

CITY OF THREE WAY, TENNESSEE
FINANCIAL STATEMENTS
JUNE 30, 2025

**CITY OF THREE WAY, TENNESSEE
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JUNE 30, 2025**

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CITY OF THREE WAY, TENNESSEE
SCHEDULE OF ELECTED AND MANAGEMENT OFFICIALS (UNAUDITED)
JUNE 30, 2025

David Turner, Mayor

Danny Wade, Vice-Mayor and Alderman

Franca Young, Alderman

Susan Rogers, City Recorder, CMFO (Financial Oversight Designee)



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Aldermen City of Three Way, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the City of Three Way, Tennessee, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Three Way, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Three Way, Tennessee, as of June 30, 2025, and the respective changes in financial position, and the respective budgetary comparison for the General, State Street Aid, and ARPA Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards) (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Three Way, Tennessee and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Three Way, Tennessee's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

64 Ly oak Cv Jackson, TN 38305 (731)668-1806 Fax (731)664-5616

1205 East Wood St, Ste Paris, TN 38242 (731)642-1755 Fax (731)644-0413

304 Broadway St Martin, TN 38237 (731)587-4221 Fax (731)587-9474

11 N. Court Square Brownsville, TN 38012 (731)772-2273 Fax (731)772-2275

427 Troy Ave Dyersburg, TN 38025 (731)286-6080 Fax (731)285-8975

1129 S Main St Milan, TN 38358 (731) 686-0181 Fax (731) 664-5616

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Three Way, Tennessee's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Three Way, Tennessee's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the general, state street aid, and ARPA fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Three Way, Tennessee's basic financial statements. The schedule of changes in property taxes receivable, schedule of uncollected delinquent property taxes, schedule of property tax rates and assessments, schedule of changes in long-term debt by individual issue, schedule of long-term debt principal and interest requirements by individual issue, and schedule of expenditures of federal awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, schedule of changes in property taxes receivable, schedule of uncollected delinquent property taxes, schedule of property tax rates and assessments, schedule of changes in long-term debt by individual issue, schedule of long-term debt principal and interest requirements by individual issue, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises schedule of elected and management officials – unaudited but does not include the basic financial

statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2025, on our consideration of the City of Three Way, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Three Way, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Three Way, Tennessee's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "CRS CPAs". The letters are stylized and cursive, with the "C" and "R" in "CRS" being particularly prominent and connected.

CRS CPAs, P.C.

Jackson, Tennessee
December 29, 2025

**CITY OF THREE WAY, TENNESSEE
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

This section of the City of Three Way, Tennessee’s (the “City”) financial report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. Please read it in conjunction with the City’s financial statements, which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Three Way’s basic financial statements. The City’s basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information in addition to the basic financial statements.

Government-Wide Financial Statements. The Statement of Net Position and the Statement of Activities provide a broad overview of the City’s overall financial status. Over time, increases or decreases in the City’s Net Position are one indicator of whether its financial health is improving or deteriorating. Non-financial factors also need to be considered to assess the overall health of the City. Government-wide financial statements divide the City into two kinds of activities:

Governmental activities – The City’s basic services are included here. These activities are generally financed through taxes, charges for services, and state and federal grants / contributions.

Component units – No component units for the City were identified.

Fund Financial Statements. Fund financial statements focus on the individual parts of the City, reporting the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant “major” funds. Funds are accounting devices used to keep track of specific sources of funding and spending for particular purposes.

The governmental fund statements tell how general governmental activities were financed in the short term as well as what remains for future spending.

Fiduciary fund statements provide information about financial relationships in which the City acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not included on the government-wide statements.

Notes to the Financial Statements. The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide essential information necessary for fair presentation of the financial statements.

Supplementary Information. This management’s discussion and analysis represents financial information which provides the users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes.

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**CITY OF THREE WAY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Financial Analysis of the City as a Whole

Net Position. Net Position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$5,129,461 at the close of the most recent fiscal year. The largest single portion of the City's Net Position reflects its investment in capital assets (land, buildings, equipment, etc) less any related debt used to acquire those assets. Because capital assets are used to provide services, the assets are not available for future spending. At the end of the fiscal year, the City of Three Way is able to report a positive net position.

	Governmental Activities	
	<u>2025</u>	<u>2024</u>
Current & Other Assets	\$ 2,641,088	\$ 2,902,333
Capital Assets	4,046,737	4,035,574
Total Assets	<u>\$ 6,687,825</u>	<u>\$ 6,937,907</u>
Other Liabilities	\$ 88,537	\$ 223,667
Total Liabilities	<u>88,537</u>	<u>223,667</u>
Noncurrent Liabilities	1,173,000	1,247,000
Total Noncurrent Liabilities	<u>1,173,000</u>	<u>1,247,000</u>
Deferred Inflows of Revenues	296,827	313,038
Total Deferred Inflows of Revenues	<u>296,827</u>	<u>313,038</u>
Net Position:		
Net Investment in Capital Assets	2,802,737	2,722,574
Restricted for State Street Aid	43,949	118,158
Unrestricted	2,282,775	2,313,470
Total Net Position	<u>5,129,461</u>	<u>5,154,202</u>
Total Liabilities and Net Position	<u>\$ 6,687,825</u>	<u>\$ 6,937,907</u>

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**CITY OF THREE WAY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Governmental Activities. Receipts for the City's governmental activities increased by 10.4% mainly due to the increase in tax and grant revenues. Expenditures increased 55.0% primarily due to an increase in highway and street and public works expenses.

