

Report on the

# Marine Environmental Sciences Consortium

Dauphin Island, Alabama

October 1, 2010 through September 30, 2011

Filed: August 31, 2012



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*





Ronald L. Jones  
Chief Examiner

State of Alabama  
Department of  
**Examiners of Public Accounts**

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Honorable Ronald L. Jones  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the Marine Environmental Sciences Consortium for the period October 1, 2010 through September 30, 2011.

Sworn to and subscribed before me this  
the 7<sup>th</sup> day of August, 2012.

Sherry Noob  
Notary Public

Sworn to and subscribed before me this  
the 9<sup>th</sup> day of August, 2012.

Sandra E Shirley  
Notary Public

Respectfully submitted,

Hilario O. Lim  
Examiner of Public Accounts

JoNesia S. Turner  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Marine Environmental Sciences Consortium  
October 1, 2010 through September 30, 2011**

Marine Environmental Sciences Consortium (the "Consortium"), also known as Dauphin Island Sea Lab (DISL) provides educational programs in Marine Sciences on both the undergraduate and graduate levels. As a marine laboratory, the DISL's mission encompasses marine science education, marine science research, coastal zone management policy and educating the general public through the Estuarium, DISL's public aquarium. The DISL primarily serves the 22 four-year colleges and universities of Alabama through its college summer courses and graduate programs of University Programs (UP). The Consortium's educational mission also includes Discovery Hall Programs (DHP) which encompasses K-12 field programs, teacher-training, and public outreach. DHP also includes the Estuarium which focuses solely on the Mobile-Tensaw Estuary System. The research programs of the DISL range from biogeochemistry to oceanography to paleoecology. The Coastal Policy Center offers local government, industry and agency decision makers a range of coastal zone management services. One of the area's major players in coastal zone management is the Mobile Bay National Estuary Program, which falls within the DISL's numerous programs.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Consortium complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted 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, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14.

An unqualified opinion was issued on the basic financial statements, which means the Consortium's financial statements present fairly, in all material respects, the financial position and the results of operations for the fiscal year ending September 30, 2011.

There were no findings in the prior audit.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state laws and regulations.

The following officials/employees were invited to an exit conference to discuss the results of this audit: Dr. John Valentine, Executive Director, and David England, Associate Director of Administrative Services. The following individuals attended the exit conference: Dr. John Valentine, Executive Director and David England, Associate Director of Administrative Services. Representing the Department of Examiners of Public Accounts were Mr. Hilario O. Lim and Ms. JoNesia Turner, Examiners.



Department of  
**Examiners of Public Accounts**

**COMMENTS**

**Marine Environmental Sciences Consortium  
October 1, 2010 through September 30, 2011**

The Marine Environmental Sciences Consortium (the "Consortium"), also known as Dauphin Island Sea Lab ("DISL"), was formally established by Act Number 2432, Acts of Alabama 1971, page 3890. The purposes of the Consortium are to provide educational programs in Marine Sciences on both the undergraduate and graduate levels; to promote and encourage pure and applied research in Marine Sciences and related areas; to promote and encourage communication and dialog among those interested in marine sciences; and to do and perform all other acts and things which may be necessary or appropriate for the carrying out and accomplishment of any and all foregoing objects. On May 18, 1972, the Consortium acquired a former U. S. Air Force radar base with seven permanent and five temporary buildings. This facility was named the Dauphin Island Sea Lab to distinguish it from the Point Aux Pins Estuarine Lab. The management of the latter was turned over to the Consortium by the University of Alabama System as part of a cooperative effort. The Consortium is located on 36 acres on the eastern end of Dauphin Island, a barrier island approximately three miles from the mainland and 40 miles south of Mobile, Alabama.

The Consortium is recognized regionally and nationally as a marine science institution of growing academic and research distinction. The management of the Consortium is vested in its Board of Directors which is composed of the Chief Executive Officers of the Consortium institutions. The members of the Consortium are: Alabama State University; Athens State University; Auburn University; Auburn University at Montgomery; Birmingham Southern College; Huntingdon College; Jacksonville State University; Judson College; Samford University; Springhill College; Talladega College; Troy University; Tuskegee University; University of Alabama in Birmingham; University of Alabama in Huntsville; The University of Alabama in Tuscaloosa; University of Mobile; University of Montevallo; University of North Alabama, University of South Alabama; University of West Alabama; and Alabama A&M University.

