AMELIA WALK
COMMUNITY DEVELOPMENT DISTRICT
NASSAU COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT
NASSAU COUNTY, FLORIDA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Amelia Walk Community Development District
Nassau County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Amelia Walk Community Development District, Nassau County, Florida (the "District") as of and for the fiscal year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2010, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 6, 7, 8, 9, 11, 14, and 15 to the financial statements, the District's financial conditions continue to deteriorate. Due to the failure of Danville Land Investments, LLC ("Landowner") to pay its (full) share of assessments, a significant portion of the assessments for fiscal years 2009 - 2011 were delinquent. Consequently, the District did not have sufficient funds necessary to make the November 1, 2009 and the May 1, 2010 interest payments due on the Series 2006A Bonds. As a result, the payments were made, in part, by draws on the Series 2006A Debt Service Reserve Account. Additionally, the District did not have sufficient funds to make the Series 2006A May 1, 2010 principal payment and as a result, the payment was not made. Subsequent to fiscal year end, shortfalls in the collection of special assessments caused there to be insufficient amounts available to fully fund the Series 2006A November 1, 2010 and May 1, 2011 debt service payments. Consequently, the payments were not made as scheduled, although an interest payment of approximately $234,000 was made on August 19, 2011 on the Series 2006A Bonds and $205,000 of the Series 2006A Bonds were prepaid on June 3, 2011. These missed payments constitute events of default under the Bond Indenture. Subsequent to September 30, 2010, the Series 2006 Bond Indenture was amended revising certain provisions and to allow the unexpended proceeds of the Bonds held under the Indenture to be applied to redeem the outstanding Series 2006B Bonds. Also, subsequent to the fiscal year end, the revised 2006 project was certified complete by the District's engineer and the majority of the excess funds available in the Series 2006 Project Account were used to redeem the Series 2006B Bonds. In addition, in the prior fiscal year, the District initiated foreclosure proceedings against real property owned by the Landowner. During the current fiscal year, the District obtained a Final Judgment of Foreclosure in the amount of $11,425,000, inclusive of penalties and prejudgment interest. A foreclosure sale had been set and rescheduled a number of times; however, subsequent to fiscal year end, the Board moved to vacate the foreclosure judgment and ultimately dismiss the lawsuit contingent upon some conditions, including the collection of certain delinquent assessments that remain outstanding. Further, subsequent to fiscal year end, the platted lots owned by the Landowner and the Landowner's unplatted lots in phases 2 - 5 of the District were sold. Also, subsequent to fiscal year end, a civil action was filed against the District, and several other named defendants, including the Developer and its subsidiaries, the Landowner, and individuals who were previously members of the District's Board of Supervisors by certain landowners who purchased lots within the District. The counts against the District include the violation of the Florida Deceptive and Unfair Trade Practices Act, negligent misrepresentation, breach of fiduciary duty, and RICO (Racketeer Influenced and Corrupt Organizations). The District has notified its insurance carrier, the Florida Municipal Insurance Trust ("FMIT"), and FMIT has accepted coverage and defense. Additionally, during the 2008 fiscal year, Woodside Group, LLC ("Woodside"), and its restricted subsidiaries including Woodside Amelia Lakes, LLC, ("Developer") consented to the commencement of Chapter 11 (bankruptcy protection). The District filed three proofs of claim in the Developer's bankruptcy case. On November 25, 2009, the Court entered an order confirming the debtors' Second Amended Joint Plan of Reorganization of Woodside Group, LLC and Affiliated Debtors. As of December 30, 2009, Woodside emerged from bankruptcy as the same company with certain creditors that previously held liens against the company as the new owners. Subsequent to fiscal year end, a Stipulation was entered into by Reorganized Woodside Amelia Walk, LLC ("Reorganized Woodside") and the District. Reorganized Woodside and the District have agreed to resolve the completion obligation portion of the District's agreement claim and the District has agreed to withdraw its claim on the true-up obligation portion of the District's agreement claim. The District is economically dependent on the Landowner and the Developer.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, 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.

Grau & Associates

October 11, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Amelia Walk Community Development District, Nassau County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the fiscal year ended September 30, 2010 resulting in a net asset deficit balance of ($7,519,395).

- The change in the District's total net assets in comparison with the prior fiscal year was $155,410, an increase. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.

- At September 30, 2010, the District's governmental funds reported combined ending fund balances of $6,752,142, a decrease of ($74,970) in comparison with the prior fiscal year. Of the total fund balance, $6,674,681 is reserved for debt service, capital projects, and other items, and the remainder is unreserved fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance functions.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: governmental funds.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

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 evaluating a District's near-term financing requirements.

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 governmental funds 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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, liabilities exceeded assets at the close of the fiscal year ended September 30, 2010.

Key components of the District's net assets are reflected in the following table:

NET ASSETS
SEPTEMBER 30,

	2010	2009
Assets, excluding capital assets	$ 1,523,083	$ 7,780,295
Capital assets, net of depreciation	3,298,877	3,387,853
Total assets	4,821,960	11,168,148
Liabilities, excluding long-term liabilities	532,086	467,963
Long-term liabilities	17,700,000	18,375,000
Total liabilities	18,232,086	18,842,963
Net Assets		
Invested in capital assets, net of related debt	(8,080,152)	(8,587,265)
Restricted for debt service	479,852	809,520
Unrestricted	80,905	102,940
Total net assets (deficit)	$ (7,519,395)	$ (7,674,805)

The District's net assets reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

The District's net assets increased during the most recent fiscal year. While a significant portion of the fiscal year 2010 assessments and $505,701 in delinquent fiscal year 2009 assessments were deemed uncollectible in the current fiscal year, the District also received $113,360 from the Municipal Services Benefit Unit which was used towards operating costs. The end result was that ongoing program revenues exceeded the cost of operations and depreciation expense.

