NICEVILLE COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Niceville, Florida)

MANAGEMENT'S DISCUSSION AND ANALYSIS AND FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

Warren Averett
CPAs AND ADVISORS

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(A Component Unit of the City of Niceville, Florida)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Niceville Community Redevelopment Agency

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Niceville Community Redevelopment Agency (the CRA), a component unit of the City of Niceville, Florida, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the CRA, as of September 30, 2025, and the respective changes in financial position 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CRA 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 CRA'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.

Auditors' 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 auditors' 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 generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards 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 CRA'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 CRA'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 management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, 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 auditing standards generally accepted in the United States of America, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2026, on our consideration of the CRA'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 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 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 the CRA's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
April 29, 2026

As management of Niceville Community Redevelopment Agency (the CRA), we offer readers of the CRA's financial statements this narrative overview and analysis of the financial activities of the CRA for the fiscal year ended September 30, 2025.

FINANCIAL HIGHLIGHTS

- The assets of the CRA exceeded its liabilities by $2,250,514 (net position), which represents an increase of $695,212 from the prior year.

- The CRA's general fund reported ending fund balance of $2,115,111, which represents an increase of $595,909 from the prior year. The ending fund balance in the general fund is restricted for the Old Town Landing project.

OVERVIEW OF THE FINANCIAL STATEMENTS

The focus of the financial statements is on both the CRA as a whole (government-wide), and on the major individual fund. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year-to-year, government-to-government), and enhance the CRA's accountability.

This discussion and analysis intends to serve as an introduction to the CRA's basic financial statements. The CRA's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

Designed to be corporate-like, the government-wide financial statements provide readers with a broad overview of the CRA's finances, in a manner similar to a private-sector business. The government-wide financial statements are prepared using the accrual basis of accounting.

The statement of net position presents information on all of the CRA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference among the components reported as net position. This statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the CRA.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

The CRA's government-wide financial statements present functions of the CRA that are principally supported by tax increment revenues (governmental activities). The governmental activities of the CRA include general government activities and community redevelopment. The CRA has no business-type activities.

Governmental Fund Financial Statements
A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The CRA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The CRA utilizes one fund (general fund) to account for redevelopment activities. The governmental fund financial statements are prepared using the modified accrual basis of accounting.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirement.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-tern financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements
The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. Beginning on page 11 of this report are the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The CRA's assets exceeded its liabilities by $2,250,514, as reported in Table 1. This net position is restricted for specific redevelopment activities related to the Old Town Landing project.

TABLE 1
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025 AND 2024

	Governmental Activities	
	2025	2024
Current and other assets	$ 2,115,202	$ 1,576,656
Capital assets	135,403	36,100
Total assets	2,250,605	1,612,756
Other liabilities	91	57,454
Net position		
Net investment in capital assets	135,403	36,100
Restricted	2,115,111	1,519,202
Total net position	$ 2,250,514	$ 1,555,302

Reported in Table 2 are the key elements of the increase in net position for the current and prior fiscal year.

TABLE 2
CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	Governmental Activities	
	2025	2024
REVENUES		
General revenues		
Tax increment for redevelopment	$ 841,061	$ 707,142
Investment earnings	71,097	37,592
TOTAL REVENUES	912,158	744,734
EXPENSES		
Primary government		
Economic environment	216,946	374,860
Increase in net position	695,212	369,874
NET POSITION, BEGINNING	1,555,302	1,185,428
NET POSITION, ENDING	$ 2,250,514	$ 1,555,302

Current Year Impacts
Governmental activities increased the CRA's net position by $695,212 for the fiscal year ended September 30, 2025. Key elements of this change are as follows:

- Tax increment revenues for redevelopment increased by $133,919, or 18.9%, which is primarily attributable to an increase in the assessed value of taxable property within the CRA's boundaries.