The teaching facilities include four classroom/laboratory buildings. The graduate and research programs are housed in the Weise Marine Science Hall, which contains 24,000 square feet of research labs and office space. The library is equipped with holdings that include more than 7,000 book titles and many periodicals dealing with marine sciences. The research vessels available for class and research activities include a 65-foot diesel-powered steel hull vessel, a 42-foot fiberglass hull vessel, and several outboard (14 to 23 feet) vessels.

The Estuarium/Public aquarium is a 10,000 square foot exhibit hall and living marsh boardwalk highlighting the four key habitats of coastal Alabama.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

We have audited the accompanying basic financial statements of the Marine Environmental Sciences Consortium, as of and for the year ended September 30, 2011, as listed in the table of contents as Exhibits 1 through 3. These basic financial statements are the responsibility of the Marine Environmental Sciences Consortium's management. Our responsibility is to express an opinion on these basic 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 Marine Environmental Sciences Consortium, as of September 30, 2011, and its changes in financial position, including cash flows, 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 June 29, 2012 on our consideration of the Marine Environmental Sciences Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Marine Environmental Sciences Consortium, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 4) is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

June 29, 2012

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*Management's Discussion and Analysis*  
*(Required Supplementary Information)*

# Management's Discussion and Analysis

## For the Year Ended September 30, 2011

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### **Introduction**

The following discussion presents an overview of the financial position and financial activities of the Marine Environmental Sciences Consortium (MESC) for the year ended September 30, 2011. This discussion was prepared by MESC's management and should be read in conjunction with the financial statements and notes thereto, which follow.

MESC's financial report consists of the following statements:

- The Statement of Net Assets
- The Statement of Revenues, Expenses, and Changes in Net Assets
- The Statement of Cash Flows

These statements are intended to present the financial position, operating activities and cash flows of MESC. The Notes to the Financial Statements provide additional information that is needed to fully understand the financial statements.

### **Analysis of Financial Position and Results of Operations**

#### **Statement of Net Assets**

The Statement of Net Assets presents the assets, liabilities and net assets of MESC as of the fiscal year ended September 30, 2011. The net assets are displayed in three parts, restricted, unrestricted and invested in capital assets net of related debt. Restricted net assets may either be expendable or non-expendable and are those assets that are restricted by law or by an external donor. Unrestricted net assets, while they are generally designated for specific purposes, are available for use by MESC to meet current expenses for any purpose. The statement of net assets, along with all of MESC's basic financial statements, is prepared under the accrual basis of accounting, whereby revenues are recognized when the service is provided and expenses are recognized when others provide the service to MESC, regardless of when cash is exchanged.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of MESC. They are also able to determine how much MESC owes to vendors and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditures by MESC.

# Management's Discussion and Analysis

For the Year Ended September 30, 2011

The total net assets increased by approximately 12.5% to \$14.3 million. The decrease in liabilities is due to completion of a substantial portion of the research sponsored by a \$5 million grant received from BP. The award was received just prior to the end of the previous fiscal year, and therefore reported as deferred revenue, a liability, in the previous Statement of Net Assets. More information about this grant can be found in the accompanying Notes to the Financial Statements. The consumption of assets follows MESC's philosophy to use available resources to acquire and improve all areas of MESC to better serve its students and the public.

<b>Statement of Net Assets</b>		
	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current assets	\$ 5,508,348	\$ 6,949,403
Non-current (Capital) assets	<u>12,849,329</u>	<u>12,531,347</u>
Total Assets	18,357,677	19,480,750
<b>Liabilities</b>		
Current liabilities	3,634,653	5,829,817
Noncurrent liabilities	<u>396,379</u>	<u>919,017</u>
Total liabilities	4,031,032	6,748,834
<b>Net assets</b>		
Invested in capital assets, net	12,789,309	12,439,064
Of related debt		
Restricted - expendable	234,842	91,156
Unrestricted	<u>1,302,494</u>	<u>201,696</u>
Total Net Assets	<u>\$ 14,326,645</u>	<u>\$ 12,731,916</u>

# Management's Discussion and Analysis

For the Year Ended September 30, 2011

## Statement of Revenues, Expenses and Changes in Net Assets

Changes in total MESC net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues received by MESC, both operating and nonoperating, and the expenses paid by MESC, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by MESC.

