

CREDIT OPINION

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Fargo Public School District 1, ND

Update to credit analysis

Summary

[Fargo Public School District 1, ND](#) (Aa2) benefits from a growing regional economy and institutional presence. Finances have stabilized following a multi-year period of deficits. Reserves will remain adequate over the next few years and enrollment is expected to be stable in the near term.

Credit strengths

- » Large and growing economy favorably located in the Fargo and Moorhead metropolitan area
- » Stabilizing reserves following budget reductions

Credit challenges

- » Exposure to underfunded state cost-sharing pension plan
- » Exposure to state budgetary pressures due to reliance on state aid

Rating outlook

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

Factors that could lead to an upgrade

- » 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

- » Budget deficit in fiscal 2027
- » Available fund balance ratio below 15%
- » Long-term liabilities ratio consistently above 250%

Key indicators

Exhibit 1

Fargo Public School District 1, ND

	2022	2023	2024	2025	Aa Medians
Economy					
Resident income	96.4%	93.3%	91.0%	N/A	N/A
Full value (\$000)	\$9,670,835	\$10,502,690	\$11,667,710	\$12,285,167	\$4,352,123
Population	95,539	96,914	98,826	N/A	30,690
Full value per capita	\$101,224	\$108,371	\$118,063	N/A	\$136,490
Enrollment	11,476	11,657	11,449	11,443	3,879
Enrollment trend	0.3%	0.8%	0.8%	-0.1%	N/A
Financial performance					
Operating revenue (\$000)	\$211,698	\$222,168	\$234,183	\$226,857	\$79,491
Available fund balance (\$000)	\$43,126	\$46,958	\$44,464	\$39,350	\$22,417
Net cash (\$000)	\$39,673	\$40,033	\$40,514	\$41,179	\$27,164
Available fund balance ratio	20.4%	21.1%	19.0%	17.3%	28.7%
Net cash ratio	18.7%	18.0%	17.3%	18.2%	36.5%
Leverage					
Debt (\$000)	\$94,067	\$106,628	\$99,210	\$90,390	\$50,348
ANPL (\$000)	\$502,017	\$416,653	\$376,349	\$349,181	\$77,231
OPEB (\$000)	\$3,493	\$2,896	\$2,235	\$1,668	\$6,210
Long-term liabilities ratio	283.2%	236.8%	204.0%	194.5%	N/A
Implied debt service (\$000)	\$6,510	\$6,570	\$7,407	\$6,866	\$3,492
Pension tread water (\$000)	\$10,588	\$17,726	\$15,479	\$16,365	\$3,023
OPEB contributions (\$000)	\$251	\$197	\$179	\$195	\$379
Fixed-costs ratio	8.2%	11.0%	9.8%	10.3%	N/A

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Fargo Public School District 1, ND's financial statements and Moody's Ratings

Profile

Fargo Public School District 1 is located in Cass County in eastern North Dakota, and is headquartered in Fargo, situated on the Red River and the Minnesota state line.

Detailed credit considerations

Fargo Public Schools benefits from the presence of North Dakota State University and associated research and medical facilities. The district's equalized value has grown at an annualized rate of 8% since 2021. Fargo's enrollment has stabilized around 11,400 students recently, after a period of steady enrollment growth. Enrollment is expected to be stable in the near term. After running two consecutive years of budget deficits, finances stabilized in fiscal 2026 (June 30, year-end), according to preliminary results. The district reduced expenditures through staff attrition and the available fund balance ratio remained stable around 17%.

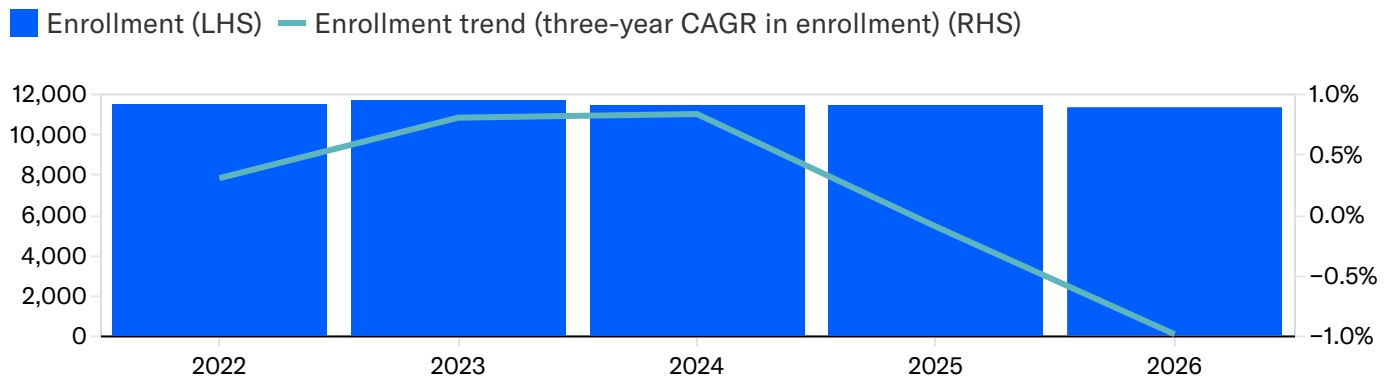
The fiscal 2027 budget is balanced despite declining state aid related to a one-year drop in enrollment. The available fund balance ratio will stay constant around 17%. District management expects long-term enrollment growth, beginning around 2029 following the completion of a flood diversion project which will open more land in the district's south for residential development. The long-term liabilities ratio will grow above 200% in fiscal 2027 following the final phase of a major school reconstruction project. District management currently has no plans to issue additional debt. Leadership anticipates being able to fund all near-term maintenance projects through the general fund and school building levy.

