

**AMELIA WALK
COMMUNITY DEVELOPMENT DISTRICT**

FINANCIAL REPORT

Year Ended September 30, 2012

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

TABLE OF CONTENTS

Year Ended September 30, 2012

	<u>Page</u>
I. Financial Section:	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	12
Notes to Financial Statements	13
II. Compliance Section:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Management Comments	28

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 the *Amelia Walk Community Development District* (the "District"), as of and for the year ended September 30, 2012, which collectively comprise the District's 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 an opinion 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 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 opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the *Amelia Walk Community Development District*, as of September 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 27, 2013 on our consideration of the *Amelia Walk Community Development District's*, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 should be considered in conjunction with the results of our audit.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 3, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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.

McDermitt Davis & Company LLC

March 27, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the *Amelia Walk Community Development District* (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2012. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

Financial Highlights

- The liabilities of the District exceeded its assets at September 30, 2012 by \$6,267,180, a decrease in the deficit of \$118,000 in comparison with the prior year.
- At September 30, 2012, the District's governmental funds reported a combined fund balance of \$308,463, a decrease of \$486,092 in comparison with the prior year.
- During the fiscal year, the District trifurcated the Bond Series 2006A into three separate Bond Series.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the *Amelia Walk Community Development District's* financial statements. The District's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements.

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 of 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 general government and physical environment related functions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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.

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 government'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 to be 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 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

Statement of Net Assets - The District's net assets were \$(6,267,180) at September 30, 2012. The following analysis focuses on the net assets of the District's governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis (Continued):

Amelia Walk Community Development District
Statement of Net Assets

	September 30, 2012	September 30, 2011
Assets, excluding capital assets	\$ 988,763	\$ 1,796,572
Capital assets, net of depreciation	<u>3,125,703</u>	<u>3,215,925</u>
Total assets	<u>4,114,466</u>	<u>5,012,497</u>
Liabilities, excluding long-term liabilities	451,646	737,677
Long-term liabilities	<u>9,930,000</u>	<u>10,660,000</u>
Total liabilities	<u>10,381,646</u>	<u>11,397,677</u>
Net assets:		
Invested in capital assets, net of related debt	(6,350,667)	(7,215,056)
Restricted for debt service	62,160	63,942
Unrestricted	<u>21,327</u>	<u>765,934</u>
Total net assets (deficit)	<u>\$ (6,267,180)</u>	<u>\$ (6,385,180)</u>

The following is a summary of the District's governmental activities for the fiscal years ended September 30, 2012 and 2011.

Changes in Net Assets
Year ended September 30,

	2012	2011
Revenues:		
Program revenues	\$ 1,185,766	\$ 2,521,470
General revenues	<u>877</u>	<u>5,893</u>
Total revenues	<u>1,186,643</u>	<u>2,527,363</u>
Expenses:		
General government	166,814	275,698
Maintenance and operations	340,233	310,412
Interest on long-term debt	<u>561,596</u>	<u>807,038</u>
Total expenses	<u>1,068,643</u>	<u>1,393,148</u>
Change in net assets	118,000	1,134,215
Net assets (deficit) - beginning	<u>(6,385,180)</u>	<u>(7,519,395)</u>
Net assets (deficit) - ending	<u>\$ (6,267,180)</u>	<u>\$ (6,385,180)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2012 was \$1,068,643. The majority of these costs are comprised of interest on long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2012, the District's governmental funds reported combined ending fund balances of \$308,463. Of this total, \$6,889 is nonspendable and \$30,340 is unassigned and available for spending at the District's discretion. The remainder of the fund balance \$271,234 is restricted to indicate it has already been committed to pay debt service.

In the table below we have presented the cost of the functions/programs as a percentage of total governmental funds for the fiscal year ended September 30:

	2012		2011	
General government	\$ 150,045	9%	\$ 275,698	3%
Maintenance and operations	241,807	14%	221,228	3%
Capital outlay	8,204	-%	6,232	-%
Bond issue costs	110,000	7%	-	-%
Principal and interest on long-term debt	1,162,679	70%	7,981,792	94%
	<u>\$ 1,672,735</u>	<u>100%</u>	<u>\$ 8,484,950</u>	<u>100%</u>

As noted above, principal and interest on long-term debt comprise the majority of expenditures of total governmental funds for the current fiscal year.