	Governmental Activities	
	2025	2024
Revenues		
Taxes	\$ 1,013,983	\$ 967,950
Interest	11,992	23,824
Intergovernmental Revenues	-	69,426
Grant Revenue	154,486	-
Gain on Sale of Capital Assets	19,500	24,270
Miscellaneous	9,985	10,223
Total Revenues	1,209,946	1,095,693
Expenses		
General Government	559,463	543,540
Public Works	353,243	47,167
Parks and Recreation	175,581	149,060
Highway and Street	146,400	56,604
Total Expenses	1,234,687	796,371
Increase (Decrease) In Net Position	(24,741)	299,322
Net Position at Beginning of	5,154,202	4,854,880
Net Position at End of Year	\$5,129,461	\$5,154,202

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of the City decreased by about 4.3%, mainly due to the increase in highway and street and public works expenses during the fiscal year.

General Fund Budgetary Highlights

Expenditures did not exceed appropriations in any of the funds for fiscal year 2025.

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**CITY OF THREE WAY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Capital Asset and Debt Administration

Capital Assets. At the end of this year, the City had \$ 4,046,737 (net of accumulated depreciation) invested in capital assets. This investment includes land, building, equipment, furniture and fixtures, land improvements and infrastructure. The table below shows the investment in capital assets.

	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
Governmental Activities				
Nondepreciable Assets				
Land	\$ 705,973	\$ -	\$ -	\$ 705,973
Total Nondepreciable Assets	<u>705,973</u>	<u>-</u>	<u>-</u>	<u>705,973</u>
Depreciable Assets				
Infrastructure (Includes Street)	1,334,861	-	-	1,334,861
Land Improvements	33,130	-	-	33,130
Furniture & Fixtures	40,101	-	-	40,101
Equipment	773,375	195,017	140,713	827,679
Buildings	3,035,996	-	-	3,035,996
Total Depreciable Assets	<u>5,217,463</u>	<u>195,017</u>	<u>140,713</u>	<u>5,271,767</u>
Less Accumulated Depreciation				
Infrastructure (Includes Street)	528,360	36,375	-	564,735
Land Improvements	5,154	2,209	-	7,363
Furniture & Fixtures	39,024	860	-	39,884
Equipment	477,200	55,754	140,713	392,241
Buildings	838,124	88,656	-	926,780
Total Accumulated Depreciation	<u>1,887,862</u>	<u>183,854</u>	<u>140,713</u>	<u>1,931,003</u>
Governmental Activities Capital Assets, Net	<u>\$4,035,574</u>	<u>\$ 11,163</u>	<u>\$ -</u>	<u>\$4,046,737</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 175,171
Street Aid	8,683
Total	<u>\$ 183,854</u>

Economic Factors and Next Year's Budgets and Rates

No conditions were noted that would be expected to have a significant effect on the financial position or results of operations of the City.

The annual financial report is designed to provide a general overview of the City's finances for all those with an interest in its finances. Questions concerning any information provided in this report or requests for additional information should be addressed to David Turner, Mayor, 174 Three Way Lane, Three Way, TN 38343, phone number (731) 784-7782.

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CITY OF THREE WAY, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government Governmental Activities
Assets	
Current Assets	
Cash	\$ 2,231,590
Cash -Restricted	37,824
Accounts Receivable	60,509
Accounts Receivable - Restricted	6,125
Property Taxes Receivable, net	304,080
Unexpired Insurance	960
Total Current Assets	2,641,088
Capital Assets	
Nondepreciable Assets	
Land	705,973
Depreciable Assets	
Infrastructure	1,334,861
Land Improvements	33,130
Equipment & Vehicles	827,679
Building	3,035,996
Furniture & Fixtures	40,101
Accumulated Depreciation	(1,931,003)
Total Capital Assets	4,046,737
Total Assets	\$ 6,687,825
Liabilities	
Current Liabilities	
Accounts Payable	\$ 17,154
Payroll Taxes Payable	383
Current Portion - Bonds Payable	71,000
Total Current Liabilities	88,537
Noncurrent Liabilities	
Bonds Payable	1,173,000
Total Noncurrent Liabilities	1,173,000
Deferred Inflows of Resources	
Unearned Property Taxes	296,827
Total Deferred Inflows of Resources	296,827
Net Position	
Restricted for State Street Aid	43,949
Net Investment in Capital Assets	2,802,737
Unrestricted	2,282,775
Total Net Position	5,129,461
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 6,687,825

The notes to the financial statements are an integral part of these financial statements

**CITY OF THREE WAY, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

		<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Functions and Programs		<u>Operating Grants & Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government	<u>Expenses</u>		
Governmental Activities			
General Government	\$ 559,463	\$ -	\$ (559,463)
Public Works	353,243	-	(353,243)
Parks & Recreation	175,581	-	(175,581)
Highways & Streets	146,400	-	(146,400)
ARPA	-	154,486	154,486
Total Governmental Activities	<u>\$ 1,234,687</u>	<u>\$ 154,486</u>	<u>(1,080,201)</u>
General Revenues			
Property Taxes			338,203
Sales Tax			465,759
Business Taxes			86,878
Alcoholic Beverage Taxes			27,503
State Street Aid Tax			63,213
TVA-In Lieu of Tax			22,803
Corporate Excise Tax			5,411
Interest			11,992
Sportsbetting Taxes			4,213
Parks & Recreation Charges			4,880
Miscellaneous			5,105
Gain on Sale of Capital Assets			19,500
Total General Revenues			<u>1,055,460</u>
Change in Net Position			(24,741)
Net Position - Beginning of Year			<u>5,154,202</u>
Net Position - End of Year			<u>\$ 5,129,461</u>

