration Fees for other types of vehicles to the State Highway Fund.

Currently, under K.S.A. 8-267, the Division of Vehicles of the Department of Revenue is required to daily remit fees received in connection with issuing drivers’ licenses (“Drivers’ License Fees”) to the State Treasurer. A portion of certain Drivers’ License Fees is credited to special funds that are distributed to schools, community colleges, and vocational schools for certain driver training courses. The remainder of all Drivers’ License Fees are credited to the State Highway Fund.

See “Vehicle Registration, Drivers’ Licenses and Vehicle Permits” under “THE STATE HIGHWAY FUND” herein and in Appendix C hereto.

Federal Transportation Reimbursements. With the effectiveness of certain amendments to the 1992 Resolution that became effective in 2013, federal reimbursements to the State from the Federal Highway Trust Fund to the State Highway Fund became included in Revenues for all purposes of the 1992 Resolution. See “Exclusion From Revenues for Certain Purposes,” below and “THE STATE HIGHWAY FUND—Federal Reimbursements” and “FEDERAL TRANSPORTATION LEGISLATION” herein.

Other Moneys. All other moneys regardless of their origin, transferred to or credited to the State Highway Fund, except for moneys, the use of which is restricted by law from paying debt service on the Bonds.

See Appendix C to this Official Statement for a more complete discussion of the various components of the Revenues and current sources of funds in the State Highway Fund.

Legislative Changes Affecting Revenues

There is no requirement that funds generated from Sales Taxes, Compensating Use Taxes or Drivers’ License Fees described above under “Revenues,” or funds from other sources currently being deposited into or credited to the State Highway Fund, will continue to be required to be deposited or credited thereto or that the amounts or percentages from such sources will not be changed by the Kansas Legislature from time to time. As indicated under “*Motor Fuels Taxes*” and “*Drivers’ License and Vehicle Registration Fees*,” above, revenues from Motor Fuels Taxes and Vehicle Registration Fees are required by the Kansas Constitution to be used for road and highway purposes. However, the Kansas Legislature could eliminate or reduce the amount of Motor Fuels Taxes or Vehicle Registration Fees or could change the percentages credited to the State Highway Fund. The Kansas Legislature has in the past and may in the future amend the laws relating to Motor Fuels Taxes, Sales Taxes, Compensating Use Taxes, Drivers’ License Fees, and Vehicle Registration Fees and the State Highway Fund and may amend other laws which otherwise affect the Revenues. However, so long as the Series 2026A Bonds are Outstanding any such amendments would be subject to the covenants of the State in the 1992 Resolution to maintain the State Highway Fund and to credit or transfer to the State Highway Fund Revenues as described in the following paragraph.

The State covenants in the 1992 Resolution that, in each Fiscal Year, it will credit or transfer, to the State Highway Fund, Revenues in an amount at least equal to 300% of the debt service due and payable in such Fiscal Year on all Parity Bonds then Outstanding.

Exclusion From Revenues for Certain Purposes

Former Exclusion of Federal Reimbursements. The 1992 Resolution originally provided that there be excluded from Revenues any reimbursements received from the federal government and from local government entities for purposes of (i) calculating the 300% coverage of debt service due and payable in each Fiscal Year on all Parity Bonds Outstanding as described under the sub-caption “Covenant to Maintain and Fund State Highway Fund,” below, and (ii) calculating the 300% coverage of maximum annual aggregate Adjusted Debt Service Requirements due and payable in each Fiscal Year on all Parity Bonds Outstanding and Additional Bonds proposed to be issued as described under the sub-caption “Additional Bonds,” below.

Inclusion of Federal Reimbursements; Continued Exclusion of Local Reimbursements. The Second Amendatory Supplemental Resolution amended the 1992 Resolution to eliminate the exclusion of reimbursements received from the federal government (but made no change regarding the exclusion of reimbursements received from local government entities) in Revenues for the purposes described in the preceding paragraph. This amendment became effective with the retirement of the Series 1998 Bonds on September 1, 2013.

See the table on page 20 hereof, including the columns “Federal” and “Local” under “Intergovernmental Reimbursements” for historical and projected annual amounts of federal and local governmental reimbursements. Also see footnote 1 under the Projected Debt Service Coverage table under “REVENUES AND DEBT SERVICE COVERAGE—Projected Debt Service Coverage” herein.

Funds and Accounts

The Act and the 1992 Resolution establish a series of funds and accounts which are held in the custody of the State Treasurer. The funds and accounts are described in the following paragraphs.

State Highway Fund. The State Highway Fund is a fund within the State Treasury referred to in numerous places in the Kansas statutes. As discussed in more detail under “THE STATE HIGHWAY FUND,” the State Highway Fund is the general operating fund of the Department. The Act authorizes and empowers the Secretary to transfer from the State Highway Fund to the Debt Service Fund such amounts as shall be required to pay debt service on bonds, including refunding bonds, issued under the Act and to provide reserves for such purposes, to pay the costs related to construction, reconstruction, maintenance and improvement of highways in the State and expenses incidental thereto, to pay costs of issuance, to provide credit enhancement and to pay administrative and other expenses incurred in carrying out the powers granted by the Act.

The 1992 Resolution provides a pledge of the Revenues in the State Highway Fund to secure payment of the principal of, premium, if any, and interest on the Series 2026A Bonds. The 1992 Resolution also states that the Revenues shall be held in the State Highway Fund in an express trust by the State Treasurer in the State Treasury to be used and expended solely, strictly and expressly as required by the Act and the 1992 Resolution and any Supplemental Resolutions. The 1992 Resolution provides that the Revenues transferred from the State Highway Fund for deposit into the Debt Service Fund will be used first to make deposits to pay interest on, principal of and premium, if any, on the Parity Bonds before deposits are made to make payments on Subordinate Bonds.

The 1992 Resolution states that the Secretary shall direct the State Treasurer to transfer the first moneys available in the State Highway Fund and deposit to the Debt Service Fund amounts sufficient to make appropriate deposits to the credit of all accounts, subaccounts and funds in the Debt Service Fund as may be specified in the 1992 Resolution and Supplemental Resolutions. With respect to the Series 2026A

Bonds, the Thirty-Seventh Supplemental Resolution requires monthly transfers to the Debt Service Fund of one-sixth of the interest due on the next Interest Payment Date and one-twelfth of the principal due on the next principal payment date. Monthly transfers with respect to the Debt Service Requirements of the Outstanding Bonds also are required by the 1992 Resolution as previously supplemented by the Existing Supplemental Resolutions.

Debt Service Fund. The Act establishes, in the State Treasury, the Debt Service Fund and the 1992 Resolution creates within such Debt Service Fund (i) a special account designated as the “Highway Bond Sinking Fund Account” which is referred to herein as the “Sinking Fund” and creates within the Sinking Fund an Interest Account, Principal Account and Debt Service Reserve Account and (ii) a Bond Related Costs Account. The 1992 Resolution also provides that within the funds and accounts established in the 1992 Resolution, there shall be created such additional separate accounts, subaccounts and funds as shall be required by Supplemental Resolution, and the Thirty-Seventh Supplemental Resolution creates: within the Interest Account, the Series 2026A Bond Interest Account; within the Principal Account, the Series 2026A Bond Principal Account; within the Debt Service Reserve Account, the Series 2026A Debt Service Reserve Account; and within the Bond Related Costs Account, the Series 2026A Bond Related Costs Account.

The 1992 Resolution provides that money transferred from the State Highway Fund and deposited into the Debt Service Fund is to be applied in the following order of priority: (a) into the Interest Account in the Sinking Fund for Parity Bonds; (b) into the Principal Account in the Sinking Fund for Parity Bonds; (c) into the Debt Service Reserve Account for Parity Bonds, if any amount is required; (d) into the Bond Related Costs Account for Parity Bonds; and (e) into the funds and accounts, if any, created for Subordinate Bonds.

After the foregoing deposits have been made, the remaining Revenues, if any, may, under the 1992 Resolution, be used and expended by the Secretary for any other lawful use of the State Highway Fund. If the Secretary determines that an interest rate exchange agreement constituting a Qualified Swap Agreement is being entered into for the purpose of providing substitute interest payments for a series of Bonds, amounts required to be deposited into the Interest Account pursuant to clause (a) above shall include amounts sufficient to make regularly scheduled payments due under such Qualified Swap Agreement.

The 1992 Resolution states that if there is a deficiency in the required deposit to any of the funds or accounts described in (a) through (e) above, and unless the Secretary uses lawfully available Revenues on deposit in the State Highway Fund or other lawfully available moneys to cure such deficiency, all additional Revenues deposited into the State Highway Fund shall be used to make up such deficiencies in such funds and accounts, but only in the priority of deposit set forth above, prior to making any deposits to any lower priority fund, account or subaccount.

Series 2026A Reserve Account. The 1992 Resolution does not require that a debt service reserve fund or account be created for Bonds issued under the 1992 Resolution, but provides that, with respect to any series of Bonds, a debt service reserve fund or account may be created by Supplemental Resolution. The 1992 Resolution creates, in the Sinking Fund, a Debt Service Reserve Account. The Thirty-Seventh Supplemental Resolution creates therein the Series 2026A Debt Service Reserve Account (the “Series 2026A Reserve Account”).

Deposits into the Series 2026A Reserve Account will not be required unless the amount of Revenues (including reimbursements received from the federal government but excluding reimbursements received from local government entities) transferred or deposited into the State Highway Fund for any Fiscal Year is less than 300% of maximum annual aggregate Adjusted Debt Service Requirements on Parity Bonds Outstanding in that Fiscal Year. If in any Fiscal Year the 300% requirement is not met, then,

commencing in the first calendar month following the date the Department receives its audited financial statements for the year in which the requirement was not met, and continuing each month until the Reserve Requirement (as described below) is on deposit in the Series 2026A Reserve Account (or, if earlier, the time when the requirement to fund the Series 2026A Reserve Account is discontinued), the State Treasurer is directed to deposit into the Series 2026A Reserve Account an amount equal to one forty-eighth (1/48th) of the Reserve Requirement. Notwithstanding the foregoing, if, after having failed for one or more Fiscal Years to achieve the 300% requirement, the 300% requirement is achieved for two consecutive Fiscal Years (as shown by the audited financial statements of the Department for such years), then all amounts in the Series 2026A Reserve Account will be released from such account and transferred to the State Highway Fund and no further deposits will be required unless a subsequent failure to meet the 300% requirement occurs.

If, at any time, amounts are withdrawn from the Series 2026A Reserve Account to pay debt service on the Series 2026A Bonds, deposits, in approximately equal monthly amounts, are to be made in amounts sufficient to restore, in not more than 24 months, the amount withdrawn. In addition, if, at any time, the Series 2026A Reserve Account is required to be funded, the State Treasurer is required to value such accounts at least monthly and, if the valuation results in the amount in such account being less than the Reserve Requirement (or the portion thereof required to be in such account at such time), the deficiency is to be restored by deposits, in approximately equal monthly amounts, to be made from the State Highway Fund over a period of not more than 24 months.

The “Reserve Requirement,” with respect to the Series 2026A Bonds, means the least of (a) the maximum amount of principal of and interest due in any Fiscal Year on any Series 2026A Bonds Outstanding on the day following the day of calculation, (b) 125% of the average annual debt service on the Series 2026A Bonds then Outstanding, or (c) 10% of the sale proceeds of the Series 2026A Bonds, calculated in each case by giving effect to each redemption of Outstanding Series 2026A Bonds.

The Existing Supplemental Resolutions each provided for the creation of debt service reserve accounts for the Outstanding Bonds, with substantively identical funding and restoration requirements as those established by the Thirty-Seventh Supplemental Resolution for the Series 2026A Bonds.

Highway Bond Proceeds Fund. The Act states that proceeds from the sale of bonds issued thereunder are deemed to be trust funds and shall be deposited in the custody of the State Treasurer in the Highway Bond Proceeds Fund which is established by the Act. Proceeds of the Series 2026A Bonds will be deposited into the Highway Bond Proceeds Fund. Moneys in the Highway Bond Proceeds Fund are to be withdrawn only upon vouchers or transfers signed by the Secretary. The 1992 Resolution provides that upon the occurrence of an Event of Default under the 1992 Resolution, any moneys in the Highway Bond Proceeds Fund shall be transferred by the Secretary to the Debt Service Fund and applied as described above with respect to such Fund.

Investment of Funds and Accounts. The 1992 Resolution states that, except as otherwise restricted in the 1992 Resolution, any moneys held as a part of any of the Sinking Fund, funds, accounts or subaccounts authorized in the 1992 Resolution or in a Supplemental Resolution shall be invested or reinvested by the Pooled Money Investment Board (the “PMIB”) in Investment Securities, at the oral or written request of the Secretary. Subject to the provisions set forth below, the PMIB shall follow the directions of the Secretary with respect to the type, amount and maturity of those investments and whether those investments should be sold, surrendered or exchanged or another disposition should be made of them; provided that, in any case, the maturities or availability of the investments shall coincide with the respective dates as of which payments are required to be made from the respective funds, accounts and subaccounts.

The 1992 Resolution permits investments of moneys in the Highway Bond Proceeds Fund and the Sinking Fund in various investment securities. See the definition “Investment Securities” in Appendix E hereto for a complete description thereof.

Investments are to be held by or under the control of the State Treasurer and, under the terms of the 1992 Resolution, shall be deemed at all times to constitute a part of the fund, account or subaccount from which they shall have been made. Except for the investment earnings received from moneys held in the Highway Bond Proceeds Fund which shall be transferred to the Sinking Fund and allocated to the Interest Account and then to the Principal Account, as needed, any investment earnings will be credited, and any loss resulting therefrom will be charged, to the respective fund, account and subaccount from which the investments shall have been made.

The Paying Agent must notify the PMIB and it must sell and convert to cash a sufficient portion of investments whenever the cash balance in any of the funds, accounts or subaccounts is insufficient to pay the current requirements from that fund, account or subaccount. The PMIB has been irrevocably instructed to sell or redeem investments credited to the respective funds, accounts and subaccounts to produce moneys which are sufficient at the times required for the purposes of paying principal of, premium, if any, and interest on Bonds, without the necessity for and without restriction by reason of any further order of the Secretary.

The PMIB, established pursuant to K.S.A. 75-4221a, is charged with the management of different State pooled moneys. In addition, the PMIB is named as the investing arm of the State for various special portfolios, such as the State Highway Fund, which are authorized by specific statutes. The PMIB consists of the State Treasurer and four gubernatorial appointees who serve staggered terms. One of the five is appointed as chairperson by the Governor. The PMIB is, in turn, authorized to appoint officers, analysts and other employees to fulfill its directives. As of June 30, 2026, the State investment portfolio (Pooled Money Investment Portfolio or PMIP) managed by the Pooled Money Investment Board totaled approximately \$8.2 billion.

Additional Bonds

The 1992 Resolution provides for the issuance of Bonds thereunder. Such Bonds may be Parity Bonds or Subordinate Bonds. In this Official Statement, all Bonds referred to as “Additional Bonds” are Parity Bonds. The tests for the issuance of Additional Bonds set forth below do not need to be met prior to the issuance of Subordinate Bonds.

The Act permits the Secretary to issue additional highway revenue bonds without a stated statutory dollar limitation, but subject, however, to the condition that the Secretary certify that, as of the date of issuance of any such bonds, the maximum annual debt service on all Outstanding Bonds and on such bonds proposed to be issued will not exceed 18% of Revenues projected for the then-current or any future Fiscal Year. See “INTRODUCTION—Statutory Authorization; Prior Bonds and Additional Bonds” for further discussion of the current and past requirements of the Act for the issuance of Additional Bonds.

The 1992 Resolution provides that, prior to the issuance of Additional Bonds, the Department must obtain a report of an Independent Accountant stating that the sum of:

- (a) the amount of the Revenues transferred to or deposited into the State Highway Fund in any 12 consecutive months out of the most recent 18 months preceding the issuance of such Additional Bonds (provided, that, in the event that State legislation has been enacted that has changed the rate or distribution of any of the taxes or fees, comprising Revenues or that has changed any of the transactions subject to the fees, excises or license taxes comprising the Revenues at any

time subsequent to the beginning of such 12-month period, then the amount of Revenues for such 12-month period shall be adjusted to the level which the Secretary determines would have been deposited into the State Highway Fund in such 12-month period if such changed rate or distribution or such change in such transactions had been in effect for the entire 12-month period), plus

(b) the amount of any other moneys received by the State Treasurer during the period described in (a) that constitute Revenues,

was not less than 300% of the maximum annual aggregate Adjusted Debt Service Requirements on Outstanding Parity Bonds in the then-current or any future Fiscal Year, including the maximum annual Adjusted Debt Service Requirements on the Additional Bonds then proposed to be issued but excluding the Adjusted Debt Service Requirements on any Parity Bonds to be refunded that will not be Outstanding immediately after the issuance of such Additional Bonds. See the sub-caption “Exclusion From Revenues for Certain Purposes” herein for a discussion of certain reimbursements excluded from Revenues in calculating the 300% requirement for this purpose.

Refunding Bonds

Refunding Bonds may be issued as Parity Bonds upon satisfaction of the test set forth immediately above. Refunding Bonds may be issued as Subordinate Bonds for refunding purposes without meeting the test set forth immediately above upon the delivery of a certificate of the Secretary setting forth either:

(a) by Fiscal Year, with respect to the Bonds to be refunded, the aggregate Adjusted Debt Service Requirements due immediately prior to the date of issuance of such refunding Bonds for the then-current and each future Fiscal Year during which such series of Bonds would be Outstanding if not refunded;

(b) the aggregate Adjusted Debt Service Requirements for each Fiscal Year set forth in (a) above on all Bonds of such series which will remain Outstanding immediately after the date of issuance of the proposed refunding Bonds and on the Bonds to be issued to refund Bonds of such series; and

(c) that the aggregate Adjusted Debt Service Requirements on Bonds set forth for each Fiscal Year pursuant to (b) above is not more than 100% of that set forth for such Fiscal Year pursuant to (a) above; or

(d) the refunding is for the purpose of curing an Event of Default.

Covenant to Maintain and Fund State Highway Fund

In the 1992 Resolution, the State covenants and agrees for the benefit, security and protection of all owners of the Series 2026A Bonds:

(a) to maintain the State Highway Fund so long as any of the Series 2026A Bonds remain Outstanding; and

(b) that Revenues in each Fiscal Year shall be not less than 300% of the amount sufficient to pay debt service on all Parity Bonds Outstanding during such Fiscal Year. If, in any Fiscal Year, the 300% requirement (including in Revenues reimbursements received from the federal government but excluding reimbursements received from local government entities) is not achieved, the Thirty-Seventh Supplemental Resolution requires that moneys from the State

Highway Fund be used, over a period of 48 months (or until the 300% deposit requirement is achieved for two consecutive years if sooner), to fund the Series 2026A Reserve Account. The Existing Supplemental Resolutions each provided for the creation of debt service reserve accounts for the Outstanding Bonds with substantively identical funding and restoration requirements as those established by the Thirty-Seventh Supplemental Resolution for the Series 2026A Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Funds and Accounts—*Series 2026A Reserve Account*” herein.

THE STATE HIGHWAY FUND

General

The State Highway Fund is a fund within the Kansas State Treasury and serves as the Department’s general operating fund. It is used to account for all financial transactions applicable to the general operations of the Department, including road and bridge repairs, maintenance and construction, planning and development, engineering and administration.

Basis of Projections

The Department makes and, from time to time updates, projections or estimates concerning the revenues expected to be available to the State Highway Fund and the expenditures of the Department. The Department reviews and considers information from various sources in preparing projections. Two sources upon which the Department relies are (a) the State’s Consensus Revenue Estimating Group and (b) the Highway Revenue Estimating Group.

The Consensus Revenue Estimating Group includes staff from the State’s Division of the Budget, Department of Revenue, and Legislative Research Department, as well as three consulting economists from State universities. The members of the group prepare independent estimates of receipts to the State General Fund, then meet to arrive at a consensus. Although the primary emphasis of the group is on State General Fund receipts, the group also prepares estimates for the growth rate of personal income, inflation, interest rates and oil and gas prices and production, all of which have an effect on the State’s revenues. The Department reviews the Consensus Revenue Estimating Group’s estimates to determine whether such estimates continue to support the Department’s current projections.

The Highway Revenue Estimating Group is composed of representatives from the State’s Division of the Budget, Department of Revenue, Legislative Research Department, and the Department of Transportation and typically meets shortly after the Consensus Revenue Estimating Group meets. The primary function of the Highway Revenue Estimating Group is to prepare forecasts for the amounts of motor vehicle registration fees and Motor Fuels Taxes that will be collected. The larger Consensus Revenue Estimating Group does not prepare estimates for these revenues which do not flow to the State General Fund. In addition, since the larger Consensus Revenue Estimating Group only estimates the growth of revenues from Sales Taxes and Compensating Use Taxes for two years, the Highway Revenue Estimating Group agrees on a long-term growth rate of revenues from Sales Taxes and Compensating Use Taxes.

The Consensus Revenue Estimating Group’s most recent estimates are as of April 20, 2026, with adjustments as of May 28, 2026 to reflect the fiscal impact of legislation enacted during the 2026 legislative session. The Highway Revenue Estimating Group’s estimates as of November 20, 2025 are incorporated into the Department’s projections for Motor Fuels Taxes, Vehicle Registration Fees, Sales Taxes and Compensating Use Taxes.

With respect to the Department's estimates for the primary sources of revenues to be transferred or credited to the State Highway Fund, brief discussions of the basis of such estimates are included in Appendix C to this Official Statement.

The accompanying prospective financial information 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, but, in the view of the Department's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Department. However, this information is not fact and should not be relied upon as being necessarily indicative of future results. Readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

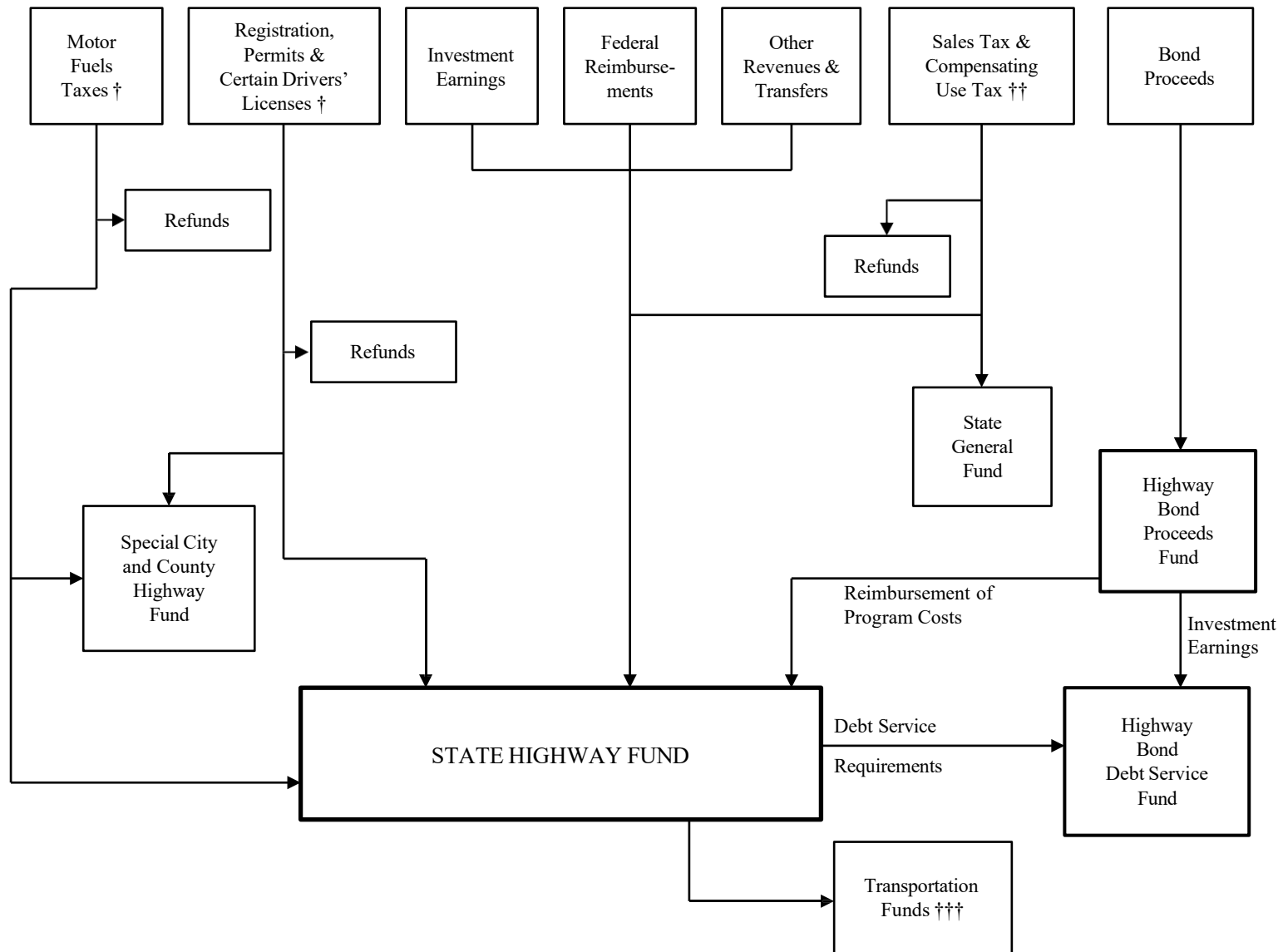
Neither the Department's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

See "INVESTMENT CONSIDERATIONS—Forward-Looking Statements" herein.

Sources of Funds in State Highway Fund

The following chart illustrates the current flow of revenues and bond proceeds into the State Highway Fund, the Highway Bond Proceeds Fund and the Debt Service Fund.

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For illustrative purposes only; see the narrative discussion.

† Currently, 66.37% of Motor Fuel Taxes are credited to the State Highway Fund, with the remaining 33.63% credited to the Special City and County Highway Fund; 66.37% of Vehicle Registration Fees for electric, hybrid, and plug-in electric hybrid vehicles are credited to the State Highway Fund, with the remaining 33.63% credited to the Special City and County Highway Fund; and 100% of the Vehicle Registration Fees for remaining vehicles are credited to the State Highway Fund.

†† Currently 18.00% of the revenue collected from Sales Taxes and Compensating Use Taxes is credited to the State Highway Fund.

††† See “KANSAS DEPARTMENT OF TRANSPORTATION—Responsibilities of Department—*Transportation Revolving Fund*,” “*Radio Tower Statewide Communication Infrastructure*” and “*Kansas Intermodal Transportation Revolving Fund*” herein.

Flow of Revenues and Bond Proceeds

The moneys currently credited to or transferred to the State Highway Fund are derived primarily from the following sources: (a) the Motor Fuels Taxes, (b) Drivers' License Fees and Vehicle Registration Fees, (c) a portion of the Sales Tax and Compensating Use Tax receipts, (d) investment income on the State Highway Fund, (e) intergovernmental transfers consisting primarily of federal grant funds in reimbursement of expenditures made by the Department and reimbursements from local governments, (f) transfers-in to the State Highway Fund from other Department funds and (g) miscellaneous other sources. The following table sets forth, by category, the major sources of funds credited to or transferred to the State Highway Fund and the amount of such funds in each of the Fiscal Years 2017 through 2026 and the amount of such funds estimated by the Department for each of the Fiscal Years 2027 through 2031. Each of the sources is described in the paragraphs following the table. More detail with respect to the primary current sources is set forth in Appendix C to this Official Statement. A description of the basis of the Department's estimates is set forth under "Basis of Projections" hereinabove and additional information with respect to the estimates for certain categories is contained in Appendix C.

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State of Kansas, Department of Transportation
State Highway Fund
Sources of Funds, Excluding Bond Proceeds
For the Fiscal Year Ended June 30
(Amounts in Thousands of Dollars)

Fiscal Year	Motor Fuel Taxes	Direct Credit Sales Tax	Other Transfers	Registration, Licenses and Permits	Intergovernmental Reimbursements		Investment Earnings ²	Other	Total ³
					Federal ¹	Local ¹			
2017	299,587	513,533	4,272	219,710	393,447	29,748	848	5,883	1,467,028
2018	303,507	530,765	1,101	218,765	377,180	23,257	3,970	8,430	1,466,975
2019	308,435	532,756	51,226	223,273	422,894	16,793	10,445	5,923	1,571,745
2020	297,484	549,033	1,045	221,245	418,658	22,186	12,583	6,554	1,528,788
2021	300,129	610,398	2,787	237,677	411,794	22,804	1,258	4,580	1,591,427
2022	308,998	668,882	1,705	240,333	535,203	24,904	197	5,914	1,786,136
2023	308,186	732,876	2,687	247,560	536,528	33,183	27,326	9,631	1,897,977
2024	305,567	723,235	1,060	246,514	465,534	18,960	25,967	10,303	1,797,140
2025	307,084	738,935	1,100	252,182	733,211	43,359	17,240	15,376	2,108,487
2026	315,501	768,487	10,681	253,068	471,143	17,980	19,202	5,860	1,861,922
2027	307,809	783,803	1,066	250,922	667,268 [†]	29,811	12,166	5,396	2,058,241
2028	307,809	802,703	1,066	251,922	657,022 [†]	34,148	10,366	5,396	2,070,432
2029	307,809	822,094	1,066	252,922	656,022	34,813	10,624	5,396	2,090,746
2030	307,809	841,990	1,066	253,922	588,322	28,947	5,999	5,396	2,033,451
2031	307,809	862,404	1,066	254,922	588,322	17,528	1,855	5,396	2,039,302

Note: Fiscal Years (FY) 2017 through 2026 are derived from audited information. FY 2027 through 2031 are estimates based on current statutory transfer provisions.

¹ Federal intergovernmental reimbursements do not include receipts of Government Interest Subsidy Payments in FY 2025 with respect to the interest payable on the Department's Taxable Highway Revenue Bonds, Series 2010A (Build America Bonds—Direct Payment to Issuer) (the "2010A Bonds"), which were deposited directly to the Debt Service Fund while the 2010A Bonds were outstanding. The 2010A Bonds were refunded by the Department on July 26, 2024, but the Department received Government Interest Subsidy Payments attributable to the period between the immediately prior interest payment on the 2010A Bonds and the date of such refunding.

² Investment earnings decline as balances are expended and/or investment rates of return diminish.

³ Totals may not agree due to rounding.

[†] The Department currently projects a lower level of federal reimbursements starting in FY 2028 due to (a) the expiration of the Infrastructure Investment and Jobs Act (see "FEDERAL TRANSPORTATION LEGISLATION—The Infrastructure Investment and Jobs Act") and the resulting uncertainty of funding levels in fiscal years after such expiration, and (b) the anticipated receipt of certain additional discretionary funding over the course of the construction of a specific project in FY 2024 through FY 2029 which is expected to be completed before FY 2030.

Motor Fuels Taxes

The Kansas Constitution, at Article 11, Section 10, specifically provides that the State shall have the power to levy special taxes on motor fuels for road and highway purposes. The Kansas Legislature has enacted statutes imposing a tax per gallon on (1) all motor fuels (gasoline, gasohol and E85) used, sold or delivered in the State, (2) the use of special fuels (primarily diesel fuel) in any motor vehicle and (3) all liquefied petroleum gas fuel placed in fuel supply tanks or tanks of any motor vehicle. In addition, the current law provides for the issuance of trip permits to interstate motor fuel users who are exempt from interstate motor fuel user reporting requirements because of infrequent travel across Kansas. The tax imposed on motor fuels, special fuels and liquefied petroleum gas fuel and the trip permit fees are, in this Official Statement, collectively referred to as the “Motor Fuels Taxes.”

From July 1, 1992, to June 30, 1999, the tax per gallon on fuels was 18¢ on gasoline and gasohol, 20¢ on diesel, and 17¢ on liquefied petroleum. With the passage of the Comprehensive Transportation Program, the Motor Fuels Tax rates increased by two cents on July 1, 1999, by one cent on July 1, 2001, and by one cent on July 1, 2003. The 2002 Kansas Legislature enacted an additional two cents increase effective July 1, 2002. The statute provided that on July 1, 2020, the rates would revert to those in effect on June 30, 1999; however, the 2010 Kansas Legislature amended the statute to eliminate such reversion in 2020. The current tax per gallon on fuels is 24¢ on gasoline and gasohol, 26¢ on diesel, and 23¢ on liquefied petroleum.

The 2006 Kansas Legislature created an E85 fuel tax rate of 17¢ per gallon effective July 1, 2006. To date, sales of E85 have been minimal.

A 24-hour motor fuel permit is \$13 and a 72-hour motor fuel permit is \$25.

The State Treasurer is directed by statute to credit Motor Fuels Taxes (after refunds) 66.37% to the State Highway Fund and 33.63% to the Special City and County Highway Fund.

The amount of total revenues credited to the State Highway Fund, the amount of revenues derived from Motor Fuels Taxes credited to the State Highway Fund and the resulting percentage of such revenues credited to the State Highway Fund in each of the Fiscal Years 2022-2026 are shown in the following table:

Motor Fuels Taxes

<u>Fiscal Year</u>	<u>Total State Highway Fund Revenues</u>	<u>Motor Fuels Tax Revenues</u>	<u>Percent of Total Revenues Credited</u>
2022	\$1,786,136,000	\$308,998,000	17%
2023	1,897,977,000	308,186,000	16
2024	1,797,140,000	305,567,000	17
2025	2,108,487,000	307,084,000	15
2026	1,861,922,000	315,501,000	17

Additional information concerning the Motor Fuels Taxes is included in Appendix C to this Official Statement.

Vehicle Registration, Drivers' Licenses and Vehicle Permits

The Kansas Constitution, at Article 11, Section 10, specifically and additionally provides that the State shall have the power to levy special taxes on motor vehicles for road and highway purposes. The

Kansas statutes currently require that vehicles be registered, based on vehicle type and weight or use, by the State before they may legally be operated on the Kansas highways and require that drivers be licensed. Kansas law also requires permits for oversize or overweight vehicles.

The 2025 Kansas Legislature increased the annual registration fees for electric, electric hybrid and plug-in electric hybrid vehicles effective January 1, 2026, and directed that a portion of these registration fees be remitted to the Special City and County Highway Fund. Since January 1, 2026, the State Treasurer has been directed by statute to credit Vehicle Registration Fees (after refunds) (1) for electric, electric hybrid and plug-in electric hybrid vehicles, 66.37% to the State Highway Fund and 33.63% to the Special City and County Highway Fund, and (2) for remaining vehicles, 100% to the State Highway Fund.

Since January 1, 2013, a \$4 surcharge has been imposed on registrations collected and remitted to the Department of Revenue for the purpose of integrating and modernizing the Vehicle Information Processing System. This surcharge has resulted in annual revenues of approximately \$12 million. In Fiscal Years 2018 through 2022, \$2.5 million was annually transferred to other State agencies, with the remainder credited to the State Highway Fund. Since Fiscal Year 2023, the full amount of revenue derived from such surcharge has been credited to the State Highway Fund. During Fiscal Year 2027, no portion of the surcharge is expected to be transferred by the Department of Revenue to other State agencies.

The amount of total revenues credited to the State Highway Fund, the amount of revenues derived from drivers' licenses, vehicle registrations and permits credited to the State Highway Fund and the resulting percentage of such revenues credited to the State Highway Fund in each of the Fiscal Years 2022-2026 are shown in the following table:

Drivers' Licenses, Vehicle Registrations and Permits

<u>Fiscal Year</u>	<u>Total State Highway Fund Revenues</u>	<u>Drivers' Licenses/Vehicle Registrations/Permits Revenues</u>	<u>Percent of Total Revenues Credited</u>
2022	\$1,786,136,000	\$240,333,000	13%
2023	1,897,977,000	247,560,000	13
2024	1,797,140,000	246,514,000	14
2025	2,108,487,000	252,182,000	12
2026	1,861,922,000	253,068,000	14

Additional information concerning drivers' licenses, vehicle registrations and permits is included in Appendix C to this Official Statement.

Sales Taxes and Compensating Use Taxes

Kansas law currently provides that a portion of the Sales Tax and Compensating Use Tax be credited or transferred to the State Highway Fund.

Kansas law imposes a retail sales tax (the "Sales Tax") for the privilege of engaging in the business of selling tangible personal property at retail in the State or rendering or furnishing certain services which are taxed under the provisions of the sales tax act. Kansas law also imposes a tax (the "Compensating Use Tax") for the privilege of using, storing or consuming tangible personal property in the State if the property would have been subject to the Sales Tax if the transaction had been wholly within the State.

The current Sales Tax and Compensating Use Tax rates, effective July 1, 2015, are 6.50%, a portion of which is credited directly to the State Highway Fund in accordance with State law.

Prior to July 1, 2006, 5/106ths of the revenue collected at the rate of 5.30%, the equivalent of a 0.25% tax rate, was credited directly to the State Highway Fund. The 2004 Kansas Legislature changed the statute to 19/265ths of the 5.30% effective July 1, 2006, and 13/106ths of the 5.30% effective July 1, 2007, the equivalent of 0.38% for Fiscal Year 2007 and 0.65% for Fiscal Year 2008 and thereafter. The 2010 Kansas Legislature amended the statute to credit 11.427% of the revenue collected at the rate of 6.30% to the State Highway Fund effective July 1, 2010, 11.26% of the revenue collected to the State Highway Fund effective July 1, 2011, and 11.233% of the revenue collected to the State Highway Fund effective July 1, 2012, and beginning July 1, 2013, and thereafter, 18.421% of the revenue collected at the rate of 5.70% to the State Highway Fund. The 2013 Kansas Legislature amended the statute to credit 17.073% of the revenue collected at the rate of 6.15% to the State Highway Fund effective July 1, 2013, and thereafter. The 2015 Kansas Legislature amended the statute to credit 16.226% of the revenue collected at the rate of 6.50% to the State Highway Fund effective July 1, 2015 and 16.154% of the revenue collected at the rate of 6.50% to the State Highway Fund effective July 1, 2016. Beginning January 1, 2023, 17% of the revenue collected was credited to the State Highway Fund and beginning January 1, 2025, 18% of the revenue collected is credited to the State Highway Fund. Such portion of the Sales Tax and Compensating Use Tax (after refunds) is designated to be credited directly to the State Highway Fund.

The 2022 Kansas Legislature enacted legislation phasing out the Sales Tax and Compensating Use Tax imposed on the sale of food and food ingredients by making three annual reductions. Beginning January 1, 2023, the bill reduced the state sales tax and compensating use tax rate on food and food ingredients from 6.5% to 4.0%. The rate was further reduced to 2.0% on January 1, 2024, and was reduced to 0.0% on January 1, 2025. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Legislative Changes Affecting Revenues” and “INVESTMENT CONSIDERATIONS—General Factors Affecting Revenues.”

The amount of total revenues credited to the State Highway Fund, the amount of revenues derived from Sales Taxes and Compensating Use Taxes credited to the State Highway Fund and the resulting percentage of such revenues credited to the State Highway Fund in each of the Fiscal Years 2022-2026 are shown in the following table:

Sales Taxes and Compensating Use Taxes

<u>Fiscal Year</u>	<u>Total State Highway Fund Revenues</u>	<u>Sales/Use Tax Revenues</u>	<u>Percent of Total Revenues Credited</u>
2022	\$1,786,136,000	\$668,882,000	37%
2023	1,897,977,000	732,876,000	39
2024	1,797,140,000	723,235,000	40
2025	2,108,487,000	738,935,000	35
2026	1,861,922,000	768,487,000	41

Additional information concerning the Sales Tax and Compensating Use Tax is included in Appendix C to this Official Statement.

Investment Income

The Department has been granted authority by statute to deposit the earnings on investments in the State Highway Fund into the State Highway Fund. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Funds and Accounts—*Investment of Funds and Accounts*” herein for a discussion of investment policy.

The amount of total revenues credited to the State Highway Fund, the amount of revenues derived from investment income credited to the State Highway Fund and the resulting percentage of such revenues credited to the State Highway Fund in each of the Fiscal Years 2022-2026 are shown in the following table:

Investment Income

<u>Fiscal Year</u>	<u>Total State Highway Fund Revenues</u>	<u>Investment Income Revenues</u>	<u>Percent of Total Revenues Credited</u>
2022	\$1,786,136,000	\$ 197,000	<1%
2023	1,897,977,000	27,326,000	1
2024	1,797,140,000	25,967,000	1
2025	2,108,487,000	17,240,000	<1
2026	1,861,922,000	19,202,000	1

Federal Reimbursements

A significant source of funds to the Department is provided by the Federal Highway Trust Fund and from other federal grant funds in the form of reimbursement for qualified expenditures as well as some matching funds from local units of government for shared projects. The amount of funds available is primarily a function of federal law, the annual appropriations of Congress and the Department's qualifying construction expenditures. See "FEDERAL TRANSPORTATION LEGISLATION" for a description of the Federal-Aid Highway Program funding process. Once the federal moneys are received in reimbursement for Department expenditures, the moneys become available to be expended for any valid Department purpose.

The amount of total revenues credited to the State Highway Fund, the amount of revenues derived from federal reimbursements credited to the State Highway Fund and the resulting percentage of such revenues credited to the State Highway Fund in each of the Fiscal Years 2022-2026 are shown in the following table:

Federal Reimbursements

<u>Fiscal Year</u>	<u>Total State Highway Fund Revenues</u>	<u>Intergovernmental Reimbursements</u> ¹	<u>Percent of Total Revenues Credited</u>
2022	\$1,786,136,000	\$535,203,000	30%
2023	1,897,977,000	536,528,000	28
2024	1,797,140,000	465,534,000	26
2025	2,108,487,000	733,211,000	35
2026	1,861,922,000	471,143,000	25

¹ Does not include federal reimbursements to local governmental entities. See the table on page 20, including the column "Intergovernmental Reimbursements—Local."

Other Revenues

Although the Department's primary revenue sources are Motor Fuels Taxes, Sales Tax and Compensating Use Tax receipts, Drivers' License Fees, Vehicle Registration Fees, vehicle permits, federal reimbursements, interest on the State Highway Fund and operating transfers-in, the Department also receives revenue from other sources which include: sales of usable surplus equipment, sale or lease of excess land and/or buildings, insurance reimbursements and other miscellaneous revenue.

Expenditures

The expenditures from the State Highway Fund have, generally, been divided into seven categories: maintenance, construction, local support, administration, transportation planning and modal support, transfers out and debt service. The following is a brief discussion of each of the seven categories.

Maintenance. Routine maintenance consists of maintenance activities which are performed primarily by Department staff using the Department's own equipment and materials, such as removing snow and ice from roadways during winter, managing the statewide interoperable radio communication system used by the Department and public safety agencies, and maintaining and repairing buildings, equipment, highways and bridges. The Department currently projects that routine maintenance will remain at the current level during the IKE Program. The expenditures for routine maintenance normally occur in the year for which the expenditures were budgeted. The Department assumes that expenditures related to routine maintenance, primarily performed by Department staff, will grow at approximately 2.00% per year.

The amount of total expenditures charged to the State Highway Fund, the amount of expenditures related to Maintenance charged to the State Highway Fund and the resulting percentage of such expenditures charged to the State Highway Fund in each of the Fiscal Years 2022-2026 are shown in the following table:

Maintenance

<u>Fiscal Year</u>	<u>Total State Highway Fund Expenditures</u>	<u>Maintenance Expenditures</u>	<u>Percent of Total Expenditures</u>
2022	\$1,411,177,000	\$139,290,000	10%
2023	1,841,414,000	175,863,000	10
2024	2,013,282,000	176,060,000	9
2025	2,005,670,000	167,659,000	8
2026	2,015,832,000	201,692,000	10

Construction. Construction expenditures include the contract costs for highway and bridge construction projects, expenditures for salaries and operating expenses for preliminary and construction engineering, consulting contracts for engineering services, right-of-way acquisition, utility adjustments and building improvements. In preparing projections, the level of expenditure for each component and the related cash flow are projected independently. The Bureau of Program and Project Management is responsible for developing the construction program. Future highway and bridge construction projects are identified as part of the construction program. The anticipated year of letting and the expected contract cost in nominal dollars are estimated for each project during the program development. The Department currently assumes an inflation rate for construction contracts of 4.50% per year. Once a construction contract is let, it can take up to 36 months for the contract to be completed and the final payment made. The Department assumes that expenditures for salary and operating costs related to preliminary and construction engineering will grow at approximately 2.00% per year and are assumed to be paid in the year budgeted.

The amount of total expenditures charged to the State Highway Fund, the amount of expenditures related to Construction charged to the State Highway Fund and the resulting percentage of such expenditures charged to the State Highway Fund in each of the Fiscal Years 2022-2026 are shown in the following table:

Construction

<u>Fiscal Year</u>	<u>Total State Highway Fund Expenditures</u>	<u>Construction Expenditures</u>	<u>Percent of Total Expenditures</u>
2022	\$1,411,177,000	\$ 826,630,000	59%
2023	1,841,414,000	1,252,154,000	68
2024	2,013,282,000	1,423,619,000	71
2025	2,005,670,000	1,379,484,000	69
2026	2,015,832,000	1,328,082,000	66

Local Support. Local support consists of operations that are intended to provide support for local grant programs and categorical grants. The Department expenditures of salary and operating costs for local support are assumed by the Department to be paid in the year budgeted and are developed from the budget. The cost of these activities is assumed by the Department to grow at approximately 2.00% per year. The categorical grants consist primarily of pass through funding from the federal government and State aid.

The amount of total expenditures charged to the State Highway Fund, the amount of expenditures related to Local Support charged to the State Highway Fund and the resulting percentage of such expenditures charged to the State Highway Fund in each of the Fiscal Years 2022-2026 are shown in the following table:

Local Support

<u>Fiscal Year</u>	<u>Total State Highway Fund Expenditures</u>	<u>Local Support Expenditures</u>	<u>Percent of Total Expenditures</u>
2022	\$1,411,177,000	\$102,401,000	7%
2023	1,841,414,000	143,011,000	8
2024	2,013,282,000	107,637,000	5
2025	2,005,670,000	141,078,000	7
2026	2,015,832,000	157,605,000	8

Transportation Planning and Modal Support. The Transportation Planning and Modal Support program handles planning and management of the agency's transportation program. The program provides for capital and operating assistance for public transportation, preservation or improvement of rail service, improvement of public-use aviation and highway safety activities. The Department expenditures of salary and operating costs are assumed by the Department to be paid in the year budgeted and are developed from the budget. The cost of these activities is assumed by the Department to grow at approximately 2.00% per year.

The amount of total expenditures charged to the State Highway Fund, the amount of expenditures related to Transportation Planning and Modal Support charged to the State Highway Fund and the resulting percentage of such expenditures charged to the State Highway Fund for Fiscal Years 2022-2026 are shown in the following table:

Transportation Planning and Modal Support

<u>Fiscal Year</u>	<u>Total State Highway Fund Expenditures</u>	<u>Transportation Planning Expenditures</u>	<u>Percent of Total Expenditures</u>
2022	\$1,411,177,000	\$53,031,000	4%
2023	1,841,414,000	79,247,000	4
2024	2,013,282,000	92,409,000	5
2025	2,005,670,000	85,327,000	4
2026	2,015,832,000	91,133,000	5

Administration. The Administration program establishes the goals and policy for the agency. It provides for the general administrative services of the agency. The Department expenditures of salary and operating costs for administration are assumed by the Department to be paid in the year budgeted and are developed from the budget. The cost of these activities is assumed by the Department to grow at approximately 2.00% per year.

The amount of total expenditures charged to the State Highway Fund, the amount of expenditures related to Administration charged to the State Highway Fund and the resulting percentage of such expenditures charged to the State Highway Fund in each of the Fiscal Years 2022-2026 are shown in the following table:

Administration

<u>Fiscal Year</u>	<u>Total State Highway Fund Expenditures</u>	<u>Administration Expenditures</u>	<u>Percent of Total Expenditures</u>
2022	\$1,411,177,000	\$59,888,000	4%
2023	1,841,414,000	70,439,000	4
2024	2,013,282,000	77,162,000	4
2025	2,005,670,000	83,611,000	4
2026	2,015,832,000	79,869,000	4

Transfers-Out. The transfers-out are disbursements from the State Highway Fund for the operation of other State agencies. The amounts of the transfers are established by appropriations each year and are expended in the year budgeted.

The amount of total expenditures charged to the State Highway Fund, the amount of expenditures related to transfers-out charged to the State Highway Fund and the resulting percentage of such expenditures charged to the State Highway Fund in each of the Fiscal Years 2022-2026 are shown in the following table:

Transfers-Out

<u>Fiscal Year</u>	<u>Total State Highway Fund Expenditures</u>	<u>Transfers-Out Expenditures</u>	<u>Percent of Total Expenditures</u>
2022	\$1,411,177,000	\$229,937,000	16%
2023	1,841,414,000	120,700,000	7
2024	2,013,282,000	132,978,000	7
2025	2,005,670,000	143,704,000	7
2026	2,015,832,000	152,738,000	8

The State budget approved for Fiscal Year 2027 provides for transfers from the State Highway Fund to certain other departments of the State in the amount of \$158,349,485. The budgeted transfer included in the State budget may be modified from time to time. The Department's budget request for Fiscal Year 2028 provides for a transfer from the State Highway Fund to certain other departments of the State in the amount of \$156,808,378. The amount ultimately approved in the State budget may differ from the amount requested by the Department. Beginning with Fiscal Year 2027, the Department expects transfers-out to grow at approximately 2.00% per year.

Starting in the mid-2010s and continuing through Fiscal Year 2022, State budgets in each Fiscal Year provided for transfers from the State Highway Fund to the State General Fund (and to certain other departments of the State) to alleviate State budget pressures. As required by the 1992 Resolution, these transfers were made after provision was made for the transfers required to be made from the State Highway Fund to the Debt Service Fund. See "INVESTMENT CONSIDERATIONS—Departmental Transfers" herein.

Debt Service. Debt Service disbursements from the State Highway Fund are operating transfers to debt service funds to pay or redeem debt.

Statement of Revenues and Expenditures

Set forth in the following table is the Statement of Revenues, Expenditures and Changes in Fund Balances of the State Highway Fund for each of the last five Fiscal Years (2022-2026) for which audited financial statements of the Department are available. The term "revenues," as used in the following table, is an accounting term and is not intended to refer to "Revenues" as defined in the 1992 Resolution. See Appendix B hereto for the Department's audited financial statements for Fiscal Year 2026.