General Fund Budgetary 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. There were no amendments to the September 30, 2012 general fund budget. The legal level of budgetary control is at the fund level.

Capital Asset and Debt Administration

Capital Assets - At September 30, 2012, the District had \$3,125,703 invested in infrastructure, net of accumulated depreciation. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Capital Debt - At September 30, 2012, the District had \$9,930,000 in bonds outstanding. More detailed information about the District's capital debt is presented in the notes to the financial statements.

Requests for Information

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, Florida 32092.

FINANCIAL STATEMENTS

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF NET ASSETS

September 30, 2012

	Governmental Activities
Assets:	
Cash	\$ 4,867
Investments	168,424
Assessments receivable	235,390
Interest receivable	2
Receivables	4,356
Prepaid costs	6,889
Bond issuance costs	453,629
Restricted assets:	
Temporarily restricted investments	115,206
Capital assets:	
Capital assets not being depreciated	881,686
Capital assets being depreciated, net	2,244,017
Total assets	<u>4,114,466</u>
Liabilities:	
Accounts payable and accrued expenses	63,507
Accrued interest payable	224,975
Matured interest payable	79,040
Unearned revenues	84,124
Noncurrent liabilities:	
Due within one year	160,000
Due in more than one year	9,770,000
Total liabilities	<u>10,381,646</u>
Net Assets:	
Invested in capital assets, net of related debt	(6,350,667)
Restricted for debt service	62,160
Unrestricted	21,327
Total net assets (deficit)	<u>\$ (6,267,180)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended September 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 166,814	\$ 139,869	\$ -	\$ -	\$ (26,945)
Maintenance and operations	340,233	285,275	-	45,262	(9,696)
Interest on long-term debt	561,596	715,261	95	4	153,764
Total governmental activities	<u>\$ 1,068,643</u>	<u>\$ 1,140,405</u>	<u>\$ 95</u>	<u>\$ 45,266</u>	<u>117,123</u>
General Revenues:					
Investment and miscellaneous income					27
Miscellaneous					850
Total general revenues					<u>877</u>
Change in net assets					118,000
Net assets (deficit) - beginning					<u>(6,385,180)</u>
Net assets (deficit) - ending					<u>\$ (6,267,180)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:				
Cash	\$ 4,867	\$ -	\$ -	\$ 4,867
Investments	168,424	115,205	1	283,630
Interest receivable	2	-	-	2
Accounts receivable	4,356	-	-	4,356
Assessments receivable	321	235,069	-	235,390
Prepaid costs	6,889	-	-	6,889
Total assets	<u>\$ 184,859</u>	<u>\$ 350,274</u>	<u>\$ 1</u>	<u>\$ 535,134</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses	\$ 63,506	\$ -	\$ 1	\$ 63,507
Matured interest payable	-	79,040	-	79,040
Unearned revenue	84,124	-	-	84,124
Total liabilities	<u>147,630</u>	<u>79,040</u>	<u>1</u>	<u>226,671</u>
Fund balances:				
Nonspendable	6,889	-	-	6,889
Restricted for:				
Debt service	-	271,234	-	271,234
Unassigned	30,340	-	-	30,340
Total fund balances	<u>37,229</u>	<u>271,234</u>	<u>-</u>	<u>308,463</u>
Total liabilities and fund balances	<u>\$ 184,859</u>	<u>\$ 350,274</u>	<u>\$ 1</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 3,125,703

Bond issuance costs, which are expenditures in the funds, are deferred and amortized over the life of the bonds. 453,629

Liabilities not due and payable from current available resources are not reported in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.