The notes to the financial statements are an integral part of these financial statements

CITY OF THREE WAY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS WITH A RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2025

	<u>Major Funds</u>			<u>Totals</u>
	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>ARPA Fund</u>	
Assets				
Cash	\$ 2,231,590	\$ -	\$ -	\$ 2,231,590
Cash - Restricted	-	37,824	-	37,824
Accounts Receivable	60,509	-	-	60,509
Accounts Receivable - Restricted	-	6,125	-	6,125
Property Taxes Receivable, net	304,080	-	-	304,080
Prepaid Insurance	960	-	-	960
Total Assets	<u>\$ 2,597,139</u>	<u>\$ 43,949</u>	<u>\$ -</u>	<u>\$ 2,641,088</u>
Liabilities, Deferred Inflows of Resources & Fund Balances				
Liabilities				
Accounts Payable	\$ 17,154	\$ -	\$ -	17,154
Payroll Taxes Payable	383	-	-	383
Total Liabilities	<u>17,537</u>	<u>-</u>	<u>-</u>	<u>17,537</u>
Deferred Inflows of Resources				
Unearned Property Taxes	296,827	-	-	296,827
Total Deferred Inflows of Resources	<u>296,827</u>	<u>-</u>	<u>-</u>	<u>296,827</u>
Fund Balance				
Nonspendable	960	-	-	960
Restricted	-	43,949	-	43,949
Unassigned	2,281,815	-	-	2,281,815
Total Fund Balance	<u>2,282,775</u>	<u>43,949</u>	<u>-</u>	<u>2,326,724</u>
Total Liabilities, Deferred Inflows of Resources & Fund Balance	<u>\$ 2,597,139</u>	<u>\$ 43,949</u>	<u>\$ -</u>	<u>\$ 2,641,088</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds. The amount shown is total capital assets of \$5,977,740 less accumulated depreciation of \$(1,931,003).				4,046,737
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds.				(1,244,000)
Net Position of Governmental Activities				<u>\$ 5,129,461</u>

CITY OF THREE WAY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	State Street Aid	ARPA Fund	Total Governmental Funds
Revenues				
Taxes				
Property Taxes	\$ 338,203	\$ -	\$ -	\$ 338,203
Sales Tax	465,759	-	-	465,759
Business Taxes	86,878	-	-	86,878
Sports Betting Tax	4,213	-	-	4,213
Alcoholic Beverage Taxes	27,503	-	-	27,503
TVA-in Lieu of Tax	22,803	-	-	22,803
Corporate Excise Tax	5,411	-	-	5,411
Gasoline & Motor Fuel Taxes	-	28,054	-	28,054
Petroleum Special	-	3,437	-	3,437
Gas 3 Cent Tax	-	9,651	-	9,651
Gas 1989 Tax	-	5,210	-	5,210
Gas 2017 Tax	-	16,861	-	16,861
Interest	11,697	295	-	11,992
Park & Recreation Charges	4,880	-	-	4,880
Miscellaneous	5,105	-	-	5,105
Total Revenues	972,452	63,508	-	1,035,960
Expenditures				
General Government	334,900	-	-	334,900
City Hall Buildings & Grounds	13,880	-	-	13,880
Highways & Streets	-	137,717	-	137,717
Public Works	353,243	-	-	353,243
Community Building	1,374	-	-	1,374
Parks & Recreation	175,585	-	-	175,585
Capital Outlay	21,027	-	154,486	175,513
Principal Payments	69,000	-	-	69,000
Interest Charges	34,138	-	-	34,138
Total Expenditures	1,003,147	137,717	154,486	1,295,350
Excess of Revenues Over (Under) Expenditures	(30,695)	(74,209)	(154,486)	(259,390)
Other Financing Sources (Uses):				
Grant Revenue	-	-	154,486	154,486
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(30,695)	(74,209)	-	(104,904)
Fund Balance-Beginning	2,313,470	118,158	-	2,431,628
Fund Balance-Ending	<u>\$ 2,282,775</u>	<u>\$ 43,949</u>	<u>\$ -</u>	<u>\$ 2,326,724</u>

The notes to the financial statements are an integral part of these financial statements

CITY OF THREE WAY, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (104,904)
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Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

	11,163
Capital Asset Additions	\$ 11,163
Less: Disposal of Capital Assets	-
	11,163

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal and interest of long-term debt consumes the current financial resources of governmental funds. Only the repayment of interest has an affect on net assets.

