

**HAMAL  
COMMUNITY DEVELOPMENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2008**

**HAMAL COMMUNITY DEVELOPMENT DISTRICT  
PALM BEACH COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining non major fund of Hamal Community Development District, Palm Beach County, Florida (the "District") as of and for the fiscal year ended September 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining non major fund of the District as of September 30, 2008, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts, and agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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



June 18, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Hamal Community Development District, Palm Beach County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2008. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the fiscal year ended September 30, 2008 by \$(1,231,286) (deficit net assets). Of this amount, \$690,195 is unrestricted net assets which may be used to meet the District's ongoing obligations.
- The District's total net assets increased by \$328,555 in comparison with the prior fiscal year. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.
- At September 30, 2008, the District's governmental funds reported combined ending fund balances of \$1,135,467, an increase of \$132,307 in comparison with the prior fiscal year. Of the total fund balance, \$443,214 is reserved for debt service, \$2,058 is reserved for capital projects, \$244,650 is unreserved designated for future maintenance costs, and \$445,545 is available for spending at the District's discretion (unreserved fund balance).

### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

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

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

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

#### Fund Financial Statements

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

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Governmental Funds

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

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

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

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

### Notes to the Financial Statements

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, liabilities exceeded assets by \$(1,231,286) (deficit net assets) at the close of the fiscal year ended September 30, 2008.

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

An additional portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. They are funds set aside for debt service under the Bond Indenture. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	NET ASSETS SEPTEMBER 30,	
	2008	2007
Assets, excluding capital assets	\$ 1,878,889	\$ 1,797,026
Capital assets, net of depreciation	8,619,447	8,655,100
Total assets	10,498,336	10,452,126
Liabilities, excluding long-term liabilities	228,248	505,584
Long-term liabilities	11,501,374	11,506,383
Total liabilities	11,729,622	12,011,967
Net Assets		
Invested in capital assets, net of related debt	(2,139,607)	(2,331,306)
Restricted for:		
Debt service	218,126	181,550
Unrestricted	690,195	589,915
Total net assets (deficit)	\$ (1,231,286)	\$ (1,559,841)

The District's net assets increased by \$328,555 during the fiscal year ended September 30, 2008. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

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

	CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2008	2007
Revenues:		
Program revenues	\$ 1,440,143	\$ 1,435,665
General revenues	15,788	53,553
Total revenues	1,455,931	1,489,218
Expenses:		
General government	104,003	142,194
Maintenance and operations	429,062	1,344,768
Interest	594,311	548,628
Total expenses	1,127,376	2,035,590
Change in net assets	\$ 328,555	\$ (546,372)

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2008 was \$1,127,376. Program revenues, comprised primarily of assessments, increased by \$4,478 during the fiscal year and also included interest earnings.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the operating fund of the District and includes all activities related to providing management and operating services.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (Continued)

In the table below we have presented the cost of the largest functions/programs as a percentage of total governmental funds.

FOR THE FISCAL YEAR ENDED SEPTEMBER 30,

	2008		2007	
General government	\$ 104,003	8%	\$ 89,493	6%
Maintenance and operations	246,254	19%	255,156	17%
Capital outlay	147,155	11%	351,666	24%
Interest and principal on long-term debt	826,212	62%	789,358	53%
	<u>\$ 1,323,624</u>	<u>100%</u>	<u>\$ 1,485,673</u>	<u>100%</u>

As noted above, debt service comprises the majority of expenditures for total governmental activities for the current and prior fiscal year.

### GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2008.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At September 30, 2008, the District had \$8,888,839 invested in land, land improvements, and infrastructure. On the government-wide financial statements, depreciation of \$269,392 has been taken, which resulted in a net book value of \$8,619,447. More detailed information about the District's capital assets is presented in the notes of the financial statements.

#### Capital Debt

At September 30, 2008, the District had \$11,430,000 in Bonds outstanding, a decrease of approximately 2% from prior fiscal year. No new debt was issued during the fiscal year and the District had no immediate need to issue additional debt. More detailed information about the District's capital debt is presented in the notes of the financial statements.

#### Contacting the District's Financial Management

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Hamal Community Development District's Finance Department at 5701 N. Pine Island Road, Suite 370, Tamarac, Florida, 33321.

