

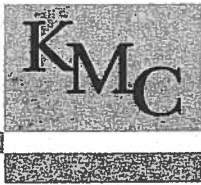
**HAMAL COMMUNITY  
DEVELOPMENT DISTRICT  
BASIC FINANCIAL STATEMENTS**

September 30, 2007

**HAMAL COMMUNITY DEVELOPMENT DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
September 30, 2007

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**KEEFE, MCCULLOUGH & CO., LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JOHN R. KEEFE, C.P.A.  
STEVEN H. WOODS, C.P.A.  
DAVID T. WILLIAMS, C.P.A.  
JOSEPH D. LEO, C.P.A.  
WILLIAM G. BENSON, C.P.A.  
KENNETH G. SMITH, C.P.A.

LOUIS R. PROIETTO, C.P.A.  
CYNTHIA L. CALVERT, C.P.A.  
JOHN E. McCULLOUGH, C.P.A. (RETIRED)  
THOMAS T. CARPENTER, C.P.A. (RETIRED)  
PAUL B. SNEIDER, C.P.A. (RETIRED)  
BRIAN D. PINNELL, C.P.A. (RETIRED)

ISRAEL J. GOMEZ, C.P.A.  
CHARLES K. RUMPF, C.P.A.  
JAMES R. LARAWAY, C.P.A.

ROSS S. GOTTHOFFER, C.P.A.  
HILLARY B. DAIGLE, C.P.A.

6550 NORTH FEDERAL HIGHWAY  
SUITE 410  
FORT LAUDERDALE, FLORIDA 33308  
(954) 771-0896  
FAX: (954) 938-9353  
E-MAIL: [kmc@kmc CPA.com](mailto:kmc@kmc CPA.com)

**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, 2007, 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, 2007, 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 March 12, 2008, 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  
March 12, 2008

**HAMAL COMMUNITY DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2007**

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, 2007 and 2006. 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, 2007:

- The District's total net liabilities exceeded its assets at September 30, 2007 by \$ 1,559,841 (deficit).
- The District's total revenues were \$ 1,489,218, \$ 1,364,224 from non-ad valorem assessments, \$ 71,441 from fair share agreement revenue, \$ 52,539 from investment income and \$ 1,014 from miscellaneous revenue. The District's expenses for the year were \$ 2,035,590.

**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, 2007**

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 22 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, 2007 and 2006:

Hamal Community Development District Statements of Net Assets (Deficit)		
	2007	2006
Current and other assets	\$ 1,797,026	\$ 1,866,772
Capital assets	<u>8,655,100</u>	<u>9,393,046</u>
Total assets	<u>10,452,126</u>	<u>11,259,818</u>
Other liabilities	505,584	486,770
Long-term liabilities	<u>11,506,383</u>	<u>11,786,517</u>
Total liabilities	<u>12,011,967</u>	<u>12,273,287</u>
Net assets:		
Invested in capital assets, net of related debt (deficit)	(2,331,306)	(1,508,637)
Restricted	181,550	119,277
Unrestricted	<u>589,915</u>	<u>375,891</u>
Total net assets (deficit)	\$ <u>(1,559,841)</u>	\$ <u>(1,013,469)</u>

**HAMAL COMMUNITY DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2007**

**Governmental Activities**

Governmental activities for the year ended September 30, 2007 increased the District's deficit by \$ 546,372, as reflected in the table below:

Hamal Community Development District Statements of Activities (Deficit)		
	2007	2006
<b>REVENUES:</b>		
Program revenue:		
Non ad-valorem assessments	\$ 1,364,224	\$ 1,262,217
Fair share agreement revenue	71,441	69,098
General revenue:		
Investment income	52,539	34,437
Miscellaneous revenue	1,014	13,730
Total revenues	1,489,218	1,379,482
<b>EXPENSES:</b>		
Interest expense	548,628	607,444
Physical environment	1,344,768	320,628
General government	89,493	103,618
Other debt service costs	52,701	932,188
Total expenses	2,035,590	1,963,878
Change in net assets	(546,372)	(584,396)
<b>NET ASSETS (DEFICIT), BEGINNING OF THE YEAR</b>	<b>(1,013,469)</b>	<b>(429,073)</b>
<b>NET ASSETS (DEFICIT), END OF THE YEAR</b>	<b>\$ (1,559,841)</b>	<b>\$ (1,013,469)</b>

**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 \$ 1,003,000, an increase of approximately \$ 4,000, as compared to the balance on October 1, 2006.

