

Research Update:

Andover, KS General Obligation Bonds Assigned 'AA-' Rating; Outlook Is Stable

August 27, 2025

Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to [Andover](#), Kan.'s proposed \$12.85 million series A 2025 general obligation (GO) bonds.
- At the same time, S&P Global Ratings assigned its 'SP-1+' short-term rating to the city's anticipated \$36.24 million series A 2025 GO temporary notes.
- Finally, we affirmed our 'AA-' long-term and underlying rating on the city's outstanding GO and lease non-appropriation debt.
- The outlook is stable.
- The ratings reflect the application of our "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

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Rationale

Security

The series A 2025 GO bonds and Andover's GO bonds outstanding are direct obligations of the city, secured and payable from special assessments levied on properties benefitting from projects financed by the bonds, and the city's unlimited full-faith-and-credit pledge, payable from ad valorem taxes. We rate to the GO pledge because we do not have sufficient information to rate the special-assessment pledge. We also rate the public building commission's non-appropriation lease debt--secured by annual rental payments, which the city agrees to pay pursuant to lease agreement terms between the city and commission--on par with the GO pledge due to our view of its standard lease terms that extend through final maturity of the bonds, lack of appropriation risk, and remote bankruptcy risk.

The series A 2025 temporary notes are secured and payable from the proceeds of the issuance of long-term GO bonds. The short-term rating reflects the application of our criteria for evaluating and rating bond anticipation notes. In our view, Andover has a very strong capacity to make principal-and-interest payments when notes come due. We consider the city's market risk profile

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low because it has strong legal authority to issue long-term debt to take out the notes and because it is a frequent issuer that regularly provides ongoing disclosure to market participants.

The non-appropriation bonds outstanding issued by the Andover Public Building Commission are secured by annual rental payments, which the city agrees to pay pursuant to the terms of a lease agreement between the city and the public building commission. Annual rental payments are not subject to appropriation because these payments represent an unconditional and absolute obligation of the city. Furthermore, the city cannot terminate the lease because of non-appropriation. Based on the application of our criteria "[Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness](#)," Nov. 20, 2019, we rate the public building commission revenue bonds to be on par with the city's general creditworthiness given the lease non-appropriation structure with no abatement risk, a lease term that extends through maturity, and our determination that the Andover Public Building Commission is bankruptcy remote.

We understand that series A 2025 bond proceeds will finance improvements to several subdivisions to accommodate further development, and various paving and water infrastructure improvements. Series A 2025 temporary note proceeds will finance construction of an expanded wastewater treatment facility. The city has additionally restricted \$16 million in reserves to supplement bond proceeds for this project.

Credit highlights

The rating reflects our view of Andover's expanding residential taxing base with direct access to the Wichita metropolitan statistical area (MSA), consistently positive operating performance, supported by conservative budgeting practices, positive demographic trends, and consistent revenue growth. In our view, the city has elevated net direct debt and low per capita gross county product (GCP) metrics. Andover is a Wichita suburb that benefits from access to this large and diverse metropolitan statistical area (MSA). Due to expansion of the Wichita MSA, Andover has experienced consistent property tax base growth due to ongoing economic development, both residential and commercial. Economic expansion has driven strong revenue growth for the city, with property and sales tax revenue representing approximately 67% of general fund revenue, followed by licenses and permits at 27%, and fines and forfeitures at 5%. Unaudited financial reports for fiscal year-end 2024 (Dec. 31) show a general fund surplus of roughly \$384,000 (approximately 5% of operating revenue). Given ongoing residential development and commercial expansions, combined with management's conservative approach to budgeting, we expect Andover to maintain balanced operations and sizeable reserve levels. We note that as of fiscal 2023, the city reports financials on a modified cash basis and expects to do so for the foreseeable future to promote collaboration with its state peers--most of which report on a cash basis--and to manage increasing costs associated with governmental accounting standards board (GASB) compliant financial reporting. However, we view cash basis accounting as less comparable to its national peers.

Andover typically adopts conservative deficit budgets, with another anticipated in fiscal 2025; it, however, typically outperforms projections, leading to near-breakeven results. While the city plans to spend down \$16 million in restricted funds for a wastewater treatment facility expansion, we do not expect this planned draw to influence our view of the city's reserves and liquidity, as these reserves are not included in our calculation of available fund balance. Management remains committed to its formal reserve policy of maintaining 25% of general fund operating expenditures. Therefore, we expect finances will likely remain stable during the next few fiscal years.

