

Research Update:

McPherson County Unified School District No. 400 (Smoky Valley), KS Series 2026 GO Bonds Rated 'A+'; Outlook Stable

September 24, 2026

Overview

- S&P Global Ratings assigned its 'A+' long-term rating to [McPherson County Unified School District \(USD\) No. 400 \(Smoky Valley\)](#), Kansas' estimated \$21.0 million series 2026 general obligation (GO) bonds.
- The outlook is stable.

Rationale

Security

Revenue from unlimited ad valorem taxes levied on taxable property within the district secures the GO bonds. The district will use series 2026 bond proceeds to fund various school facility improvements and construct a new agricultural facility.

Credit highlights

Our view of McPherson County USD No. 400's general creditworthiness reflects its above-average county income and gross county product (GCP) metrics, stable operating performance, and manageable fixed costs. Offsetting the district's strengths are its low nominal reserves and lack of formalized financial management policies and practices. Local economic activity is centered on manufacturing; however, the city of McPherson is the employment center for this community, with many residents commuting to the city for employment opportunities. Recent operational performance reflects modest surplus results, which management expects will continue in fiscal 2026 as enrollment continues to grow. Management attributes enrollment growth to its recent residential developments and popularity of its virtual school. Management anticipates an increase in its cash-based reserves in fiscal 2026 to approximately \$4.4 million, which we calculate across the district's general, supplemental general, capital outlay, special education, and contingency reserve funds. There are no plans to spend down current reserves, and the fiscal 2027 budget is balanced; therefore, we expect stability in the district's financial performance and reserves over the two-year outlook period.

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The rating reflects our view of the following factors:

- County per capita personal incomes and GCP per capita metrics are above average on a national level, and income indicators align well with those of similarly rated peers. Economic growth has been rising modestly over the last several years, which we expect may continue given some residential development.
- We expect balanced operations and growing enrollment will continue, supporting healthy cash-based reserves across the five funds. However, our view of reserves is weakened by the district’s use of cash accounting, with less than 30% of operating revenue in reserves.
- Policies and practices are highlighted by conservative budgeting assumptions and monthly budget-to-actual reports shared with the board. The district's formal investment management policy complies with state statutes, and management shares monthly reports to the board. Management has a rolling long-term capital plan, although funding sources are not identified. Management targets 18% of expenditures in its contingency and capital outlay reserve funds. The district lacks a debt management policy and long-term financial planning. Its cyber risk mitigation measures align with our view of its overall risk management policies and practices.
- The district has a manageable debt burden with costs expected to increase above 8% of total governmental fund revenue with the current issuance, but no additional debt plans. Pension liabilities are not a credit pressure, as the State of Kansas has historically made employer contributions on behalf of districts via pass-through payments.
- For more information on our institutional framework assessment for Kansas school districts, see "[Institutional Framework Assessment: Kansas Local Governments](#)," Sept. 9, 2024.

Outlook

The stable outlook reflects our view that the district will likely maintain available cash-based reserves near current levels, supported by tax base stability and growing enrollment.

Downside scenario

We could lower the rating if the district’s reserve position deteriorates to a level no longer comparable with that of similarly rated peers.

Upside scenario

Although unlikely, we could raise the rating if the district's local economy continues to expand and diversifies, its cash-based reserves increase on a nominal basis, and our view of the district's financial management assessment improves.

McPherson County Unified School District No.400 (Smoky Valley), Kansas--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.28
Economy	2.0
Financial performance	2
Reserves and liquidity	2
Management	2.65
Debt and liabilities	2.75

McPherson County Unified School District No. 400 (Smoky Valley), KS Series 2026 GO Bonds Rated 'A+'; Outlook Stable

McPherson County Unified School District No.400 (Smoky Valley), Kansas--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita as % of U.S.	--	--	101	100
County PCPI as % of U.S.	--	--	90	92
Market value (\$000s)	669,052	637,820	623,145	607,239
Market value per capita (\$)	103,376	98,551	95,972	92,384
Top 10 taxpayers as % of taxable value	--	--	--	--
County unemployment rate (%)	--	3.1	2.8	2.3
Local median household EBI as % of U.S.	--	98	95	92
Local per capita EBI as % of U.S.	--	84	85	78
Local population	--	6,472	6,493	6,573
Financial performance				
Operating fund revenue (\$000s)	--	14,782	13,678	13,675
Operating fund expenditures (\$000s)	--	14,152	13,408	13,553
Net transfers and other adjustments (\$000s)	--	0	0	0
Operating result (\$000s)	--	630	270	122
Operating result as % of revenue	--	4.3	2.0	0.9
Operating result three-year average %	--	2.4	--	--
Enrollment	--	1,215	1,184	1,106
Reserves and liquidity				
Available reserves as % of operating revenue	--	26.7	24.3	22.0
Available reserves (\$000s)	--	3,947	3,317	3,005
Debt and liabilities				
Debt service cost as % of revenue	--	--	--	--
Net direct debt per capita (\$)	3,766	521	557	586
Net direct debt (\$000s)	24,375	3,375	3,615	3,850
Direct debt 10-year amortization (%)	27	100	100	100
Pension and OPEB cost as % of revenue	--	4.2	4.7	4.9
NPLs per capita (\$)	--	1,098	1,094	1,181
Combined NPLs (\$000s)	--	7,104	7,104	7,760

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\$21,000,000 Mcpherson County Unified School District No. 400 (Smoky Valley), Kansas, General Obligation Bonds, Series 2026, dated: Date of Delivery, due: September 1, 2051

Long Term Rating A+/Stable

New Rating

Local Government

McPherson Cnty Unif Sch Dist No 400 Smoky Vy, KS Unlimited Tax General Obligation A+/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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