**HAMAL COMMUNITY DEVELOPMENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 674,176
Assessments receivable	8,360
Accrued interest receivable	933
Restricted assets:	
Temporarily restricted	
Investments	455,158
Deferred charges	740,262
Capital assets:	
Depreciable, net	800,208
Nondepreciable	7,819,239
Total assets	<u>10,498,336</u>
<b>LIABILITIES</b>	
Accounts payable	3,160
Accrued interest payable	225,088
Non-current liabilities:	
Due within one year	290,000
Due in more than one year	11,211,374
Total liabilities	<u>11,729,622</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	(2,139,607)
Restricted for debt service	218,126
Unrestricted	690,195
Total net assets (deficit)	<u>\$ (1,231,286)</u>

See notes to the financial statements



**HAMAL COMMUNITY DEVELOPMENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 104,003	\$ 512,148	-	\$ 408,145
Maintenance and operations	429,062	58,863	-	(370,199)
Interest on long-term debt	594,311	853,386	15,746	274,821
Total governmental activities	1,127,376	1,424,397	15,746	312,767
General revenues:				
Unrestricted investment earnings				15,788
Total general revenues				15,788
Change in net assets				328,555
Net assets (deficit) - beginning				(1,559,841)
Net assets (deficit) - ending				\$ (1,231,286)

See notes to the financial statements

**HAMAL COMMUNITY DEVELOPMENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008**

	Major Funds		Non-Major	Total Governmental Funds
	General	Debt Service	Fund Capital Projects	
<b>ASSETS</b>				
Cash	\$ 674,176	\$ -	\$ -	\$ 674,176
Investments		453,104	2,054	455,158
Assessments receivable	8,360			8,360
Accrued interest receivable		929	4	933
Due from other funds	10,819			10,819
<b>Total assets</b>	<b>\$ 693,355</b>	<b>\$ 454,033</b>	<b>\$ 2,058</b>	<b>\$ 1,149,446</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 3,160	\$ -	\$ -	\$ 3,160
Due to other funds		10,819		10,819
<b>Total liabilities</b>	<b>3,160</b>	<b>10,819</b>	<b>-</b>	<b>13,979</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Debt service		443,214		443,214
Capital projects			2,058	2,058
<b>Unreserved, designated for:</b>				
Future maintenance costs	244,650			244,650
<b>Unreserved, undesignated reported in:</b>				
General fund	445,545			445,545
<b>Total fund balances</b>	<b>690,195</b>	<b>443,214</b>	<b>2,058</b>	<b>1,135,467</b>
<b>Total liabilities and fund balances</b>	<b>\$ 693,355</b>	<b>\$ 454,033</b>	<b>\$ 2,058</b>	<b>\$ 1,149,446</b>

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

Fund balance - governmental funds	1,135,467
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of accumulated depreciation, in the assets of the government as a whole.

Cost of capital assets	8,888,839	
Accumulated depreciation	<u>(269,392)</u>	8,619,447

Bond issue costs are not financial resources and, therefore are not reported as assets in the governmental fund statements.

Bond issue costs	945,017	
Accumulated amortization	<u>(204,755)</u>	740,262

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

Accrued interest payable	(225,088)	
Bonds payable	<u>(11,501,374)</u>	(11,726,462)
Net assets of governmental activities		<u>\$ (1,231,286)</u>

See notes to the financial statements

**HAMAL COMMUNITY DEVELOPMENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>REVENUES</b>				
Assessments	\$ 512,148	\$ 853,386	\$ -	\$ 1,365,534
Fair share agreement revenue	58,863			58,863
Interest and other revenues	15,745	15,746	43	31,534
Total revenues	<u>586,756</u>	<u>869,132</u>	<u>43</u>	<u>1,455,931</u>
<b>EXPENDITURES</b>				
Current:				
General government	93,067	10,936		104,003
Maintenance and operations	246,254			246,254
Debt Service:				
Principal		275,000		275,000
Interest		551,212		551,212
Capital outlay	147,155			147,155
Total expenditures	<u>486,476</u>	<u>837,148</u>	<u>-</u>	<u>1,323,624</u>
Excess (deficiency) of revenues over (under) expenditures	100,280	31,984	43	132,307
Fund balances - beginning	<u>589,915</u>	<u>411,230</u>	<u>2,015</u>	<u>1,003,160</u>
Fund balances - ending	<u>\$ 690,195</u>	<u>\$ 443,214</u>	<u>\$ 2,058</u>	<u>\$ 1,135,467</u>