Credit fundamentals supporting the 'AA-' rating include our view of Andover's:

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- Proximity to Wichita, which is driving consistent economic expansion, particularly residential development. While GCP per capita metrics remain below average, we note that local incomes are strong relative to the county and national levels;
- Historically balanced budgetary performance, with relatively large surplus results recently due to the availability of ARPA funds and receipt of grant funding. We note that the city transitioned to modified cash-basis financial reporting in fiscal 2023. Financial audits prior to the most recent report followed generally accepted accounting principle (GAAP). While most Kansas municipalities report financials on a cash basis, we view this accounting standard as less transparent than GAAP and not comparable to its higher-rated peers, due to timing differences regarding recognition of revenues and expenditures;
- Budgeting practices based on historical data and current economic trends, with budget to actual reports reviewed by the council monthly. Revenue and expenditure assumptions also incorporate the city's rolling five-year capital improvement plan, though the city does not utilize long-term financial projections. A formal policy requires the city to maintain minimum reserve levels for the general fund and sewer utility fund at 25% of expenditures, which the city is meeting. A formal policy that mirrors state guidelines governs the city's investments, and the city has a basic debt management policy that limits GO debt issuance to 60% of the prior year's assessed value;
- Net direct debt per capita increases substantially with the current issuance, though population continues to grow, indicating this metric could moderate in the next 2-3 years, though we do not expect substantial moderation of debt metrics, given the city's plans to issue additional debt in this timeframe. We do not view pension and other postemployment benefits contributions as a near term source of budgetary pressure, as contributions in the last two years have exceeded our minimum funding progress metric, and the city has a low per capita net pension liability.
- For more information on our institutional framework assessment for Kansas local governments, see "[Institutional Framework Assessment: Kansas Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

Although the city is exposed to severe weather events, including tornadoes and flooding, we do not view its exposure as outsized relative to its peers. Furthermore, the city maintains property insurance, and has historically received settlements and, in some cases, reimbursements from the Federal Emergency Management Agency (FEMA) for damages sustained in prior years. We view Andover's social and governance factors as neutral in our credit analysis.

Outlook

The stable outlook reflects our expectation that ongoing economic expansion will support maintenance of balanced operating performance and healthy cash reserve levels, although we expect the debt burden to remain elevated for the foreseeable future, given the city's capital needs and additional debt issuance plans, which we view as a credit limitation.

Downside scenario

We could lower the rating if financial performance deteriorates on a sustained basis, resulting in maintenance of reserves below the formal policy level, and management is not able to articulate

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a credible plan to restore reserve levels. We could also lower the rating if additional debt issuance outpaces tax base growth, pressuring operations.

Upside scenario

All other credit factors remaining stable, we could raise the rating if ongoing economic expansion contributes to sustained improvement in per capita GCP metrics, along with a moderation of the debt burden.

Andover, Kansas--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.66
Economy	3.5
Financial performance	2
Reserves and liquidity	2
Management	2.05
Debt and liabilities	3.75

Andover, Kansas--key credit metrics

	Most recent	2023	2022	2021
Economy				
Real GCP per capita % of U.S.	59	59	55	59
County PCPI % of U.S.	83	83	82	82
Market value (\$000s)	1,972,472	1,534,795	1,328,946	1,287,695
Market value per capita (\$)	126,327	100,111	92,752	91,959
Top 10 taxpayers % of taxable value	7.5	8.2	8.9	--
County unemployment rate (%)	3.9	2.9	2.7	3.6
Local median household EBI % of U.S.	128	128	124	--
Local per capita EBI % of U.S.	95	99	99	--
Local population	15,614	15,331	14,328	14,003
Financial performance				
Operating fund revenues (\$000s)	--	12,628	7,930	7,071
Operating fund expenditures (\$000s)	--	7,667	7,721	7,400
Net transfers and other adjustments (\$000s)	--	(3,429)	22	334
Operating result (\$000s)	--	1,532	231	5
Operating result % of revenues	--	12.1	2.9	0.1
Operating result three-year average %	--	5.0	0.9	(6.1)
Reserves and liquidity				
Available reserves % of operating revenues	--	29.9	30.3	27.2
Available reserves (\$000s)	--	3,781	2,403	1,922
Debt and liabilities				
Debt service cost % of revenues	--	11.8	22.9	23.6
Net direct debt per capita (\$)	8,296	4,273	4,590	4,800
Net direct debt (\$000s)	129,537	65,516	65,762	67,210
Direct debt 10-year amortization (%)	61	62	--	--

Andover, Kansas--key credit metrics

	Most recent	2023	2022	2021
Pension and OPEB cost % of revenues	--	2.0	3.0	3.0
NPLs per capita (\$)	--	475	355	269
Combined NPLs (\$000s)	--	7,281	5,090	3,772

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$12.85 mil GO bnds ser A 2025 due 10/01/2046

Long Term Rating AA-/Stable

US\$36.235 mil GO temp nts ser A 2025 dtd 10/30/2025 due 10/01/2028

Short Term Rating SP-1+

New Rating

Local Government

Andover, KS Unlimited Tax General Obligation BAN SP-1+

Ratings Affirmed

Local Government

Andover, KS Non-Appropriation Lease AA-/Stable

Andover, KS Unlimited Tax General Obligation AA-/Stable

Andover, KS Unlimited Tax General Obligation and Special Assessments AA-/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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