

**HAMAL COMMUNITY
DEVELOPMENT DISTRICT
BASIC FINANCIAL STATEMENTS**

September 30, 2005

HAMAL COMMUNITY DEVELOPMENT DISTRICT
BASIC FINANCIAL STATEMENTS
September 30, 2005

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**BASIC
FINANCIAL STATEMENTS**



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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Hamal Community Development District
West Palm Beach, Florida

We have audited the accompanying statement of net assets (deficit) and balance sheet of the governmental activities and major funds of Hamal Community Development District (the District) as of September 30, 2005, and the statement of activities, statements of revenues, expenditures and changes in fund balances and revenues, expenditures and change in fund balance - budget and actual - General Fund for the year then ended, 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major funds of the Hamal Community Development District as of September 30, 2005, and the changes in its financial position and 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 our report dated May 10, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 assessing the results of our audit.

Hamal Community Development District

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
May 10, 2006

**HAMAL COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2005**

Our discussion and analysis of Hamal Community Development District's (the District) financial performance provides an overview of the District's financial activities for the year ended September 30, 2005 and 2004. Please read it in conjunction with the District's basic financial statements, which immediately follow this discussion.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the year ended September 30, 2005:

- The District's total net liabilities exceeded its assets at September 30, 2005 by \$ 429,073 (deficit).
- The District's total revenues were \$ 1,333,303, \$ 1,263,823 from non-ad valorem assessments, \$ 51,124 from fair share agreement revenue, \$ 18,073 from investment income and \$ 283 from miscellaneous revenue. The District's expenses for the year were \$ 1,111,767.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements, which consist of the following two 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 (deficit) presents information on all the District's assets and liabilities, with the difference between the two reported as net assets (deficit). Over time, increases or decreases in net assets (deficit) 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 District's net assets (deficit) changed during the year. All changes in net assets (deficit) 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 can be found on pages 7 and 8 of this report.

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 has only one fund type: governmental funds.

**HAMAL COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2005**

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 balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government'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 funds balance sheet and the statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 9 through 13 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 14 through 21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statement of net assets as of September 30, 2005 and 2004:

Hamal Community Development District Statements of Net Assets (Deficit)		
	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 1,951,857	\$ 1,844,002
Capital assets	<u>9,428,041</u>	<u>9,463,036</u>
Total assets	<u>1,137,989</u>	<u>11,307,038</u>
Other liabilities	1,368,971	1,347,647
Long-term liabilities	<u>10,440,000</u>	<u>10,610,000</u>
Total liabilities	<u>11,808,971</u>	<u>11,957,647</u>
Net assets:		
Invested in capital assets, net of related debt (deficit)	(885,616)	(993,778)
Restricted	171,595	133,782
Unrestricted	<u>284,948</u>	<u>209,387</u>
Total net assets (deficit)	\$ <u>(429,073)</u>	\$ <u>(650,609)</u>

**HAMAL COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2005**

Governmental Activities

Governmental activities for the year ended September 30, 2005 increased the District's net assets (deficit) by \$ 221,536, as reflected in the table below:

Hamal Community Development District Statements of Activities		
	2005	2004
REVENUES:		
Program revenue:		
Non ad-valorem assessments	\$ 1,263,823	\$ 1,267,253
Fair share agreement revenue	51,124	52,951
General revenue:		
Investment income	18,073	2,686
Miscellaneous revenue	283	--
Total revenues	1,333,303	1,322,890
EXPENSES:		
Interest expense	707,457	717,015
Physical environment	287,197	228,016
General government	100,227	105,807
Other debt service costs	16,886	17,545
Total expenses	1,111,767	1,068,383
Change in net assets	221,536	254,507
NET ASSETS (DEFICIT), BEGINNING OF THE YEAR	(650,609)	(905,116)
NET ASSETS (DEFICIT), END OF THE YEAR	\$ (429,073)	\$ (650,609)

ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, 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, unreserved fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year. The General, Debt Service and Capital Project Funds comprise the governmental funds.

As of the end of the year, the District's governmental funds reported combined ending fund balance of approximately \$ 750,000, an increase of approximately \$ 108,000 as compared to the balance on October 1, 2004.

**HAMAL COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2005**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's capital assets, less accumulated depreciation, for its governmental activities as of September 30, 2005 amounted to \$ 9,428,041, and consists of land and improvements and infrastructure.