Bond Payments	69,000
	69,000

Total changes in net position of governmental activities	\$ (24,741)
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CITY OF THREE WAY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Budget Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Property Tax				
Current	\$ 310,000	\$ 310,000	\$ 330,844	\$ 20,844
Prior Years	6,800	6,800	6,007	(793)
Interest & Penalties	1,475	1,475	1,352	(123)
Local Sales Tax	230,000	230,000	227,839	(2,161)
Wholesale Beer Tax	24,700	24,700	26,713	2,013
Business Tax	100,000	100,000	86,878	(13,122)
Sportsbetting Tax	5,000	5,000.00	4,213	(787)
Transportation Modernization	900	900	868	(32)
Total Taxes	<u>678,875</u>	<u>678,875</u>	<u>684,714</u>	<u>5,839</u>
Licenses				
Beer License	300	300	790	490
Total Licenses	<u>300</u>	<u>300</u>	<u>790</u>	<u>490</u>
Intergovernmental				
State Sales Tax	213,000	213,000	236,855	23,855
Telecommunications Tax	-	-	197	197
TVA-Payments in Lieu of Taxes	15,500	15,500	22,803	7,303
Corporate Excise Tax	4,700	4,700	5,411	711
Total Intergovernmental Revenues	<u>233,200</u>	<u>233,200</u>	<u>265,266</u>	<u>32,066</u>
Other Revenues				
Interest Earned	24,000	24,000	11,697	(12,303)
Park & Recreation Charges	5,000	5,000	4,880	(120)
Miscellaneous	10,200	10,200	5,105	(5,095)
Total Other Revenues	<u>39,200</u>	<u>39,200</u>	<u>21,682</u>	<u>(17,518)</u>
TOTAL GENERAL FUND REVENUES	<u>951,575</u>	<u>951,575</u>	<u>972,452</u>	<u>20,877</u>
EXPENDITURES				
General Government				
Salaries				
Mayor	45,000	45,000	45,000	-
Elected Officials	7,200	7,200	7,200	-
City Recorder	42,732	42,732	41,488	1,244
Payroll Taxes				
Mayor	3,443	3,443	3,443	-
Elected Officials	551	551	531	20
City Recorder	3,430	3,430	3,268	162
Health Insurance				
City Recorder	2,940	2,940	1,225	1,715
Postage	400	400	224	176
Publications & Legal Notices	3,500	3,500	1,985	1,515
Dues & Subscriptions	2,000	2,000	1,368	632

The accompanying notes are an integral part of these financial statements.

CITY OF THREE WAY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Budget Favorable (Unfavorable)</u>
EXPENDITURES (continued)				
General Government (continued)				
Telephone	\$ 5,000	\$ 5,000	\$ 5,387	\$ (387)
Legal Services	15,000	15,000	7,958	7,042
Auditing	9,900	9,900	11,350	(1,450)
Data Processing Services	21,000	21,000	34,603	(13,603)
Planning & Zoning	2,500	2,500	2,000	500
Travel	-	-	-	-
General	15,000	15,000	7,163	7,837
Landfill Services	5,500	5,500	4,853	647
Supplies	1,000	1,000	-	1,000
Office Supplies	-	-	-	-
General	2,500	2,500	1,267	1,233
Food	500	500	322	178
Repairs & Maintenance	500	500	-	500
Insurance	42,000	42,000	43,523	(1,523)
Trustees Fees - Property Taxes	11,000	11,000	8,842	2,158
Miscellaneous	3,250	3,250	1,900	1,350
Contractual Services - Sheriff's Office	100,000	100,000	100,000	-
Capital Outlay	45,000	45,000	21,027	23,973
Total General Government	<u>390,846</u>	<u>390,846</u>	<u>355,927</u>	<u>34,919</u>
City Hall Buildings & Grounds				
Utilities	4,500	4,500	4,266	234
Repair & Maintenance	5,000	5,000	1,923	3,077
Household & Janitorial	500	500	88	412
Office Supplies	10,000	10,000	7,603	2,397
Capital Outlay	5,000	5,000	-	5,000
Total City Hall Buildings & Grounds	<u>25,000</u>	<u>25,000</u>	<u>13,880</u>	<u>11,120</u>
Public Works				
Salaries	25,346	25,346	26,873	(1,527)
Payroll Taxes	2,157	2,157	2,147	10
Health Insurance	2,856	2,856	1,295	1,561
Utilities	7,000	7,000	6,713	287
Operating Supplies	10,000	10,000	7,597	2,403
Repairs & Maintenance	318,200	318,200	308,618	9,582
Total Public Works	<u>365,559</u>	<u>365,559</u>	<u>353,243</u>	<u>12,316</u>
Community Building				
Utilities	1,000	1,000	1,374	(374)
Repairs & Maintenance	15,891	15,891	-	15,891
Total Community Building	<u>16,891</u>	<u>16,891</u>	<u>1,374</u>	<u>15,517</u>
Parks & Recreation				
Salaries	68,308	68,308	69,139	(831)
Health Insurance	5,544	5,544	2,079	3,465
Payroll Taxes	5,651	5,651	5,433	218
Utilities	6,500	6,500	5,340	1,160
Repairs & Maintenance - Lights	35,000	35,000	13,822	21,178
Repairs & Maintenance - Buildings	12,000	12,000	3,365	8,635
Repairs & Maintenance - Other Equipment	2,000	2,000	599.00	1,401
Operating Supplies	8,000	8,000	5,000	3,000
Household & Janitorial	2,000	2,000	2,013	(13)
Gas, Oil, & Diesel	1,000	1,000	-	1,000
Machinery & Equipment	1,200	1,200	2,257	(1,057)
Playground	1,000,000	1,000,000	66,538	933,462
Total Parks & Recreation	<u>1,147,203</u>	<u>1,147,203</u>	<u>175,585</u>	<u>971,618</u>

The accompanying notes are an integral part of these financial statements.

