CITY OF THAYER, KANSAS

Independent Auditor's Report and
Financial Statement with
Supplementary Information

For the Year Ended December 31, 2025

CITY OF THAYER, KANSAS
December 31, 2025
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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Thayer, Kansas

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Thayer, Kansas, as of and for the year ended December 31, 2025 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Thayer as of December 31, 2025, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Thayer as of December 31, 2025, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the City, 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 adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the City of Thayer on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement
Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 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 statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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'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 statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of receipts and expenidtures-actual and budget, and summary of regulatory basis receipts and disbursements-agency funds-regulatory basis (Schedules 1, 2, and 3 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Thayer, Kansas as of and for the year ended December 31, 2024 (not presented herein), and have issued our report thereon dated July 23, 2025, which contained an unmodified opinion on the basic financial statement. The 2024 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services. The 2024 actual column (2024 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2025 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2024 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2024 basic financial statement. The 2024 comparative information was subjected to the auditing procedures applied in the audit of the 2024 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2024 basic financial statement or to the 2024 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2024 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2024, on the basis of accounting described in Note 1.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

July 27, 2026
Chanute, Kansas

CITY OF THAYER, KANSAS

Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2025

Funds	Beginning Unencumbered Cash Balances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Encumbrances and Accounts Payable	Cash Balances December 31, 2025
General	$ 199,340.04	$ 217,113.30	$ 207,166.36	$ 209,286.98	$ 4,130.93	$ 213,417.91
Special Purpose Funds:						
Library	5,697.74	14,069.62	16,875.67	2,891.69	-	2,891.69
Museum	1,622.70	4,690.20	4,690.20	1,622.70	-	1,622.70
Special Liability	1,319.78	37,056.01	38,375.79	-	-	-
Special Parks and Recreation	2,061.36	2,178.69	4,240.05	-	-	-
Consolidated Streets	129,453.97	74,314.83	13,061.16	190,707.64	-	190,707.64
Equipment Reserve	50,000.00	-	-	50,000.00	-	50,000.00
Business Funds:						
Water Utility	45,404.91	216,015.61	222,790.15	38,630.37	21,833.29	60,463.66
Sewer Utility	84,875.64	74,242.07	67,784.67	91,333.04	-	91,333.04
Sewer Reserve	10,000.00	-	-	10,000.00	-	10,000.00
Solid Waste Utility	30,979.47	48,673.91	58,436.89	21,216.49	-	21,216.49
Total Reporting Entity (Excluding Agency Funds)	$ 560,755.61	$ 688,354.24	$ 633,420.94	$ 615,688.91	$ 25,964.22	$ 641,653.13

Composition of Cash:	
Cash on Hand	$ 50.04
Checking Accounts	
General	271,827.34
Certificates of Deposit	369,775.75
Total Cash	641,653.13
Agency Funds Schedule 3	-
Total Reporting Entity (Excluding Agency Funds)	$ 641,653.13

The notes to the financial statement are an integral part of this statement.

CITY OF THAYER, KANSAS

Notes to the Financial Statement
December 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of Thayer, Kansas have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies follow. Note 1 describes how the City's accounting policies differ from generally accepted accounting principles.

Financial Reporting Entity
The City of Thayer, Kansas is a third class City that was formed in 1871. The City is governed by a Mayor-Council form of government, which consists of an elected five-member council.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the City. Related municipal entities are not required to be included in the City's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG). Based upon the application of these criterion, the following is a brief review of potential related municipal entities:

The City of Thayer - Public Library - The City of Thayer, Kansas, Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Bond issuances must also be approved by the City. The City levies taxes for the Library Board and significantly influences the Library's operations. Separate internal financial statements are available at the Library.

The City of Thayer - Public Museum - The City of Thayer, Kansas, Museum Board operates the City's public museum. Acquisition or disposition of real property by the Board must be approved by the City. Bond issuances must also be approved by the City. The City levies taxes for the Museum Board and significantly influences the Museum's operations. Separate internal financial statements are available at the Museum.

Regulatory Basis Fund Types
A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the City of Thayer, Kansas, for the year 2025:

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis Fund Types (Continued)

Business fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.)