At the end of the year, the District had total bonded debt outstanding of \$ 10,610,000. The District's debt represents bonds secured solely by a specified revenue source (i.e., revenue bonds).

Additional information on the District's long-term debt can be found in Note 5 on pages 19 and 20 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the September 30, 2005 budget and revenues exceeded the adopted budget for the year, while expenditures were under budget. There were no significant variances between the budgeted and actual amounts.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Fiscal year 2006 adopted budget for the General Fund and the Debt Service Fund of the District increased approximately 5%. The major increase occurs in the General Fund for maintenance reserves.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Hamal Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Hamal Community Development District, 5701 North Pine Island Road, Suite 370, Ft. Lauderdale, Florida 33321.

HAMAL COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF NET ASSETS (DEFICIT)
September 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 763,768
Accrued interest receivable	998
Accounts receivable	9,312
Prepaid expenses	14,000
Investments	869,842
Capital assets:	
Non-depreciable	8,517,275
Depreciable, net	910,766
Unamortized bond issuance costs	<u>293,937</u>
Total assets	<u>11,379,898</u>
 LIABILITIES:	
Accounts payable	21,140
Accrued interest payable	292,363
Due to developer	885,468
Bonds payable, due within one year	170,000
Bonds payable, due in more than one year	<u>10,440,000</u>
Total liabilities	<u>11,808,971</u>
 NET ASSETS (DEFICIT):	
Invested in capital assets, net of related debt (deficit)	(885,616)
Restricted for:	
Debt service	171,595
Unrestricted	<u>284,948</u>
Total net assets (deficit)	<u>\$ (429,073)</u>

The accompanying notes to basic financial statements are an integral part of these statements.

HAMAL COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2005

		Program Revenues			Governmental Activities Net Revenues (Expenses) and Change in Net Assets (Deficit)
FUNCTIONS/PROGRAMS:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Interest expense	\$ 707,457	\$ 895,702	\$ --	\$ --	\$ 188,245
Physical environment	287,197	311,137	--	--	23,940
General government	100,227	108,108	--	--	7,881
Other debt service costs	<u>16,886</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(16,886)</u>
 Total governmental activities	 \$ <u>1,111,767</u>	 \$ <u>1,314,947</u>	 \$ <u>--</u>	 \$ <u>--</u>	 203,180
 General revenues:					
Investment income					18,073
Miscellaneous income					<u>283</u>
 Change in net assets					 221,536
 Net assets (deficit), October 1, 2004					 <u>(650,609)</u>
 Net assets (deficit), September 30, 2005					 \$ <u>(429,073)</u>

The accompanying notes to basic financial statements are an integral part of these statements.

HAMAL COMMUNITY DEVELOPMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2005

A S S E T S

	<u>Major Governmental Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
ASSETS:				
Cash and cash equivalents	\$ 288,589	\$ 472,778	\$ 2,401	\$ 763,768
Accrued interest receivable	--	993	5	998
Accounts receivable	9,312	--	--	9,312
Prepaid expenditures	14,000	--	--	14,000
Investments	--	869,842	--	869,842
Due from General Fund	<u>--</u>	<u>5,813</u>	<u>--</u>	<u>5,813</u>
Total assets	<u>\$ 311,901</u>	<u>\$ 1,349,426</u>	<u>\$ 2,406</u>	<u>\$ 1,663,733</u>

L I A B I L I T I E S A N D F U N D B A L A N C E S

LIABILITIES:				
Accounts payable	\$ 21,140	\$ --	\$ --	\$ 21,140
Due to Developer	--	885,468	--	885,468
Due to Debt Service Fund	<u>5,813</u>	<u>--</u>	<u>--</u>	<u>5,813</u>
Total liabilities	<u>26,953</u>	<u>885,468</u>	<u>--</u>	<u>912,421</u>
FUND BALANCES:				
Reserved for prepaid expenditures	14,000	--	--	14,000
Reserved for debt service	--	463,958	--	463,958
Reserved for capital projects	--	--	2,406	2,406
Unreserved	<u>270,948</u>	<u>--</u>	<u>--</u>	<u>270,948</u>
Total fund balances	<u>284,948</u>	<u>463,958</u>	<u>2,406</u>	<u>751,312</u>
Total liabilities and fund balances	<u>\$ 311,901</u>	<u>\$ 1,349,426</u>	<u>\$ 2,406</u>	<u>\$ 1,663,733</u>

The accompanying notes to basic financial statements are an integral part of these statements.