Accrued interest payable	(224,975)	
Bonds payable	<u>(9,930,000)</u>	<u>(10,154,975)</u>

Net Assets of Governmental Activities \$ (6,267,180)

The accompanying Notes to Financial Statements are an integral part of this statement.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended September 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Special assessments	\$ 425,144	\$ 715,261	\$ -	\$ 1,140,405
Bondholder contributions	-	-	44,973	44,973
Investment income	27	95	4	126
Miscellaneous	850	-	289	1,139
Total revenues	<u>426,021</u>	<u>715,356</u>	<u>45,266</u>	<u>1,186,643</u>
Expenditures:				
Current:				
General government	145,325	4,720	-	150,045
Maintenance and operations	241,807	-	-	241,807
Debt service:				
Interest	-	582,679	-	582,679
Principal	-	580,000	-	580,000
Bond issue costs	-	-	110,000	110,000
Capital outlay	-	-	8,204	8,204
Total expenditures	<u>387,132</u>	<u>1,167,399</u>	<u>118,204</u>	<u>1,672,735</u>
Excess (Deficit) of Revenues Over Expenditures	<u>38,889</u>	<u>(452,043)</u>	<u>(72,938)</u>	<u>(486,092)</u>
Other Financing Sources (Uses):				
Transfers in	290	1,671	46,278	48,239
Transfers out	<u>(1,950)</u>	<u>(44,328)</u>	<u>(1,961)</u>	<u>(48,239)</u>
Total other financing sources (uses)	<u>(1,660)</u>	<u>(42,657)</u>	<u>44,317</u>	<u>-</u>
Net change in fund balances	37,229	(494,700)	(28,621)	(486,092)
Fund Balances - Beginning of Year	<u>-</u>	<u>765,934</u>	<u>28,621</u>	<u>794,555</u>
Fund Balances - End of Year	<u>\$ 37,229</u>	<u>\$ 271,234</u>	<u>\$ -</u>	<u>\$ 308,463</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Year Ended September 30, 2012

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds (page 10)		\$	(486,092)
Depreciation on capital assets is not recognized in the governmental fund statement; however, it is reported as an expense in the statement of activities.			(90,222)
Costs to trifurcate Series 2006A Bonds. Governmental funds report the effect of issuance costs when first issued, whereas these amounts are deferred and amortized in the Statement of Activities.			110,000
Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net assets.			580,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
	Change in accrued interest	\$	21,083
	Amortization of bond issuance costs		(16,769)
			<u>4,314</u>
Change in net assets of governmental activities (page 8)		\$	<u>118,000</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments	\$ 422,879	\$ 422,879	\$ 425,144	\$ 2,265
Investment income	-	-	27	27
Miscellaneous	-	-	850	850
Total revenues	<u>422,879</u>	<u>422,879</u>	<u>426,021</u>	<u>3,142</u>
Expenditures:				
Current:				
General government	114,937	114,937	145,325	(30,388)
Operation and maintenance	307,942	307,942	241,807	66,135
Total expenditures	<u>422,879</u>	<u>422,879</u>	<u>387,132</u>	<u>35,747</u>
Excess (Deficit) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>38,889</u>	<u>38,889</u>
Other Financing Sources (Uses):				
Transfers in	-	-	290	290
Transfers out	-	-	(1,950)	(1,950)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,660)</u>	<u>(1,660)</u>
Net change in fund balance	-	-	37,229	37,229
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,229</u>	<u>\$ 37,229</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2012

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity

The *Amelia Walk Community Development District*, (the "District") was established by Nassau County Ordinance 2005-81 enacted on December 22, 2005 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, the power to borrow money and issue bonds, and the power to levy and collect non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose 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 (the "Board"), which is composed of five members. At present, the Supervisors are elected on an at large basis 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, 2012, some of the Board of Supervisors were affiliated with GreenPointe Holdings, LLC, affiliated company of AW Venture II, LLC, the owner of phase 2 – 5 property. The District is economically dependent on the Developer.

The Board has the final responsibility for, among other things:

1. Allocating 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.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued):

Government-Wide and Fund Financial Statements

The 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 and 2) grants, contributions and investment income that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). Other items not included among program revenues are reported instead as *general revenues*.

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 recognized as revenues 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 District 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, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. Operation and maintenance assessments are levied by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. These assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District. Certain debt service assessments are collected upon the closing of those lots subject to short term debt and are used to prepay a portion of the bonds outstanding.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued):

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only 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 District.

The District reports the following major governmental funds:

General Fund - is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund - accounts for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt.

Capital Projects 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 District's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Restricted Assets - These assets represent cash and investments set aside pursuant to bond covenants.

Deposits and Investments - The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

Investments of the District are reported at fair value. The District's has elected to proceed under the Alternative Investment Guidelines in accordance with Section 218.415, Florida Statutes.