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

Basis of Presentation – Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

Reimbursed Expenses

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under the KMAAG regulatory basis of accounting.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a regulatory receipt source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st of each year. The county treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half of the full amount of taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the county treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year. Consequently, for regulatory receipt recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31st such taxes are a lien on the property.

Pension Plan

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer state-wide pension plan. The City's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State of Kansas.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

If the City is holding a revenue neutral rate hearing, the public hearing shall be no sooner than August 20th and no later than September 20th, but at least ten days after all statutory notification and publication requirements have been met. Municipal budgets requiring a hearing to exceed the revenue neutral rate should be adopted on or before October 1st but may not be adopted prior to the revenue neutral rate hearing. The City did not hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds:

- Equipment Reserve Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1 and Schedule 1, the City was in apparent compliance with Kansas cash basis and budget laws.

The City was in apparent violation of K.S.A. 12-1608 which requires the treasurer of third class cities to publish an annual statement showing the total amount received into each fund and the total amount expended from each fund and the cash balances of each fund at the beginning and close of each year. Such annual statement shall show the amount of outstanding registered warrants, temporary notes, bonds and all other obligations and liabilities of the City. The City did not provide documentation that the required annual statement was published.

Management is not aware of any other material statute violations.

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main branch or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2025.

At year-end, the City's carrying amount of deposits was $641,603.09 and the bank balance was $645,599.83. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $252,256.66 was covered by federal depository insurance and $393,343.17 was collateralized with securities held by the pledging financial institution's agents in the City's name.

4. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kspers.gov or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2016. Effective January 1, 2016, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 9.71% for the fiscal year ended December 31, 2025. Contributions to the pension plan from the City were $12,112.37 for the year ended December 31, 2025.

Net Pension Liability

At December 31, 2025, the City's proportionate share of the collective net pension liability reported by KPERS was $81,934.00. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024, which was rolled forward to June 30, 2025. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kspers.gov or can be obtained as described above.

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Death and Disability Other Post-Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2025.

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (Continued)

Compensated Absences:
Regular employees earn and accumulate vacation leave as follows:

One to Seven Years of Employment – 10 days
Seven to Fifteen Years of Employment – 15 days
Fifteen or more Years of Employment – 20 days

Vacation days must be used during the service year earned.

Regular employees earn and accumulate sick leave from the beginning of employment at the rate of twelve days per year. Part-Time employees earn and accumulate sick leave from the beginning of employment at the rate of six days per year. Any unused sick leave at date of termination is lost.

The City estimates a liability for compensated absences which meet the following criteria:

1. The City's obligation relating to employees rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and, is material.

In accordance with the above criteria, the City has estimated a liability for annual leave which has been earned, but not taken, by the City at December 31, 2025 to be $1,108.80. The City has not estimated a liability for sick leave earned, but not taken, by City employees, as the amounts cannot be reasonably estimated.

6. FINANCE LEASE OBLIGATIONS

The City has entered into a finance lease agreement in order to finance a pumper truck. Payments are made annually, including interest at 5.80%. Final maturity of the lease is January 19, 2029. Future minimum lease payments are as follows:

Year Ended December 31	Totals
2026	$ 5,903.70
2027	5,903.70
2028	5,903.70
2029	5,903.70
	23,614.80
Less: Imputed Interest	(3,064.53)
Net Present Value of Minimum Lease Payments	20,550.27
Less: Current Maturities	(4,711.78)
Long-Term Finance Lease Obligations	$ 15,838.49

7. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2025, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Finance Leases									
Pumper Truck	5.80%	January 19, 2024	$ 25,000.00	January 19, 2029	$ 25,000.00	$ -	$ 4,449.73	$ 20,550.27	$ 1,453.97
Total Contractual Indebtedness					$ 25,000.00	$ -	$ 4,449.73	$ 20,550.27	$ 1,453.97

Current maturities of long-term liabilities and interest for the next five years and in five year increments through maturity are as follows:

Issue	2026	2027	2028	2029	Total
Principal					
Finance Lease					
Pumper Truck	$ 4,711.78	$ 4,985.07	$ 5,274.20	$ 5,579.22	$ 20,550.27
Total Principal Payments	4,711.78	4,985.07	5,274.20	5,579.22	20,550.27
Interest					
Finance Lease					
Pumper Truck	1,191.92	918.63	629.50	324.48	3,064.53
Total Interest Payments	1,191.92	918.63	629.50	324.48	3,064.53
Total Principal and Interest	$ 5,903.70	$ 5,903.70	$ 5,903.70	$ 5,903.70	$ 23,614.80

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

9. OTHER COMMITMENTS AND CONCENTRATIONS

In November 2003, the City entered into a forty year purchase agreement with Public Wholesale Water Supply District #23 for the purchase of water. The City has agreed to purchase 2 million gallons of water per month at a set rate.

During the year ended December 31, 2025, the City purchased 100% of the water sold from Public Wholesale Water Supply District #23.

10. INTERFUND TRANSFERS

Operating transfers were as follows:

From Fund:	To Fund:	Statutory Authority	Amount
Solid Waste Utility	General	K.S.A. 12-825d	$ 15,000.00

11. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent to year end, and there were no subsequent events requiring recognition in the financial statement. During 2026, the City entered into a grant agreement with the Kansas Water Office for the Thayer Sanitary Sewer Improvements project. Under the terms of the agreement, the Kansas Water Office has agreed to provide grant funding of up to $454,780.00 for eligible project costs. Management has determined this represents a nonrecognized subsequent event requiring disclosure but no adjustment to the accompanying regulatory basis financial statement.

SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF THAYER, KANSAS
Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
Regulatory Basis
For the Year Ended December 31, 2025

Funds	Total Certified Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
General	$ 380,030.00	$ 207,166.36	$ (172,863.64)
Special Purpose Funds:			
Library	26,231.00	16,875.67	(9,355.33)
Museum	6,768.00	4,690.20	(2,077.80)
Special Liability	53,225.00	38,375.79	(14,849.21)
Special Parks and Recreation	4,928.00	4,240.05	(687.95)
Consolidated Streets	442,742.00	13,061.16	(429,680.84)
Business Funds:			
Water Utility	275,678.00	222,790.15	(52,887.85)
Sewer Utility	184,469.00	67,784.67	(116,684.33)
Solid Waste Utility	60,899.00	58,436.89	(2,462.11)

CITY OF THAYER, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	$ 32,491.85	$ 28,028.18	$ 31,156.00	$ (3,127.82)
Delinquent Tax	4,459.80	3,279.18	908.00	2,371.18
Motor Vehicle Tax	14,221.15	7,081.87	16,240.00	(9,158.13)
Recreational Vehicle Tax	274.02	188.07	321.00	(132.93)
16/20M Tax	8.75	25.82	6.00	19.82
Commercial Vehicle Tax	172.39	134.87	142.00	(7.13)
Watercraft Tax	-	-	50.00	(50.00)
Sales Tax	49,420.51	56,548.40	50,945.00	5,603.40
Alcohol Liquor Tax	2,137.03	2,178.69	2,418.00	(239.31)
Franchise Tax	28,981.58	28,835.85	26,338.00	2,497.85
Licenses and Permits				
Other Licenses and Permits	1,662.00	49.00	1,985.00	(1,936.00)
Fines, Forfeitures, and Penalties	9,576.00	33,739.61	7,640.00	26,099.61
Use of Money and Property				
Interest	14,432.60	17,139.68	3,309.00	13,830.68
Lease Proceeds	25,000.00	-	-	-
Rental Receipts	1,650.00	4,340.40	2,250.00	2,090.40
Sale of Assets	2,700.00	-	-	-
Charges for Services				
Fire Contracts	11,275.00	13,300.00	11,850.00	1,450.00
Other Receipts				
Reimbursed Expense	11,836.49	-	-	-
Donations	8,137.17	-	-	-
Miscellaneous	1,542.90	7,243.68	1,030.00	6,213.68
Operating Transfer from				
Solid Waste Utility Fund	-	15,000.00	15,000.00	-
Residual Transfer from				
Employee Benefits Fund	85,408.70	-	8,754.00	(8,754.00)
Total Receipts	305,387.94	217,113.30	$ 180,342.00	$ 36,771.30