See notes to the financial statements

**HAMAL COMMUNITY DEVELOPMENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

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

Net change in fund balances - total governmental funds	\$ 132,307
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(35,653)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	275,000
Amortization of deferred charges is not recognized in the governmental fund statement, but is reported as an expense in the statement of activities.	(47,691)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	<u>4,592</u>
Change in net assets of governmental activities	<u><u>\$ 328,555</u></u>

See notes to the financial statements

**HAMAL COMMUNITY DEVELOPMENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Hamal Community Development District ("District") was created on January 8, 2001 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by ordinance 3390-00 of the City of West Palm Beach, Florida. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue Bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for:

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

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

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Operating-type special assessments for maintenance and debt service are treated as charges for services. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

### Assessments

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

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

The District reports the following major governmental funds:

### General Fund

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

### Debt Service Fund

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

The District also reports the following non-major governmental fund:

### Capital Projects Fund

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

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Assets or Equity

#### Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants.

#### Deposits and Investments

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

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

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

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

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

#### Prepaid Items

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

#### Capital Assets

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

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

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

	<u>Assets</u>	<u>Years</u>
Infrastructure		30

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

#### Deferred Charges

In a prior fiscal year, in connection with the issuance of certain debt, the District incurred costs totaling \$945,017. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2008 the District reported accumulated amortization of \$204,755.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Assets or Equity (Continued)**

#### **Deferred Revenue**

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

#### **Long-Term Obligations**

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

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

#### **Fund Equity/Net Assets**

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

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

#### **Use of Estimates**

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

## **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects fund, which did not adopt a budget as there were no expenditures during the fiscal year ended September 30, 2008. All annual appropriations lapse at fiscal year end.

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

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



**NOTE 3 – CASH AND INVESTMENTS**

**Cash**

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

**Investments**

The District's investments were held as follows at September 30, 2008:

	<u>Maturities</u>	<u>Fair Value</u>	<u>Credit Risk</u>
First American Prime Obligation Fund Class Z	Weighted average of 49 days	<u>\$ 455,158</u>	S&P AAAm

*Custodial risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The money market mutual funds are not evidenced by securities that exist in physical or book entry form.

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

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

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

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

**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables at September 30, 2008 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 10,819	\$ -
Debt service		10,819
Total	<u>\$ 10,819</u>	<u>\$ 10,819</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

**NOTE 5 – FAIR SHARE AGREEMENT REVENUE**

The District has entered into an agreement with the School Board of Palm Beach County ("School Board") and Sandler West Palm Beach Investment Limited Partnership ("Sandler") whereby the School Board and Sandler shall remit to the District a proportionate 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 costs is 19.46% and Sandler's share is 6.93%.

## NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land and land improvements	\$ 7,819,239			\$ 7,819,239
Total capital assets, not being depreciated	7,819,239	-	-	7,819,239
Capital assets, being depreciated				
Improvements - infrastructure	1,069,600	-	-	1,069,600
Total capital assets, being depreciated	1,069,600	-	-	1,069,600
Less accumulated depreciation for:				
Improvements - infrastructure	233,739	35,653		269,392
Total accumulated depreciation	233,739	35,653	-	269,392
Total capital assets, being depreciated, net	835,861	(35,653)	-	800,208
Governmental activities capital assets, net	\$ 8,655,100	\$ (35,653)	\$ -	\$ 8,619,447

## NOTE 7 – LONG TERM LIABILITIES

On May 15, 2006, the District issued \$11,970,000 of Special Assessment Refunding and Improvement Bonds, Series 2006A consisting of: \$3,195,000 Term Bonds due on May 1, 2016 with interest rates ranging from 3.75% to 4.25%, \$2,755,000 Term Bonds due on May 1, 2022 with a fixed interest rate of 5.375%, and \$6,020,000 Term Bonds due on May 1, 2031 with a fixed interest rate of 4.75%. In connection with the issuance of the Series 2006A Bonds, certain funds were placed in an escrow account for the purpose of paying the debt service on the Special Assessment Bonds, Series 2001. As a result, the refunded Bonds are considered defeased and the liability has been removed from the governmental activities of the statement of net assets. The Series 2006A Bonds were also issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2007.

