



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

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New York, September 15, 2026 -- 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 2026B, with an expected par value of about \$28 million. We maintain the district's Aa2 issuer rating and Aa2 ratings on outstanding general obligation unlimited tax (GOULT) and general obligation limited tax (GOLT) debt. Following the sale, the district is expected to have \$110.5 million in debt outstanding.

RATINGS RATIONALE

The Aa2 issuer rating reflects the district's stable enrollment trend, institutional presence, and solid full value per capita. The district's finances have stabilized following a period of operating deficits. Preliminary financial results for fiscal 2026 (June 30 year-end) show balanced operations and general fund reserves stabilizing at around \$34 million, about 17% of revenue. Enrollment declined slightly in 2026 which led to a reduction in state per-pupil aid for fiscal 2027. Nevertheless, the 2027 budget is balanced as a result of the district reducing its employee headcount through attrition and position realignments. Reserves are expected to remain stable, above the district's 15% fund balance target.

Long-term liabilities have grown in recent years following significant capital spending on a school building reconstruction project. The current sale is the final series of bonds expected to be issued for the Horace Mann Elementary School reconstruction project. The district has no additional borrowing plans and anticipates funding capital needs through its building fund levy for the foreseeable future. Although enrollment is expected to be generally stable around 11,400 students over the next few years, enrollment could begin to grow in 2029 after the US Army Corps of Engineers completes a significant flood diversion project and new land in the district becomes available for residential development.

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 Aa2 GOLT rating 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 2026B bonds, is \$12.7 million in fiscal 2028. The total state aid due to the district for fiscal 2026 was \$113 million. The state aid provides 8.9x 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 outstanding.

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

- 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 rating was US K-12 Public School Districts published in June 2026 and available at <https://ratings.moody.com/rmc-documents/466688>. 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.moody.com/rmc-documents/415020>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.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.moody.com/rating-definitions>.

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