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.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities and Net Assets or Equity (Continued):

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., utilities system, stormwater system, landscaping and similar items), are reported in the applicable governmental activities column 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 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:

<u>Assets</u>	<u>Years</u>
Recreational Facilities	30
Equipment	5

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 over the life of the bonds using the straight-line method. Bonds payable are reported net of premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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 expenditures.

Fund Balance Categories and Classification - The District implemented GASB 54 in 2011, which established the following fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned. The District's general spending prioritization policy is to consider restricted resources to have been used first, followed by assigned and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued):

Fund Balance Categories and Classification (Continued):

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by debt covenants or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the Board of Supervisors.
- Assigned - includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The Board of Supervisors has authorized the District manager to assign amounts for specific purposes.
- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Net assets in the government-wide 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.

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 2 - Stewardship, Compliance and Accountability:

Budgetary Information

The District is required to establish a budgetary system and an approved annual budget for the General Fund. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the fiscal year end. The legal level of budgetary control is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations, at the fund level, must be approved by the Board of Supervisors.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 2 - Stewardship, Compliance and Accountability (Continued):

Budgetary Information (Continued)

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

1. Each year the District Manager submits to the District Board proposed budgets for the fiscal year commencing the following October 1.
2. A public hearing is conducted to obtain public comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. Subject to certain limited exceptions set forth in the District's appropriation resolutions adopted each year, all budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Note 3 - 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

Investments are stated at fair value, which is the amount for which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Fair value is based on quoted market prices. Changes in the fair value of investments are recognized as revenue and included in investment revenue. Investment revenue is recognized as earned and is recorded in the respective fund related to the investment activity.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 3 - Deposits and Investments (Continued):

Investments (Continued)

The District's investment policy is governed by State Statutes and the District Trust Indenture. This policy allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized investments are:

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing savings accounts and certificates of deposit in state-certified qualified public depositories;
4. Direct obligations of the U.S. Treasury;
5. Short-term bond funds investing in U.S. Government securities or U.S. Government Agency Securities;
6. Securities of registered investment companies (mutual funds) that are limited to obligations of the U.S. Government or any agency or instrumentality thereof.

The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7-like fund for the Florida Prime Fund. Therefore, the pool account balance can be used as fair value for financial reporting. Fund B is accounted for as a fluctuating NAVPOOL, not a 2a-7-like money market fund.

Investments made by the District at September 30, 2012 are summarized below. In accordance with GASB 31, investments are reported at fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
First American Government Obligation Fund	<u>\$ 283,630</u>	AAAm	39 Days

Credit Risk:

The District's investment policy limits credit risk by restricting authorized investments to those described. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 3 - Deposits and Investments (Continued):

Investments (Continued)

Custodial Credit Risk:

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2012, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2012, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

The District's investment policy does not specify limits on the amount the District may invest in any one issuer.

Interest Rate Risk:

The District's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 4 - Interfund Transfers:

The composition of interfund transfers for the year ended September 30, 2012 is as follows:

	Transfer in:			Total
	General Fund	Debt Service Fund	Capital Projects Fund	
Transfer out:				
General Fund	\$ -	\$ -	\$ 1,950	\$ 1,950
Debt Service Fund	-	-	44,328	44,328
Capital Projects Fund	290	1,671	-	1,961
	<u>\$ 290</u>	<u>\$ 1,671</u>	<u>\$ 46,278</u>	<u>\$ 48,239</u>

Transfers were used to 1) move funds to the capital projects fund to finance the costs to Trifurcate the Bond Series 2006A; 2) move funds to the general fund and debt service fund as per the bond indenture.