The Series 2006A Bonds are subject to redemption at the option of the District prior to maturity. The Series 2006A Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond indenture.

The Bond Indenture provides for a surety bond to be obtained in place of funding for the Debt Service Reserve Fund. The Debt Service Reserve Fund Surety Bond constitutes a Debt Service Reserve Fund Insurance Policy under the Bond Indenture. The District has obtained the required bonding and is in compliance with the reserve requirement.

The Bond Indenture certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with those requirements of the Bond Indenture at September 30, 2008.

Changes in long-term liability activity for the fiscal year ended September 30, 2008 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Series 2006A	\$ 11,705,000	\$ -	\$ 275,000	\$ 11,430,000	\$ 290,000
Original Issue Premium	76,383		5,009	71,374	
Governmental activity long-term liabilities	\$ 11,781,383	\$ -	\$ 280,009	\$ 11,501,374	\$ 290,000

**NOTE 7 – LONG TERM LIABILITIES (Continued)**

At September 30, 2008, the scheduled debt service requirements on the long - term debt were as follows:

Year ending September 30,	Principal	Interest	Total
2009	\$ 290,000	\$ 540,213	\$ 830,213
2010	300,000	528,613	828,613
2011	310,000	516,613	826,613
2012	325,000	504,988	829,988
2013	335,000	492,638	827,638
2014-2018	1,915,000	2,241,219	4,156,219
2019-2023	2,485,000	1,696,888	4,181,888
2024-2028	3,175,000	1,011,750	4,186,750
2029-2031	2,295,000	221,350	2,516,350
Total	<u>\$ 11,430,000</u>	<u>\$ 7,754,269</u>	<u>\$ 19,184,269</u>

**NOTE 8 – DEFICIT NET ASSETS**

The District has a government-wide net asset deficit of (\$1,231,286) as of September 30, 2008. There is no such deficit reflected in the governmental fund financial statements. The deficit in the government-wide financial statement of net assets primarily relates to the excess of the amount of long-term debt outstanding over the amount of capital assets, net of accumulated depreciation. In prior fiscal years, various infrastructure improvements necessary to complete the District were financed through the issuance of long-term debt but were conveyed to other entities for maintenance. Those capital assets are not included in the assets of the District; however, the long-term debt associated with those assets remains a liability of the District.

**NOTE 9 – MANAGEMENT COMPANY**

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

**NOTE 10 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

**NOTE 11 – CONTINGENCIES**

The District is involved in various claims and litigation arising in the ordinary course of operations, none of which, in the opinion of the Board of Supervisors and District Manager, will have a material effect on the District's financial position.

**HAMAL COMMUNITY DEVELOPMENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Maintenance assessments	\$ 495,372	\$ 512,148	\$ 16,776
Fair share agreement revenue	45,400	58,863	13,463
Interest and other revenues	4,500	15,745	11,245
<b>Total revenues</b>	<b>545,272</b>	<b>586,756</b>	<b>41,484</b>
<b>EXPENDITURES</b>			
Current:			
General government	103,112	93,067	10,045
Maintenance	439,767	246,254	193,513
Capital outlay	58,000	147,155	(89,155)
<b>Total expenditures</b>	<b>600,879</b>	<b>486,476</b>	<b>114,403</b>
Excess (deficiency) of revenues over (under) expenditures	(55,607)	100,280	155,887
<b>OTHER FINANCING SOURCES</b>			
Use of sources	55,607		(55,607)
<b>Total other financing sources</b>	<b>55,607</b>	-	<b>(55,607)</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>100,280</b>	<b>\$ 100,280</b>
Fund balance - beginning		<u>589,915</u>	
Fund balance - ending		<u><b>\$ 690,195</b></u>	

See notes to required supplementary information

**HAMAL COMMUNITY DEVELOPMENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual expenditures did not exceed appropriations for the fiscal year ended September 30, 2008.

