

Auditor's Summary

Financial Audit of the Agribusiness Development Corporation

Financial Statements, Fiscal Year Ended June 30, 2019



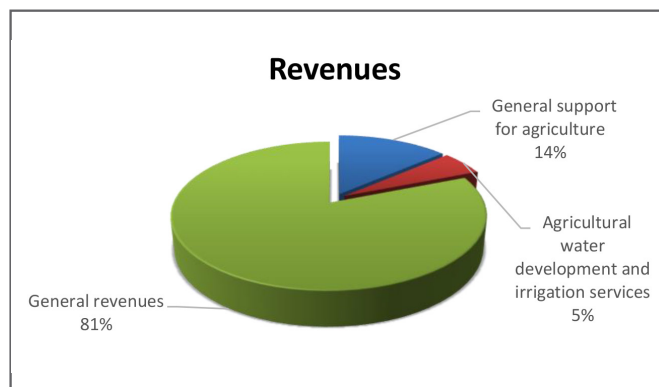
THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Agribusiness Development Corporation, as of and for the fiscal year ended June 30, 2019. The audit was conducted by Accuity LLP.

About the Corporation

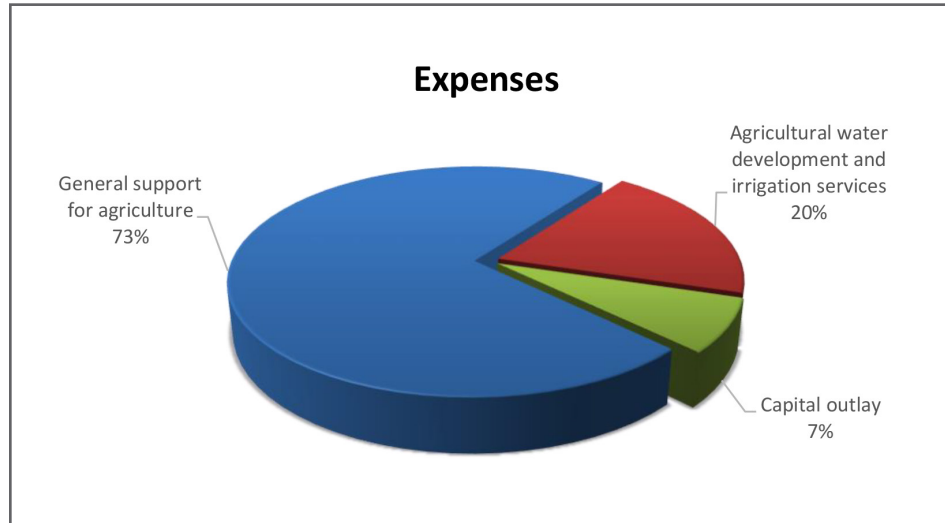
The Hawai'i State Legislature created the Agribusiness Development Corporation (ADC) in 1994 amidst a series of sugar and pineapple plantation closures that lawmakers viewed as "an unprecedented opportunity for the conversion of agriculture into a dynamic growth industry." Projecting that the downsizing of sugar and pineapple production would free up 75,000 acres of agricultural land and 50 million gallons of water daily over the next decade, the Legislature established ADC as a public corporation tasked with developing an "aggressive and dynamic" agribusiness development program to convert former plantation assets for use by new large-scale commercial enterprises producing the majority of their crops for export. However, instead of leading the state's agricultural transformation, ADC has become a landowner, managing 4,257 acres of land on Kaua'i and O'ahu, as well as the owner-operator of the Waiāhole Water System that transports water from Windward O'ahu through the Koolau Mountains to Central O'ahu. ADC is administratively attached to the Hawaii Department of Agriculture.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2019, ADC reported total revenues of \$15.8 million, along with \$5 million in transfers from other state departments, and total expenses of \$3.9 million resulting in a change in net position of \$11.9 million. Revenues consisted of (1) program revenues related to general support for agriculture of \$2.1 million, (2) program revenues related to agricultural water development and irrigation services of \$900,000, and (3) general revenues of \$12.8 million.



Total expenses of \$3.9 million consisted of (1) \$2.8 million for general support for agriculture (2) \$800,000 for agricultural water development and irrigation services, and (3) \$300,000 for capital outlay.



As of June 30, 2019, total assets of \$128.4 million exceeded total liabilities of \$6.4 million, resulting in a net position of \$122 million. Total assets included (1) cash and investments of \$42 million, (2) net receivables of \$400,000, and (3) net capital assets of \$86 million. Total liabilities included bonds payable of \$5.2 million and other liabilities of \$1.2 million.

Auditors' Opinion

ADC RECEIVED AN UNMODIFIED OPINION that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Findings

A MATERIAL WEAKNESS IN INTERNAL CONTROLS over financial reporting that was required to be reported under *Government Auditing Standards*, is described on pages 46-49 of the report.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

For the complete report and financial statements, visit our website at:
https://files.hawaii.gov/auditor/Reports/2019_Audit/ADC2019.pdf