Key elements of the change in net assets are reflected in the following table:

CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,

	2010	2009
Revenues:		
Program revenues		
Charges for services	$ 1,545,826	$ 2,378,309
Operating grants and contributions	6,249	12,244
Capital grants and contributions	120,851	59,107
General revenues		
Unrestricted investment earnings	486	1,120
Miscellaneous	2,750	200
Total revenues	1,676,162	2,450,980
Expenses:		
General government	252,776	194,762
Infrastructure and maintenance costs	284,993	302,813
Interest on long-term debt	982,983	1,024,513
Total expenses	1,520,752	1,522,088
Change in net assets	155,410	928,892
Net assets (deficit) - beginning	(7,674,805)	(8,603,697)
Net assets (deficit) - ending	$ (7,519,395)	$ (7,674,805)

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2010 was $1,520,752.

A majority of the costs of the District's activities were paid by program revenues. Program revenues, comprised primarily of assessments, decreased from the prior fiscal year primarily as a result of delinquent assessments. There were significant delinquent assessments in both the current and prior fiscal years. As collectability is both uncertain and unlikely, this revenue has not been recognized in the governmental-wide financial statements in the current fiscal year, whereas the delinquent assessments in the prior fiscal year had been recognized in the governmental-wide financial statements. As a result, the uncollectible amounts relating to prior fiscal year receivables have been netted against the current fiscal year revenues. The District also received miscellaneous revenues from the Municipal Services Benefit Unit, interest income, and Developer revenues which are also included in program revenues.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures for the fiscal year ended September 30, 2010 exceeded appropriations by $19,437. The over expenditures were funded by transfers from the capital projects fund as there were significant delinquent fiscal year 2010 assessments so revenues were insufficient to cover even the budgeted appropriations.

The variance between budgeted and actual general fund revenues for the 2010 fiscal year is the result of the non-payment of the entire balance of the fiscal year 2010 assessments levied on the lands owned by the District's majority landowner.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2010, the District had $3,550,976 invested in land, land improvements, and other improvements. In the government-wide financial statements, depreciation of $252,099 has been taken, which resulted in a net book value of $3,298,877. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2010, the District had $17,700,000 in Bonds outstanding for its governmental activities, a decrease of approximately 4% from the prior fiscal year. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

As discussed in the notes to the basic financial statements, there are significant delinquent fiscal year 2009 - 2011 assessments that have not been collected due to the Landowner's failure to pay its (full share of) assessments. Consequently, the District did not have sufficient funds necessary to make the November 1, 2009 and the May 1, 2010 interest payments due on the Series 2006A Bonds. As a result, the payments were made, in part, by draws on the Series 2006A Debt Service Reserve Account. Additionally, the District did not have sufficient funds to make the Series 2006A May 1, 2010 and May 1, 2011 principal payments and the Series 2006A November 1, 2010 and May 1, 2011 interest payments and, as a result, the payments were not made. These missed payments constitute events of default under the Bond Indenture. An interest payment of approximately $234,000 was made on August 19, 2011 on the Series 2006A Bonds and $205,000 of the Series 2006A Bonds were prepaid on June 3, 2011. Subsequent to September 30, 2010, the Series 2006 Bond Indenture was amended revising certain provisions and to allow the unexpended proceeds of the Bonds held under the Indenture to be applied to redeem the outstanding Series 2006B Bonds. Also, subsequent to the fiscal year end, the revised 2006 project was certified complete by the District's engineer and the majority of the excess funds available in the Series 2006 Project Account were used to redeem the Series 2006B Bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS (Continued)

In the prior fiscal year, the District initiated foreclosure proceedings against real property owned by the Landowner. The District is economically dependent on the Landowner. During the current fiscal year, the District obtained a Final Judgment of Foreclosure in the amount of $11,425,000, inclusive of penalties and prejudgment interest. A foreclosure sale had been set and rescheduled a number of times; however, subsequent to fiscal year end, the platted lots owned by the Landowner and the Landowner's unplatted lots in phases 2 - 5 of the District were sold. Subsequent to fiscal year end, the Board moved to vacate the foreclosure judgment and ultimately dismiss the lawsuit contingent upon some conditions, including the collection of certain delinquent assessments that remain outstanding. The District is economically dependent on the Landowner.

During the 2008 fiscal year, Woodside Group, LLC ("Woodside"), and its restricted subsidiaries including Woodside Amelia Lakes, LLC, ("Developer") consented to the commencement of Chapter 11 (bankruptcy protection). The District filed three proofs of claim in the Developer's bankruptcy case. On November 25, 2009, the Court entered an order confirming the debtors' Second Amended Joint Plan of Reorganization of Woodside Group, LLC and Affiliated Debtors. As of December 30, 2009, Woodside emerged from bankruptcy as the same company with certain creditors that previously held liens against the company as the new owners. Subsequent to fiscal year end, a Stipulation was entered into by Reorganized Woodside Amelia Walk, LLC ("Reorganized Woodside") and the District. Reorganized Woodside and the District have agreed to resolve the completion obligation portion of the District's agreement claim and the District has agreed to withdraw its claim on the true-up obligation portion of the District's agreement claim. The District is economically dependent on the Developer.