Economy

» The district benefits from the presence of North Dakota State University.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

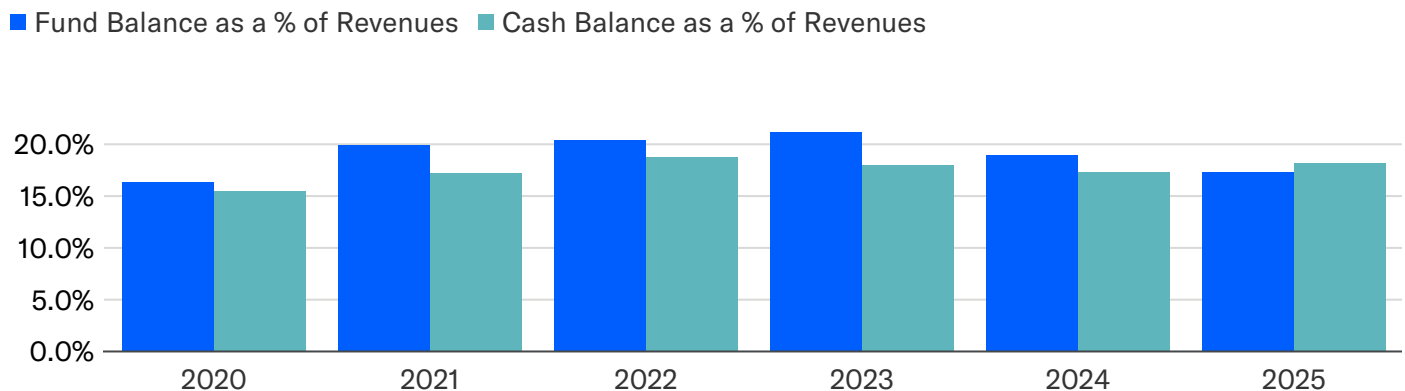
Exhibit 2
Enrollment



Source: Moody's Ratings

Financial operations

Exhibit 3
Financial Trends



Source: Moody's Ratings

Leverage

North Dakota school districts participate in the North Dakota Teachers Fund for Retirement (TFFR). Near-term budgetary pressure related to pension costs is likely minimal because state statute sets employer contributions at 12.75% of payroll. Aggregate contributions to the TFFR have regularly fallen short of our tread water indicator. In fiscal 2024, contributions amounted to 13% of payroll, compared to our tread water indicator of 12%. Based on TFFR's reporting, we expect North Dakota school districts' ANPLs to decline by about 9% in fiscal 2025. While results will vary across US public pension systems, we generally expect local governments' fiscal year 2026 ANPLs to fall by another 20% based on our aggregate estimates.

ESG considerations

Environmental

Environmental considerations are not a material driver of the district's credit profile at this time. The area has experienced notable flood events. To reduce the risk of flooding, the city, along with neighboring municipalities, and multiple levels of government, is participating in a large scale flood mitigation project spearheaded by the US Army Corps of Engineers. The project is designed to protect against flooding equivalent to 100-year flood levels for the entire Fargo-Moorhead region. The project is expected to be completed by the end of 2026.

Social

Social considerations are considered in the district's credit profile. The district's population has grown by about 16% since 2000, fueled by a tight and growing labor market. The population growth, paired with a relatively young median age, has resulted in a positive enrollment trend for the district.

Governance

North Dakota school districts have a strong ability to match revenues to expenditures. The state controls the bulk of school district revenue through a weighted per-pupil funding formula with some adjustments for school district needs. The state provides for regular, predictable increases in state aid. Districts can generate additional property taxes up to a cap, which can also be overridden with voter approval.

Rating methodology and scorecard factors

The [US K-12 Public School Districts Methodology](#) includes a scorecard that summarizes the rating factors generally most important to school district credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 4

Fargo Public School District 1, ND

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	91.0%	10.0%	A
Full value per capita (full valuation of the tax base / population)	133,937	10.0%	Aa
Enrollment trend (three-year CAGR in enrollment)	-1.0%	10.0%	A
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	17.3%	20.0%	A
Net cash ratio (net cash / operating revenue)	18.2%	10.0%	Aa
Institutional framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	204.8%	20.0%	Aa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	10.3%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
Assigned Rating			Aa2

The complete list of outstanding ratings assigned to the Fargo Public School District 1, ND is available on their [issuer page](#). Details on the current ESG scores assigned to the Fargo Public School District 1, ND are available on their [ESGView page](#).

Sources: US Census Bureau, Fargo Public School District 1, ND's financial statements and Moody's Ratings

Appendix

Exhibit 5

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Ratings
Financial performance		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
Leverage		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Ratings
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Ratings

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