



Honorable Mayor and Members of City Council  
City of Sanibel, Florida  
Sanibel, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Sanibel, Florida (the City) as of and for the year ended September 30, 2025, and have issued our report thereon dated April 24, 2026. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.550, Rules of the Auditor General for Local Governmental Entity Audits (Chapter 10.550), as well as certain information related to the planned scope and timing of our audit in our statements of work dated August 12, 2025. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings or issues**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

As described in Note 1, the entity changed accounting policies by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 101, *Compensated Absences*, and Statement of Governmental Accounting Standards Board (GASB Statement) No. 102, *Certain Risk Disclosures*, in 2025. Accordingly, the adoption of these statements are reflected in the financial statements.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management. The most sensitive estimate(s) affecting the financial statements was (were):

- Management's estimate of the net pension liability/asset and related change in the net pension liability/asset for the General Employees' Plan and the Municipal Police Officers' Pension Plan were based upon an actuarial valuation. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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- Management's estimate for the other postemployment benefits (OPEB) liability was based upon an actuarial valuation. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate for the fair value of investments was based upon the underlying assets. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

**Financial statement disclosures**

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

***Significant unusual transactions***

We identified no significant unusual transactions.

***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

***Corrected misstatements***

The following material misstatements detected as a result of audit procedures were corrected by management:

- Adjustments to accounts payable and expenses / expenditures in amount totaling \$2.4 million.
- Adjustments to governmental funds revenue and deferred inflows of resources unavailable in amount totaling \$18.4 million.
- Adjustments to move receivables from fund 450 to 115 in amount totaling \$187,000.

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#### Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

#### ***Management representations***

We have requested certain representations from management that are included in the management representation letter dated April 24, 2026.

#### ***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### ***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

#### ***Other audit findings or issues***

The following describes findings or issues arising during the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process:

As discussed in Note 18 to the financial statements, the City corrected an error related to revenue recognition. As a result of the error, the City reported a restatement of fund balance for the correction. Our auditors' opinion was not modified with respect to the restatement.

We have provided a separate communication to you dated April 24, 2026, communicating internal control related matters identified during the audit.

#### **Audits of group financial statements**

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

### **Required supplementary information**

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

### **Supplementary information in relation to the financial statements as a whole**

With respect to the schedule of expenditures of federal awards and state financial assistance (SEFASFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFASFA to determine that the SEFASFA complies with the requirements of the Uniform Guidance and Chapter 10.550, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFASFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFASFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated April 24, 2026.

With respect to the combining statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated April 24, 2026.

### **Other information included in annual reports**

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of introductory section and statistical section. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. 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. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Myers, Florida  
April 24, 2026

**SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT**

City of Sanibel, Florida

**GOVERNMENTAL ACTIVITIES**

Year Ended September 30, 2025

Description	Assets	Deferred Outflows of Resources	Liabilities	Deferred Inflows of Resources	Fund Balance / Net Position	Change in Fund Balance / Net Position
Implementation of GASB 101 - Compensated Absences, adjustment for change in 2024 recorded in the current year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (227,134)
Adjustment to accounts payable for projected expenditures incurred in 2025 not recorded as accounts payable	-	-	(198,431)	-	198,431	198,431
FY24 grant revenue was recorded to the Sewer Fund and the expenditures were recorded to the Hurricane lan Fund. Both should have been recorded to the Hurricane lan Fund in FY24. In FY25 the receivable and revenue / deferred inflow were moved to the hurricane lan fund resulting in sewer fund revenue being understated in FY25 and overstated in FY24. FY25 ending net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,098
Adjustment to accounts payable for projected expenditures incurred in 2025 not recorded to accounts payable	\$ -	-	\$ (193,341)	-	\$ 193,341	\$ 193,341
Net current year misstatements (Iron Curtain Method)	-	-	(391,772)	-	391,772	351,736
Effect of prior year uncorrected misstatements on the change in fund balance/net position						-
Combined current and prior year misstatements (Rollover Method)	\$ -	\$ -	\$ (391,772)	\$ -	\$ 391,772	\$ 351,736
Financial statement totals	<u>\$ 131,563,401</u>	<u>\$ 992,437</u>	<u>\$ (66,137,263)</u>	<u>\$ (4,526,086)</u>	<u>\$ (61,892,489)</u>	<u>\$ (10,252,139)</u>
Current year misstatement as a % of financial statement totals (Iron Curtain Method)			1%		-1%	-3%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)			1%		-1%	-3%

**SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT**

City of Sanibel, Florida

General Fund

Year Ended September 30, 2025

Description	Assets	Liabilities	Deferred Inflows of Resources	Fund Balance / Net Position	Change in Fund Balance / Net Position
Adjustment to accrued payroll to remove balances related to October 2025	\$ -	\$ 89,536	\$ -	\$ (89,536)	\$ (89,536)
Adjustment to accounts payable for projected expenditures incurred in 2025 not recorded as accounts payable	-	(198,431)	-	198,431	198,431
Accrue legal case settled in 2025 not recorded as liability	-	(50,000)	-	-	50,000
Net current year misstatements (Iron Curtain Method)	-	(158,895)	-	108,895	158,895
Effect of prior year uncorrected misstatements on the change in fund balance/net position					(61,044)
Combined current and prior year misstatements (Rollover Method)	\$ -	\$ (158,895)	\$ -	\$ 108,895	\$ 97,851
Financial statement totals	<u>\$ 24,303,002</u>	<u>\$ (2,241,199)</u>	<u>\$ (643,073)</u>	<u>\$ (21,418,730)</u>	<u>\$ 468,014</u>
Current year misstatement as a % of financial statement totals (Iron Curtain Method)		7%		-1%	34%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)		7%		-1%	21%

**SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT**

City of Sanibel, Florida

**TRANSPORTATION CAPITAL PROJECTS FUND**

Year Ended September 30, 2025

Description	Assets	Liabilities	Deferred Inflows of Resources	Fund Balance / Net Position	Change in Fund Balance / Net Position
Adjustment to adjust retainage amount to draw application amount	\$ -	\$ (45,780)	\$ -	\$ 45,780	\$ 45,780
Net current year misstatements (Iron Curtain Method)	-	(45,780)	-	45,780	45,780
Effect of prior year uncorrected misstatements on the change in fund balance/net position					-
Combined current and prior year misstatements (Rollover Method)	\$ -	\$ (45,780)	\$ -	\$ 45,780	\$ 45,780
Financial statement totals	<u>\$ 3,721,930</u>	<u>\$ (2,815,789)</u>	<u>\$ (3,425,220)</u>	<u>\$ 2,519,079</u>	<u>\$ 3,116,445</u>
Current year misstatement as a % of financial statement totals (Iron Curtain Method)		2%		2%	1%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)		2%		2%	1%

**SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT**

City of Sanibel, Florida

**BUSINESS TYPE ACTIVITIES**

Year Ended September 30, 2025

Description	Assets	Deferred Outflows of Resources	Liabilities	Deferred Inflows of Resources	Fund Balance / Net Position	Change in Fund Balance / Net Position
Implementation of GASB 101 - Compensated Absences, adjustment for change in 2024 recorded in the current year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (92,203)
FY24 grant revenue was recorded to the Sewer Fund and the expenditures were recorded to the Hurricane lan Fund. Both should have been recorded to the Hurricane lan Fund in FY24. In FY25 the receivable and revenue / deferred inflow were moved to the hurricane lan fund resulting in sewer fund revenue being understated in FY25 and overstated in FY24. FY25 ending net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (187,098)
Net current year misstatements (Iron Curtain Method)	-	-	-	-	-	(279,301)
Effect of prior year uncorrected misstatements on the change in fund balance/net position						
Combined current and prior year misstatements (Rollover Method)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (279,301)
Financial statement totals	<u>\$ 66,008,953</u>	<u>\$ 221,602</u>	<u>\$ (10,452,775)</u>	<u>\$ (1,817,471)</u>	<u>\$ (53,960,309)</u>	<u>\$ 2,266,583</u>
Current year misstatement as a % of financial statement totals (Iron Curtain Method)						-12%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)						-12%

**SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT**

City of Sanibel, Florida

**BEACH PARKING FUND**

Year Ended September 30, 2025

Description	Assets	Deferred Outflows of Resources	Liabilities	Deferred Inflows of Resources	Fund Balance / Net Position	Change in Fund Balance / Net Position
Adjustment to accrued payroll to remove balances related to October 2025	\$ -	\$ -	\$ 18,414	\$ -	\$ (18,414)	\$ (18,414)
Adjustment to accounts payable for projected expenditures incurred in 2025 not recorded to accounts payable	-	-	(57,750)	-	57,750	57,750
Implementation of GASB 101 - Compensated Absences, adjustment for change in 2024 recorded in the current year	-	-	-	-	-	(49,707)
Net current year misstatements (Iron Curtain Method)	-	-	(39,336)	-	39,336	(10,371)
Effect of prior year uncorrected misstatements on the change in fund balance/net position						(51,126)
Combined current and prior year misstatements (Rollover Method)	\$ -	\$ -	\$ (39,336)	\$ -	\$ 39,336	\$ (61,497)
Financial statement totals	<u>\$ 8,014,396</u>	<u>\$ 176,603</u>	<u>\$ (1,249,125)</u>	<u>\$ (526,603)</u>	<u>\$ (6,415,271)</u>	<u>\$ 246,073</u>
Current year misstatement as a % of financial statement totals (Iron Curtain Method)			3%		-1%	-4%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)			3%		-1%	-25%

**SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT**

City of Sanibel, Florida

**SEWER FUND**

Year Ended September 30, 2025

Description	Assets	Deferred Outflows of Resources	Liabilities	Deferred Inflows of Resources	Fund Balance / Net Position	Change in Fund Balance / Net Position
FY24 grant revenue was recorded to the Sewer Fund and the expenditures were recorded to the Hurricane lan Fund. Both should have been recorded to the Hurricane lan Fund in FY24. In FY25 the receivable and revenue / deferred inflow were moved to the hurricane lan fund resulting in sewer fund revenue being understated in FY25 and overstated in FY24. FY25 ending net position is correct.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (187,098)
Net current year misstatements (Iron Curtain Method)	-	-	-	-	-	(187,098)
Effect of prior year uncorrected misstatements on the change in fund balance/net position						
Combined current and prior year misstatements (Rollover Method)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (187,098)
Financial statement totals	<u>\$ 57,994,557</u>	<u>\$ 44,999</u>	<u>\$ (9,203,650)</u>	<u>\$ (1,290,868)</u>	<u>\$ (47,545,038)</u>	<u>\$ 2,020,510</u>
Current year misstatement as a % of financial statement totals (Iron Curtain Method)						-9%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)						-9%

**SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT**

City of Sanibel, Florida

**AGGREGATE REMAINING FUNDS**

Year Ended September 30, 2025

Description	Assets	Liabilities	Fund Balance / Net Position	Change in Fund Balance / Net Position
Adjustment to accounts payable for projected expenditures incurred in 2025 not recorded to accounts payable.	\$ -	\$ (193,341)	\$ 193,341	\$ 193,341
Net current year misstatements (Iron Curtain Method)	-	(193,341)	193,341	193,341
Effect of prior year uncorrected misstatements on the change in fund balance/net position				(12,722)
Combined current and prior year misstatements (Rollover Method)	\$ -	\$ (193,341)	\$ 193,341	\$ 180,619
Financial statement totals	<u>\$ 82,449,177</u>	<u>\$ (1,240,840)</u>	<u>\$ (81,208,337)</u>	<u>\$ (3,180,996)</u>
Current year misstatement as a % of financial statement totals (Iron Curtain Method)		16%	0%	-6%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)		16%	0%	-6%