**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  
Palm Beach County, Florida

We have audited the financial statements of the governmental activities, each major fund, and the remaining non major fund of Hamal Community Development District, Palm Beach County, Florida ("District") as of and for the fiscal year ended September 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A 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 the 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 the District's financial statements that is more than inconsequential will not be prevented or detected by the 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 the District's internal control.

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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink, appearing to read "D. J. Cant".

June 18, 2009

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

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

We have audited the accompanying basic financial statements of Hamal Community Development District ("District") as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated June 18, 2009.

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


In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated June 18, 2009. Disclosures in that report should be considered in conjunction with this management letter.

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

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

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

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



June 18, 2009



## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2007.

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

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

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported.

4. Violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported.

5. For matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of laws, regulations, and contracts or grant agreements, or abuse that have occurred, or are likely to have occurred.

- b. Control deficiencies that are not significant deficiencies, including, but not limited to:

1. Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).

2. Failures to properly record financial transactions.

3. Inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

## **REPORT TO MANAGEMENT (Continued)**

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2008 financial audit report.
8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.



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April 21, 2009

Board of Supervisors  
c/o Governmental Management Services, LLC  
Hamal Community Development District  
5701 N. Pine Island Road, Suite 370  
Tamarac, Florida 33321

We are pleased to confirm our understanding of the services we are to provide Hamal Community Development District, Palm Beach County, Florida ("the District") for each of the fiscal years ended September 30, 2008, 2009 and 2010. We will audit the financial statements of the governmental activities and each major fund, which collectively comprise the basic financial statements of Hamal Community Development District as of and for each of the fiscal years ended September 30, 2008, 2009 and 2010.

The document we submit to you will include the following supplementary information required by accounting standards generally accepted in the United States. As part of our engagement, we will apply certain limited procedures to this supplementary information, but the information will not be audited. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter.

1. Management's discussion and analysis
2. Budgetary comparison schedule for the general fund

#### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of additional information, if applicable, when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with generally accepted auditing standards established by the Auditing Standards Board (United States) and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to express such opinions. If our opinion on the financial statements is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, those charged with governance, others within the entity, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

**Management Responsibilities**

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities and each major fund of the District and the respective changes in financial position in conformity with U.S. generally accepted accounting principles.

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will prepare a draft of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. And, you will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate a qualified management-level individual with suitable skill, knowledge, or experience to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the financial statements.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

**Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting

on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with applicable laws and regulations and the provisions of contracts and agreements or grants, if applicable. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

#### **Audit Procedures—Internal Controls**

Our audit will include obtaining an understanding of the District and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

#### **Audit Administration, Fees, and Other**

We understand that your employees will prepare all confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Grau & Associates and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a cognizant or oversight agency for audit or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Grau & Associates personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. Notwithstanding the foregoing, the parties acknowledge that various documents reviewed or produced during the conduct of the audit may be public records under Florida law. The

District agrees to notify Grau & Associates of any public record request it receives that involves audit documentation.

Our fee for these services will not exceed \$5,500 for the September 30, 2008 audit. The fees for fiscal years 2009 and 2010 will not exceed \$5,800 and \$6,100, respectively, unless there is a change in activity by the District which results in additional audit work or Bonds are issued.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. Invoices will be submitted in sufficient detail to demonstrate compliance with the terms of this agreement. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been terminated upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The District may terminate this agreement for any reason upon written notice to Grau & Associates. The District will compensate Grau & Associates for all time expended and costs incurred until the date of termination. The District shall not be responsible for payment of services for audits for any future fiscal years contemplated under this agreement. All fiscal year audits must be completed by Grau & Associates within six (6) months of the end of each fiscal year. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2007 peer review report accompanies this letter.

We appreciate the opportunity to be of service to Hamal Community Development District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Grau & Associates

Sendie Rymer  
Sendie Rymer

RESPONSE:

This letter correctly sets forth the understanding of Hamal Community Development District.

By: [Signature]  
Title: Treasurer  
Date: 4/22/09

**A I C P A**  
**PEER REVIEW PROGRAM**

is proud to present this

**Certificate of Recognition**

to

**GRAU & ASSOCIATES**

*For having a system of quality control for its accounting and auditing practice in effect for the year ended June 30, 2007 which has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and which was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.*



A handwritten signature in dark ink, appearing to read "G. William Graham".

G. William Graham, Chair  
AICPA Peer Review Board  
2008