- Economic environment expenses decreased by $157,914, or 42.1%, which is primarily due to a reduction in professional fees expended on feasibility studies for various planned CRA projects. The Old Town Landing project entered the design and planning phase during fiscal year 2025, which resulted in an increase in capital costs for engineering and design fees.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

The focus of the CRA's governmental fund is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the CRA's financing requirements. Ending fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2025, the CRA's governmental fund has a fund balance of $2,115,111, an increase of $595,909 from the prior year. The CRA's ending fund balance is fully restricted for the Old Town Landing project.

The increase in the CRA's fund balance is primarily attributable to an increase in tax increment revenues for redevelopment combined with delays in the commencement of planned capital projects.

BUDGETARY HIGHLIGHTS

A schedule showing the original budget, the final budget, the actual results and the variance from the final budget to the actual results is included for the general fund on page 18 of the financial statements.

Actual results, when compared to the final budget, show a variance of $3,909,911 for expenditures. This variance is primarily due to delays in the commencement of planned capital projects.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic indicators and factors that are useful for evaluating the framework within which the CRA operates are discussed below.

- The Consumer Price Index (CPI) is 2.7% higher than a year ago for the Southern Region. This indicator is a widely used gauge of inflation and translates into a higher cost of providing services to residents.

- Tax increment revenues are expected to increase by approximately $207,000, or 24.6%, for fiscal year 2026, which is directly correlated with an increase in the millage rate and an increase in the taxable assessed value of property within the CRA's boundaries.

These financial metrics were considered in addition to other factors when adopting the CRA's budget for fiscal year 2026. The CRA's adopted budget for fiscal year 2026 is $3,210,950, which is $1,015,210 less than the fiscal year 2025 final budget. The decrease in budgeted appropriations is attributable to changes in the project timeline for completing the new dock and pier at the Old Town Landing.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the CRA's finances for all those with an interest in the CRA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, 208 North Partin Drive, Niceville, Florida 32578. The City can also be found online at www.cityofniceville.org.

NICEVILLE COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Niceville, Florida)
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash and cash equivalents	$ 857,517	$ -	$ 857,517
Investments	1,257,685	-	1,257,685
Capital assets			
Non-depreciable	-	135,403	135,403
TOTAL ASSETS	$ 2,115,202	135,403	2,250,605
LIABILITIES			
Accounts payable	$ 91	-	91
FUND BALANCE			
Restricted - Old Town Landing Project	2,115,111	(2,115,111)	
TOTAL LIABILITIES AND FUND BALANCE	$ 2,115,202		
NET POSITION			
Net investment in capital assets		135,403	135,403
Restricted - Old Town Landing project		2,115,111	2,115,111
TOTAL NET POSITION		$ -	$ 2,250,514

See notes to the financial statements.

NICEVILLE COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Niceville, Florida)
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Adjustments	Statement of Activities
REVENUES			
General revenues:			
Tax increment revenues	$ 841,061	$ -	$ 841,061
Investment earnings	71,097	-	71,097
Total revenues	912,158	-	912,158
EXPENSES / EXPENDITURES			
Current			
Economic environment	216,946	-	216,946
Capital outlay	99,303	(99,303)	-
Total expenditures/expenses	316,249	(99,303)	216,946
CHANGE IN NET POSITION			695,212
NET CHANGE IN FUND BALANCE	595,909		
FUND BALANCE / NET POSITION AT BEGINNING OF YEAR	1,519,202		1,555,302
FUND BALANCE / NET POSITION AT END OF YEAR	$ 2,115,111		$ 2,250,514

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Community Redevelopment Agency

The Niceville Community Redevelopment Agency (the CRA) was established by the adoption of Resolution 12-06-01 in 2012 pursuant to Chapter 163 Part III, Florida Statutes (the Community Redevelopment Act) to direct public revenues and programs to identified community areas for the enhancement and development of public infrastructure and facilities to stimulate and support new private investment and development in economically underperforming areas of the City of Niceville (the City).