**HAMAL COMMUNITY DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2007**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The District's capital assets, less accumulated depreciation, for its governmental activities as of September 30, 2007 amounted to \$ 8,655,100, and consists of land and land improvements, infrastructure and improvements.

At the end of the year, the District had total bonded debt outstanding of \$ 11,705,000. 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, 2007 budget. Revenues were over budget while expenditures were under budget for the year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Assessments for the fiscal year 2008 adopted budget for the General Fund remained approximately the same. Expenditures decreased approximately 13% mainly due to decreases in maintenance.

**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.



**BASIC  
FINANCIAL STATEMENTS**

**HAMAL COMMUNITY DEVELOPMENT DISTRICT**  
**STATEMENT OF NET ASSETS (DEFICIT)**  
September 30, 2007

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 974,842
Accrued interest receivable	1,746
Assessments receivable	9,089
Prepaid expenses	16,093
Due from vendor	2,294
Capital assets:	
Non-depreciable	7,487,328
Depreciable, net	1,167,772
Unamortized bond issuance costs	<u>792,962</u>
Total assets	<u>10,452,126</u>
 <b>LIABILITIES:</b>	
Accounts payable	904
Accrued interest payable	229,680
Bonds payable, due within one year	275,000
Bonds payable, due in more than one year	<u>11,506,383</u>
Total liabilities	<u>12,011,967</u>
 <b>NET ASSETS (DEFICIT):</b>	
Invested in capital assets, net of related debt (deficit)	(2,331,306)
Restricted for:	
Debt service	181,550
Unrestricted	<u>589,915</u>
Total net assets (deficit)	\$ <u>(1,559,841)</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, 2007

		Program Revenues			Governmental Activities Net Revenues (Expenses) and Change in Net Assets (Deficit)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>FUNCTIONS/PROGRAMS:</b>					
Governmental Activities:					
Interest expense	\$ 548,628	\$ 852,557	\$ --	\$ --	\$ 303,929
Physical environment	1,344,768	465,425	--	--	(879,343)
General government	89,493	117,683	--	--	28,190
Other debt service costs	<u>52,701</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(52,701)</u>
 Total governmental activities	 \$ <u>2,035,590</u>	 \$ <u>1,435,665</u>	 \$ <u>--</u>	 \$ <u>--</u>	 (599,925)
 General revenues:					
Investment income					52,539
Miscellaneous income					<u>1,014</u>
					(546,372)
					<u>(1,013,469)</u>
					\$ <u>(1,559,841)</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, 2007

**A S S E T S**

	Major Governmental Funds			Total Governmental Funds
	General Fund	Debt Service Fund	Capital Projects Fund	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 569,023	\$ 403,812	\$ 2,007	\$ 974,842
Accrued interest receivable	--	1,738	8	1,746
Assessments receivable	3,409	5,680	--	9,089
Prepaid expenditures	16,093	--	--	16,093
Due from vendor	2,294	--	--	2,294
Total assets	\$ 590,819	\$ 411,230	\$ 2,015	\$ 1,004,064

**LIABILITIES AND FUND BALANCES**

<b>LIABILITIES:</b>				
Accounts payable	\$ 904	\$ --	\$ --	\$ 904
Total liabilities	904	--	--	904
<b>FUND BALANCES:</b>				
Reserved for debt service	--	411,230	--	411,230
Reserved for capital projects	--	--	2,015	2,015
Reserved for prepaid expenditures	16,093	--	--	16,093
Unreserved	573,822	--	--	573,822
Total fund balances	589,915	411,230	2,015	1,003,160
Total liabilities and fund balances	\$ 590,819	\$ 411,230	\$ 2,015	\$ 1,004,064

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, 2007**

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	\$ 1,003,160
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Governmental capital assets	8,888,839
Less accumulated depreciation	(233,739)
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)	945,017
Less accumulated amortization	(152,055)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(229,680)
Governmental revenue bonds payable	(11,781,383)
<b>NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES, PAGE 7</b>	<b>\$ <u>(1,559,841)</u></b>