CITY OF THREE WAY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Budget Favorable (Unfavorable)</u>
EXPENDITURES (continued)				
Debt Service				
Principal Payments	\$ 69,000	\$ 69,000	\$ 69,000	\$ -
Interest	34,138	34,138	34,138	-
Total Debt Service	<u>103,138</u>	<u>103,138</u>	<u>103,138</u>	<u>-</u>
 TOTAL GENERAL FUND EXPENDITURES	 <u>2,048,637</u>	 <u>2,048,637</u>	 <u>1,003,147</u>	 <u>1,045,490</u>
 Excess (Deficiency) of Revenue	 <u>\$ (1,097,062)</u>	 <u>\$ (1,097,062)</u>	 <u>(30,695)</u>	 <u>\$ 1,066,367</u>
 Fund Balance, Beginning of the Year			 <u>2,313,470</u>	
 Fund Balance, End of the Year			 <u>\$ 2,282,775</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF THREE WAY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STATE STREET AID FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Budget Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
Gasoline & Motor Fuel taxes	\$ -	\$ 65,000	\$ 28,054	\$ (36,946)
Petroleum Special	-	-	3,437	3,437
Gas 3 Cent Tax	-	-	9,651	9,651
Gas 1989 Taxes	-	-	5,210	5,210
Gas 2017	-	-	16,861	16,861
Interest	-	1,000	295	(705)
TOTAL REVENUES	<u>-</u>	<u>66,000</u>	<u>63,508</u>	<u>(2,492)</u>
EXPENDITURES				
Utility Services	44,000	44,000	41,495	2,505
Repairs & Maintenance	90,000	90,000	90,000	-
Gas, Oil, Diesel Fuel	7,000	7,000	6,194	806
Vehicle Parts	500	500	28	472
TOTAL EXPENDITURES	<u>141,500</u>	<u>141,500</u>	<u>137,717</u>	<u>3,783</u>
Excess (Deficiency) of Revenues	<u>\$ (141,500)</u>	<u>\$ (75,500)</u>	(74,209)	<u>\$ 1,291</u>
Fund Balance, Beginning of the Year			<u>118,158</u>	
Fund Balance, End of the Year			<u>\$ 43,949</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF THREE WAY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ARPA FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Budget Favorable (Unfavorable)</u>
REVENUES				
ARPA Funding	\$ -	\$ -	\$ 154,486	\$ 154,486
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>154,486</u>	<u>154,486</u>
EXPENDITURES				
Capital Outlay	154,486	154,486	154,486	-
TOTAL EXPENDITURES	<u>154,486</u>	<u>154,486</u>	<u>154,486</u>	<u>-</u>
Excess (Deficiency) of Revenues	<u>\$ (154,486)</u>	<u>\$ (154,486)</u>	-	<u>\$ 154,486</u>
Fund Balance, Beginning of the Year			<u>-</u>	
Fund Balance, End of the Year			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF THREE WAY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Three Way (the "City"), located in Madison County in West Tennessee, is a municipality operating under the City Mayor-Board of Aldermen form of government authorized in Tennessee statute. Two Aldermen and the Mayor are elected. All are elected on an "at-large" basis. The City's principal sources of revenue are various sales taxes collected at the state and county level and allocated back to the City. Madison County assesses and collects property taxes on behalf of the City.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

A. Reporting Entity:

The basic criterion for determining the financial reporting entity is whether one governmental unit can control another through the exercise of oversight responsibility. If control exists, the latter unit should be combined with the former as a financial reporting entity.

The organization, functions, and activities which are included in the financial statements of the City meet the criteria for defining the reporting entity of a governmental unit as set forth by the Governmental Accounting Standards Board. The City is a stand-alone unit. For financial reporting purposes, the City is not a component unit of another government, nor are there any subordinate component units to the City.

B. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statements of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City had no business-type activities.

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

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CITY OF THREE WAY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

C. Basis of Presentation:

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures / expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The GASB Statement No. 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures / expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements and detailed in the combining section. As of June 30, 2025, all of the City's funds were major funds.

The City reports the following major funds:

Governmental Funds - Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. The operating statements present sources and uses of available resources during a given period.

General Fund – The general fund is the general operating fund of the City. It is used to account for all financial resources to the general operations of city government that are not properly accounted for in another fund. Revenues are derived primarily from taxes and intergovernmental revenues.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The City has two special revenue funds as described below:

Street Aid Fund - A special revenue fund used to account for and report on funds provided to the City, in part, from state gas and motor fuel tax and which is restricted to certain improvements, operational purposes and payment of principal and interest on bonds pertaining to City streets. Other support is provided via transfer from the general fund.

ARPA Fund - A special revenue fund used to account for and report on funds provided to the City, from the federal government of the state and local fiscal recovery funds as part of the American Rescue Plan Act.

Noncurrent Governmental Assets/Liabilities - GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide statement of net position.

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CITY OF THREE WAY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

D. Basis of Accounting:

The government-wide financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded as a liability as incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Accrual - Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual - All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be thirty days.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses, and the recipient should recognize receivables and revenue, when the applicable eligibility requirements, including time requirements, are met. The recipient should, under most circumstances, report resources transmitted before the eligibility requirements are met as advances by the provider and as deferred revenue.

E. Assets, Liabilities, and Fund Balance:

1. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks, interest-bearing deposits at various financial institutions, and short-term investments with an original maturity of three months or less.

2. Investments

Investments are stated at fair value, except for interest-earning investment contracts that have a remaining maturity of one year or less at the time of purchase. Any change in the value of investments recorded at fair value is included in investment income. Fair value is based on quoted market prices.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CITY OF THREE WAY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

E. Assets, Liabilities, and Fund Balance (continued):

4. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at their estimated fair market value on the date contributed. Capital assets include public domain infrastructure assets consisting of roads, bridges, streets and sidewalks, sewers, lighting systems, and drainage systems. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (\$25,000 for infrastructure) and an estimated useful life of three years or greater. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

<u>Useful Life</u>	
Buildings	5 – 30 years
Vehicles and machinery	5 – 25 years
Improvements other than buildings	15 years
Sewer system	40 years
Storm water system	50 years
Telecommunications	5 – 40 years
Public domain infrastructure	10 – 50 years

Interest cost incurred before the end of a construction period is recognized as an expense in the period in which it is incurred.

5. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred property taxes that qualify for reporting in this category as of June 30, 2025.

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CITY OF THREE WAY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

F. Revenues, Expenditures and Expenses:

Substantially all governmental fund revenues are accrued. Expenditures are recognized when the related fund liability is incurred, except for the following instances permitted by generally accepted accounting principles:

- General obligation long-term debt principal and interest are reported only when due.

1. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds to provide services, construct assets, and service debt. These transactions are generally reflected as transfers, except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. Such transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund. Transactions that would be treated as revenues or expenditures if the involved organizations were external to the City are treated as revenues in the receiving fund and expenditures in the disbursing fund. Transfers within governmental activities and within business-type activities are eliminated upon consolidation. Amounts owed to one fund or component unit by another are reported as due to/due from other funds or component units. Amounts reported in the fund financial statements as due to/due from other funds are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

2. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Fund Balances:

For the fiscal year ending June 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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CITY OF THREE WAY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

G. Fund Balances (continued):

- Nonspendable fund balance— amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance— amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance— amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority, the Board of Aldermen. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- Assigned fund balance— amounts the City intends to use for a specific purpose. Intent can be expressed by the Board of Aldermen or by an official or body to which the Board delegates the authority.
- Unassigned fund balance— amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board or its designee, the Mayor, establishes (and modifies or rescinds) fund balance commitments by passage of a resolution or ordinance. Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The details of the fund balances are included in the governmental funds balance sheet as listed in the table of contents. Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the Board or the assignment has been changed by the Mayor. Decreases to fund balance first reduce restricted funds; then committed funds; then assigned funds and finally unassigned funds.

H. Impact of Recently Issued Accounting Pronouncements:

Effective for the fiscal year ended June 30, 2025, the GASB issued Statement No. 102– Certain Risk Disclosures. This standard requires disclosure of vulnerabilities arising from concentrations or constraints that could have a substantial impact on the City’s ability to provide services or meet its obligations. As of June 30, 2025, management has evaluated the City’s operations and determined that there are no concentrations or constraints that meet the criteria for disclosure under GASB 102. The adoption of GASB 102 did not result in any adjustments to the amounts reported in the financial statements for the year ended June 30, 2025, but did result in the additional disclosures presented herein.

Effective for the fiscal year ended June 30, 2025, the GASB issued Statement No. 103- Financial Reporting Model Improvements. GASB 103 requires the separate display of unusual or infrequent items in the financial statements, enhancing the clarity and usefulness of reported financial information. The adoption of this standard did not result in a restatement of prior period amounts but did result in the separate presentation of unusual or infrequent items in the current year’s financial statements, as required by the new guidance. Management has evaluated the impact of this standard and determined that it improves the transparency of the financial reporting. Comparative information for the prior periods has not been restated, consistent with the transition provisions of GASB 103.

CITY OF THREE WAY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - CASH AND DEPOSITS

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. A summary of cash balances is as follows:

Unrestricted	\$2,231,590
Restricted	<u>37,824</u>
Total	<u>\$2,269,414</u>

State of Tennessee law authorizes the City to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 per depositor per financial institution are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105% of the uninsured amount of the deposits.

All cash balances at June 30, 2025, were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

NOTE 3 - BUDGETS

An annual budget is prepared on a basis consistent with generally accepted accounting principles by the City Recorder and submitted to the Board of Aldermen. The budget is subjected to public notice as required by the City charter and Tennessee statute. An appropriations ordinance is adopted before the first day of the fiscal year. Once approved, the Board of Aldermen may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditure.

NOTE 4 - PENSION PLAN OBLIGATIONS

All of the City's employees are "full time" employees, with exception of one employee. During the fiscal year June 30, 2018, the City adopted resolutions to allow employees to participate in a 457 (b) and a 401(k) plan. The City does not pay any matching in either of these plans. At June 30, 2025, no employees participated in the plans.

NOTE 5 - COMPENSATED ABSENCES

Vacation benefits are offered to full time employees. Upon termination or separation, employees are paid for any unused vacation time, but are not eligible to receive payment for accrued sick benefits. At June 30, 2025, the accrual for unused vacation time was deemed immaterial

NOTE 6 - RISK MANAGEMENT ACTIVITIES

The City participates in the Tennessee Municipal League (TML) Risk Management Pool. This participation has effectively transferred risk to the pool. Coverage includes property, general liability, employee dishonesty, and workmen's compensation. The City does not own or operate over-the-road vehicles. The City is subject to additional assessments as a member of the pool, but such assessments have never been levied on the City and are not expected. There are no claims or judgments pending. There have been no settlements in excess of coverage in any of the past three fiscal years.

**CITY OF THREE WAY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 7 - ACCOUNTS RECEIVABLE

There is a property tax currently levied by the City. The property taxes are collected by the Trustee of Madison County, Tennessee and remitted, less fees, to the City. The lien date for the taxes is annually on January 1 on property values assessed as of the same date. The tax levy is billed on October 1 and becomes delinquent March 1 of the year following. The delay in billing results in deferred revenue.