Subsequent to fiscal year end, a civil action was filed against the District, and several other named defendants, including the Developer and its subsidiaries, the Landowner, and individuals who were previously members of the District's Board of Supervisors by certain landowners who purchased lots within the District. The counts against the District include the violation of the Florida Deceptive and Unfair Trade Practices Act, negligent misrepresentation, breach of fiduciary duty, and RICO (Racketeer Influenced and Corrupt Organizations). The District has notified its insurance carrier, the Florida Municipal Insurance Trust ("FMIT"), and FMIT has accepted coverage and defense.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Amelia Walk Community Development District's Finance Department at 475 West Town Place, Suite 114, St. Augustine, FL 32092.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT
NASSAU COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 3,723
Interest receivable	2,147
Accounts receivable	113,360
Assessment receivable	66,314
Deposits	3,444
Restricted assets:	
Investments	959,128
Deferred charges	374,967
Capital assets:	
Nondepreciable	881,686
Depreciable, net	2,417,191
Total assets	4,821,960
LIABILITIES	
Accounts payable	136,705
Due to Bondholders	150,000
Accrued interest payable	395,381
Non-current liabilities:	
Due within one year	160,000
Due in more than one year	17,390,000
Total liabilities	18,232,086
NET ASSETS	
Invested in capital assets, net of related debt	(8,080,152)
Restricted for debt service	479,852
Unrestricted	80,905
Total net assets (deficit)	$ (7,519,395)

See notes to the financial statements

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT
NASSAU COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 252,776	$ -	$ 5,342	$ -	$ (247,434)
Maintenance and operations	284,993	42,810	-	120,851	(121,332)
Interest on long-term debt	982,983	1,503,016	907	-	520,940
Total governmental activities	1,520,752	1,545,826	6,249	120,851	152,174
General revenues:					
Unrestricted investment earnings					486
Miscellaneous					2,750
Total general revenues					3,236
Change in net assets					155,410
Net assets (deficit) - beginning					(7,674,805)
Net assets (deficit) - ending					$ (7,519,395)

See notes to the financial statements

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT
NASSAU COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	Major Funds			Total
	General	Debt Service	Capital Projects	Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,723	$ 959,128	$ 5,655,766	$ 6,618,617
Investments	-	-	234,965	234,965
Interest receivable	-	74	2,073	2,147
Due from other funds	210,160	-	-	210,160
Accounts receivable	-	-	113,360	113,360
Assessment receivable	283	66,031	-	66,314
Deposits	3,444	-	-	3,444
Total assets	$ 217,610	$ 1,025,233	$ 6,006,164	$ 7,249,007
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 136,705	$ -	$ -	$ 136,705
Due to other funds	-	-	210,160	210,160
Due to Bondholders	-	150,000	-	150,000
Total liabilities	136,705	150,000	210,160	496,865
Fund balances:				
Reserved for:				
Debt service	-	875,233	-	875,233
Capital projects	-	-	5,796,004	5,796,004
Other	3,444	-	-	3,444
Unreserved, reported in:				
General fund	77,461	-	-	77,461
Total fund balances	80,905	875,233	5,796,004	6,752,142
Total liabilities and fund balances	$ 217,610	$ 1,025,233	$ 6,006,164	$ 7,249,007

See notes to the financial statements

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT
NASSAU COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

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

Fund balance - governmental funds		$ 6,752,142
Capital assets used in governmental activities are not financial resources, therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets of the government as a whole.		
Cost of capital assets	3,550,976	
Accumulated depreciation	(252,099)	3,298,877
Bond issuance costs are not financial resources and, therefore are not reported as assets in the governmental funds. The statements of net assets includes these costs, net of amortization.		
Bond issuance costs	437,075	
Accumulated amortization	(62,108)	374,967
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.		
Accrued interest payable	(395,381)	
Bonds payable*	(17,550,000)	(17,945,381)
Net assets of governmental activities		$ (7,519,395)

* The $150,000 that was due on May 1, 2010 for the Series 2006A Bonds is reflected in the due to Bondholders account balance

See notes to the financial statements

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT
NASSAU COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Major Funds			Total
	General	Debt Service	Capital Projects	Governmental Funds
REVENUES				
Assessments	$ 130,791	$ 1,920,736	$ -	$ 2,051,527
Developer contributions	5,342	-	-	5,342
Interest	486	907	7,491	8,884
Miscellaneous revenues	2,750	-	113,360	116,110
Total revenues	139,369	1,921,643	120,851	2,181,863
EXPENDITURES				
Current:				
General government	193,298	43,357	16,121	252,776
Maintenance and operations	196,017	-	-	196,017
Debt Service:				
Principal	-	825,000	-	825,000
Interest	-	983,040	-	983,040
Total expenditures	389,315	1,851,397	16,121	2,256,833
Excess (deficiency) of revenues over (under) expenditures	(249,946)	70,246	104,730	(74,970)
OTHER FINANCING SOURCES (USES)				
Interfund transfers	315,892	3,180	(319,072)	-
Total other financing sources (uses)	315,892	3,180	(319,072)	-
Net change in fund balances	65,946	73,426	(214,342)	(74,970)
Fund balances - beginning	14,959	801,807	6,010,346	6,827,112
Fund balances - ending	$ 80,905	$ 875,233	$ 5,796,004	$ 6,752,142