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State Highway Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Years Ended June 30
(Amounts In Thousands)

	2026	2025	2024	2023	2022
REVENUES:					
Motor Fuels Taxes	\$ 315,501	\$ 307,084	\$ 305,567	\$ 308,186	\$ 308,998
Licenses, Registrations and Permits	253,068	252,182	246,514	247,560	240,333
Intergovernmental Reimbursements					
Federal	471,143	733,211	465,534	536,528	535,203
Local	17,980	43,359	18,960	33,183	24,904
Sales Taxes and Compensating Use Taxes	768,487	738,935	723,235	732,876	668,882
Investment Earnings	19,202	17,240	25,967	27,326	197
Other	5,860	15,376	10,303	9,631	5,914
Appropriations From Other State Funds	10,681	1,100	1,060	2,687	1,705
Total Revenues	<u>1,861,922</u>	<u>2,108,487</u>	<u>1,797,140</u>	<u>1,897,977</u>	<u>1,786,136</u>
EXPENDITURES:					
Current Operating					
Maintenance	201,692	167,659	176,060	175,863	139,290
Construction	1,328,082	1,379,484	1,423,619	1,252,154	826,630
Local Support	157,605	141,078	107,637	143,011	102,401
Transportation Planning	91,133	85,327	92,409	79,247	53,031
Administration	79,869	83,611	77,162	70,439	59,888
Transfers to Other State Funds	152,738	143,704	132,978	120,700	229,937
Debt Service: Right-to-use and SBITA Principal	4,713	4,807	3,417	--	--
Total Expenditures	<u>2,015,832</u>	<u>2,005,670</u>	<u>2,013,282</u>	<u>1,841,414</u>	<u>1,411,177</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>(153,910)</u>	<u>102,817</u>	<u>(216,142)</u>	<u>56,563</u>	<u>374,959</u>
OTHER FINANCING SOURCES (USES):					
Right-to-use lease	842	3,832	12,215	900	--
Operating Transfers-in	28,419	635,600	--	98	--
Operating Transfers-out	<u>(256,963)</u>	<u>(244,269)</u>	<u>(211,966)</u>	<u>(307,348)</u>	<u>(243,814)</u>
Total Other Financing Sources (Uses)	<u>(227,702)</u>	<u>395,163</u>	<u>(199,751)</u>	<u>(306,350)</u>	<u>(243,814)</u>
Excess (Deficiency) of Revenues and Other					
Sources Over Expenditures and Other Uses	<u>(381,612)</u>	<u>497,980</u>	<u>(415,893)</u>	<u>(249,787)</u>	<u>131,145</u>
FUND BALANCE, BEGINNING OF YEAR	848,018	350,038	765,931	1,015,718	884,573
Changes in Inventory Reserve	--	--	--	--	--
FUND BALANCE, END OF YEAR	<u>\$ 466,406</u>	<u>\$ 848,018</u>	<u>\$ 350,038</u>	<u>\$ 765,931</u>	<u>\$1,015,718</u>

REVENUES AND DEBT SERVICE COVERAGE

State Highway Fund Revenues

The Series 2026A Bonds are payable from Revenues in the State Highway Fund transferred to the Debt Service Fund. The Revenues may vary as to source and the amount of Revenues attributable to various sources as the Kansas Legislature may determine from time to time. The current sources of Revenues deposited into the State Highway Fund as well as historical information and future estimates concerning receipt of Revenues are described under "THE STATE HIGHWAY FUND."

Estimated Revenues

The Department has prepared estimates of amounts to be credited to or transferred to the State Highway Fund in each of the Fiscal Years ending June 30, 2027 through 2031. Such estimates are set forth in the table appearing earlier in this Official Statement entitled “State of Kansas, Department of Transportation State Highway Fund Sources of Funds, Excluding Bond Proceeds.” A description of the basis for such estimates is set forth above under “THE STATE HIGHWAY FUND—Basis of Projections.” THE ACTUAL REVENUES THAT WILL BE DEPOSITED IN THE STATE HIGHWAY FUND MAY VARY FROM THE ESTIMATES BECAUSE OF FLUCTUATING ECONOMIC CONDITIONS, CHANGES IN LAW AND OTHER VARIABLES AFFECTING REVENUE SOURCES AND GROWTH. SUCH VARIATIONS COULD BE MATERIAL.

Annual Debt Service

The annual debt service payments for the Series 2026A Bonds and the annual debt service payments on the Outstanding Bonds (described under “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Outstanding Bonds” herein) are set forth in the following table.

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Aggregate Annual Debt Service

<u>Fiscal Year Ending June 30</u>	<u>Series 2026A Principal*</u>	<u>Series 2026A Interest</u>	<u>Debt Service on Outstanding Bonds</u>	<u>Total Debt Service</u> ¹
2027	--		\$ 201,155,125	
2028	\$ 11,935,000		200,677,500	
2029	12,545,000		196,108,750	
2030	13,190,000		191,685,500	
2031	13,865,000		187,420,125	
2032	14,575,000		176,372,000	
2033	15,325,000		172,372,250	
2034	16,110,000		178,283,750	
2035	16,935,000		163,571,750	
2036	17,805,000		140,771,125	
2037	18,720,000		77,278,750	
2038	19,680,000		76,779,625	
2039	20,685,000		47,450,250	
2040	21,745,000		47,449,125	
2041	22,865,000		47,451,375	
2042	24,035,000		47,452,250	
2043	25,270,000		47,451,875	
2044	26,565,000		47,450,125	
2045	27,925,000		32,943,500	
2046	29,360,000		0	
2047	<u>30,865,000</u>		<u>0</u>	
Total ¹	<u>\$400,000,000</u>		<u>\$2,280,124,750</u>	

* Preliminary; subject to change.

¹ Totals may not agree due to rounding.

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Projected Debt Service Coverage

The following table contains a projection of debt service coverage for the Series 2026A Bonds and the Outstanding Bonds for Fiscal Years 2027 through 2031. This projection is based on the Department's estimates of Revenues deposited in or transferred to the State Highway Fund (see "THE STATE HIGHWAY FUND" and "REVENUES AND DEBT SERVICE COVERAGE—Estimated Revenues" herein and Appendix C hereto) and annual debt service payments, including interest payments on the Series 2026A Bonds at an assumed interest rate of 5.00%. See "REVENUES AND DEBT SERVICE COVERAGE—Annual Debt Service" above. The projections contained in the table are based on estimates that the Secretary believes to be reasonable; however, there are no assurances that such estimates will be accurate in future years.

Projected Debt Service Coverage*

<u>Fiscal Year</u>	<u>Estimated Revenues</u> ¹	<u>Annual Debt Service</u> ²	<u>Projected Debt Service Coverage</u> ²
2027	\$2,019,603,000	\$208,432,903	9.69x
2028	2,027,457,000	232,314,125	8.73
2029	2,047,106,000	227,743,375	8.99
2030	1,995,677,000	223,321,750	8.94
2031	2,012,947,000	219,055,000	9.19

* Preliminary; subject to change.

¹ In calculating federal reimbursements available for annual debt service payments, the Department has not included: (a) federal reimbursements to local governmental entities, as shown in the column "Intergovernmental Reimbursements-Local" in the table on page 20 herein; or (b) funds expended on roads that are not part of the State Highway System, resulting in approximately \$8.8 million annually being subtracted from the amounts shown in the column "Intergovernmental Reimbursements-Federal" in the table on page 20 herein.

² Annual debt service payments do not include any projected annual debt service payments for future issues of Parity Bonds subsequent to the issuance of the Series 2026A Bonds (see "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Expectations for Issuance of Additional Bonds" herein).

See "THE STATE HIGHWAY FUND—Basis of Projections" herein.

KANSAS DEPARTMENT OF TRANSPORTATION

Purpose of Department

In 1975, the Kansas Legislature established the Department and transferred to the Department all the powers, duties, obligations and functions of the preceding State Highway Commission. The purpose of the Department is to coordinate the planning, development, and operation of the various modes and systems of transportation within the State. The Department is administered under the direction and supervision of the Secretary, who is appointed by the Governor with the consent of the Senate and serves at the pleasure of the Governor. The Secretary is empowered to appoint individuals to various positions, to approve appointments to any position and to delegate responsibilities to others within the Department.

Responsibilities of Department

The Department provides funding for all modes of transportation within the State. It administers the State Highway System and works with local entities to provide improvements on other Federal-aid routes and local roads.

The Department provides funding for three distinct categories of roads: State highways, other federal-aid eligible routes and, to a limited extent, local roads. Total public road mileage in Kansas is slightly less than 139,278 miles. Kansas is near the middle range of all states in miles under state jurisdiction, but has the fourth largest system of public roads in the nation. Kansas ranks fifth among all states in the total number of bridges with 24,891 public road bridges in the State.

State Highway System. The first group of roads comprises the State Highway System, including the Interstate system and other “U.S.” and “K” numbered routes. The Department is responsible for administering the 9,390 miles of State Highway System, including over 5,529 bridges. In 2025, there were 28.3 million daily vehicle miles traveled on the State Highway System, comprising 32.7% of all daily vehicle miles driven in Kansas. By law, the State Highway System cannot exceed 10,000 miles, exclusive of city connecting links. A city connecting link is generally any routing of the State Highway System located within the corporate limits of a city. The Department has certain responsibilities for city connecting links and can expend State funds for maintenance and improvements on those routes. In 2025, there were over 17 million daily vehicle miles traveled on the 905.4 miles of city connecting links, including urban interstates, representing 19.6% of all daily vehicle miles driven in Kansas.

Other Federal-Aid Eligible Routes. The second group of roads includes other federal-aid eligible routes (urban and rural) which are not on the State Highway System. The Department does not have direct responsibility for these roads, but works with local entities by providing federal aid for improvement on these routes.

Local Roads. The third group of roads includes all city streets and county roads which are not eligible for federal-aid. These roads are primarily the responsibility of local units of government; however, the Department works with those local entities to secure federal funds for all off-system bridges on those roads.

Transportation Revolving Fund. As part of the Comprehensive Transportation Program, the Secretary was authorized to establish a Transportation Revolving Fund to provide loans and other assistance to local units of government for local road projects and to facilitate the pooling of local road project debt by the Kansas Development Finance Authority (“KDFA”). Pursuant to such authorization, KDFA issued Transportation Revolving Fund Revenue Bonds in 2005 and 2009. All of such bonds have been retired or defeased. Although the Secretary may transfer additional amounts from the State Highway Fund to the Transportation Revolving Fund, it is not anticipated that the Secretary will do so. The Revenues pledged to the payment of the Bonds and deposited in the State Highway Fund are subject to a first lien in favor of the Bonds. Any transfer of funds from the State Highway Fund to the Transportation Revolving Fund is subject to the compliance by the Secretary with the debt service coverage requirements of the 1992 Resolution with respect to all Bonds Outstanding. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Covenant to Maintain and Fund State Highway Fund” herein.

Radio Tower Statewide Communication Infrastructure. The 2004 Kansas Legislature authorized the Department to establish the Kansas Communication System Revolving Fund to lease access to the Department’s 800 MHz radio communication towers and to purchase and lease communications equipment to public safety, governmental and nongovernmental entities. Pursuant to this authorization, KDFA issued Communication System Revolving Fund Revenue Bonds in 2008. All such bonds have matured. The Secretary does not expect to transfer any amounts from the State Highway Fund to the Kansas Communication System Revolving Fund during the next 12 months. The Revenues pledged to the payment of the Bonds and deposited in the State Highway Fund are subject to a first lien in favor of the Bonds. Any transfer of funds from the State Highway Fund to the Kansas Communication System Revolving Fund is subject to compliance by the Secretary with the debt service coverage requirements of the 1992 Resolution

with respect to all Bonds Outstanding. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Covenant to Maintain and Fund State Highway Fund” herein.

Kansas Intermodal Transportation Revolving Fund. During 2009 the State authorized the creation of the Kansas Intermodal Transportation Revolving Fund (“KITRF”) to provide assistance to governmental units for intermodal transportation projects. Funding for the KITRF may be provided from multiple sources including appropriations by the Kansas Legislature and transfers from the State Highway Fund. Currently, there are no plans to provide funding to the KITRF from either of those two sources.

The Department also has responsibility for aviation, railroads, public transit, broadband and innovative technology as described below.

Aviation. The Department provides support service to the aviation industry and promotes aviation. Support services include coordination of activities with the federal government, the publication of the Kansas airport directory and development of aviation charts. The aviation program was enhanced through the T-WORKS Program. Originally, \$3 million of State funds were transferred annually to the Public Use General Aviation Airport Development Fund for planning, constructing, reconstructing or rehabilitating the facilities of public use general aviation airports. Under the T-WORKS Program, the transfer was increased to \$5 million annually beginning July 1, 2013. In 2024, the Legislature passed House Bill 2498, which increased the transfer to \$15 million annually beginning July 1, 2024.

Railroads. The Department has an active role in assuring rail service in Kansas. Annual transfers of \$3 million of State funds to the Rail Service Improvement Fund (a revolving loan fund) were made over an eight-year period that ended in Fiscal Year 2009 to make loans or grants to short-line railroads. In addition, the Secretary transferred \$35 million from the State Highway Fund to the Rail Service Improvement Fund during Fiscal Year 2011 and Fiscal Year 2012. Under the T-WORKS Program \$5 million of State funds were transferred annually to the Rail Service Improvement Fund beginning July 1, 2013. The IKE Program authorized the creation of the Short Line Rail Fund in 2020 and transferred \$5 million of State funds to the Short Line Rail Fund from Fiscal Year 2021 to Fiscal Year 2023. This transfer was in addition to the \$5 million transfer to the Rail Service Improvement Fund. With the sunset of the Short Line Rail Fund in Fiscal Year 2023, the transfer to the Rail Service Improvement Fund was increased to \$10 million annually beginning in Fiscal Year 2024.

Public Transit. The Department administers both the federal and State funding of transit projects for elderly persons, persons with disabilities and the general public. The Comprehensive Transportation Program increased the transfer of State funds to the Coordinated Public Transportation Assistance Fund from \$1 million to \$6 million annually for these programs. The public transit program was further enhanced through the T-WORKS Program. Annually, beginning July 1, 2013, and thereafter, \$11 million of State funds are transferred to the Coordinated Public Transportation Assistance Fund.

Broadband. The Department provides grants for the expansion of broadband service in the State of Kansas. The agency works jointly with the Office of Broadband Development within the Kansas Department of Commerce on the distribution and administration of the available funding. From Fiscal Year 2021 to Fiscal Year 2023, \$5 million was transferred annually from the State Highway Fund to the Broadband Infrastructure Construction Grant Fund. From Fiscal Year 2024 to Fiscal Year 2031, the transfer is increased to \$10 million each fiscal year.

Innovative Technology. The Department supports the planning, assessment and fielding of new capabilities and innovative technology for all modes of transportation, including, but not limited to, aviation and highway transportation. Beginning July 1, 2020, and thereafter through July 1, 2030, \$2 million of

State funds are transferred annually to the Transportation Technology Development Fund to invest in new capabilities and innovative technologies.

Organization of Department

The Secretary serves as the Chief Executive Officer of the Department. The Secretary is appointed by the Governor and confirmed by the Senate. The State Transportation Engineer is the Department's chief engineering officer. The Department is organized into thirteen divisions: the Office of the Secretary and the Divisions of Administration; Aviation; Communications; Employee Safety; Engineering and Design; Field Operations; Information Technology Services; Multimodal Transportation and Innovation; Planning and Development; Policy; Program and Project Management; and Project Delivery.

Office of the Secretary. The Office of the Secretary includes the administrative office of the Secretary of Transportation. The Secretary is responsible for setting the strategic direction, plans, policies and procedures of the Department.

Division of Administration. The Division of Administration is responsible for the human resources, fiscal, budget, internal auditing, bonds and investment, and support service operations for the Department. Human resource management includes personnel administration, training and equal employment opportunities. Fiscal services includes accounting and certain procurement activities. Bonds and investment activity includes coordinating the issuance of bonds and investing idle cash. Budget includes developing and implementing spending plans that achieve Department policies and goals. The Inspector General is responsible for internal auditing. Support services include facilities management.

Division of Aviation. The primary responsibility of the Division of Aviation is the administration of the Kansas Airport Improvement Program (KAIP). The KAIP is the aviation component of the 1999 Kansas Comprehensive Transportation Program, which allocated funding for improvements to the Kansas public use airports. In addition, the Division is tasked with administration of the Federal Airport Inspection Program, conducting statewide airport system planning, publishing the Kansas Airport Directory and the Kansas Aeronautical Chart, providing technical support to airports, and coordinating assistance from the Federal Aviation Administration (FAA).

Division of Communications. The Division of Communications keeps the public informed and aware of the Department's policies, projects, programs, and procedures through interaction with news media, concerned citizens and various transportation-related groups. The Division is also responsible for working with offices throughout the Department to provide multimedia design, photographic services, printing, and media relations and help build relationships with the public, businesses, and government partners. The Division is also responsible for continuous improvement programs and developing and implementing agency-wide performance measures aligned to the agency's vision, mission and goals.

Division of Employee Safety. The Division of Employee Safety coordinates and implements all safety policies and training to continuously improve the Department's safety culture and achieve zero workforce injuries.

Division of Engineering and Design. The Division of Engineering and Design is responsible for the preconstruction phase of State highway improvement projects and assists local governments with preconstruction work for projects that rely on federal or State money. The Division is responsible for determining specific project locations on the State Highway System and conducting any environmental studies or similar activities that may be necessary. In addition, the Division is responsible for preparing the design of the project. This may be done by Department staff or by consultants under Department staff supervision. The Division is also responsible for acquiring the right of way and coordinating utility

movements prior to construction. The Division is responsible for the Department's bridge inspection program, which includes underwater inspection and structural evaluations, and for administering contracts with consultants. Finally, this Division is responsible for traffic engineering activities to determine the appropriate traffic signing and speed limits for projects under the Department's jurisdiction.

Division of Field Operations. The Division of Field Operations is the largest of all organizational units in the Department with approximately 68% of the Department's positions. This Division's employees are stationed in all but four of the State's 105 counties. The Division is responsible for inspection of all construction projects on the State Highway System and for administrative oversight of city and county road projects that are federally funded. The Division is also responsible for the maintenance of the State Highway System. While some maintenance activities are contracted, most maintenance is performed by Department personnel.

Division of Information Technology Services. The Division of Information Technology Services is responsible for Department information system management. Information system management includes system and technology planning, software development and maintenance, operation of certain hardware and various communication support activities.

Division of Multimodal Transportation and Innovation. The Division of Multimodal Transportation and Innovation provides assistance to local public transit systems with an emphasis on providing services for elderly persons, persons with disabilities and the general public. The Division coordinates policy on rail transportation and the rail and freight service programs. The Division is also responsible for promoting and pursuing the use of emerging technologies in the State. This is accomplished through the innovative technology program, which provides financial assistance to partners for innovative technology projects that improve safety, leverage state funds to increase total technology investment and help both rural and urban areas of the state improve the transportation system. Additionally, the Division partners with technology companies to develop and deploy advanced transportation and communication technologies within Kansas to benefit the evolving needs of transportation and the users of the State Highway System.

Division of Planning and Development. The Division of Planning and Development provides research and data collection services concerning highway use and transportation needs and maintains KanDrive, the travel information system which provides fully automated, near real-time, route specific weather, road condition and construction detour information. The Division also produces the official state map, local maps, and numerous other maps. This Division administers all of the public safety programs for the Department including programs that deal with behavior modification to reduce the number of motor vehicle fatalities, injuries and crashes.

Division of Policy. The Division of Policy is responsible for implementing and guiding the Department's Public Involvement Program. This Program fosters two-way communication, facilitates citizen participation and helps the Department and its customers work together to provide a safe and efficient transportation system. The Division of Policy keeps the public informed and aware of the Department's policies, projects, programs and procedures through interaction with the legislature, news media, concerned citizens and various transportation-related groups.

Division of Program and Project Management. The Division of Program and Project Management is responsible for monitoring and analyzing federal transportation legislation and for providing coordination with the American Association of State Highway and Transportation Officials (AASHTO). This Division monitors and maintains the priority formulas for project selection. This Division is also responsible for preparing and presenting the multi-year Statewide Transportation

Improvement Program and providing an indication of what projects will be undertaken at various funding levels.

Division of Project Delivery. The Division of Project Delivery coordinates all aspects of construction project planning, bid letting, awarding of construction projects, initial project implementation and project administration. Actual construction of projects is done by private contractors under contract with the Department. In addition, the Division is responsible for materials testing and research to ensure that the materials used in construction and maintenance projects meet the applicable standards. These responsibilities include both developing the specifications and performing compliance testing.

Additional Units

Additional organizational units within the Department are the Office of Chief Counsel, which is the Department's legal section, and the Office of Civil Rights Compliance, which is responsible for monitoring compliance with Title VI of the federal Civil Rights Act and coordination of the Disadvantaged Business Enterprise Program.

Agency Review

The 1992 Kansas Legislature passed the Kansas Governmental Operations Accountability Law. The current statute provides for a periodic audit and review of the operations of the Department. After review, the Kansas Legislature may act to modify or terminate selected operations of agencies in order to improve the efficiency of State government.

FEDERAL TRANSPORTATION LEGISLATION

The Department receives federal aid in reimbursement of Department expenditures for federal aid projects. See the table on page 20 hereof and Appendix C hereto for detail of revenues and operating transfers-in to the State Highway Fund. The programs under which such funds are provided are subject to federal authorization and appropriation legislation.

Authorizing/Reauthorizing Legislation

Since the enactment of the Federal Highway Act of 1921, Congress historically has authorized the expenditure of federal highway funds and the budget and contract authority of the Federal Highway Administration ("FHWA") on a multiple-year basis, with original authorizations in recent decades typically lasting five years (often followed by one or more short-term extensions enacted prior to the following multi-year act). The purpose of such multi-year authorizations was to provide a predictable flow of funding to the states, which are responsible for the construction of the projects funded.

Congress created the modern Federal-Aid Highway Program (the "FAHP"), and established the Highway Trust Fund (the "HTF") as its source of funding, in the Federal-Aid Highway Act of 1956. Since 1978, Congress has included highway legislation as part of comprehensive surface transportation authorization acts. These authorization acts are the primary instruments Congress uses to shape and direct the FAHP, modify existing programs, add or eliminate programs, or change program requirements. When an authorization act establishes a program, it sets certain ground rules under which the program operates, such as the amount of funds available to the program for each federal fiscal year ("FFY") (or how an amount of funds available for the program is to be calculated), a description of how those funds are to be distributed, the length of time during which the funds may be used and a listing of eligible activities. Each of these can be changed by subsequent acts (authorization or otherwise).

The Infrastructure Investment and Jobs Act

The current surface transportation authorizing act is the Infrastructure Investment and Jobs Act (the “IIJA”), signed into law by President Biden on November 15, 2021. The IIJA provides a five-year reauthorization (FFY 2022 through 2026) of surface transportation programs. Total FHWA funding authorization under the IIJA over this 5-year period is approximately \$365 billion. Of the IIJA funds administered by the FHWA, about 87% are to be distributed to the states by formula funding as described below.

In addition to funding from the HTF described below, the IIJA also provides additional funds through multiyear advance appropriations from the United States Treasury general fund. Unlike past federal highway reauthorization acts, the IIJA also covers several other areas of infrastructure funding, such as water and wastewater infrastructure.

The IIJA provides three guarantees for the amount apportioned to each state in each FFY:

- (1) at least 95% of the state’s estimated highway tax payments to the highway account of the HTF based on the most recent FFY for which data is available;
- (2) at least 2% greater than the state’s apportionment for FFY 2021; and
- (3) at least 1% greater than the state’s apportionment for the previous FFY.

It should be noted, however, that there is no assurance that the IIJA will not be changed during its duration, or that funding levels or procedures in any future authorization act will be similar to that currently provided for by the IIJA.

Distribution of Funds to States

The FAHP operates as a reimbursement program. For projects approved by FHWA and for which funds are obligated by the applicable state as described below, FHWA pays the state for costs of such projects as they are incurred. See the column entitled “Intergovernmental Reimbursements—Federal” in the table on page 20 for a history and projections of such reimbursements.

The federal government typically does not pay for the entire cost of construction of such projects. Therefore, the state or local project sponsor usually must match federal funds with its own funds from other sources. The maximum share of an eligible project’s costs that the federal government will cover is known as the federal share. In most cases a state may, at its option, reduce the federal share for a particular project by contributing more non-federal resources than required by law. For most projects, the federal share is 80%, with projects on the Interstate Highway system receiving a 90% federal share and certain other smaller programs entitled to a 95% or even 100% federal share.

FHWA distributes funding provided for in the current authorization act to states based on apportionment and allocation rules prescribed by federal law. As noted above under the sub-caption “The Infrastructure Investment and Jobs Act,” the great majority of such funding is divided among states by apportionment, a process governed by specific statutory formulas, with a new apportionment made by FHWA to each of the states based on such formulas at the beginning of each FFY. Under the IIJA, each state is apportioned a single amount for all federal highway programs. If the initial amount generated by formula is less than the amount guaranteed under any of the three guaranteed minimum amounts described under such sub-caption, the initial amount is adjusted upward to meet the applicable guaranty. The resulting apportionment amount for each state is then divided among nine core programs within the FAHP.

The remainder of authorized funds are distributed by allocation, a process by which such remaining funds that are not governed by a mandatory statutory formula are divided. Once funds have been apportioned or allocated, they generally cannot be withdrawn by FHWA except by a rescission of funds that have not yet been obligated, as described below, or by the lapse of such funding by failure to obligate it prior to the end of the availability of such funding (generally, three years after the end of the FFY of apportionment or allocation).

Obligation of Funds

Obligation is the process by which the federal government commits to pay the federal share of a federal-aid highway project's costs. An obligation is a legal commitment, which occurs when FHWA approves the project and executes the project agreement. Obligated funds are considered "used" even though no cash is transferred. Obligation allows states to award contracts for the project by providing assurance that the federal funds will be available when required.

Through annual appropriation legislation, Congress may place a ceiling on the amount of federal-aid highway funding that may be obligated during a specified time period. The obligation limitation is the amount of authorized funding that Congress allows states to obligate in an individual year ("Obligation Authority"). This is a statutory budgetary control that does not affect the apportionment or allocation of funds described above, but rather controls the rate at which these funds can be used.

Once Congress establishes an overall obligation limitation, FHWA distributes Obligation Authority to states proportionately based on each state's share of apportioned and allocated revenues. During a FFY, states submit requests to FHWA to obligate funds, representing the federal share of specific projects. As a state obligates funds, its balance of Obligation Authority is reduced. A state's Obligation Authority (unlike its apportionments and allocations of authorized funding) must be obligated before the end of the FFY for which it is made available; if not, it will be redistributed to other states to ensure that the total limitation nationwide will be used. A state may receive additional Obligation Authority through a redistribution process each year in August which reallocates Obligation Authority from states or programs unable to fully obligate their share to other states that are able to obligate more than their initial share.

Under the current appropriations act for the federal Department of Transportation, the overall obligation limitation for the FAHP during FFY 2026 is \$62,657,105,821. The obligation limitation made available in FFY 2025 was \$61,314,170,545.

Payments to States from HTF

Obligated funds are reimbursed to states for costs of each project when those costs are incurred by the states. The FHWA administers such reimbursement payments under the FAHP through the HTF. Funded by the collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the HTF is a dedicated fund with dedicated revenues held in trust for reimbursement of the states' cost of transportation projects, including highway projects. The HTF presently contains the Highway Account and a Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel tax revenues, with the remaining share of such revenues deposited in the Mass Transit Account.

Using revenues in the Highway Account of the HTF, the FHWA reimburses states for expenditures related to approved transportation projects as described above. With the passage of the IIJA, surface transportation programs have been authorized through FFY 2026. Spending from the HTF under the IIJA during that authorization period is projected to exceed revenues credited to the HTF from taxes on motor fuels, heavy trucks, and tires. According to Congressional Budget Office ("CBO") projections, if fuel taxes are continued at their current rates and current funding for highway and transit programs increases annually

at the rate of inflation, the revenues and accumulated balances of each of the Highway Trust Fund's two accounts will be insufficient to cover spending from the respective accounts starting in 2028.

To cover such shortfall, Congress has enacted legislation that since 2008 has transferred \$275 billion from the United States Treasury general fund and other federal funds to the Highway Trust Fund. This includes \$118 billion transferred under the IIJA, including \$90 billion to the Highway Account.

These transfers do not, however, create any new revenue sources from transportation users. In the latest baseline projections prepared in February 2026, CBO predicts that, assuming that the obligations paid from the HTF increase at the rate of inflation, the balance in both the Highway Account and the Mass Transit account of the HTF will be exhausted in FFY 2028, with cumulative deficits projected to reach roughly \$135 billion by 2031 and nearing \$280 billion by 2034.

Rescissions of Unobligated Funds

Congress may, by means of annual transportation appropriations bills and other federal legislation, rescind federal-aid highway funding that has not yet been obligated. In prior surface transportation programs, there have been numerous such rescissions. These rescissions require states to deduct a set amount of unobligated funds which accumulate because states are not permitted to spend the entire amount of appropriations they receive due to a required obligation limitation.

In FFY 2024, Kansas had \$0 in unobligated balances and projects \$0 in rescissions. In the future, it is expected that the balances of unobligated funds that Kansas and other states have relied on as a cushion to meet the requirements of the rescissions will not be available as in the past.

Challenges Relating to Federal Funding

The challenges at the federal level with the timeliness of authorization and appropriations processes can result in risk and uncertainty for the Department. Federal funding is clearly important to Kansas as is reimbursement of the Department's expenditures, and reliability in receiving funds is imperative for future planning purposes. See also "INVESTMENT CONSIDERATIONS—Federal Funding."

Dependence on fuel taxes for the majority of HTF funding presents challenges to the entire FAHP. Because such taxes are imposed per gallon of fuel consumed, the number of vehicle-miles travelled nationally and the efficiency of vehicles' use of such fuels (and the increase in sales of electric vehicles) are important factors in the amount of revenues generated from such taxes. Current federal tax rates on gasoline (18.4 cents/gallon) and on diesel (24.4 cents/gallon) have not changed since 1997. During that same period, the national average fuel economy achieved by vehicles using the nation's roads has steadily increased while vehicle miles travelled have fluctuated at certain times, particularly during economic downturns and periods of particularly high fuel prices. With the likelihood that such trends will continue, combined with a decreased national reliance on sales of gasoline as sales of electric vehicles increase, deficits in the HTF described above may increase absent congressional action to increase such taxes or add additional revenue sources for the HTF.

INVESTMENT CONSIDERATIONS

The purchase of the Series 2026A Bonds involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Series 2026A Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. This discussion of certain risks is not intended to be exhaustive and should be read in conjunction with this entire Official Statement including the Appendices hereto.

Special Obligations

The Series 2026A Bonds and the interest thereon are special obligations of the State payable and collectible solely from the Revenues in the State Highway Fund and transferred to the Debt Service Fund. The Owners of the Series 2026A Bonds may not look to the State General Fund or any other fund of the State for payment and the Series 2026A Bonds will not constitute indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation, nor can they be considered or held to be general obligations of the State. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS” herein.

General Factors Affecting Revenues

See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Revenues” and “THE STATE HIGHWAY FUND” herein for descriptions of the components of Revenues required to be credited or transferred to the State Highway Fund. Certain of the primary components of Revenues include Motor Fuels Taxes, Sales Taxes and Compensating Use Taxes and federal reimbursements, which collectively accounted for approximately 83% of the total Revenues credited to the State Highway Fund in Fiscal Year 2026.

There are various factors beyond the control of the Department that could have a negative impact upon the amount of collections of Motor Fuels Taxes, which accounted for approximately 17% of the total Revenues credited to the State Highway Fund in Fiscal Year 2026 and upon the amount of collections of Sales Taxes and Compensating Use Taxes, which accounted for approximately 41% of the total Revenues credited to the State Highway Fund in Fiscal Year 2026. These factors include various events affecting vehicle travel, the availability and price of motor fuel, events affecting consumer purchases of goods and services subject to taxation and local and national economic conditions and policies, including trade policies, generally.

Federally mandated increases in fuel efficiency for passenger vehicles sold in the United States in the coming years, as well as the related ongoing increase in the number of battery electric and plug-in hybrid electric vehicles in the State and elsewhere, have the potential to negatively impact collections of Motor Fuels Taxes. Because Motor Fuels Taxes are imposed per gallon of fuel consumed, the amount of Revenues attributable to Motor Fuels Taxes collections will decrease as total volume of motor fuels sold decreases.

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially cause significant disruptions to economic activity in the State and elsewhere. Among these potential external events are regional, national or global public health emergencies, which could have materially adverse economic and social impacts, causing, among other things, the promulgation of local or state orders limiting certain activities, extreme fluctuations in financial markets and contraction in available liquidity, prohibitions of gatherings and public meetings in such places as entertainment venues, extensive job losses and declines in business activity across important sectors of the economy, impacts on supply chain and availability of

resources, and declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession.

In addition, the Kansas Legislature has the ability to amend the current statutory provisions affecting one or more of such components of Revenues. For instance, in 2022 the Kansas Legislature enacted legislation that phased out sales tax and compensating use tax imposed on the sale of food and food ingredients. Over three annual reductions on January 1, 2023, 2024 and 2025, the bill reduced the state sales tax and compensating use tax rate on food and food ingredients from 6.5% to 0.0%. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Legislative Changes Affecting Revenues” and “THE STATE HIGHWAY FUND—Sales Taxes and Compensating Use Taxes” herein.

Federal Funding

There are various factors beyond the control of the Department that could have a negative impact upon the amount of collections of federal reimbursements, which accounted for approximately 25% of the total Revenues credited to the State Highway Fund in Fiscal Year 2026. A significant source of funds to the Department is provided by the Federal HTF and from other federal grant funds in the form of reimbursement for qualified expenditures as well as some matching funds from local units of government for shared projects. The amount of funds available is primarily a function of federal law, the annual appropriations of Congress and the Department’s qualifying construction expenditures. See “FEDERAL TRANSPORTATION LEGISLATION” herein.

In addition, since taking office in January 2025, President Trump has issued a series of executive orders, and the Office of Management and Budget has issued certain guidance, which have the effect of suspending or limiting federal government funding to various state and local entities. Certain of these actions have been the subject of judicial challenges which, in some cases, have resulted in pauses in the enforcement thereof. As of the date of this Official Statement, the Department has not, to its knowledge, been the subject of any such orders or other actions, but the Department cannot predict the impact on its federal funding of any future implementation of such actions with respect to the Department. With this in mind, the Department has undertaken to project certain cashflow scenarios reflecting a freeze or reduction in its federal funding. While the Department expects, based on such projections, that a short-term reduction or freeze would be manageable due to the Department’s cash reserves and other revenue sources such as motor fuel and sales taxes, no assurance can be given with respect to the potential financial impacts on the Department of such a federal funding freeze or reduction. In such a situation, the Department would expect to examine the scope of its capital program and prioritize its needs accordingly.

Given the IJA’s expiration on September 30, 2026, Congressional committees, including the House Transportation and Infrastructure (“T&I”) Committee, have identified passing a new reauthorization as a top priority for the 119th Congress. On May 19, 2026, the House T&I Committee released the text of the BUILD America 250 Act that proposes to fund the federal aid highway program at \$293.9 billion from FFY 2027 through FFY 2031. This translates into an average annual amount over the five years of \$58.7 billion, or approximately 7.5% higher than the average annual amount apportioned under the IJA. Among other changes, the BUILD America 250 Act also calls for a new annual registration fee for electric vehicles and plug-in hybrid vehicles. On May 22, 2026, the House T&I Committee approved the text of the proposed bill by a vote of 62-2.

The introduction of the BUILD America 250 Act represents just one of many steps in the reauthorization process, and there can be no assurance that the BUILD America 250 Act, or other proposed reauthorization bills, will ultimately be signed into law. The form, substance, length and funding amounts of any final reauthorization act may also differ materially from the provisions included in the proposed BUILD America 250 Act.

On August 8, 2026, the Senate approved a bill to provide short-term funding for the federal government, including federal surface transportation programs. The House approved this bill on September 1, 2026 and President Trump signed it into law on September 2, 2026. Under this law, funding for federal surface transportation programs will continue at FFY 2026 levels after the end of FFY 2026 until the earlier of December 11, 2026 or the enactment of a new appropriations bill.

ALTHOUGH A SHORT-TERM FUNDING AUTHORIZATION HAS BEEN ENACTED, THERE CAN BE NO ASSURANCE THAT ANY FUTURE SHORT-TERM AUTHORIZATIONS (OR MULTI-YEAR AUTHORIZATIONS) WILL BE ENACTED UPON THE EXPIRATION OF THE IJA, THE CURRENT SHORT-TERM AUTHORIZATION OR ANY SUBSEQUENT AUTHORIZATION OF THE FAHP.

Limitations on Enforcement

Enforcement of remedies under the 1992 Resolution may be limited or restricted by federal and State laws relating to bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyances, and rights of creditors and by application of general principles of equity applicable to the availability of specific performance or other remedies, and may be substantially delayed in the event of litigation or statutory remedy procedures. The various legal opinions to be delivered concurrently with the delivery of the Series 2026A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors.

No Assurance of Future Results

There can be no assurance that the financial results achieved by the Department in the future will be similar to historical results. Such future results will vary from historical results and actual variations may be material. Therefore, the historical operating results of the Department cannot be taken as a representation that the Department will be able to generate sufficient revenues in the future to make payments under the 1992 Resolution sufficient for the full and timely payment of the principal of, premium, if any, and interest on the Bonds, including the Series 2026A Bonds.

Departmental Transfers

As described under “THE STATE HIGHWAY FUND—Expenditures—*Transfers-Out*” herein, State budgets in each Fiscal Year starting in the mid-2010s and continuing through Fiscal Year 2022 provided for transfers from the State Highway Fund to the State General Fund (and to certain other departments of the State) to alleviate State budget pressures. The 1992 Resolution provides that the State Treasurer is directed to transfer the first moneys available in the State Highway Fund for deposit in the Debt Service Fund in amounts sufficient to pay the debt service requirements of all Bonds issued and secured under the 1992 Resolution (see “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Funds and Accounts” herein), and accordingly, these transfers were made after provision was made for the transfers required to be made from the State Highway Fund to the Debt Service Fund. The primary impact on the Department of such transfers from the State Highway Fund to the State General Fund and to other departments of the State was that the Department adjusted the timing, and, to the extent necessary, the amount, of construction expenditures (not funded with proceeds of Bonds issued under the 1992 Resolution) from the State Highway Fund for costs of construction, reconstruction, maintenance and improvement of highways.

Although transfers to the State General Fund for budget-balancing purposes have not been included in the State budgets since Fiscal Year 2023, the Department can provide no assurances regarding the

potential need for any such transfers in any future Fiscal Year, or the effect of any such transfers on ratings of or liquidity for Bonds issued under the 1992 Resolution, which could adversely affect market prices for and marketability of such Bonds, including the Series 2026A Bonds.

Cybersecurity

The several sources of Revenues described under “THE STATE HIGHWAY FUND” are collected by the Department of Revenue and held by the State Treasurer in the State Highway Fund. Like other public entities, the Department, the Department of Revenue and the State Treasurer rely on advanced technology systems to conduct their business operations. Despite security measures, these systems may be subject to cybersecurity incidents such as hacking, phishing, ransomware, viruses, malware and other attacks. The rapid evolution and increased adoption of artificial intelligence technologies may intensify cybersecurity risks, including the deployment of artificial intelligence technologies by malicious third parties and threat actors that may increase in sophistication and effectiveness in the future. Any such cybersecurity incidents, resulting from unintentional events or from deliberate attacks, could cause disruption to the finances or operations of these entities, including the receipt and deposit of Revenues and payment of debt service on the Bonds.

One such cyberattack disabled the KC Scout traffic management system beginning on April 15, 2024. KC Scout is a joint project of the Department and the Missouri Department of Transportation (MoDOT) that employs a system of electronic message boards placed on major highways throughout the Kansas City metropolitan area. The message boards display traffic information to drivers regarding occurrences of traffic accidents, lane closures, highway closures, etc. Full operation of the system was not restored until mid-July 2024.

Federal Tax Status of the Series 2026A Bonds

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Series 2026A Bonds is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (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 2026A Bonds includable in gross income for federal income tax purposes.

The Secretary has covenanted in the Thirty-Seventh Supplemental Resolution and in other documents and certificates to be delivered in connection with the issuance of the Series 2026A Bonds to comply with the provisions of the Code, including those which require the Secretary to take or omit to take certain actions after the issuance of the Series 2026A Bonds. Because the existence and continuation of the excludability of the interest on the Series 2026A Bonds depends upon events occurring after the date of issuance of the Series 2026A Bonds, the opinion of Bond Counsel described under “TAX MATTERS RELATING TO THE SERIES 2026A BONDS” assumes the compliance by the Secretary 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 2026A Bonds in the event of noncompliance with such provisions. The failure of the Secretary to comply with the provisions described above may cause the interest on the Series 2026A Bonds to become includable in gross income as of the date of issuance.

Ratings

There is no assurance that the ratings assigned to the Series 2026A Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect market prices for and marketability of the Series 2026A Bonds. See the information contained under “RATINGS” herein. Future changes in bond rating criteria or procedures that result in different ratings of the Series 2026A Bonds could have a material adverse effect on the value and marketability of the Series 2026A Bonds.

Premium on the Series 2026A Bonds

Any person who purchases a Series 2026A Bond in excess of its principal amount, whether during the initial offering or in the secondary market transaction, should consider that the Series 2026A Bonds are subject to redemption at par under the various circumstances described under the caption “THE SERIES 2026A BONDS—Redemption Provisions” herein.

Legal Matters

Various State and federal laws, regulations and constitutional provisions apply to the obligations created by the Series 2026A Bonds. 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 effect, either directly or indirectly, on the State or the ability of the Department to collect Revenues sufficient to pay debt service on the Bonds, including the Series 2026A Bonds.

Secondary Market

There is no guarantee that a secondary trading market will develop for the Series 2026A Bonds. Consequently, prospective bond purchasers should be prepared to hold their Series 2026A Bonds to maturity or prior redemption. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend but are not obligated to make a market in the Series 2026A Bonds.

Forward-Looking Statements

This Official Statement, including the appendices hereto, contains statements that are forward-looking and involve a number of risks and uncertainties. The words or phrases “believes,” “plans,” “anticipates,” “expects,” “intends,” “estimates,” “forecasts,” “should,” “projection,” “could,” “may,” “continues,” “might,” “potential,” “scheduled” or similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Any other statement that expresses the possibility of future activity, intent or result also is a forward-looking statement.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed in or implied by the forward-looking statements. Among these risks and uncertainties are: general economic, demographic, competitive, or business conditions; investment performance; changes in laws or regulations, and other factors including factors that are not anticipated by the Department. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements. Prospective investors should not place undue reliance on the forward-looking statements, which speak only as of the date hereof. The Department does not intend to update or revise any forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied by such statements will not be realized.

LITIGATION

Relating to the Series 2026A Bonds. There is no litigation or administrative action pending in any court or, to the best knowledge of the Secretary, threatened, which would restrain or enjoin the issuance of the Series 2026A Bonds or in any way contest or affect the validity of the Series 2026A Bonds, or which concerns the proceedings of the Secretary taken in connection with the issuance of the Series 2026A Bonds, the adoption of the Thirty-Seventh Supplemental Resolution or the collection, pledge or application of the Revenues, or which contests the powers of the State, including the Secretary and the Department, with respect to the foregoing.

Otherwise Relating to the Department. The Chief Counsel to the Department has reviewed the status of pending lawsuits affecting the Secretary and the Department in connection with their operations and has reported that there are several proceedings in which the Secretary or the Department is either a plaintiff or defendant and which are generally incidental to the operations of the Department. The ultimate disposition of such pending legal proceedings cannot be predicted or determined at present. With regard to such pending litigation, it is the opinion of the Chief Counsel to the Department that such pending litigation will not be finally determined so as to result, individually or in the aggregate, in a final judgment against the State, the Secretary or the Department which would materially and adversely affect the continued operations or financial position of the Department or the State Highway Fund.

INDEPENDENT AUDITORS

The financial statements of the Department for the Fiscal Year ended June 30, 2026, included in this Official Statement as Appendix B, have been audited by CliftonLarsonAllen LLP, independent auditors, as set forth in their report appearing therein. The auditors have not expressed and will not express any opinion as to any information contained in this Official Statement other than that contained in Appendix B. The inclusion of the financial statements and report in Appendix B does not imply that there has been no change in the financial position of the Department since the date thereof.

LEGAL INVESTMENT

The Series 2026A Bonds are securities in which all public officers and public bodies of the State and its political subdivisions, all insurance companies, trust companies, banking associations, investment companies, savings and loan associations, executors, administrators, trustees and other fiduciaries subject to Kansas law may properly and legally invest funds, including capital in their control or belonging to them. The Series 2026A Bonds are securities which may properly and legally be deposited with and received by any State of Kansas or Kansas municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is now or may be hereafter authorized by law.

REMEDIES OF BONDOWNERS

The 1992 Resolution defines Events of Default, which include failure to pay principal and any redemption premium as they become due (either at maturity, by proceedings for redemption or otherwise) or any installment of interest when due on Bonds issued under the 1992 Resolution whether Parity Bonds or Subordinate Bonds, failure to make a required sinking fund deposit, if required by any Supplemental Resolution or failure (for 30 days after written notice by Owners of 10% in aggregate principal amount of the Parity Bonds then Outstanding) to perform any covenant, condition, agreement or provision contained in the Bonds or the 1992 Resolution.

In the event of any Event of Default, the 1992 Resolution provides that Owners of not less than a majority in aggregate principal amount of the Parity Bonds then Outstanding may, subject to the provisions relating to the appointment of a trustee described below, proceed either at law or in equity to protect and enforce the rights of the Bondowners under the laws of Kansas or the terms of the 1992 Resolution.

The 1992 Resolution makes no provision for acceleration of the principal of or interest on the Bonds.

The 1992 Resolution also provides a covenant that, if an Event of Default has occurred and is continuing, the Secretary will promptly appoint a bank or trust company to act as trustee for the purpose of exercising remedies provided under the 1992 Resolution for the benefit of the owners of the Bonds. If an Event of Default has occurred and a trustee has been appointed and has accepted the appointment, then no owner of a Bond shall have any right to institute any suit, action or proceeding in equity or at law to exercise any remedy or otherwise take action to enforce the terms of the 1992 Resolution unless the owners of at least 25% of the principal amount of Parity Bonds then Outstanding have requested the trustee to act, and have afforded the trustee adequate security or indemnity against the trustee's costs, expenses and liabilities and the trustee shall not have complied with such request within a reasonable time. If a trustee is appointed and accepts the appointment, the funds and accounts described herein will, nevertheless, under the terms of the Act as it currently exists, continue to be held by the State Treasurer. For the complete provisions relating to the appointment of a trustee and the trustee's powers, see the Summary of the 1992 Resolution included in Appendix D to this Official Statement.

The remedies available to the Bondowners in the Event of Default are limited and, upon an Event of Default, are in many respects dependent upon judicial actions which are often subject to discretion and delay.

TAX MATTERS RELATING TO THE SERIES 2026A BONDS

The following is a summary of the material federal and State of Kansas income tax consequences of holding and disposing of the Series 2026A 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 2026A 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. The summary does not deal with the tax treatment of persons who purchase the Series 2026A 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 2026A Bonds.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the Series 2026A Bonds:

Federal Tax Exemption. The interest on the Series 2026A 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. The interest on the Series 2026A Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The Series 2026A Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

State Tax Exemption. The Series 2026A Bonds and all income or interest therefrom are exempt from all Kansas taxes.

Bond Counsel’s opinions are provided as of the date of the original issue of the Series 2026A Bonds, subject to the condition that the Department comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2026A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Department has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2026A Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2026A Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2026A Bonds but has reviewed the discussion under the heading “TAX MATTERS RELATING TO THE SERIES 2026A BONDS.”

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 2026A Bond over its issue price. The stated redemption price at maturity of a Series 2026A Bond is the sum of all payments on the Series 2026A 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 2026A Bond is generally the first price at which a substantial amount of the Series 2026A Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2026A Bond during any accrual period generally equals (1) the issue price of that Series 2026A Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2026A 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 2026A 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 2026A Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount, if any.

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series 2026A Bond over its stated redemption price at maturity. The stated redemption price at maturity of a Series 2026A Bond is the sum of all payments on the Series 2026A 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 2026A Bond is generally the first price at which a substantial amount of the Series 2026A Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Series 2026A Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2026A 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 2026A 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 bond premium, if any.

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Series 2026A Bond, an owner of the Series 2026A 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 2026A Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2026A Bond. To the extent a Series 2026A 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 2026A 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 the Series 2026A Bonds, and to the proceeds paid on the sale of the Series 2026A 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 2026A Bonds should be aware that ownership of the Series 2026A 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 2026A Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2026A 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 2026A Bonds, including the possible application of state, local, foreign and other tax laws.

Bond Counsel notes that interest on the Series 2026A 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.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Series 2026A Bonds are subject to the approving legal opinion of Gilmore & Bell, P.C., Bond Counsel, Disclosure Counsel, and Special Counsel to the Secretary and the Department. See "TAX MATTERS RELATING TO THE SERIES 2026A BONDS" herein. The opinion of Bond Counsel is expected to be delivered in substantially the form included as Appendix F to this Official Statement. Certain legal matters will be passed upon for the Secretary and the Department by the Department's Chief Counsel and Gilmore & Bell, P.C., as Special Counsel, and for the Underwriters by Pierson Ferdinand LLP, Counsel to the Underwriters. Certain matters relating to this Official Statement will be passed upon by Gilmore & Bell, P.C., as Disclosure Counsel.

The legal opinions to be delivered concurrently with the delivery of the Series 2026A Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transactions opined upon or of the future performance of parties to such transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

RATINGS

Moody's Ratings ("Moody's") has assigned a rating to the Series 2026A Bonds of "Aa2" with a positive outlook and S&P Global Ratings ("S&P") has assigned a rating to the Series 2026A Bonds of "AA" with a stable outlook.

Such ratings reflect only the views of such organizations at the time such ratings are given, and the Department makes no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from such rating agencies. No such rating constitutes a recommendation to buy, sell, or hold any bonds, including the Series 2026A Bonds, or as to the market price or suitability thereof for a particular investor. The Department furnished such rating agencies with certain information and materials relating to the Series 2026A Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing such rating, circumstances so warrant. The Department has not undertaken any responsibility to bring to the attention of the owners of the Series 2026A Bonds any proposed revision or withdrawal of a rating of the Series 2026A Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of such a rating could have an adverse effect on the market prices and marketability of the Series 2026A Bonds.

UNDERWRITING

The Series 2026A Bonds are to be purchased by the Underwriters identified on the cover page hereof for whom BofA Securities, Inc. is acting as Representative (the "Underwriters"), pursuant to a Bond Purchase Agreement with the Secretary (the "Bond Purchase Agreement") at a price of \$ _____ (representing the par amount of the Series 2026A Bonds less Underwriters' discount of \$ _____ plus [net] original issue premium of \$ _____). The Bond Purchase Agreement provides that the Underwriters will not be obligated to purchase any Series 2026A Bonds if all Series 2026A Bonds are not available for purchase. The initial public offering prices or yields set forth on the inside cover page hereof may be changed under certain conditions. The Underwriters may offer and sell the Series 2026A Bonds to certain dealers (including dealers depositing Series 2026A Bonds into investment trusts) and others at prices lower or yields higher than the public offering prices or yields stated on the inside cover page hereof. The initial public offering prices or yields may be changed from time to time by the Underwriters.

BofA Securities, Inc., an Underwriter of the Series 2026A Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2026A Bonds.

Morgan Stanley & Co. LLC, an Underwriter of the Series 2026A Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2026A Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank,

National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), one of the Underwriters of the Series 2026A Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2026A Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2026A Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2026A Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Department or the State, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their affiliates purchase, sell or hold a broad array of investments and actively traded securities, loans, commodities, currencies, derivatives and other financial instruments for their own account and for the accounts of their customers and such investment and trading activities, including credit default swaps, may involve or relate to assets, securities and/or instruments of the Department or the State (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Department or the State. The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC is serving as municipal advisor (the “Municipal Advisor”) to the Department with respect to the issuance of the Series 2026A Bonds as described herein. The Municipal Advisor has assisted the Department in the preparation of this Official Statement and in other matters relating to the issuance of the Series 2026A Bonds and provided other financial advice regarding the Department’s financial plan. PFM Financial Advisors LLC is a financial and investment advisory and consulting organization and a registered municipal advisor, and is not engaged in the underwriting, marketing or trading of municipal securities or other negotiable instruments.

UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

Pursuant to the terms contained in the Thirty-Seventh Supplemental Resolution, the Secretary will execute and deliver a Continuing Disclosure Certificate for the benefit of Bondowners and Beneficial Owners of the Series 2026A Bonds under which the Secretary will agree to provide certain periodic information and notices of material events to the Municipal Securities Rulemaking Board (the “MSRB”) pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities

Exchange Act of 1934, as the same may be amended from time to time (the “Rule”). The form of the Continuing Disclosure Certificate is attached hereto as Appendix G.

In the previous five years, the Secretary has complied in all material respects with the Secretary’s previous continuing disclosure undertakings pursuant to the Rule.

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MISCELLANEOUS

The Department has furnished the information in this Official Statement relating to the State, the Secretary, the Department and the State Highway Fund.

Copies of the 1992 Resolution and the Thirty-Seventh Supplemental Resolution summarized herein and information with respect to the State, the Secretary and the Department may be obtained from the Office of the Secretary of the Department of Transportation, in Topeka, Kansas, (785) 296-3545. This information can be made available in alternative accessible formats upon request. To obtain an alternative format, contact the Kansas Department of Transportation, Office of Transportation Information, Dwight D. Eisenhower State Office Building, 700 S.W. Harrison Street, Topeka, Kansas 66603-3745 or phone (785) 296-3585 (Voice)/(TTY). Prior to the delivery of the Series 2026A Bonds, information with respect to the State and the Department may be obtained from the above or from the Municipal Advisor by contacting PFM Financial Advisors LLC at 801 Grand Avenue, Suite 3300, Des Moines, Iowa 50309, telephone: (515) 243-2600.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

This Official Statement is submitted in connection with the issuance of the Series 2026A Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. This Official Statement has been duly authorized and approved by the State and duly executed and delivered on its behalf by the Secretary.

All statements in this Official Statement involving matters of opinion, estimates, forecasts, projections, or the like, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. The agreements of the Secretary are fully set forth in the 1992 Resolution and the Thirty-Seventh Supplemental Resolution in accordance with the Act. This Official Statement is not to be construed as a contract or agreement between the Secretary or the State and the purchasers or owners of any of the Series 2026A Bonds.

STATE OF KANSAS

By _____
Secretary of Transportation

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APPENDIX A

SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION OF THE STATE OF KANSAS

The following selected economic and demographic information concerning Kansas is furnished for background information only. All Parity Bonds are obligations payable only from the Revenues in the State Highway Fund transferred to the Debt Service Fund.

Much of the historical economic and demographic information included within this appendix was provided by the U.S. Department of Commerce and Kansas Department of Labor. Also, information contained in the SGF Revenue Estimates for Fiscal Year 2026 and 2027 memo dated April 20, 2026, addressed to the Governor and Legislative Coordinating Council is used throughout various sections of this appendix. Kansas Tax Facts, 2025 Supplement to the Ninth Edition, published by the Kansas Legislative Research Department, is the source of certain tax information. Other sources used are noted in the text, charts and graphs.

Information and reports regarding the financial condition of the State that may be of general interest to the reader include the Annual Comprehensive Financial Reports of the State of Kansas, including the most recently available Report for the Fiscal Year ended June 30, 2025, available from the Kansas Department of Administration's web site at <https://admin.ks.gov/offices/accounts-reports/state-agencies/finance/annual-comprehensive-financial-report/annual-comprehensive-financial-report---acfr>; and the reports of the Kansas Legislative Research Department for State General Fund receipts for the Fiscal Year ended June 30, 2026 and the September 1, 2026 monthly report for the two-month period of July 2026 through August 2026, available on the Kansas Legislative Research Department's web site at <https://klrd.gov/policy-area/budget-and-economy/state-general-fund-receipts/>. References to web site addresses in this paragraph are for informational purposes only and any hyperlinks are included solely for the reader's convenience. Such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Overview

Kansas is the 15th largest state in terms of size with an area in excess of 82,000 square miles. It is rectangular and is 411 miles long from east to west and 208 miles wide. The geographic center of the 48 contiguous states lies within its borders. While much of the state is rural in nature, it has important investments in the construction, finance, manufacturing, transportation, distribution and oil and gas industries.

Kansas became the 34th state in 1861 and Topeka was chosen to be the capital later that year. Kansas has the traditional three branches of government: the Executive Branch, which includes elected state officers; the Legislative Branch, which includes the State Senate and the House of Representatives; and the Judicial Branch, which includes the State Supreme Court, the Court of Appeals, and the district and municipal courts.

Population

Trends. According to the U.S. Census Bureau, the state's resident population increased from 2,853,118 in 2010 to 2,937,880 in 2020, an increase of 3.0 percent. Although population growth in Kansas was about 40% the nationwide increase of 7.4 percent, it approximated the growth rate experienced by surrounding states, except Colorado, and was greater than 11 other states in the nation. The state population increased to 2,977,220 in 2025, an increase of 1.3 percent, compared to a nationwide increase of 3.1 percent.

**Population
(In Thousands)**

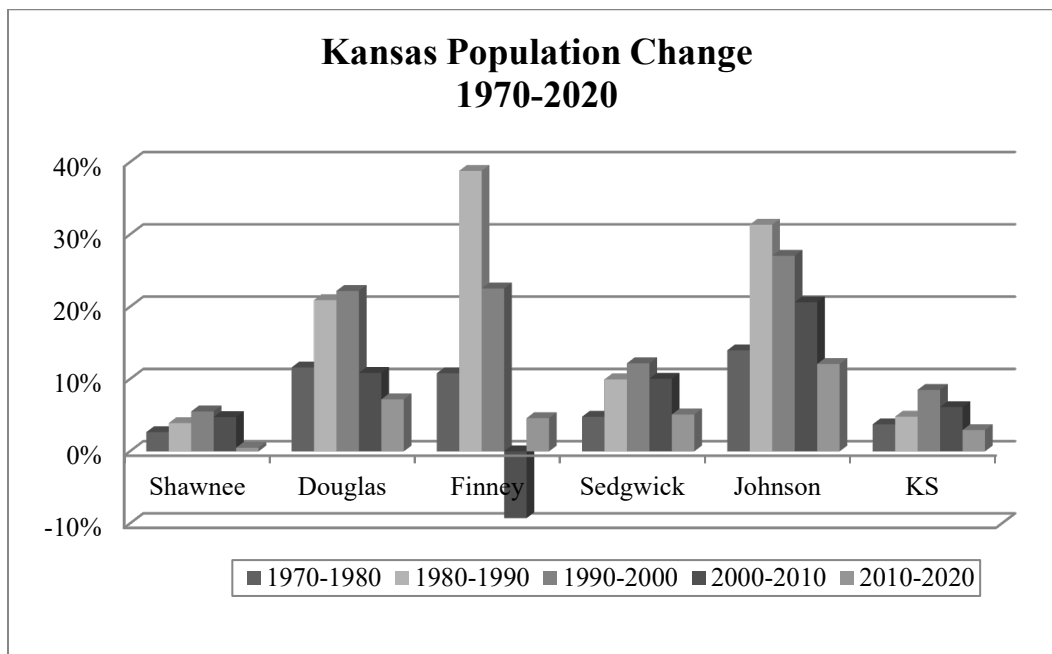
	Kansas		Region*		United States	
	Percent		Percent		Percent	
	Total	Change	Total	Change	Total	Change
1960	2,179	--	16,784	--	179,323	--
1970	2,249	3.2%	18,035	7.5%	203,302	13.4%
1980	2,364	5.1	19,582	8.6	226,546	11.4
1990	2,477	4.8	20,243	3.4	248,710	9.8
2000	2,688	8.5	22,253	9.9	281,422	13.2
2010	2,853	6.1	23,860	7.2	308,746	9.7
2020	2,938	3.0	24,961	4.6	331,449	7.4
2025	2,977	1.3	25,555	2.4	341,785	3.1

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

* Region includes Kansas, Arkansas, Iowa, Minnesota, Missouri, and Oklahoma.

Between 2010 and 2020, 80 of the state's 105 counties lost population. Overall, counties in northwest and southeast Kansas experienced population losses, while northeast and southwest counties gained population. During the decade, two counties had population growth at or above 10 percent. Johnson County, which is located in northeast Kansas, is the most populated county in Kansas with a 2020 population of 609,863, and Greeley County the least populated with 1,284 residents.

The following chart illustrates the percent change of population (1970-2020) in selected counties. During the 1980s Finney County, in southwest Kansas, had the largest increase with population growth of 38.8 percent. During the 1990s and the 2000s, Johnson County had the largest increase of all counties, at 31 and 27.0 percent, respectively. Between 2010 and 2020 Pottawatomie County (not shown), located in the northeast section of the state, had the largest population growth at 17.3 percent.



Educational Attainment. The most recent educational attainment information available for Kansas is from the U.S. Census Bureau’s 2024 American Community Survey 1-Year Estimates. This data reflects that for individuals 25 years and older, 92.0 percent were at least high school graduates in 2024, up from 90.3 percent reported 10 years earlier in 2014. This compares to an average of 89.9 percent of the U.S. population as high school graduates in 2024. As it relates to post-secondary education, 36.0 percent of individuals in Kansas hold at least a bachelor’s degree, up from 31.5 percent reported 10 years earlier in 2014, and compared to 36.0 percent for the United States in 2024.

The Kansas Economy

Gross State Product. The gross state product (“GSP”) provides a measure of all finished goods and services produced within a state. A history of Kansas GSP compared to regional and national performance is provided in the table below. The change in GSP from one period to the next provides an indication of economic improvement or decline.

Gross State Product
(Millions of Nominal Dollars)

	Kansas		Plains*		United States	
	<u>Level</u>	<u>Percent Change</u>	<u>Level</u>	<u>Percent Change</u>	<u>Level</u>	<u>Percent Change</u>
2015	\$155,699	--	\$1,196,564	--	\$18,295,019	--
2016	162,145	4.1%	1,217,270	1.7%	18,804,913	2.8%
2017	166,274	2.5	1,250,759	2.8	19,612,102	4.3
2018	173,373	4.3	1,301,100	4.0	20,656,516	5.3
2019	176,069	1.6	1,340,848	3.1	21,539,982	4.3
2020	175,386	-0.4	1,337,959	-0.2	21,375,281	-0.8
2021	188,993	7.8	1,475,504	10.3	23,725,645	11.0
2022	213,369	12.9	1,624,774	10.1	26,054,614	9.8
2023	224,851	5.4	1,726,265	6.2	27,811,517	6.7
2024	230,522	2.5	1,798,815	4.2	29,298,013	5.3
2025	241,378	4.7	1,879,030	4.5	30,762,099	5.0

Source: U.S. Bureau of Economic Analysis, SAGDP1 State Annual Gross Domestic Product Table (updated April 9, 2026).

* Includes Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

Since the Consensus Revenue Estimating Group’s last meeting in April, most real economic variables and indicators have remained flat or have been revised downward. Significant concerns exist for the economy as a whole relative to inflation and U.S. monetary policy, tariffs and trade policy, volatility in energy prices, and geopolitical risk spanning the globe and its potential impact on various commodity prices. Although the Kansas economy continues to grow, uncertainty remains as several economic indicators are estimated to show only moderate improvements over the next few years. The economic forecast is based on no significant downturns or disruptions in the state or federal economy during the forecast period.

Real Kansas GSP, which measures the cumulative economic output of the state’s economy, is estimated to increase by 2.0% in calendar year (CY) 2026, CY 2027, and CY 2028. The November estimate showed real Kansas GSP increasing by 1.9% in CY 2026 and CY 2027, and 2.0% in CY 2028. Current forecasts call for real U.S. Gross Domestic Product (GDP) to increase by 2.0% in CY 2026, CY 2027, and CY 2028. The November estimate had real U.S. GDP increasing by 1.9% in CY 2026 and CY 2027, and 2.0% in CY 2028.

Personal Income. The personal income measure includes an individual's total annual gross earnings from wages, business enterprises and various investment earnings. Rising personal income is typically suggestive of increased future consumer demand translating into economic growth. The following table compares personal income in Kansas to regional and national levels.

Personal Income
(Thousands of Dollars)

	Kansas		Plains*		United States	
	Level	Percent Change	Level	Percent Change	Level	Percent Change
2015	\$136,189,100	--	\$ 997,298,300	--	\$15,467,113,000	--
2016	136,753,600	0.4%	1,010,851,800	1.4%	15,884,741,000	2.7%
2017	141,311,800	3.3	1,043,303,100	3.2	16,658,962,000	4.9
2018	147,407,400	4.3	1,093,520,200	4.8	17,514,402,000	5.1
2019	153,011,900	3.8	1,134,579,400	3.8	18,349,584,000	4.8
2020	162,277,200	6.1	1,213,927,000	7.0	19,613,059,000	6.9
2021	173,977,000	7.2	1,335,250,700	10.0	21,484,168,000	9.5
2022	181,747,000	4.5	1,387,123,100	3.9	22,144,814,000	3.1
2023	187,457,300	3.1	1,461,621,400	5.4	23,577,208,000	6.5
2024	195,633,000	4.4	1,523,445,600	4.2	24,897,613,000	5.6
2025	206,945,700	5.8	1,597,237,900	4.8	26,109,831,200	4.9

Source: U.S. Bureau of Economic Analysis, SAINC4 Personal Income Table (updated April 9, 2026).

* Includes Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

As of April 2026, the Consensus Revenue Estimating Group expects Kansas personal income to increase by 2.0 percent in CY 2026, CY 2027, and CY 2028. The forecast used in November 2025 showed Kansas personal income increasing by 1.9 percent in CY 2026 and CY 2027, and 2.0 percent in CY 2028. Current estimates indicate overall real U.S. Personal Income increasing by 2.0 percent in CY 2026, CY 2027, and CY 2028.

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Employment. The table below provides a comparison of Kansas total non-farm employment to regional and national levels.

**Total Non-farm Employment
(Thousands of Employees)**

	Kansas		Plains*		United States	
	Percent		Percent		Percent	
	<u>Total</u>	<u>Change</u>	<u>Total</u>	<u>Change</u>	<u>Total</u>	<u>Change</u>
2015	1,400.8	--	10,522	--	141,825	--
2016	1,404.6	0.3%	10,610	0.8%	144,335	1.8%
2017	1,404.2	0.0	10,680	0.7	146,606	1.6
2018	1,415.7	0.8	10,753	0.7	148,909	1.6
2019	1,423.8	0.6	10,817	0.6	150,905	1.3
2020	1,358.9	-4.6	10,256	-5.2	142,186	-5.8
2021	1,379.8	1.5	10,481	2.2	146,285	2.9
2022	1,415.5	2.6	10,747	2.5	152,520	4.3
2023	1,443.3	2.0	10,938	1.8	155,868	2.2
2024	1,457.7	1.0	11,033	0.9	157,693	1.2
2025	1,462.8	0.3	11,040	0.1	158,457	0.5

Source: Bureau of Labor Statistics, Current Employment Statistics (CES).

* Includes Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

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Employment levels for each Kansas industry are presented in the following table.

Kansas Employment			
Place of Work Data	<u>2024</u>	<u>2025</u>	<u>Percent Change</u> 2024-2025
Total Nonfarm	1,457,700	1,462,800	0.3%
Goods Producing	252,100	252,500	0.2%
Mining and Logging	6,100	6,000	-1.6%
Construction	71,200	73,800	3.7%
Manufacturing	174,700	172,800	-1.1%
Durable Goods	103,000	102,300	-0.7%
Machinery Manufacturing	20,500	19,600	-4.4%
Transportation Equipment Manufacturing	38,200	37,000	-3.1%
Aerospace Product and Parts Manufacturing	31,500	31,800	1.0%
Non-Durable Goods	71,800	70,500	-1.8%
Food Manufacturing	38,000	37,700	-0.8%
Animal Slaughtering and Processing	20,400	19,700	-3.4%
Service-Providing	1,205,700	1,210,300	0.4%
Trade, Transportation, and Utilities	274,700	273,500	-0.4%
Wholesale Trade	59,000	58,500	-0.8%
Retail Trade	142,100	141,100	-0.7%
Motor Vehicle and Parts Dealers	18,700	18,700	0.0%
Grocery and Convenience Retailers	22,100	22,300	0.9%
General Merchandise Retailers	32,100	32,000	-0.3%
Transportation, Warehousing, and Utilities	73,600	74,000	0.5%
Utilities	5,900	6,100	3.4%
Electric Power Generation, Transmission and Distribution	4,300	4,400	2.3%
Transportation and Warehousing	67,700	67,900	0.3%
Truck Transportation	17,200	17,100	-0.6%
Information	17,600	17,100	-2.8%
Telecommunications	6,600	6,400	-3.0%
Financial Activities	78,200	79,300	1.4%
Finance and Insurance	62,300	63,100	1.3%
Credit Intermediation and Related Activities including Monetary			
Authorities - Central Bank	25,400	25,300	-0.4%
Insurance Carriers and Related Activities	29,300	30,000	2.4%
Real Estate and Rental and Leasing	15,900	16,200	1.9%
Professional and Business Services	174,800	173,600	-0.7%
Professional, Scientific, and Technical Services	78,700	79,400	0.9%
Management of Companies and Enterprises	21,900	21,800	-0.5%
Administrative and Support and Waste Management and			
Remediation Services	74,200	72,400	-2.4%
Private Education and Health Services	213,200	217,900	2.2%
Private Educational Services	16,700	17,300	3.6%
Health Care and Social Assistance	196,600	200,600	2.0%
Hospitals	54,700	55,700	1.8%
Leisure and Hospitality	133,900	133,700	-0.1%
Arts, Entertainment, and Recreation	18,000	18,600	3.3%
Amusement, Gambling, and Recreation Industries	14,800	15,200	2.7%
Accommodation and Food Services	115,900	115,100	-0.7%
Food Services and Drinking Places	106,400	105,800	-0.6%
Other Services	55,300	55,700	0.7%
Government	258,100	259,600	0.6%
Federal Government	26,900	25,900	-3.7%
State Government	50,600	51,700	2.2%
State Government Educational Services	24,900	25,300	1.6%
State Government Excluding Education	25,800	26,400	2.3%
Local Government	180,500	182,000	0.8%
Local Government Educational Services	104,800	105,600	0.8%
Local Government excluding Educational Services	75,700	76,400	0.9%

Source: Bureau of Labor Statistics, Current Employment Statistics (CES).

Data obtained from the Kansas Department of Labor indicate that employment levels have remained stable from levels reported last year at this time. The Kansas unemployment rate was 3.8% in August 2026, an increase of 0.1% over August 2025. Total Kansas private sector employment increased from August 2025 to August 2026 by 11,000 jobs, while public sector employment decreased by 3,200 jobs. Over the same period, the civilian labor force decreased by approximately 23,000 individuals with the labor force participation rate falling 1.5% to 66.6%. Sectors with the largest numbers of job increases over the last year include construction (+3,700), leisure and hospitality (+3,200), and private education and health services (+2,700). Federal government (-2,400), financial activities (-1,100) and other services (-1,000) had the largest job losses over the last year.

Current estimates indicate that the overall Kansas unemployment rate, which was 3.8 percent in CY 2025, is expected to increase to 4.0 percent in CY 2026 and decrease to 3.9 percent in both CY 2027 and CY 2028. Kansas unemployment expectations have worsened since November when the Kansas unemployment rate was forecast to be 3.8 percent in both CY 2026 and CY 2027. The national unemployment rate is expected to remain above the Kansas rate, with the U.S. rate now expected to be 4.6 percent in CY 2026 and 4.5 percent in both CY 2027 and CY 2028.

Average weekly hours worked in the private sector in February 2026 increased to 34.0 hours, an increase of 1.8 percent from February 2025. Average real hourly earnings increased over the year by \$0.60 to \$32.96, which is an increase of 1.9 percent. The following table compares the unemployment rate in Kansas to regional and national levels.

Unemployment Rate

	<u>Kansas</u>	<u>Plains*</u>	<u>United States</u>
2015	4.2%	4.1%	5.3%
2016	4.0	3.9	4.9
2017	3.6	3.4	4.4
2018	3.3	3.0	3.9
2019	3.2	3.1	3.7
2020	5.8	5.7	8.1
2021	3.4	3.6	5.3
2022	2.8	2.6	3.6
2023	2.9	2.8	3.6
2024	3.5	3.2	4.0
2025	3.8	3.7	4.3

Source: Labor Market Information Division of the Kansas Department of Labor; Bureau of Labor Statistics; Local Area Unemployment Statistics (LAUS); Current Population Survey (CPS).

* Includes Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

Oil and Gas. As of April 2026, the Consensus Revenue Estimating Group determined that the price per taxable barrel of Kansas crude oil is estimated to average \$58.00 in FY 2026 (up from the \$53.50 estimate used in November) and reflect sharply higher oil prices in the closing months of the fiscal year. Since there is a two-month lag from when production occurs and when the tax is due, FY 2026 oil severance tax receipts reflect production from May 2025 through April 2026 — a period during which West Texas Intermediate (WTI) crude oil traded in the \$58.00 to \$68.00 per barrel range for the first ten months before

spiking to as high as \$114.58 per barrel in early April 2026 on heightened concerns over the Iran war. The price of oil sold in Kansas is usually \$10.00 lower than the WTI traded price due to the gravity discount. The average for FY 2026 is therefore a blend: largely pre-spike, with the elevated prices of March and April lifting the full-year figure modestly.

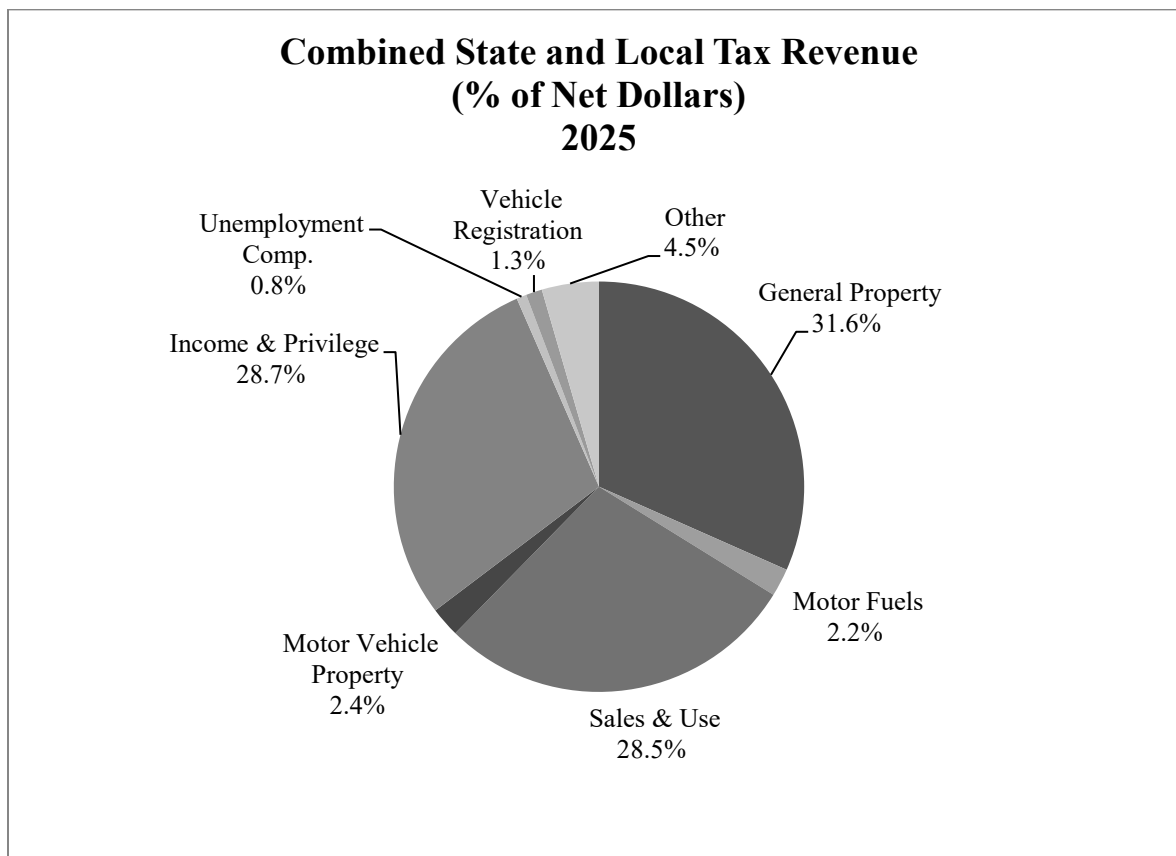
The estimated average price of \$65.00 per barrel in FY 2027 (up from the \$51.50 estimate used in November) is based largely on oil futures price expectations leading up to the Consensus Revenue Estimating Group's April 2026 meeting, which now carry a sustained geopolitical risk premium across the entire fiscal year. A great deal of uncertainty remains in forecasting the price of this commodity. Kansas is estimated to produce 25.0 million barrels of oil in FY 2026, which is 1.5 million barrels below the 26.5 million barrels that was used in the November estimate, reflecting year-to-date production running slightly below the November forecast. The current forecast of 24.5 million barrels for FY 2027 is 1.5 million barrels below the 26.0 million barrels that was used in the November estimate. Of all Kansas oil produced, 54.0 percent is predicted to not be subject to severance taxation because of various exemptions in state law for both FY 2026 and FY 2027, unchanged from the November estimate but below the actual level of 54.6 percent that was exempt in FY 2025.

Based on an industry source's analysis of futures markets, the price of natural gas is expected to average \$3.15 per thousand cubic feet (Mcf) for FY 2026, roughly unchanged from the \$3.10 per Mcf estimated in November. The price is estimated to decrease to \$2.70 per Mcf for FY 2027, which is down from the \$3.60 per Mcf estimated in November. The FY 2026 forecast reflects an unusually cold February 2026 that drove the Kansas wellhead equivalent price above \$7.80 per Mcf for a single month, offsetting lower-than-expected readings in March and a general expectation of softer prices through the spring and summer of 2026. The FY 2027 downward revision reflects market consensus that the February spike was weather-driven rather than a structural shift, with the forward curve settling back into a \$2.00–\$3.00 per Mcf range for most non-winter months. Kansas natural gas production is estimated to reach 115.0 million Mcf in FY 2026, which is 2.0 million Mcf more than the 113.0 million Mcf estimated in November, and represents a significant decrease from the modern era peak of 730.0 million Mcf in FY 1996 (largely a result of depleting reserves in the Hugoton Field and no new drilling activity). Production is estimated to continue to decrease and is expected to be 108.0 million Mcf in FY 2027, which is 5.0 million Mcf more than the 103.0 million Mcf that was estimated in November. Approximately 52.0 percent of natural gas produced is estimated to be exempt from severance taxation in FY 2026 and is estimated to increase to 56.0 percent in FY 2027.

Agriculture. Projections for the agricultural sector are split. Crop producers continue to face significant headwinds from high input costs, with fertilizer prices elevating sharply in early 2026 and broader farm input price indexes for diesel and farm machinery also trending upward. The March 2026 forecast from the Federal Reserve Bank of Kansas City projects Kansas corn prices falling \$0.12 per bushel below breakeven, extending the negative margins first observed in 2024 and 2025. Cattle producers, in contrast, continue to experience favorable conditions, with 63.0 percent of farmers expecting good times for livestock producers over the next five years. Consumer beef demand remains strong, and prices across the supply chain are expected to remain high in the near term. Kansas dairy production reached a record 4.9 billion pounds in 2025 — an increase of 18.0 percent, or more than 750 million pounds, above 2024. Drought remains an obstacle, with 55.0 percent of Kansas and 50.0 percent of the U.S. under drought conditions at the time of the Consensus Revenue Estimating Group's April 2026 estimates.

Taxes

Kansas Tax Facts, 2025 Supplement to the Ninth Edition, published by the Kansas Legislative Research Department, provides the most current information available on taxes collected in Kansas. This publication is the source for data used in this section. Combined state and local tax revenues from all sources for fiscal year 2025 are illustrated in the following pie chart. Motor fuel taxes accounted for approximately 2.4 percent of tax revenue and vehicle registration fees accounted for 1.3 percent.

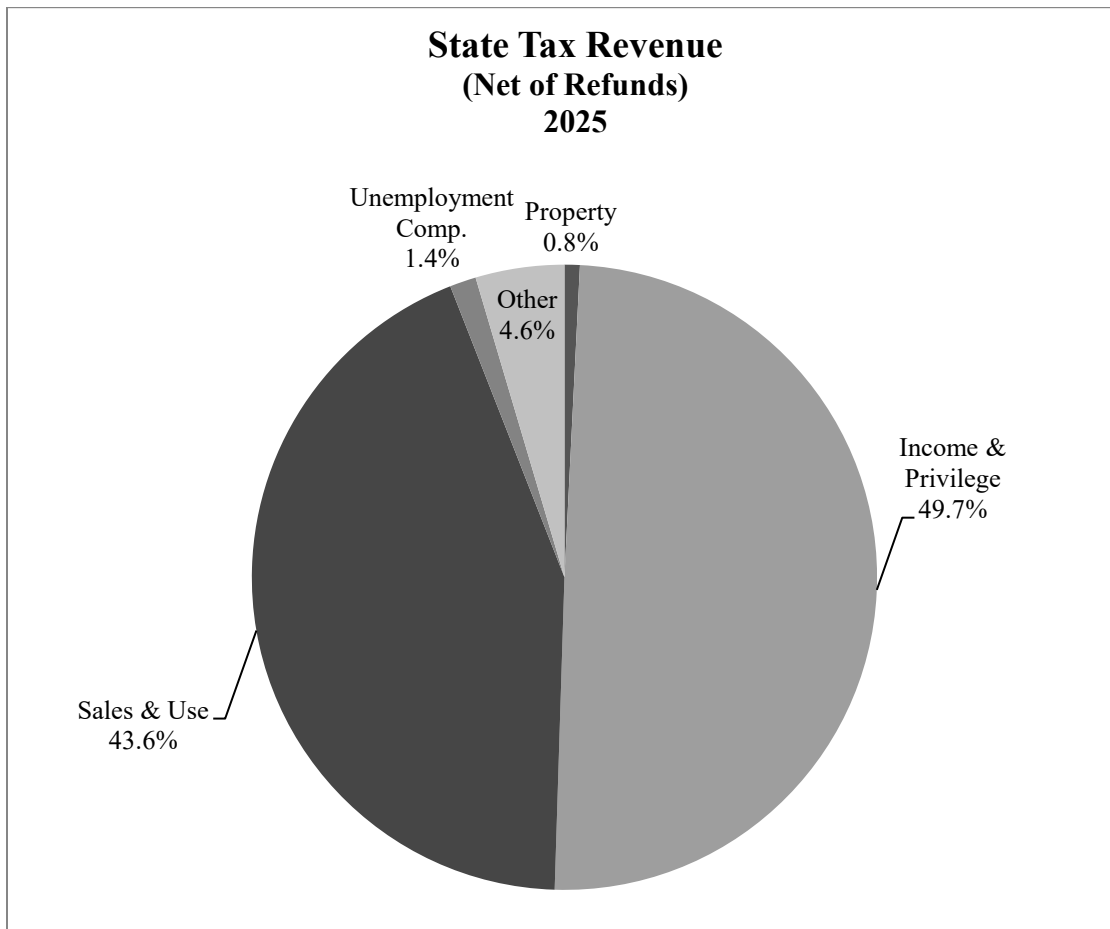


Sales and use tax revenue has been an increasing part of the state-local tax mix for decades. It has risen from 16 percent of the total in 1970 to over 28 percent in 2025. The spread of local sales taxes has contributed significantly to the growth of sales tax revenue since 1970.

General property tax is still an important revenue producer; however, its proportion of total state and local taxes has steadily declined over the decades. It was 82 percent in Fiscal Year 1930, 56 percent in Fiscal Year 1960, and 31.6 percent in Fiscal Year 2025.

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The following pie chart illustrates the revenue for Fiscal Year 2025 collected by state sources only. The largest two categories are income and privilege tax and sales and use tax, which constitute 49.7 percent and 43.6 percent, respectively.



The table below shows state tax revenue for the Fiscal Years 2018–2025.

State Tax Revenue Net of Refunds (In Millions)								
	2018	2019	2020	2021	2022	2023	2024	2025
Income & Privilege	\$3,840	\$4,265	\$3,791	\$5,345	\$5,737	\$6,101	\$5,989	\$6,058
Sales & Use	4,324	4,358	4,407	4,757	5,337	5,433	5,363	5,308
Property	75	74	77	80	82	87	93	96
Unemployment Comp.	280	285	271	301	333	291	231	166
Other	<u>197</u>	<u>408</u>	<u>423</u>	<u>453</u>	<u>468</u>	<u>505</u>	<u>517</u>	<u>559</u>
Total	\$8,716	\$9,389	\$8,969	\$10,935	\$11,958	\$12,417	\$12,193	\$12,187

Note: Totals may not agree due to rounding.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
(FISCAL YEAR ENDED JUNE 30, 2026)**

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KANSAS DEPARTMENT OF TRANSPORTATION

A DEPARTMENT OF THE STATE OF KANSAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2026

NOTE: This information can be made available in alternative accessible formats upon request. For information about obtaining an alternative format, email the KDOT Division of Communications at KDOT.PublicInfo@ks.gov or phone (785) 296-3585 (Voice)/Hearing Impaired - 711.

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KANSAS DEPARTMENT OF TRANSPORTATION

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Kansas Department of Transportation
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2026

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INTRODUCTORY SECTION

**Annual Comprehensive Financial Report
For the fiscal year ended June 30, 2026**



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Kansas Department of Transportation

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2025

and issued to the public 77 days after the fiscal year end



Christopher P. Morill
Executive Director/CEO

September 14, 2026

The Honorable Laura Kelly, Governor
Members of the Kansas Legislature, and
Citizens of the State of Kansas:

Kansas Statutes Annotated 68-2315 requires the Kansas Department of Transportation (the Department) to annually prepare a comprehensive financial report of all funds for the preceding year, which shall include a report by an independent public accountant attesting that the financial statements present fairly the financial position of the Department in conformity with accounting principles generally accepted in the United States of America (GAAP). Pursuant to that requirement, we are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the Department for the fiscal year ended June 30, 2026.

This report consists of management's representations concerning the finances of the Department. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report.

Department managers are responsible for establishing and maintaining internal controls to protect the Department's assets from loss, theft, or misuse, and to enable adequate accounting data to be compiled for preparation of financial statements in conformity with GAAP as applied to governmental units. The Department's internal controls are designed to provide reasonable but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by departmental managers.

For the fiscal year ended June 30, 2026, the independent audit required by statute was performed by CliftonLarsonAllen LLP. The auditors concluded that there was a reasonable basis for rendering unmodified opinions and that the financial statements for the fiscal year ended June 30, 2026 are fairly presented in conformity with GAAP. Their report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement MD&A and should be read in conjunction with it. The Department's MD&A can be found immediately following the report of the independent auditors.

Profile of the Department

The Department is an operating department of the State of Kansas and represents separate funds of the State that are not a part of the State General Fund. The Department was created by the Kansas Legislature in 1975 to succeed the State Highway Commission, which was established in 1917. The Secretary of Transportation (the Secretary) is appointed by the Governor with the consent of the

Senate. The Department has statutory responsibility to coordinate planning, development, and operation of various modes and systems of transportation in the State. However, the Department's actual authority varies by mode and system. Although the Kansas Turnpike Authority (KTA) cooperates with the Department to achieve these objectives, the KTA is not a part of this reporting entity.

The Department's annual budget is approved by the Kansas Legislature. The budget is prepared by fund with some of the expenditures appropriated with legal limits and other expenditures appropriated without legal limits. Those budget items appropriated with legal limits can only be amended with Legislative approval. Budget items appropriated without legal limits can be amended by the Department's management without Legislative approval.

Economic Condition and Outlook

Economic forecasts are developed using a consensus process that involves the Legislative Research Department, Division of the Budget, and Department of Revenue for the State plus three consulting economists from state universities. The Consensus Revenue Estimating (CRE) Group meets bi-annually in April and November. The economic condition and outlook are based upon the April 2026 meeting.

Since the CRE Group's last meeting in November, real Gross Domestic Product (GDP) growth forecasts for both the U.S. and Kansas have been revised slightly upward for calendar year (CY) 2026 and CY 2027, while inflation expectations have also been revised higher. Significant concerns exist for the economy as a whole relative to the Iran war and its upward pressure on oil prices, elevated financial market volatility, inflation expectations that have remained above the Federal Reserve's target, and uncertainty around the timing and realization of productivity gains that may or may not materialize from artificial intelligence. Although the U.S. and Kansas economies continue to grow, uncertainty remains as several economic indicators are estimated to show only moderate improvements over the next few years. The economic forecast is based on no significant downturns or disruptions in the state or federal economy during the forecast period.

Real Kansas Gross State Product (GSP), which measures the cumulative economic output of the state's economy, is estimated to increase by 2.0 percent in CY 2026, CY 2027, and CY 2028. The November estimate showed real Kansas GSP increasing by 1.9 percent in CY 2026 and CY 2027, and 2.0 percent in CY 2028. Current forecasts call for real U.S. GDP to increase by 2.0 percent in CY 2026, CY 2027, and CY 2028. The November estimate had real U.S. GDP increasing by 1.9 percent in CY 2026 and CY 2027, and 2.0 percent in CY 2028.

Real Kansas Personal Income (KPI), a measure of the economic well-being of state residents from all the income that they receive, is expected to increase by 2.0 percent in CY 2026, CY 2027, and CY 2028. The real KPI forecast used in November showed KPI increasing by 1.9 percent in CY 2026 and CY 2027, and 2.0 percent in CY 2028. Current estimates indicate overall real U.S. Personal Income increasing by 2.0 percent in CY 2026, CY 2027, and CY 2028.

Current estimates indicate that the overall Kansas unemployment rate, which was 3.8 percent in CY 2025, is expected to increase to 4.0 percent in CY 2026 and decrease to 3.9 percent in both CY 2027 and CY 2028. Kansas unemployment expectations have worsened since November when the Kansas unemployed rate was forecast to be 3.8 percent in both CY 2026 and CY 2027. The national unemployment rate is expected to remain above the Kansas rate, with the U.S. rate now expected to be 4.6 percent in CY 2026 and 4.5 percent in both CY 2027 and CY 2028.

A key factor in raising the estimate for the annual unemployment rate is the Kansas labor force participation rate, which is now higher than pre-pandemic levels. The labor force participation rate

is the number of people ages 16 and older who are employed or actively seeking employment, divided by the total non-institutionalized, civilian working-age population. The Kansas labor force participation rate in February 2026 was 67.8 percent compared to 67.0 percent in February 2020. Average weekly hours worked in the private sector in February 2026 increased to 34.0 hours, an increase of 1.8 percent from February 2025. Average real hourly earnings increased over the year by \$0.60 to \$32.96, which is an increase of 1.9 percent.

Federal Funding

The Infrastructure Investment and Jobs Act (IIJA) was signed into law on November 15, 2021, as Public Law 117-58. The IIJA authorizes about \$550 billion over federal fiscal years (FFY) 2022 through 2026 for transportation investments like: highway safety, transportation safety, public transportation, motor carrier safety, hazardous materials safety, rail, research, technology, and statistics programs. The IIJA replaces the Fixing America's Surface Transportation (FAST) Act and provides Kansas with levels of funding greater than the FAST Act and the Act's continuing resolution extensions. On September 30, 2026, the IIJA expires. A surface transportation reauthorization act or an extension of the existing IIJA must be passed prior to September 30, 2026. If this does not happen, federal funding that states rely on for transportation infrastructure investment will stop.

The House Transportation and Infrastructure Committee has passed an act known as the BUILD America 250 Act (H.R. 8870). This act is one of a few that must pass on or before September 30, 2026, to continue federal funding authorization for transportation investment.

The Senate has several committees involved in drafting portions of a surface transportation reauthorization. To date there is no drafted language from any of the Senate committees.

Highway Trust Fund

The Highway Trust Fund (HTF) was created by the federal Highway Revenue Act of 1956 as the primary tool for receiving highway user taxes and distributing the funds to state and local governments for qualifying highway project expenditures. The major revenue sources for the HTF are the federal motor fuels tax, truck-related taxes on tires and the sale of trucks and trailers, and heavy vehicle use tax.

For decades the HTF adequately funded the nation's roads, and in later years transit projects, as the revenue sources continued to support the spending on federal projects. However, in recent years the balances in the HTF began to take a downward slope and the solvency of the Highway Account of the Trust Fund became a major concern.

With the passage of IIJA, surface transportation programs have been authorized through 2026. Legislation transferred \$118 billion from the general fund of the Treasury to the HTF. The transfer did not create any new revenue sources from transportation users. Spending from the HTF exceeds revenues credited to the fund from taxes on motor fuels, heavy trucks, and tires. The Congressional Budget Office projects that, under the IIJA levels of funding, both the highway and transit accounts of the HTF will be unable to meet all obligations in 2028. In addition, taxes on tires and all but 4.3 cents of the federal tax on motor fuels are scheduled to expire on September 30, 2028.

Obligation Limitation

Congress establishes an obligation limitation which sets a limit on annual federal spending by states of the amount of federal funding apportioned to each state in contract authority. The limitation is typically less than the contract authority provided. The federal government does this to be

responsive to current budget policies. Since the passage of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), there have been numerous rescissions of federal funding resulting from Congressional action in annual transportation appropriations bills and other federal legislation. These rescissions require states to deduct a set amount of unobligated funds, which accumulate because states are not permitted to spend the entire amount of contract authority, they receive due to a required obligation limitation. There is no scheduled rescission of funding under the IIJA in FFY 2026.

Conclusion

IIJA is the second consecutive legislation authorizing long-term funding for transportation following the FAST Act. IIJA authorizes surface transportation programs through September 30, 2026. Federal funding is clearly an important source of revenue for completing and implementing transportation investments of the Eisenhower Legacy Transportation Program (IKE).

It is critical for future planning purposes that federal funding be stable and predictable. A federal transportation reauthorization bill that creates a long-term funding program like IIJA would provide that stability. IIJA expires on September 30, 2026 and Congress has started drafts in the House but no language in the Senate to create the next federal transportation authorization. KDOT remains committed to working with federal and Congressional partners to help ensure a reauthorization bill that will support the agency's investments for the future of Kansas.

Future Financial Planning and Budgetary Outlook

The 10-year IKE program was passed in the 2020 Legislative Session and began in FY 2021. IKE implements a two-year rolling program approach, allowing Kansas to future-proof its investments. In the IKE program, highway modernization and expansion projects will be selected every two years and preservation will be prioritized. The Department will be better able to address community problems and capture emerging opportunities. This will allow communities to shift priorities and project scopes to better address current and future needs.

The IKE program will provide resources directed to the most pressing needs statewide each year, including rural broadband expansion, and provides more holistic transportation solutions. The Department will be able to provide an easier and streamlined application process for communities. With the IKE program, more resources will be provided to make local improvements through these new/expanded programs:

- Preservation
- Broadband
- Local Bridge
- Cost Share
- Strategic Safety Improvements
- Unmanned Aircraft Systems (UAS)
- Shortline Rail Program
- Driver's Education.

The IKE program authorizes the Secretary to issue highway revenue bonds so long as the Secretary certifies that, as of the date of issuance of any such bonds, the maximum annual debt service on all outstanding bonds and on such bonds proposed to be issued will not exceed 18% of State Highway Fund revenues projected for the then-current or any future fiscal year.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. This was the 38th consecutive year that the Department has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Department believes the current report continues to meet the Certificate of Achievement Program's requirements and it will be submitted to the GFOA to determine its eligibility for another certificate.

Other Information

This information can be made available in alternative accessible formats upon request. For information about obtaining an alternative format, email the KDOT Division of Communications at KDOT.PublicInfo@ks.gov or phone (785) 296-3585 (Voice)/Hearing Impaired - 711.

The timely preparation of this report was achieved by the efficient and dedicated service of the entire staff of the Bureau of Fiscal Services. I would like to express appreciation to members of the Bureau and others throughout the Department who assisted and contributed to this report.

Sincerely,



Calvin E. Reed, P.E.
Secretary of Transportation
Director of Kansas Turnpike Authority

KANSAS DEPARTMENT OF TRANSPORTATION

LIST OF PRINCIPAL OFFICIALS

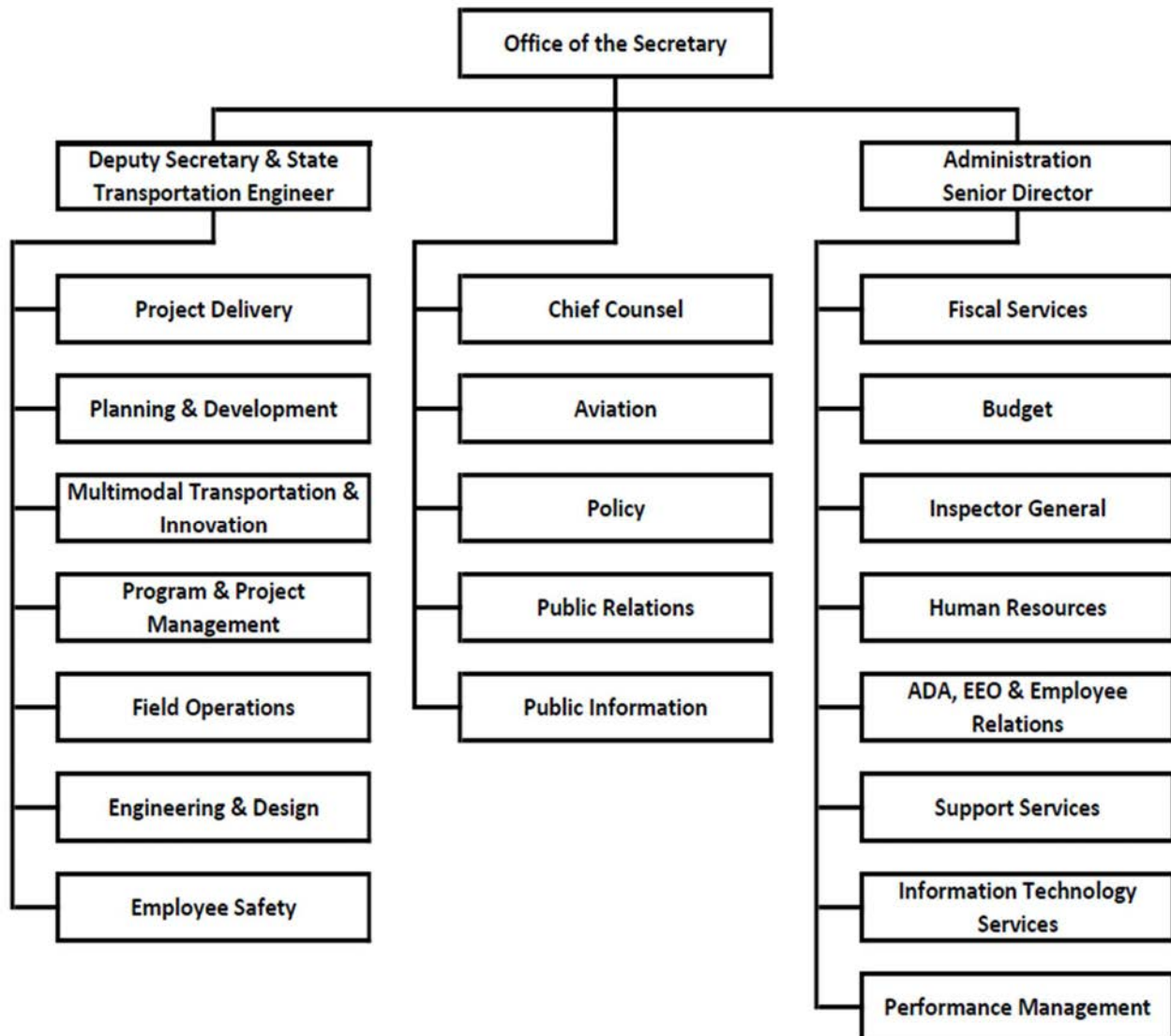
Annual Comprehensive Financial Report As of September 14, 2026

EXECUTIVE STAFF

<u>TITLE</u>	<u>NAME</u>
Secretary of Transportation	Calvin Reed
Deputy Secretary and State Transportation Engineer	Greg Schieber
Senior Director, Division of Administration	Pam Anderson
Chief Counsel	Gelene Savage
Director, Division of Engineering & Design	Scott King
Director, Division of Planning & Development	Mike Moriarty
Director, Division of Information Technology Services	Shawn Brown*
Director, Division of Project Delivery	Tony Menke
Director, Division of Field Operations	Ron Hall
Director, Division of Multimodal Transportation & Innovation	Cory Davis
Director, Division of Program & Project Management	Colby Farlow
Director, Division of Employee Safety	Troy Whitworth
Director, Division of Policy	Joel Skelley
Director, Division of Aviation	Ray Seif

* Reports directly to State of Kansas Office of Information Technology Services

Kansas Department of Transportation



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FINANCIAL SECTION

**Annual Comprehensive Financial Report
For the fiscal year ended June 30, 2026**



INDEPENDENT AUDITORS' REPORT

Secretary of Transportation
Kansas Department of Transportation
Topeka, Kansas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kansas Department of Transportation (the Department), a department of the State of Kansas, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2026, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of State of Kansas as of June 30, 2026, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, during the year ended June 30, 2026, the Department adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. GASB Statement No. 103 modified certain requirements related to management's discussion and analysis, proprietary fund financial statement presentation, and budgetary comparison information. Our opinions are 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Department'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, infrastructure assets reported using the modified approach, other postemployment benefits schedule and pension schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining and individual nonmajor fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2026, on our consideration of the Department'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 Department'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 Department's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".**CliftonLarsonAllen LLP**

Kansas City, Missouri
September 14, 2026

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Management's Discussion and Analysis

**Kansas Department of Transportation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2026
(amounts expressed in thousands)**

The following section of our annual financial report presents our discussion and analysis of the Department's financial performance during the year. It is intended to assist you, the reader, in understanding how the various statements relate to each other and provide an objective and easily readable analysis of the Department's financial activities based on currently known facts, decisions and conditions. We encourage you to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal. Unless otherwise indicated, amounts are expressed in thousands of dollars.

Financial highlights

- At June 30, 2026, the Department's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$14,549,032. Of this amount, \$500,876 is unrestricted and available to use to meet future obligations to citizens and creditors.
- The Department's net position increased by \$458,929 during the year.
- At the end of the fiscal year, the combined ending fund balances of the Department's governmental funds were \$732,505.
- The ending fund balances of governmental funds decreased by \$356,083.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this Annual Comprehensive Financial Report consists of the auditors' report, this Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information and other supplementary information. This MD&A is intended to serve as an introduction to the Department's basic financial statements.

The basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business. These statements take a much longer view of the Department's finances than the fund-level statements.

The Statement of Net Position presents information on all the Department's assets, liabilities, deferred outflows of resources, and deferred inflows of resources. The net between these four items is reported as the Department's net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The Statement of Activities presents information showing how the Department's net position changed during the last fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Department's governmental activities include: maintenance and preservation; communication system; local support; general government; rail, air and public transportation; and interest on long-term debt. The business-type activities are the US69 Express Lane Tolling Fund, the Transportation Revolving Fund, and the Communication System Revolving Fund.

Fund financial statements

The fund financial statements provide more detailed information about the Department's most significant funds – not the Department as a whole. A fund is an accounting device used to keep track of specific sources of funding and spending for particular purposes. Funds are used to ensure and demonstrate compliance with financial related legal requirements.