The City Council serves as the Board of Directors of the CRA and has all rights, powers, duties, privileges, and immunities offered by the Community Redevelopment Act. The community redevelopment plan (the Plan) adopted by the Board of Directors identified five sub-districts within the CRA's boundaries. The Plan outlines unique objectives and strategies for each of the following sub-districts: 1) Highlands area; 2) Turkey Creek Park; 3) Old Settlement area; 4) SR-85 Corridor; and 5) Bayou area.

The financial statements of the CRA have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to special purpose governments and the Uniform Accounting System mandated by Section 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

The following is a summary of the more significant accounting policies of the CRA:

The Reporting Entity

In evaluating the CRA as a reporting entity, management has considered all potential component units for which the CRA may or may not be financially accountable and, as such, be included within the CRA's financial statements. Management utilized criteria set forth in the GASB literature for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB guidance, the CRA (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the CRA. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As of September 30, 2025, the CRA had no component units required to be presented in the CRA's financial statements.

For financial reporting purposes, the CRA is a blended component unit of the primary government of the City of Niceville, Florida (the City), and therefore, is included in the City's comprehensive annual financial report as a special revenue fund.

Government-Wide and Fund Financial Statements
The basic financial statements include both government-wide (based on the CRA as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the CRA. 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 CRA has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. If applicable, program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus and Basis of Accounting
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the CRA considers revenues to be available if they are collected within six months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. Expenditures generally are recognized under the modified accrual basis of accounting when the liability is incurred.

The Okaloosa County Tax Collector bills and collects property taxes for the CRA in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1st, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current property tax calendar:

Lien Date	January 1st
Levy Date	November 1st
Due Date	November 1st
Delinquent Date	April 1st

Discounts of 1% are granted for each month taxes are paid prior to March 1st.

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2025 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year.

Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

Basis of Presentation

The CRA's financial records and accounts are maintained in accordance with the principles of "fund accounting," whereby resources are classified for accounting and reporting purposes into funds to ensure compliance with any special restrictions or limitations on the use of such resources. The financial transactions of the CRA are recorded in the General Fund.

The General Fund is currently the CRA's only governmental fund. It is the primary operating fund and is used to account for all financial resources of the CRA, except those required to be accounted for in another fund.

Assets, Liabilities, and Net Position or Fund Balance

Cash

Cash on hand and demand deposits are considered cash. For purposes of these statements, short-term investments purchased within three months of maturity are also classified as cash.

Deposits and Investments

Section 218.415, Florida Statutes, permits the investment of surplus public funds and prescribes the instruments in which those investments are authorized. Specifically, allowable investments include the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts at *Qualified Public Depositories*, and direct obligations of the U.S. Treasury.

The CRA adheres strictly to the provisions of those cited statutes, as well as with Chapter 280, Florida Statutes, which require the CRA to maintain deposits only with *Qualified Public Depositories*.

Classification of Fund Balance

GASB guidance clarifies governmental fund balance classifications and fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. Fund balance classifications are comprised of the following:

- Nonspendable - includes amounts that are (a) not in spendable form, or (b) legally contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid items.

- Restricted - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

- Committed - includes amounts that can only be used for specific purposes determined by a formal action of the CRA's highest level of decision-making authority, the Board of Directors. Commitments may be changed or lifted only by the CRA taking the same formal action that imposed the constraint originally by the same level of decision-making authority (the Board of Directors).

- Assigned - comprises amounts intended to be used by the CRA for specific purposes that are neither restricted nor committed. Intent is expressed by the Board of Directors or a body or official to which the Board of Directors has delegated the authority to assign amounts to be used for specific purposes to the CRA Director.

- Unassigned - is the residual classification for the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

These classifications reflect not only the nature of funds but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. In circumstances in which amounts are available in multiple fund balance classifications, fund balance is generally considered to be spent from the most restrictive classification first.

Net Position

Net position in the government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - component of net position that consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets.