CITY OF THAYER, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Expenditures				
General Government				
Personal Services	$ 54,459.92	$ 45,231.59	$ 38,640.00	$ 6,591.59
Contractual Services	42,010.09	56,187.55	51,791.00	4,396.55
Commodities	29,295.01	25,049.63	23,365.00	1,684.63
Capital Outlay	13,674.03	20,526.16	165,339.00	(144,812.84)
Police				
Contractual Services	24,453.28	22,974.20	23,000.00	(25.80)
Fire				
Personal Services	4,212.56	272.00	4,462.00	(4,190.00)
Contractual Services	8,856.31	7,638.40	12,000.00	(4,361.60)
Commodities	5,837.05	3,412.23	5,529.00	(2,116.77)
Capital Outlay	-	-	20,000.00	(20,000.00)
Lease Purchase Payment	-	5,903.70	5,904.00	(0.30)
Parks and Recreation				
Contractual Services	-	13,706.47	5,000.00	8,706.47
Capital Outlay	-	6,264.43	-	6,264.43
Water Utility				
Commodities	-	-	15,000.00	(15,000.00)
Demolition				
Contractual Services	-	-	10,000.00	(10,000.00)
Total Expenditures	182,798.25	207,166.36	$ 380,030.00	$ (172,863.64)
Receipts Over (Under) Expenditures	122,589.69	9,946.94		
Unencumbered Cash, Beginning	76,750.35	199,340.04		
Unencumbered Cash, Ending	$ 199,340.04	$ 209,286.98		

CITY OF THAYER, KANSAS
EMPLOYEE BENEFITS FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	$ -	$ -	$ -	$ -
Total Receipts	-	-	$ -	$ -
Expenditures				
Residual Transfer to General Fund	$ 85,408.70	$ -	$ -	$ -
Total Expenditures	85,408.70	-	$ -	$ -
Receipts Over (Under) Expenditures	(85,408.70)	-		
Unencumbered Cash, Beginning	85,408.70	-		
Unencumbered Cash, Ending	$ -	$ -		

CITY OF THAYER, KANSAS
LIBRARY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	$ 10,783.89	$ 10,651.01	$ 11,840.00	$ (1,188.99)
Delinquent Tax	1,078.64	1,122.22	345.00	777.22
Motor Vehicle Tax	3,647.50	2,185.66	5,388.00	(3,202.34)
Recreational Vehicle Tax	70.32	59.33	107.00	(47.67)
Commercial Vehicle Tax	44.21	44.77	48.00	(3.23)
Watercraft Tax	-	-	16.00	(16.00)
16/20M Tax	1.98	6.63	2.00	4.63
Total Receipts	15,626.54	14,069.62	$ 17,746.00	$ (3,676.38)
Expenditures				
Culture and Recreation				
Appropriation to Library Board	14,888.41	16,875.67	$ 26,231.00	$ (9,355.33)
Total Expenditures	14,888.41	16,875.67	$ 26,231.00	$ (9,355.33)
Receipts Over (Under) Expenditures	738.13	(2,806.05)		
Unencumbered Cash, Beginning	4,959.61	5,697.74		
Unencumbered Cash, Ending	$ 5,697.74	$ 2,891.69		

CITY OF THAYER, KANSAS
MUSEUM FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	$ 3,596.39	$ 3,550.35	$ 3,946.00	$ (395.65)
Delinquent Tax	359.61	374.10	115.00	259.10
Motor Vehicle Tax	1,215.84	728.84	1,796.00	(1,067.16)
Recreational Vehicle Tax	23.44	19.77	36.00	(16.23)
Commercial Vehicle Tax	14.74	14.93	16.00	(1.07)
Watercraft Tax	-	-	5.00	(5.00)
16/20M Tax	0.66	2.21	1.00	1.21
Total Receipts	5,210.68	4,690.20	$ 5,915.00	$ (1,224.80)
Expenditures				
Culture and Recreation				
Contractual Services	2,590.15	-	$ -	$ -
Appropriation to Museum Board	2,374.44	4,690.20	6,768.00	(2,077.80)
Total Expenditures	4,964.59	4,690.20	$ 6,768.00	$ (2,077.80)
Receipts Over (Under) Expenditures	246.09	-		
Unencumbered Cash, Beginning	1,376.61	1,622.70		
Unencumbered Cash, Ending	$ 1,622.70	$ 1,622.70		