See notes to the financial statements

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT
NASSAU COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ (74,970)
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(88,976)
Certain uncollectible amounts relating to prior year receivables are considered expenses on the statement of activities, but do not affect the fund financial statements.	(505,701)
Amortization of deferred charges is not recognized in the governmental fund statement, but is reported as an expense in the statement of activities.	(14,569)
Repayments of long-term liabilities are reported as expenditures in the governmental fund statement, but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	825,000
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities, but not in the fund financial statements.	14,626
Change in net assets of governmental activities	$ 155,410

See notes to the financial statements

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Amelia Walk Community Development District ("District") was created on December 22, 2005 by Ordinance 2005-81 enacted by the Board of County Commissioners of the Nassau County, Florida, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue Bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2010, some of the Board members are affiliated with Woodside Amelia Lakes, LLC (“Developer”). Danville Land Investments, LLC (“Landowner”) owned a majority of the land within the District at September 30, 2010. In addition, the Developer owns a significant portion of the land; therefore, the District is economically dependent on the Developer and the Landowner.

The Board has the responsibility for:
1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements
The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Operating-type special assessments for maintenance and debt service are treated as charges for services; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments

Assessments are non-ad valorem assessments on benefitted property within the District. Operating and Maintenance Assessments are based upon adopted budget and levied annually at a public hearing of the District. Debt Service Assessments are levied when Bonds are issued and assessed and collected on an annual basis. The District may collect assessments directly or utilize the uniform method of collection (Chapter 197.3632, Florida Statutes). Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the Debt Service Assessments on their property subject to various provisions in the Bond documents.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity

Restricted Assets
These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments
The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
c) Interest bearing time deposits or savings accounts in qualified public depositories;
d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Prepaid Items
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets
Capital assets which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Recreational Facilities	30

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Deferred Charges
In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling $437,075. In the government-wide financial statements, that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2010, the District reported accumulated amortization of $62,108.

Deferred Revenue
Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Long-Term Obligations
In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity/Net Assets
In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's Bond covenants or other contractual restrictions.

Other Disclosures

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

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

NOTE 3 – BUDGETARY INFORMATION (Continued)

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
b) Public hearings are conducted to obtain public comments.
c) Prior to October 1, the budget is legally adopted by the District Board.
d) All budget changes must be approved by the District Board.
e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits
The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments
The District's investments were held as follows at September 30, 2010:

	Fair Value	Credit Risk	Maturities
GE Capital Finance Certificate of Deposit	86,233	N/A	10/12/2010
Wells Fargo Bank NA Zero Coupon Certificate of Deposit	55,899	Moodys AA2	10/27/2010
HSBC Bank USA Zero Coupon Certificate of Deposit	92,833	S&P AA	11/29/2010
	$ 234,965		

Custodial risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The District's investments are held in the name of the District.

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

NOTE 5 – INTERFUND TRANSFERS

Interfund receivables and payables at September 30, 2010 were as follows:

Fund	Receivable	Payable
General	$ 210,160	$ -
Capital projects	-	210,160
Total	$ 210,160	$ 210,160

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the District, the balances between the general fund and the capital projects fund relate to funding from the trust accounts and the Municipal Services Benefit Unit to finance general fund expenditures.

Interfund transfers for the fiscal year ended September 30, 2010 were as follows:

Fund	Transfer in	Transfer out
General fund	$ 315,892	$ -
Debt service	3,180	-
Capital projects	-	319,072
Total	$ 319,072	$ 319,072

Transfers between the debt service fund and the capital projects fund were made in accordance with the Bond Indenture. Transfers between the capital projects fund and the general fund were made to finance general fund expenditures that exceeded available resources.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land and land improvements	$ 881,686	$ -	$ -	$ 881,686
Total capital assets, not being depreciated	881,686	-	-	881,686
Capital assets, being depreciated				
Infrastructure - recreational facilities	2,669,290	-	-	2,669,290
Total capital assets, being depreciated	2,669,290	-	-	2,669,290
Less accumulated depreciation for:				
Infrastructure - recreational facilities	163,123	88,976	-	252,099
Total accumulated depreciation	163,123	88,976	-	252,099
Total capital assets, being depreciated, net	2,506,167	(88,976)	-	2,417,191
Governmental activities capital assets	$ 3,387,853	$ (88,976)	$ -	$ 3,298,877

NOTE 6 – CAPITAL ASSETS (Continued)

The total cost of the project has been estimated at about $31,000,000. Of this amount, approximately $17.2 million will be financed with the proceeds of the Series 2006 Bonds. It is anticipated that a portion of the balance will be financed with the proceeds of a future series of Bonds which may be anticipated to be paid by the Landowner no later than the time of sale to the initial end-user, but will overlap with, and may share a lien co-equal with the lien of the Series 2006 assessments on certain parcels. The balance of the improvements needed to complete the development not financed with the proceeds of the Series 2006 Bonds or a future series of Bonds are expected to be paid by the Developer. The project will include roadway improvements, storm drainage facilities, wastewater collection and potable water systems infrastructure. In addition, the project's recreational facilities include a clubhouse, swimming pool, parking area, tennis courts and play grounds. The project consists of five phases. Phase 1 is complete. Future phases will be built when the market can support the increase in inventory. Consequently, construction on the project has been temporarily halted and the future of the project remains uncertain. See Note 15 for additional information subsequent to fiscal year end.

An Acquisition Agreement was entered into between the Developer and the District in June 2006 whereby the District shall acquire certain infrastructure from the Developer. In prior years, a portion of the improvements were acquired from the Developer and certain capital assets were conveyed to other entities for maintenance.