- Restricted - component of net position that consists of restricted assets, other than capital assets, reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

- Unrestricted - component of net position that consists of the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

The CRA considers restricted amounts to be spent first when both restricted and unrestricted net position is available.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Subsequent Events
The CRA has evaluated events and transactions that occurred between September 30, 2025, and April 29, 2026, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets
Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the CRA. All appropriations lapse at fiscal year-end except for appropriations related to multi-year capital projects.

Encumbrances
Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources that are recorded in order to reserve that portion of the applicable appropriation, is used by the CRA. Encumbrances outstanding at year-end are not reported in the accompanying financial statements as the CRA's fund balance is fully restricted by state statutes.

3. DEPOSITS AND INVESTMENTS

Deposits
The investment of surplus funds is governed by provision of Section 218.415, Florida Statutes, as to the type of investments that can be made. Deposits may be exposed to custodial credit risk, which is the risk that in the event of a bank failure, the government's deposits may not be returned. The CRA manages its custodial credit risk by maintaining its deposits with *Qualified Public Depositories* as defined in Chapter 280, Florida Statutes. The provisions of this statute allow *Qualified Public Depositories* to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All *Qualified Public Depositories* must deposit eligible collateral with the Treasurer of the State of Florida equal to or in excess of their required collateral pledging level. In the event of default by a qualified public institution, the Treasurer will pay public depositors all losses in excess of insurance and collateral through assessments among all *Qualified Public Depositories*.

As of September 30, 2025, the CRA's deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC) or pooled collateral held by the State Treasurer and, therefore, have no custodial credit risk.

Investments
The types of allowable investments that can be made by the CRA are described in Note 1. As of September 30, 2025, the CRA's investments consist of participation in the Florida Short Term Asset Reserve (FLSTAR) Government Fund, an intergovernmental investment pool. This investment pool is a stable net asset value (NAV) government investment pool established pursuant to Section 218.415, Florida Statutes and Section 163.01, Florida Statutes. The CRA's investment in FL STAR is reported at amortized cost, which generally approximates the fair value of securities in the fund. FL STAR is governed by a board of trustees, a separate legal entity and public body corporate and politic created pursuant to Section 163.01(7), Florida Statutes.

The FLSTAR Government Fund was rated "AAAm" by Standard and Poors, and it had a weighted average maturity (WAM) of 107 days on September 30, 2025. There were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value. In accordance with GASB Statement No. 79, the CRA's investment in the FL STAR Government Fund is reported at amortized cost and is therefore not required to be categorized in the fair value hierarchy.

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Construction in progress	$ 36,100	$ 99,303	$ -	$ 135,403

Construction in Progess
As of September 30, 2025, construction in progress was comprised of pre-construction costs incurred for Phase I of the Old Town Landing Project. See Note 6 for additional details.

5. RISK MANAGEMENT

The CRA is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As a component unit of the City, the CRA is covered under the City's insurance policies. The City purchases insurance through commercial carriers which includes workers' compensation, comprehensive general liability, and automobile damage.

The remaining insurance coverage, which includes but is not limited to property, flood, inland marine, boiler and machinery, and fiduciary, is purchased from various commercial carriers. The City maintains minimal deductibles for insurance policies purchased through these carriers. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three fiscal years.

6. COMMITMENT

In August 2025, the City Council awarded a bid to perform Phase I construction services of the Old Town Landing project to a commercial contractor for a total price of $2,853,257. This phase of the project consists of constructing a 125-foot dock and pier on Boggy Bayou. The project will be funded by tax increment revenues of the CRA as well as the City's allocation of tourist development taxes. Phase I is expected to be completed in Spring 2027.