Generally, operating revenues are received for providing goods and services to the various customers and constituencies of MESC. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the MESC. Nonoperating revenues are revenues received for which goods and services are not provided. GASB Statement No. 34 requires that state appropriations be classified as nonoperating.

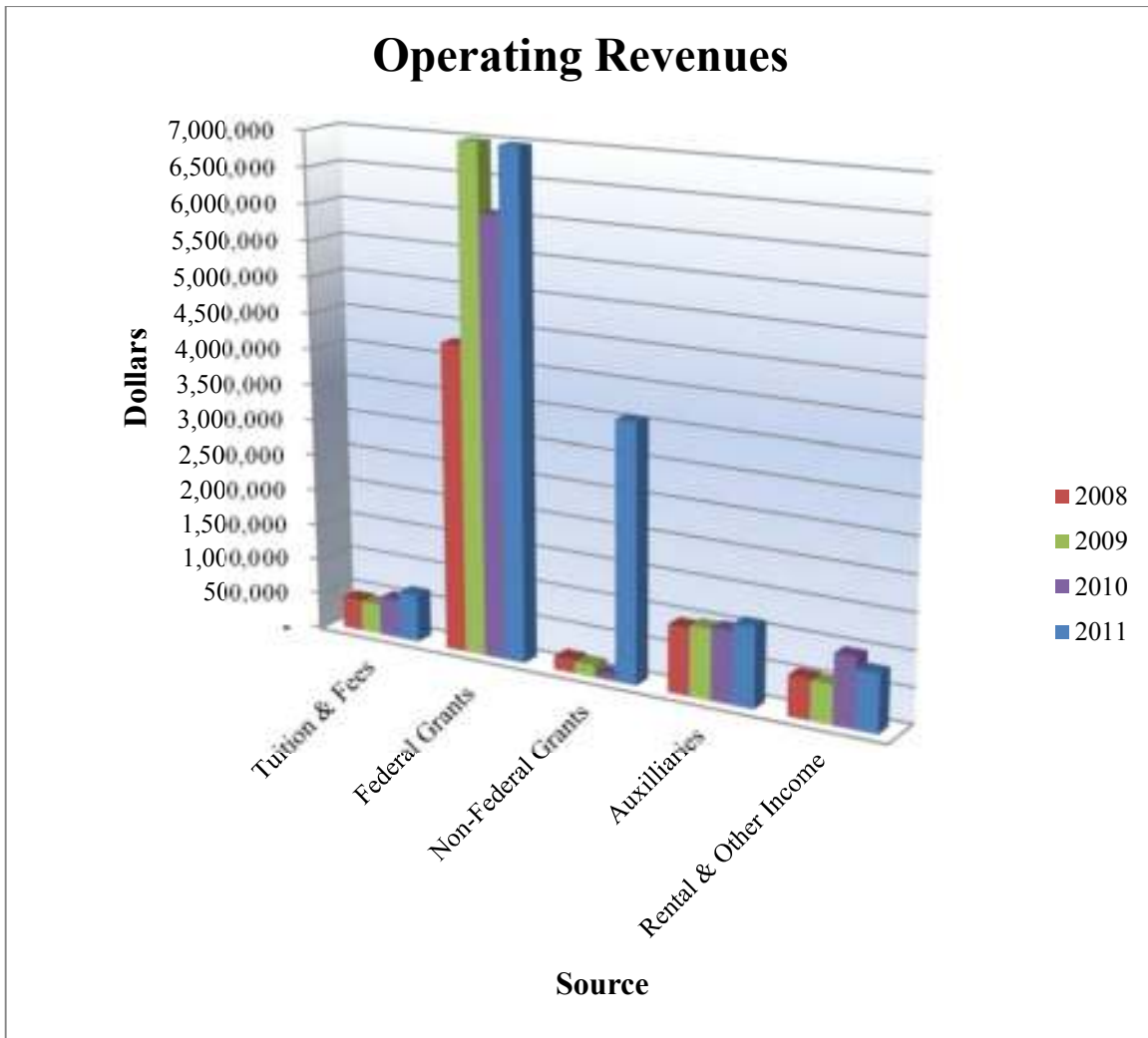
The Statement of Revenues, Expenses, and Changes in Net Assets reflect operating revenues of \$ 13.1 million, an increase of \$ 4.5 million from the prior year. The increase is the result of the revenues recognized from the research conducted regarding the Deepwater Horizon Oilspill (DWHO) and sponsored by many agencies including BP. The increase is also a result of a substantial increase in attendance of all of our summer programs. The operating expenses also are a reflection of the efforts by our scientists to study the effects of the DWHO.