HAMAL COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS (DEFICIT)
 September 30, 2005

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS (DEFICIT) ARE DIFFERENT BECAUSE:

Total fund balances of governmental funds in the balance sheet, page 9	\$ 751,312
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Governmental capital assets	9,567,120
Less accumulated depreciation	(139,079)

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Deferred charge on bond issuance costs (to be amortized over the life of the debt)	361,482
Less accumulated amortization	(67,545)

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued interest payable	(292,363)
Governmental revenue bonds payable	<u>(10,610,000)</u>

NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES, PAGE 7	\$ <u>(429,073)</u>
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The accompanying notes to basic financial statements are an integral part of these statements.

HAMAL COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2005

	<u>Major Governmental Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
REVENUES:				
Non ad-valorem assessments	\$ 368,121	\$ 895,702	\$ --	\$ 1,263,823
Fair share agreement revenue	51,124	--	--	51,124
Investment income	8,462	9,568	43	18,073
Miscellaneous income	<u>283</u>	<u>--</u>	<u>--</u>	<u>283</u>
Total revenues	<u>427,990</u>	<u>905,270</u>	<u>43</u>	<u>1,333,303</u>
EXPENDITURES:				
Current:				
General government	100,227	--	--	100,227
Physical environment	252,202	--	--	252,202
Debt service:				
Principal	--	160,000	--	160,000
Interest	<u>--</u>	<u>711,590</u>	<u>--</u>	<u>711,590</u>
Total expenditures	<u>352,429</u>	<u>871,590</u>	<u>--</u>	<u>1,224,019</u>
Net changes in fund balances	75,561	33,680	43	109,284
FUND BALANCES,				
October 1, 2004	<u>209,387</u>	<u>430,278</u>	<u>2,363</u>	<u>642,028</u>
FUND BALANCES,				
September 30, 2005	\$ <u>284,948</u>	\$ <u>463,958</u>	\$ <u>2,406</u>	\$ <u>751,312</u>

The accompanying notes to basic financial statements are an integral part of these statements.

HAMAL COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
 For the Year Ended September 30, 2005

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS, PAGE 11	\$ 109,284
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p style="padding-left: 40px;">Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives</p>	
Less current year provision for depreciation	(34,995)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets (deficit).</p>	160,000
<p>Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p>	
Change in accrued interest payable	4,133
Provision for amortization of original issue discount	<u>(16,886)</u>
CHANGES IN NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES, PAGE 8	\$ <u>221,536</u>

The accompanying notes to basic financial statements are an integral part of these statements.

HAMAL COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2005

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Non-ad valorem assessments	\$ 357,932	\$ 368,121	\$ 10,189
Fair share agreement revenue	52,700	51,124	(1,576)
Investment income	--	8,462	8,462
Miscellaneous revenue	<u>--</u>	<u>283</u>	<u>283</u>
Total revenues	<u>410,632</u>	<u>427,990</u>	<u>17,358</u>
EXPENDITURES:			
Current:			
General government:			
Professional fees	100,717	82,032	18,685
Operating expenditures	19,875	18,195	1,680
Physical environment	<u>290,040</u>	<u>252,202</u>	<u>37,838</u>
Total expenditures	<u>410,632</u>	<u>352,429</u>	<u>58,203</u>
Net change in fund balance	--	75,561	75,561
FUND BALANCE, October 1, 2004	<u>209,387</u>	<u>209,387</u>	<u>--</u>
FUND BALANCE, September 30, 2005	\$ <u><u>209,387</u></u>	\$ <u><u>284,948</u></u>	\$ <u><u>75,561</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

HAMAL COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - ORGANIZATION AND OPERATIONS

The District was established on January 8, 2001 pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), as a community development district. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or reconstructing, enlarging or extending, equipping, operating and maintaining water management, water supply, sewer and wastewater management, bridges or culverts, roads, landscaping, street lights and other basic infrastructure projects within or without the boundaries of the Hamal Community Development District. The District is governed by a five-member Board of Supervisors, who are elected on a rotating basis for four-year terms. The District operates according to the criteria established by Chapter 190.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The District's more significant accounting policies are described below:

The financial reporting entity:

The criteria used for including component units consists of identification of legally separate organizations for which the Board of Supervisors of the District are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based upon this review, there were no potential component units of the District.

FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full-accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations, when and if applicable. The effect of interfund activity has been eliminated from the government-wide financial statements.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The net costs, by function, are also supported by general revenues, other revenue, etc. The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflect capital-specific grants. For the year ended September 30, 2005, the District had program revenues of \$ 1,314,947.

HAMAL COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This government-wide focus is more on the ability to sustain the District as an entity and the change in the District's net assets resulting from the current year's activities.

FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds. The operations of the funds are accounted for with separate self-balancing accounts that comprise their assets, liabilities, fund equity, revenues and expenditures.

The District reports the following major governmental funds:

General Fund - This fund is used to account for all operating activities of the District. At this time, revenues are derived principally from Developer contributions and investment income.

Debt Service Fund - This fund is used to account for the accumulation of resources for and the payment of long-term debt principal, interest and other financing costs.

Measurement focus, basis of accounting and presentation:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statements use the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current year.

Budget:

A budget is adopted for the General Fund and Debt Service Fund on an annual basis. Appropriations lapse at fiscal year end. Changes or amendments to the total budgeted expenditures of the District must be approved by the District Board of Supervisors.

The District prepared the annual budget on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

Cash and cash equivalents:

Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

HAMAL COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments:

Investments are stated at their fair value, which is based on quoted market prices. Unrealized gains and losses in fair value are recognized. Certain money market investments are stated at amortized cost if they have a remaining maturity of one year or less when purchased.

Capital assets:

Capital assets, which include land and improvements and infrastructure, are reported in the governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$ 750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation on all capital assets is charged to operations using the straight-line method over the assets' estimated service lives over 30 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

GASB 34 encourages but does not require certain governments to retroactively report infrastructure assets. The District has elected not to retroactively report any unrecorded infrastructure that may exist.

Prepaid expenses/expenditures:

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

Special assessments:

The District's special assessment revenue (non ad-valorem) is levied through Palm Beach County based on the approved budget submitted to the County by the District on or before September 15 of each tax year. The assessment is included in the County's property tax levy each November 1 and is due on or before March 31.

The district is required to impose special assessments on each parcel of benefitted land within the District in accordance with the Bond Indenture. Certain assessments are collected upon closing on each lot sold and are used to prepay a portion of the Bonds and to pay a portion of the interest owed. The District must also levy and collect additional annual assessments to provide funds for additional debt service on the portion of the Bonds which are not paid for from the prepaid assessments.

Equity classifications:

Government-wide statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

HAMAL COMMUNITY DEVELOPMENT DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 September 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- b. Restricted net assets - consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund statements

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.

Bond issuance costs:

Bond issuance costs are amortized over the life of the applicable bond issue using the straight-line method.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

The District's deposits must be placed with banks and savings and loans which are qualified as public depositories prior to receipt of public monies under Chapter 280, Florida Statutes. These deposits are insured by the FDIC up to \$ 200,000, \$ 100,000 for demand deposits and \$ 100,000 for savings deposits. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer in the collateral pool. At year end, the carrying amount and the bank balance of the District's deposits was \$ 115,842 and \$ 138,876, respectively.

Investments

The investment of funds is authorized by Florida Statutes, which allows the District to invest in the Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, SEC registered money market funds with the highest credit quality rating, interest-bearing time deposits or savings accounts in qualified public depositories and direct obligations of the United States Treasury. Investments of the Debt Service and Capital Projects Funds are governed by the Bond Indenture.

Investments as of September 30, 2005 were as follows:

	Reported Amount - Fair Value or Amortized Cost
United States Treasuries	\$ 869,842
Money market mutual funds	475,179
SBA (State Investment Pool)	<u>172,747</u>
	<u>\$ 1,517,768</u>

HAMAL COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

These deposits and investments are reflected in the accompanying statement of net assets (deficit) and balance sheet - governmental funds in the following accounts:

Cash and cash equivalents	\$	647,926
Investments		<u>869,842</u>
	\$	<u><u>1,517,768</u></u>

Credit risk:

Florida Statutes require the money market mutual funds held by the District to have the highest credit quality rating from a nationally recognized rating agency. The money market mutual funds held by the District are rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service. The State Investment Pool is unrated.

Interest rate risk:

Florida Statutes state that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. The United States Treasuries held at September 30, 2005 mature on October 31, 2005.