REQUIRED SUPPLEMENTARY INFORMATION

NICEVILLE COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Niceville, Florida)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 430,170	$ 430,170	$ 430,172	$ 2
Intergovernmental	410,890	410,890	410,889	(1)
Miscellaneous	53,690	53,690	71,097	17,407
Total revenues	894,750	894,750	912,158	17,408
EXPENDITURES				
Current				
Economic environment	921,160	921,160	216,946	704,214
Capital outlay	3,305,000	3,305,000	99,303	3,205,697
Total expenditures	4,226,160	4,226,160	316,249	3,909,911
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,331,410)	(3,331,410)	595,909	3,927,319
OTHER FINANCING SOURCES				
Transfers in	1,730,690	1,730,690	-	1,730,690
NET CHANGE IN FUND BALANCE	(1,600,720)	(1,600,720)	595,909	2,196,629
FUND BALANCE AT BEGINNING OF YEAR	1,600,720	1,600,720	1,519,202	(81,518)
FUND BALANCE AT END OF YEAR	$ -	$ -	$ 2,115,111	$ 2,115,111

See notes to the budgetary comparison schedule.

NICEVILLE COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Niceville, Florida)
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Budgetary data reflected in the financial statements are established by the following procedures. During the month of July, management determines the CRA's proposed expenditures or requested appropriations. These proposed expenditures, along with all estimated receipts and balances expected to be brought forward are presented to the Board of Directors for approval in August.

The budget approved by the Board of Directors is forwarded to the City Council and dates are established for tentative and final public budget hearings as prescribed by Florida Statutes. Proposed budgets are advertised by newspapers of general circulation in the City. Public hearings are conducted for the purpose of hearing requests and complaints from the public. The final budget is adopted by ordinance. Budget amounts reflected in the financial statements are originally adopted amounts as amended by the Board of Directors and City Council.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The CRA Director is authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors and the City Council.

COMPLIANCE SECTION

Warren Averett
CPAs AND ADVISORS

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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 Board of Directors
Niceville Community Redevelopment Agency

We have audited, 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, the financial statements of governmental activities and the general fund of the Niceville Community Redevelopment Agency (the CRA), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements and have issued our report thereon dated April 29, 2026.

Internal Control over Financial Reporting
In planning and performing our audit, we considered the CRA'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 the CRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CRA'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.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the CRA'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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren Averett, LLC
Fort Walton Beach, Florida
April 29, 2026

Warren Averett
CPAs AND ADVISORS

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INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL*

Board of Directors
Niceville Community Redevelopment Agency

We have examined the Niceville Community Redevelopment Agency's (the CRA) compliance with the following requirements for the year ended September 30, 2025:

1) Section 218.415, Florida Statutes, in regard to investments, and

2) Section 163.387(6) and (7), Florida Statutes, in regard to community redevelopment agencies

Management is responsible for the CRA's compliance with those requirements. Our responsibility is to express an opinion on the CRA's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the CRA complied, in all material respects, with the specified requirements. An examination involves performing procedures to obtain evidence about whether the CRA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including the assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination of the CRA's compliance with specified requirements.

In our opinion, the CRA complied, in all material respects, with the specified requirements for the year ended September 30, 2025.

This report is intended solely for the information and use of the CRA, the Florida Auditor General, and the State of Florida, and is not intended to be, and should not be, used by anyone other than these specified parties

Warren Averett, LLC
Fort Walton Beach, Florida
April 29, 2026

Warren Averett
CPAs AND ADVISORS

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MANAGEMENT LETTER

Board of Directors
Niceville Community Redevelopment Agency

Report on the Financial Statements
We have audited the financial statements of the Niceville Community Redevelopment Agency (the CRA), a component unit of the City of Niceville, Florida, as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated April 29, 2026.

Auditors' Responsibility
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements
We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated April 29, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings
Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority
Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority for the CRA has been disclosed in Note 1 to the financial statements. The CRA has no component units.

Financial Condition and Management
Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the CRA has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the CRA did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the CRA. It is management's responsibility to monitor the CRA's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Property Assessed Clean Energy (PACE) Programs
As required by Section 10.554(1)(i)6.a., *Rules of the Florida Auditor General*, the CRA did not operate within its geographical boundaries, a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, during the fiscal year under audit.

Specific Information
As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the CRA reported has reported the required information in the City of Niceville, Florida's audit report.

Additional Matters
Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter
Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the CRA Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

Fort Walton Beach, Florida
April 29, 2026