In connection with the 2006 project, if there are costs of the project which have not been paid from the proceeds of the Bonds and which are identified by the District as having been advanced under an Acquisition Agreement, it may be determined that deferred costs exist. Upon completion of the project, certain funds available from the Bonds may be used to pay deferred obligations, as outlined in the Bond Indenture. The 2006 project has not yet been completed and the District has not yet determined if a liability exists for deferred costs.

NOTE 7 – LONG TERM LIABILITIES

On June 16, 2006, the District issued $9,785,000 of Special Assessment Bonds, Series 2006A and $10,145,000 Series 2006B. The Series 2006A Bonds are due May 1, 2037 with a fixed interest rate of 5.50%; the Series 2006B Bonds are due May 1, 2014 with a fixed interest rate of 5.2%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1 for both Series 2006A and Series 2006B. Principal on the Series 2006A Bond is to be paid annually on each May 1, commencing May 1, 2008. The Series 2006B Bonds are due in one lump sum payment on May 1, 2014.

The Series 2006A Bonds are subject to redemption at the option of the District prior to their maturity. The Series 2006B Bonds are not subject to optional redemption. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the current fiscal year as the District collected assessments from lot closings and prepaid $675,000 of the Series 2006B Bonds. See Note 16 - Subsequent Events for additional call amounts subsequent to the fiscal year end.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with the requirements of the Bond Indenture, with certain exceptions.

NOTE 7 – LONG TERM LIABILITIES (Continued)

Due to the failure by Danville Land Investments, LLC, the majority Landowner of the District, to pay any its fiscal year 2010 assessments, a significant portion of the assessments for the fiscal year ended September 30, 2010 were delinquent, and as a result, the District did not have sufficient funds to make the November 1, 2009 interest payment on the Series 2006A Bonds. Consequently, the payment was made, in part, by a draw on the Series 2006A Debt Service Reserve Account. Additionally, the debt service payment was not made until December 28, 2009. Further, the District did not have sufficient funds available to make the scheduled interest payment and principal payment due on the Series 2006A Bonds, payable May 1, 2010. Consequently, the 2006A interest payment was made, in part, by draws on the Series 2006A Debt Service Reserve Account and the 2006A principal payment was not made. The principal amount due has been accrued on the fund financial statements as due to Bondholders. The failure by the District to pay its debt service is considered an event of default. Additionally, at September 30 2010, the District recognized deficits of approximately $544,000 and $33,000 in the Series 2006A and 2006B Debt Service Reserve Accounts, respectively. See Note 15 for additional information subsequent to fiscal year end.

Changes in long-term liability activity during the fiscal year ended September 30, 2010 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	
Governmental activities						
Bonds payable:						
Series 2006	$ 18,375,000	$ -	$ 675,000	$ 17,700,000	$ 310,000	*
Total	$ 18,375,000	$ -	$ 675,000	$ 17,700,000	$ 310,000	

* Includes $150,000 due on May 1, 2010 for the Series 2006A Bonds which was not paid.

At September 30, 2010, the scheduled debt service requirements on the long-term debt were as follows:

	Governmental Activities		
Year ending September 30:	Principal	Interest	Total
2011	$ 310,000	$ 948,915	$ 1,258,915
2012	165,000	931,865	1,096,865
2013	175,000	922,790	1,097,790
2014	8,380,000	913,165	9,293,165
2015	195,000	476,850	671,850
2016-2020	1,155,000	2,210,450	3,365,450
2021-2025	1,510,000	1,855,975	3,365,975
2026-2030	1,980,000	1,391,500	3,371,500
2031-2035	2,585,000	784,575	3,369,575
2036-2037	1,245,000	103,675	1,348,675
Total	$ 17,700,000	$ 10,539,760	$ 28,239,760

NOTE 8 – RELATED PARTY TRANSACTIONS

Assessments

The Developer and Landowner own a significant portion of land within the District; therefore, assessment revenues in the general and debt service funds include the assessments levied on those lots owned by the Developer and Landowner. The Landowner, however, did not pay its share of the fiscal year 2010 assessments with unfunded fiscal year 2010 assessments totaling approximately $629,000. Furthermore, as collectability of unfunded fiscal year 2010 assessments was deemed both uncertain and unlikely, the revenue has not been recognized in the government-wide financial statements. Additionally, $505,701 of fiscal year 2009 assessments levied on the property owned by the Landowner has been deemed uncollectible in the current fiscal year, and adjustments have been made to the government-wide financial statements. See Note 15 for additional information subsequent to fiscal year end.

NOTE 8 – RELATED PARTY TRANSACTIONS (Continued)

Bankruptcy Proceedings

During the fiscal year ended September 30, 2008, Woodside Group, LLC ("Woodside"), and its restricted subsidiaries including Woodside Amelia Lakes, LLC, ("Developer") consented to the commencement of Chapter 11 (bankruptcy protection). The Developer currently owns approximately 64% of the lots within Phase 1 and proposed future Phase 2 of the District. The District is economically dependent on the Developer. The bankruptcy court, with Woodside's consent, entered an order for relief on September 16, 2008. On October 29, 2008, the bankruptcy court entered an order allowing Woodside to pay special assessments and similar debt during the pendency of its case.

The District filed three proofs of claim in the Developer's bankruptcy case. The first was a secured proof of claim in the amount of $8,162,558 which represents special assessments owed by the Developer to the District and secured by special assessment liens (both debt and operations and maintenance). The second was an unsecured claim in the amount of $20,263,682 which represents the estimated potential liability of the Developer to the District under the True Up and Completion Agreements. The third claim was a priority unsecured claim in the amount of $7,886 which represents expenses incurred by the District and charged to the Developer under the budget funding agreement. Additionally, the District filed an objection to Woodside's plan disclosure statement.