The Department has three kinds of funds:

- **Governmental funds** – Governmental funds focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the future to finance the Department's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information explaining the differences between them is provided on the subsequent pages.

The Department maintains seventeen individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the State Highway Fund and the Debt Service Fund. These funds are considered major funds. Information from the other governmental funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in the ACFR.

- **Proprietary funds** – The proprietary fund statements report the business-type activities in the government-wide statements in more detail. The US69 Express Lane Tolling Fund and the Transportation Revolving Fund are considered the only major funds.
- **Custodial funds** – The Department functions as a custodian for the cities and counties in holding tax money until it is distributed to those entities. Since these funds cannot be used to finance the Department's operations, they are excluded from the government-wide financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund-level financial statements.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this section of our report presents certain information including the Budgetary Comparison Statement for the State Highway Fund to demonstrate compliance with its budget; the reconciliation statement between this budgetary statement and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance; information required to support the use of the modified approach for the reporting of infrastructure assets; and information concerning the Department's progress in funding its obligation to provide other post-employment benefits (OPEB).

Other information

Combining statements referred to earlier in connection with nonmajor governmental funds and budgetary schedules for funds not presented earlier are presented immediately following the required supplementary information.

FINANCIAL SUMMARY

Net Position

The following table compares summary government-wide financial data at the end of the last two fiscal years.

Summary of Net Position						
	Governmental Activities		Business-type Activities		Total	
	6/30/2026	6/30/2025	6/30/2026	6/30/2025	6/30/2026	6/30/2025
Current and other assets	\$ 935,816	\$ 1,274,858	\$ 5,139	\$ 26,505	\$ 940,955	\$ 1,301,363
Capital assets	15,718,579	15,001,323	0	0	15,718,579	15,001,323
Total assets	16,654,395	16,276,181	5,139	26,505	16,659,534	16,302,686
Deferred outflows of resources:						
Deferred pension outflows	34,020	42,654	0	0	34,020	42,654
Deferred OPEB outflows	1,420	1,382	0	0	1,420	1,382
Unamortized loss	23,697	31,292	0	0	23,697	31,292
Total deferred outflows of resources	59,137	75,328	0	0	59,137	75,328
Other liabilities	186,496	159,165	0	0	186,496	159,165
Non-current liabilities	1,971,764	2,119,766	0	0	1,971,764	2,119,766
Total liabilities	2,158,260	2,278,931	0	0	2,158,260	2,278,931
Deferred inflow of resources:						
Deferred pension inflows	9,033	6,767	0	0	9,033	6,767
Deferred OPEB inflows	2,346	2,213	0	0	2,346	2,213
Total deferred inflow of resources	11,379	8,980	0	0	11,379	8,980
Net position:						
Net investments in capital assets	13,810,039	12,971,338	0	0	13,810,039	12,971,338
Restricted	238,117	222,932	0	0	238,117	222,932
Unrestricted	495,737	869,328	5,139	26,505	500,876	895,833
Total net position	\$ 14,543,893	\$ 14,063,598	\$ 5,139	\$ 26,505	\$ 14,549,032	\$ 14,090,103

As noted earlier, over time, total net position may serve as a useful indicator of a government's financial position. At the end of the year, total net position was \$14,549,032, an increase of \$458,929.

Most of the Department's net position reflects its investment in capital assets such as land, buildings, equipment, and infrastructure, less any debt still outstanding used to acquire those assets. The Department uses these assets to provide services to the traveling public and they are not available for future spending. Although this investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from current sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Some of the Department's net position is restricted for use as debt service. An additional portion of the Department's net position is restricted for transportation purposes. The remaining balance of unrestricted net position is available for use in meeting ongoing obligations to citizens, creditors and employees.

The increase in net position investment in capital assets reflects the activities of constructing new highways. The decrease in the unrestricted net position reflects the increase in constructing new highways from the Department's IKE program as well as an increase in debt service costs from the newest bond series issued in fiscal year 2025.

Changes in Net Position

The following table summarizes and compares governmental and business-type activities for the years ended June 30, 2026 and 2025.

Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	6/30/2026	6/30/2025	6/30/2026	6/30/2025	6/30/2026	6/30/2025
Revenues						
Program revenues:						
Capital grants	\$ 137,752	\$ 279,159	\$ 0	\$ 0	\$ 137,752	\$ 279,159
Operating grants	362,467	513,642	0	0	362,467	513,642
Vehicle registrations and drivers' licenses	253,068	252,182	0	0	253,068	252,182
Charges for service & other	2,569	105,922	216	188	2,785	106,110
General revenues:						
Motor fuels tax	315,506	307,108	0	0	315,506	307,108
Sales and use taxes	768,204	739,938	0	0	768,204	739,938
Investment earnings	23,038	23,649	782	886	23,820	24,535
Unrestricted appropriations from other state funds	10,681	1,100	0	0	10,681	1,100
Total revenues	<u>1,873,285</u>	<u>2,222,700</u>	<u>998</u>	<u>1,074</u>	<u>1,874,283</u>	<u>2,223,774</u>
Expenses						
Maintenance and preservation	818,060	862,475	0	0	818,060	862,475
Communication system	7,275	7,489	0	1	7,275	7,490
Local support	227,472	199,936	0	0	227,472	199,936
General government	195,738	169,808	0	0	195,738	169,808
Rail, air and public transportation	90,160	93,929	0	0	90,160	93,929
Interest	76,542	77,646	0	0	76,542	77,646
Toll expense	0	0	107	0	107	0
Total expenses	<u>1,415,247</u>	<u>1,411,283</u>	<u>107</u>	<u>1</u>	<u>1,415,354</u>	<u>1,411,284</u>
Increase in net position before transfers	<u>458,038</u>	<u>811,417</u>	<u>891</u>	<u>1,073</u>	<u>458,929</u>	<u>812,490</u>
Transfers	22,257	0	(22,257)	0	0	0
Change in net position	<u>480,295</u>	<u>811,417</u>	<u>(21,366)</u>	<u>1,073</u>	<u>458,929</u>	<u>812,490</u>
Net position - beginning	<u>14,063,598</u>	<u>13,252,181</u>	<u>26,505</u>	<u>25,432</u>	<u>14,090,103</u>	<u>13,277,613</u>
Net position - ending	<u>\$ 14,543,893</u>	<u>\$ 14,063,598</u>	<u>\$ 5,139</u>	<u>\$ 26,505</u>	<u>\$ 14,549,032</u>	<u>\$ 14,090,103</u>

As a result of the activities of the Department during the past year net position increased \$458,929. Overall, revenues decreased by 16% and expenses remained the same.

Governmental activities

Revenues for the year decreased \$349,415 or about 16%. This decrease was due primarily to the Department receiving fewer Operating and Capital grants and less interest from bond related activities during fiscal year 2026.

Expenses for the year increased by \$3,964 or about 0.3%. The most significant increase was for Local support and General government expenses. For FY 2026, expenses were spent on local support and there were more transfers out to other state funds.

Business-type activities

Business-type activities reflect the activities in the US69 Express Lane Tolling Fund, the Transportation Revolving Fund, and the Communication System Revolving Fund. Total revenues for these funds had a \$76 or 7% decrease. Total expenses for these funds had a \$106 or 10,600% increase. The decrease in revenues was due primarily to the Department receiving less interest on loans. The increase in expenditures was due to the new toll maintenance for US69 Express Lane Tolling Fund starting in late fiscal year 2026.

DETAILED ANALYSES

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the Department's short-term financing requirements. In particular, unassigned fund balance may serve as a measure of the net resources available for spending at the end of the year.

State Highway Fund

At the end of the year, total fund balance was \$466,406, a decrease of \$381,612. The most significant decrease was a decrease in the cash balance. This decrease is due to the Department receiving less Operating and Capital grants during the fiscal year. The Department receives Operating and Capital grants from both Federal and Local partners. The grants received can vary from year to year due to timing of ongoing projects.

During the fiscal year, the State Highway Fund received transfers from the Transportation Revolving Fund and Communication System Revolving Fund of \$23,257. These transfers returned "seed money" originally transferred from the State Highway Fund to establish these funds. Transfers received in fiscal year 2025 were significantly higher than those received in the current year due to the issuance and refunding of bonds during the fiscal year.

Debt Service Fund

The total fund balance was \$132,848 at the end of the fiscal year, an increase of \$19,298. The Debt Service Fund was utilized to pay the Department's required bond principal and interest payments. The issuance of bonds in recent years caused the annual debt service payments to increase. The Department issues bonds to improve and maintain the State Highway System.

The table below summarizes and compares the balance sheets of the governmental funds at June 30, 2026 and June 30, 2025.

Comparative Summary of Governmental Funds' Balance Sheets				
	6/30/2026	6/30/2025	Change	% Change
Assets				
Cash and investments	\$ 751,331	\$ 1,102,786	\$ (351,455)	(32)
Receivables	144,369	138,000	6,369	5
Inventories	32,239	32,250	(11)	(0)
Long-term receivable	7,877	1,822	6,055	332
Total assets	<u>\$ 935,816</u>	<u>\$ 1,274,858</u>	<u>\$ (339,042)</u>	(27)
Liabilities				
Current liabilities	\$ 145,106	\$ 134,399	\$ 10,707	8
Unearned revenue	15,246	17,870	(2,624)	(15)
Total liabilities	<u>160,352</u>	<u>152,269</u>	<u>8,083</u>	5
Deferred inflows of resources				
Unavailable revenue	42,959	34,001	8,958	26
Total deferred inflows of resources	<u>42,959</u>	<u>34,001</u>	<u>8,958</u>	26
Fund balances				
Nonspendable:				
Inventories	32,239	32,250	(11)	(0)
Long-term receivable	7,356	1,090	6,266	575
Restricted for:				
Debt service	132,848	113,550	19,298	17
Transportation	133,251	127,020	6,231	5
Unassigned	426,811	814,678	(387,867)	(48)
Total fund balances	<u>732,505</u>	<u>1,088,588</u>	<u>(356,083)</u>	(33)
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 935,816</u>	<u>\$ 1,274,858</u>	<u>\$ (339,042)</u>	(27)

Total fund balances for all governmental funds decreased by \$356,083 during the year.

The fund balance decrease is the result of decreasing cash and investments. The decrease in cash and investments was due to the spending of the Highway Revenue Bonds Series 2024A and Series 2025A issued in fiscal year 2025. See Note 7 for more details on the Department's bonds payable.

The table on the following page summarizes the governmental funds revenue, expenditures, and other financing sources (uses) and compares them to the prior year.

Management's Discussion and Analysis

**Comparative Statement of Governmental Funds Revenues, Expenditures, and
Other Financing Sources (Uses)**

	<u>6/30/2026</u>	<u>6/30/2025</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Motor fuel taxes	\$ 315,501	\$ 307,084	\$ 8,417	3
Vehicle registrations and permits	253,068	252,182	886	0
Operating grants	353,405	506,986	(153,581)	(30)
Capital grants	137,579	278,827	(141,248)	(51)
Sales and use taxes	768,487	738,935	29,552	4
Investment earnings	23,038	23,242	(204)	(1)
Other	8,955	18,291	(9,336)	(51)
Appropriations from other state funds	10,681	1,100	9,581	871
Total revenues	<u>1,870,714</u>	<u>2,126,647</u>	<u>(255,933)</u>	<u>(12)</u>
Expenditures				
Current operating:				
Maintenance	198,894	166,024	32,870	20
Preservation	708,951	691,935	17,016	2
Modernization	141,555	135,142	6,413	5
Expansion and enhancement	477,576	552,407	(74,831)	(14)
Communication system	6,007	6,180	(173)	(3)
Local support	157,605	141,244	16,361	12
Transportation planning and modal support	137,267	131,273	5,994	5
Administration	79,869	84,031	(4,162)	(5)
Distributions to other state funds	153,829	143,706	10,123	7
Debt service:				
Right-to-use lease and SBITA * principal	4,713	4,807	(94)	(2)
Principal	109,390	106,125	3,265	3
Interest and fees	76,542	77,646	(1,104)	(1)
Total expenditures	<u>2,252,198</u>	<u>2,240,520</u>	<u>11,678</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	<u>(381,484)</u>	<u>(113,873)</u>	<u>(267,611)</u>	<u>235</u>
Other financing sources (uses)				
Sale of assets	2,302	4,236	(1,934)	(46)
Issuance of debt	0	574,280	(574,280)	(100)
Refunding of debt	0	849,715	(849,715)	(100)
Premium on issuance of debt	0	139,555	(139,555)	(100)
Payment to escrow	0	(930,155)	930,155	(100)
Lease initiation	842	3,832	(2,990)	(78)
Transfers-in	284,382	882,784	(598,402)	(68)
Transfers-out	<u>(262,125)</u>	<u>(882,784)</u>	<u>620,659</u>	<u>(70)</u>
Total other financing sources (uses)	<u>25,401</u>	<u>641,463</u>	<u>(616,062)</u>	<u>(96)</u>
Net change in fund balances	<u>(356,083)</u>	<u>527,590</u>	<u>(883,673)</u>	<u>(167)</u>
Fund balances - beginning of year	<u>1,088,588</u>	<u>560,998</u>	<u>527,590</u>	<u>94</u>
Fund balances - end of year	<u>\$ 732,505</u>	<u>\$ 1,088,588</u>	<u>\$ (356,083)</u>	<u>(33)</u>

* Subscription-Based Information Technology Arrangements (SBITA)

Revenues for the year decreased by \$255,933 or 12%. Expenditures for the year increased by \$11,678 or 1%. In revenue, the decrease is primarily due to the Department receiving fewer Operating and Capital grants. In Other financing sources (uses), the Department issued the Highway Revenue Bonds Series 2024A and Series 2025A in fiscal year 2025. Expenditures remained static for fiscal year 2026.

Proprietary funds

The proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. See the discussion of business-type activities at the government-wide section above.

US69 Express Lane Tolling Fund

The US69 Express Lane Tolling Fund was established in fiscal year 2026 as the toll lane opened in February 2026 in Overland Park. To establish this fund, the Department transferred \$1,000 of "seed money" from the State Highway Fund. Revenue in this fund represents the collection of toll fees for this section of express lane. Expenditures represent the cost to maintain the toll lane on US69, as well as the operation of toll fee collection. The fund net position at the end of the fiscal year is \$966.

Transportation Revolving Fund

The fund net position at the end of the fiscal year was \$3,632, a decrease of \$17,749. The interest on loans and investment earnings both decreased from prior fiscal year. As the cities and counties continue making loan payments, the outstanding accounts receivable balance decreases. The significant decrease of the fund net position is due to the transfer out to the State Highway Fund of \$18,483. This was the "seed money" originally transferred from the State Highway Fund to establish the Transportation Revolving Fund.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital assets. At June 30, 2026, the total investment in capital assets was \$15,718,579. The table below summarizes those assets and compares them to the prior year.

Summary of Capital Assets (net of depreciation/amortization)		
	Governmental Activities	
	6/30/2026	6/30/2025
Land (excluding right of way)	\$ 4,777	\$ 4,777
Right of way and permanent easements	328,823	320,787
Total land	333,600	325,564
Roadways	10,351,748	10,234,500
Bridges	2,901,594	2,851,963
Construction in progress	1,804,475	1,305,468
Total infrastructure and related construction in progress	15,057,817	14,391,931
Buildings and improvements	100,127	81,511
Road, office and shop equipment	221,668	192,722
Right-to-use lease assets and SBITA assets	5,367	9,595
Total buildings and equipment	327,162	283,828
Total capital assets	\$ 15,718,579	\$ 15,001,323

These amounts are stated at cost or estimated historical cost net of depreciation on those assets being depreciated. For additional information related to capital assets, see Note 4 to the financial

statements. The Department has elected to report qualified infrastructure assets using the modified approach. See the discussion later in this document for an explanation of the modified approach and required disclosures.

Long-term debt. At the end of the fiscal year, the Department had total bonds outstanding of \$1,678,910. This includes \$120,215 par value of bonds due in the next fiscal year. The Department has \$133,098 of net unamortized premium (discount) not included in this amount. The Department has acted as the issuer on all State Highway Fund debt. For additional information related to long-term debt, see Note 7 to the financial statements.

All bonds issued by the Department have been rated by at least two national bond-rating agencies. The Department does not have Short-rate Bonds. The ratings assigned to the Department's bonds that have not been refunded are as follows:

	Fixed-rate Bonds
Moody's Investors Service	Aa2
Standard & Poor's Rating Services	AA
Fitch Ratings	AA

Additional information about the Department's long-term debt can be found in Note 7 to the financial statements.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The 10-year IKE program was passed in the 2020 Legislative Session and began in FY 2021. IKE implements a two-year rolling program approach, allowing Kansas to future-proof its investments. In the IKE program, highway modernization and expansion projects will be selected every two years and preservation will be prioritized. The Department will be better able to address community problems and capture emerging opportunities. This will allow communities to shift priorities and project scopes to better address current and future needs.

The IKE program will provide resources directed to the most pressing needs statewide each year, including rural broadband expansion, and provides more holistic transportation solutions. The Department will be able to provide an easier and streamlined application process for communities. With the IKE program, more resources will be provided to make local improvements through these new/expanded programs:

- Preservation
- Broadband
- Local Bridge
- Cost Share
- Strategic Safety Improvements
- Unmanned Aircraft Systems (UAS)
- Shortline Rail Program
- Driver's Education.

The IKE program authorizes the Secretary to issue highway revenue bonds so long as the Secretary certifies that, as of the date of issuance of any such bonds, the maximum annual debt service on all outstanding bonds and on such bonds proposed to be issued will not exceed 18% of State Highway Fund revenues projected for the then-current or any future fiscal year.

Request for Information

This Annual Comprehensive Financial Report is intended to provide the reader with a general overview of the finances of the Kansas Department of Transportation. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the KDOT Division of Communications at KDOT.PublicInfo@ks.gov or phone (785) 296-3585 (Voice)/Hearing Impaired - 711.

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Basic Financial Statements

Government-wide Financial Statements

Kansas Department of Transportation
Statement of Net Position
June 30, 2026
(amounts in thousands)

	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash:			
Unrestricted	\$ 618,376	\$ 2,139	\$ 620,515
Restricted	132,955	0	132,955
Receivables	144,369	1,270	145,639
Inventories	32,239	0	32,239
Other long-term receivables	7,877	1,730	9,607
Capital assets:			
Land, including right of way and permanent easements	333,600	0	333,600
Infrastructure (including construction in progress)	15,057,817	0	15,057,817
Buildings and improvements (net of accumulated depreciation)	100,127	0	100,127
Road, office and shop equipment (net of accumulated depreciation)	221,668	0	221,668
Right-to-use lease assets & SBITA assets (net of accumulated amortization)	5,367	0	5,367
Total assets	<u>16,654,395</u>	<u>5,139</u>	<u>16,659,534</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	34,020	0	34,020
Other post-employment benefits related	1,420	0	1,420
Unamortized loss on refunding	23,697	0	23,697
Total deferred outflows of resources	<u>59,137</u>	<u>0</u>	<u>59,137</u>
LIABILITIES			
Accounts payable	158,514	0	158,514
Accrued interest	27,982	0	27,982
Noncurrent liabilities:			
Due within one year:			
Right-to-use lease liability and SBITA liability	4,351	0	4,351
Compensated absences	7,480	0	7,480
Bonds payable	120,215	0	120,215
Other post-employment benefits liability	1,279	0	1,279
Net pension liability	14,907	0	14,907
Due in more than one year:			
Right-to-use lease liability and SBITA liability	1,007	0	1,007
Compensated absences	1,463	0	1,463
Bonds payable	1,691,793	0	1,691,793
Unearned revenues and other credits	15,246	0	15,246
Other post-employment benefits liability	1,301	0	1,301
Net pension liability	112,722	0	112,722
Total liabilities	<u>2,158,260</u>	<u>0</u>	<u>2,158,260</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	9,033	0	9,033
Other post-employment benefits liability related	2,346	0	2,346
Total deferred inflow of resources	<u>11,379</u>	<u>0</u>	<u>11,379</u>
NET POSITION			
Net investment in capital assets	13,810,039	0	13,810,039
Restricted for:			
Debt service	104,866	0	104,866
Transportation	133,251	0	133,251
Unrestricted	495,737	5,139	500,876
Total net position	<u>\$ 14,543,893</u>	<u>\$ 5,139</u>	<u>\$ 14,549,032</u>

The notes to the financial statements are an integral part of this statement.

Kansas Department of Transportation
Statement of Activities
For the Year Ended June 30, 2026
(amounts in thousands)

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
		Charges for Services		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
		Vehicle Registrations and Drivers' Licenses	Other					
Governmental activities:								
Maintenance and preservation	\$ 818,060	\$ 0	\$ 0	\$ 225,748	\$ 137,752	\$ (454,560)	\$ 0	\$ (454,560)
Communication system	7,275	0	0	0	0	(7,275)	0	(7,275)
Local support	227,472	0	0	127,675	0	(99,797)	0	(99,797)
General government	195,738	253,068	0	9,044	0	66,374	0	66,374
Rail, air and public transportation	90,160	0	0	0	0	(90,160)	0	(90,160)
Interest on long-term debt	76,542	0	2,569	0	0	(73,973)	0	(73,973)
Total governmental activities	1,415,247	253,068	2,569	362,467	137,752	(659,391)	0	(659,391)
Business-type activities:								
US69 express lane tolling fund	107	0	73	0	0	0	(34)	(34)
Transportation revolving fund	0	0	121	0	0	0	121	121
Communication system revolving fund	0	0	22	0	0	0	22	22
Total business-type activities	107	0	216	0	0	0	109	109
Total	\$ 1,415,354	\$ 253,068	\$ 2,785	\$ 362,467	\$ 137,752	(659,391)	109	(659,282)
General revenues:								
Motor fuel taxes						315,506	0	315,506
Sales and use taxes						768,204	0	768,204
Investment earnings						23,038	782	23,820
Unrestricted appropriations from other state funds						10,681	0	10,681
Transfers						22,257	(22,257)	0
Total general revenues						1,139,686	(21,475)	1,118,211
Change in net position						480,295	(21,366)	458,929
Net position - beginning of year						14,063,598	26,505	14,090,103
Net position - ending						\$ 14,543,893	\$ 5,139	\$ 14,549,032

The notes to the financial statements are an integral part of this statement.

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Basic Financial Statements

Fund Financial Statements

Kansas Department of Transportation
Balance Sheet
Governmental Funds
June 30, 2026
(amounts in thousands)

	State Highway Fund (Department's General Fund)	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash:				
Unrestricted	\$ 482,159	\$ 0	\$ 136,217	\$ 618,376
Restricted	0	132,955	0	132,955
Receivables:				
Federal aid	11,596	0	0	11,596
Accrued taxes	99,694	0	0	99,694
Local governments	30,074	0	0	30,074
Accrued interest	1,250	343	70	1,663
Loans and other	1,130	0	212	1,342
Inventories	32,239	0	0	32,239
Long-term receivable:				
Loans and other	7,356	0	521	7,877
Total assets	<u>\$ 665,498</u>	<u>\$ 133,298</u>	<u>\$ 137,020</u>	<u>\$ 935,816</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Vouchers payable	\$ 122,403	\$ 450	\$ 3,769	\$ 126,622
Retainage payable	5,286	0	0	5,286
Accrued salaries and wages	13,198	0	0	13,198
Unearned revenue	15,246	0	0	15,246
Total liabilities	<u>156,133</u>	<u>450</u>	<u>3,769</u>	<u>160,352</u>
Deferred inflows of resources:				
Unavailable revenue	42,959	0	0	42,959
Total deferred inflows of resources	<u>42,959</u>	<u>0</u>	<u>0</u>	<u>42,959</u>
Fund balances:				
Nonspendable:				
Inventories	32,239	0	0	32,239
Long-term receivable	7,356	0	0	7,356
Restricted for:				
Debt service	0	132,848	0	132,848
Transportation	0	0	133,251	133,251
Unassigned	426,811	0	0	426,811
Total fund balances	<u>466,406</u>	<u>132,848</u>	<u>133,251</u>	<u>732,505</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 665,498</u>	<u>\$ 133,298</u>	<u>\$ 137,020</u>	<u>\$ 935,816</u>

The notes to the financial statements are an integral part of this statement.

Kansas Department of Transportation
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
June 30, 2026
(amounts in thousands)

Total fund balances - Governmental Funds	\$	732,505
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, right-to-use lease assets, and SBITA assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land, including right of way	\$ 333,600	
Infrastructure (including construction in progress)	15,057,817	
Other capital assets, right-to-use lease assets, or SBITA assets net of depreciation or amortization	327,162	15,718,579

Other deferred outflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Deferred pension outflows	34,020	
OPEB contribution outflows	1,420	
Loss on refunding	23,697	59,137

Some liabilities are not due and payable in the current period and therefore are not reported in the funds:

Bonds payable (including unamortized premiums)	(1,812,008)	
Accrued interest	(27,982)	
Claims	(13,408)	
Lease liability and SBITA liability	(5,358)	
Compensated absences	(8,943)	
OPEB liability	(2,580)	
Net pension liability	(127,629)	(1,997,908)

Other deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds:

Deferred pension inflows	(9,033)	
Changes of assumptions (OPEB liability inflows)	(2,346)	(11,379)

Some revenues will be collected after year-end, but are not available soon enough to pay the current year's expenditures and therefore are deferred in the funds.

		42,959
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Net Position of Governmental Activities	\$	14,543,893
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The notes to the financial statements are an integral part of this statement.

Kansas Department of Transportation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2026
(amounts in thousands)

	State Highway Fund (Department's General Fund)	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Motor fuel taxes	\$ 315,501	\$ 0	\$ 0	\$ 315,501
Vehicle registrations and permits	253,068	0	0	253,068
Operating grants	351,544	0	1,861	353,405
Capital grants	137,579	0	0	137,579
Sales and use taxes	768,487	0	0	768,487
Investment earnings	19,202	2,734	1,102	23,038
Other	5,860	0	3,095	8,955
Appropriations from other state funds	10,681	0	0	10,681
Total revenues	<u>1,861,922</u>	<u>2,734</u>	<u>6,058</u>	<u>1,870,714</u>
Expenditures				
Current operating:				
Maintenance	195,685	0	3,209	198,894
Preservation	708,951	0	0	708,951
Modernization	141,555	0	0	141,555
Expansion and enhancement	477,576	0	0	477,576
Communication system	6,007	0	0	6,007
Local support	157,605	0	0	157,605
Transportation planning and modal support	91,133	0	46,134	137,267
Administration	79,869	0	0	79,869
Distributions to other state funds	152,738	0	1,091	153,829
Debt service:				
Right-to-use lease and SBITA principal	4,713	0	0	4,713
Principal	0	109,390	0	109,390
Interest and fees	0	76,542	0	76,542
Total expenditures	<u>2,015,832</u>	<u>185,932</u>	<u>50,434</u>	<u>2,252,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(153,910)</u>	<u>(183,198)</u>	<u>(44,376)</u>	<u>(381,484)</u>
Other financing sources (uses)				
Sale of assets	0	0	2,302	2,302
Right-to-use lease and SBITA initiation	842	0	0	842
Transfers-in	28,419	202,658	53,305	284,382
Transfers-out	<u>(256,963)</u>	<u>(162)</u>	<u>(5,000)</u>	<u>(262,125)</u>
Total other financing sources (uses)	<u>(227,702)</u>	<u>202,496</u>	<u>50,607</u>	<u>25,401</u>
Net change in fund balances	<u>(381,612)</u>	<u>19,298</u>	<u>6,231</u>	<u>(356,083)</u>
Fund balances - beginning of year	<u>848,018</u>	<u>113,550</u>	<u>127,020</u>	<u>1,088,588</u>
Fund balances - end of year	<u>\$ 466,406</u>	<u>\$ 132,848</u>	<u>\$ 133,251</u>	<u>\$ 732,505</u>

The notes to the financial statements are an integral part of this statement.

Kansas Department of Transportation
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2026
(amounts in thousands)

Net change in fund balances - governmental funds \$ (356,083)

Amounts reported for governmental activities in the statement
of activities are different because:

The costs of acquiring or constructing capital assets (including infrastructure),
right-to-use leasing assets, or entering into SBITA asset agreements are reported
as expenditures in the governmental funds. In the Statement of Activities, the cost
of non-infrastructure assets is spread over the useful lives of the assets through
the recording of depreciation and amortization expense. In the current period,
capital outlays exceeded depreciation and amortization:

Cost of acquisition or construction of infrastructure assets and land, including right of way and permanent easements	\$ 975,827	
Cost of replacing or disposing of infrastructure assets and land, including right of way and permanent easements	(301,905)	
Cost of acquisition or construction of other capital assets, leasing right-to-use lease assets, or entering into SBITA	73,429	
Depreciation and amortization expense	<u>(20,584)</u>	726,767

In governmental funds, the proceeds of the sale of capital assets are reported
as an increase in financial resources (revenue), but in the statement of
activities, only the gain on the sale of those assets is reported. The
difference is the book value of the assets sold or otherwise replaced. (9,511)

The issuance of long-term debt (bonds and right-to-use lease and SBITA principal
payments) provides current financial resources to governmental funds, while the
repayment of the principal of long-term debt consumes current financial
resources of governmental funds. However, neither of these transactions has any
effect on the position of the government taken as a whole. Also, governmental
funds report the effect of premiums, discounts and similar items when the debt
is issued. These amounts are deferred and amortized in the statement
of activities. The net effect of these differences is as follows:

Bond principal payments	109,390	
Amortization of deferred charges and other bond related costs	<u>12,912</u>	122,302

Due to the difference between accrual and modified accrual basis of accounting
some expenses recorded in the Statement of Activities are recorded in
different periods in the governmental funds. These expenses include interest
and the liability for compensated absences, claims, leases, SBITAs, pension,
and OPEB. (12,137)

Revenues recorded on the Statement of Activities that do not provide current
financial resources are not recorded in governmental funds. 8,957

Change in net position of governmental activities \$ 480,295

The notes to the financial statements are an integral part of this statement.

Kansas Department of Transportation
Statement of Net Position
Proprietary Funds
June 30, 2026
(amounts in thousands)

	US69 Express Lane Tolling Fund	Transportation Revolving Fund	Nonmajor Communication System Revolving Fund	Total
ASSETS				
Current assets:				
Cash:				
Unrestricted	\$ 966	\$ 634	\$ 539	\$ 2,139
Interest and other receivables	0	63	2	65
Current portion of loans and leases receivable	0	1,205	0	1,205
Total current assets	966	1,902	541	3,409
Noncurrent assets:				
Loans and leases receivable	0	1,730	0	1,730
Total noncurrent assets	0	1,730	0	1,730
Total assets	966	3,632	541	5,139
LIABILITIES				
Noncurrent liabilities:				
Unearned lease revenue	0	0	0	0
Total noncurrent liabilities	0	0	0	0
Total liabilities	0	0	0	0
NET POSITION				
Unrestricted	966	3,632	541	5,139
Total net position	<u>\$ 966</u>	<u>\$ 3,632</u>	<u>\$ 541</u>	<u>\$ 5,139</u>

The notes to the financial statements are an integral part of this statement.

Kansas Department of Transportation
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2026
(amounts in thousands)

	US69 Express Lane Tolling Fund	Transportation Revolving Fund	Nonmajor Communication System Revolving Fund	Total
Operating revenues:				
Interest on loans	\$ 0	\$ 113	\$ 0	\$ 113
Service fees	0	8	0	8
Toll Revenue	73	0	0	73
Lease income	0	0	22	22
Total operating revenues	<u>73</u>	<u>121</u>	<u>22</u>	<u>216</u>
Operating expenses:				
Toll Maintenance	1	0	0	1
Toll Operations	106	0	0	106
Total operating expenses	<u>107</u>	<u>0</u>	<u>0</u>	<u>107</u>
Operating income (loss)	<u>(34)</u>	<u>121</u>	<u>22</u>	<u>109</u>
Noncapital subsidies:				
Transfers-in	1,000	0	0	1,000
Transfers-out	<u>0</u>	<u>(18,483)</u>	<u>(4,774)</u>	<u>(23,257)</u>
Total noncapital subsidies	<u>1,000</u>	<u>(18,483)</u>	<u>(4,774)</u>	<u>(22,257)</u>
Operating income (loss) and noncapital subsidies	<u>966</u>	<u>(18,362)</u>	<u>(4,752)</u>	<u>(22,148)</u>
Other nonoperating revenues (expenses):				
Investment earnings	<u>0</u>	<u>613</u>	<u>169</u>	<u>782</u>
Total nonoperating revenues (expenses)	<u>0</u>	<u>613</u>	<u>169</u>	<u>782</u>
Increase (decrease) in fund net position	<u>966</u>	<u>(17,749)</u>	<u>(4,583)</u>	<u>(21,366)</u>
Fund net position - beginning of period	<u>0</u>	<u>21,381</u>	<u>5,124</u>	<u>26,505</u>
Fund net position - end of period	<u>\$ 966</u>	<u>\$ 3,632</u>	<u>\$ 541</u>	<u>\$ 5,139</u>

The notes to the financial statements are an integral part of this statement.

Kansas Department of Transportation
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2026
(amounts in thousands)

	US69 Express Lane Tolling Fund	Transportation Revolving Fund	Nonmajor Communication System Revolving Fund	Total
Cash flows from operating activities:				
Principal collections on loans	\$ 0	\$ 1,191	\$ 0	\$ 1,191
Interest on loans collected	0	131	0	131
Service fees collected	0	9	0	9
Collection on leases	0	0	22	22
Toll revenue	73	0	0	73
Toll operations	(106)	0	0	(106)
Toll maintenance	(1)	0	0	(1)
Net cash provided (used) by operating activities	<u>(34)</u>	<u>1,331</u>	<u>22</u>	<u>1,319</u>
Cash flows from noncapital financing activities:				
Transfers-in	1,000	0	0	1,000
Transfers-out	0	(18,483)	(4,774)	(23,257)
Net cash provided (used) by noncapital financing activities	<u>1,000</u>	<u>(18,483)</u>	<u>(4,774)</u>	<u>(22,257)</u>
Cash flows from investing activities:				
Interest received on investments	0	652	183	835
Net cash provided by investing activities	<u>0</u>	<u>652</u>	<u>183</u>	<u>835</u>
Net increase (decrease) in cash and cash equivalents	966	(16,500)	(4,569)	(20,103)
Balances - beginning of the period	0	17,134	5,108	22,242
Balances - end of the period	<u>\$ 966</u>	<u>\$ 634</u>	<u>\$ 539</u>	<u>\$ 2,139</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (34)	\$ 121	\$ 22	\$ 109
Adjustments to reconcile operating income to net cash provided by operating activities:				
Change in assets and liabilities:				
Loans receivable	0	1,191	0	1,191
Interest and service fees receivable	0	19	0	19
Net cash provided (used) by operating activities	<u>\$ (34)</u>	<u>\$ 1,331</u>	<u>\$ 22</u>	<u>\$ 1,319</u>

The notes to the financial statements are an integral part of this statement.

Kansas Department of Transportation
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2026
(amounts in thousands)

	Custodial Funds
Assets:	
Cash	\$ 40,629
Receivables	13,595
Total assets	<u>54,224</u>
Liabilities:	
Due to cities and counties	<u>54,224</u>
Total liabilities	<u>54,224</u>
Fiduciary net position:	
Fiduciary net position	<u>0</u>
Total fiduciary net position	<u><u>\$ 0</u></u>

The notes to the financial statements are an integral part of this statement.

Kansas Department of Transportation
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year ended June 30, 2026
(amounts in thousands)

	Custodial Funds
Additions:	
Collections for other governments	\$ 161,506
Transfer from custodial fund	2,500
Total additions	<u>\$ 164,006</u>
Deductions:	
Payments to other governments	\$ 161,506
Transfer to custodial fund	2,500
Total deductions	<u>164,006</u>
Net Increase (decrease) in fiduciary net position	0
Total net position - beginning	<u>0</u>
Total net position - ending	<u><u>\$ 0</u></u>

The notes to the financial statements are an integral part of this statement.



Basic Financial Statements

Notes to the Financial Statements

Kansas Department of Transportation

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Kansas Department of Transportation
Notes to the Financial Statements
June 30, 2026
(amounts expressed in thousands)

Note 1. Summary of Significant Accounting Policies

The financial statements of the Kansas Department of Transportation (the Department), a Department of the State of Kansas (the State), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. The significant accounting policies of the Department are described below.

A. Reporting entity – The Department is an operating department of the State and represents separate funds of the State that are not a part of the State General Fund. There are no component units. The Secretary of Transportation is appointed by the Governor. The Department was created in 1975 by the Kansas Legislature to succeed the State Highway Commission, which was established in 1917. The Department has statutory responsibility to coordinate planning, development, and operation of the various modes and systems of transportation in the State. However, the actual authority varies by mode and system. Although the Kansas Turnpike Authority cooperates with the Department to achieve its objectives, the KTA is not a part of this reporting entity.

B. Government-wide and fund financial statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the Department. The fiduciary responsibilities of the Department are reported in the custodial funds. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation.

The Statement of Net Position presents the Department's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets plus deferred outflows of resources less liabilities and deferred inflows of resources are reported as net position. Net position is displayed in three categories: *net investment in capital assets* which consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds attributable to the acquisition, deferred flows related to debt (gain/loss on refunding), construction or improvement of those assets; *restricted net position* which results when constraints are placed on asset use either externally (creditors, contributors, etc.) or by law either through constitutional provisions or enabling legislation; and *unrestricted net position* which consists of the net position portion that does not meet the definitions of the two preceding categories.

Unrestricted net position may have constraints imposed by management, but these can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants

contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate statements are provided for governmental funds, proprietary funds and custodial funds. However, custodial funds are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. The State Highway Fund and the Debt Service Fund are reported as major governmental funds. The State Highway Fund is the Department's general fund, which is the primary operating fund and accounts for all financial resources except those required to be accounted for in another fund. The Debt Service Fund accounts for the resources accumulated for and payments made for principal and interest on the Department's highway related bonded debt. All other governmental funds are aggregated and reported as nonmajor funds.

The US69 Express Lane Tolling Fund pays the Kansas Turnpike Authority for the costs of services and receives toll receipts collected by KTA and is reported as a major proprietary fund. The Transportation Revolving Fund provides assistance for transportation projects to local governmental units in Kansas and is reported as a major proprietary fund. The nonmajor proprietary fund was established to purchase communication system equipment for sale or lease to public safety agencies with a target of creating a statewide interoperable communication system and related activities.

The custodial funds account for assets temporarily held by the Department for the various local city and county governments.

C. Measurement focus, basis of accounting, and financial statement presentation – The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds financial statements. The economic resources measurement focus accounts for and reports all economic resources and liabilities no matter when they affect current financial resources. The accrual basis of accounting reports revenues when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenues as soon as all eligibility requirements have been met.

Governmental fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The current financial resources measurement focus primarily measures and reports the sources, uses and balances of current financial resources. The modified accrual basis of accounting reports revenues when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the fiscal year for tax revenues and 30 days of the end of the fiscal year for all other revenues. Expenditures generally are recorded when a liability is incurred, as in accrual accounting.

Those revenues susceptible to accrual are sales and use taxes, motor fuel taxes, federal grant revenues, certain reimbursable city and county construction costs incurred by the Department and other monies received shortly after the end of the fiscal year. Federal grant monies are received after the incurrence of qualifying expenditures. As a result, the federal share of all qualifying services, commodities, or capital outlay received or performed prior to year-end has been accrued.

Custodial fund financial statements are prepared using the *current financial resources measurement focus* and the *accrual basis of accounting* discussed above.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services and administrative expenses. Other revenues and expenses are reported as nonoperating revenues and expenses. Transfers in to and transfers out of the proprietary funds are reported as noncapital subsidies.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and investments – Cash includes amounts in the “common cash pool” in the State Treasury, which is invested by the Pooled Money Investment Board (PMIB). Interest is allocated to the Department based on the average daily cash balance in the State Highway Fund, the Rail Service Improvement Fund, the Capital Projects Fund, the Debt Service Fund, the Transportation Revolving Fund, and the Communication System Revolving Fund. The State General Fund retains earnings on cash in other Departmental funds. In compliance with GASB Statement No. 72, the Department categorizes its investments using the fair value measurements within the fair value hierarchy established by GAAP. 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; and Level 3 inputs are significant unobservable inputs.

E. Inventories – Materials and supplies inventories are valued at cost using the weighted average cost method. In the government-wide financial statements, inventories are reported using the consumption method whereby an expense is recognized when the inventory is consumed. In the governmental funds financial statements, the cost of inventories is reported using the purchases method where expenditures are recorded when an inventory item is purchased and a portion of the fund balance is non-spendable to denote it is not available for subsequent expenditure.

F. Restricted assets – For the highway revenue bonds, the Department is required to make monthly transfers to the Debt Service Fund equal to one-sixth of the amount due on the next semi-annual interest payment date. In addition, monthly transfers equal to one-twelfth of the principal due on the next principal payment date must be transferred to the Debt Service Fund.

G. Capital assets, right-to-use lease assets, and SBITA assets – Capital assets (which include land, buildings, equipment, infrastructure and construction in progress), Right-to-use lease assets, and SBITA assets are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if constructed prior to June 30, 2001. Donated capital assets are recorded at estimated acquisition value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (those long-lived assets reported by governmental activities that are normally stationary in nature and can normally be preserved for a significantly longer life than most capital assets), the Department chose to include all such items regardless of their acquisition date or amount. The Department was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the assets being recorded and using an appropriate price-level index to deflate the cost to the estimated construction year). As the Department constructs or acquires additional infrastructure assets, they are capitalized and reported at historical cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

The capitalization and materiality thresholds were updated starting in fiscal year 2026 to reflect the changes implemented by the Department of Administration. Capitalization thresholds, depreciation methods, estimated useful lives, and salvage values of capital assets are shown in the following tables:

Assets	Capitalization Threshold prior to 7/1/25	Capitalization Threshold 7/1/25 and after	Depreciation Method	Estimated Useful Life (Years)	Salvage Value
Land	\$100,000	\$100,000	Not applicable	Not applicable	Not applicable
Buildings	100,000	100,000	Straight-line	40	10%
Road equipment	5,000	10,000	Straight-line	8, 11, 15, or 25	10-15%
Office equipment	5,000	10,000	Straight-line	8	10%
Shop equipment	5,000	10,000	Straight-line	8	10%
Other equipment	5,000	10,000	Straight-line	8	10%
Software	250,000	250,000	Straight-line	8	10%

Right-to-use and SBITA Leased Assets	Materiality Threshold prior to 7/1/25	Materiality Threshold 7/1/25 and after	Lease Term (Years)	Interest Rate
Buildings and improvements	\$100,000	\$100,000	2 - 5	2.68 - 3.40%
Copiers	10,000	10,000	5	3.31%
Equipment and furnishings	5,000	10,000	5	2.68%
SBITA	100,000	100,000	2 - 10	3.39%

Right-to-use lease assets and SBITA assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Infrastructure assets are reported using the modified approach as defined in GASB Statement No. 34. When using the modified approach, only those projects that add efficiency or capacity to the highway system are capitalized. Infrastructure assets are not depreciated. Expenditures that preserve those assets are expensed.

H. Compensated absences – A liability (including associated payroll taxes) is recorded in the government-wide statements for accumulated vacation leave and compensatory time that is expected to be liquidated at a future date. Under certain circumstances, retiring employees can be paid for a portion of their unused sick leave. The Department contributes to a State fund to cover these payments and no additional accrual is required.

I. Long-term obligations – Long-term debt is reported as a liability on the government-wide and proprietary funds financial statements. In addition, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are expensed

when incurred. In the governmental fund financial statements, bond premiums and discounts are recognized in the period bonds are sold. The face amount of the debt issued plus premiums received on issuance is reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures on the governmental fund financial statements.

J. Right-to-use lease liabilities and SBITA liabilities – GASB Statement No. 87 and 96 require the recognition of certain right-to-use lease assets/liabilities and SBITA assets/liabilities for right-to-use leases or agreements that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. They established a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset and SBITA are financings of the agreement asset. Under these standards, a lessee is required to recognize a right-to-use lease liability or SBITA liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable or SBITA receivable and a deferred inflow of resources.

K. Pension and OPEB, deferred outflows of resources, deferred inflows of resources, and net position

Pension and OPEB – The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of employee service and the plan's fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liability. The Department's general fund has been used to liquidate pension and OPEB liabilities.

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

The total OPEB liability is the portion of the actuarial present value of projected benefit payments that is attributable to past periods of member service using acceptable methods in accordance with GASB Statement No. 75. Total OPEB liability is recognized on the Statement of Net Position while changes in the total OPEB liability are immediately recognized as OPEB expense on the Statement of Activities or reported as deferred inflows/outflows of resources depending on the nature of the change. The total OPEB expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total OPEB liability, current year benefit changes, and other changes in plan fiduciary net position. Additionally, the total OPEB expense includes the annual recognition of outflows and inflows of resources due to OPEB.

Deferred outflows of resources – In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future

period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department has three items that qualify for reporting in this category. The first is deferred outflows for pensions, which is discussed in Note 10. Second is deferred outflows for OPEB, which is discussed in Note 11. The third is the unamortized loss on refunding reported on the statement of net position.

Deferred inflows of resources – In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Department has two items that qualify for reporting in this category. The first is deferred inflows for pensions and the second is deferred inflows for OPEB. See Note 10 for more information on the deferred inflows for pensions. See Note 11 for more information on the deferred inflows for OPEB.

Net Position – Net investment in capital assets, restricted for transportation and restricted for debt service are each shown separately on the Statement of Net Position. Restricted for transportation and restricted for debt service are restricted for externally imposed constraints.

L. Fund balance reporting and classifications – GASB Statement No. 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are: nonspendable, restricted, committed, assigned, and unassigned.

Fund balance classification policies and procedures

Nonspendable – assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact, such as the corpus of a permanent fund or foundation.

Restricted – amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

Committed – amounts constrained on use, imposed by formal action of the government's highest level of decision-making authority. For the committed fund balance, the Department's highest level of decision-making authority is the State Legislature. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through the passage of a legislative bill. Committed fund balances do not lapse at year-end.

Assigned – amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated Department official. For assigned fund balance, the Department is authorized to assign amounts to a specific purpose. By statute, the authorization to assign fund balances is delegated by the State Legislature to the Secretary.

Unassigned – all other resources such as: the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the State Highway Fund for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

For the classification of the fund balances, the Department considers restricted amounts to have been spent first when expenditures are incurred for the purposes for which both restricted and unrestricted fund balance is available. Expenditures are to be spent from restricted fund balance first, followed by committed, assigned, and unassigned, respectively.

M. Use of estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Implemented Governmental Accounting Standards Board Statements – As of June 30, 2026, the Department has implemented the following statements:

GASB Statement No. 103, “Financial Reporting Model Improvements”, was issued in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability.

GASB Statement No 104, “Disclosure of Certain Capital Assets”, was issued in September 2024. The objective of this Statement is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets to make informed decisions and assess accountability as well as improve consistency and comparability between governments.

O. Future Governmental Accounting Standards Board Statement(s) – At June 30, 2026, GASB has issued statement(s) not yet required to be implemented by the Department. The following statement(s) might impact the Department:

GASB Statement No. 105, “Subsequent Events”, was issued in December 2025. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026.

Note 2. Cash and Investments

Cash and investments held on the Department’s behalf are governed by State statute. The Secretary of Transportation, by statute, is responsible for management of the Department’s invested monies. The PMIB has been designated as the investment agent for the direct investments of the Department. The Department has adopted an investment policy which relates to the State Highway Fund, the Debt Service Fund, the Capital Projects Fund and the Rail Service Improvement Fund and seeks to mitigate various risks associated with the investment of money in debt securities yet meets the Department’s investment objectives. These objectives are preservation of capital, maintenance of liquidity, and return on investment. It is the Department’s policy to diversify its investment portfolio to mitigate custodial credit risk, credit risk, concentration risk, and interest rate risk.

Custodial Credit Risk – Deposits and Investments

The custodial credit risk is the risk that, in the event of the failure of a bank or other counterparty, the Department’s deposits or the value of its investments may not be recovered.

Cash, other than imprest and petty cash funds, is part of the common cash pool of the State Treasury. The PMIB invests funds in the common cash pool. Collateral is required for deposits made by the common cash pool that are not covered by federal deposit insurance. The market value of the collateral must equal 100% of the uninsured deposit and is held by the State Treasurer or an independent third party in the State Treasurer's name. In addition, securities are segregated for the benefit of the Department. The Department's deposits and investments are not exposed to custodial credit risk. At June 30, 2026, the Department's share in the State's common cash pool is summarized in the table below:

Total cash	
Statement of Net Position:	
Unrestricted Cash	\$ 620,515
Restricted Cash	132,955
Custodial Funds Statement	40,629
Less:	
Imprest Funds	<u>(30)</u>
Department's Share in State's Common Cash Pool	<u><u>\$ 794,069</u></u>

The Department categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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; and Level 3 inputs are significant unobservable inputs. The fair value of Level 2 investments are determined based on a market valuation approach using direct market observations and quantitative pricing models. The Department had no investments at fiscal year end June 30, 2026.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. In order to mitigate credit risk, the Department's policy limits investments to securities in one of the top two long-term or short-term rating categories by Moody's Investor's Service and Standard & Poor's Corporation.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Department's investment policy places the concentration limits on a single issuer listed below:

U.S. Treasury	100%
Each Federal Agency	50%
Each Repurchase Agreement Counterparty	10%
All other issuers	5%

The maximum percentage of the Department's investment portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

Average Daily Balance	100%
U.S. Treasury Obligations	100%
Federal Agency Obligations	70%
Municipal Bonds	10%
Certificates of Deposit/Bankers' Acceptances	25%
Repurchase Agreements	50%
Mutual Funds/Unit Investment Trusts	10%
Commercial Paper	50%
Corporate Bonds	20%
Guaranteed Investment Contracts	25%

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The longer the period until a security matures the greater the risk of interest fluctuation. The Department's investment policy establishes maximum maturities by investment type, as seen below:

Bankers' Acceptances and Commercial Paper	270 days
Repurchase Agreements	1 year
Guaranteed Investment Contract	1 year*
* - or Term Related to Fund	
Certificate of Deposit	2 years
Corporate Bonds	3 years
Municipal Bonds	5 years
U.S. Treasury and Federal Agency Obligations	10 years

In addition, the Department manages its investments with the goal of holding securities until maturity.

Note 3. Interfund Transactions

A. From/To other state funds - As required by State law, the Department receives from and makes transfers to certain funds involving other State agencies. The table below summarizes the FY 2026 appropriations from other state funds and distributions to other state funds.

Appropriations from:	
Department of Commerce (a)	\$ 8,049
Kansas Highway Patrol (b)	1,167
Department of Administration (c)	1,085
Department for Aging and Disability Services (d)	361
Adjutant General (e)	19
Appropriations to governmental funds from other state funds	<u>\$ 10,681</u>
Distributions to:	
Highway Patrol (f)	\$ 86,880
Department of Revenue (g)	60,348
Department of Wildlife and Parks (h)	4,443
Other state funds	2,158
Total distributions to other state funds	<u>\$ 153,829</u>

(a) Throughout the year, the Department of Commerce reimbursed the Department \$8,049 for construction costs on the Freestate Middle Mile Network project.

(b) Kansas Highway Patrol returned \$1,167 to the Department due to a decrease in the funding for Kansas Highway Patrol operations.

(c) The Department received \$1,085, which is equal to what it would have received had State-owned vehicles been privately owned and paid appropriate registration fees from the Department of Administration.