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, 2007

	Major Governmental Funds			Total Governmental Funds
	General Fund	Debt Service Fund	Capital Projects Fund	
<b>REVENUES:</b>				
Non-ad valorem assessments	\$ 511,667	\$ 852,557	\$ --	\$ 1,364,224
Fair share agreement revenue	71,441	--	--	71,441
Investment income	24,085	23,907	4,547	52,539
Miscellaneous income	<u>1,014</u>	<u>--</u>	<u>--</u>	<u>1,014</u>
Total revenues	<u>608,207</u>	<u>876,464</u>	<u>4,547</u>	<u>1,489,218</u>
<b>EXPENDITURES:</b>				
Current:				
General government	78,458	11,035	--	89,493
Physical environment	255,156	--	--	255,156
Capital outlay	44,963	--	306,703	351,666
Debt service:				
Principal	--	265,000	--	265,000
Interest	<u>--</u>	<u>524,358</u>	<u>--</u>	<u>524,358</u>
Total expenditures	<u>378,577</u>	<u>800,393</u>	<u>306,703</u>	<u>1,485,673</u>
Net changes in fund balances	229,630	76,071	(302,156)	3,545
<b>FUND BALANCES,</b> October 1, 2006	<u>360,285</u>	<u>335,159</u>	<u>304,171</u>	<u>999,615</u>
<b>FUND BALANCES,</b> September 30, 2007	\$ <u><u>589,915</u></u>	\$ <u><u>411,230</u></u>	\$ <u><u>2,015</u></u>	\$ <u><u>1,003,160</u></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, 2007**

NET CHANGE IN FUND BALANCES - TOTAL  
GOVERNMENTAL FUNDS, PAGE 11 \$ 3,545

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

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

Expenditures for capital assets	351,666
Less current year provision for depreciation	(59,665)
Current year conveyance of capital assets to other entity	(1,029,947)

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). 265,000

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:

Change in accrued interest payable	(29,404)
Provision for amortization of bond issuance costs	(52,701)
Provision for amortization of original issue premium	<u>5,134</u>

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8 \$ (546,372)

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, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>			
Non-ad valorem assessments	\$ 495,379	\$ 511,667	\$ 16,288
Fair share agreement revenue	69,908	71,441	1,533
Investment income	4,500	24,085	19,585
Miscellaneous revenue	<u>—</u>	<u>1,014</u>	<u>1,014</u>
Total revenues	<u>569,787</u>	<u>608,207</u>	<u>38,420</u>
<b>EXPENDITURES:</b>			
Current:			
General government:			
Professional fees	91,912	67,820	24,092
Operating expenditures	19,500	10,638	8,862
Physical environment	371,207	255,156	116,051
Capital outlay	<u>250</u>	<u>44,963</u>	<u>(44,713)</u>
Total expenditures	<u>482,869</u>	<u>378,577</u>	<u>104,292</u>
Net change in fund balance	86,918	229,630	142,712
FUND BALANCE, October 1, 2006	<u>360,285</u>	<u>360,285</u>	<u>—</u>
FUND BALANCE, September 30, 2007	\$ <u><u>447,203</u></u>	\$ <u><u>589,915</u></u>	\$ <u><u>142,712</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, 2007

**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 two or 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 District'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, 2007, the District had program revenues of \$ 1,435,665.

HAMAL COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2007

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 assessments, fair share agreement revenue 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.

**Capital Projects Fund** - This fund is used to account for financial resources segregated for the acquisition or construction of capital facilities other than those financed by enterprise operations, if applicable.

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.

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.

Budget:

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

**HAMAL COMMUNITY DEVELOPMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- a. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally adopted by the District Board.
- d. The budgets are adopted on a basis 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.

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, 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 10 to 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.

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.

Assessments:

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property as of the previous January 1. Annual assessments are levied and collected to provide funds for the debt service on the portion of the Bonds which are not paid for from the prepaid assessments and to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with a maximum discount available for payments through November 30 and become delinquent on April 1. The Tax Collector bills and collects the annual assessments on behalf of the District.

**HAMAL COMMUNITY DEVELOPMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.
- 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 \$ 12,288 and \$ 42,318, 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.

**HAMAL COMMUNITY DEVELOPMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2007

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

Investments as of September 30, 2007 were as follows:

	Reported Amount - Fair Value or Amortized Cost
SBA (State Investment Pool) \$	556,736
Money market mutual funds	<u>405,818</u>
	<u>\$ 962,554</u>

These deposits and investments are reflected in the accompanying statement of net assets (deficit) and balance sheet - governmental funds in cash and cash equivalents of \$ 974,842.

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 at September 30, 2007 (Note 9).

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 average maturity of the State Investment Pool portfolio is limited to 90 days. The average maturity for the money market mutual funds is 40 days.