Deferred revenue for June 30, 2025, is as follows:

2025 Tax Roll (deferred revenue)	\$ 313,274
Total Deferred Revenue	<u>\$ 313,274</u>

All property tax receivables are shown net of an allowance for uncollectible. Due to limited collection experience, the property tax receivable allowance is estimated by management to be 3% of total property taxes assessed at June 30, 2025. All delinquent balances are also considered to be uncollectible. Allowance for uncollectible accounts are as follows:

3% of 2025 Taxes	\$ 9,194
2024 Tax Roll - Unpaid	7,708
2023 Tax Roll - Unpaid	<u>1,796</u>
Total	<u>\$ 18,698</u>

Total general fund receivables include:

Receivables- Madison County Trustee- Prop. Taxes (Delinquent)	\$ 9,504
Receivables- Deferred Revenue- Property Taxes	<u>313,274</u>
Total Receivables	322,778
Allowance for Uncollectible Accounts Receivable	<u>(18,698)</u>
Total General Fund Receivables (Net of Allowance)	<u>\$304,080</u>

Property taxes are recorded as receivables and revenue at the time of the levy. The unpaid and delinquent taxes at fiscal year-end were \$322,778.

The City's total accounts receivables for the year ended June 30, 2025, were as follows:

	Governmental Funds		
	General	Street Aid	Total
Primary Government			
Property Taxes	\$ 322,778	\$ -	\$322,778
Other Taxes Receivable	<u>60,509</u>	<u>6,125</u>	<u>66,634</u>
Gross Receivables	383,287	6,125	389,412
Less: Allowance for Uncollectibles	<u>(18,698)</u>	<u>-</u>	<u>(18,698)</u>
Net Total Receivables	<u>\$ 364,589</u>	<u>\$ 6,125</u>	<u>\$370,714</u>

NOTE 8 - CAPITAL ASSETS

Capital assets are recorded at cost, estimated cost, or fair value at date of acquisition if actual cost cannot be determined. The values reported include a portion (about 10%) which is based upon estimates by City officials relying upon their personal involvement and firsthand knowledge of the transactions and the costs of acquisitions before records were maintained for capital assets aside from construction in progress which is expensed. The City expenses interest costs incurred as a part of the cost of capital assets.

**CITY OF THREE WAY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 - CAPITAL ASSETS (continued)

	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
Governmental Activities				
Nondepreciable Assets				
Land	\$ 705,973	\$ -	\$ -	\$ 705,973
Total Nondepreciable Assets	<u>705,973</u>	<u>-</u>	<u>-</u>	<u>705,973</u>
Depreciable Assets				
Infrastructure (Includes Street)	1,334,861	-	-	1,334,861
Land Improvements	33,130	-	-	33,130
Furniture & Fixtures	40,101	-	-	40,101
Equipment	773,375	195,017	140,713	827,679
Buildings	3,035,996	-	-	3,035,996
Total Depreciable Assets	<u>5,217,463</u>	<u>195,017</u>	<u>140,713</u>	<u>5,271,767</u>
Less Accumulated Depreciation				
Infrastructure (Includes Street)	528,360	36,375	-	564,735
Land Improvements	5,154	2,209	-	7,363
Furniture & Fixtures	39,024	860	-	39,884
Equipment	477,200	55,754	140,713	392,241
Buildings	838,124	88,656	-	926,780
Total Accumulated Depreciation	<u>1,887,862</u>	<u>183,854</u>	<u>140,713</u>	<u>1,931,003</u>
Governmental Activities Capital Assets, Net	<u>\$4,035,574</u>	<u>\$ 11,163</u>	<u>\$ -</u>	<u>\$4,046,737</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 175,171
Street Aid	8,683
Total	<u>\$ 183,854</u>

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**CITY OF THREE WAY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 - BONDS PAYABLE

The City issued a general obligation bond in March 2017 to provide funds for the acquisition and construction of a new city hall for the City, street and road improvements, the acquisition of equipment for the City, the acquisition of all property real and personal appurtenant thereto connected with such work, to pay all legal, fiscal, administrative, and engineering costs incident thereto, and reimbursement for expenditures related to the foregoing project.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds outstanding were issued for original terms of up to twenty-five years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Interest payments are due semiannually on the first day of March and September of each year and principal payments are due annually in March. Interest is set at a fixed rate of 2.6% annually, for up to \$2,000,000. At June 30, 2025, the balance of the bond was \$1,244,000.

A summary of changes in bonds payable for the year ended June 30, 2025, is as follows:

	Balance 7/1/2024	Additions	Paid and/or Matured	Balance 6/30/2025
Local Government Loan Program Bond, Series 2017	\$ 1,313,000	\$ -	\$ 69,000	\$ 1,244,000

A summary of estimated annual debt service requirements for the City is shown below:

June 30,	Principal	Interest	Total
2026	\$ 71,000	\$ 31,421	\$ 102,421
2027	73,000	29,549	102,549
2028	75,000	27,625	102,625
2029	77,000	25,649	102,649
2030	79,000	23,621	102,621
2031-2035	425,000	85,865	510,865
2036-2040	444,000	27,482	471,482
Total	\$ 1,244,000	\$ 251,212	\$ 1,495,212

NOTE 10 - RESTRICTED AND UNRESTRICTED RESOURCES

Restricted assets include cash in banks and receivables which are restricted because their use is limited by laws, grant agreements, or covenants with respect to bond issues. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted first, then unrestricted resources as they are needed.