(d) The Department received a transfer from the Department for Aging and Disability Services to return residual balance back to the State Highway Fund.

(e) The Department received a transfer from the Adjutant General for emergency management.

(f) Transfers to the Kansas Highway Patrol are for the purpose of funding the operations of the Kansas Highway Patrol, financing the Motor Carrier Inspection Program, and other highway safety programs.

(g) Throughout the year, the Department transfers funds to the Department of Revenue for the purpose of financing the cost of operation for the Division of Vehicles within the Department of Revenue.

(h) Transfers were made to the Department of Wildlife and Parks for the purpose of financing the Access Road Fund and the Bridge Maintenance Fund.

B. Intra-agency fund transfers – Monthly transfers are made from the State Highway Fund to the Debt Service Fund to fund the debt service requirements for the Department.

As mandated by the Legislature, annual transfers are made from the State Highway Fund to fund the activities of the nonmajor Rail Service Improvement Fund, Public Use General Aviation Airport Development Fund, Coordinated Public Transportation Assistance Fund, Transportation Technology Development Fund, Broadband Infrastructure Construction Grant Fund, Driver's Education Scholarship Grant Fund, Other Federal Grants Fund, and Passenger Rail Service Revolving Fund.

Transfers are made from the Capital Projects Fund to reimburse the State Highway Fund for Net Qualified Expenditures and to transfer interest earnings to the Debt Service Fund. A transfer was made from the State Highway Fund to a Proprietary Fund to provide "seed money" at fund startup. Transfers to return "seed money" were made to the State Highway Fund from two Proprietary Funds.

	State Highway Fund	Debt Service Fund	Proprietary Fund	Nonmajor Governmental Funds	Total
Transfer out:					
State Highway Fund	\$ 0	\$ 202,658	\$ 1,000	\$ 53,305	\$ 256,963
Debt Service Fund	162	0	0	0	162
Proprietary Funds	23,257	0	0	0	23,257
Nonmajor Governmental Funds	5,000	0	0	0	5,000
	<u>\$ 28,419</u>	<u>\$ 202,658</u>	<u>\$ 1,000</u>	<u>\$ 53,305</u>	<u>\$ 285,382</u>

Note 4. Capital Assets, Right-to-use Lease Assets, and SBITA Assets

Capital asset, right-to-use asset, and SBITA asset activity related to governmental activities for the year ended June 30, 2026 is shown in the table below.

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land and permanent easements	\$ 325,564	\$ 8,038	\$ (2)	\$ 333,600
Infrastructure	13,086,463	236,340	(69,461)	13,253,342
Construction in progress	1,305,468	731,449	(232,442)	1,804,475
Total capital assets not being depreciated	14,717,495	975,827	(301,905)	15,391,417
Capital assets being depreciated:				
Buildings and improvements	142,298	21,827	(563)	163,562
Road, office and shop equipment	429,675	49,760	(11,820)	467,615
In-house software	24,285	1,000	(8,029)	17,256
Total capital assets being depreciated	596,258	72,587	(20,412)	648,433
Right-to-use lease assets and SBITA assets being amortized:				
Right-to-use lease assets:				
Equipment and furnishings	203	94	0	297
Buildings and improvements	12,780	183	0	12,963
SBITA	3,964	565	(160)	4,369
Total Right-to-use lease assets and SBITA assets being amortized	16,947	842	(160)	17,629
Less accumulated depreciation/amortization:				
Buildings and improvements	(60,787)	(3,070)	422	(63,435)
Road, office and shop equipment	(239,381)	(12,530)	10,565	(241,346)
In-house software	(21,857)	0	0	(21,857)
Lease assets and SBITA assets:				
Right-to-use lease assets:				
Equipment and furnishings	(93)	(97)	0	(190)
Buildings and improvements	(6,443)	(3,201)	0	(9,644)
SBITA	(816)	(1,686)	74	(2,428)
Total accumulated depreciation/amortization	(329,377)	(20,584)	11,061	(338,900)
Total capital assets, right-to-use lease assets, and SBITA assets being depreciated/amortized, net	283,828	52,845	(9,511)	327,162
Total capital assets, net	\$ 15,001,323	\$ 1,028,672	\$ (311,416)	\$ 15,718,579

The Department determines if an agreement is a lease at inception. Leases are included in capital assets and lease liabilities in the statements of net position.

Right-to-use lease assets represent the Department's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. SBITA assets represent the Department's subscription-based information technology arrangements. Right-to-use lease assets and SBITA assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the

commencement of the lease term and certain direct costs. Right-to-use lease assets and SBITA assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

See liabilities, right-to-use lease assets, and SBITA assets on the Statement of Net Position. See Note 5 for more detailed information on right-to-use lease liabilities and SBITA liabilities.

Depreciation and amortization expense was charged to the functions as follows:

Maintenance and preservation	\$	15,812
Communication system		1,269
General government		3,503
	\$	<u>20,584</u>

Note 5. Right-to-use Lease Liabilities and SBITA Liabilities

Right-to-use lease liabilities and SBITA liabilities represent the Department's obligation to make payments arising from the lease. Right-to-use lease liabilities and SBITA liabilities are recognized at the commencement date based on the present value of expected payments over the term, less any incentives. Interest expense is recognized ratably over the contract term. The term may include options to extend or terminate the lease when it is reasonably certain that the Department will exercise that option.

The Department has elected to recognize payments for short-term right-to-use lease or SBITA with a right-to-use lease or SBITA term of 12 months or less as expenses as incurred. These leases are not included as right-to-use lease or SBITA. See liabilities, right-to-use lease assets, and SBITA assets on the Statement of Net Position.

For individual right-to-use lease or SBITA contracts where information about the discount rate implicit in the lease or subscription is not included, the Department has elected to use the incremental borrowing rate to calculate the present value of expected lease or subscription payments.

The Department's leases for buildings, copiers, other equipment and furnishings, and software for various terms are listed in the table on the following page.

Notes to the Financial Statements

Description	Lease Term	Interest Rate	Amount Outstanding
Buildings and improvements			
Bioscience & Technology Business Center - Office space - Lawrence, KS	September 2022 - August 2027	2.68%	\$ 143
Metropolitan Topeka Airport Authority - Storage space - Topeka, KS (a)	May 2024 - June 2028	2.98%	183
Department of Administration - Office space - Topeka, KS	July 2023 - June 2027	3.12%	3,274
			<u>3,600</u>
Equipment and furnishings			
Pitney Bowes - Postage meter	May 2022 - June 2027	2.68%	1
Century Business Technologies Inc - Copier	November 2023 - October 2028	3.14%	4
Xerox DPS157 TB7006512 - Copier (b)	August 2024 - July 2027	2.92%	53
Xerox DPS157 TB7006512 - Copier (b)	August 2024 - July 2027	2.92%	7
Xerox VR280 RFQ839034 - Copier (b)	August 2024 - July 2027	2.92%	18
Xerox VR280 RFQ839236 - Copier (b)	August 2024 - July 2027	2.92%	18
Xerox VR280 TMZ769619 - Copier (b)	August 2024 - July 2027	2.92%	7
			<u>108</u>
Software			
Castle Rock Associates - KanDrive OneApp	July 2022 - September 2027	3.03%	75
Castle Rock Associates - KanDrive OnePhone	July 2022 - September 2027	3.03%	38
Castle Rock Associates - KanRoad CARS	July 2022 - September 2027	3.03%	239
Castle Rock Associates - KanRoad OneWeb	July 2022 - September 2027	3.03%	82
Castle Rock Associates - KanRoad TG Imports	July 2022 - September 2027	3.03%	18
Innovative Process Solutions - Workflow system (c)	July 2022 - August 2026	2.68%, 3.31%	0
Logicalis Inc - CISCO Umbrella DNS Security (d)	July 2022 - September 2026	2.45%, 3.31%	0
Info Tech Inc - Bid Express	October 2022 - May 2032	3.39%	126
ConvergeOne Inc - Threat Defense (e)	August 2024 - September 2026	3.31%	0
Bridge Intelligence LLC - EBI System	July 2024 - May 2031	3.25%	525
BlackCat Grant Management	February 2025 - April 2027	3.31%	122
Logicalis Inc - CISCO DUO (d)	January 2025 - September 2026	3.31%	0
SHI - Replica (c)	March 2025 - August 2026	3.31%	0
SHI - CSX 25000	April 2025 - February 2028	3.23%	61
Trimble Inc - Pavement Management System	August 2025 - July 2030	3.96%	364
			<u>1,650</u>
			<u>\$ 5,358</u>

- (a) This leased asset was scheduled to expire in June 2026 but was extended until June 2028. At the lease extension, the remeasurement updated the interest rate from 3.40% to 2.98%.
- (b) These leased assets were scheduled to expire in July 2026 but were extended until July 2027. At the lease extension, the remeasurement updated the interest rate from 3.31% to 2.92%.
- (c) These leased assets were scheduled to expire in August 2026 and final payments have been made. These leases will be extended in FY 2027 but additional lease terms are not available as of June 30, 2026.
- (d) The vendor for these leased assets changed from ConvergeOne Inc to Logicalis Inc in fiscal year 2026. The lease terms, contract, pricing, and asset did not change. No remeasurement occurred. These leases will be extended in FY 2027 but additional lease terms are not available as of June 30, 2026.
- (e) Software lease was terminated early as of July 31, 2025.

Notes to the Financial Statements

Right-to-use lease liabilities and SBITA liabilities for the year ended June 30, 2026 are comprised of the amounts in the table below:

Governmental Funds	Beginning Balance	Additions	Reductions	Ending Balance	Amount due Within One Year
Lease liabilities					
Right-to-use leases					
Building leases	\$ 6,801	\$ 183	\$ 3,384	\$ 3,600	\$ 3,508
Equipment and furnishings leases	110	94	96	108	98
SBITA leases	2,802	565	1,717	1,650	745
Total lease liabilities	<u>\$ 9,713</u>	<u>\$ 842</u>	<u>\$ 5,197</u>	<u>\$ 5,358</u>	<u>\$ 4,351</u>

The future minimum lease obligations and the net present value of these minimum lease payments for building leases are shown in the aggregate in the table below:

Fiscal Year Ending			
June 30	Principal	Interest	Total
Governmental Funds			
2027	\$ 3,508	\$ 70	\$ 3,578
2028	92	2	94
	<u>\$ 3,600</u>	<u>\$ 72</u>	<u>\$ 3,672</u>

The future minimum lease obligations and the net present value of these minimum lease payments to equipment & furnishings are shown in the aggregate in the table below:

Fiscal Year Ending			
June 30	Principal	Interest	Total
Governmental Funds			
2027	\$ 98	\$ 2	\$ 100
2028	10	0	10
	<u>\$ 108</u>	<u>\$ 2</u>	<u>\$ 110</u>

The future minimum subscription obligations and the net present value of these minimum subscription payments to SBITAs are shown in the aggregate in the table below:

Fiscal Year Ending			
June 30	Principal	Interest	Total
Governmental Funds			
2027	\$ 745	\$ 51	\$ 796
2028	303	29	332
2029	219	21	240
2030	226	13	239
2031	134	5	139
2032 - 2036	23	1	24
	<u>\$ 1,650</u>	<u>\$ 120</u>	<u>\$ 1,770</u>

Note 6. Compensated Absences

Changes in the liability for compensated absences are reflected in the table below.

	Governmental Activities
Beginning balance	\$ 9,315
Net change	(372)
Ending balance	<u>\$ 8,943</u>
Amount due within one year	<u>\$ 7,480</u>

Compensated absences in the governmental funds are liquidated from the State Highway Fund.

Note 7. Bonds Payable

Bonds Payable for the year ended June 30, 2026 is comprised of the amounts in the table below:

Series	Final Scheduled Maturity	Original Principal Amount	6/30/2025 Balance	Additions	Reductions	6/30/2026 Principal Amount Outstanding	Amount due Within One Year
Governmental Funds							
State of Kansas Highway Revenue Bonds:							
Series 2015B	09/01/35	\$ 400,000	\$ 44,845	\$ 0	\$ 44,845	\$ 0	\$ 0
Series 2017A	09/01/37	200,000	168,390	0	9,415	158,975	9,895
Series 2018A	09/01/37	173,035	151,070	0	15,985	135,085	11,530
Series 2024A	09/01/43	694,015	694,015	0	39,145	654,870	41,480
Series 2025A	09/01/44	729,980	729,980	0	0	729,980	57,310
Total before adjustments			1,788,300	0	109,390	1,678,910	120,215
Adjustments							
Net unamortized premium (discount)			153,605	0	20,507	133,098	0
Total after adjustments			<u>\$ 1,941,905</u>	<u>\$ 0</u>	<u>\$ 129,897</u>	<u>\$ 1,812,008</u>	<u>\$ 120,215</u>

The Highway Revenue bonds are special obligations of the State, secured by and payable from a gross pledge of all revenues in the State Highway Fund. Annual principal and interest payments on the Highway Revenue bonds are expected to require approximately 10.8% of the pledged revenue. The total principal and interest remaining to be paid on the Highway Revenue bonds is \$2,280,126.

The coupon interest rate on all outstanding fixed rate bonds is 5.00%.

All Highway Revenue bonds were issued pursuant to the provisions of Section 68-2314 et seq. of the Kansas Statutes Annotated and the 1992 Resolution and supplements thereto. The statutes provide that, as of July 1, 1991, the Secretary of Transportation was authorized to issue bonds. The Department has the authority to issue additional bonds provided that at the time of issuance the

projected debt service on State Highway Fund debt in the current or any future year is estimated to not exceed 18% of fund revenues projected for the then-current or any future fiscal year.

The Department has a covenant to provide annual revenues to the State Highway Fund at least equal to 300% of the annual debt service requirement of the Highway Revenue bonds. The chart below indicates that the GAAP basis revenues, adjusted in conformity with bond covenants, as a percentage of current year's required debt service exceeds the coverage requirement.

Calculation of Revenue Bond Coverage					
Adjusted GAAP Revenues	Principal	Bond Service Charges	Total	Bond Coverage	
\$ 1,843,942	\$ 109,390	\$ 76,600	\$ 185,990	991 %	

A resolution adopted by the Secretary of Transportation in anticipation of issuing the Series 1999 Bonds changed the definition of revenues to be used for the above bond coverage test. With the retirement of all pre-1999 Series bonds, the definition of adjusted revenues has been expanded to include reimbursements received from the federal government.

Debt service requirements to the maturity of the bonds, based upon the current debt service schedule, are indicated in the table below.

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
Governmental Funds			
2027	\$ 120,215	\$ 80,940	\$ 201,155
2028	125,890	74,788	200,678
2029	127,660	68,449	196,109
2030	129,670	62,016	191,686
2031	131,945	55,475	187,420
2032 - 2036	652,745	178,626	831,371
2037 - 2041	230,905	65,504	296,409
2042 - 2045	159,880	15,418	175,298
	<u>\$ 1,678,910</u>	<u>\$ 601,216</u>	<u>\$ 2,280,126</u>

For the Highway Revenue bonds, the Department is required to make monthly transfers to the Debt Service Fund equal to one-sixth of the amount due on the next semi-annual interest payment date. In addition, monthly transfers equal to one-twelfth of the principal due on the next principal payment date must be transferred to the Debt Service Fund.

For fiscal year 2027, the Department plans to issue bonds in the amount of approximately \$400 million and possibly refund a portion of Highway Revenue Bond Series 2017A and 2018A.

Note 8. Commitments

Contractual commitments encumbered at June 30, 2026 were \$2,432,157. These contractual commitments will be funded by revenues from various Federal, State, and local sources. These revenues will be primarily in the form of matching Federal highway construction funds, motor fuel tax monies and vehicle registrations and permits. This revenue is expected to be received in time to meet cash requirements as the obligations become due. The table below provides a summary of the contractual commitments encumbered as of June 30, 2026.

Fund	Commitments
State Highway*	\$ 2,356,908
Rail Service Improvement	16,893
Interagency Motor Vehicle Fuel Sales	54
Traffic Records Enhancement	461
Public Use General Aviation Airport Development	26,859
Highway Bond Debt Service	241
US69 Express Lane Tolling	43
Other Special Revenue Funds	30,698
Total Commitments	<u>\$ 2,432,157</u>

* The Department's general fund

Note 9. Contingent Liabilities

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is also a defendant in various lawsuits. In the opinion of the Department's Chief Counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Department. In compliance with State statute, the Department retains the risk of loss and the liability for claims, other than those covered by commercial vehicle liability. Settlements did not exceed coverage in any of the last three years.

In addition, the Department participates in the State's Workers Compensation Self-Insurance Fund (the Fund). The Department pays a premium to the State for coverage under the Fund. For FY 2026, the Department's contribution rate is 1.596% of covered payroll. The State retains all the risk of loss related to the Fund.

Any uninsured losses are accounted for in the State Highway Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated based on historic experience and counsel's legal opinion.

At June 30, 2026, the amount of these liabilities included in accounts payable of the government-wide Statement of Net Position was \$13,408 and is the Department's best estimate based on available information. Changes in the reported liability for the last two years are shown in the table on the following page:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Ending Liability</u>
2025	\$ 7,253	\$ (46)	\$ 82	\$ 7,125
2026	7,125	6,365	82	13,408

Note 10. Pension Plan

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

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

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement, a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. The retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

C. Contributions – K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on July 1, 2009 through December 31, 2014. KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law establishes the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member employee's contributions are withheld by their

employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rate was 11.33% and 11.68%, respectively, for the fiscal year ended June 30, 2026. The actuarially determined employer contribution rate and the statutory contribution rate was 10.81% and 11.54%, respectively, for the fiscal year ended June 30, 2025. Contributions to the pension plan from the Department were \$15,354 for the year ended June 30, 2026. Contributions made after the measurement date of June 30, 2025 but before June 30, 2026 will be recognized as a reduction of the net pension liability in fiscal year 2027.

D. Pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions – At June 30, 2026, the Department reported a liability of \$127,629 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024, which was rolled forward to June 30, 2025. The Department's proportion of the net pension liability was based on the ratio of the Department's actual contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2025. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2025, the Department's proportion was 2.12%, which was an increase of 0.01% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2026, the Department recognized pension expense of \$16,125. At June 30, 2026, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources in the following table.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,589	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	4,660
Changes of assumptions	3,579	2,655
Changes in proportion (and difference between contributions and proportionate share of contributions)	6,498	1,718
Contributions subsequent to measurement	15,354	0
Total	<u>\$ 34,020</u>	<u>\$ 9,033</u>

A total of \$15,354 was reported as deferred outflows of resources related to pensions resulting from the Department's contributions subsequent to the measurement date. It will be recognized as a reduction of the net pension liability for the year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the table on the following page.

Notes to the Financial Statements

Year ended June 30		
2027	\$	(11,760)
2028		(761)
2029		1,325
2030		1,563
Total	\$	<u>(9,633)</u>

E. Actuarial assumptions – The total pension liability in the December 31, 2024 actuarial valuation was determined using the actuarial assumptions below, applied to all periods included in the measurement:

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

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

Below are the actuarial assumption changes adopted by the pension plan based on the experience study:

Price inflation assumption remained the same at 2.75%
General wage growth assumption range remained the same at 3.50% – 15.50%, including inflation
Investment return assumption remained the same at 7.00%

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	43.00%	8.20%
Core fixed income	13.00%	2.20%
Yield driven	12.00%	5.30%
Infrastructure	3.00%	6.80%
Real estate	15.00%	5.70%
Alternatives	11.00%	12.00%
Short-term investments	3.00%	0.30%
Total	<u>100.00%</u>	

F. Discount rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the Department will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity of the Department proportionate share of the net pension liability to changes in the discount rate – The table below presents the Department’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Department’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Department's proportionate share of the net pension liability	\$ 192,521	\$ 127,629	\$ 73,044

H. Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued KPERS financial report.

Note 11. Other Post-Employment Benefits

I. KPERS Death and Disability Plan

A. Plan description – The Department participates in an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan which is administered by KPERS. The Plan provides long-term disability benefits and life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-4927. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. Because the trust’s assets are used to pay employee benefits other than OPEB, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, “Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions”. There is no stand-alone financial report for the plan.

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

Long-term disability benefit: Monthly benefit is 60% of the member’s monthly compensation, with a minimum of \$100 and maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker’s compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member’s 65th birthday or retirement date,

whichever occurs first. If the disability occurs after age 60, benefits are payable while disability continues, for a period of 5 years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the term of the disability or 24 months per lifetime, whichever is less. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of-living increase.

Group life waiver of premium benefit: Upon the death of an employee who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for 5 or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual life insurance plan.

Members covered by benefit terms. As of December 31, 2024, the following members were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	26
Active employees	2,131
Total	2,157

C. Total OPEB liability – The Department's total OPEB liability of \$2,430 was measured as of June 30, 2025, and was determined by an actuarial valuation as of December 31, 2024, which was rolled forward to June 30, 2025.

D. Actuarial assumptions and other inputs – The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the actuarial assumptions and other inputs in the table below, applied to all periods included in the measurement, unless otherwise noted:

Price inflation	2.75%
Payroll growth	3.00% near-term growth
Salary increases, including inflation	3.50 to 10.00%, including inflation
Discount rate	5.20%
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit cost	Not applicable for the coverage in this plan

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

Mortality rates were projected for future years using Projection Scale MP-2021.

The actuarial assumptions used in the June 30, 2025 valuation were based on actuarial KPERS experience. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2024 KPERS pension valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at fiscal year end June 30, 2025	\$ 2,598
Changes for the year:	
Service cost	372
Interest on total OPEB liability	113
Effect of economic/demographic gains or losses	(368)
Effect of assumptions changes or inputs	(115)
Benefit payments	(170)
Balance at fiscal year end June 30, 2026	\$ 2,430

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

E. Sensitivity of the total OPEB liability to changes in the discount rate – The table below presents the total OPEB liability of the Department, as well as what the Department’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current discount rate:

	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
Total OPEB liability	\$ 2,519	\$ 2,430	\$ 2,338

F. Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS. Therefore, there is no sensitivity to a change in healthcare trend rates.

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

For the year ended June 30, 2026, the Department recognized OPEB expense of \$44. At June 30, 2026, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources shown in the table below.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement	\$ 1,340	\$ 0
Changes in assumptions	67	493
Differences between expected and actual experience	0	1,743
Total	\$ 1,407	\$ 2,236

For FY 2026, the deferred outflow of resources related to the contributions subsequent to the measurement date totals \$1,340. Contributions made after the measurement date of June 30, 2025 but before June 30, 2026 will be recognized as a reduction of the net OPEB liability in fiscal year 2027. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30		
2027	\$	437
2028		402
2029		336
2030		309
2031		231
Thereafter		454
Total	\$	<u>2,169</u>

II. Healthcare Benefits Plan

A. Plan description - As a department of the State of Kansas, the Department participates in the State's health insurance benefit plan. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements. The health insurance benefit generally provides the same coverage for retirees and their dependents as for active employees and their dependents. The health insurance benefit plan is a single employer defined benefit plan administered by Kansas Department of Health and Environment. The benefit is available for selection at retirement and is extended to retirees and their dependents for life. Non-Medicare participants are subsidized by the State, thus resulting in a liability to the Department. Accounting for the health insurance benefits for retirees is included in the State's Self-Insurance Health fund, with the subsidy provided from the Self-Insurance Health fund.

B. Funding policy – The State provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 75-6511). Kansas statutes, which may be amended by the State Legislature, established that participating retirees contribute to the employee group health fund benefits plan, including administrative costs.

The State does not pay retiree benefits directly. They are paid implicitly over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group.

Members covered by benefit terms. As of January 1, 2024, the following members were estimated to be covered by the benefit terms using an allocation of total OPEB liability for the Department compared to the State OPEB liability and total retirees in the State:

Estimated inactive employees or beneficiaries currently receiving benefit payments	483
Active employees	<u>2,195</u>
Total	<u>2,678</u>

C. Total OPEB liability – The Department’s total OPEB liability of \$150 was measured as of June 30, 2025, and was determined by an actuarial valuation as of January 1, 2024, which was rolled forward to June 30, 2025.

D. Actuarial assumptions and other inputs – The total OPEB liability in the January 1, 2024 actuarial valuation was determined using the actuarial assumptions and other inputs in the table below, applied to all periods included in the measurement, unless otherwise noted:

Price inflation	2.75%
Salary increases, including inflation	3.50 to 10.00%, including inflation
Discount rate	5.20%
Healthcare cost trend rates	
Medical	7.93%, 4.66%, 4.07% and then 4.75% decreasing by 0.25% over 1 year to an ultimate rate of 4.50%
Prescription drug	5.70 % and then 8.25% decreasing by 0.25% over 15 years to an ultimate rate of 4.50%
Dental	3.78% and then 3.00% thereafter
Administrative costs	2.00%

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

Mortality rates projected using the PubG-2010 (Below Median) Annuitant Mortality Table set back 1 year for males and the PubS-2010 Annuitant Mortality Table set forward 1 year for females, as appropriate, with adjustments for mortality improvement using Scale MP2021.

Changes in the Total OPEB Liability

Balance at fiscal year end June 30, 2025	\$ 334
Changes for the year:	
Annual OPEB cost	(184)
Balance at fiscal year end June 30, 2026	<u>\$ 150</u>

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

E. Sensitivity of the total OPEB liability to changes in the discount rate – The table below presents the total OPEB liability of the Department, as well as what the Department’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current discount rate:

	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
Total OPEB liability	\$ 151	\$ 150	\$ 148

F. Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – This cost is trended with medical trend. These costs are adjusted for plan changes and premium updates through January 1, 2024. The table below presents the total OPEB liability of the Department as well as what the Department’s total OPEB liability would be if it were calculated with a 1-percentage-point lower or 1-percentage-point higher than the current medical trend.

	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Increase in Health Care Cost Trend Rates
Total OPEB liability	\$ 145	\$ 150	\$ 155

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2026, the Department recognized OPEB expense of \$13. At June 30, 2026, the Department reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement	\$ 13	\$ 110
Total	\$ 13	\$ 110

For FY 2026, the deferred outflow of resources related to the contributions subsequent to the measurement date totals \$13. Contributions made after the measurement date of June 30, 2025 but before June 30, 2026 will be recognized as a reduction of the total OPEB liability in fiscal year 2027.

Note 12. Relationship with Other State Agencies

The Department of Administration, the Office of the State Treasurer, the Pooled Money Investment Board, the Department of Revenue, the Kansas Development Finance Authority and the Department of Corrections provide services to the Department. Charges for their services are reflected as expenditures in the financial statements. The Department also participates in projects with the Kansas Turnpike Authority and works with the Department of Health and Environment, the Department of Agriculture and the Kansas State Historical Society to assure that projects comply with statutory and regulatory requirements.

The Kansas Highway Patrol (KHP) and the Department share certain facilities throughout the State. The Department also provides some support services to the KHP. Transactions relevant to these joint facilities and support services, other than the Motor Carrier Inspection Program discussed in Note 3, are reflected in the revenues.



Required Supplementary Information

Kansas Department of Transportation
Statement of Revenues, Expenditures, and Other Financing Sources (Uses)
State Highway Fund (Department's General Fund)
Budget and Actual -- Budgetary Basis
For the Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 306,360	\$ 307,809	\$ 1,449	\$ 314,515	\$ 6,706
Vehicle registrations and permits	246,706	249,512	2,806	253,485	3,973
Intergovernmental	664,463	643,684	(20,779)	486,134	(157,550)
Sales and use taxes	754,171	765,145	10,974	763,324	(1,821)
Investment earnings	7,400	22,700	15,300	20,073	(2,627)
Other	8,731	8,177	(554)	5,282	(2,895)
Appropriations from other state funds	1,102	1,053	(49)	10,681	9,628
Total revenues	<u>1,988,933</u>	<u>1,998,080</u>	<u>9,147</u>	<u>1,853,494</u>	<u>(144,586)</u>
Expenditures, with legal limits:					
Current operating:					
Maintenance	177,459	174,422	3,037	182,184	(7,762)
Construction	95,356	98,190	(2,834)	80,491	17,699
Local support	2,861	2,636	225	2,019	617
Transportation planning and modal support	35,303	34,653	650	34,776	(123)
Administration	74,528	75,606	(1,078)	63,441	12,165
Expenditures with legal limits	<u>385,507</u>	<u>385,507</u>	<u>0</u>	<u>362,911</u>	<u>22,596</u>
Expenditures, without legal limits:					
Current operating:					
Maintenance	650	650	0	400	250
Construction	825,283	1,467,789	(642,506)	1,462,689	5,100
Local support	24,000	24,000	0	26,608	(2,608)
Transportation planning and modal support	56,214	57,459	(1,245)	42,461	14,998
Administration	1,280	1,280	0	354	926
Right-to-use lease and SBITA principal payments	0	0	0	4,713	(4,713)
Distributions to other state funds	149,001	152,398	(3,397)	152,738	(340)
Expenditures without legal limits	<u>1,056,428</u>	<u>1,703,576</u>	<u>(647,148)</u>	<u>1,689,963</u>	<u>13,613</u>
Total expenditures	<u>1,441,935</u>	<u>2,089,083</u>	<u>(647,148)</u>	<u>2,052,874</u>	<u>36,209</u>
Excess (deficiency) of revenues over expenditures	<u>546,998</u>	<u>(91,003)</u>	<u>(638,001)</u>	<u>(199,380)</u>	<u>(108,377)</u>
Other financing sources (uses):					
Transfers-in	400,000	5,000	(395,000)	28,419	23,419
Transfers-out	(256,253)	(255,304)	949	(256,963)	(1,659)
Total other financing sources (uses)	<u>143,747</u>	<u>(250,304)</u>	<u>(394,051)</u>	<u>(228,544)</u>	<u>21,760</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 690,745</u>	<u>\$ (341,307)</u>	<u>\$ (1,032,052)</u>	<u>\$ (427,924)</u>	<u>\$ (86,617)</u>

Kansas Department of Transportation
 Reconciliation of
 Statement of Revenues, Expenditures, and Other Financing Sources (Uses)
 State Highway Fund (Department's General Fund)
 Budget and Actual -- Budgetary (Non-GAAP) Basis
 to
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 State Highway Fund (Department's General Fund)
 For the Year Ended June 30, 2026
 (amounts in thousands)

Excess (deficiency) of revenues and other sources over expenditures and other uses - budgetary basis	\$ (427,924)
Budgetary basis revenues and appropriations from other state funds are adjusted to GAAP basis (budgetary basis is on a cash basis for certain revenue streams such as taxes, investment earnings, and intergovernmental revenue)	8,429
Net encumbrances are reported as expenditures for budgetary reporting purposes	(224,435)
Budgetary expenditures and distributions to other state funds have been adjusted to GAAP basis (budgetary basis is on a cash basis for certain expenditure streams such as maintenance, construction, and management)	<u>262,318</u>
Net change in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u><u>\$ (381,612)</u></u>

**Kansas Department of Transportation
Required Supplementary Information
For the Year Ended June 30, 2026
(amounts expressed in thousands)**

Notes to Required Supplementary Information

Budgeting, Budgetary Control, and Legal Compliance

Annual budgets are submitted to the Governor in accordance with State law. The budgets are legally enacted as appropriations after approval by the Governor and the State Legislature. All budgets are adopted on a budgetary basis consistent with State policies whereby cash basis transactions and encumbrances are recognized. Encumbrances are obligations to a specific fiscal year made up of purchase orders, contracts, or salary commitments. All appropriations lapse at year-end unless carried over by the State Legislature.

Some expenditures are appropriated by the State Legislature with legal limitations and other expenditures are appropriated without legal limitations. The Department's executive management can modify those expenditures without limitations, subject to the availability of funds. Increases to spending limitations can only be affected through actions by the Governor and State Legislature. Allocations to the Departmental functions are made for internal control purposes only.

FY 2026 appropriated budgets subject to legal limitations were adopted by the State Legislature for the agency operations portion of the State Highway Fund. This includes: regular maintenance, construction (internal payroll and other operating expenditures for design, right of way and inspection), local support (excluding local aid programs), transportation planning and modal support (excluding local aid and contracts with other state agencies), and administration (excluding claims, fees, and contracts with other state agencies). The legal level of budgetary control is the cumulative total of appropriations of the State Highway Fund subject to legal limitations.

Appropriated budgets with no legal limitations were adopted by the State Legislature for the following portions of the State Highway Fund: construction, maintenance, local support, administration, transportation planning and modal support, and certain distributions to other state funds (claims and contracts with other state agencies). Appropriated budgets with no legal limitations were also adopted for the Debt Service Fund and the following special revenue funds: Rail Service Improvement, Interagency Motor Vehicle Fuel Sales, Traffic Records Enhancement, Coordinated Public Transportation Assistance, Other Federal Grants, Public Use General Aviation Airport Development, Conversion of Materials & Equipment, Seat Belt Safety, Transportation Technology Development, Broadband Infrastructure Construction Grant, Short Line Rail Improvement, Driver's Education Scholarship Grant, Kansas Air Service Development Incentive, and Passenger Rail Service Revolving.

Throughout the fiscal year, the Department updates budgetary data. Those budgets are subject to legal limitations by the State Legislature and can only be amended with the Legislature's approval. The Department can amend the budgets without legal limitations without legislative approval. For the year ended June 30, 2026, the following funds had an individual expenditure group without legal limitations that exceeded the budget established by the Department's internal budgeting process: State Highway, Interagency Motor Vehicle Fuel Sales, Traffic Records Enhancement, Public Use General Aviation Airport Development, Coordinated Public Transportation Assistance, Other Federal Grants, Conversion of Materials & Equipment, Broadband Infrastructure Construction Grant, Short Line Rail Improvement, Driver's Education Scholarship Grant, and Debt Service.

Budgetary Highlights

During the course of the year, the budget for the State Highway Fund was amended by the State Legislature to reflect updated revenue projections and to more accurately reflect the level of activity being accomplished by the Department. In addition, certain budget changes were made to reflect conditions of the state economy. The original budget (adopted by the 2025 Legislature) projected a budgetary surplus of \$690,745. The final budget (adopted by the 2026 Legislature) projected a budgetary deficit of \$341,307. The budgetary surpluses contribute to reserves held by the Fund.

Differences between the original and final budget include:

- The budget for Intergovernmental revenue was decreased due to revised estimates on the amount of federal revenue to be billed and received. This variance does not reflect a decrease in the total amount of eligible federal funds. The variance reflects the timing of when those funds are received.
- The budget for Investment earnings was increased for the anticipated level of investments to occur during the year.
- The budget for Construction with and without legal limits was increased due to revised estimates for project expenditures and lettings.
- The budget for Transfers-in was decreased due to the timing of planned bond issuance.

Some expenditures are appropriated by the Legislature with legal limitations and other expenditures are appropriated without legal limitations. These appropriations are made at the fund level and are displayed on the Budgetary Statements included in this document. The allocations of the appropriations displayed are for internal control and reporting purposes only. The legal level of budgetary control is at the cumulative total, not at the “line item” displayed on the accompanying budget statements. Actual cumulative expenditures for those items with legal limitations did not exceed those limitations.

Variances from the final approved budget and actual end-of-year results include:

- The budget variance for Intergovernmental revenues decreased due to revised amounts of federal revenue billed and received. This variance does not reflect a decrease in the total amount of eligible federal funds. This variance reflects the timing of when those funds are received.
- The budget variance for Administration with legal limits decreased due to salary savings resulting from not filling as many positions as planned.
- The budget variance for Construction with legal limits and without legal limits decreased due to revised estimates for project expenditures and lettings.
- The budget variance for Transfers-in increased due to transfers from the proprietary funds during the year.

Infrastructure Assets Modified Approach:

Information needed to support the use of the Modified Approach for Infrastructure Reporting. Typically, capital assets are capitalized and subsequently depreciated, thereby spreading their costs to governmental activities over the estimated useful lives of the assets. When reporting infrastructure assets, an alternative to the recording of depreciation has been developed and is recognized as GAAP. This “modified approach” assumes that infrastructure assets have an indefinite life if they are properly maintained and preserved. When this approach is employed, the assets are not depreciated. However, expenses that preserve the asset and return it to its original state are recorded in the year when they are incurred. Only those expenditures that increase the efficiency or capacity of the asset are capitalized.

Before a government can use the modified approach, it must meet two requirements. First, the government must manage the eligible assets using an asset management system that has the characteristics set forth below. Second, the government must document that the eligible assets are being preserved approximately at (or above) a condition level established and disclosed by the government.

To meet the first requirement, the asset management system should:

- a. Have an up-to-date inventory of infrastructure assets,
- b. Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale, and
- c. Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the conditional level established and disclosed by the government.

Roadway Pavement

The Department’s highway pavement is made up of two systems: Interstate Highways and Non-interstate Highways. The Department’s highway pavement is also referred to as Roadways. The Department uses Federal regulations 23 CFR 490 and 23 CFR 515 to report pavement condition.

The condition of the Interstate Highways and Non-interstate Highways is assessed annually using a Pavement Management System that measures the condition of the pavement surface. The Pavement condition is a combined score based on three factors: roughness (measured as International Roughness Index or IRI), percent cracking (number of transverse cracked slabs per total slabs in concrete or percent of the wheelpath area with longitudinal or fatigue type cracking in asphalt surfaces), and faulting in concrete or rutting in asphalt. Each factor is converted to a Good, Fair, Poor (GFP) designation. For instance, the International Roughness Index values for each 0.1 mile are used to assign that mile’s roughness GFP based on <95 in/mile, 95-170 in/mile or >170 in/mile. Federal criteria are also used to generate GFP for cracking, rutting, and faulting on each 0.1 mile of highway pavement. Each 0.1 mile segment’s ratings for the factors are combined by requiring that all three must be “Good” for an overall rating of “Good” or if any two are “Poor” the overall rating is “Poor”. Every other combination becomes “Fair”.

The Department has targets to maintain these systems at levels higher than the minimum acceptable condition. The cost to repair or replace deteriorated pavement far exceeds the cost to maintain pavement that is already in good condition; so maintaining our pavement at levels above our minimum acceptable condition requires a pavement management strategy that accounts for life-cycle costs. The Department has defined the minimum acceptable condition level as having at least 60 percent of the Interstate miles in “Good” and at least 50 percent of the Non-interstate miles in “Good”. The table on the following page compares the minimum acceptable condition level with the actual condition for the current and prior years.

Required Supplementary Information

Data collected in Spring and Summer 2026 is still being processed to produce the Federal method's condition measures. It is consistent with Federal reporting regulations since data collected in calendar year 2026 is reported in April of the following year for Interstates and June for Non-interstates.

Fiscal Year	Interstate Miles		Non-interstate Miles	
	Minimum Acceptable Condition Level*	Actual Condition Level*	Minimum Acceptable Condition Level*	Actual Condition Level*
2023	≥ 60	61.7	≥ 50	64.3
2024	≥ 60	65.0	≥ 50	68.2
2025	≥ 60	65.7	≥ 50	72.2
2026	≥ 60	N/A	≥ 50	N/A
* - Percent of miles in "Good"			N/A – Not available	

The Department's target is to continually maintain and improve the condition of the State Highway System. To achieve this target, it is necessary to perform maintenance activities and replace those assets that can no longer be economically maintained. To maintain the Interstate Highways at or above the stated minimum condition level, it was estimated that annual preservation and replacement expenditures must be approximately \$73,000 in FY 2026. The actual expenses were \$218,432 for Interstate highways. The department spent \$145,432 more than estimated on Interstate highways. To maintain the Non-interstate Highways at or above the stated minimum condition level, it was estimated that annual preservation and replacement expenditures must be approximately \$773,000 in FY 2026. The actual expenses were \$688,475 for Non-interstate highways. The department spent \$84,525 less than estimated on Non-interstate highways. The estimated expenditures needed to maintain the system at the minimum acceptable condition level are based on the projects expected to be bid on during the fiscal year. The actual expenses are based on project expenditures for preservation and some capacity and modernization costs that improve the roadway surface. The variances can be significant due to how long the individual projects take to be completed and the scheduling of the bids.

The following table compares the estimated expenditures needed to maintain the system at a minimum acceptable condition level with actual amounts spent for the current and prior years.

Fiscal Year	Interstate Highways		Non-interstate Highways	
	Estimated Expenditures Needed to Maintain the System at the Minimum Acceptable Condition Level*	Actual Expenses*	Estimated Expenditures Needed to Maintain the System at the Minimum Acceptable Condition Level*	Actual Expenses*
2022	\$113,000	\$ 87,007	\$ 635,000	\$503,564
2023	223,000	144,223	1,044,000	797,117
2024	85,000	172,574	629,000	948,609
2025	321,000	166,111	470,000	840,228
2026	73,000	218,432	773,000	688,475
* - amounts in \$1,000				

Bridges

Federal law (23 CFR 650) requires that each bridge be inspected at least every 24 months. Each major structural bridge component (deck, superstructure, and substructure or the overall culvert) is evaluated during detailed bridge inspections. A condition rating value which ranges from 0 (failed) to 9 (excellent) is assigned to each component. All bridge condition data is compiled in the field by the inspectors, reviewed in the office, and then entered into a bridge management system.

The Performance Measures are the percent of State-owned bridge deck area in “Good” and “Poor” condition, with the minimum condition rating of each bridge component being defined as follows:

- Good Condition Rating: 7, 8, or 9
- Fair Condition Rating: 5 or 6
- Poor Condition Rating: 0, 1, 2, 3, or 4

The table below compares the actual percentage of State-owned Bridge Deck Area in “Good” and “Poor” condition to the Department’s Performance Measures for the current and prior years. The Department’s Performance Measure targets are to have more than 70% of State-owned Bridge Deck Area in “Good” condition and less than 3% of State-owned Bridge Deck Area in “Poor” condition.

Fiscal Year	Minimum Percentage of “Good” Deck Area	Actual Percentage of “Good” Deck Area	Percentage of “Poor” Deck Area	Actual Percentage of “Poor” Deck Area
2024	> 70	71	< 3	2.5
2025	> 70	71	< 3	2.6
2026	> 70	71	< 3	2.0

The Department’s target is to continually improve the condition of the State’s bridge system. To achieve this target, it is necessary to perform maintenance activities and to replace those bridges that can no longer be economically maintained. To maintain the State’s bridges at or better than the stated acceptable percentages of bridge deck area in “Good” and “Poor” condition, it is estimated that annual preservation and replacement expenditures must be approximately \$176,000 for FY 2026. The actual expenses were \$307,363 for bridges. The department spent \$131,363 more than estimated on bridges. The estimated expenditures needed to maintain the system at the minimum acceptable condition level are based on the projects expected to be bid on during the fiscal year. The variances can be significant due to how long the individual projects take to be completed and the scheduling of the bids.

The table below compares the estimated annual expenditures with the actual expenditures for the current and prior years.

Fiscal Year	Estimated Expenditures Needed to Maintain the System at the Minimum Acceptable Percentages*	Actual Expenses*
2022	\$121,000	\$132,771
2023	80,000	161,211
2024	157,000	204,258
2025	278,000	257,572
2026	176,000	307,363
*- amounts in \$1,000		

Required Supplementary Information

Pension Plan:

GASB 68 requires a presentation of 10 years for the following tables:

Schedule of the Department's Proportionate Share of the Net Pension Liability										
Fiscal year Measurement date	2017 6/30/2016	2018 6/30/2017	2019 6/30/2018	2020 6/30/2019	2021 6/30/2020	2022 6/30/2021	2023 6/30/2022	2024 6/30/2023	2025 6/30/2024	2026 6/30/2025
Proportion of the net pension liability (asset)	2.29%	2.14%	1.98%	1.99%	2.00%	2.02%	1.89%	1.98%	2.11%	2.12%
Proportionate share of the net pension liability (asset)	\$ 154,084	\$ 143,686	\$ 129,128	\$ 128,916	\$ 149,233	\$ 113,637	\$ 135,191	\$ 137,393	\$ 138,031	\$ 127,629
Covered payroll	\$ 105,860	\$ 95,703	\$ 94,013	\$ 97,526	\$ 98,130	\$ 99,058	\$ 99,510	\$ 106,073	\$ 118,816	\$ 129,051
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	145.55%	150.14%	137.35%	132.19%	152.08%	114.72%	135.86%	129.53%	116.17%	98.90%
Plan fiduciary net position as a percentage of the total pension liability	65.10%	67.12%	68.88%	69.88%	66.30%	76.40%	69.75%	70.70%	72.75%	75.26%

Schedule of Department Contribution - Net Pension Liability										
Fiscal year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Contractually required contribution	\$ 10,432	\$ 11,199	\$ 12,647	\$ 14,052	\$ 14,032	\$ 13,041	\$ 13,824	\$ 14,868	\$ 14,498	\$ 15,354
Contributions in relation to the contractually required contribution	10,432	11,199	12,647	14,052	14,032	13,041	13,824	14,868	14,498	15,354
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll	\$ 95,703	\$ 94,013	\$ 97,526	\$ 98,130	\$ 99,058	\$ 99,510	\$ 106,073	\$ 118,816	\$ 129,051	\$ 134,890
Contributions as a percentage of covered payroll	10.90%	11.91%	12.97%	14.32%	14.17%	13.11%	13.03%	12.51%	11.23%	11.38%

Below are the actuarial assumption changes adopted by the pension plan based on the experience study for fiscal year ended June 30, 2025:

- Price inflation assumption remained the same at 2.75%
- General wage growth remained the same at 3.50% – 15.50%, including inflation
- Investment return assumption remained the same at 7.00%

Required Supplementary Information

Other Post-Employment Benefits:

I. KPERS Death and Disability Plan

GASB 75 requires a presentation of 10 years for the following table. As of June 30, 2026, only nine years of information is available.

Schedule of Changes in the Department's Total Other Post-Employment Benefits (OPEB) Liability And Related Ratios									
Fiscal year	2018	2019	2020	2021	2022	2023	2024	2025	2026
Measurement date	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025
Total OPEB Liability									
Beginning Balance	\$ 4,981	\$ 5,054	\$ 4,489	\$ 4,538	\$ 3,940	\$ 3,980	\$ 3,011	\$ 2,803	\$ 2,598
Service cost	484	430	433	465	529	550	322	329	372
Interest on total OPEB liability	149	190	184	169	95	91	111	109	113
Effect of economic/demographic gains or losses	0	(789)	(292)	(987)	(312)	(387)	(236)	(307)	(368)
Effect of assumptions changes or inputs	(122)	(43)	53	129	3	(578)	(10)	(23)	(115)
Benefit payments	(438)	(353)	(329)	(374)	(275)	(645)	(395)	(313)	(170)
Ending Balance	<u>\$ 5,054</u>	<u>\$ 4,489</u>	<u>\$ 4,538</u>	<u>\$ 3,940</u>	<u>\$ 3,980</u>	<u>\$ 3,011</u>	<u>\$ 2,803</u>	<u>\$ 2,598</u>	<u>\$ 2,430</u>
Total OPEB liability	\$ 5,054	\$ 4,489	\$ 4,538	\$ 3,940	\$ 3,980	\$ 3,011	\$ 2,803	\$ 2,598	\$ 2,430
Covered employee payroll	\$ 90,714	\$ 88,614	\$ 90,937	\$ 91,557	\$ 94,671	\$ 92,204	\$ 94,511	\$ 108,546	\$ 118,221
Total OPEB as a percentage of covered employee payroll	5.57%	5.07%	4.99%	4.30%	4.20%	3.27%	2.97%	2.39%	2.06%

There are no assets accumulated in a trust for payment of benefits.

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

II. Healthcare Benefits Plan

GASB 75 requires a presentation of 10 years for the following table. As of June 30, 2026, only two years of information is available.

Schedule of Changes in the Department's Total Other Post-Employment Benefits (OPEB) Liability And Related Ratios		
Fiscal year	2025	2026
Measurement date	6/30/2024	6/30/2025
Total OPEB Liability		
Beginning Balance	\$ 0	\$ 334
Annual OPEB cost	334	(184)
Ending Balance	<u>\$ 334</u>	<u>\$ 150</u>
 Total OPEB health benefits liability	 \$ 334	 \$ 150
Covered employee payroll	\$ 119,783	\$ 123,975
Total OPEB as a percentage of covered employee payroll	0.28%	0.12%

There are no assets accumulated in a trust for payment of benefits.

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

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Supplementary Information

Governmental Funds

KANSAS DEPARTMENT OF TRANSPORTATION

Nonmajor Governmental Funds

Capital Projects Fund is the fund that accounts for bonds proceeds.

Special Revenue Funds are used to account for particular Department activities created by receipt of grants or designated revenues:

Rail Service Improvement Fund – The purpose of this fund is to facilitate the financing, acquisition, or rehabilitation of railroads in the State.

Interagency Motor Vehicle Fuel Sales Fund – The purpose of this fund is to account for the monies generated from the sale of motor vehicle fuels to other state agencies.

Traffic Records Enhancement Fund – The purpose of this fund is to enhance and upgrade the traffic records system.

Public Use General Aviation Airport Development Fund – The purpose of this fund is to administer a grant program for planning, constructing, reconstructing or rehabilitating the facilities of public use general aviation airports in the State.

Other Special Revenue Funds – This is the combination of 10 funds:

Coordinated Public Transportation Assistance Fund – The purpose of this fund is to provide financial assistance to transportation systems that provide coordinated transportation services to elderly persons, persons with disabilities and the general public.

Other Federal Grants Fund – The purpose of this fund is to record federal grant activity other than those received on an on-going basis for highway construction.

Conversion of Materials & Equipment Fund – The purpose of this fund is to account for the monies generated from auction proceeds and sales of material and capital equipment and to utilize said proceeds for the purchase of new capital equipment and materials.

Seat Belt Safety Fund – The purpose of this fund is to promote and provide education on occupant protection among children, including, but not limited to, programs in Kansas schools.

Transportation Technology Development Fund – The purpose of this fund is to provide assistance with the planning, assessment and fielding of new capabilities and innovative technology for all modes of transportation, including, but not limited to, aviation and highway transportation.

Broadband Infrastructure Construction Grant Fund – The purpose of this fund is to provide grants for the expansion of broadband service in the state of Kansas.

Short Line Rail Improvement Fund – The purpose of this fund is to provide assistance to any qualified railroad track maintenance expenditure constructed by an eligible entity.

Driver's Education Scholarship Grant Fund – The purpose of this fund is to provide grants to assist qualified individuals to become safe drivers.

Kansas Air Service Development Incentive Program Fund – The purpose of this fund is to support commercial service airports in Kansas.