<b>Statement of Revenues, Expenses and Changes in Net Assets</b>		
	2011	2010
Operating revenues	\$ 13,177,153	\$ 8,687,799
Operating expenses	15,249,902	11,445,558
Operating loss	(2,072,749)	(2,757,759)
Nonoperating revenues & expenses	3,667,478	4,019,850
Changes in Net Assets	1,594,729	1,262,091
Total Net Assets - Beginning of Year	12,731,916	11,469,825
Total Net Assets - End of Year	\$ 14,326,645	\$ 12,731,916

# Management's Discussion and Analysis

## For the Year Ended September 30, 2011

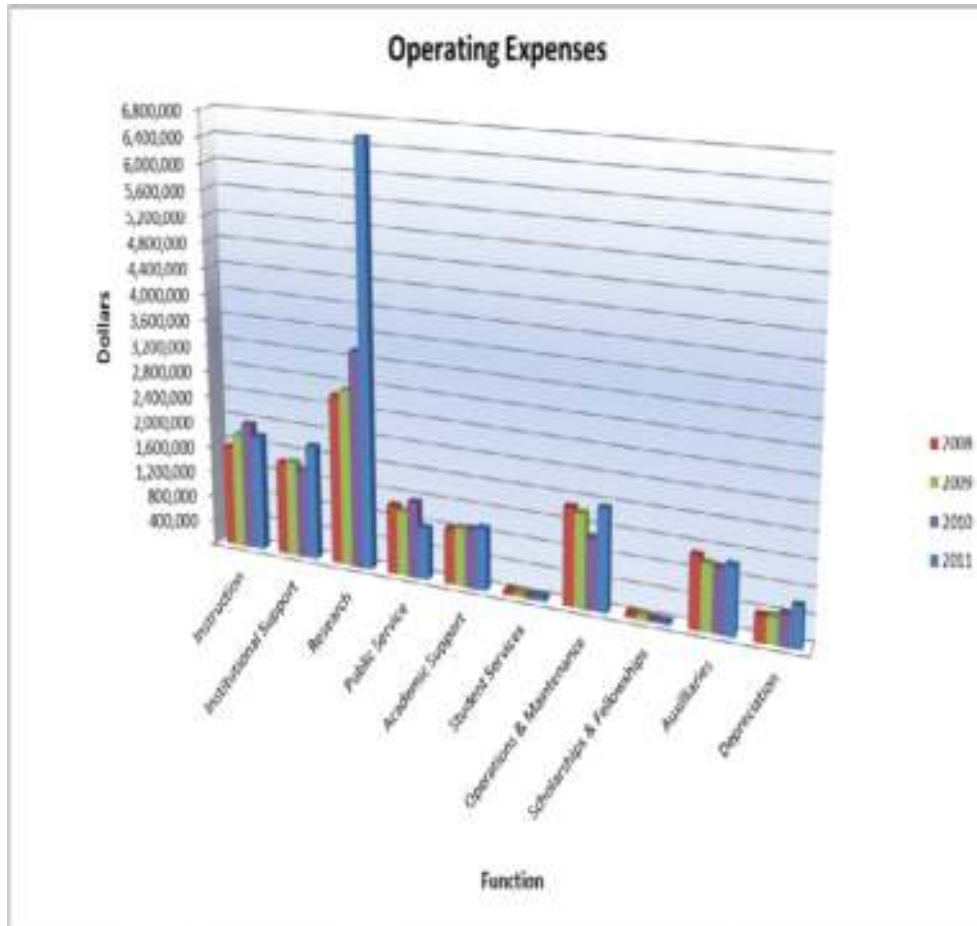
The chart below displays the operating revenues by type and their relationship to one another as discussed in the previous paragraph. Federal Grants and Contracts represent the largest source of Operating Revenues. The largest source of nonoperating revenues is the State Appropriation. MESC annually receives a State Appropriation as a separate line item in the State of Alabama Education Trust Fund budget. After 3% proration declared in February 2011, the State Appropriation totaled \$3,469,464.



# Management's Discussion and Analysis

## For the Year Ended September 30, 2011

The operating expenses by function are displayed in the following exhibit:



The chart above allows the reader to visualize each functional expenditure category and how each functional category of expenditures compares to the other over the last four years. The increases in expenditures are primarily attributable the costs of supporting the research effort of our scientists in relation to the DWHO.

