



Scott Fitzpatrick

Missouri State Auditor

Pershall Road
Transportation Development District

Report No. 2024-057

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Pershall Road Transportation Development District

Background

The Pershall Road Transportation Development District (TDD) was formed in July 2003 for the purpose of improving Pershall Road including a new shoulder and widening of the road, improvements to a secondary access road, improvements related to vehicular access and traffic flow, and the accompanying grading, drainage, pavement, curb, gutter, sidewalk, storm water facilities, structures, signing, striping, lighting, traffic signals, landscaping, and other related infrastructure. The project was completed in July 2004, and the City of Ferguson and the Missouri Highways and Transportation Commission (MHTC) subsequently accepted ownership of the project. Project costs for the Pershall Road TDD totaled \$615,611.

The project was funded by a 1 cent (1 percent) sales tax on all taxable transactions within the boundaries of the district. The sales tax was effective January 2004.

In January 2005, the Pershall Road TDD financed the project through a revenue note for \$615,611, the total project cost. The note was issued to the district by Cracker Barrel Old Country Store, Inc., the district's property owner. In March 2023, Cracker Barrel Old Country Store, Inc. went out of business, leaving no remaining businesses within the district's boundary to generate sales tax. In November 2023, Cracker Barrel Old Country Store, Inc. canceled its note for the district. Prior to the note's cancellation, the district paid occasional interest, but zero principal. The Board repealed the district's sales tax on January 2024, effective after March 2024.

Based on the audit, the cash balance of the Pershall Road TDD as of December 31, 2023, was \$36,216. According to the district's administrator, after additional costs were paid out in 2024, the district's cash balance was \$11,159 as of July 31, 2024, and the district expects to incur costs related to the dissolution of the district of \$11,059 of legal fees and \$100 of banking fees. Any fees that are incurred above the remaining cash amount will be covered by the property owner directly. If the district has any cash remaining after satisfying its liabilities, it will distribute the excess cash between the City of Ferguson and the MHTC, as appropriate.

Financial Status

The audit of the Pershall Road Transportation Development District indicates the financial condition of the district is such that it may be abolished.

Because of the nature of this audit, no rating is provided.

Pershall Road Transportation Development District

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SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

John Hampton, Chairman
and
Board of Directors
Pershall Road Transportation Development District
Ferguson, Missouri

The State Auditor is required under Section 238.275, RSMo, to audit a transportation development district prior to the question of abolishment being submitted to a vote. On January 18, 2024, the Board of Directors of the Pershall Road Transportation Development District approved a resolution of its intent to dissolve the district and request an audit as required by statute. The State Auditor was subsequently notified of this resolution.

The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2023. The objectives of our audit were to evaluate the financial status of the district and determine whether it may be abolished pursuant to law.

Our methodology included reviewing minutes of meetings, financial records, and other pertinent documents; and interviewing various personnel of the district, as well as certain external parties. We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit determined the Board of Directors may proceed with abolishment of the district in accordance with Section 238.275, RSMo.

The accompanying Management Advisory Report presents our findings arising from our audit of the Pershall Road Transportation Development District.

Scott Fitzpatrick
State Auditor

Pershall Road Transportation Development District Management Advisory Report State Auditor's Findings

Financial Status

Our audit of the Pershall Road Transportation Development District (TDD) indicates the financial condition of the district is such that it may be abolished.

The Pershall Road TDD is located in St. Louis County, in the City of Ferguson. The district was organized in July 2003 by petition of the property owner/developer within the proposed TDD. The district consists of 1 property owner. There are 5 members of the Board of Directors: 3 representatives of the city and 2 vacancies formerly filled by the property owner. The district has a fiscal year end of December 31.

The Pershall Road TDD was formed for the purpose of improving Pershall Road including a new shoulder and widening of the road, improvements to a secondary access road, improvements related to vehicular access and traffic flow, and the accompanying grading, drainage, pavement, curb, gutter, sidewalk, storm water facilities, structures, signing, striping, lighting, traffic signals, landscaping, and other related infrastructure. The City of Ferguson is the public entity with jurisdiction over the local portion of the project and serves as the Local Transportation Authority. The Missouri Highways and Transportation Commission (MHTC) serves as the entity with jurisdiction over the state portion of the project. The project was completed in July 2004, and the City of Ferguson and MHTC subsequently accepted ownership of the project. Project costs for the Pershall Road TDD totaled \$615,611.

In January 2004 the Board of Directors passed a resolution formally approving the submission of the proposed sales tax rate to the qualified voters of the district and establishing a sales tax rate of 1 cent (1 percent) on all taxable transactions within the boundaries of the district. The sales tax was effective January 2004.

In January 2005, the Pershall Road TDD financed the project through a revenue note for \$615,611, the total project cost. The note was issued to the district by Cracker Barrel Old Country Store, Inc., the district's property owner. In March 2023, Cracker Barrel Old Country Store, Inc. went out of business, leaving no remaining businesses within the district's boundary to generate sales tax. In November 2023, Cracker Barrel Old Country Store, Inc. canceled its note for the district. Prior to the note's cancellation, the district paid occasional interest, but zero principal. The Board repealed the district's sales tax on January 2024, effective after March 2024. See the table below for district financial activity for the year ended December 31, 2023.

In January 2024, the Pershall Road TDD Board of Directors formalized its intent to dissolve the district, advised the State Auditor's Office (SAO) of this resolution, and requested the SAO proceed with all necessary actions as required pursuant to Section 238.275, RSMo. That statute requires the State Auditor to audit the district to determine its financial status, and determine whether it may be abolished pursuant to law. It also states the board shall not



Pershall Road Transportation Development District
Management Advisory Report - State Auditor's Findings

propose the question to abolish the district while there are outstanding claims or causes of action pending against it; if its liabilities exceed its assets; or while the district is insolvent, in receivership, or under the jurisdiction of a bankruptcy court.

The following table presents the financial activity and cash balances the year ended December 31, 2023.

	Year Ended December 31, 2023
RECEIPTS	
Sales Tax	\$ 11,182
Interest Income	1,975
Total Receipts	<u>13,157</u>
DISBURSEMENTS	
Legal Fees	2,955
Bank Fees	185
Trustee Fees	2,350
Administrative	9,245
Debt Service - Interest	2,130
Total Disbursements	<u>16,865</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,708)
BEGINNING CASH	<u>39,924</u>
ENDING CASH	<u>\$ 36,216</u>

Source: Compiled by the SAO using the district's bank statements and unaudited financial statement.

Based on our audit, the cash balance of the Pershall Road TDD as of December 31, 2023, was \$36,216. According to the district's administrator, after additional costs were paid out in 2024, the district's cash balance was \$11,159 as of July 31, 2024, and the district expects to incur costs related to the dissolution of the district of \$11,059 in legal fees and \$100 in banking fees. Any fees that are incurred above the remaining cash amount will be covered by the property owner directly. If the district has any cash remaining after satisfying its liabilities, it will distribute the excess cash between the City of Ferguson and the MHTC, as appropriate.

Based on our audit, the Board of Directors may proceed with the abolishment of the district in accordance with Section 238.275, RSMo.