CITY OF THAYER, KANSAS
SPECIAL LIABILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	$ 28,762.39	$ 28,402.70	$ 31,576.00	$ (3,173.30)
Delinquent Tax	2,143.45	2,898.83	920.00	1,978.83
Motor Vehicle Tax	7,389.90	5,470.09	14,369.00	(8,898.91)
Recreational Vehicle Tax	142.40	151.57	284.00	(132.43)
Commercial Vehicle Tax	89.58	119.39	127.00	(7.61)
Watercraft Tax	-	-	43.00	(43.00)
16/20M Tax	4.00	13.43	5.00	8.43
Other Receipts				
Insurance Dividend	5,793.39	-	-	-
Total Receipts	44,325.11	37,056.01	$ 47,324.00	$ (10,267.99)
Expenditures				
Risk Management				
Contractual Services	54,409.29	38,375.79	$ 53,225.00	$ (14,849.21)
Total Expenditures	54,409.29	38,375.79	$ 53,225.00	$ (14,849.21)
Receipts Over (Under) Expenditures	(10,084.18)	(1,319.78)		
Unencumbered Cash, Beginning	11,403.96	1,319.78		
Unencumbered Cash, Ending	$ 1,319.78	$ -		

CITY OF THAYER, KANSAS
SPECIAL PARKS AND RECREATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Alcohol Liquor Tax	$ 2,137.02	$ 2,178.69	$ 2,418.00	$ (239.31)
Total Receipts	2,137.02	2,178.69	$ 2,418.00	$ (239.31)
Expenditures				
Culture and Recreation				
Contractual Services	75.66	4,240.05	$ 4,928.00	$ (687.95)
Total Expenditures	75.66	4,240.05	$ 4,928.00	$ (687.95)
Receipts Over (Under) Expenditures	2,061.36	(2,061.36)		
Unencumbered Cash, Beginning	-	2,061.36		
Unencumbered Cash, Ending	$ 2,061.36	$ -		

CITY OF THAYER, KANSAS
CONSOLIDATED STREETS FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Motor Fuel Tax	$ 11,617.18	$ 11,513.21	$ 12,720.00	$ (1,206.79)
Sales Tax	69,780.49	62,801.62	73,129.00	(10,327.38)
Total Receipts	81,397.67	74,314.83	$ 85,849.00	$ (11,534.17)
Expenditures				
Street Maintenance				
Personal Services	-	-	$ 12,000.00	$ (12,000.00)
Contractual Services	13,809.85	13,061.16	20,000.00	(6,938.84)
Commodities	418.00	-	6,000.00	(6,000.00)
Capital Outlay	255,177.26	-	404,742.00	(404,742.00)
Total Expenditures	269,405.11	13,061.16	$ 442,742.00	$ (429,680.84)
Receipts Over (Under) Expenditures	(188,007.44)	61,253.67		
Unencumbered Cash, Beginning	317,461.41	129,453.97		
Unencumbered Cash, Ending	$ 129,453.97	$ 190,707.64		

CITY OF THAYER, KANSAS
EQUIPMENT RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from General Fund	$ -	$ -
Total Receipts	-	-
Expenditures		
General Government		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	50,000.00	50,000.00
Unencumbered Cash, Ending	$ 50,000.00	$ 50,000.00