Custodial credit 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 its investments or collateral securities that are in the possession of an outside party. At September 30, 2005, the District's investment in United State Government Treasuries is uninsured, not registered in the name of the District and held by the counterparty's trust department or agent, but not in the District's name.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

	Balance October 1, 2004	Increases	Deletions	Balance September 30, 2005
Governmental Activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ <u>8,517,275</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u>8,517,275</u>
Total capital assets, being depreciated	<u>8,517,275</u>	<u> --</u>	<u> --</u>	<u>8,517,275</u>
Capital assets, being depreciated:				
Infrastructure	<u>1,049,845</u>	<u> --</u>	<u> --</u>	<u>1,049,845</u>
Total capital assets being depreciated	<u>1,049,845</u>	<u> --</u>	<u> --</u>	<u>1,049,845</u>
Total capital assets	<u>9,567,120</u>	<u> --</u>	<u> --</u>	<u>9,567,120</u>
Less accumulated depreciation for:				
Infrastructure	<u>104,084</u>	<u>34,995</u>	<u> --</u>	<u>139,079</u>
Total accumulated depreciation	<u>104,084</u>	<u>34,995</u>	<u> --</u>	<u>139,079</u>
Total capital assets, being depreciated, net	<u>945,761</u>	<u>(34,995)</u>	<u> --</u>	<u>910,766</u>
Governmental activities capital assets, net	\$ <u><u>9,463,036</u></u>	\$ <u><u>(34,995)</u></u>	\$ <u><u> --</u></u>	\$ <u><u>9,428,041</u></u>

HAMAL COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 4 - CAPITAL ASSETS (continued)

Provision for depreciation was charged to functions as follows:

Governmental Activities:	
Physical environment	\$ <u>34,995</u>

NOTE 5 - LONG-TERM DEBT

a. Summary of Long-Term Debt of Governmental Activities

Long-term debt of the governmental activities at September 30, 2005 is comprised of the following:

\$ 11,605,000 Special Assessment Revenue Bonds, Series 2001; due in annual installments through May 2031 interest payable semi-annually at 6.20% through May 2015; 6.65% through May 2021 and at 6.75% through 2031.	\$ <u>10,610,000</u>
--	----------------------

The following is a summary of changes in governmental activities long-term debt for the year ended September 30, 2005:

	Balance October 1, 2004	Additions	Deletions	Balance September 30, 2005	Due Within One Year
Special Assessment Revenue Bonds, Series 2001	\$ <u>10,770,000</u>	\$ <u>--</u>	\$ <u>160,000</u>	\$ <u>10,610,000</u>	\$ <u>170,000</u>

b. Summary of Significant Debt Terms of Governmental Activities

\$ 11,605,000 Special Assessment Revenue Bonds, Series 2001 - The District previously issued \$ 11,605,000 in Special Assessment Revenue Bonds, Series 2001 for the purpose of funding certain capital projects within the boundaries of the District. The Bonds bear interest at 6.20% through May 2015; at 6.65% through May 2021; at 6.75% through May 2031 and mature in May 2031. Interest is payable semi-annually on the first day of each May and November. The Bonds are secured by the pledge of revenues derived from the collection of non-ad valorem special assessments.

The District is required by the Bond Indenture to levy and collect special assessments pursuant to Florida Statutes, Section 190.022. The collection of these assessments are restricted and applied to the debt service requirements of the Bond issue. Further, the District covenants to levy special assessments in annual amounts adequate to provide for the payment of principal and interest on the Bonds as it becomes due.

The Bonds are subject to mandatory redemption at par on a schedule of annual redemptions through May 2031, the maturity date. The District is required to redeem the Bonds at par prior to schedule from the proceeds of any assessments prepaid in full or if certain events occur as outlined in the Bond Indenture. The Bonds are subject to redemption at the option of the District at a premium from May 2011 through April 2012 and at par on or after May 2012.

The indenture requires a reserve fund equal to the maximum annual debt service requirement. The reserve fund account balance was sufficient to satisfy this requirement.

HAMAL COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 5 - LONG-TERM DEBT (continued)

The Debt Service Reserve Fund was previously funded with moneys provided by the Developer at the same time the Series 2001 Bonds were issued. Earnings on investments in the Debt Service Fund are payable to the Developer on a semi-annual basis. As the Debt Service Reserve Fund exceeds the reserve requirement, the excess amount will be returned to the Developer. As of September 30, 2005, \$ 885,468 is recorded as a due to Developer in the Debt Service Fund.