Note 5 - Bond Issue Costs:

In connection with the issuance of long-term debt discussed in Note 7, the District incurred bond issuance costs totaling \$547,075. In the government-wide financial statements, this amount has been capitalized and is being amortized over the estimated life of the bonds. Amortization for the year ended September 30, 2012 was \$16,769.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 6 - Capital Assets:

Capital asset activity for the year ended September 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 881,686	\$ -	\$ -	\$ 881,686
Total capital assets, not being depreciated	<u>881,686</u>	<u>-</u>	<u>-</u>	<u>881,686</u>
Capital assets being depreciated:				
Equipment	6,232	-	-	6,232
Infrastructure-Recreational facilities	2,669,290	-	-	2,669,290
Total capital assets, being depreciated	<u>2,675,522</u>	<u>-</u>	<u>-</u>	<u>2,675,522</u>
Less accumulated depreciation for:				
Equipment	(208)	(1,246)	-	(1,454)
Infrastructure-recreational facilities	(341,075)	(88,976)	-	(430,051)
Total accumulated depreciation	<u>(341,283)</u>	<u>(90,222)</u>	<u>-</u>	<u>(431,505)</u>
Total capital assets being depreciated, net	<u>2,334,239</u>	<u>(90,222)</u>	<u>-</u>	<u>2,244,017</u>
Governmental activities capital assets, net	<u>\$ 3,215,925</u>	<u>\$ (90,222)</u>	<u>\$ -</u>	<u>\$ 3,125,703</u>

Depreciation expense for 2012 in the amount of \$90,222 was charged to maintenance and operations. District improvements are complete.

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 on May 1, 2037 with a fixed interest rate of 5.5%; 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 property within the District. Interest is paid semiannually on each May 1 and November 1 for both Series 2006A and 2006B Bonds. During the current fiscal year, the Series 2006A Bonds were Trifurcated into three (3) separate Bond Series (see below). The Series 2006B Bonds are due in one lump sum payment on May 1, 2014.

In February 2012, the Developer paid \$1,283,158 in delinquent 2009, 2010, and 2011 assessments. These funds were utilized to fund past due principal and interest for 2010 and 2011. The remaining funds of \$735,000 were used as a special redemption of the Series 2006A Bonds. As a result, the District vacated a foreclosure judgment against the previous Developer, Danville Land Investments, LLC.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 7 - Long-Term Liabilities (Continued):

On March 26, 2012, the Series 2006A Bonds were Trifurcated into three (3) separate Bond Series. As a result of the Trifurcation, the outstanding Series 2006A Bonds with a principal balance of \$8,565,000 exchanged for; \$1,675,000 in principal amount of the District's Series 2012A-1, \$1,535,000 in principal amount of the District's Series 2012A-2, and \$5,355,000 in principal amount of the District's Series 2012A-3 (collectively, the "Series 2012 Bonds"). The Series 2012 Bonds are due May 1, 2037 with a fixed interest rate of 5.5%.

The Series 2006B Bonds remain outstanding and 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. In previous years, 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 amount 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.

The Bond Indentures require that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. This requirement has been met at September 30, 2012.

The Bond Indentures have certain 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 agreed to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. Payment of principal and interest on the Series 2006B and Series 2012 Bonds are secured by a pledge of and a first lien upon the pledged special assessment revenue. However, for the Series 2012 Bonds, each Series (2012A-1, 2012A-2 and 2012A-3) are secured only by assessments on developable land within each assessment area. The District is in compliance with the requirements of the Bond Indenture for the Series 2012 Bonds. A shortfall in the collection of special assessments for the Series 2006B Bonds has caused there to be insufficient funds available to pay the debt service interest payments due November 1, 2011 and May 1, 2012. The amount has been accrued on the fund financial statements as matured interest payable in the amount of \$79,040.

Total principal and interest remaining on the Series 2006B Bonds at September 30, 2012 is \$1,678,080. For the year ended September 30, 2012, no principal and interest was paid and total special assessment revenue pledged was \$80,028.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 7 - Long-Term Liabilities (Continued):

Total principal and interest remaining on the Series 2012 Bonds at September 30, 2012 is \$15,590,800. For the year ended September 30, 2012, \$390,538 of principal and interest was paid and total special assessment revenue pledged was \$509,073.