Passenger Rail Service Revolving Fund – The purpose of this fund is to provide grants to passenger rail service providers to develop passenger rail service in Kansas

Kansas Department of Transportation
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2026
(amounts in thousands)

	Special Revenue Funds						
	Rail Service Improvement	Interagency Motor Vehicle Fuel Sales	Traffic Records Enhancement	Public Use General Aviation Airport Development	Other Special Revenue Funds	Total Nonmajor Governmental Funds	
ASSETS							
Cash: Unrestricted	\$ 24,903	\$ 431	\$ 1,056	\$ 21,364	\$ 88,463	\$ 136,217	
Restricted	0	0	0	0	0	0	
Investments, at fair value:							
Unrestricted	0	0	0	0	0	0	
Restricted	0	0	0	0	0	0	
Receivables:							
Federal aid	0	0	0	0	0	0	
Accrued interest	70	0	0	0	0	70	
Loans and other	212	0	0	0	0	212	
Inventories	0	0	0	0	0	0	
Long-term receivables:							
Loans and other	521	0	0	0	0	521	
Total assets	<u>\$ 25,706</u>	<u>\$ 431</u>	<u>\$ 1,056</u>	<u>\$ 21,364</u>	<u>\$ 88,463</u>	<u>\$ 137,020</u>	
LIABILITIES AND FUND BALANCES							
Liabilities:							
Vouchers payable	\$ 686	\$ 0	\$ 0	\$ 895	\$ 2,188	\$ 3,769	
Deferred revenue	0	0	0	0	0	0	
Retainage payable	0	0	0	0	0	0	
Due to other Department fund	0	0	0	0	0	0	
Accrued salaries and wages	0	0	0	0	0	0	
Total liabilities	<u>686</u>	<u>0</u>	<u>0</u>	<u>895</u>	<u>2,188</u>	<u>3,769</u>	
Fund balances:							
Restricted for:							
Transportation	25,020	431	1,056	20,469	86,275	133,251	
Total fund balances	<u>25,020</u>	<u>431</u>	<u>1,056</u>	<u>20,469</u>	<u>86,275</u>	<u>133,251</u>	
Total liabilities and fund balances	<u>\$ 25,706</u>	<u>\$ 431</u>	<u>\$ 1,056</u>	<u>\$ 21,364</u>	<u>\$ 88,463</u>	<u>\$ 137,020</u>	

Kansas Department of Transportation
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2026
(amounts in thousands)

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Rail Service Improvement	Interagency Motor Vehicle Fuel Sales	Traffic Records Enhancement	Public Use General Aviation Airport Development	Other Special Revenue Funds	
Revenues						
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0	0
Operating grants	436	0	0	0	1,425	1,861
Capital grants	0	0	0	0	0	0
Sales and use taxes	0	0	0	0	0	0
Investment earnings	1,102	0	0	0	0	1,102
Other	0	2,283	347	0	465	3,095
Appropriations from other state funds	0	0	0	0	0	0
Total revenues	<u>1,538</u>	<u>2,283</u>	<u>347</u>	<u>0</u>	<u>1,890</u>	<u>6,058</u>
Expenditures						
Current operating:						
Maintenance	0	2,396	0	0	813	3,209
Communication system	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Local support	0	0	0	0	0	0
Transportation planning and modal support	13,624	0	865	10,957	20,688	46,134
Administration	0	0	0	0	0	0
Debt service:						
Principal	0	0	0	0	0	0
Interest and fees	0	0	0	0	0	0
Distributions to other state funds	0	0	0	0	1,091	1,091
Total expenditures	<u>13,624</u>	<u>2,396</u>	<u>865</u>	<u>10,957</u>	<u>22,592</u>	<u>50,434</u>
Excess (deficiency) of revenues over expenditures	<u>(12,086)</u>	<u>(113)</u>	<u>(518)</u>	<u>(10,957)</u>	<u>(20,702)</u>	<u>(44,376)</u>
Other financing sources (uses)						
Sale of assets	0	0	0	0	2,302	2,302
Issuance of debt	0	0	0	0	0	0
Premium on issuance of bonds	0	0	0	0	0	0
Transfers-in	10,000	0	0	15,000	28,305	53,305
Transfers-out	0	0	0	0	(5,000)	(5,000)
Total other financing sources (uses)	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>15,000</u>	<u>25,607</u>	<u>50,607</u>
Net changes in fund balances	<u>(2,086)</u>	<u>(113)</u>	<u>(518)</u>	<u>4,043</u>	<u>4,905</u>	<u>6,231</u>
Fund balances - beginning of year	<u>27,106</u>	<u>544</u>	<u>1,574</u>	<u>16,426</u>	<u>81,370</u>	<u>127,020</u>
Fund balances - end of year	<u>\$ 25,020</u>	<u>\$ 431</u>	<u>\$ 1,056</u>	<u>\$ 20,469</u>	<u>\$ 86,275</u>	<u>\$ 133,251</u>

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Rail Service Improvement Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	530	825	295	1,117	292
Other	530	1,267	737	811	(456)
Appropriations from other state funds	0	0	0	0	0
Total revenues	<u>1,060</u>	<u>2,092</u>	<u>1,032</u>	<u>1,928</u>	<u>(164)</u>
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	15,000	12,200	2,800	11,579	621
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, without legal limits	<u>15,000</u>	<u>12,200</u>	<u>2,800</u>	<u>11,579</u>	<u>621</u>
Total expenditures	<u>15,000</u>	<u>12,200</u>	<u>2,800</u>	<u>11,579</u>	<u>621</u>
Excess (deficiency) of revenues over expenditures	<u>(13,940)</u>	<u>(10,108)</u>	<u>3,832</u>	<u>(9,651)</u>	<u>457</u>
Other financing sources (uses):					
Transfers-in	10,000	10,000	0	10,000	0
Transfers-out	0	0	0	0	0
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>0</u>	<u>10,000</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (3,940)</u>	<u>\$ (108)</u>	<u>\$ 3,832</u>	<u>349</u>	<u>\$ 457</u>

Explanation of the differences between Budgetary Basis and GAAP Basis reporting

Budgetary basis revenues are adjusted to GAAP basis	(390)
Budgetary basis expenditures adjusted to GAAP basis	(13,624)
Expenditures on prior year encumbrances are not reported for budgetary reporting	512
Current year encumbrances are reported as expenditures for budgetary reporting purposes	<u>11,067</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	<u>\$ (2,086)</u>

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Interagency Motor Vehicle Fuel Sales Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	2,000	2,000	0	2,283	283
Appropriations from other state funds	0	0	0	0	0
Total revenues	2,000	2,000	0	2,283	283
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	0	0	0	0	0
Expenditures, without legal limits:					
Current operating:					
Maintenance	2,000	2,000	0	2,440	(440)
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, without legal limits	2,000	2,000	0	2,440	(440)
Total expenditures	2,000	2,000	0	2,440	(440)
Excess (deficiency) of revenues over expenditures	0	0	0	(157)	(157)
Other financing sources (uses):					
Transfers-in	0	0	0	0	0
Transfers-out	0	0	0	0	0
Total other financing sources (uses)	0	0	0	0	0
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 0	\$ 0	\$ 0	(157)	\$ (157)

Explanation of the differences between Budgetary Basis and GAAP Basis reporting

Current year encumbrances are reported as expenditures for budgetary reporting purposes

52

Expenditures on prior year encumbrances are not reported for budgetary reporting

(8)

Excess (deficiency) of revenues and other

sources over expenditures and other uses - GAAP basis

\$ (113)

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Traffic Records Enhancement Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with <u>Original Budget -</u> over (under) <u>Final Budget</u>	Actual Amounts Budgetary (and GAAP) Basis	Variance with <u>Final Budget -</u> over (under) <u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	350	350	0	347	(3)
Appropriations from other state funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total revenues	<u>350</u>	<u>350</u>	<u>0</u>	<u>347</u>	<u>(3)</u>
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures, with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	600	600	0	984	(384)
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures, without legal limits	<u>600</u>	<u>600</u>	<u>0</u>	<u>984</u>	<u>(384)</u>
Total expenditures	<u>600</u>	<u>600</u>	<u>0</u>	<u>984</u>	<u>(384)</u>
Excess (deficiency) of revenues over expenditures	<u>(250)</u>	<u>(250)</u>	<u>0</u>	<u>(637)</u>	<u>(387)</u>
Other financing sources (uses):					
Transfers-in	0	0	0	0	0
Transfers-out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (250)</u>	<u>\$ (250)</u>	<u>\$ 0</u>	<u>(637)</u>	<u>\$ (387)</u>

Explanation of the differences between Budgetary Basis and GAAP Basis reporting

Current year encumbrances are reported as expenditures for budgetary reporting purposes	180
Expenditures on prior year encumbrances are not reported for budgetary reporting	<u>(61)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	<u>\$ (518)</u>

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Public Use General Aviation Airport Development Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	0	0	0	0	0
Appropriations from other state funds	0	0	0	0	0
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	15,000	15,000	0	16,515	(1,515)
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, without legal limits	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>16,515</u>	<u>(1,515)</u>
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>16,515</u>	<u>(1,515)</u>
Excess (deficiency) of revenues over expenditures	<u>(15,000)</u>	<u>(15,000)</u>	<u>0</u>	<u>(16,515)</u>	<u>(1,515)</u>
Other financing sources (uses):					
Transfers-in	15,000	15,000	0	15,000	0
Transfers-out	0	0	0	0	0
Total other financing sources (uses)	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>15,000</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(1,515)</u>	<u>\$ (1,515)</u>
Explanation of the differences between Budgetary Basis and GAAP Basis reporting					
Current year encumbrances are reported as expenditures for budgetary reporting purposes				13,483	
Expenditures on prior year encumbrances are not reported for budgetary reporting				(7,546)	
Budgetary expenditures have been adjusted for GAAP basis adjustments				<u>(379)</u>	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis				<u>\$ 4,043</u>	

Kansas Department of Transportation
Schedule of Revenues, Expenditures and Other Financing Sources (Uses)
Coordinated Public Transportation Assistance Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	0	0	0	0	0
Appropriations from other state funds	0	0	0	0	0
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	14,078	14,177	(99)	15,850	(1,673)
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, without legal limits	<u>14,078</u>	<u>14,177</u>	<u>(99)</u>	<u>15,850</u>	<u>(1,673)</u>
Total expenditures	<u>14,078</u>	<u>14,177</u>	<u>(99)</u>	<u>15,850</u>	<u>(1,673)</u>
Excess (deficiency) of revenues over expenditures	<u>(14,078)</u>	<u>(14,177)</u>	<u>(99)</u>	<u>(15,850)</u>	<u>(1,673)</u>
Other financing sources (uses):					
Transfers-in	11,000	11,000	0	11,000	0
Transfers-out	0	0	0	0	0
Total other financing sources (uses)	<u>11,000</u>	<u>11,000</u>	<u>0</u>	<u>11,000</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (3,078)</u>	<u>\$ (3,177)</u>	<u>\$ (99)</u>	<u>(4,850)</u>	<u>\$ (1,673)</u>

Explanation of the differences between Budgetary Basis and GAAP Basis reporting

Current year encumbrances are reported as expenditures for budgetary reporting purposes	6,094
Expenditures on prior year encumbrances are not reported for budgetary reporting	(3,142)
Budgetary expenditures have been adjusted for GAAP basis adjustments	<u>(1,464)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	<u>\$ (3,362)</u>

Kansas Department of Transportation
Schedule of Revenues, Expenditures and Other Financing Sources (Uses)
Other Federal Grants Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	1,440	1,440
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	0	0	0	0	0
Appropriations from other state funds	0	0	0	0	0
Total revenues	0	0	0	1,440	1,440
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	0	0	0	0	0
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	230	(230)
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, without legal limits	0	0	0	230	(230)
Total expenditures	0	0	0	230	(230)
Excess (deficiency) of revenues over expenditures	0	0	0	1,210	1,210
Other financing sources (uses):					
Transfers-in	0	0	0	0	0
Transfers-out	0	0	0	0	0
Total other financing sources (uses)	0	0	0	0	0
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 0	\$ 0	\$ 0	1,210	\$ 1,210
Explanation of the differences between Budgetary Basis and GAAP Basis reporting					
Budgetary basis expenditures adjusted to GAAP basis				127	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis				\$ 1,337	

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Conversion of Materials & Equipment Fund
Budget and Actual – Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	0	0	0	0	0
Appropriations from other state funds	0	0	0	0	0
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:					
Current operating:					
Maintenance	3,500	3,500	0	3,985	(485)
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, without legal limits	<u>3,500</u>	<u>3,500</u>	<u>0</u>	<u>3,985</u>	<u>(485)</u>
Total expenditures	<u>3,500</u>	<u>3,500</u>	<u>0</u>	<u>3,985</u>	<u>(485)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,500)</u>	<u>(3,500)</u>	<u>0</u>	<u>(3,985)</u>	<u>(485)</u>
Other financing sources (uses):					
Sale of assets	2,500	2,500	0	2,302	(198)
Transfers-in	0	0	0	0	0
Transfers-out	0	0	0	0	0
Total other financing sources (uses)	<u>2,500</u>	<u>2,500</u>	<u>0</u>	<u>2,302</u>	<u>(198)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (1,000)</u>	<u>\$ (1,000)</u>	<u>\$ 0</u>	<u>(1,683)</u>	<u>\$ (683)</u>
Explanation of the differences between Budgetary Basis and GAAP Basis reporting					
Budgetary basis expenditures adjusted to GAAP basis				122	
Current year encumbrances are reported as expenditures for budgetary reporting purposes				3,985	
Expenditures on prior year encumbrances are not reported for budgetary reporting				(935)	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis				<u>\$ 1,489</u>	

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Seat Belt Safety Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	500	500	0	444	(56)
Appropriations from other state funds	0	0	0	0	0
Total revenues	<u>500</u>	<u>500</u>	<u>0</u>	<u>444</u>	<u>(56)</u>
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	500	500	0	455	45
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, without legal limits	<u>500</u>	<u>500</u>	<u>0</u>	<u>455</u>	<u>45</u>
Total expenditures	<u>500</u>	<u>500</u>	<u>0</u>	<u>455</u>	<u>45</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>(11)</u>	<u>(11)</u>
Other financing sources (uses):					
Transfers-in	0	0	0	0	0
Transfers-out	0	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(11)</u>	<u>\$ (11)</u>
Explanation of the differences between Budgetary Basis and GAAP Basis reporting					
Current year encumbrances are reported as expenditures for budgetary reporting purposes				41	
Expenditures on prior year encumbrances are not reported for budgetary reporting				(14)	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis				<u>\$ 16</u>	

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Transportation Technology Development Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	0	0	0	0	0
Appropriations from other state funds	0	0	0	0	0
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	2,000	4,500	(2,500)	3,498	1,002
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, without legal limits	<u>2,000</u>	<u>4,500</u>	<u>(2,500)</u>	<u>3,498</u>	<u>1,002</u>
Total expenditures	<u>2,000</u>	<u>4,500</u>	<u>(2,500)</u>	<u>3,498</u>	<u>1,002</u>
Excess (deficiency) of revenues over expenditures	<u>(2,000)</u>	<u>(4,500)</u>	<u>(2,500)</u>	<u>(3,498)</u>	<u>1,002</u>
Other financing sources (uses):					
Transfers-in	2,000	2,000	0	2,000	0
Transfers-out	0	0	0	0	0
Total other financing sources (uses)	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 0</u>	<u>\$ (2,500)</u>	<u>\$ (2,500)</u>	<u>(1,498)</u>	<u>\$ 1,002</u>
Explanation of the differences between Budgetary Basis and GAAP Basis reporting					
Current year encumbrances are reported as expenditures for budgetary reporting purposes				1,957	
Budgetary expenditures have been adjusted for GAAP basis adjustments				(32)	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis				<u>\$ 427</u>	

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Broadband Infrastructure Construction Grant Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	0	107	107	0	(107)
Appropriations from other state funds	0	0	0	0	0
Total revenues	0	107	107	0	(107)
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	0	0	0	0	0
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	12,500	23,000	(10,500)	7,072	15,928
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	1,091	(1,091)
Total expenditures, without legal limits	12,500	23,000	(10,500)	8,163	14,837
Total expenditures	12,500	23,000	(10,500)	8,163	14,837
Excess (deficiency) of revenues over expenditures	(12,500)	(22,893)	(10,393)	(8,163)	14,730
Other financing sources (uses):					
Transfers-in	10,000	10,000	0	10,000	0
Transfers-out	0	0	0	0	0
Total other financing sources (uses)	10,000	10,000	0	10,000	0
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ (2,500)	\$ (12,893)	\$ (10,393)	1,837	\$ 14,730

Explanation of the differences between Budgetary Basis and GAAP Basis reporting

Current year encumbrances are reported as expenditures for budgetary reporting purposes	3,956
Budgetary expenditures have been adjusted for GAAP basis adjustments	319
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	\$ 6,112

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Short Line Rail Improvement Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	0	0	0	0	0
Appropriations from other state funds	0	0	0	0	0
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	6	(6)
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, without legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>(6)</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>(6)</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6)</u>	<u>(6)</u>
Other financing sources (uses):					
Transfers-in	0	0	0	0	0
Transfers-out	(1,129)	0	1,129	0	0
Total other financing sources (uses)	<u>(1,129)</u>	<u>0</u>	<u>1,129</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (1,129)</u>	<u>\$ 0</u>	<u>\$ 1,129</u>	<u>(6)</u>	<u>\$ (6)</u>

Explanation of the differences between Budgetary Basis and GAAP Basis reporting

Current year encumbrances are reported as expenditures for budgetary reporting purposes	(191)
Budgetary expenditures have been adjusted for GAAP basis adjustments	<u>21</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	<u>\$ (176)</u>

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Driver's Education Scholarship Grant Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	0	0	0	0	0
Appropriations from other state funds	0	0	0	0	0
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	300	(300)	526	(226)
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, without legal limits	<u>0</u>	<u>300</u>	<u>(300)</u>	<u>526</u>	<u>(226)</u>
Total expenditures	<u>0</u>	<u>300</u>	<u>(300)</u>	<u>526</u>	<u>(226)</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>(300)</u>	<u>(300)</u>	<u>(526)</u>	<u>(226)</u>
Other financing sources (uses):					
Transfers-in	0	300	300	300	0
Transfers-out	0	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(226)</u>	<u>\$ (226)</u>
Explanation of the differences between Budgetary Basis and GAAP Basis reporting					
Current year encumbrances are reported as expenditures for budgetary reporting purposes				278	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis				<u>\$ 52</u>	

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Kansas Air Service Development Incentive Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	0	0	0	10	10
Appropriations from other state funds	0	0	0	0	0
Total revenues	0	0	0	10	10
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	0	0	0	0	0
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	5,000	5,000	0	1,000	4,000
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, without legal limits	5,000	5,000	0	1,000	4,000
Total expenditures	5,000	5,000	0	1,000	4,000
Excess (deficiency) of revenues over expenditures	(5,000)	(5,000)	0	(990)	4,010
Other financing sources (uses):					
Transfers-in	5,000	0	(5,000)	0	0
Transfers-out	0	(5,000)	(5,000)	(5,000)	0
Total other financing sources (uses)	5,000	(5,000)	(10,000)	(5,000)	0
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 0	\$ (10,000)	\$ 10,000	(5,990)	\$ 4,010
Explanation of the differences between Budgetary Basis and GAAP Basis reporting					
Budgetary expenditures have been adjusted for GAAP basis adjustments				0	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis				\$ (5,990)	

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Passenger Rail Service Revolving Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	0	0	0	0	0
Appropriations from other state funds	0	0	0	0	0
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, without legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other financing sources (uses):					
Transfers-in	5,000	5,000	0	5,000	0
Transfers-out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 0</u>	5,000	<u>\$ 0</u>

Explanation of the differences between Budgetary Basis and GAAP Basis reporting

Current year encumbrances are reported as expenditures for budgetary reporting purposes

0

Budgetary expenditures have been adjusted for GAAP basis adjustments

0

Excess (deficiency) of revenues and other

sources over expenditures and other uses - GAAP basis

\$ 5,000

Kansas Department of Transportation
Schedule of Revenues, Expenditures and Other Financing Sources (Uses)
Capital Projects Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other	0	0	0	0	0
Appropriations from other state funds	0	0	0	0	0
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Expenditures with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Expenditures without legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other financing sources (uses):					
Issuance of debt	400,000	0	(400,000)	0	0
Refunding of debt	0	0	0	0	0
Premium on issuance of bonds	0	0	0	0	0
Payment to escrow	0	0	0	0	0
Transfers-in	0	0	0	0	0
Transfers-out	(400,000)	0	400,000	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>

Explanation of the differences between Budgetary Basis and GAAP Basis reporting

Certain bond proceeds are reported as liabilities of the fund for GAAP basis reporting	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	<u>\$ 0</u>

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Debt Service Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - over (under) Actual Amounts
	Original	Final			
Revenues:					
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Sales and use taxes	0	0	0	0	0
Investment earnings	2,173	3,291	1,118	2,737	(554)
Other	0	0	0	0	0
Appropriations from other state funds	0	0	0	0	0
Total revenues	<u>2,173</u>	<u>3,291</u>	<u>1,118</u>	<u>2,737</u>	<u>(554)</u>
Expenditures, with legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Construction	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Distributions to other state funds	0	0	0	0	0
Total expenditures, with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:					
Current operating:					
Maintenance	0	0	0	0	0
Local support	0	0	0	0	0
Transportation planning and modal support	0	0	0	0	0
Administration	0	0	0	0	0
Capital improvements	0	0	0	0	0
Principal on debt	109,390	109,390	0	109,390	0
Interest and fees on debt	76,439	76,542	(103)	76,783	(241)
Distributions to other state funds	0	0	0	0	0
Total expenditures, without legal limits	<u>185,829</u>	<u>185,932</u>	<u>(103)</u>	<u>186,173</u>	<u>(241)</u>
Total expenditures	<u>185,829</u>	<u>185,932</u>	<u>(103)</u>	<u>186,173</u>	<u>(241)</u>
Excess (deficiency) of revenues over expenditures	<u>(183,656)</u>	<u>(182,641)</u>	<u>1,015</u>	<u>(183,436)</u>	<u>(795)</u>
Other financing sources (uses):					
Transfers-in	198,253	202,005	3,752	202,658	653
Transfers-out	0	0	0	(162)	(162)
Total other financing sources (uses)	<u>198,253</u>	<u>202,005</u>	<u>3,752</u>	<u>202,496</u>	<u>491</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 14,597</u>	<u>\$ 19,364</u>	<u>\$ 4,767</u>	<u>19,060</u>	<u>\$ (304)</u>
Explanation of the differences between Budgetary Basis and GAAP Basis reporting					
Budgetary basis revenues adjusted to GAAP basis				(4)	
Expenditures on prior year encumbrances are not reported for budgetary reporting				242	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis				<u>\$ 19,298</u>	



Combining Fund Statement

Custodial Funds

KANSAS DEPARTMENT OF TRANSPORTATION

Custodial Funds are used to administer resources received and held by the Department as the custodian for others. The use of these funds facilitates the discharge of responsibilities placed upon the Department by virtue of law or other authority.

Special City and County Highway Fund – This fund receives a portion of the motor fuel tax revenues, subsequent to refunds and a deposit of \$3.5 million to the Kansas Qualified Agricultural Ethyl Alcohol Producers Incentive Fund, and all motor carrier property tax revenues. Starting January 1, 2026, this fund began receiving a portion of the vehicle registration fees for the State of Kansas. These revenues are distributed to the various cities and counties in the state for the financing of county roads and city street construction and maintenance.

County Equalization and Adjustment Fund – The purpose of this fund is to assure that after distribution of the receipts of the Special City and County Highway Fund, each county receives, in total, at least the amount received from that fund and this fund in Fiscal Year 1999.

Kansas Department of Transportation
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2026
(amounts in thousands)

	Special City and County Highway Fund	County Equalization and Adjustment Fund	Total Custodial Funds
Assets:			
Cash	\$ 40,629	\$ 0	\$ 40,629
Receivables	13,595	0	13,595
Total assets	<u>54,224</u>	<u>0</u>	<u>54,224</u>
Liabilities:			
Due to cities and counties	<u>54,224</u>	<u>0</u>	<u>54,224</u>
Total liabilities	<u>54,224</u>	<u>0</u>	<u>54,224</u>
Fiduciary net position:			
Fiduciary net position	<u>0</u>	<u>0</u>	<u>0</u>
Total fiduciary net position	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

Kansas Department of Transportation
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2026
(amounts in thousands)

	Special City and County Highway Fund	County Equalization and Adjustment Fund	Total Custodial Funds
Additions:			
Collections for other governments	\$ 161,506	\$ 0	\$ 161,506
Transfer from custodial fund	0	2,500	2,500
Total additions	<u>\$ 161,506</u>	<u>\$ 2,500</u>	<u>\$ 164,006</u>
Deductions:			
Payments to other governments	\$ 159,006	\$ 2,500	\$ 161,506
Transfer to custodial fund	2,500	0	2,500
Total deductions	<u>161,506</u>	<u>2,500</u>	<u>164,006</u>
Net increase (decrease) in fiduciary net position	0	0	0
Total net position - beginning	0	0	0
Total net position - ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>



STATISTICAL SECTION

**Annual Comprehensive Financial Report
For the fiscal year ended June 30, 2026**

KANSAS DEPARTMENT OF TRANSPORTATION

Statistical Section

This part of the Annual Comprehensive Financial Report presents information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Department's financial health. It is presented in five sections:

Financial trends

These four schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.

Revenue capacity

These seven schedules contain information to help the reader assess the Department's most significant own-source revenue, motor fuel taxes. In addition, information regarding vehicle registrations and sales taxes are presented in compliance with bond covenant continuing disclosure requirements.

Debt capacity

These two schedules present information to help the reader assess the affordability of the Department's current level of outstanding debt and its ability to issue additional debt.

Demographic and Economic Information

These two schedules offer demographic and economic indicators to help the reader understand the environment within which the Department's financial activities take place.

Operating Information

These three schedules contain service and infrastructure data to help the reader understand how the information in the Department's financial report relates to the services the Department provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the ACFR for the relevant year.

Kansas Department of Transportation
Net Position by Component
(accrual basis of accounting)
(amounts in thousands)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Governmental Activities:										
Net investments in capital assets	\$ 10,609,749	\$ 10,636,023	\$ 10,612,685	\$ 10,783,512	\$ 11,019,185	\$ 11,370,662	\$ 11,951,011	\$ 12,694,434	\$ 12,971,338	\$ 13,810,039
Restricted for:										
Debt service	103,906	80,075	98,621	102,829	107,881	111,732	88,913	91,350	95,912	104,866
Transportation	48,874	55,217	132,344	63,199	72,502	83,480	91,064	97,056	127,020	133,251
Unrestricted	63,032	341,402	566,135	750,245	821,985	983,120	796,205	369,341	869,328	495,737
Total governmental activities net position	<u>\$ 10,825,561</u>	<u>\$ 11,112,717</u>	<u>\$ 11,409,785</u>	<u>\$ 11,699,785</u>	<u>\$ 12,021,553</u>	<u>\$ 12,548,994</u>	<u>\$ 12,927,193</u>	<u>\$ 13,252,181</u>	<u>\$ 14,063,598</u>	<u>\$ 14,543,893</u>
Business-type Activities:										
Net investments in capital assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:										
Debt service	40,145	0	136	280	0	0	0	0	0	0
Unrestricted	23,156	23,208	21,323	21,978	22,921	23,464	24,284	25,432	26,505	5,139
Total business-type activities net position	<u>\$ 63,301</u>	<u>\$ 23,208</u>	<u>\$ 21,459</u>	<u>\$ 22,258</u>	<u>\$ 22,921</u>	<u>\$ 23,464</u>	<u>\$ 24,284</u>	<u>\$ 25,432</u>	<u>\$ 26,505</u>	<u>\$ 5,139</u>
Primary Government:										
Net investments in capital assets	\$ 10,609,749	\$ 10,636,023	\$ 10,612,685	\$ 10,783,512	\$ 11,019,185	\$ 11,370,662	\$ 11,951,011	\$ 12,694,434	\$ 12,971,338	\$ 13,810,039
Restricted for:										
Debt service	144,051	80,075	98,757	103,109	107,881	111,732	88,913	91,350	95,912	104,866
Transportation	48,874	55,217	132,344	63,199	72,502	83,480	91,064	97,056	127,020	133,251
Unrestricted	86,188	364,610	587,458	772,223	844,906	1,006,584	820,489	394,773	895,833	500,876
Total	<u>\$ 10,888,862</u>	<u>\$ 11,135,925</u>	<u>\$ 11,431,244</u>	<u>\$ 11,722,043</u>	<u>\$ 12,044,474</u>	<u>\$ 12,572,458</u>	<u>\$ 12,951,477</u>	<u>\$ 13,277,613</u>	<u>\$ 14,090,103</u>	<u>\$ 14,549,032</u>

Note: The Department implemented GASB Statement No. 75 in FY 2018. Statement No. 75 was not retroactively implemented.

Kansas Department of Transportation
Changes in Net Position
(accrual basis of accounting)
(amounts in thousands)

	2017	2018	2019	2020	2021
Expenses					
Governmental activities:					
Maintenance and preservation	\$ 466,368	\$ 385,337	\$ 539,962	\$ 586,085	\$ 684,967
Communication system	7,658	7,380	7,806	6,780	8,087
Local support	187,213	158,787	123,279	142,481	146,853
General government	561,968	564,346	511,550	398,732	323,827
Rail, air and public transportation	23,408	40,060	40,812	46,485	83,774
Interest on long-term debt	67,467	69,612	71,604	67,540	63,329
Total governmental activities expenses	1,314,082	1,225,522	1,295,013	1,248,103	1,310,837
Business-type activities:					
US69 express lane tolling fund	0	0	0	0	0
Transportation revolving fund	764	216	0	0	0
Communication system revolving fund	48	47	13	9	40
Total business-type activities expenses	812	263	13	9	40
Total primary government expenses	\$ 1,314,894	\$ 1,225,785	\$ 1,295,026	\$ 1,248,112	\$ 1,310,877
Program revenues					
Governmental activities:					
Charges for services:					
General government					
Vehicle registrations and drivers' licenses	\$ 219,710	\$ 218,765	\$ 223,273	\$ 221,245	\$ 237,677
Other	9,875	11,102	8,909	8,358	8,665
Operating grants and contributions	164,057	211,151	289,968	406,505	379,454
Capital grants and contributions	259,907	192,951	162,549	40,681	89,313
Total governmental activities program revenues	653,549	633,969	684,699	676,789	715,109
Business-type activities:					
Charges for services:					
US69 express lane tolling fund	0	0	0	0	0
Transportation revolving fund	965	771	711	575	485
Communication system revolving fund	218	224	180	159	210
Total business-type activities program revenues	1,183	995	891	734	695
Total primary government program revenues	\$ 654,732	\$ 634,964	\$ 685,590	\$ 677,523	\$ 715,804
Net (expense)/revenue					
Governmental activities	\$ (660,533)	\$ (591,553)	\$ (610,314)	\$ (571,314)	\$ (595,728)
Business-type activities	371	732	878	725	655
Total primary government net expense	\$ (660,162)	\$ (590,821)	\$ (609,436)	\$ (570,589)	\$ (595,074)
General revenues					
Governmental activities:					
Taxes					
Motor fuel taxes	\$ 299,646	\$ 304,705	\$ 306,865	\$ 297,756	\$ 299,965
Sales and use taxes	513,063	529,509	532,955	549,003	610,299
Investment earnings	4,879	7,336	13,604	13,510	4,445
Unrestricted appropriations from other state funds	4,272	1,101	51,226	1,045	2,787
Transfers	0	41,039	2,732	0	0
Total governmental activities general revenues	821,860	883,690	907,382	907,382	917,496
Business-type activities:					
Investment earnings	832	214	105	74	8
Transfers	0	(41,039)	(2,732)	0	0
Total business-type general revenues	832	(40,825)	(2,627)	74	8
Total primary government general revenues	\$ 822,692	\$ 842,865	\$ 904,755	\$ 907,456	\$ 917,504
Change in Net Position					
Governmental activities	\$ 161,327	\$ 292,137	\$ 297,068	\$ 290,000	\$ 321,768
Business-type activities	1,203	(40,093)	(1,749)	799	663
Total primary government	\$ 162,530	\$ 252,044	\$ 295,319	\$ 290,799	\$ 322,431

Note: The Department implemented GASB Statement No. 75 in FY 2018. Statement No. 75 was not retroactively implemented.

Note: In fiscal year 2018, the Department changed its budget program structure, and some expenditures previously included in the Local support and Rail, air & public transportation programs now appear in the Transportation planning and modal support program.

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Kansas Department of Transportation
Changes in Net Position
(accrual basis of accounting)
(amounts in thousands)

	2022	2023	2024	2025	2026
Expenses					
Governmental activities:					
Maintenance and preservation	\$ 736,975	\$ 1,052,556	\$ 960,066	\$ 862,475	\$ 818,060
Communication system	9,528	8,218	7,597	7,489	7,275
Local support	140,990	202,262	171,960	199,936	227,472
General government	270,904	173,981	187,259	169,808	195,738
Rail, air and public transportation	62,559	74,989	107,681	93,929	90,160
Interest on long-term debt	61,292	42,230	51,568	77,646	76,542
Total governmental activities expenses	<u>1,282,248</u>	<u>1,554,236</u>	<u>1,486,131</u>	<u>1,411,283</u>	<u>1,415,247</u>
Business-type activities:					
US69 express lane tolling fund	0	0	0	0	107
Transportation revolving fund	0	0	0	0	0
Communication system revolving fund	9	9	9	1	0
Total business-type activities expenses	<u>9</u>	<u>9</u>	<u>9</u>	<u>1</u>	<u>107</u>
Total primary government expenses	<u>\$ 1,282,257</u>	<u>\$ 1,554,245</u>	<u>\$ 1,486,140</u>	<u>\$ 1,411,284</u>	<u>\$ 1,415,354</u>
Program revenues					
Governmental activities:					
Charges for services:					
General government					
Vehicle registrations and drivers' licenses	\$ 240,333	\$ 247,560	\$ 246,514	\$ 252,182	\$ 253,068
Other	9,083	14,376	0	105,922	2,569
Operating grants and contributions	457,635	339,024	360,618	513,642	362,467
Capital grants and contributions	120,511	253,098	144,022	279,159	137,752
Total governmental activities program revenues	<u>827,562</u>	<u>854,058</u>	<u>751,154</u>	<u>1,150,905</u>	<u>755,856</u>
Business-type activities:					
Charges for services:					
US69 express lane tolling fund	0	0	0	0	73
Transportation revolving fund	353	283	225	168	121
Communication system revolving fund	173	43	38	20	22
Total business-type activities program revenues	<u>526</u>	<u>326</u>	<u>263</u>	<u>188</u>	<u>216</u>
Total primary government program revenues	<u>\$ 828,088</u>	<u>\$ 854,384</u>	<u>\$ 751,417</u>	<u>\$ 1,151,093</u>	<u>\$ 756,072</u>
Net (expense)/revenue					
Governmental activities	\$ (454,686)	\$ (700,178)	\$ (734,977)	\$ (260,378)	\$ (659,391)
Business-type activities	517	317	254	187	109
Total primary government net expense	<u>\$ (454,169)</u>	<u>\$ (699,861)</u>	<u>\$ (734,723)</u>	<u>\$ (260,191)</u>	<u>\$ (659,282)</u>
General revenues					
Governmental activities:					
Taxes					
Motor fuel taxes	\$ 309,019	\$ 308,041	\$ 305,567	\$ 307,108	\$ 315,506
Sales and use taxes	668,451	733,564	723,143	739,938	768,204
Investment earnings	2,952	31,085	30,195	23,649	23,038
Unrestricted appropriations from other state funds	1,705	5,687	1,060	1,100	10,681
Transfers	0	0	0	0	22,257
Total governmental activities general revenues	<u>982,127</u>	<u>1,078,377</u>	<u>1,059,965</u>	<u>1,071,795</u>	<u>1,139,686</u>
Business-type activities:					
Investment earnings	26	503	894	886	782
Transfers	0	0	0	0	(22,257)
Total business-type general revenues	<u>26</u>	<u>503</u>	<u>894</u>	<u>886</u>	<u>(21,475)</u>
Total primary government general revenues	<u>\$ 982,153</u>	<u>\$ 1,078,880</u>	<u>\$ 1,060,859</u>	<u>\$ 1,072,681</u>	<u>\$ 1,118,211</u>
Change in Net Position					
Governmental activities	\$ 527,441	\$ 378,199	\$ 324,988	\$ 811,417	\$ 480,295
Business-type activities	543	820	1,148	1,073	(21,366)
Total primary government	<u>\$ 527,984</u>	<u>\$ 379,019</u>	<u>\$ 326,136</u>	<u>\$ 812,490</u>	<u>\$ 458,929</u>

Note: The Department implemented GASB Statement No. 75 in FY 2018. Statement No. 75 was not retroactively implemented.

Note: In fiscal year 2018, the Department changed its budget program structure, and some expenditures previously included in the Local support and Rail, air & public transportation programs now appear in the Transportation planning and modal support program.

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Kansas Department of Transportation
Fund Balances of Governmental Funds
(modified accrual basis of accounting)
(amounts in thousands)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
State Highway Fund*										
Nonspendable										
Inventories	\$ 25,615	\$ 24,266	\$ 23,095	\$ 24,320	\$ 24,662	\$ 28,331	\$ 28,433	\$ 29,666	\$ 32,250	\$ 32,239
Long-term receivable	8,597	7,572	6,348	5,224	4,250	3,400	2,725	1,937	1,090	7,356
Assigned to:										
Next FY budget deficit	0	0	0	0	714,208	84,208	304,711	73,533	0	0
Unassigned	203,607	457,590	674,053	846,187	141,453	899,779	430,062	244,902	814,678	426,811
	<u>\$ 237,819</u>	<u>\$ 489,428</u>	<u>\$ 703,496</u>	<u>\$ 875,731</u>	<u>\$ 884,573</u>	<u>\$ 1,015,718</u>	<u>\$ 765,931</u>	<u>\$ 350,038</u>	<u>\$ 848,018</u>	<u>\$ 466,406</u>
All Other Governmental Funds										
Restricted for:										
Debt service	\$ 103,906	\$ 110,241	\$ 129,970	\$ 132,587	\$ 135,623	\$ 139,129	\$ 111,248	\$ 113,904	\$ 113,550	\$ 132,848
Transportation	48,874	55,217	132,344	63,169	72,502	83,480	91,066	97,056	127,020	133,251
Unassigned	0	0	0	0	0	0	0	0	0	0
Total	<u>\$ 152,780</u>	<u>\$ 165,458</u>	<u>\$ 262,314</u>	<u>\$ 195,756</u>	<u>\$ 208,125</u>	<u>\$ 222,609</u>	<u>\$ 202,314</u>	<u>\$ 210,960</u>	<u>\$ 240,570</u>	<u>\$ 266,099</u>

* - The Department's general fund

Kansas Department of Transportation
Changes in Fund Balances of Governmental Funds
(modified accrual basis of accounting)
(amounts in thousands)

	2017	2018	2019	2020	2021
Revenues:					
Motor fuel taxes	\$ 299,587	\$ 303,507	\$ 308,435	\$ 297,484	\$ 300,129
Sales and use taxes	513,533	530,765	532,756	549,033	610,398
Vehicle registration & permits	219,710	218,765	223,273	221,245	237,677
Intergovernmental	426,852	404,818	444,494	448,427	465,709
Investment earnings	1,245	4,831	14,226	13,907	1,444
Other	10,930	12,308	8,639	9,009	6,729
Appropriations from other state funds	4,272	1,101	51,226	1,045	2,787
Total revenues	1,476,129	1,476,095	1,583,049	1,540,150	1,624,873
Expenditures:					
Maintenance	115,277	132,447	131,101	137,762	130,623
Preservation	329,827	210,364	333,429	390,509	493,960
Modernization	35,699	46,580	43,025	29,871	82,140
Expansion and enhancement	254,961	140,191	77,266	68,695	127,477
Communication system	4,902	4,629	5,406	4,598	6,274
Local support	187,188	130,510	81,230	90,912	109,180
Rail, air & public transportation	23,432	0	0	0	0
Transportation planning and modal support	0	56,188	73,566	85,477	111,222
Administration	49,740	45,995	47,319	53,965	58,169
Distributions to other state funds	516,763	530,715	473,872	365,498	267,821
Contributions to custodial funds	0	0	0	0	12,500
Debt service					
Right-to-use lease and SBITA principal	0	0	0	0	0
Principal	107,310	108,285	116,635	115,765	121,350
Interest & fees	88,246	89,155	93,987	92,295	86,165
Total expenditures	1,713,345	1,495,059	1,476,836	1,435,347	1,606,881
Excess of revenues over (under) expenditures	(237,216)	(18,964)	106,213	104,803	17,992
Other financing sources (uses):					
Transfers-in	197,413	510,125	380,659	303,001	244,593
Transfers-out	(197,413)	(469,086)	(377,927)	(303,001)	(244,593)
Sale of assets	0	0	1,982	874	3,219
Right-to-use lease initiation and SBITA initiation	0	0	0	0	0
Issuance of debt	0	200,000	173,035	0	0
Refunding of debt	0	0	0	0	0
Premium on issuance of bonds	0	42,212	26,962	0	0
Payment to escrow	0	0	0	0	0
Demand bonds	147,000	0	0	0	0
Total other financing sources (uses)	147,000	283,251	204,711	874	3,219
Net change in fund balances	\$ (90,216)	\$ 264,287	\$ 310,924	\$ 105,677	\$ 21,211
Debt service as a percentage of noncapital expenditures	13.6%	14.9%	16.1%	17.9%	15.2%

Note - In fiscal year 2018, the Department changed its budget program structure, and some expenditures previously included in the Local support and Rail, air & public transportation programs now appear in the Transportation planning and modal support program.

* Note - In fiscal year 2024, the Department changed the recording of Right-to-use lease and SBITA principal payments from being grouped into line item Administration to line item Right-to-use lease and SBITA principal. FY 2023 and FY 2022 were retroactively updated to reflect FY 2024 decision.

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Kansas Department of Transportation
Changes in Fund Balances of Governmental Funds
(modified accrual basis of accounting)
(amounts in thousands)

	2022*	2023*	2024	2025	2026
Revenues:					
Motor fuel taxes	\$ 308,998	\$ 308,186	\$ 305,567	\$ 307,084	\$ 315,501
Sales and use taxes	668,882	732,876	723,235	738,935	768,487
Vehicle registration & permits	240,333	247,560	246,514	252,182	253,068
Intergovernmental	574,936	594,972	504,805	785,813	490,984
Investment earnings	487	30,069	29,849	23,242	23,038
Other	8,877	13,034	13,277	18,291	8,955
Appropriations from other state funds	1,705	5,687	1,060	1,100	10,681
Total revenues	1,804,218	1,932,384	1,824,307	2,126,647	1,870,714
Expenditures:					
Maintenance	134,446	175,504	172,787	166,024	198,894
Preservation	504,622	666,940	724,732	691,935	708,951
Modernization	132,575	155,604	114,013	135,142	141,555
Expansion and enhancement	189,433	429,610	584,874	552,407	477,576
Communication system	7,563	6,803	5,593	6,180	6,007
Local support	102,475	143,011	110,471	141,244	157,605
Rail, air & public transportation	0	0	0	0	0
Transportation planning and modal support	91,670	132,628	151,969	131,273	137,267
Administration	56,956	67,479	78,109	84,031	79,869
Distributions to other state funds	229,937	120,719	133,082	143,706	153,829
Contributions to custodial funds	0	0	0	0	0
Debt service					
Right-to-use lease and SBITA principal	2,932	3,701	3,417	4,807	4,713
Principal	127,385	231,410	103,415	106,125	109,390
Interest & fees	79,999	72,712	65,753	77,646	76,542
Total expenditures	1,659,993	2,206,121	2,248,215	2,240,520	2,252,198
Excess of revenues over (under) expenditures	144,225	(273,737)	(423,908)	(113,873)	(381,484)
Other financing sources (uses):					
Transfers-in	243,814	307,446	211,966	882,784	284,382
Transfers-out	(243,814)	(307,446)	(211,966)	(882,784)	(262,125)
Sale of assets	1,404	2,755	4,446	4,236	2,302
Right-to-use lease initiation and SBITA initiation	0	900	12,215	3,832	842
Issuance of debt	0	0	0	574,280	0
Refunding of debt	0	0	0	849,715	0
Premium on issuance of bonds	0	0	0	139,555	0
Payment to escrow	0	0	0	(930,155)	0
Demand bonds	0	0	0	0	0
Total other financing sources (uses)	1,404	3,655	16,661	641,463	25,401
Net change in fund balances	\$ 145,629	\$ (270,082)	\$ (407,247)	\$ 527,590	\$ (356,083)
Debt service as a percentage of noncapital expenditures	16.9%	18.3%	13.8%	19.7%	15.8%

Note - In fiscal year 2018, the Department changed its budget program structure, and some expenditures previously included in the Local support and Rail, air & public transportation programs now appear in the Transportation planning and modal support program.

* Note - In fiscal year 2024, the Department changed the recording of Right-to-use lease and SBITA principal payments from being grouped into line item Administration to line item Right-to-use lease and SBITA principal. FY 2023 and FY 2022 were retroactively updated to reflect FY 2024 decision.

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Kansas Department of Transportation
Motor Fuel Taxes - Revenue Base and Rates

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue Base Information (gallons in thousands)											
Gasoline**	Gallons sold	1,153,667	1,320,296	1,211,488	1,213,979	1,198,813	1,061,013	1,447,026	1,322,206	1,287,106	1,278,433
Motor carrier	Trip permits	21,097	22,561	22,936	20,443	24,684	24,825	23,722	21,904	22,936	N/A
Diesel	Gallons sold	417,824	476,179	456,551	533,745	509,681	568,026	497,837	485,303	511,870	542,233
Liquid petroleum	Gallons sold	5,943	8,730	8,874	9,648	15,816	9,621	13,005	17,405	7,545	7,466

Some previously reported amounts above are routinely updated for late filings and other needed corrections.

Revenue Rate Information													
Gasoline	Per gallon	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
E-85	Per gallon	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17
Motor carrier	Per permit	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00
Diesel	Per gallon	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26
Liquid petroleum	Per gallon	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23

** - includes gasohol

Source: Revenue base information provided by Kansas Department of Revenue
Revenue rate information derived from Kansas Statutes

N/A - Not Available

Kansas Department of Transportation
Motor Fuel Taxes - Receipts and Distribution
(amounts in thousands)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Gasoline	\$ 339,726	\$ 343,021	\$ 340,205	\$ 318,522	\$ 308,460	\$ 331,903	\$ 331,410	\$ 329,410	\$ 328,068	\$ 335,088
E-85	88	105	297	510	638	470	1,195	1,002	1,114	1,278
Motor carrier stations	301	294	361	266	321	323	342	285	298	322
Diesel (dealers)	108,395	109,665	110,445	126,952	129,460	126,943	128,133	120,406	124,523	126,910
Interstate motor fuel	11,942	10,147	11,100	8,942	9,502	9,841	7,374	8,999	10,258	10,613
Liquid petroleum	1,664	2,003	2,041	2,138	2,189	2,396	2,808	2,241	2,010	2,288
Total motor fuel tax receipts	462,116	465,235	464,449	457,330	450,570	471,876	471,262	462,343	466,271	476,499
Refunds	3,808	3,552	3,632	3,216	5,099	5,498	5,574	4,062	3,601	2,295
Ethyl Alcohol Incentive Fund	3,500	3,500	0	0	0	0	0	0	0	0
Net receipts to KDOT	454,808	458,183	460,817	454,114	445,471	466,378	465,688	458,281	462,670	474,204
Distributed to agency funds:										
Special City and County Highway Fund	150,452	151,587	152,473	150,219	147,312	154,343	154,111	151,620	153,096	156,975
County Equalization and Adjustment Fund	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Net to State Highway Fund*	<u>\$ 301,856</u>	<u>\$ 304,096</u>	<u>\$ 305,844</u>	<u>\$ 301,395</u>	<u>\$ 295,659</u>	<u>\$ 309,535</u>	<u>\$ 309,077</u>	<u>\$ 304,161</u>	<u>\$ 307,074</u>	<u>\$ 314,729</u>

* - The Department's general fund

Source: Kansas Department of Revenue

Note: This data is presented to fulfill continuing disclosure requirements.

Kansas Department of Transportation
Motor Fuel Taxes - Principal Remitters

	2026			2017		
	Tax Remitted	Rank	Percentage of Total Taxes	Tax Remitted	Rank	Percentage of Total Taxes
<u>Remitter</u>	<u>(thousands)</u>		<u>Remitted</u>	<u>(thousands)</u>		<u>Remitted</u>
Firm X	\$ 65,766	1	14.32%	\$ 57,872	1	13.03%
Firm D	60,144	2	13.09%	35,189	2	7.92%
Firm Y	35,838	3	7.80%	17,190	6	3.87%
Firm H	25,601	4	5.57%	32,108	4	7.23%
Firm W	17,329	5	3.77%	27,799	5	6.26%
Firm B	15,005	6	3.27%	34,775	3	7.83%
Firm CC	14,774	7	3.22%	-	-	-
Firm V	13,786	8	3.00%	13,573	7	3.06%
Firm BB	10,416	9	2.27%	8,093	10	1.82%
Firm DD	9,568	10	2.08%	-	-	-
Firm Z	-	-	-	9,341	8	2.10%
Firm AA	-	-	-	8,437	9	1.90%
Total	<u>\$ 268,227</u>		<u>58.39%</u>	<u>\$ 244,377</u>		<u>55.02%</u>

Source: Information provided by Kansas Department of Revenue

Kansas Department of Transportation
Vehicle Registration Fee Schedule
For the Fiscal Year Ended June 30, 2026

Vehicle Category	Lowest		Highest	
	Fee	Weight Class	Fee	Weight Class
Passenger vehicles	\$ 30	0-4,500 lbs.	\$ 40	4,500+ lbs.
Regular trucks, operated more than 6,000 miles per year	40	0-12,000 lbs.	2,070	80-85,500 lbs.
Regular trucks, operated 6,000 miles or less per year	162	12-16,000 lbs.	1,145	80-85,500 lbs.
Local trucks	162	12-16,000 lbs.	1,145	80-85,500 lbs.
Farm trucks	57	12-16,000 lbs.	745	66,000+ lbs.
Custom harvesting farm trucks	82	12-16,000 lbs.	1,145	80-85,500 lbs.
Trailers, mobile homes	35	0-8,000 lbs.	55	12,000+ lbs.
		Number of Passengers		Number of Passengers
Buses	\$ 35	8-30	\$ 80	40+
	Flat Fee			
Motorized bicycles	\$ 11			
Motorcycles	16			
All-Electric motorcycles	30			
Personalized plates	40			
Antiques	40			
Special interest vehicles	26			
Modernization surcharge per vehicle	4			
KHP Staffing and training surcharge	2			
Electric hybrid vehicles	70			
Plug-In electric hybrid vehicles	100			
All-Electric vehicles	165			
Electric or plug-in electric hybrid truck, 12,000 lbs or less	125			
All-Electric trucks, 12,000 lbs or less	200			

Source: Information derived from Kansas Statutes

Note: This data is presented to fulfill continuing disclosure requirements.

Kansas Department of Transportation
Vehicle Registrations, Drivers' Licenses and Vehicle Permits
For the Fiscal Year Ended June 30
(amounts in thousands)

Fiscal Year	Vehicle Registration Fees for SHF*	Vehicle Registration Fees for SCCHF*	Drivers' License*	Special Vehicle Permits	Total
2017	\$ 208,159	\$ N/A	\$ 8,843	\$ 2,708	\$ 219,710
2018	207,621	N/A	8,539	2,605	218,765
2019	210,704	N/A	8,872	3,697	223,273
2020	209,503	N/A	7,149	4,592	221,244
2021	222,869	N/A	7,175	7,633	237,677
2022	227,178	N/A	7,563	5,592	240,333
2023	233,190	N/A	8,164	6,206	247,560
2024	232,022	N/A	8,448	6,044	246,514
2025	236,868	N/A	8,869	6,445	252,182
2026	235,508	1,638	8,566	7,356	253,068

Distribution: Vehicle Registration Fees are statutorily allocated between the State Highway Fund (SHF) and the Special City & County Highway Fund (SCCHF) starting January 1, 2026. Prior to 2026, Vehicle Registration Fees were retained 100% by the State Highway Fund. Drivers' Licenses are statutorily allocated between the Kansas Department of Transportation, the Kansas Highway Patrol and the Kansas Department of Education. Special Vehicle Permits are retained 100% by the State Highway Fund.