On November 25, 2009, the Court entered an order confirming the debtors' Second Amended Joint Plan of Reorganization of Woodside Group, LLC and Affiliated Debtors, as modified on November 24, 2009 ("Plan"). The Plan incorporates the comments of the District's counsel and in doing so resolved the District's objection. Section 8.11 of the Plan authorized the reorganized debtors to honor and satisfy the District's special assessments in the ordinary course of business, and further provides that such liens shall be unaffected and shall remain on the land upon which they are imposed until paid, in accordance with applicable state law. The Plan became effective December 31, 2009. As of December 30, 2009, Woodside emerged from bankruptcy as the same company with certain creditors that previously held liens against the company as the new owners.

On October 1, 2010, the Debtors filed claims objection against the District's claims. The District expects to resolve the objections by: 1) entering into a stipulation to withdraw the District's Assessment Claim provided however any such withdrawal does not waive the District's rights under the Plan and the District's liens continue to be governed by the terms of the Plan; 2) withdrawing the portion of the District's Completion and True-up Claim that addresses any true-up obligation, which true-up obligation is already separately provided for under the District's assessment lien resolutions; and 3) entering into a settlement agreement with the Debtor to resolve the completion claim.

While it is difficult to determine the outcome of any litigation, the District anticipates that it will be successful in protecting its rights through the conclusion of the bankruptcy. Accordingly, the District further expects to recover any assessments, or true-up, owed by the Developer either through payments made in the ordinary course of business or through enforcement and collection via tax certificate sale, foreclosure or other action against the Developer's real property within the District. That said, the unsecured completion obligation will likely end up as an unsecured claim under the Plan, which may result in a recovery of substantially less than what may be owed under the completion agreement. See Note 15 for additional information subsequent to fiscal year end.

NOTE 9 – ASSESSMENTS

A significant portion of the assessments for the fiscal year ended September 30, 2010 were delinquent. As of September 30, 2011, only approximately 57% of the assessments for the fiscal year ended September 30, 2010 were collected.

NOTE 10 – CONCENTRATION

A significant portion of the District's activity is dependent upon the continued involvement of the Developer and Landowner. As such, the nonpayment of assessments by the Landowner has resulted in the further deterioration of the District's financial conditions.

NOTE 11 – EVENT OF DEFAULT

On August 4, 2009, the District declared the occurrence of an event of default in accordance with the Bond Indenture. Additional Events of Default have occurred since then, as discussed in further detail in Notes 7 and 16. The occurrence of an event of default creates certain remedial rights and remedies in favor of the Trustee. Pursuant to the Indenture, the owners of a majority in aggregate principal amount of the Bonds then outstanding may direct the Trustee with regard to such rights and remedies following an event of default and upon provision of indemnity satisfactory to the Trustee and in accordance with provisions of the Indenture. During the prior, current, and subsequent fiscal years, approximately $696,916 of expenditures were paid by the capital projects and debt service funds for certain general government expenditures and for services performed related to the foreclosure, the events of default, and related matters. See Note 14 for additional information related to the foreclosure.

NOTE 12 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 14 – OTHER INFORMATION

On May 14, 2009, the District initiated foreclosure proceedings against real property owned by Danville Land Investments, LLC (“Danville”) located within the District. Zions First National Bank, N.A. held a mortgage on the property owned by Danville and was named as an additional defendant. Clary & Associates was a junior lienholder that was also named as an additional defendant. Specifically, the District foreclosed on the special assessment liens for its Debt Service Assessments (in the amount of $6,293,309.52) for its Special Assessments Bonds, Series 2006A and its Operations and Maintenance Assessments (in the amount of $87,980.55) for the 2009 fiscal year. On January 14, 2010, the District obtained a Final Judgment of Foreclosure in the amount of $11,425,000.05, inclusive of penalties and prejudgment interest. A foreclosure sale had been set and rescheduled a number of times; however, subsequent to fiscal year end, the Board moved to vacate the foreclosure judgment and ultimately dismiss the lawsuit contingent upon some conditions, including the collection of certain delinquent assessments that remain outstanding. See Note 15 for additional information subsequent to fiscal year end.

NOTE 15 – SUBSEQUENT EVENTS

Assessments and Other Information

Subsequent to September 30 2010, the Developer has paid a portion of the fiscal year 2011 directly billed assessments that were due while the Landowner has paid 0% resulting in approximately 17% of the directly billed assessments being collected. As of September 30, 2011, the District has collected approximately 100% of its fiscal year 2011 assessments utilizing the uniform method of collection.

In a prior fiscal year, the District issued a $100,000 letter of credit as a bonding requirement for certain improvements constructed by Amelia Concourse Community Development District. Subsequent to the fiscal year ended September 30, 2010, the District received $113,360 from the Municipal Services Benefit Unit in connection with the letter of credit. This amount was subsequently transferred to the general fund as the Bondholders have agreed to net this amount against the unpaid funding requests made to the Bondholders to finance general fund expenditures.

NOTE 15 – SUBSEQUENT EVENTS (Continued)

Landowner Transactions

Subsequent to fiscal year end, the platted lots owned by the Landowner were purchased by AW Venture I, LLC and SBR Warehouser I, LLC and AW Venture II, LLC purchased the Landowner's unplatted lots in phases two - five of the District.