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. None of the District's investments are subject to custodial credit risk.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2007 was as follows:

	Balance October 1, 2006	Increases	Deletions	Balance September 30, 2007
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ <u>8,517,275</u>	\$ <u>--</u>	\$ <u>1,029,947</u>	\$ <u>7,487,328</u>
Total capital assets, not being depreciated	<u>8,517,275</u>	<u>--</u>	<u>1,029,947</u>	<u>7,487,328</u>

**HAMAL COMMUNITY DEVELOPMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2007

**NOTE 4 - CAPITAL ASSETS (continued)**

	Balance October 1, 2006	Increases	Deletions	Balance September 30, 2007
Capital assets, being depreciated:				
Infrastructure	1,049,845	--	--	1,049,845
Improvements	--	351,666	--	351,666
Total capital assets being depreciated	<u>1,049,845</u>	<u>351,666</u>	<u>--</u>	<u>1,401,511</u>
Total capital assets	<u>9,567,120</u>	<u>351,666</u>	<u>1,029,947</u>	<u>8,888,839</u>
Less accumulated depreciation for:				
Infrastructure	174,074	34,995	--	209,069
Improvements	--	24,670	--	24,670
Total accumulated depreciation	<u>174,074</u>	<u>59,665</u>	<u>--</u>	<u>233,739</u>
Total capital assets, being depreciated, net	<u>875,771</u>	<u>292,001</u>	<u>--</u>	<u>1,167,772</u>
Governmental activities capital assets, net	\$ <u>9,393,046</u>	\$ <u>292,001</u>	\$ <u>1,029,947</u>	\$ <u>8,655,100</u>

Provision for depreciation was charged to functions as follows:

Governmental Activities:	
Physical environment	\$ <u>59,665</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, 2007 is comprised of the following:

\$ 11,970,000 Special Assessment Refunding and Improvement Bonds, Series 2006A; due in annual installments through May 2031 interest payable semi-annually at rates that range from 3.75% to 4.25% through May 2016; 5.375% through May 2022 and at 4.75% through 2031 (net of unamortized bond premium of \$ 76,383).	\$ <u>11,781,383</u>
--	----------------------

The following is a summary of changes in governmental activities long-term debt for the year ended September 30, 2007:

	Balance October 1, 2006	Additions	Deletions	Balance September 30, 2007	Due Within One Year
Special Assessment Bonds, Series 2006A	\$ 11,970,000	\$ --	\$ 265,000	\$ 11,705,000	\$ 275,000
Original Issue Premium	<u>81,517</u>	<u>--</u>	<u>5,134</u>	<u>76,383</u>	<u>--</u>
	<u>\$ 12,051,517</u>	<u>\$ --</u>	<u>\$ 270,134</u>	<u>\$ 11,781,383</u>	<u>\$ 275,000</u>

**HAMAL COMMUNITY DEVELOPMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2007

**NOTE 5 - LONG-TERM DEBT (continued)**

b. **Summary of Significant Debt Terms of Governmental Activities**

**\$ 11,970,000 Special Assessment Refunding and Improvement Bonds, Series 2006A** - The District previously refinanced the Special Assessment Revenue Bonds, Series 2001, issuing \$ 11,970,000 in Special Assessment Refunding and Improvement Bonds, Series 2006A for the purpose of payment and defeasance of the 2001 Bonds and funding certain capital projects within the boundaries of the District. The Bonds bear interest at rates ranging from 3.75% to 4.250% through May 2016; at 5.375% through May 2022; at 4.750% 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 commencing in May 2007 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 2016 through April 2017 and at par on or after May 2017.

The indenture requires a reserve fund equal to the lesser of the maximum annual debt service requirement, 125% of the average annual debt service requirement, or 10% of the original proceeds or provide the bondholders with an insurance policy guaranteeing the equivalent dollar amount. The District has purchased such insurance policies, replacing the requirement to maintain a fully-funded sinking fund reserve account.

c. **The annual debt service requirements for the Series 2006A Special Assessment Revenue Bonds consist of:**

<u>Year ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 275,000	\$ 551,964	\$ 826,964
2009	290,000	541,559	831,559
2010	300,000	529,223	829,223
2011	310,000	516,631	826,631
2012	325,000	504,231	829,231
2013-2017	1,830,000	2,319,189	4,149,189
2018-2022	2,355,000	1,823,469	4,178,469
2023-2027	3,030,000	1,155,675	4,185,675
2028-2031	<u>2,990,000</u>	<u>363,375</u>	<u>3,353,375</u>
	<u>\$ 11,705,000</u>	<u>\$ 8,305,316</u>	<u>\$ 20,010,316</u>