* - Net of refunds

Source: Kansas Department of Revenue

Note: This data is presented to fulfill continuing disclosure requirements.

N/A - See Distribution for information

Kansas Department of Transportation
 Retailers' Sales Tax and Compensating Use Tax Rates
 For the Fiscal Year Ended June 30

Fiscal Year	Total State Tax Rate	Total Food and Food Ingredients Tax Rate	Daily Direct Deposit to SHF* Percent
2017	6.50%	N/A	16.154%
2018	6.50%	N/A	16.154%
2019	6.50%	N/A	16.154%
2020	6.50%	N/A	16.154%
2021	6.50%	N/A	16.154%
2022	6.50%	N/A	16.154%
2023	6.50%	4.00%	17.000%
2024	6.50%	2.00%	17.000%
2025	6.50%	0.00%	18.000%
2026	6.50%	0.00%	18.000%

* - State Highway Fund

Source: Kansas Statutes

Notes: The Retailers' Sales Tax and Compensating Use Tax rates are equal.

This data is presented to fulfill continuing disclosure requirements.

N/A - Total Food and Food Ingredients Tax Rate was introduced in 2023. Prior to 2023, food and food ingredients were taxed at the Total State Tax Rate.

Kansas Department of Transportation
Retailers' Sales Tax and Compensating Use Tax Deposits
For the Fiscal Year Ended June 30
(amounts in thousands)

Fiscal Year	Deposits to State General Fund		Deposits to State Highway Fund (Department's General Fund)
	Sales Tax	Compensating Use Tax	Direct Deposit Sales and Compensating Use Tax
2017	\$ 2,285,870	\$ 384,654	\$ 514,519
2018	2,341,693	406,514	529,863
2019	2,335,436	431,967	533,400
2020	2,352,523	479,060	545,786
2021	2,522,201	602,891	602,247
2022	2,759,402	775,033	681,205
2023	2,776,857	802,990	711,921
2024	2,678,278	861,205	725,166
2025	2,581,699	893,761	737,240
2026	2,530,971	944,696	763,184

Source: Kansas Department of Revenue

Note: This data is presented to fulfill continuing disclosure requirements.

Kansas Department of Transportation
Ratios of Outstanding Debt and Debt Margin Information
For the Fiscal Year Ended June 30
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Ratios of Outstanding Debt					
	Right-to-use Lease	SBITA Lease	Bond	Total	Percentage	Per
	Principal Debt	Principal Debt	Principal Debt	Principal Debt	of Personal	
	Outstanding**	Outstanding**	Outstanding	Outstanding	Income*	Capita*
<u>Governmental activities</u>						
2017	\$ 0	\$ 0	\$ 2,141,494	\$ 2,141,494	1.54%	\$ 735
2018	0	0	2,248,707	2,248,707	1.54%	772
2019	0	0	2,303,440	2,303,440	1.48%	791
2020	0	0	2,159,938	2,159,938	1.32%	741
2021	0	0	2,013,630	2,013,630	1.16%	686
2022	3,142	0	1,863,998	1,867,140	1.06%	635
2023	629	1,261	1,604,454	1,606,344	0.86%	546
2024	9,924	757	1,485,026	1,495,707	0.74%	504
2025	6,911	2,802	1,941,905	1,951,618	1.06%	656
2026	3,708	1,650	1,812,008	1,817,366	N/A	N/A

The Department is currently authorized to issue additional bonds so long as the debt service in the current or any future fiscal year does not exceed 18% of the State Highway Fund revenues.

Business-type activities							
2017	\$ 0	\$ 0	\$ 16,423	\$ 16,423	0.01%	\$	6
2018	0	0	399	399	0.00%		0
2019	0	0	0	0	N/A		N/A
2020	0	0	0	0	N/A		N/A
2021	0	0	0	0	N/A		N/A
2022	0	0	0	0	N/A		N/A
2023	0	0	0	0	N/A		N/A
2024	0	0	0	0	N/A		N/A
2025	0	0	0	0	N/A		N/A
2026	0	0	0	0	N/A		N/A

Total primary government							
2017	\$ 0	\$ 0	\$ 2,157,917	\$ 2,157,917	1.57%	\$	741
2018	0	0	2,249,106	2,249,106	1.55%		771
2019	0	0	2,303,440	2,303,440	1.48%		791
2020	0	0	2,159,938	2,159,938	1.32%		741
2021	0	0	2,013,630	2,013,630	1.16%		686
2022	3,142	0	1,863,998	1,867,140	1.06%		635
2023	629	1,261	1,604,454	1,606,344	0.86%		546
2024	9,924	757	1,485,026	1,495,707	0.74%		504
2025	6,911	2,802	1,941,905	1,951,618	1.06%		656
2026	3,708	1,650	1,812,008	1,817,366	N/A		N/A

Debt Margin Information

Calculation of Legal Debt Margin for Fiscal Year 2026	
Current State Highway Fund revenues net of Distributions to other state funds	\$ 1,709,184
Maximum allowable annual Debt Service 18%	307,653
Maximum annual debt service on existing debt	201,155
Additional annual debt service allowed	106,498
Estimated additional debt available to be issued	1,331,225
There are no dollar limitations on the debt that can be issued by the Transportation Revolving Fund or the Communication System Revolving Fund. The US69 Express Lane Tolling Fund does not have legislative approval to issue debt.	

Amounts include unamortized premium (discount) and unamortized deferred refunding difference.

N/A - Not available

* - See following demographic and economic schedules for personal income and population data (not yet available for 2026).

** - Starting in fiscal year 2022 for right-to-use lease liabilities and fiscal year 2023 for SBITA lease liabilities, the total lease liabilities are presented in their respective columns.

Kansas Department of Transportation
Highway Revenue Bond Coverage
For the Fiscal Year Ended June 30
(amounts in thousands)

Fiscal Year	Revenues		Bond Service Charges			Coverage
	Available for		Principal	Interest	Total	
	Debt Service					
2017	\$ 1,437,279	\$	107,310	\$ 88,380	\$ 195,690	734%
2018	1,443,718		108,285	89,303	197,588	731%
2019	1,554,952		116,974	94,067	211,041	737%
2020	1,506,602		115,765	92,431	208,196	724%
2021	1,568,624		121,350	86,274	207,624	756%
2022	1,761,232		127,385	80,082	207,467	849%
2023	1,864,795		231,410	72,804	304,214	613%
2024	1,778,180		103,415	65,839	169,254	1,051%
2025	2,065,127		106,125	77,733	183,858	1,123%
2026	1,843,942		109,390	76,600	185,990	991%

Note: Revenues available for debt service are defined by resolution as all monies (including motor fuel taxes, state sales tax and compensating use taxes, drivers' licenses and vehicle registration fees, and reimbursements received from the federal government) transferred or credited to the State Highway Fund, except for monies restricted by law from paying debt service on the bonds.

The 1999 resolution provided that any reimbursements received from local governments be excluded from revenue available for debt service.

Kansas Department of Transportation
Demographic and Economic Statistics
For the Fiscal Year Ended June 30

<u>Fiscal Year</u>	<u>Estimated Population as of July 1⁽¹⁾</u>	<u>Personal Income (amounts in thousands)⁽²⁾</u>	<u>Per capita Personal Income⁽²⁾</u>	<u>Unemployment Rate⁽³⁾</u>
2017	2,913,123	\$ 138,672,947	\$ 47,603	3.7%
2018	2,911,505	146,027,800	50,155	3.4%
2019	2,912,635	155,647,600	53,439	3.4%
2020	2,913,805	163,385,100	56,073	7.5%
2021	2,934,582	174,089,800	59,324	3.7%
2022	2,937,150	176,675,700	60,152	2.6%
2023	2,940,546	187,406,400	63,732	2.6%
2024	2,970,606	202,115,400	68,038	3.6%
2025	2,977,220	184,118,200	61,842	3.8%
2026	N/A	N/A	N/A	3.8%

N/A - Not Available

Data sources

⁽¹⁾ U.S. Bureau of the Census

⁽²⁾ U.S. Department of Commerce (calendar year data)

⁽³⁾ State of Kansas Department of Labor, Kansas Labor Market Information
Services

Kansas Department of Transportation
Principal Employers
Current Year and Ten Years Ago

2026	2017
<u>Employer</u>	<u>Employer</u>
Amazon.com Services, Inc.	State Government (actual & excludes Regents)
Dillon Companies, Inc.	Fort Riley
Federal Government	Sprint Corp.
Spirit Aerosystems, Inc.	Sprint Aerosystems Inc.
State Government (actual & excludes Regents)	Cessna Aircraft Corporation
Stormont Vail Healthcare, Inc.	KU and KUMC
Textron Aviation, Inc.	Kansas State University
University of Kansas Hospital Authority	Koch Industries, Inc.
Wal-Mart Associates, Inc.	Tyson Fresh Meats
Wichita Public Schools / USD 259	Black & Veatch Holding Company

Source: 2026 from Kansas Department of Labor, Labor Market Information Services and Bureau of Labor Statistics; Quarterly Census of Employment and Wages (QCEW); in alphabetical order
2017 from State of Kansas, Comprehensive Annual Financial Report for Fiscal Year 2018

Kansas Department of Transportation
Department Workforce
For the Fiscal Year Ended June 30

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Maintenance and construction	1,880.0	1,913.3	1,905.5	1,888.2	1,780.5	1,787.5	1,733.0	1,719.0	1,719.0	1,775.0
Local support	42.0	18.0	18.0	21.0	18.0	23.0	23.0	21.0	21.0	19.0
Administration	0.0	348.0	349.5	360.8	371.8	396.8	418.8	423.3	423.3	432.5
Transportation planning and modal support	0.0	76.0	78.0	81.0	80.0	90.0	110.5	125.5	125.5	118.5
General government	388.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total authorized positions	<u>2,310.0</u>	<u>2,355.3</u>	<u>2,351.0</u>	<u>2,351.0</u>	<u>2,250.3</u>	<u>2,297.3</u>	<u>2,285.3</u>	<u>2,288.8</u>	<u>2,288.8</u>	<u>2,345.0</u>

Note - The Department changed its budget program structure in FY 2018, and some employees previously included in the Local support and General government programs now appear in the Transportation planning and modal support program.

Kansas Department of Transportation
Operating Indicators
For Calendar Year

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Maintenance and preservation										
Daily vehicle miles traveled										
Total state	88,248,910	88,192,458	87,261,356	76,103,043	86,899,740	85,763,126	87,264,435	86,600,440	86,678,749	N/A
State Highway System	28,647,719	28,701,016	28,468,247	26,222,678	28,805,079	28,660,989	28,909,941	28,529,676	28,308,330	N/A
General government										
Accidents (state wide)	58,792	64,882	64,505	52,353	57,410	58,245	59,826	60,831	61,639	N/A
Fatalities (state wide)	407	403	411	379	383	364	353	314	331	N/A
Rail, air and public transportation										
Activity at Kansas airports with commercial service										
Total enplanements	900,382	931,720	995,836	593,448	658,870	901,658	943,736	1,047,382	N/A	N/A
Landings and takeoffs	1,341,382	1,320,116	1,332,203	1,285,372	1,342,489	1,368,322	1,368,184	1,376,256	N/A	N/A
Public transit programs (fiscal year)										
Counties with public transit service available	85	87	86	86	85	90	94	96	96	96
Ridership - rural operators	2,530,940	2,525,569	2,516,503	2,194,746	1,111,907	1,804,527	1,937,616	2,061,001	2,112,843	2,043,973

N/A - Not Available

Kansas Department of Transportation
Capital Asset Statistics
For Calendar Year

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Maintenance and preservation										
Center lane miles										
Total state	142,054	142,201	140,372	140,112	139,181	139,011	138,975	138,993	138,277	N/A
State Highway System		9,414	9,362	9,386	9,386	9,392	9,391	9,397	9,390	N/A
Bridges										
Total state	24,786	24,932	24,948	24,926	24,925	24,932	24,907	24,894	24,767	N/A
State Highway System	5,121	5,128	5,111	5,135	5,135	5,144	5,159	5,170	5,186	5,183
Rail, air and public transportation										
Aircraft based at Kansas airports with commercial service	2,473	2,456	2,410	2,293	2,461	2,493	2,517	2,484	N/A	N/A
Public transit programs (fiscal year)										
Vehicles operated at year end	747	730	763	832	875	834	824	864	942	967

N/A - Not Available



**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**

Secretary of Transportation
Kansas Department of Transportation
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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kansas Department of Transportation (the Department), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated September 14, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Department'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 Department'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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Kansas City, Missouri
September 14, 2026

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APPENDIX C
INFORMATION CONCERNING
SOURCES OF FUNDS IN THE
STATE HIGHWAY FUND

The Official Statement, under “THE STATE HIGHWAY FUND,” describes the sources of the funds which are currently authorized or directed by Kansas statutes to be transferred to or credited to the State Highway Fund. In this Appendix C, additional information is provided concerning the Motor Fuels Taxes, vehicle registration, drivers’ license and vehicle permit revenues, and the Sales Tax and Compensating Use Tax.

Motor Fuels Taxes

Constitutional Authorization. The Kansas Constitution, at Article 11, Section 10, specifically provides that the State shall have the power to levy special taxes on motor fuels for road and highway purposes.

Fuels Taxed. The motor vehicle fuel tax laws in the State establish specific tax rates per gallon on all motor fuel used on Kansas highways. The statutes restrict the use of the taxes to highway construction, maintenance and administration, including the payment of bonds issued for highways included in the state highway system.

Taxes are imposed on the sale of gasoline, gasohol, E85, diesel and liquefied petroleum. There are three categories of taxes associated with diesel tax receipts: special fuels tax, interstate motor fuel user tax and trip permits.

The special fuels tax is applied to diesel used on Kansas highways and purchased within the State. The interstate motor fuel tax is applied to commercial motor vehicle operators using Kansas highways, but purchasing fuel outside of the State. Kansas is a member state for the International Fuel Tax Agreement (“IFTA”). Truckers who are registered with a member state are permitted to remit to the state of registration all motor fuel taxes owed to states which are members of IFTA. The state then distributes the motor fuel taxes among the participating states. Truckers operating in Kansas who are not registered with an IFTA member state must still remit the interstate motor fuel tax directly to the Kansas Department of Revenue. Trip permits are issued to interstate motor fuel users who are exempt from interstate motor fuel user reporting requirements because of infrequent travel across Kansas.

Tax Rates. The table set forth in this Appendix C and captioned “State of Kansas, Department of Transportation Motor Fuels Taxes Consumption Quantities, Rates, Receipts and Distributions” shows the Kansas motor fuel tax rates for the Fiscal Years 2019-2026.

From July 1, 1992, to June 30, 1999, the tax per gallon on fuels was 18¢ on gasoline, 20¢ on diesel, 17¢ on liquefied petroleum and 18¢ on gasohol. With the passage of the Comprehensive Transportation Program, the Motor Fuels Tax rates increased by two cents on July 1, 1999, by one cent on July 1, 2001, and by one cent on July 1, 2003. The statute provided that on July 1, 2020, the rates revert to those in effect on June 30, 1999; however, the 2010 Legislature amended the statute to eliminate reversion of the Motor Fuel Tax rate in 2020 to the rates in effect on June 30, 1999. The 2002 Legislature enacted an additional two cents increase effective July 1, 2002. The trip permit fee is \$13.00 and increases \$0.50 for each \$0.01 increase in tax per gallon on diesel fuel. The 2006 Legislature created an E85 fuel tax rate of 17¢ per gallon effective July 1, 2006. To date, sales of E85 have been minimal.

Amount of Taxes by Category. The table set forth in this Appendix C and captioned “State of Kansas, Department of Transportation Motor Fuels Taxes Consumption Quantities, Rates, Receipts and Distributions” shows the amount of Motor Fuels Taxes by category credited to or transferred to the State Highway Fund and the estimated revenues for the State Highway Fund from such sources.

Distribution. The daily Motor Fuels Taxes receipts are, after making provisions for refunds, divided between and deposited into two funds: (1) the Special City and County Highway Fund and (2) the State Highway Fund. Once per quarter, \$625,000 is transferred from the Special City and County Highway Fund to the County Equalization and Adjustment Fund.

With the passage of the Comprehensive Transportation Program, the percentage credited to the State Highway Fund increased from 59.5% to 59.55% as of July 1, 1999. An increase to 61.55% occurred on July 1, 2001. The percentage credited to the State Highway Fund increased to 64.60% on July 1, 2002, and increased to 66.37% on July 1, 2003. The percentage credited to the State Highway Fund was scheduled to decrease to 55.3% as of July 1, 2020, but the 2010 Legislature eliminated such scheduled decrease and provided for the retention of the 66.37% credit to the State Highway Fund.

In each of Fiscal Years 2007 through 2018, \$3,500,000 was deposited in the Kansas Qualified Agriculture Ethyl Alcohol Incentive Fund. Such transfers expired effective July 1, 2018.

The table “State of Kansas, Department of Transportation Motor Fuels Taxes Consumption Quantities, Rates, Receipts and Distributions” included in this Appendix C sets forth the historical receipts and distributions of Motor Fuels Taxes in Kansas for Fiscal Years 2019 through 2026. The table also includes estimated receipts and distributions of Motor Fuel Taxes for the Fiscal Years 2027 through 2030. The estimates were prepared by the Department on the basis of statutory allocations currently in place. Such distributions are subject to change or revocation by the Kansas Legislature.

Basis of Estimates. The Department’s estimate for Motor Fuels Taxes receipts was prepared on the basis of estimates developed by the Highway Revenue Estimating Group (see “THE STATE HIGHWAY FUND—Basis of Projections” in the Official Statement) that motor fuel consumption will remain flat throughout the period of the estimates. The estimates consider both the rate increases and distribution percentages of amounts collected.

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State of Kansas, Department of Transportation
Motor Fuels Taxes
Consumption Quantities, Rates, Receipts and Distributions (in thousands unless specified otherwise)
For the Fiscal Years Ended June 30, 2019 – 2026
and Department Estimates for Fiscal Years 2027 – 2030

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Consumption Quantities						
Gasoline, millions of gallons ¹	1,419	1,330	1,289	1,386	1,388	1,378
Diesel, millions of gallons	467	523	534	526	521	498
Liquid Petroleum, millions of gallons	9	9	10	10	10	10
Carrier Trip Permit	26	20	25	23	26	22
Rates (Per Gallon / Per Permit)						
Gasoline/Gasohol	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
E85	0.17	0.17	0.17	0.17	0.17	0.17
Diesel	0.26	0.26	0.26	0.26	0.26	0.26
Liquid Petroleum	0.23	0.23	0.23	0.23	0.23	0.23
Carrier Trip Permit	13.00	13.00	13.00	13.00	13.00	13.00
Receipts						
Gasoline ¹	\$ 340,502	\$ 319,032	\$ 309,098	\$ 332,373	\$ 332,605	\$ 330,412
Diesel	121,545	135,894	138,962	136,784	135,507	129,405
Liquid Petroleum	2,041	2,138	2,189	2,396	2,808	2,241
Carrier Trip Permit	361	266	321	323	342	285
Total Receipts	\$ 464,449	\$ 457,330	\$ 450,570	\$ 471,876	\$ 471,262	\$ 462,343
Less: Refunds	3,632	3,216	5,099	5,498	5,574	4,062
Net Revenue	<u>\$ 460,817</u>	<u>\$ 454,114</u>	<u>\$ 445,471</u>	<u>\$ 466,378</u>	<u>\$ 465,688</u>	<u>\$ 458,281</u>
Distributions to Funds						
Special City and County Highway	\$ 152,473	\$ 150,219	\$ 147,312	\$ 154,343	\$ 154,111	\$ 151,620
County Equalization and Adjustment	2,500	2,500	2,500	2,500	2,500	2,500
State Highway	305,844	301,395	295,659	309,535	309,077	304,161
Net Distributions	<u>\$ 460,817</u>	<u>\$ 454,114</u>	<u>\$ 445,471</u>	<u>\$ 466,378</u>	<u>\$ 465,688</u>	<u>\$ 458,281</u>

Note: Totals may not agree due to rounding.
¹ Includes gasoline, gasohol, and E85.

State of Kansas, Department of Transportation
Motor Fuels Taxes
Consumption Quantities, Rates, Receipts and Distributions (in thousands unless specified otherwise)
For the Fiscal Years Ended June 30, 2019 – 2026
and Department Estimates for Fiscal Years 2027 – 2030

	2025	2026	Estimated			
			2027	2028	2029	2030
Consumption Quantities						
Gasoline, millions of gallons ¹	1,374	1,404	1,379	1,379	1,379	1,379
Diesel, millions of gallons	518	527	518	518	518	518
Liquid Petroleum, millions of gallons	9	10	10	10	10	10
Carrier Trip Permit	23	26	26	26	26	26
Rates (Per Gallon / Per Permit)						
Gasoline/Gasohol	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
E85	0.17	0.17	0.17	0.17	0.17	0.17
Diesel	0.26	0.26	0.26	0.26	0.26	0.26
Liquid Petroleum	0.23	0.23	0.23	0.23	0.23	0.23
Carrier Trip Permit	13.00	13.00	13.00	13.00	13.00	13.00
Receipts						
Gasoline ¹	\$ 329,182	\$ 336,366	\$ 330,540	\$ 330,540	\$ 330,540	\$ 330,540
Diesel	134,781	137,523	134,680	134,680	134,680	134,680
Liquid Petroleum	2,010	2,288	2,300	2,300	2,300	2,300
Carrier Trip Permit	298	322	338	338	338	338
Total Receipts	\$ 466,271	\$ 476,499	\$ 467,858	\$ 467,858	\$ 467,858	\$ 467,858
Less: Refunds	3,601	2,295	4,080	4,080	4,080	4,080
Net Revenue	\$ 462,670	\$ 474,204	\$ 463,778	\$ 463,778	\$ 463,778	\$ 463,778
Distributions to Funds						
Special City and County Highway	\$ 153,096	\$ 156,975	\$ 153,469	\$ 153,469	\$ 153,469	\$ 153,469
County Equalization and Adjustment	2,500	2,500	2,500	2,500	2,500	2,500
State Highway	307,074	314,729	307,809	307,809	307,809	307,809
Net Distributions	\$ 462,670	\$ 474,204	\$ 463,778	\$ 463,778	\$ 463,778	\$ 463,778

Note: Totals may not agree due to rounding.

¹ Includes gasoline, gasohol, and E85.

Vehicle Registration, Drivers' Licenses and Vehicle Permits

A second general category of funds currently deposited into the State Highway Fund is derived from fees charged for vehicle registration, drivers' licenses and vehicle permits. Each of these is described below.

Constitutional Authorization. The Kansas Constitution, at Article 11, Section 10, specifically provides that the State shall have the power to levy special taxes on motor vehicles for road and highway purposes.

Vehicle Registration Fees. Kansas law currently requires that vehicles be registered by the State before they may be legally operated on Kansas highways and provides that a portion of the registration fees be deposited to the State Highway Fund.

Vehicle registration categories are legislatively mandated and are based on vehicle type and vehicle weight or use. The vehicle type registration categories include passenger vehicles (automobiles), special registrations, buses, trailers and trucks.

Passenger vehicles (automobiles) are registered under one of two weight-related categories (less than 4,500 pounds and 4,500 pounds and more). Special use vehicles (e.g. an antique or special interest vehicle) or vehicles owned by residents who have special affiliations (e.g. an amateur radio station license, a member of the Kansas National Guard, major state university alumni, etc.) are registered under the special registration category.

Buses are registered in one of two categories, according to passenger seating capacity. Buses owned and operated by school districts are not required to register. Local urban transit buses owned by a Metropolitan Transit Authority are registered separately and are subject to lower registration fees.

Trailers are registered in three weight categories: over 12,000 pounds; 8,001 – 12,000 pounds; and 2,001 – 8,000 pounds.

Trucks are registered in five use-related categories: regular, local, 6,000-mile, farm, and custom harvesting farm. Within each use-related category, trucks are registered under gross weight categories. For trucks weighing 12,000 pounds or less the fee is the same as for the highest weight category of cars. Most pickup trucks are registered under the "regular" truck category in the 12,000 pounds or less weight group. Some pickup trucks are registered as farm trucks weighing 16,000 pounds or less. A number of truck owners register annually, but pay their registration fees in quarterly installments. Truck owners based in other states may apply for 30-day and 72-hour permits to travel in Kansas on a temporary basis in lieu of registering on an annual basis.

The 2002 Legislature increased the registration fee for automobiles and pickups by \$10 and the registration fee for trucks from \$2 to \$10 based on the vehicle weight classification. The total increase in registration fees was approximately 8.5%.

The 2010 Legislature increased the registration fee for trucks with a gross weight of more than 16,000 pounds with a fee increase of \$50 effective January 1, 2013, and a second \$50 fee increase effective January 1, 2014.

The following table sets forth the current annual vehicle registration fee schedule for the primary categories of vehicles.

Vehicle Registration Fee Schedule

<u>Vehicle Category</u>	<u>Lowest</u>		<u>Highest</u>	
	<u>Fee</u>	<u>Weight Class</u>	<u>Fee</u>	<u>Weight Class</u>
Passenger Vehicles	\$30	0-4,500 lbs.	\$ 40	4,500 + lbs.
Regular trucks, operated more than 6,000 miles per year	40	0-12,000 lbs.	2,070	80-85,500 lbs.
Regular trucks, operated less than 6,000 miles per year	162	12-16,000 lbs.	1,145	80-85,500 lbs.
Local trucks	162	12-16,000 lbs.	1,145	80-85,500 lbs.
Farm trucks	57	12-16,000 lbs.	745	66,000 + lbs.
Custom harvesting farm trucks	82	12-16,000 lbs.	1,145	80-85,500 lbs.
Trailers, mobile homes	35	0-8,000 lbs.	55	12,000 + lbs.

Electric and hybrid vehicles are registered under separate categories, regardless of weight or use. The 2019 Legislature imposed new registration fees of \$100 for electric vehicles and \$50 for hybrid vehicles. The 2025 Legislature increased these fees to \$165 for electric vehicles, \$70 for electric hybrid vehicles, and \$100 for plug-in electric hybrid vehicles. The 2025 Legislature also imposed a \$125 registration fee on electric hybrid and plug-in electric hybrid trucks and a \$200 registration fee on electric trucks.

Beginning January 1, 2026, registration fees for electric, electric hybrid and plug-in electric hybrid vehicles, after making provisions for refunds, are divided between and deposited into the State Highway Fund and the Special City and County Highway Fund in the same proportion as Motor Fuel Taxes (currently, 66.37% to the State Highway Fund and 33.63% to the Special City and County Highway Fund).

Beginning January 1, 2013, a \$4 surcharge on registrations collected and remitted to the Department of Revenue for the purpose of integration and modernization of the Vehicle Information Processing System has been credited to the State Highway Fund. During Fiscal Years 2017 and 2018, \$12,496,852 and \$12,368,511, respectively, were derived from such surcharge. During Fiscal Years 2016 and 2017 an annual amount not exceeding \$3,000,000 derived from such surcharge was transferred by the Department of Revenue to certain other State agencies with the remainder credited to the State Highway Fund. During Fiscal Years 2019 through 2022, an annual amount not exceeding \$2,500,000 derived from such surcharge was transferred by the Department of Revenue to certain other State agencies with the remainder credited to the State Highway Fund.

Vehicle registration fees are collected by the county treasurers and after retaining amounts to pay costs associated with administering the vehicle title and registration laws, the fees are remitted to the Department of Revenue on a monthly basis to be credited to the State Highway Fund.

An alternative method of vehicle registration is provided to owners operating a fleet of vehicles engaged in interstate commerce. Kansas has agreements with most other states and with several Canadian provinces for the registration of vehicles involved in interstate commerce. Under the provisions of the International Registration Plan (“IRP”), interstate motor carriers are allowed to prorate their registration fees among the states in which they do business. Payments are determined by calculating the proportionate number of estimated miles traveled in each state as a percentage of all miles traveled, multiplied by the rate applicable to each fleet vehicle’s weight class.

Kansas also participates in the Uniform Vehicle Registration Proration and Reciprocity Agreement (the "Uniform Agreement"). Membership in the Uniform Agreement has been steadily decreasing as more states join the IRP.

Kansas has individual reciprocal agreements with several states which are not members of the IRP or the Uniform Agreement. Fleet operators from states with which Kansas has no reciprocal agreement must apply for a temporary permit.

Drivers' Licenses. Drivers' license laws were established in Kansas in 1931. Today, commercial drivers' licenses are needed to operate all commercial vehicles. There are several classes of commercial drivers' licenses. Commercial drivers' license endorsements are also available for drivers who wish to operate specific types of equipment. A separate fee is charged for each endorsement, except for air brake endorsements. Type A commercial or non-commercial drivers' licenses are needed to operate truck/tractor, trailer/semitrailer, and truck and trailer/semitrailer combinations over 24,000 pounds in weight. Type B commercial or non-commercial licenses are required to operate all trucks that weigh more than 24,000 pounds and buses that carry more than 16 passengers. Type C commercial or non-commercial licenses are required to operate trucks weighing 24,000 pounds or less, passenger cars, and farm trucks. Type M licenses are required to operate motorcycles. Other fees associated with drivers' licenses include examination fees and late penalty charges.

Drivers' license fees are imposed by classification of license and the fees are distributed to the State Highway Fund (in proportions ranging from 62.5% for drivers of passenger cars to 100% for commercial endorsements) and (with the exception of fees for motorcycle drivers' licenses, 20% of which goes to the Motorcycle Safety Fund) the balance is distributed to the State Safety Fund. A \$2.00 commercial drivers' license surcharge is distributed to the Truck Driver Training Fund.

The drivers' license fees in recent years have provided only approximately 1% of revenues available to the State Highway Fund and the Department projections expect such revenues to be less than 1% of those available to the State Highway Fund.

Special Vehicle Permits. Permits for oversize or overweight vehicles are provided for by Kansas law. The Kansas Department of Revenue issues permits for vehicles to a specified size and weight. In accordance with an agreement between the Department and the Department of Revenue, the Department issues permits for oversize/overweight vehicles. Currently, an oversize/overweight permit costs \$20.00 for each single-trip permit. This fee was increased in 2009. Revenue from this source has historically generated less than one percent of the amount deposited annually to the State Highway Fund.

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Revenues. The following table sets forth for Fiscal Years 2019 through 2026 the amounts derived from Vehicle Registration Fees, Drivers' License Fees and special vehicle permits credited to the State Highway Fund and the estimates for the same for Fiscal Years 2027 through 2030.

**Credits to State Highway Fund
From Registration, Drivers' Licenses and Vehicle Permits
(Amounts in Thousands)***

<u>Fiscal Year</u>	<u>Vehicle Registration Fees</u>	<u>Drivers' Licenses</u>	<u>Special Vehicle Permits</u>	<u>Total</u>
2019	\$210,704	\$8,872	\$3,697	\$223,273
2020	209,503	7,149	4,592	221,244
2021	222,869	7,175	7,633	237,677
2022	227,178	7,563	5,592	240,333
2023	233,190	8,164	6,206	247,560
2024	232,022	8,448	6,044	246,514
2025	236,868	8,869	6,445	252,182
2026	237,146 ²	8,566	7,356	253,068
2027 ¹	235,000	8,566	7,356	250,922
2028 ¹	236,000	8,566	7,356	251,922
2029 ¹	237,000	8,566	7,356	252,922
2030 ¹	238,000	8,566	7,356	253,922

* Totals may not agree due to rounding. Vehicle Registration Fees and Drivers' Licenses are net of refunds.

¹ Vehicle registration fees for Fiscal Years 2027-2030 are estimates developed by the Highway Revenue Estimating Group as of November 20, 2025 (see "THE STATE HIGHWAY FUND—Basis of Projections" in the Official Statement). The estimates also assume that rates currently provided by statute and the distribution of amounts collected will remain in effect throughout the period.

² In Fiscal Year 2026, Vehicle Registration Fees in the amount of \$1,638,000 were distributed to the Special City and County Highway Fund.

Sales Tax and Compensating Use Tax

The Department receives a portion of the amounts collected from the Sales Tax and Compensating Use Tax.

Sales Taxes and Compensating Use Taxes as a funding source for the Department were initiated during the 1980's under two separate statutory provisions. The first statute was passed in 1983 and was phased in over six years. The second was passed in 1989 and took effect in Fiscal Year 1990.

The current State Sales Tax and Compensating Use Tax rates, effective July 1, 2015, are 6.50%, a portion of which is credited directly to the State Highway Fund in accordance with State law.

History of the Retailers' Sales Tax. The Kansas Retail Sales Tax was first enacted in 1937. The tax base for the retail sales tax is gross receipts from retail sales of tangible personal property and certain services. The tax rate when the law was enacted was 2%. The rate was increased to 2.5% by the 1958 Special Session of the Kansas Legislature. The Sales Tax rate was further increased to 3% in 1965 and remained at this rate until the 1986 Kansas Legislature increased the rate to 4%. In 1989, the Kansas Legislature raised the State Sales Tax from 4% to 4.25% and directed that 1/17th of the tax be credited to the State Highway Fund. In 1992, the Kansas Legislature raised the State Sales Tax from 4.25% to 4.90% (2.50% on certain selected services) and expanded the taxable base; the 1992 Kansas Legislature did not disturb the amount of tax to be

credited to the State Highway Fund at 1/17th of the tax at the 4.25% rate (effectively an amount equivalent to a tax rate of .25%).

Following an increase of the Sales Tax rate to 5.30% effective July 1, 2002 and prior to July 1, 2006, 5/106ths of the 5.30%, the equivalent of a .25% tax rate, was credited directly to the State Highway Fund. The 2004 Legislature changed the statute to 19/265ths of the 5.30% effective July 1, 2006, and 13/106ths of the 5.30% effective July 1, 2007, the equivalent of .38% for Fiscal Year 2007 and .65% for Fiscal Year 2008 and thereafter. The 2010 Legislature amended the statute to credit 11.427% of the revenue collected at the rate of 6.30% to the State Highway Fund effective July 1, 2010, 11.26% of the revenue collected to the State Highway Fund effective July 1, 2011, and 11.233% of the revenue collected to the State Highway Fund effective July 1, 2012, and beginning July 1, 2013, and thereafter, 18.421% of the revenue collected at the rate of 5.70% to the State Highway Fund. The 2013 Legislature amended the statute to credit 17.073% of the revenue collected at the rate of 6.15% to the State Highway Fund effective July 1, 2013, and thereafter. The 2015 Legislature amended the statute to credit 16.226% of the revenue collected at the rate of 6.50% to the State Highway Fund effective July 1, 2015 and 16.154% of the revenue collected at the rate of 6.50% to the State Highway Fund effective July 1, 2016. Beginning January 1, 2023, 17% of the revenue collected was credited to the State Highway Fund and beginning January 1, 2025, 18% of the revenue collected is credited to the State Highway Fund. Such portion of the Sales Tax (after refunds) is designated to be credited directly to the State Highway Fund.

History of the Compensating Use Tax. The Compensating Use Tax was first enacted in 1937 for consumers and in 1945 for retailers. The tax base is tangible personal property used, stored, or consumed in Kansas. All property purchased or leased inside or outside of Kansas and subsequently used, stored, or consumed in Kansas is subject to the Compensating Use Tax if the same property or transaction would have been subject to the state retail sales tax if the transaction had been made wholly in Kansas. In effect, the consumer's Compensating Use Tax is imposed on Kansas consumers who make retail purchases from nonregistered, out-of-state retailers, while the retailers' compensating tax is collected by registered out-of-state retailers. If the property has already been subjected to a sales tax in another state, the Compensating Use Tax is due only for the difference between the other state's sales tax and the Kansas Compensating Use Tax. The initial Compensating Use Tax rate was 2%. The rate was increased to 2.5% by a 1958 Special Session of the Kansas Legislature, 3.0% in 1965, and further increased to 4.0% in 1986. In 1989, the Kansas Legislature increased the Compensating Use Tax from 4% to 4.25% and directed that 1/17th of the tax be credited to the State Highway Fund. In 1992, the Kansas Legislature increased the Compensating Use Tax from 4.25% to 4.90% and expanded the taxable base; the 1992 Kansas Legislature did not disturb the amount of tax to be credited to the State Highway Fund at 1/17th of the tax at the 4.25% rate (effectively an amount equivalent to a tax rate of .25%).

Following an increase of the Compensating Use Tax rate to 5.30% effective July 1, 2002 and prior to July 1, 2006, 5/106ths of the 5.30%, the equivalent of a .25% tax rate, was credited directly to the State Highway Fund. The 2004 Legislature changed the statute to 19/265ths of the 5.30% effective July 1, 2006, and 13/106ths of the 5.30% effective July 1, 2007, the equivalent of .38% for Fiscal Year 2007 and .65% for Fiscal Year 2008 and thereafter. The 2010 Legislature amended the statute to credit 11.427% of the revenue collected at the rate of 6.30% to the State Highway Fund effective July 1, 2010, 11.26% of the revenue collected to the State Highway Fund effective July 1, 2011, and 11.233% of the revenue collected to the State Highway Fund effective July 1, 2012, and beginning July 1, 2013, and thereafter, 18.421% of the revenue collected at the rate of 5.70% to the State Highway Fund. The 2013 Legislature amended the statute to credit 17.073% of the revenue collected at the rate of 6.15% to the State Highway Fund effective July 1, 2013, and thereafter. The 2015 Legislature amended the statute to credit 16.226% of the revenue collected at the rate of 6.50% to the State Highway Fund effective July 1, 2015 and 16.154% of the revenue collected at the rate of 6.50% to the State Highway Fund effective July 1, 2016. Beginning January 1, 2023, 17% of the revenue collected was credited to the State Highway Fund and beginning January 1, 2025, 18% of the revenue collected is credited to the State Highway Fund.

Such portion of the Compensating Use Tax (after refunds) is designated to be credited directly to the State Highway Fund.

Changes to Tax Base. Historically, the tax base for the Sales Tax and Compensating Use Tax has changed throughout the years providing for either the exemption or inclusion of certain property items and services. The 2022 Kansas Legislature phased out the sales tax and compensating use tax imposed on the sale of food and food ingredients. Beginning January 1, 2023, the bill reduced the state sales tax and compensating use tax rate on food and food ingredients from 6.5% to 4.0%. The rate was further reduced to 2.0% on January 1, 2024 and reduced to 0.0% on January 1, 2025.

Sales Tax and Compensating Use Tax Collections and Deposits. The table below sets forth the amounts of Sales Taxes and Compensating Use Taxes collected for Fiscal Years 2019 through 2026 and estimates for the same for Fiscal Years 2027 through 2030. Deposits to the State General Fund for Fiscal Years 2019 through 2026 are included in the Department's Annual Comprehensive Financial Report as supplemental information. The Department's estimates for Sales Tax and Compensating Use Tax receipts are based on estimates by the State Consensus Revenue Estimating Group and the Highway Revenue Estimating Group. See "THE STATE HIGHWAY FUND—Basis of Projections" in the Official Statement. The State Consensus Revenue Estimating Group prepares estimates for the current Fiscal Year and the next Fiscal Year only. The Highway Revenue Estimating Group prepares long-range estimates.

**Retailers' Sales Tax and Compensating Use Tax Deposits
to State General Fund and State Highway Fund**
(Amounts in Thousands)*

Fiscal Year	Deposits to State General Fund		Deposits to State Highway Fund
	Sales Tax	Compensating Use Tax	Sales Tax and Compensating Use Tax
2019	\$2,335,436	\$431,967	\$533,400
2020	2,352,523	479,060	545,786
2021	2,522,201	602,891	602,247
2022	2,759,402	775,033	681,205
2023	2,776,857	802,990	711,921
2024	2,678,278	861,205	725,166
2025	2,581,699	893,761	737,240
2026	2,530,971	944,696	763,184
2027 ¹	2,590,000	980,000	783,803
2028 ²	2,641,800	1,014,300	802,703
2029 ²	2,684,636	1,049,800	822,094
2030 ²	2,748,529	1,086,544	841,990

* Totals may not agree due to rounding.

¹ Amounts for Fiscal Year 2027 were based on estimates developed by the State Consensus Revenue Estimating Group as of April 20, 2026.

² Amounts for Fiscal Years 2028-2030 reflect the Highway Revenue Estimating Group's estimates as of November 20, 2025.

APPENDIX D

SUMMARY OF THE 1992 RESOLUTION

The following is a brief summary of certain provisions of the 1992 Resolution (the “1992 Resolution”) and is qualified in its entirety by reference thereto, copies of which may be obtained from the Secretary. See “THE SERIES 2026A BONDS” and “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS” herein for a summary of certain additional provisions of the 1992 Resolution. Capitalized terms used and not otherwise defined in this “SUMMARY OF THE 1992 RESOLUTION” are defined in Appendix E hereto and in the 1992 Resolution.

1992 Resolution to Constitute Contract

In consideration of the purchase and acceptance of any or all of the Bonds by those who will hold the same from time to time, the provisions of the 1992 Resolution will be part of the contract of the State with the Owners of the Bonds, and will be deemed to be and will constitute contracts between the State (for itself and for KDOT), the Bond Registrar and Paying Agent, and the Owners from time to time of the Bonds. The pledge made in the 1992 Resolution and the provisions, covenants and agreements therein set forth to be performed by or on behalf of the State will be for the equal benefit, protection and security of the Owners of any and all of the Outstanding Bonds except as otherwise expressly provided or permitted by the 1992 Resolution.

Pledge of Revenues

All of the Bonds, together with the interest accruing thereon and any redemption premium due in connection therewith, will be special obligations of the State, and will be payable and collectible solely from, and be secured by a first lien and claim on, the Revenues and moneys in certain funds and accounts as provided in the 1992 Resolution. The Owners thereof may not look to any general or other fund of the State (or of KDOT) for the payment of the principal of, interest on, or any prior redemption premium due in connection with, the Bonds, except the designated security pledged therefor and the Bonds will not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation, nor will they be considered or held to be general obligations of the State; and each of the Bonds authorized to be issued will recite on its face that it is payable and collectible solely from the Revenues, and that the Owners thereof may not look to any general or other fund for the payment of the principal of, premium, if any, or interest on the Bonds.

Subject only to the rights of the Secretary and the Paying Agent to apply the amounts under the provisions of the 1992 Resolution, a gross pledge of the Revenues is made, and the same is pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds, and to provide regularly scheduled payments due under a Qualified Swap Agreement, if applicable. The security so pledged and then or thereafter transferred or deposited in the State Highway Fund will immediately be subject to the first lien and claim of such pledge, and the first lien and claim of such pledge will be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice thereof.

Maintenance of State Highway Fund and Revenues

- (a) The State covenants and agrees for the benefit, security and protection of all Owners of the Bonds issued and to be issued under the 1992 Resolution and each Supplemental Resolution to maintain the State Highway Fund so long as any of the Bonds remain Outstanding. The State further covenants and agrees that so long as any of the Bonds

remain Outstanding the State will cause to be imposed, enforced, collected, transferred and deposited into the State Highway Fund such taxes, fees and charges including without limitation, those on motor fuels, motor vehicles, or such other taxes, fees and charges which are statutorily or constitutionally permitted, and in such amounts as will be required to provide Revenues sufficient to provide transfers from the State Highway Fund to the Highway Bond Debt Service Fund to pay when due the principal of, premium, if any, and interest on all Bonds issued pursuant to the 1992 Resolution, including any junior and subordinate highway revenue bonds.

- (b) The State covenants and agrees for the benefit, protection and security of all Bondowners that Revenues (less any federal and local reimbursement moneys received) in each Fiscal Year will be not less than three hundred percent (300%) of the amount sufficient to pay the Bond Service Charges on all Bonds Outstanding during each such Fiscal Year; *provided, that* on and after the date upon which no Bonds issued prior to the date of issuance of the Series 1999 Bonds remain Outstanding, federal reimbursement moneys shall be *included* in Revenues for purposes of this covenant.

Records

Proper books of record and account will be kept by KDOT, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Revenues, including (without limitation) complete records relating to deposits into, transfers and withdrawals from the State Highway Fund, the Highway Bond Proceeds Fund and the Highway Bond Debt Service Fund. The Secretary will cause the financial statements of KDOT to be prepared in conformity with generally accepted accounting principles.

Report Requirements

The Secretary covenants that promptly after the close of each Fiscal Year it will cause an audit of the books and accounts of the State with respect to the State Highway Fund, the Highway Bond Proceeds Fund and the Highway Bond Debt Service Fund for the preceding Fiscal Year to be made by an Independent Accountant designated by the Secretary. The Secretary will make available to such Independent Accountant all books and records with respect to said funds. Within the first six (6) months of each Fiscal Year, reports of each such audit will be filed with the State, all rating services contracted with by the Secretary to rate the Bonds and made available for a reasonable charge to all Bondowners who will have filed their names and addresses with the Secretary for such purpose. Each such audit report will set forth in respect to the preceding Fiscal Year:

- (a) the amount of all Revenues, transfers and expenditures, as the case may be, from the State Highway Fund, the Highway Bond Proceeds Fund and the Highway Bond Debt Service Fund,
- (b) a brief description of all Bonds issued, paid, purchased or redeemed,
- (c) a balance sheet as of the end of such Fiscal Year for each such fund, and
- (d) the amount held for the credit of each such fund at the end of such Fiscal Year, and the details of any investments thereof.

Such audit reports will be available at all reasonable times to the inspection of the Owners, their agents and representatives.

Annual Budget and Multi-year Program Report

KDOT will prepare an annual budget for submission to the Governor and subsequently to the Legislature for legislative authorization. Annually, prior to the tenth (10th) day of each regular session of the Legislature, the Secretary will submit to the Governor and each member of the Legislature a written multi-year report providing: a detailed explanation of the methods or criteria employed to select construction projects; the proposed allocation and expenditure of moneys and proposed work plan for the current Fiscal Year and at least the next five (5) years; information concerning construction work completed in the preceding Fiscal Year and construction work in progress; and an explanation of any material changes from the previous report.

Tax Covenant

The Secretary covenants for the benefit of the purchasers and Owners of the Bonds, that no action will be taken with respect to the State Highway System, or with respect to the proceeds of each series of Bonds, the interest on which is intended to be excludable from gross income for purposes of federal income taxation, or with respect to the proceeds of each series of Government Interest Subsidy Bonds, and that no use of the proceeds of any such series of tax-exempt Bonds or Government Interest Subsidy Bonds or any moneys reasonably expected to be used to pay the principal of, premium, if any, or interest on, any such series of Bonds will be made which would cause any such series of Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Code, or which would result in the loss of exemption from federal income taxation of interest on such series of tax-exempt Bonds or the loss of the Secretary's right to receive Government Interest Subsidy Payments with respect to each payment of interest on any such series of Government Interest Subsidy Bonds. The State, the Secretary and KDOT will comply with Section 103(c) of the Code.

Defeasance

When the principal of, premium, if any, and interest on all the Bonds will have been paid in accordance with their terms or provision has been made for such payments, as provided in the next paragraph and provision will also have been made for paying all other sums payable hereunder, then the right, title and interest of the Owners under the 1992 Resolution and the appropriate Supplemental Resolution will thereupon cease, determine and be void.

Bonds will be deemed to be paid within the meaning of the 1992 Resolution when payment of the principal of and the applicable premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the 1992 Resolution, or otherwise), either (i) will have been made or caused to be made in accordance with the terms thereof, or (ii) will have been provided for by depositing with the Paying Agent or any bank located in the State of Kansas having full trust powers and also having capital and surplus of not less than \$100,000,000, in trust and irrevocably set aside exclusively for such payment (A) moneys sufficient to make such payment, or (B) Defeasance Securities not subject to redemption prior to their maturity by the obligor thereof, the maturing principal of and interest on which will provide funds in such amounts and at such times as will insure the availability, without reinvestment, of sufficient moneys to make such payment. Such Defeasance Securities will be certified or reported upon by an Independent Accountant to be of such amounts, maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment and such certification will be filed with the Paying Agent together with an Opinion of Counsel to the effect that (1) all legal conditions of the 1992 Resolution to the defeasance and discharge of such Bonds will have been met and fulfilled, and (2) as a result thereof there is no adverse effect with respect to the exclusion from gross income for federal income tax purposes of the interest on any of the tax-exempt Bonds or the

Secretary's right to receive Government Interest Subsidy Payments with respect to each payment of interest on any series of Government Interest Subsidy Bonds. At such time as Bonds will be deemed to be paid, such Bonds will no longer be secured by the 1992 Resolution and the appropriate Supplemental Resolution, and the Owner or Owners thereof will no longer be entitled to the benefits of the 1992 Resolution, except for the purposes of any such payment from such moneys or Defeasance Securities and except for the purposes of registration, transfer and exchange of such Bond or series of Bonds.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to the stated maturities thereof, no deposit under the immediately preceding paragraph will be deemed a payment of such Bonds as aforesaid until, as to all such Bonds which are to be redeemed prior to their respective stated maturities, proper notice of such redemption will have been given in accordance with the 1992 Resolution and any Supplemental Resolution authorizing the issuance of such Bonds or irrevocable instructions will have been given to the Bond Registrar to give such notice.

Notwithstanding any provision of any other section of the 1992 Resolution which may be contrary to the provisions summarized above with respect to defeasance of the Bonds, all moneys or Defeasance Securities (or replacements or substitutions therefor) set aside and held in trust pursuant to the provisions of this Section for the payment of Bonds (including premium thereon, if any) and interest thereon will be applied to and used solely for the payment of the particular Bonds (including premium thereon, if any) and interest thereon with respect to which such moneys and Defeasance Securities have been so set aside in trust.

Events of Default

Each of the following is defined as and will be deemed an "Event of Default":

- (a) *Nonpayment of Principal.* If payment of the principal of any of the Bonds is not made when the same will become due and payable, either at maturity, or by prior redemption (including mandatory sinking fund redemption), or otherwise;
- (b) *Nonpayment of Interest.* If payment of any installment of interest on any Bonds is not made when the same will become due and payable;
- (c) *Failure to Make Required Sinking Fund Deposit.* If there will occur a failure to make any deposit into the Interest Account or the Principal Account in the time and manner required by any Supplemental Resolution with respect to any series of Bonds and such failure continues beyond any grace or cure period provided in any such Supplemental Resolution; and
- (d) *Failure to Comply with Other Provisions.* If there continues any failure in the observance or performance of any covenant, agreement, condition or provision contained in the Bonds or in the 1992 Resolution (other than as described in clauses (a), (b) or (c) hereof) and such failure continues for a period of thirty (30) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Secretary, or to the Bond Registrar, by the Owners of at least ten percent (10%) in aggregate principal amount of the Initial Series and any Additional Bonds then Outstanding; provided, with respect to any such failure under this clause (d), no Event of Default will be deemed to have occurred so long as a course of action adequate to remedy such failure shall have been commenced within such thirty (30) day period and will thereafter be diligently pursued to completion and the failure will be remedied thereby.

Upon the occurrence of any Event of Default enumerated in clauses (a), (b) or (c) above or upon receipt of any written notice with respect to a failure which may become an Event of Default with the passage of time and failure to remedy pursuant to clause (d) above, the Bond Registrar promptly will give written notice to the Owners of all the Bonds Outstanding specifying the Event of Default or failure, as the case may be, and advising the Owners of their rights to direct the time, method and place of conducting all proceedings to be taken in conjunction with the enforcement of the terms and conditions of the 1992 Resolution in accordance with the provisions of the 1992 Resolution.