# Management's Discussion and Analysis

## For the Year Ended September 30, 2011

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### Statement of Cash Flows

The final statement presented by MESC is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of MESC. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

<b>Statement of Cash Flows</b>	
	2011
Cash provided (used) by:	
Operating activities	\$ (2,249,324)
Noncapital financing activities	785,128
Capital and related financing activities	(858,967)
Investing activities	4,214
Net change in Cash	(2,318,949)
Cash, beginning of year	5,265,017
Cash, end of year	\$ 2,946,068

# Management's Discussion and Analysis

## For the Year Ended September 30, 2011

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### **Economic Outlook**

MESC has followed a conservative fiscal policy during these times of uncertain level of state and federal support, rising fuel and energy costs and general downturn in the global economy. We are currently reviewing our operations and undergoing an outside evaluation to identify areas in which efficiencies can be gained and costs reduced. This is combined with an effort to identify alternative sources of funding, upgrade and invest in new infrastructure so we can continue to offer the same level of service to our constituents and give our researchers the resources needed to continue to be at the forefront of Marine research. The Consortium has received research grants and is an active participant in the BP sponsored Gulf Research Initiative to study the effects of the DWHO over the next decade.

MESC has received an increase of 6% in state funding for the upcoming fiscal year. MESC anticipates the current fiscal year will be much like last and will maintain a close watch over resources to maintain MESC's ability to react to unknown internal and external issues.



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# *Basic Financial Statements*

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***Statement of Net Assets***  
***September 30, 2011***

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**ASSETS**

**Current Assets**

Cash	\$	2,946,068
Accounts Receivable		2,436,547
Inventories		125,733
Total Current Assets		<u>5,508,348</u>

**Noncurrent Assets**

Capital Assets:		
Land		658,757
Improvements Other Than Buildings		352,610
Buildings		13,571,546
Equipment		2,279,026
Vessels		1,075,392
Library Holdings		842,322
Less: Accumulated Depreciation		<u>(5,930,324)</u>
Total Capital Assets, Net of Depreciation		<u>12,849,329</u>
Total Noncurrent Assets		<u>12,849,329</u>
Total Assets		<u>18,357,677</u>

**LIABILITIES**

**Current Liabilities**

Accounts Payable		504,590
Leases Payable		15,472
Compensated Absences		22,457
Deferred Revenue		2,980,709
Deposits Held for Others		111,425
Total Current Liabilities	\$	<u>3,634,653</u>

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

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**Noncurrent Liabilities**

Leases Payable	\$	44,548
Compensated Absences		351,831
Total Noncurrent Liabilities		<u>396,379</u>
Total Liabilities		<u>4,031,032</u>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt		12,789,309
Restricted for:		
Expendable:		
Scholarships and Fellowships		125,305
Research and Public Outreach		81,203
Capital Projects		28,334
Unrestricted		<u>1,302,494</u>
Total Net Assets	\$	<u>14,326,645</u>

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***Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended September 30, 2011***

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**OPERATING REVENUES**

Student Tuition and Fees	\$ 667,668
Federal Grants and Contracts	6,951,321
State and Local Grants and Contracts	328,890
Private Grants and Contracts	3,535,184
Sales and Services of Educational Departments	127,736
Auxiliary Enterprises:	
Estuarium	390,930
Giftshop	334,411
Food Services	397,838
Other	3,817
Rental Income	422,119
Other Operating Revenues	17,239
Total Operating Revenues	<u>13,177,153</u>

**OPERATING EXPENSES**

Instruction	1,802,112
Institutional Support	1,776,781
Public Service	803,675
Academic Support	955,830
Student Services	59,351
Research	6,572,672
Operation and Maintenance	1,565,708
Scholarships and Fellowships	43,105
Depreciation	623,984
Auxiliary Enterprises:	
Estuarium	299,979
Giftshop	419,277
Food Services	326,026
Other	1,402
Total Operating Expenses	<u>15,249,902</u>
Operating Income (Loss)	<u>\$ (2,072,749)</u>