- c. The annual debt service requirements for the Series 2001 Special Assessment Revenue Bonds consist of:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 170,000	\$ 701,670	\$ 871,670
2007	180,000	691,130	871,130
2008	190,000	679,970	869,970
2009	200,000	668,190	868,190
2010	215,000	655,790	870,790
2011-2015	1,285,000	3,063,190	4,348,190
2016-2020	1,760,000	2,595,498	4,355,498
2021-2025	2,430,000	1,923,325	4,353,325
2026-2030	3,365,000	986,175	4,351,175
2031	<u>815,000</u>	<u>55,012</u>	<u>870,012</u>
	<u>\$ 10,610,000</u>	<u>\$ 12,019,950</u>	<u>\$ 22,629,950</u>

NOTE 6 - RISK MANAGEMENT

For the year ended September 30, 2005, the District participated in the Florida League of Cities (FLC) risk pool. This is a statewide pool with several hundred governmental members. FLC provided the District with general liability and property coverages. The FLC pool is nonassessable. There is no self-insured retention for the District excluding a \$ 250 per occurrence deductible. FLC provided the District with \$ 1,000,000 in general liability coverage.

NOTE 7 - FAIR SHARE AGREEMENT REVENUE

The District has entered into an agreement with the Palm Beach County School Board (School Board) and with Sandler West Palm Beach Investment Limited Partnership (Sandler) whereby these entities will reimburse the District for their share of the costs and expenses incurred in connection with the maintenance and administration of the master drainage system constructed by the District. The School Board's share of the costs is 19.46% while Sandler's share is 6.93%.

HAMAL COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 8 - NET ASSETS (DEFICIT)

The District has a government-wide net asset deficit of \$ 429,073 as of September 30, 2005, while there is no such deficit reflected in the governmental fund statements. The deficit relates to the accrual of certain expenses, principally interest, which are not currently recorded in the fund statements. When recognized as expenditures in the fund statements, they will be recovered through assessment to benefitted property owners. The deficit also relates to various infrastructure improvements which have been financed through the issuance of long-term debt, but were conveyed to other entities or not required to be recorded on the District's books.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent to year end, the Board of Supervisors authorized the refinancing of the Series 2001 Special Assessment Revenue Bonds for the purpose of providing funds for various capital improvement projects and reducing debt service.

**OTHER REPORTS OF
INDEPENDENT AUDITORS**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors
Hamal Community Development District
West Palm Beach, Florida

We have audited the statement of net assets (deficit) and balance sheet of Hamal Community Development District (the District) as of September 30, 2005, and the statement of activities, statements of revenues, expenditures and changes in fund balances and revenues, expenditures and change in fund balance - budget and actual - General Fund for the year then ended and have issued our report thereon dated May 10, 2006. 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 Hamal Community Development District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by management in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

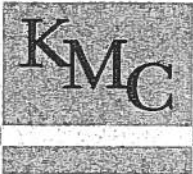
As part of obtaining reasonable assurance about whether Hamal Community Development District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and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

Hamal Community Development District

This report is intended solely for the information and use of District management, members of the Board of Supervisors, 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.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
May 10, 2006



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INDEPENDENT AUDITORS' REPORT TO DISTRICT MANAGEMENT

To the Board of Supervisors
Hamal Community Development District
West Palm Beach, Florida

We have audited the basic financial statements of Hamal Community Development District (the "District") as of and for the year ended September 30, 2005, and have issued our report thereon dated May 10, 2006.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which are dated May 10, 2006, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included 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.

The Rules of the Auditor General (Section 10.554(1)(h)3.) require 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 such findings.

Hamal Community Development District

The Rules of Auditor General (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the basic financial statements); (4) failure to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters requiring disclosure in the management letter or the basic financial statements.

The Rules of the Auditor General (Section 10.554(1)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the basic financial statements. Hamal Community Development District was established in January 2001 by City of West Palm Beach Ordinance No. 3390-00, pursuant to the provisions of Chapter 190, Florida Statutes. The District has no component units.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report for the District for the fiscal year ended September 30, 2005, 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, 2005.

As required by the Rules of the Auditor General (Section 10.554(h)6.c. and 10.556(7)), we applied financial 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.

This management letter is intended solely for the information and use of District management, members of the Board of Supervisors 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.

Heebe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
May 10, 2006