



Rating Action: Moody's Ratings assigns Aa2 UND/Aa2 ENH ratings to Fargo Public School District 1, ND's new GO bonds

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New York, December 03, 2025 -- Moody's Ratings (Moody's) has assigned Aa2 underlying and Aa2 enhanced ratings to Fargo Public School District 1, ND's General Obligation Building Fund Bonds, Series 2025, with an expected par value of about \$9.9 million. Concurrently, we affirmed the district's Aa2 issuer rating and upgraded the ratings on the district's outstanding general obligation limited tax (GOLT) debt to Aa2 from Aa3. As of fiscal 2024 (June 30 year-end), the district had about \$99 million in debt outstanding.

RATINGS RATIONALE

The Aa2 issuer rating reflects the district's growing enrollment trend, institutional presence, and solid full value per capita. Following a \$2.5 million decline attributable to negative variance in revenue, the district closed fiscal 2024 with \$44.5 million in available operating fund balance, equivalent to about 19% of revenue. We expect an additional \$4.5 million deficit in fiscal 2025, but for fiscal 2026 results to be roughly balanced with available operating fund balance stabilizing around 16% of revenue. Inability to regain structural balance and prevent further reserve declines could negatively pressure the rating. Long-term liabilities are slightly elevated, inclusive of a moderate debt burden and a high pension burden. While the district expects to issue about \$40 million in additional debt in fiscal 2026, the long-term liability ratio will remain under 250% and in line with peer medians.

The Aa2 GOULT rating is equivalent to the issuer rating, given the district's ability to levy a dedicated ad valorem tax unlimited as to rate or amount.

The upgrade of the GOLT ratings to Aa2 from Aa3 reflects sufficient taxing headroom under a dedicated 26.40 mill Building Fund Levy; headroom is now more than 35% on maximum annual debt service (MADS).

The Aa2 enhanced rating is based on the security provided by the State of North Dakota Department of Public Instruction's (NDDPI) school district credit enhancement program, as established by state statute. The program rating incorporates adequate program mechanics and the credit quality of the State of North Dakota (Aa1 stable). The program requires that districts certify to an additional bonds test of 2x maximum annual debt service (MADS) based on school aid available to the district. The district has completed all of the pre-sale requirements for participating in the program. MADS for the district's enhanced debt, including the Series 2025 bonds, is \$11.7 million in fiscal 2027. The total state aid due to the district for fiscal 2026 was \$112 million. The state aid provides 9.6x coverage for the MADS of the enhanced bonds. In addition, participation in the intercept program is irrevocable as long as the bonds are outstanding.

RATING OUTLOOK

We do not assign outlooks to local governments with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Resident incomes and full value per capita closer to 120% and \$180,000, respectively
- Maintenance of reserve ratios closer to 30%
- Long-term liability ratio approaching 100%

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Any negative variance from expectations in fiscal 2026 or further budgeted deficit in fiscal 2027
- Available fund balance or cash ratio below 15%
- Long-term liabilities ratio consistently above 250%

PROFILE

Fargo Public School District 1, ND covers 57 square miles, including much, but not all, of the City of Fargo. Facilities include three high schools, three middle schools, sixteen elementary schools, an alternative high school, a pre-kindergarten center for children with special needs, a K-8 special education day school, performing arts programs, a virtual academy, and adult education programs. The district currently serves about 11,500 students.

METHODOLOGY

The principal methodology used in the underlying ratings was US K-12 Public School Districts published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425431>. The principal methodology used in the enhanced rating was US State Aid Intercept Programs and Financings published in February 2024 and available at <https://ratings.moodys.com/rmc-documents/415020>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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