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

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**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	\$	3,469,464
Investment Income		4,214
Private Gifts		96,727
Interest on Capital Asset Related Debt		(4,092)
Other Nonoperating Revenues (Expenses)		(496)
Net Nonoperating Revenues		<u>3,565,817</u>
Income Before Other Revenues, Expenses, Gains or Losses		1,493,068
Capital Grants and Contracts		<u>101,661</u>
Changes in Net Assets		1,594,729
Total Net Assets - Beginning of Year		<u>12,731,916</u>
Total Net Assets - End of Year	\$	<u><u>14,326,645</u></u>

# ***Statement of Cash Flows***

## ***For the Year Ended September 30, 2011***

### **CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$	624,251
Grants and Contracts		10,119,421
Payments to Suppliers		(5,924,867)
Payments to Utilities		(580,992)
Payments to Employees		(5,978,572)
Payments to Benefits		(2,116,257)
Payments to Scholarships and Fellowships		(57,958)
Auxiliary Enterprise Charges:		
Estuarium		389,456
Giftshop		339,493
Food Services		401,541
Other		3,817
Sales and Services of Educational Departments		132,274
Other Receipts (Payments)		399,069
Net Cash Provided (Used) by Operating Activities		(2,249,324)

### **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations		3,469,464
Private Grants and Gifts		96,727
Principal Paid on Loan		(508,695)
Interest Paid on Loan		(11,673)
Other		(2,260,695)
Net Cash Provided (Used) by Noncapital Financing Activities		785,128

### **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchases of Capital Assets		(941,966)
Capital Grants		101,661
Principal Paid on Capital Debt and Leases		(14,570)
Interest Paid on Capital Debt and Leases		(4,092)
Net Cash Provided (Used) by Capital and Related Financing Activities		(858,967)

### **CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments		4,214
Net Cash Provided (Used) by Investing Activities		4,214
Net Increase (Decrease) in Cash		(2,318,949)
Cash and Cash Equivalents - Beginning of Year		5,265,017
Cash and Cash Equivalents - End of Year	\$	2,946,068

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

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**Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:**

Operating Income (Loss) \$ (2,072,749)

**Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:**

Depreciation Expense 623,984  
Changes in Assets and Liabilities:  
(Increase)/Decrease in Receivables (891,745)  
(Increase)/Decrease in Inventories 14,022  
Increase/(Decrease) in Accounts Payable 84,995  
Increase/(Decrease) in Compensated Absences (7,831)

Net Cash Provided (Used) by Operating Activities \$ (2,249,324)

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

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#### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Marine Environmental Sciences Consortium (the “Consortium”) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Consortium are described below.

#### **A. Reporting Entity**

The Marine Environmental Sciences Consortium is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, “The Financial Reporting Entity,” states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Consortium receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on this criterion, the Consortium is considered for financial reporting purposes to be a component unit of the State of Alabama.

#### **B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of the Consortium have been prepared 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Consortium follows all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

It is the policy of the Consortium to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted net assets are available.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

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The Statement of Revenues, Expenses and Changes in Net Assets distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the Consortium. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the Consortium's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

#### **C. Assets, Liabilities, and Net Assets**

##### **1. Deposits and Investments**

The Consortium has defined cash to include currency on hand and demand deposits with financial institutions.

##### **2. Receivables**

Accounts receivable relate to amounts due from federal grants, state appropriations and third party tuition.

##### **3. Inventories**

The inventories are comprised of consumable supplies, items held for resale, and any other significant inventories. Inventories are valued at the lower of cost or market. The inventories are valued using the first in/first out (FIFO) method.

##### **4. Capital Assets**

Capital assets with a unit cost of over \$5,000 and an estimated useful life in excess of one year are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation. Land and Construction in Progress are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

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Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

The method of depreciation and useful lives of the capital assets are as follows:

Assets	Depreciation Method	Useful Lives
Buildings	Straight-Line	40 - 50 years
Betterments	Straight-Line	7 - 20 years
Improvements Other Than Buildings	Composite	15 - 30 years
Equipment	Composite	5 - 10 years
Vessels	Straight-Line	20 years
Library Holdings	Composite	15 years

#### **5. Long-Term Obligations**

Long-term debt obligations are reported as lease obligations in the Statement of Net Assets.

#### **6. Compensated Absences**

The Board of Directors determines annual, sick, and compensatory leave policies for the Consortium's employees. The annual, sick, and compensatory leave policies adopted by the Consortium are as follows:

No liability is recorded for sick leave. As of September 30, 2011, substantially all employees of the Consortium earn 12 days of sick leave each year. There is no limit on the amount of sick leave an employee may accrue. However, a separating employee will not be paid for unused sick leave.