CITY OF THAYER, KANSAS
WATER UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Water Collections	$ 202,101.76	$ 205,351.47	$ 214,886.00	$ (9,534.53)
Penalties	4,437.30	5,730.73	5,238.00	492.73
Other Fees	2,338.78	1,612.74	1,339.00	273.74
Life Flight	2,637.91	2,745.20	2,689.00	56.20
Other Receipts				
Miscellaneous	-	575.47	-	575.47
Total Receipts	211,515.75	216,015.61	$ 224,152.00	$ (8,136.39)
Expenditures				
Production and Distribution				
Personal Services	29,454.20	77,186.65	$ 43,382.00	$ 33,804.65
Contractual Services	35,267.81	12,027.97	31,564.00	(19,536.03)
Commodities	135,934.76	133,575.53	145,482.00	(11,906.47)
Capital Outlay	-	-	55,250.00	(55,250.00)
Total Expenditures	200,656.77	222,790.15	$ 275,678.00	$ (52,887.85)
Receipts Over (Under) Expenditures	10,858.98	(6,774.54)		
Unencumbered Cash, Beginning	34,545.93	45,404.91		
Unencumbered Cash, Ending	$ 45,404.91	$ 38,630.37		

CITY OF THAYER, KANSAS
SEWER UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Sewer Collections	$ 76,267.69	$ 74,242.07	$ 76,368.00	$ (2,125.93)
Total Receipts	76,267.69	74,242.07	$ 76,368.00	$ (2,125.93)
Expenditures				
Treatment and Distribution				
Personal Services	39,838.83	56,471.45	$ 41,301.00	$ 15,170.45
Contractual Services	18,015.76	11,313.22	6,433.00	4,880.22
Commodities	-	-	10,306.00	(10,306.00)
Capital Outlay	-	-	126,429.00	(126,429.00)
Operating Transfer to				
Sewer Reserve Fund	10,000.00	-	-	-
Total Expenditures	67,854.59	67,784.67	$ 184,469.00	$ (116,684.33)
Receipts Over (Under) Expenditures	8,413.10	6,457.40		
Unencumbered Cash, Beginning	76,462.54	84,875.64		
Unencumbered Cash, Ending	$ 84,875.64	$ 91,333.04		

CITY OF THAYER, KANSAS
SEWER RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from Sewer Utility Fund	$ 10,000.00	$ -
Total Receipts	10,000.00	-
Expenditures		
General Government Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	10,000.00	-
Unencumbered Cash, Beginning	-	10,000.00
Unencumbered Cash, Ending	$ 10,000.00	$ 10,000.00

CITY OF THAYER, KANSAS
SOLID WASTE UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Trash Charges	$ 48,607.58	$ 48,673.91	$ 48,005.00	$ 668.91
Late Fees	1,124.74	-	1,082.00	(1,082.00)
Total Receipts	49,732.32	48,673.91	$ 49,087.00	$ (413.09)
Expenditures				
Collection and Disposal				
Contractual Services	45,292.60	43,436.89	$ 45,899.00	$ (2,462.11)
Operating Transfer to General Fund	-	15,000.00	15,000.00	-
Total Expenditures	45,292.60	58,436.89	$ 60,899.00	$ (2,462.11)
Receipts Over (Under) Expenditures	4,439.72	(9,762.98)		
Unencumbered Cash, Beginning	26,539.75	30,979.47		
Unencumbered Cash, Ending	$ 30,979.47	$ 21,216.49		

Schedule 3

CITY OF THAYER, KANSAS
AGENCY FUNDS
Summary of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2025

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Wildlife and Parks Fees	$ -	$ 1,158.75	$ 1,158.75	$ -
	$ -	$ 1,158.75	$ 1,158.75	$ -

Jarred Gilmore Phillips

The Honorable Mayor, City Council, and Management
City of Thayer, Kansas

In planning and performing our audit of the financial statement of the City of Thayer, Kansas as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Thayer, Kansas' system of 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Thayer, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Thayer, Kansas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and material weaknesses.

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. We consider the following deficiencies in internal control to be material weaknesses:

Utility Cash Receipts

During our test of utility collections, we noted that the City did not maintain sufficient documentation of daily collections, such as daily cash receipt reports, collection logs, or other supporting records, to trace the sampled utility payments from receipt to deposit in twenty of the twenty-five customer payments tested. As a result, we were unable to determine whether these customer payments were included in the related bank deposits

The lack of documented daily collections limits the City's ability to demonstrate that all utility receipts are properly accounted for and deposited intact. In addition, the absence of an adequate audit trail reduces accountability over cash receipts and increases the risk that errors or irregularities could occur and not be detected in a timely manner.