First Amendment to the Series 2006 Indenture

Subsequent to September 30, 2010, the District amended the Series 2006 Bond Indenture. The amendment changed the 2006B Debt Service Reserve Requirements as it was agreed that the requirements set forth in the original Indenture were disadvantageous to the District insofar as the interest cost on the Bonds which funded the Series 2006B Debt Service Reserve Account exceeded the investment earnings on the funds therein. Hence, the amendment to the Indenture provided for the release of the Series 2006B Reserve Account and for the redemption of the Series 2006B Bonds from the unexpended proceeds held under the Indenture and from the amounts released from the Series 2006B Debt Service Reserve Account. Additionally, the Indenture was amended to provide for more frequent redemption of the Series 2006B Bonds from prepayments of special assessments in order to reduce interest accruing on the Series 2006B Bonds. Lastly, the Indenture was amended to allow for any unexpended proceeds of the Bonds held under the Indenture to be applied to redeem the outstanding Series 2006B Bonds.

2006 Project

The housing market has changed considerably since the project was initially planned. The original development program was for 749 single family residential homes to be completed in five phases, of which the master infrastructure has been completed for the first two phases and partially in phase three. Phase one consists of 153 lots and phase two of 133 lots. In phase one, 85 lots remain to have homes constructed while no homes have been constructed in phase two. Total infrastructure costs to-date has been approximately $12.7 million of the expected $31 million as discussed in Note 6 above.

The neighborhood infrastructure for Phase I of the residential lots has been completed. To date, all of the off-site utility improvements and roadway improvements have been designed, constructed, and certified complete. Further, the infrastructure that is necessary for the functional development of Phase I has been constructed. Subsequent to fiscal year end, the revised 2006 project was certified complete by the District's engineer and the majority of the excess funds available in the Series 2006 Project Account were used to redeem the Series 2006B Bonds.

Scheduled Debt Service Payments and Bond Payments

Subsequent to September 30, 2010, shortfalls in the collection of special assessments caused there to be insufficient amounts available to fully fund the Series 2006A November 1, 2010 and May 1, 2011 debt service payments. Consequently, the payments were not made as scheduled. The failures by the District to pay its debt service are considered events of default.

Subsequent to fiscal year end, the Bondholder requested and approved the immediate distribution in the approximate amounts of $247,000 as an interest payment and $204,000 as a principal payment from the Series 2006A Revenue Account and Series 2006A Prepayment Account, respectively. On August 19, 2011, an interest payment of approximately $234,000 was made on the Series 2006A Bonds. Subsequent to September 30, 2010, the District prepaid a total of $1,030,000 of the Series 2006B Bonds. On June 3, 2011, the District prepaid $205,000 of the Series 2006A Bonds. The prepayments were considered extraordinary mandatory redemptions as outlined in the Bond Indenture.

On May 2, 2011, a redemption of $5,645,000 was made on the District Series 2006B Bonds. The redemption was financed through a transfer from the Series 2006 Project Account of $5,625,117 and a transfer of $19,402 from the Series 2006B Interest Account. After the redemption, there was approximately $30,000 remaining in the Series 2006 Project Account to be used towards capital related costs.

NOTE 15 – SUBSEQUENT EVENTS (Continued)

Lawsuit

Subsequent to fiscal year end, a civil action was filed against the District, and several other named defendants, including the Developer and its subsidiaries, the Landowner, and individuals who were previously members of the District's Board of Supervisors by certain landowners who purchased lots within the District for damages in excess of $75,000, exclusive of costs and fees. The complaint was served against the District on July 25, 2011. The counts against the District include the violation of the Florida Deceptive and Unfair Trade Practices Act, negligent misrepresentation, breach of fiduciary duty, and RICO (Racketeer Influenced and Corrupt Organizations). The Plaintiffs filed an amended complaint on September 13, 2011 (the "Amended Complaint"). As of September 28, 2011, the District had not been served with the Amended Complaint.

The District has notified its insurance carrier, the Florida Municipal Insurance Trust ("FMIT"), and FMIT has accepted coverage and defense. FMIT has engaged defense counsel. At this time, the litigation is still in its infancy and it is too early to predict any outcome in this litigation. No adjustment has been made to the financial statements as the impact on the District cannot be determined at this time since it is unclear how events will unfold.

Stipulation

Subsequent to fiscal year end, a Stipulation was entered into by Reorganized Woodside Amelia Walk, LLC ("Reorganized Woodside") and the District. Reorganized Woodside and the District have agreed to resolve the completion obligation portion of the District's agreement claim and the District has agreed to withdraw its claim on the true-up obligation portion of the District's agreement claim.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT
NASSAU COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Assessments	$ 341,585	$ 130,791	$ (210,794)
Developer contributions	-	5,342	5,342
Interest and other revenue	2,400	486	(1,914)
Total revenues	343,985	136,619	(207,366)
EXPENDITURES			
Current:			
General government	108,892	193,298	(84,406)
Maintenance and operations	260,986	196,017	64,969
Total expenditures	369,878	389,315	(19,437)
Excess (deficiency) of revenues over (under) expenditures	(25,893)	(252,696)	(226,803)
OTHER FINANCING SOURCES			
Carryforward surplus	25,893	-	(25,893)
Interfund transfers	-	315,892	315,892
Total other financing sources	25,893	315,892	289,999
Net change in fund balances	$ -	63,196	$ 63,196
Fund balance - beginning		14,959	
Fund balance - ending		$ 78,155	

See notes to required supplementary information

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures for the fiscal year ended September 30, 2010 exceeded appropriations by $19,437. The over expenditures were funded by transfers from the capital projects fund as there were significant delinquent fiscal year 2010 assessments so revenues were insufficient to cover even the budgeted appropriations.