NOTE 11 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 29, 2025, the date which the financial statements were available to be issued, and has concluded that there are no significant subsequent events requiring disclosure.

-END OF NOTES

CITY OF THREE WAY, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
JUNE 30, 2025

Year of Levy	Balance 7/1/24	Taxes Levied	Collections	Balance 6/30/25	Outstanding Taxes Filed with Trustee
2025	\$ -	\$ 313,274	\$ -	\$ 313,274	\$ -
2024	313,038	-	305,330	7,708	-
2023	5,700	-	3,904	1,796	-
2022	1,698	-	1,698	-	-
2021	1,909	-	1,909	-	-
2020	-	-	-	-	-
2019	-	-	-	-	-
2018	-	-	-	-	-
2017	-	-	-	-	-
2016	-	-	-	-	-
	<u>\$ 322,345</u>	<u>\$ 313,274</u>	<u>\$ 312,841</u>	<u>\$ 322,778</u>	<u>\$ -</u>

Property Taxes Receivable Allocated As Follows:

	<u>General Fund</u>
Considered Current Receivable	\$ 322,778
Allowance for Uncollectibles	<u>(18,698)</u>
	<u>304,080</u>
 Total Taxes Receivable	 <u>\$ 304,080</u>

See Independent Auditors' Report

CITY OF THREE WAY, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT PROPERTY TAXES
JUNE 30, 2025

<u>Year of Levy</u>	<u>Amount</u>
2024	\$ 7,708
2023	1,796
2022	-
2021	-
2020	-
2019	-
2018	-
2017	-
2016	-
2015	-
	<u>\$ 9,504</u>

See Independent Auditors' Report

CITY OF THREE WAY, TENNESSEE
SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS
JUNE 30, 2025

<u>Year</u>	<u>Rate*</u>	<u>Assessed Value</u>
2025	\$ 0.42	\$ 75,495,460
2024	0.42	75,267,730
2023	0.42	73,261,287
2022	0.42	69,944,863
2021	0.55	51,082,511
2020	0.55	49,741,357
2019	0.55	47,941,047
2018	0.56	46,434,270
2017	0.56	45,986,071
2016	0.56	45,981,565

* Per \$100 of assessed valuation

CITY OF THREE WAY, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2025

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding as of July 1, 2024	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding as of June 30, 2025
Governmental Activities:									
BONDS PAYABLE									
Payable through General Fund									
Local Government Loan									
Program Bond, Series 2017	\$ 2,000,000	2.60%	3/29/2017	3/1/2042	\$ 1,313,000	\$ -	\$ 69,000	\$ -	\$ 1,244,000
Total Bonds Payable through General Fund					<u>1,313,000</u>	<u>-</u>	<u>69,000</u>	<u>-</u>	<u>1,244,000</u>
Total Governmental Activities Long-Term Debt					<u>\$ 1,313,000</u>	<u>\$ -</u>	<u>\$ 69,000</u>	<u>\$ -</u>	<u>\$ 1,244,000</u>

See Independent Auditors' Report

CITY OF THREE WAY, TENNESSEE
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS BY
INDIVIDUAL ISSUE
JUNE 30, 2025

Local Government Loan Program Bond, Series 2017			
June 30,	Principal	Interest	Total
2026	\$ 71,000	\$ 31,421	\$ 102,421
2027	73,000	29,549	102,549
2028	75,000	27,625	102,625
2029	77,000	25,649	102,649
2030	79,000	23,621	102,621
2031-2035	425,000	85,865	510,865
2036-2040	444,000	27,482	471,482
Total	<u>\$ 1,244,000</u>	<u>\$ 251,212</u>	<u>\$ 1,495,212</u>

See Independent Auditors' Report

CITY OF THREE WAY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025

Grantor/Pass-Through Grantor	Federal ALN #	Contract Number	(Accrued) Unearned 07/01/2024	Cash Receipts	Expenditures	(Accrued) Unearned 06/30/2025
<u>Federal Awards</u>						
Department of Treasury						
Passed through Tennessee Department of Finance and Administration						
Coronavirus State and Local Fiscal Recovery Fund (SLFRF)	21.027	Unknown	\$ 154,486	\$ -	\$ 154,486	\$ -
Total Expenditures of Federal Awards			<u>\$ 154,486</u>	<u>\$ -</u>	<u>\$ 154,486</u>	<u>\$ -</u>

Basis of Accounting:

This schedule was prepared using the accrual basis of accounting. Expenditures are recognized in the accounting period in which the related liability is incurred.

Memo: "Accrued" is due from grantor.

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the City of Three Way under programs of the federal and state governments for the year ended June 30, 2025. The schedule is presented using the modified accrual basis of accounting.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the uniform guidance.

See Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Board of Alderpersons
City of Three way, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards), the financial statements of the governmental activities, and each major fund of the City of Three Way, Tennessee, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Three Way, Tennessee's basic financial statements, and have issued our report thereon dated December 29, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Three Way, Tennessee's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Three Way, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Three Way, Tennessee's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Three Way, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Three Way, Tennessee's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Three Way, Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for CRS CPAs is written in a stylized, cursive script. The letters 'CRS' are larger and more prominent than 'CPAs', which are written in a smaller, similar font.

CRS CPAs, P.C.

Jackson, Tennessee

December 29, 2025

**CITY OF THREE WAY, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2025**

Current Year Findings

No current year findings

**CITY OF THREE WAY, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
JUNE 30, 2025**

Prior Year Findings

No findings in the prior year.