**HAMAL COMMUNITY DEVELOPMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2007

**NOTE 6 - RISK MANAGEMENT**

The District purchased an insurance policy that provided coverage of up to a \$ 1,000,000 maximum for each general liability occurrence in combination with a maximum annual aggregate coverage of approximately \$ 2,000,000 for the policy year ending September 30, 2007. Other insurance policies carried by the District during the year included automobile, public officials liability and employment practices liability. Deductible amounts ranged from \$ 0 to \$ 2,500. Settlement amounts have not exceeded insurance coverage during the last three (3) fiscal years.

**NOTE 7 - FAIR SHARE AGREEMENT REVENUE**

The District has entered into an agreement with the Palm Beach County School Board (the "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%.

**NOTE 8 - NET ASSETS (DEFICIT)**

The District has a government-wide net asset deficit of \$ (1,559,841) as of September 30, 2007, 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 EVENT**

As discussed in Note 3, at September 30, 2007, the District had \$ 556,736 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (the "Pool"). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$ 12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$ 2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 37% of their balance or \$ 4 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to Pool A.



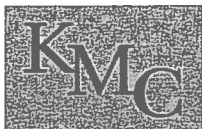
**HAMAL COMMUNITY DEVELOPMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2007

**NOTE 9 - SUBSEQUENT EVENT (continued)**

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

As of November 29, 2007, the District withdrew all funds from the Pool. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

**OTHER REPORTS OF  
INDEPENDENT AUDITORS**



**KEEFE, McCULLOUGH & CO., LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JOHN R. KEEFE, C.P.A.  
STEVEN H. WOODS, C.P.A.  
DAVID T. WILLIAMS, C.P.A.  
JOSEPH D. LEO, C.P.A.  
WILLIAM G. BENSON, C.P.A.  
KENNETH G. SMITH, C.P.A.

LOUIS R. PROIETTO, C.P.A.  
CYNTHIA L. CALVERT, C.P.A.  
JOHN E. McCULLOUGH, C.P.A. (RETIRED)  
THOMAS T. CARPENTER, C.P.A. (RETIRED)  
PAUL B. SNEIDER, C.P.A. (RETIRED)  
BRIAN D. PINNELL, C.P.A. (RETIRED)

ISRAEL J. GOMEZ, C.P.A.  
CHARLES K. RUMPF, C.P.A.  
JAMES R. LARAWAY, C.P.A.

ROSS S. GOTTHOFFER, C.P.A.  
HILLARY B. DAIGLE, C.P.A.

6550 NORTH FEDERAL HIGHWAY  
SUITE 410  
FORT LAUDERDALE, FLORIDA 33308  
(954) 771-0896  
FAX: (954) 938-9353  
E-MAIL: [kmc@kmccpa.com](mailto:kmc@kmccpa.com)

**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, 2007, 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 March 12, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Hamal Community Development District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hamal Community Development District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hamal Community Development District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Hamal Community Development District's financial statements that is more than inconsequential will not be prevented or detected by Hamal Community Development District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Hamal Community Development District's internal control.

Hamal Community Development District

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, contracts and grant agreements, 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.

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  
March 12, 2008



**KEEFE, McCULLOUGH & CO., LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JOHN R. KEEFE, C.P.A.  
STEVEN H. WOODS, C.P.A.  
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6550 NORTH FEDERAL HIGHWAY  
SUITE 410  
FORT LAUDERDALE, FLORIDA 33308  
(954) 771-0896  
FAX: (954) 938-9353  
E-MAIL: [kmc@kmccpa.com](mailto:kmc@kmccpa.com)

## 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, 2007, and have issued our report thereon dated March 12, 2008.

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 March 12, 2008, 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 and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

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. There were no significant findings and recommendations made in the preceding annual financial audit 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 Hamal Community Development 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 recommendations to improve financial management, accounting procedures and internal controls. In connection with our audit, we did not have any such recommendations.

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.

Hamal Community Development District

Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statement; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. 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. 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, of the laws of the State of Florida. The District does not have any component units.

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 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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, 2007, 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, 2007. In connection with our audit, we determined that these two reports were in agreement.

Section 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied 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.

This management letter is intended solely for the information of District management, Board of Supervisors and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
March 12, 2008