The variance between budgeted and actual general fund revenues for the 2010 fiscal year is the result of the non-payment of the entire balance of the fiscal year 2010 assessments levied on the lands owned by the District's majority landowner.

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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 Supervisors
Amelia Walk Community Development District
Nassau County, Florida

We have audited the financial statements of the governmental activities and each major fund of Amelia Walk Community Development District, Nassau County, Florida ("District") as of and for the fiscal year ended September 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 11, 2011, which includes an emphasis of matter paragraph. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.*

We noted certain matters that we reported to management of the District in a separate letter dated October 11, 2011.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the management, Board of Supervisors of Amelia Walk Community Development District, Nassau County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

October 11, 2011

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MANAGEMENT LETTER PURSUANT TO THE RULES OF THE AUDITOR GENERAL FOR THE STATE OF FLORIDA

To the Board of Supervisors
Amelia Walk Community Development District
Nassau County, Florida

We have audited the accompanying basic financial statements of Amelia Walk Community Development District ("District") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated October 11, 2011, which includes an emphasis of matter paragraph.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated October 11, 2011. Disclosures in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

I. Current year findings and recommendations.
II. Status of prior year findings and recommendations.
III. Compliance with the Provisions of the Auditor General of the State of Florida.

This report is intended for the information of the management, Board of Supervisors of Amelia Walk Community Development District, Nassau County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Amelia Walk Community Development District, Nassau County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

October 11, 2011

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2010-01: Budget

Observation: The District's general fund actual expenditures exceeded budgeted appropriations for the fiscal year ended September 30, 2010.

Recommendation: The District should amend the budget within 60 days following the end of the fiscal year to ensure that all expenditures are properly budgeted.

Management Response: The District will amend future general fund budgets if necessary within 60 days subsequent to year end in accordance with auditor's recommendations

2010-02: Reserve Requirement

Observation: The Series 2006A and 2006B Debt Service Reserve Requirements were not met during the entire fiscal year and as of September 30, 2010.

Recommendation: The District should make the necessary arrangements to ensure funds are available to make debt service payments.

Management Response: The District has taken all necessary actions to ensure funds are available to make debt service payments including foreclosure proceedings on properties with delinquent assessments.

2010-03: Financial Condition Assessment:

Observation: The District's financial conditions continue to deteriorate. Due to the Landowner's failure to pay its (full share) share of assessments, there are significant delinquent fiscal year 2009 - 2011 assessments that have not been collected. Consequently, the District did not have sufficient funds necessary to make the November 1, 2009 and the May 1, 2010 interest payments due on the Series 2006A Bonds. As a result, the payments were made, in part, by draws on the Series 2006A Debt Service Reserve Account. Additionally, the District did not have sufficient funds to make the Series 2006A May 1, 2010 and May 1, 2011 principal payments and the Series 2006A November 1, 2010 and May 1, 2011 interest payments and, as a result, the payments were not made, although an interest payment of approximately $234,000 was made on August 19, 2011 on the Series 2006A Bonds and $205,000 of the Series 2006A Bonds were prepaid on June 3, 2011. These missed payments constitute events of default under the Bond Indenture.

Recommendation: The District should take the necessary steps to alleviate the deteriorating financial condition.

Management Response: The District has taken all necessary steps to alleviate its deteriorating financial condition with includes but not limited to foreclosure proceedings on properties with delinquent assessments, Trust Indenture Amendments and collection of past due assessments.

2010-04: Bondholder Consent

Observation: During procedures, the auditor was not provided Bondholder consent for certain transfers made from the capital projects and debt service funds to the general fund which were made to finance general fund expenditures that exceeded available resources and for certain expenditures paid for by the debt service fund.

Recommendation: The District should ensure consent is received from the Bondholders for all transfer of funds related to the trust accounts and expenditures paid for by the trust accounts that are not outlined in the Bond Indenture.

Management Response: The District will obtain bondholder consent when required under the Trust Indenture for the expenditure of Trust Funds

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2009-01: Budget

Current Status: See finding 2010-01 above.

2009-02: Reserve Requirement

Current Status: See finding 2010-02 above.

2009-03: Financial Condition Assessment:

Current Status: See finding 2010-03 above.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

   There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2009, except as noted above.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

   The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. Any recommendations to improve the local governmental entity's financial management.

   There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2010, except as noted above.

4. Violations of 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 more than inconsequential.

   There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2010, except as noted above.

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

   a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.

   b. Deficiencies in internal control that are not significant deficiencies.

   There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2010, except as noted above.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2010 financial audit report.

8. In connection with our audit, we determined that the District has met one or more of the financial emergency conditions described in Section 218.503 (1), Florida Statutes. On November 1, 2009, the District failed to make the interest payment due on the Series 2006A Bonds, as a result of a lack of funds. The November 1, 2009 debt service payment was subsequently made on December 28, 2009. In addition, the District failed to make the May 1, 2010 principal payment due on the Series 2006A Bonds, as a result of a lack of funds. The financial emergency conditions were met as a result of the majority Landowner not paying its share of fiscal year 2010 assessments. Such conditions are further discussed in the Findings section within this report. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and determined that deteriorating financial conditions were noted. See Findings section above for additional information. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.