Remedies for Defaults

Upon the happening and continuance of any Event of Default, then and in every case, but only in compliance with the 1992 Resolution, the Bondowners may proceed against the Secretary, the State, its legislature and its agents, officers and employees, including KDOT, to protect and enforce the rights of any Owner of Bonds under the 1992 Resolution, by mandamus or other suit, action or special proceeding, in equity or at law, in any court of competent jurisdiction, for the specific performance of any covenant or agreement contained herein, or an award of execution of any power herein granted for the enforcement of any proper legal or equitable remedy as the Bondowners may deem most effectual to protect and enforce their rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of any Bondowner, or to require the Secretary or the State to act as if it (they) were the trustee(s) of an express trust, or any combination of such remedies. All such proceedings at law or in equity will be instituted, had and maintained for the equal benefit of all Owners (except Owners of junior and subordinate highway revenue bonds) then Outstanding.

No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy will be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

The remedies set forth above are subject to the provisions of the Kansas Constitution, its statutes, the Act and all agreements, if any, to which the Secretary or the State is a party with respect to the State's (or KDOT's) ownership, with others, of the state highway and road network.

Trustee Appointment Upon Event of Default

The Secretary covenants for the benefit of the Purchasers and Owners of the Bonds, that upon the happening and continuance of an Event of Default, a bank or trust company having the same qualifications as required by the 1992 Resolution will be appointed to act as trustee under the 1992 Resolution and exercise the remedies provided therein for the benefit of the Owners of the Bonds.

Majority of Bondowners May Control Proceedings

Notwithstanding anything in the 1992 Resolution to the contrary, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, or the Trustee, if appointed, shall have the right, at any time, to the extent permitted by law, by instrument(s) in writing, executed and delivered to the Bond Registrar, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the 1992 Resolution and any other proceeding hereunder; provided that such direction will not be otherwise than in accordance with the provisions hereof.

Rights and Remedies of Bondowners

- (a) No Owner of any Bond shall have any right to institute any suit, action or proceeding, in equity or at law, for the enforcement of the 1992 Resolution or for the execution of any

trust hereof or for the exercise of any remedy hereunder, unless: (i) a default has occurred of which the Secretary or Bond Registrar has been notified as provided in clause (d) herein under the caption "Events of Default" of the 1992 Resolution or under clauses (a), (b) or (c) herein under the caption "Events of Default" as to which the Bond Registrar is deemed to have notice; (ii) such default has become an Event of Default; and (iii) the Owners of not less than a majority in aggregate principal amount of the Initial Series and any Additional Bonds then Outstanding shall not have complied with the requirements of the 1992 Resolution, it being understood and intended (A) that no one or more Owner(s) of the Bonds shall have the right in any manner whatsoever to affect, disturb or prejudice the lien of the 1992 Resolution by any action or to enforce any right hereunder, except in the manner herein provided, and (B) that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Owners of all Bonds (except Owners of junior and subordinate highway revenue bonds) then Outstanding.

- (b) Notwithstanding the provisions of the immediately preceding paragraph, if an Event of Default has occurred and pursuant to the 1992 Resolution, a trustee has been appointed and has accepted such appointment, then no Owner of a Bond shall have the right to exercise any remedy or undertake any action or proceeding at law or in equity or otherwise attempt to enforce the terms of the 1992 Resolution or any Supplemental Resolution unless the Owners of not less than twenty-five percent (25%) of the Initial Series and Additional Bonds then Outstanding have requested the trustee to act, have afforded such trustee adequate security or indemnity against its costs, expenses and liabilities, and such trustee has not complied with such request within a reasonable period of time.
- (c) Nothing in the 1992 Resolution shall, however, affect or impair the right of any Owner of any Bond(s) to enforce the payment of the principal of, premium, if any, or interest on any Bond at and after the maturity thereof, or the obligation of the State to pay the principal of, premium, if any, and interest on each of the Bonds to the respective Owners of the Bonds at the time and place, from the source, and in the manner herein and in the Bonds expressly provided.

Waivers of Events of Default

The Owners of a majority in aggregate principal amount of the Bonds of each series then Outstanding in respect of which default exists, may, in their discretion, waive any Event of Default hereunder and its consequences; provided, however, that there will not be waived (a) any Event of Default in the payment of the principal of, or premium on, any Outstanding Bonds at the date of maturity specified therein, or (b) any Event of Default in the payment of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of payments of interest or all arrears of payments of principal and premium, if any (with interest on such principal at a rate that will be equal to the rate on the Bonds upon which the payment of the principal has been defaulted), when due, as the case may be, and all amounts to be paid by the State (or by KDOT) hereunder in connection with such Event of Default will have been paid or provision has been made for such payment. In case of any such waiver or rescission, or in case any proceedings taken by the Bondowners on account of any such Event of Default will have been discontinued or abandoned or determined adversely to the Bondowners, then, and in every such case, the State (for itself and KDOT) and the Bondowners will be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission will extend to any subsequent or other Event of Default, or impair any rights consequent thereon.

Supplemental Resolutions Not Requiring Consent of Bondowners

The Secretary may, without the consent of, or notice to, the Bondowners, adopt Supplemental Resolutions (which will thereafter form a part of the 1992 Resolution) for any one or more of all of the following purposes:

- (a) To add to the covenants and agreements in the 1992 Resolution or in any Supplemental Resolution contained, other covenants and agreements thereafter to be observed for the protection or benefit of the Bondowners; or
- (b) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in the 1992 Resolution or in any Supplemental Resolution, or to make any provisions with respect to matters arising under the 1992 Resolution or in any Supplemental Resolution for any other purpose if such provisions are necessary or desirable, do not materially adversely affect the security of the Owners and will not result in the reduction or the withdrawal of any ratings then assigned to the Bonds; or
- (c) To comply with the provisions of the Code or any Federal or state securities law, including without limitation the Trust Indenture Act of 1939; or
- (d) To subject to the 1992 Resolution or in any Supplemental Resolution additional revenues, properties or collateral; or
- (e) To issue Bonds as permitted by the 1992 Resolution.

Supplemental Resolutions Requiring Consent of Bondowners

Exclusive of Supplemental Resolutions permitted by the 1992 Resolution, the Owners of (a) not less than sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding affected thereby, or (b) not less than sixty percent (60%) in aggregate principal amount of the Bonds of any series then Outstanding affected thereby, in case one or more but less than all series of Bonds then Outstanding hereunder are so affected, will have the right, from time to time, to consent to and approve the adoption by the Secretary of such Supplemental Resolution(s) as will be deemed necessary or desirable by the Secretary for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the 1992 Resolution or in the Bonds; provided, however, that without the consent of the Owners of all Bonds at the time Outstanding, nothing herein contained will permit or be construed as permitting:

- (a) An extension of the maturity of, or a reduction of the principal amount of, or a reduction of the rate of, or extension of the time of payment of interest on, or a reduction of a premium payable upon any redemption of, any Bond; or
- (b) The deprivation of the Owner of any Bond then Outstanding of the lien created by the 1992 Resolution (other than as permitted hereby when such Bond was initially issued); or
- (c) A privilege or priority of any Bond(s) over any other Bond(s); or
- (d) A reduction in the aggregate principal amount of the Bonds required for consent to any Supplemental Resolution.

If, at any time, the Secretary will adopt such Supplemental Resolution for any of these purposes, the Secretary will cause notice of the proposed execution of such Supplemental Resolution to be mailed to the Owners of the Bonds at the address appearing on the registration books of the Bond Registrar. Such notice will briefly set forth the nature of the proposed Supplemental Resolution and will state that copies thereof are on file in the office of the Secretary for inspection by all Bondowners. If, within thirty (30) days or such longer period as will be prescribed by the Secretary following the giving of such notice, the Owners of the requisite principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Resolution will have consented to and approved the execution thereof as herein provided, no Owner of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Secretary from executing the same, or from taking any action pursuant to the provisions thereof.

Bond Counsel Opinion on Supplemental Resolutions

In adopting any Supplemental Resolution permitted by the 1992 Resolution, the Secretary will receive an Opinion of Bond Counsel stating that the adoption and delivery of such Supplemental Resolution is authorized or permitted by the 1992 Resolution and does not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Outstanding tax-exempt Bond or the right of the Secretary to receive Government Interest Subsidy Payments with respect to each payment of interest on any Outstanding Government Interest Subsidy Bond.

APPENDIX E

DEFINITIONS OF CERTAIN TERMS

“Accreted Value” shall mean (a) with respect to any Bonds that are Capital Appreciation Bonds, an amount equal to the principal amount of such Capital Appreciation Bond (determined on the basis of the initial principal amount per \$5,000 at maturity thereof) plus the amount assuming compounding (as set forth in the applicable Supplemental Resolution) of earnings which would be produced on the investment of such initial amount, beginning on the dated date of such Capital Appreciation Bond and ending at the maturity date thereof, at a yield which, if produced until maturity, will produce \$5,000 at maturity. As of any Valuation Date, the Accreted Value of any Capital Appreciation Bonds shall mean the amount set forth for such date in the applicable Supplemental Resolution authorizing such Bonds and as of any date other than a Valuation Date, the sum of (i) the Accreted Value on the preceding Valuation Date and (ii) the product of (1) 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, using for such calculation 30 day months and a 360 day year and (2) the difference between the Accreted Values for such Valuation Dates.

“Act” shall mean K.S.A. 68-2314b to 68-2330, inclusive, as amended.

“Additional Bonds” shall mean any series of Bonds or other obligations that may hereafter be issued by the Secretary pursuant to the Act, in accordance with a Supplemental Resolution, on a parity (as provided in the 1992 Resolution) with the Initial Series of Bonds and any Additional Bonds then Outstanding.

“Adjusted Debt Service Requirements” shall mean, for any period, as of any date of calculation, the aggregate Debt Service Requirements on the Bonds for such period taking into account the following adjustments:

(i) With respect to Bonds that bear interest at a Variable Interest Rate, the aggregate Debt Service Requirements thereon shall be determined as if each such Bonds bore interest at the Assumed Rate; provided, however, if the Secretary (1) enters into a Qualified Swap Agreement with a Swap Provider requiring the Secretary to pay a fixed interest rate on a notional amount, and (2) has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for a particular maturity of Bonds in a principal amount equal to the notional amount of the Qualified Swap Agreement, then during the term of such Qualified Swap Agreement and so long as the Swap Provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement the interest rate on such Bonds shall be determined as if such Bonds bore interest at the fixed interest rate payable by the Secretary under such Qualified Swap Agreement.

(ii) With respect to Bonds that bear interest at a fixed interest rate, if the Secretary (1) enters into a Qualified Swap Agreement with a Swap Provider requiring the Secretary to pay a variable interest rate on a notional amount and (2) has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for a particular maturity of Bonds in a principal amount equal to the notional amount of the Qualified Swap Agreement, then during the term of such Qualified Swap Agreement and so long as the Swap Provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement the interest rate on such Bonds shall be determined as if such Bonds bore interest at an Assumed Rate on the notional amount of such Bonds.

(iii) With respect to Optional Tender Bonds, the aggregate Debt Service Requirements thereon shall not include amounts payable upon mandatory or optional tender, but shall be deemed to include all periodic Bond Related Costs and other payments to the provider of any Liquidity Facility, and shall not be based upon the terms of any reimbursement obligation to such provider except to the extent and for periods during which Bond Related Costs and other payments have been required to be made pursuant to such reimbursement obligation due to such provider advancing funds and not reimbursed.

(iv) With respect to Bonds that have Credit Enhancement, the aggregate Debt Service Requirements thereon shall be deemed to include all periodic Bond Related Costs and other payments to the provider of the Credit Enhancement, but shall not be based upon the terms of any reimbursement obligation to such provider except to the extent and for periods during which Bond Related Costs and other payments have been required to be made pursuant to such reimbursement obligation due to such provider advancing funds and not reimbursed.

(v) The aggregate Debt Service Requirements for any period on any Bonds shall not include any interest which is payable from Capitalized Interest (defined below) which is to be deposited into the applicable Interest Account in the Highway Bond Debt Service Fund at the time of such computation for the period in question, and which is available and is to be applied under the applicable Supplemental Resolution to make interest payments on such Bond when due. "Capitalized Interest" means that portion of the proceeds of any series of Bonds that are restricted to be used to pay interest due or to become due on such Bonds, including funds held in connection with Crossover Refunding Bonds.

(vi) With respect to Crossover Refunding Bonds, the aggregate Debt Service Requirements thereon until the Crossover Refunding Bonds Break Date shall be disregarded.

For purposes of this definition of Adjusted Debt Service Requirements, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of any Deferred Income Bonds becoming due at maturity or by virtue of Mandatory Sinking Fund Requirements shall be included in the calculation of accrued and unpaid and accruing interest or principal installments in such manner and during such period of time, in both cases as is specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds or Deferred Income Bonds.

"Appreciated Value" shall mean with respect to any Bonds that are Deferred Income Bonds until the Interest Commencement Date thereon, an amount equal to the principal amount of such Deferred Income Bond (determined on the basis of the initial principal amount per \$5,000 at the Interest Commencement Date thereof) plus the amount, assuming compounding (as set forth in the applicable Supplemental Resolution) of earnings which would be produced on the investment of such initial amount, beginning on the dated date of such Deferred Income Bond and ending on the Interest Commencement Date, at a yield which, if produced until the Interest Commencement Date, will produce \$5,000 at the Interest Commencement Date. As of any Valuation Date, the Appreciated Value of any Additional Bonds that are Deferred Income Bonds shall mean the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Bonds and as of any date other than a Valuation Date, the sum of (i) the Appreciated Value on the preceding Valuation Date and (ii) the product of (1) 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 (2) the difference between the Appreciated Values for such Valuation Dates.

“Assumed Rate” shall mean the lesser of (a) the Maximum Interest Rate on such Bond, or (b) the interest rate which all Rating Agencies indicate in written evidence to the Secretary will not, by itself, result in a reduction or withdrawal of each of their respective ratings on the Bonds that is in effect prior to such lower rate being used as the Assumed Rate.

“BAB Interest Subsidy Payments” means payments to be received by the Secretary from the U.S. Department of the Treasury under Code §§ 54AA(g) and 6431 in connection with payments of interest on a Series of Bonds.

“Bond Counsel” shall mean any attorney or firm of attorneys, acceptable to the Secretary, whose expertise in matters relating to the issuance of obligations by states and their political subdivisions, the interest on which is excludable from gross income for purposes of federal income taxation, is nationally recognized.

“Bond Issuance Costs” shall mean all printing, publication or advertising expenses with respect to the sale and issuance of any Bonds; all fees, expenses and costs of Bond Registrars and Paying Agents retained by the Secretary; all fees, expenses and costs of attorneys, Bond Counsel, accountants, feasibility consultants, computer programmers or other experts employed to aid in the sale and issuance of the Bonds, and all other costs related thereto; and all other costs, fees and expenses incurred or reasonably related to the issuance and sale of the Bonds that may under the Act be paid from proceeds of Bonds.

“Bondowner” or **“Owner”** shall mean any person in whose name any Bond is registered on the bond register maintained by the Bond Registrar.

“Bond Registrar” shall mean the State Treasurer of Kansas or the entity otherwise specified in the Supplemental Resolution authorizing a specific series of Bonds.

“Bond Related Costs” shall mean all costs, fees and expenses of the Secretary incurred or reasonably related to any Liquidity Facility, Credit Enhancement, Reserve Fund Guaranty, any remarketing or other secondary market transactions, Qualified Swap Agreement (whether requiring the Secretary to pay fixed or variable amounts) that the Secretary has determined was entered into for the purposes of providing substitute interest payments for a particular maturity of Bonds (other than regularly scheduled amounts payable under a Qualified Swap Agreement, if applicable), any fees of Bond Counsel, attorneys, financial advisors, remarketing agents, rebate consultants, accountants and other advisors retained by the Secretary in connection with a Series, and any other fees, charges and expenses that may be lawfully incurred by the Secretary relating to Bonds, including, without limitation, any obligation of the Secretary to a provider of a Credit Enhancement, of a Liquidity Facility or of a Reserve Fund Guaranty for a Series, to repay or reimburse any amounts paid by such provider due to payment under such enhancement, facility or guaranty and any interest on such repayment obligation unless any such amount constitutes a Bond Service Charge for such series.

“Bond Related Costs Account” shall mean the Account within the Highway Bond Debt Service Fund created by the 1992 Resolution.

“Bonds” shall mean any highway revenue bonds, authorized pursuant to the Act by the 1992 Resolution and by any Supplemental Resolution.

“Bond Service Charges” shall mean, for any applicable time-period or date, the scheduled principal of and premium, if any, interest and the fees, expenses and costs of the Bond Registrar and Paying Agent, if any, on any Bonds (excluding any junior and subordinate highway revenue bonds) accruing for that period or due and payable on that date. In determining Bond Service Charges accruing for any period

or due and payable on any date, Mandatory Sinking Fund Requirements accruing for that period or due on that date shall be included.

“Capital Appreciation Bonds” shall mean any Additional Bonds as to which interest is payable only at the maturity or prior redemption thereof. For the purposes of (i) receiving payment of the redemption price, if any, of a Capital Appreciation Bond that is redeemed prior to maturity, and (ii) computing the principal amount of Capital Appreciation Bonds held by the Owner thereof in giving any notice, consent, request, or demand pursuant to the applicable Supplemental Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond as of a specific date shall be deemed to be its Accreted Value as of such date.

“Code” shall mean the Internal Revenue Code of 1986, the regulations (whether proposed, temporary or final) under that code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section means that Section of the Code, including such applicable regulations, rulings announcements, notices, procedures and determinations pertinent to that Section.

“Comprehensive Highway Program” shall mean the authorized program of construction, reconstruction, maintenance or improvement of highways in the State and all successor programs as authorized by the Act.

“Credit Enhancement” shall mean any agreement with a bank, trust company, insurance company, surety bonding company, pension fund or other financial institution that provides increased credit on or security for any series (or portion thereof) of Bonds which agreement is rated in one of the two highest Rating Categories by all of the Rating Agencies then rating such agreements.

“Crossover Refunding Bonds” shall mean any Additional Bonds the proceeds of which: (i) are deposited in an escrow account, in the State Treasury or a Kansas bank having trust powers, established for such purpose, (ii) cannot be applied to the purpose for which such Crossover Refunding Bonds are to be issued until the Crossover Refunding Bonds Break Date, (iii) must be certified by the Secretary to be sufficient, together with the investment income thereon, after the payment of Bond Issuance Costs and Bond Related Costs, if any, to pay the Bond Service Charges on such series on and prior to such Crossover Refunding Bonds Break Date and (iv) other than paying or providing for the payment of Bond Issuance Costs and Bond Related Costs, if any, cannot be used for any purpose (subject to lien and other requirements of the 1992 Resolution) other than the payment of Bond Service Charges on such Crossover Refunding Bonds on and prior to the Crossover Refunding Bonds Break Date.

“Crossover Refunding Bonds Break Date” shall mean the date specified in the Supplemental Resolution authorizing a Series of Crossover Refunding Bonds as the date upon which the proceeds of such Crossover Refunding Bonds can be applied to the purpose of which such Crossover Refunding Bonds are to be issued upon the satisfaction of certain conditions, which conditions shall be set forth in such Supplemental Resolution.

“Debt Service Requirements” shall mean during the applicable period and as of any date of calculation (a) with respect to any series of Outstanding Bonds, the aggregate of the Bond Service Charges on such series. For purposes of this definition, the scheduled principal and interest portions of the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of mandatory sinking fund redemption shall be included in the calculations of accrued and unpaid and accruing interest or principal payments in such manner and during such period of time as is specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds or Deferred Income Bonds.

“Debt Service Reserve Account” shall mean the account created and established by the 1992 Resolution and into which there shall be deposited moneys from sources, in such amounts and at such times as shall be specified in any Supplemental Resolution.

“Defeasance Securities” shall mean:

(i) direct and general obligations of, or obligations which as to principal and interest are unconditionally guaranteed as to full and timely payment by, the United States of America, to the payment of which the full faith and credit of the United States of America is irrevocably and unconditionally pledged, including evidences of direct ownership of proportionate interests in future principal or interest payments of such obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in safekeeping in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated. The obligations described in this paragraph are hereinafter called “United States Government Obligations;” and

(ii) pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s and meeting the following conditions:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer of such municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or non-callable United States Government Obligations that may be applied only to interest, principal and premium payments of such municipal obligations;

(c) the principal of and interest on such United States Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations;

(d) the cash and United States Government Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; and

(e) the United States Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

“Deferred Income Bonds” shall mean any Additional Bonds as to which accruing interest is not paid prior to the Interest Commencement Date specified in the Supplemental Resolution authorizing such series and the Appreciated Value for such series is compounded on the Valuation Date for such series.

“Event of Default” shall mean any of those defaults specified in Article VIII of the 1992 Resolution.

“Fiscal Year” shall mean the twelve-month period commencing on July 1 of any year and ending on June 30 of the following year, or any other twelve-month period which the State or other appropriate authority hereafter may establish as the Fiscal Year for KDOT.

“Government Interest Subsidy Bonds” means any Bonds with respect to which the Secretary intends to be entitled to receive Government Interest Subsidy Payments.

“Government Interest Subsidy Payments” means payments received by the Secretary 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.

“Highway Bond Debt Service Fund” shall mean the statutory fund established by K.S.A. 68-2325.

“Highway Bond Proceeds Fund” shall mean the Highway Bond Proceeds Fund created by K.S.A. 68-2321, including all accounts therein.

“Highway Bond Sinking Fund Account” shall mean the Sinking Fund created by the 1992 Resolution.

“Independent Accountant” shall mean any certified public accountant or registered accountant, or firm of such accountants, duly licensed to practice and practicing as such under the laws of the State of Kansas, who (a) is, in fact, independent and not under the control of the State, (b) does not have any substantial interest, direct or indirect, in the State, and (c) is not connected with the State as an officer or employee of the State, but who may be regularly retained to make annual or similar audits of the books or records of the State.

“Initial Series” shall mean the Series 1992 Bonds issued pursuant to the 1992 Resolution and the First Supplemental Resolution.

“Interest Account” shall mean the Interest Account within the Sinking Fund created by the 1992 Resolution.

“Interest Commencement Date” shall mean, with respect to any particular Deferred Income Bonds, the date specified in the applicable Supplemental Resolution authorizing such Deferred Income Bonds (which date must be prior to the maturity date for such Deferred Income Bonds), after which interest accruing on such Deferred Income Bonds shall be payable with the first such payment date being the applicable interest payment date immediately succeeding such Interest Commencement Date.

“Investment Securities” shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the Secretary’s funds:

- (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed as to full and timely payment of principal and

interest by, the United States of America, including obligations of any of the Federal agencies set forth in clause (ii) below to the extent unconditionally guaranteed by the United States of America;

(ii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by the following United States government sponsored agencies: Federal Home Loan Mortgage Corporation, Farm Credit System, Federal Home Loan Banks, Federal National Mortgage Association, Student Loan Marketing Association, Financing Corporation, Resolution Trust Corporation, Resolution Funding Corporation or any other government-sponsored agencies which are not backed by the full faith and credit of the U.S. government which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America; provided, that mortgage-backed securities purchased prior to the adoption of the Third Amendatory Supplemental Resolution may be held to maturity;

(iii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bond or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instruction, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (iii), as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clauses (i) and (ii) hereof which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (iii) on the maturity date or dates thereof or on the Redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (iii), as appropriate;

(iv) project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(v) direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided that at the time of their purchase hereunder such obligations are rated in one of the two highest Rating Categories by all Rating Agencies;

(vi) obligations of any state of the United States of America or any political subdivision of any state of the United States of America or any agency or instrumentality of any such state or political subdivision which shall be rated at the time of their purchase hereunder in one of the two highest Rating Categories by all Rating Agencies;

(vii) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that such obligations shall be held in custody by a bank or trust company or a national banking association having capital stock, surplus and undivided earnings aggregating at least \$50,000,000, and provided further that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed as to payment pursuant to a credit

support arrangement provided by one or more financial institutions or insurance companies or associations which shall be rated in the highest Rating Categories by two or more Rating Agencies, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being so rated at the time of purchase hereunder;

(viii) certificates that evidence ownership of the right of payments of principal or interest on obligations described in clauses (i) to (vii), provided that such obligations shall be held in custody by a bank or trust company or a national banking association having capital stock, surplus and undivided earnings aggregating at least \$50,000,000;

(ix) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances either of which at the time of their purchase have a rating in the highest short-term Rating Categories or one of the two highest long-term Rating Categories by both Moody's and S&P, so long as such issuing bank or trust company is either a bank or trust company organized and operating in the United States or it is an agency of a foreign bank domiciled in the United States; and certificates of deposit, whether negotiable or non-negotiable, of banks which are located in the State and which have combined capital, undivided profits and surplus of \$8,500,000 or more;

(x) any repurchase agreements secured by securities described in clauses (i) and (ii) above with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated (an "unsecured rating") "Prime 1" and "A" or better by Moody's or "A1" or "A3" or better by S&P or Fitch, provided (1) a specific written agreement governs the transaction; (2) the securities are held by a depository acting solely as agent for the State Treasurer, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and with combined capital surplus and undivided profits of not less than \$25 million, and the State Treasurer shall have received written confirmation from such third party that it holds such securities; (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the State Treasurer; (4) the repurchase agreement has a term of 1 year or less, and the collateral securities will be valued no less frequently than weekly and will be liquidated if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (5) the fair market value of the securities in relation to the amount of the repurchase obligations, including principal and interest is equal to at least 102%;

(xi) shares of an Investment Company, organized under the Investment Company Act of 1940 as amended, which invests its assets exclusively in obligations of the type described in clauses (i) to (x);

(xii) investment agreements which represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution, in either case that has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest rating categories by two or more nationally recognized rating agencies. The following additional requirements shall apply:

1. For non-bond proceeds, the maturity of the agreement shall not exceed one year.

2. For bond proceeds, the maturity of the agreement shall not exceed the expected final draw of the projected construction draw schedule by more than three months.

3. The agreement shall require the agreement provider to redeem the agreement at par plus accrued interest if the provider is downgraded below a rating of “AA-” by S&P or “Aa3” by Moody’s.

4. Collateralized agreements may only be collateralized by obligations described in (i) and (ii) above.

5. Collateral must be equal to at least 102% of the value of the agreement and shall be marked-to-market no less frequently than weekly.

6. Any collateralized agreement shall require that a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the State Treasurer;

(xiii) Unsecured short-term debt of U.S. Corporations, provided the issuing corporation, or its guarantor, has a short-term debt rating of P-1 by Moody’s and A1 or A1+ by S&P; and

(xiv) any other investment permitted by State law that is rated at the time of purchase in one of the two highest rating categories by Moody’s and S&P.

“**KDOT**” shall mean the Kansas Department of Transportation.

“**Liquidity Facility**” shall mean any agreement with a bank, trust company, insurance company, surety bonding company, pension fund or other financial institution under which it agrees to purchase Optional Tender Bonds which agreement is rated in one of the two highest Rating Categories by all of the Rating Agencies then rating such agreements.

“**Mandatory Sinking Fund Requirements**” shall mean the principal amount of term Bonds which are required to be redeemed by mandatory sinking fund redemption, in the principal amounts, at the prices and on the dates as set forth in the applicable Supplemental Resolution.

“**Maximum Interest Rate**” shall mean, with respect to any particular Bonds that bear interest at a Variable Interest Rate, a numerical rate of interest, which shall be set forth in the Supplemental Resolution authorizing such Additional Bonds, that shall be the maximum rate of interest such Bonds that bear interest at a Variable Interest Rate may at any time bear.

“**1992 Resolution**” shall mean the resolution, as amended or supplemented from time to time in accordance with its terms which relates to the authorization of Highway Revenue Bonds of the State.

“**Opinion of Counsel**” shall mean an opinion, in writing, of Bond Counsel.

“**Optional Tender Bonds**” shall mean any Additional Bonds which by their terms may be tendered by and at the option of, or required to be tendered by, the Owner thereof for payment or purchase of the Secretary or another party prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Owner thereof.

“**Outstanding**” shall mean Bonds previously issued that remain outstanding and unpaid, or Bonds thereupon being authenticated and delivered under the applicable Supplemental Resolution, except:

(i) Bonds cancelled pursuant to the 1992 Resolution at or prior to their maturity dates;

(ii) Bonds (or portions of Bonds) for the payment or redemption or purchase for cancellation of which sufficient moneys shall be held in trust under the provisions of the 1992 Resolution and set aside for such purpose (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions thereof) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Secretary shall have been made for the giving of such notice as provided in the 1992 Resolution;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered hereunder; and

(iv) Optional Tender Bonds deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender, adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payments as provided therein.

In determining requisite percentages of the Owners of aggregate principal amount of Bonds Outstanding for the purposes of direction, consent, approval or waiver under the terms and provisions of the 1992 Resolution and any Supplemental Resolution: (i) the aggregate principal amount of any Bonds that are Capital Appreciation Bonds shall be determined by their Accreted Value as of the date of such determination, and (ii) the aggregate principal amount of any Bonds that are Deferred Income Bonds shall be determined by their Appreciated Value as of the date of such determination.

“Owner” or **“Bondowner”** shall mean any person in whose name any Bond is registered on the bond register maintained by the Bond Registrar.

“Paying Agent” shall mean the State Treasurer of Kansas or any bank or trust company organized under the laws of any state of the United States of America or any national banking association designated as paying agent for the Bonds of any series, and its successor or successors otherwise appointed in the Supplemental Resolution authorizing a specific series of Bonds.

“Principal Account” shall mean the Principal Account within the Sinking Fund created by the 1992 Resolution.

“Qualified Swap Agreement” shall mean an interest rate exchange, hedge or similar agreement entered into by the Secretary and a Swap Provider, expressly identified in a certificate of the Secretary as having been entered into in order to hedge the interest rate payable on all or any portion of any Bonds, which agreement (i) may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar) and (ii) does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof. Anything in the 1992 Resolution to the contrary notwithstanding, any Bonds for which a Qualified Swap Agreement has been entered into by the Secretary shall be deemed to bear interest for the period of time that such Qualified Swap Agreement is in effect at a net rate which takes into account the interest payments made by the Secretary with respect to such Bonds and the payments made or received by the Secretary with respect to such Qualified Swap Agreement; provided that the long-term credit rating of the Swap Provider (or any guarantor thereof) is in one of the two highest rating categories of any Rating Agency (without regard to any refinements of gradation of any rating category by numerical modifier or otherwise) then rating such Bonds unless such Bonds are secured by a Credit Enhancement, in which case such Qualified Swap Agreement shall be approved in writing by the provider of such Credit Enhancement. For purposes of the Additional Bonds provisions of the 1992 Resolution described in the Official Statement under the caption **“SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2026A BONDS—Additional Bonds”** and the rate covenant provisions of

the 1992 Resolution described in Appendix D under the caption “SUMMARY OF THE 1992 RESOLUTION—Maintenance of State Highway Fund and Revenues”, so long as any Bonds are deemed to bear interest at a rate taking into account a Qualified Swap Agreement, any payments made by the Secretary with respect to such Qualified Swap Agreement shall be excluded from the calculation of Adjusted Debt Service Requirements and Bond Service Charges and any payments received by the Secretary with respect to such Qualified Swap Agreement shall be excluded from Revenues.

“**Rating Agency**” shall mean Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Ratings Services (“S&P”) and Fitch, Inc. (“Fitch”) or all, as applicable, or their successors or assigns then maintaining a rating on the Bonds.

“**Rating Categories**” shall mean the rating as published by a Rating Agency in its written compilations of ratings and any written supplement or amendment thereto and any such rating shall be determined on the generic rating without regard to any modifiers and, unless otherwise specified in the 1992 Resolution, shall be long term ratings.

“**Refunding Bonds**” shall mean any Bonds authorized pursuant to K.S.A. 68-2328 authorized to be authenticated and delivered under the 1992 Resolution.

“**Reserve Fund Guaranty**” shall mean a letter of credit, surety bond or similar arrangement representing the unconditional and irrevocable obligation of a financial institution to pay the Paying Agent upon request made by the Paying Agent up to an amount stated therein for application as provided in a Supplemental Resolution, which Reserve Fund Guaranty shall be held as part of the Debt Service Reserve Fund and which is rated in one of the two highest Rating Categories by all of the Rating Agencies then rating such obligations.

“**Revenues**” shall mean (i) all tax receipts deposited in the State Highway Fund as provided in K.S.A. 79-34,142 in the percentages as therein required; (ii) all sales tax and compensating use tax required to be transferred or credited to the State Highway Fund by K.S.A. 79-3620, K.S.A. 79-3710 and K.S.A. 79-34,147, respectively; (iii) vehicle registration and certificates of title fees required to be transferred or credited to the State Highway Fund by K.S.A. 8-146; (iv) any Government Interest Subsidy Payments, and (v) all other moneys regardless of their origin, transferred or credited to the State Highway Fund, excepting only those moneys prohibited or restricted by Federal law or regulation from being used to pay Bond Service Charges.

“**Secretary**” shall mean the Secretary of Transportation of the State of Kansas.

“**Sinking Fund**” shall mean the same as the Highway Bond Sinking Fund Account.

“**Special Counsel**” shall mean an attorney at law admitted to practice before the Supreme Court of Kansas and having special expertise in matters involving the financing of the construction of roads, bridges and highways.

“**State**” shall mean the State of Kansas.

“**State Highway Fund**” shall mean the fund of the same name referred to in various statutes of the State relating to highways and transportation, including the Act.

“**State Highway System**” shall mean the system of roads and highways consisting of public roads, including interstate highways located in corridors designated by the State Legislature which link the

principal population centers of the State and other major express highways in the State and in neighboring states.

“State Treasurer” shall mean the person validly holding the office of State Treasurer of the State of Kansas created by statute.

“Supplemental Resolution” shall mean any resolution of the Secretary passed in accordance with the provisions of the 1992 Resolution.

“Swap Provider” shall mean the counterparty with whom the Secretary enters into a Qualified Swap Agreement.

“Valuation Date” shall mean (i) with respect to any Additional Bonds that are Capital Appreciation Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bonds on which specific Accreted Values are assigned to such Bonds and (ii) with respect to any Additional Bonds that are Deferred Income Bonds, the date or dates prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to such Bonds.

“Variable Interest Rate” shall mean a variable interest rate or rates to be borne by a series of Bonds or any one or more maturities within a series of Bonds. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Bonds.

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

October __, 2026

The Honorable Calvin E. Reed, P.E.
Secretary of Transportation
Topeka, Kansas

BofA Securities, Inc.
St. Louis, Missouri

Morgan Stanley & Co. LLC
Chicago, Illinois

Raymond James & Associates, Inc.
Austin, Texas

Wells Fargo Bank, National Association
New York, New York

Re: State of Kansas Department of Transportation
Highway Revenue Bonds, Series 2026A

To the Addressees:

We have served as bond counsel to the Secretary of Transportation (the “Secretary”) of the State of Kansas (the “State”) in connection with the issuance by the Secretary of the above-captioned bonds (the “Series 2026A Bonds”). In this capacity, we have examined the law and such certified proceedings, certifications and other documents as we have deemed necessary to give the opinions below.

The Series 2026A Bonds are issued pursuant to K.S.A. Section 68-2314b to 68-2330, inclusive, and the 1992 Resolution adopted by the Secretary on March 31, 1992 (the “1992 Resolution”), as thereafter amended and supplemented, including as supplemented by the Thirty-Seventh Supplemental Resolution adopted by the Secretary on _____, 2026 with respect to the Series 2026A Bonds (the “Thirty-Seventh Supplemental Resolution,” together with the 1992 Resolution, the “Resolution”). Capitalized terms used and not otherwise defined in this opinion have the meanings assigned to those terms in the Resolution.

Regarding questions of fact material to the opinions below, we have relied on the representations of the Secretary contained in the Resolution, on the certified proceedings and other certifications of representatives of the Secretary and the certifications of others furnished to us without undertaking to verify them by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The Secretary has authority under the Act to authorize the issuance of the Series 2026A Bonds and the Series 2026A Bonds have been duly authorized, executed and delivered by the Secretary and are valid and legally binding special obligations of the State, payable and collectible solely from, and are secured by a valid first lien and claim on, the Revenues and moneys in certain funds and accounts as provided in the Resolution on parity with the Outstanding Series 2017A Bonds, Series 2018A Bonds, Series 2024A Bonds, Series 2025A Bonds and any Additional Bonds that may hereafter be issued under the Resolution. The Series 2026A Bonds do not constitute general obligations of the State and do not constitute an indebtedness of the State within the meaning of any State constitutional or statutory provision, limitation, or restriction. The State’s taxing power is not pledged to the payment of the Series 2026A Bonds.

2. The 1992 Resolution, as amended and supplemented by the Thirty-Seventh Supplemental Resolution, has been duly adopted by the Secretary and constitutes a valid and legally binding obligation of the State enforceable in accordance with its terms.

3. The form, adoption and execution by the Secretary of the Thirty-Seventh Supplemental Resolution and the execution and delivery by the Secretary of the Series 2026A Bonds complies with all applicable laws and requirements, and all instruments furnished to the Bond Registrar in connection with the issuance of the Series 2026A Bonds conform to the requirements of the 1992 Resolution and constitute sufficient authority thereunder for the Bond Registrar to authenticate and deliver the Series 2026A Bonds.

4. The adoption and delivery by the Secretary of the Thirty-Seventh Supplemental Resolution is authorized or permitted by the 1992 Resolution and does not adversely affect the excludability from gross income for federal income tax purposes of the interest on any Outstanding tax-exempt Bond or the right of the Secretary to receive Government Interest Subsidy Payments with respect to each payment of interest on any Outstanding Government Interest Subsidy Bond.

5. The interest on the Series 2026A Bonds (including any original 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 computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Secretary complies 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 2026A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Secretary has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause interest on the Series 2026A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2026A Bonds. The Series 2026A Bonds have *not* been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

6. The Series 2026A Bonds and all income or interest therefrom are exempt from all Kansas taxes.

The rights of the owners of the Series 2026A Bonds and the enforceability of the Series 2026A Bonds and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights and remedies of creditors, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding (a) the accuracy, adequacy or completeness of the Official Statement or other offering material relating to the Series 2026A Bonds, except as may be set forth in our supplemental opinion of even date herewith, (b) the attachment, perfection, or priority of the lien on Revenues or other funds created by the Resolution, or (c) the tax consequences arising with respect to the Series 2026A Bonds other than as expressly set forth in this opinion letter.

The opinions given in this opinion letter are given as of the date set forth above, and we assume no obligation to revise or supplement them to reflect any facts or circumstances that may later come to our attention, or any changes in law that may later occur.

Very truly yours,

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$400,000,000*
State of Kansas
Department of Transportation
Highway Revenue Bonds
Series 2026A

Dated: October __, 2026

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Secretary (the “Secretary”) of the Kansas Department of Transportation (“KDOT”) in connection with the issuance of the above-referenced bonds (the “Series 2026A Bonds”) pursuant to the hereinafter defined Bond Resolution, in which the Secretary, on behalf of KDOT, covenants to enter into this undertaking to provide certain financial and other information with respect to the Series 2026A Bonds in order to assist the Participating Underwriters (as hereinafter defined) in complying with the provisions of the SEC Rule. The Secretary is the only “obligated person” with responsibility for continuing disclosure with respect to the Series 2026A Bonds.

Section 1. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“**ACFR**” means the Annual Comprehensive Financial Report of KDOT.

“**Annual Report**” means the Annual Report provided by the Secretary pursuant to, and as described in, *Section 2* of this Disclosure Certificate.

“**Beneficial Owner**” means any registered owner of any Series 2026A 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 2026A Bonds (including persons holding Series 2026A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2026A Bonds for federal income tax purposes.

“**Bond Resolution**” means, collectively, the 1992 Resolution, adopted by the Secretary March 31, 1992, as amended and supplemented, specifically including the Thirty-Seventh Supplemental Resolution.

“**Dissemination Agent**” means the Secretary, or any successor Dissemination Agent designated in writing by the Secretary, and which has filed with the Secretary a written acceptance of such designation.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

“**Financial Information**” means the financial information of KDOT described in *Section 2(a)(1)* hereof.

* Preliminary; subject to change.

“Financial Obligation” 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) in this definition; *provided however*, 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 SEC Rule.

“Fiscal Year” means the one-year period ending June 30, or such other period as may be adopted by KDOT for its general accounting purposes.

“GAAP” means generally accepted accounting principles, as applied to governmental units, as in effect at the time of the preparation of the Financial Information.

“GASB” means the Governmental Accounting Standards Board.

“Issue Date” means October __, 2026.

“KDOT” means the Kansas Department of Transportation.

“Material Events” means any of the events listed in *Section 3(a)* hereof.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the SEC Rule.

“Official Statement” means the Official Statement dated October __, 2026 relating to the issuance of the Series 2026A Bonds.

“Operating Data” means the operating data of KDOT described in *Section 2(a)(2)* hereof.

“Participating Underwriters” means any of the underwriters of the Series 2026A Bonds required to comply with the SEC Rule in connection with the offering of the Series 2026A Bonds.

“SEC” means the Securities and Exchange Commission of the United States.

“SEC 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.

“Secretary” means the Secretary of Transportation of the State.

“Series 2026A Bonds” means the State of Kansas Department of Transportation Highway Revenue Bonds, Series 2026A, dated as of the Issue Date.

“State” means the State of Kansas.

“Thirty-Seventh Supplemental Resolution” means the Thirty-Seventh Supplemental Resolution, adopted by the Secretary on _____, 2026.

Section 2. Provision of Annual Reports.

(a) The Secretary shall, or shall cause the Dissemination Agent to, not later than nine months after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2027, provide to the MSRB, through EMMA, the ACFR, which shall contain the Financial Information and Operating Data (collectively, the “Annual Report”) as follows:

(1) **Financial Information.** The audited financial statements of KDOT for such prior Fiscal Year, in substantially the format contained in **Appendix B** to the Official Statement. If audited financial statements are not available by the time the Annual Report is required to be filed pursuant to this Section, the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report within 10 business days after they become available. The financial statements of KDOT will be prepared in accordance with GAAP as promulgated to apply to governmental entities from time to time by GASB. Such financial statements shall include as a distinct reporting entity the State Highway Fund. A more detailed explanation of the accounting basis is contained in **Appendix B** to the Official Statement. The method of preparation and basis of accounting of the Financial Information may not be changed to a basis less comprehensive than contained in the Official Statement, unless the Secretary provides notice of such change in the same manner as for a Material Event under **Section 3** hereof.

(2) **Operating Data.** Included within the ACFR shall be a statistical section, which shall include, but shall not be limited to, KDOT's:

- (A) Revenues by source and expenditures by function;
- (B) State motor fuel tax rates, receipts and distributions;
- (C) State vehicle registration rates, receipts and distributions; and
- (D) State sales tax and compensating use tax rates, receipts and distributions.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Secretary is an "obligated person" (as defined by the SEC Rule), which have been provided to the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Secretary shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; *provided that* the audited financial statements of KDOT 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 they are not available by that date. If KDOT's Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3(b)**.

(b) If no Dissemination Agent has been appointed, the Secretary shall file the Annual Report as specified by **Section 2(a)** hereof; or if the Annual Report is not filed within the time period specified in **Section 2(a)** hereof, the Secretary shall send a notice to the MSRB in substantially the form attached as **Schedule I**.

Section 3. Reporting of Material Events.

Not more than 10 business days after the occurrence of any of the following events, the Secretary shall give, or cause the Dissemination Agent, if any, to give to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Series 2026A Bonds ("Material Events"):

- (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 Series 2026A Bonds, or other material events affecting the tax status of the Series 2026A Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2026A Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the State;¹
- (13) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of KDOT, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of KDOT, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of KDOT, 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 KDOT, any of which reflect financial difficulties.

¹ This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for KDOT 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 KDOT, 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 KDOT.

Section 4. Dissemination Agent.

(a) **General.** The Secretary may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

(b) **Annual Reports.** If a Dissemination Agent shall be appointed, not later than 15 business days prior to the date specified in **Section 2(a)** for providing the Annual Report to the MSRB, the Secretary shall provide the Annual Report to the Dissemination Agent. The Dissemination Agent shall file a report with the Secretary certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided, or that the Secretary has certified to the Dissemination Agent that the Secretary has provided the Annual Report to the MSRB. If the Dissemination Agent has not received an Annual Report or has not received a written notice from the Secretary that it has provided an Annual Report to the MSRB by the date required in **Section 2(a)**, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as **Schedule I**.

(c) **Material Event Notices.**

(1) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the chief financial officer of KDOT or his or her designee, or such other person as the Secretary shall designate in writing to the Dissemination Agent from time to time, inform such person of the event, and request that the Secretary promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to **Section 4(c)(3)**.

(2) The Secretary will promptly respond in writing to any such request. Whenever the Secretary obtains knowledge of the occurrence of a Material Event, because of a notice from the Dissemination Agent pursuant to this subsection (c) or otherwise, the Secretary shall promptly determine if such event would be material under applicable federal securities law. If the Secretary has determined that knowledge of the occurrence of a Material Event would be material under applicable federal securities law, the Secretary shall promptly so notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to **Section 4(c)(3)**. If the Secretary has determined that knowledge of a Material Event would not be material under federal securities law, the Secretary shall promptly so notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent not to report the occurrence pursuant to **Section 4(c)(3)**.

(3) If the Dissemination Agent has been given written instructions by the Secretary to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence with the MSRB, through EMMA, with a copy to the Secretary. Notwithstanding the foregoing, notice of Material Events described in **Section 3(a)(8)** and **(9)** need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Owners of affected Series 2026A Bonds pursuant to the Bond Resolution.

(d) **Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Secretary agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Secretary under this Section shall survive resignation or removal of the

Dissemination Agent and payment of the Series 2026A Bonds. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Secretary pursuant to this Disclosure Certificate.

Section 5. Termination of Reporting Obligation. The Secretary's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2026A Bonds. If the Secretary's obligations hereunder are assumed in full by some other entity as permitted in the Bond Resolution, such person shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the Secretary, and the Secretary shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Series 2026A Bonds, the Secretary shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3(a)** or the Dissemination Agent shall give such notice in the same manner as provided in **Section 4(c)**.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Secretary and the Dissemination Agent, if any, may amend this Disclosure Certificate (and the Dissemination Agent shall not unreasonably refuse to execute any amendment so requested by the Secretary) and any provision of this Disclosure Certificate may be waived, provided that: (a) Bond Counsel or other counsel experienced in federal securities law matters provides the Secretary and the Dissemination Agent, if any, with its opinion that the undertaking of the Secretary contained herein, as so amended or after giving effect to such waiver, is in compliance with the SEC Rule and all current amendments thereto and interpretations thereof that are applicable to this Disclosure Certificate; (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 2026A Bonds, or the type of business conducted; and (c) the amendment or waiver is either (1) approved by the Owners of the Series 2026A Bonds in the same manner as provided in the Bond Resolution with consent of the Owners, or (2) does not in the opinion of Bond Counsel materially impair the interests of the Owners or Beneficial Owners of the Series 2026A Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Secretary shall describe such amendment in the next Annual Report, and shall include, as applicable, 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 by the Secretary. 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 **Sections 3(b) and 4(c)(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 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Secretary from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. If the Secretary 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 Certificate, the Secretary shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Noncompliance. In the event of a failure of the Secretary or the Dissemination Agent, if any, to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any Beneficial Owner of the Series 2026A Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Secretary or the Dissemination Agent, if any, as the case may be, to comply with its obligations under this Disclosure Certificate. Noncompliance with the provisions of this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Secretary or the Dissemination Agent, if any, to comply with this Disclosure Certificate shall be an action to compel performance.

Section 9. Electronic Transactions. Actions taken hereunder and the arrangement described herein may be conducted and related documents may be sent, received, executed and stored by electronic means or transmissions.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Secretary, the Dissemination Agent, if any, the Participating Underwriters and Beneficial Owners from time to time of the Series 2026A Bonds, and shall create no rights in any other person or entity.

Section 11. Severability. If any provision in this Disclosure Certificate, the Bond Resolution or the Series 2026A Bonds relating hereto, 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 Certificate shall be governed by and construed in accordance with the laws of the State.

[Signature Omitted]

SCHEDULE I

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Secretary of Transportation of the State of Kansas

Name of Bond Issue: \$_____ State of Kansas, Department of Transportation
Highway Revenue Bonds, Series 2026A

Issue Date: October __, 2026

NOTICE IS HEREBY GIVEN that the Secretary has not provided an Annual Report with respect to the above-named bonds (the “Series 2026A Bonds”) as required by the Bond Resolution authorizing the Series 2026A Bonds and the Continuing Disclosure Certificate regarding the Series 2026A Bonds. The Secretary anticipates that the Annual Report will be filed by _____.

Dated: _____

**SECRETARY OF TRANSPORTATION
OF THE STATE OF KANSAS**

APPENDIX H

DTC BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company (“DTC”) and DTC’s book entry only system has been obtained from DTC, and none of the Department, the State Treasurer, as Paying Agent and Bond Registrar, or the Underwriters take any responsibility for the accuracy thereof.

DTC will act as securities depository for the Series 2026A Bonds. The Series 2026A 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 Series 2026A Bond certificate will be issued for each maturity of the Series 2026A Bonds, each in the aggregate principal amount of such maturity, 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 S&P Global Ratings rating of: AA+. The DTC Rules applicable to its Direct Participants and Indirect Participants (“Participants”) are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2026A 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 2026A 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 2026A Bonds, except in the event that use of the book entry system for the Series 2026A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2026A 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 2026A 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 2026A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

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.

Redemption notices shall be sent to DTC. If less than all the Series 2026A 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 such other DTC nominee) will consent or vote with respect to the Series 2026A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Department 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 2026A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, and principal and interest payments on the Series 2026A 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 Department or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent or the Department, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments on the Series 2026A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department or the 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 securities depository with respect to the Series 2026A Bonds at any time by giving reasonable notice to the Department or the State Treasurer, as Paying Agent and Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2026A Bond certificates are required to be printed and delivered.

The Department may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, Series 2026A Bond certificates will be printed and delivered to DTC.

The Department, Bond Counsel, the State Treasurer, as Paying Agent and Bond Registrar and the Underwriters cannot and do not give any assurances that the DTC Participants will distribute to the Beneficial Owners of the Series 2026A Bonds: (i) payments of principal of or interest on the Series 2026A Bonds; (ii) certificates representing an ownership interest or other confirmation of Beneficial Ownership interests in the Series 2026A Bonds; or (iii) redemption or other notices sent to DTC or its nominee, as the Registered Owners of the Series 2026A Bonds; or that they will do so on a timely basis or that DTC or its

participants will serve and act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

None of the Department, Bond Counsel, the State Treasurer, as Paying Agent and Bond Registrar, or the Underwriters will have any responsibility or obligation to such DTC Participants (a “Direct” or “Indirect” “Participant”) or the persons for whom they act as nominees with respect to: (i) the Series 2026A Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner with respect to the principal of, premium, if any, or interest on the Series 2026A Bonds; (iv) the delivery by any DTC Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Resolution to be given to Registered Owners; (v) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2026A Bonds; or (vi) any consent given or other action taken by DTC as Registered Owner.

In reading this Official Statement, it should be understood that while the Series 2026A Bonds are in the Book Entry system, references in other sections of this Official Statement to Registered Owner should be read to include the Beneficial Owners of the Series 2026A Bonds, but: (i) all rights of ownership must be exercised through DTC and the Book Entry system; and (ii) notices that are to be given to Registered Owners by the Department or the State Treasurer, as Paying Agent and Bond Registrar, will be given only to DTC.

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