Permanent employees employed to work more than 20 hours per week earn annual leave according to the schedule below:

Continuous Service	Annual Accrual Rate
1 month to 3 years	96 hours
3 to 5 years	120 hours
5 to 10 years	144 hours
Over 10 years	176 hours

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

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Employees resigning, retiring, or leaving the Consortium for any reason will be paid for compensatory time earned. Compensatory time may accrue to a maximum of 240 hours.

Payment is made to employees for unused leave at termination or retirement. The accrued liability recorded for accumulated unpaid leave is listed as compensated absences liability in the accompanying financial statements.

#### **7. Net Assets**

Net assets are required to be classified for accounting and reporting purposes into the following net asset categories:

- ◆ **Invested in Capital Assets, Net of Related Debt** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.
  
- ◆ **Restricted:**
  - **Expendable** – Net assets whose use by the Consortium is subject to externally imposed stipulations that can be fulfilled by actions of the Consortium pursuant to those stipulations or that expire by the passage of time.
  
- ◆ **Unrestricted** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors.

#### **8. Federal Financial Assistance Programs**

The Consortium participates in various federal programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U. S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the Office of Management and Budget (OMB) Compliance Supplement.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

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**Note 2 – Deposits**

The Consortium's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The Statement of Net Assets classification cash includes all readily available cash such as petty cash and demand deposits.

**Note 3 – Receivables**

Receivables are reported net of uncollectible amounts and are summarized as follows:

<u>Accounts Receivable:</u>	
Federal	\$2,291,314
Third Party Tuition and Fees	125,678
Auxiliary	19,555
Total Accounts Receivable, Net	<u>\$2,436,547</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

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**Note 4 – Capital Assets**

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Additions	Deductions	Reclassifications/ Adjustments	Ending Balance
Land	\$ 658,757	\$	\$	\$	\$ 658,757
Improvements Other Than Buildings	82,610	270,000			352,610
Buildings	9,181,972	4,389,574			13,571,546
Equipment	1,886,847	418,864	26,685		2,279,026
Vessels	1,075,392				1,075,392
Library Holdings	842,322				842,322
Construction in Progress	4,136,472		4,135,589	(883)	
Total	17,864,372	5,078,438	4,162,274	(883)	18,779,653
Less: Accumulated Depreciation					
Improvements Other Than Buildings	61,579	21,844			83,423
Buildings	3,365,134	271,431			3,636,565
Equipment	1,274,960	198,290	26,685		1,446,565
Vessels	143,811	53,770			197,581
Library Holdings	487,541	78,649			566,190
Total Accumulated Depreciation	5,333,025	623,984	26,685		5,930,324
Capital Assets, Net	\$12,531,347	\$4,454,454	\$4,135,589	\$(883)	\$12,849,329

**Note 5 – Defined Benefit Pension Plan**

**A. Plan Description**

The Consortium contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the Consortium are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the Consortium. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

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The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the *Code of Alabama 1975*, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

#### **B. Funding Policy**

Employees are required by statute to contribute 5 percent of their salary to the Teachers' Retirement System. The Consortium is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the Consortium and its employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30,	2011	2010	2009
Total Percentage of Covered Payroll	17.51%	17.51%	17.07%
<u>Contributions:</u>			
Percentage Contributed by the Consortium	12.51%	12.51%	12.07%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Contributed by the Consortium	\$561,321	\$531,947	\$504,033
Contributed by the Employees	224,349	212,435	208,791
Total Contributions	\$785,670	\$744,382	\$712,824

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

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#### **Note 6 – Other Postemployment Benefits (OPEB)**

##### **A. Plan Description**

The Consortium contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25-A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab. The provisions of GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, were implemented prospectively.

##### **B. Funding Policy**

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255, Acts of Alabama, to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

	Fiscal Year 2011
Individual Coverage – Non-Medicare Eligible	\$146.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$381.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$245.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$245.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse – Non-Medicare Eligible	\$701.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$890.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$859.00
Surviving Spouse – Medicare Eligible	\$369.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$558.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$527.00



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

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For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. The tobacco surcharge is \$27.00 per month for retired members who smoke.

The Consortium is required to contribute at a rate specified by the State for each active employee. The Consortium's share of premiums for retired employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for retirees:

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid By Consortium	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2011	\$ 752.00	\$198.94	26.45%	\$246,406.70	100%
2010	\$752.00	\$241.27	32.08%	\$286,597.82	100%
2009	\$752.00	\$205.45	27.32%	\$240,420.97	100%

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method.