We recommend the City strengthen its internal controls over cash receipts by ensuring that daily utility collection reports are reconciled to validated bank deposits and any differences are investigated and resolved promptly. These procedures will help ensure utility receipts are accurately billed, collected, deposited, and recorded.

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. We consider the following deficiencies in internal control to be significant deficiencies:

Preparation of Financial Statement

Professional standards require management to accept responsibility for the preparation and fair presentation of the financial statement, including related note disclosures. The City engages the auditor to assist in drafting the financial statement in accordance with the Kansas Municipal Audit and Accounting Guide. The City does not have personnel with specialized training in governmental financial reporting necessary to independently prepare the complete financial statement and related disclosures. Accordingly, management relies on the auditor for preparation of the financial statement. While this condition is common among smaller governmental entities and does not reflect on management's integrity or oversight, it represents a deficiency in internal control over financial reporting because the preparation of the financial statement is not performed by individuals independent of the audit process.

Management has reviewed and approved the financial statement and has accepted responsibility for them. We encourage management and the Council to continue their oversight of the financial reporting process and to remain informed of reporting requirements.

Segregation of Duties

Due to the limited number of personnel, complete segregation of duties is not achievable. As a result, certain internal control functions are necessarily performed by the same individual. Under auditing standards generally accepted in the United States, this condition represents a significant deficiency in internal control, as it increases the risk that errors or irregularities could occur and not be detected on a timely basis.

This comment is provided as a reminder to those charged with governance of their fiduciary oversight responsibilities, rather than as a recommendation for corrective action. Management and the governing body are aware of these circumstances and have determined that the costs associated with additional staffing or restructuring would outweigh the related benefits at this time.

Accordingly, the governing body should continue to exercise diligent financial oversight, including active involvement in the review of financial information, approval of disbursements, and periodic review of internal control procedures, to mitigate the risks inherent in these conditions.

Water Reporting Discrepancy

During our review, we noted that the amount of water reported as sold to customers on the Kansas Water Use Report exceeded the amount of water usage recorded as billed to customers in the utility billing software. The annual water use report is required to completely and accurately report water use information requested by the Kansas Department of Agriculture, Division of Water Resources.

Differences between reported usage and billed usage may result in inaccurate information being submitted to the State of Kansas and may affect management's ability to effectively monitor water loss, system operations, and billing accuracy. In addition, incomplete or inaccurate water use reporting may expose the utility to regulatory follow-up, civil penalties, or required correction of the filed report. If inaccurate information were knowingly submitted as to a material matter, Kansas law also provides for potential misdemeanor consequences.

We recommend the City reconcile the Kansas Water Use Report to the utility billing system and other supporting records prior to submission each year. Any differences should be investigated, documented, and reviewed by management. If management determines that the filed report contains incorrect information, the City should contact the Kansas Department of Agriculture, Division of Water Resources, to determine whether an amended or corrected report should be submitted.

Payroll Calculation and Leave Compensation

During our review of payroll transactions, we noted that payroll was not consistently calculated in accordance with the City's established compensation practices. Specifically, employees were compensated for a full eighty hour pay period regardless of leave taken during the pay period. When employees used vacation leave or holiday leave, those hours were paid in addition to the full eighty hour paycheck. As a result, employees received compensation in excess of their normal earnings for the applicable pay periods.

Improper payroll calculations resulted in employees being overcompensated for pay periods in which vacation or holiday leave was used. Inadequate review of payroll calculations increases the risk of payroll errors, unnecessary expenditures of public funds, and noncompliance with the City's approved compensation policies.

We recommend the City establish and implement written payroll procedures to ensure employee compensation is calculated accurately and consistently. Payroll should be based on actual hours worked plus approved paid leave, with total compensated hours limited to the employee's authorized work schedule unless additional compensation, such as overtime or other authorized pay, has been approved in accordance with City policy. Additionally, payroll registers should be reviewed and approved by an individual independent of the payroll preparation process prior to payroll being processed to verify the accuracy of hours worked, leave used, and gross pay calculations.

This communication is intended solely for the information and use of management, the Mayor, City Council, and others within the City of Thayer, Kansas, and is not intended to be and should not be used by anyone other than these specified parties.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
July 27, 2026