Long-term debt activity for the year ended September 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Series 2006A	\$ 8,990,000	\$ -	\$ (8,990,000)	\$ -	\$ -
Series 2006B	1,520,000	-	-	1,520,000	-
Series 2012	-	8,565,000	(155,000)	8,410,000	160,000
Governmental activity long-term liabilities	<u>\$ 10,510,000</u>	<u>\$ 8,565,000</u>	<u>\$ (9,145,000)</u>	<u>\$ 9,930,000</u>	<u>\$ 160,000</u>

At September 30, 2012, the scheduled debt service requirements on the bonds payable were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 160,000	\$ 541,590
2014	1,690,000	532,790
2015	175,000	444,400
2016	190,000	434,775
2017	200,000	424,325
2018 - 2022	1,190,000	1,828,750
2023 - 2027	1,570,000	1,576,025
2028 - 2032	2,055,000	1,093,950
2033 - 2037	2,700,000	462,275
	<u>\$ 9,930,000</u>	<u>\$ 7,338,880</u>

Note 8 - Related Party Transaction:

Assessments from Developer

The Developer owns a portion of land within the District; therefore, assessment revenue in the general and debt service funds include the assessments levied on those lots owned by the Developer.

Concentrations

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, the loss of which could have a material adverse effect on the District's operations.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 9 - Management Company:

The District has contracted with a management company to perform management advisory services, which include financial advisory and accounting services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting and other administrative costs.

Note 10 - 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. These risks are covered by commercial insurance from independent third parties. The District has not filed any claims under this commercial coverage during the last three years.

Note 11 - Lawsuit:

In the previous fiscal year, 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 District's insurance carrier has accepted coverage and defense. No adjustment has been made to the financial statements as the impact on the District cannot be determined at this time.

COMPLIANCE SECTION

**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 the *Amelia Walk Community Development District* (the "District") as of and for the year ended September 30, 2012, which collectively comprise the District's financial statements and have issued our report thereon dated March 27, 2013. 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

District management is responsible for establishing and maintaining effective 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.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

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, contracts, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*. See Appendix B of the accompanying Management Comments dated March 27, 2013.

See management comments in a separate letter dated March 27, 2013.

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

McDermitt Davis & Company, LLC

March 27, 2013

MANAGEMENT COMMENTS

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

We have audited the financial statements of the *Amelia Walk Community Development District* (the "District"), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 27, 2013.

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. We have issued our 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. Disclosures in that report, which is dated March 27, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information which is not included in the aforementioned auditor's report.

- 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 significant findings and recommendations made in the preceding annual financial audit report. The status of findings made in preceding audit reports is outlined in Appendix A of this report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any comments.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., 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. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District met one of the following conditions described in Section 218.503(1), Florida Statutes; this condition is described in Appendix C.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports are in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. It is management's responsibility to monitor the entity'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 same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing Standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

McDermitt Davis & Company LLC

March 27, 2013

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

APPENDIX A - PRIOR YEAR FINDINGS

Year Ended September 30, 2012

<u>No.</u>	<u>Prior Year's Findings</u>	<u>Finding No Longer Relevant</u>	<u>Finding is Still Relevant</u>	<u>Finding Included in Second Preceding Audit</u>
ML 11-01	Bondholder Consent	X		

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT

**APPENDIX B - INSTANCES OF NONCOMPLIANCE OR OTHER MATTERS
REQUIRED TO BE REPORTED UNDER GOVERNMENT AUDITING STANDARDS**

Year Ended September 30, 2012

ML-12-01 - Failure to Make Bond Debt Service Payments When Due

Criteria

The Special Assessment Bonds Series 2006B require semiannual interest payments.

Condition

At September 30, 2012, there is \$79,040 of interest which is due, but not paid.

Cause

The Landowner has not paid their debt service special assessments to the District.

Effect

At September 30, 2012, the debt service fund did not have adequate pledge funds available to pay the interest payments due for the Special Assessment Bonds Series 2006B.

Recommendation

We recommend the District utilize all legal remedies available to collect delinquent assessments and bring debt service payments current.

AMELIA WALK COMMUNITY DEVELOPMENT DISTRICT
APPENDIX C - CONDITION OF FINANCIAL EMERGENCY

Year Ended September 30, 2012

ML-12-01 - Failure to Make Bond Debt Service Payments When Due

The District has been unable to pay the interest due on the Series 2006B Bonds due to a lack of funds; therefore they met Section 218.503(1)(a) as a financial emergency condition.

MCDIRMIT DAVIS

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

March 27, 2013

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Amelia Walk Community Development District* (the "District") for the year ended September 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 28, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Management's estimate for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

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

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Adjustments are available on request.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 27, 2013.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of The Board of Supervisors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

McDermitt Davis & Company LLC

March 27, 2013