**Note 7 – Construction and Other Significant Commitments**

As of September 30, 2011, the Consortium had been awarded approximately \$6,600,000.00 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

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**Note 8 – Long-Term Liabilities**

Long-term liabilities activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Lease Payable	\$ 74,590	\$	\$ 14,570	\$ 60,020	\$15,472
Other Liabilities:					
Notes Payable	508,696		508,696		
Compensated Absences	382,119		7,831	374,288	22,457
Total Long-Term Liabilities	<u>\$965,405</u>	<u>\$</u>	<u>\$531,097</u>	<u>\$434,308</u>	<u>\$37,929</u>

**Capital Lease Payable**

The Consortium entered into a capital lease agreement for a telephone system in fiscal year 2009-2010.

Principal and interest maturity requirements on the capital lease debt are as follows:

Fiscal Year	Telephone System		Total
	Principal	Interest	
2011-2012	\$15,472	\$3,191	\$18,663
2012-2013	16,430	2,233	18,663
2013-2014	17,446	1,217	18,663
2014-2015	10,672	215	10,887
Total	<u>\$60,020</u>	<u>\$6,856</u>	<u>\$66,876</u>

**Note 9 – Risk Management**

The Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Consortium purchases commercial insurance for its automobile coverage and general liability. In addition, the Consortium has fidelity bonds on the Consortium's personnel who handle funds.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

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Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Consortium contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the Consortium's coverage in any of the past three fiscal years.

***Note 10 – Related Parties***

***Community Foundation of South Alabama***

The Marine Environmental Sciences Consortium has entered into an agreement to become an Endowment Partner with the Community Foundation of South Alabama (the "Foundation"). The principal purposes of the Foundation are to receive and administer funds as endowment for various charitable and educational purposes and organizations in South Alabama. Funds have been deposited with the Foundation to establish a fund on the books of the Foundation to be known as the Dauphin Island Sea Lab Endowment Foundation.

***Dauphin Island Sea Lab Foundation, Inc.***

The Dauphin Island Sea Lab Foundation, Inc., was organized as a 501(C) (3) organization as defined by the Internal Revenue Service Code of 1954. The Foundation has been established to support the Consortium in its mission to provide wise stewardship of the marine environment through education and research.

This report contains no financial statements of the Dauphin Island Sea Lab Endowment Foundation, the Community Foundation of South Alabama, or the Dauphin Island Sea Lab Foundation, Inc.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

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**Note 11 – Deferred Revenues – BP Gulf of Mexico Research Initiative Funding**

On July 26, 2010, Governor Bob Riley accepted a \$5 million grant from BP on behalf of the Consortium. This grant is part of a \$500 million commitment made by BP over a 10-year period to create a broad independent research program known as the Gulf of Mexico Research Initiative (GRI). The GRI will investigate the fate and effects of oil, dispersed oil, and dispersant on the ecosystems of the Gulf of Mexico and affected coastal States in a broad context of improving the fundamental understanding of environmental stresses. This grant is to be used in support of research with the Consortium's collaborating academic institutions. The Research Program will be managed in the tradition of full academic freedom and independent peer-review, and BP's support shall in no way interfere with the academic freedom of the research institutions. At the close of the fiscal year presented in these financial statements substantially all of the funds made available by this grant had been awarded to 16 different institutions. The research funded by this award is scheduled to be completed by December 31, 2011, but may be extended until mid-summer 2012.

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## *Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>Research and Development Cluster</u></b>		
<b><u>U. S. Department of Commerce</u></b>		
<b><u>Direct Programs</u></b>		
Marine Fisheries Initiative	11.433	
Marine Fisheries Initiative	11.433	
Sub-Total Marine Fisheries Initiative		
 Congressionally Identified Awards and Projects	 11.469	
 Unallied Science Program	 11.472	
Unallied Science Program	11.472	
Sub-Total Unallied Science Program		
<b><u>Passed Through University of Southern Mississippi</u></b>		
Sea Grant Support	11.417	USM-GR03924/ OMNIBUS-DISL-E/O-79
Sea Grant Support	11.417	USM-GR03924/ OMNIBUS-DISL-R/CEH-32
Sea Grant Support	11.417	USM-GR04184/ OMNIBUS-DISL-E/O-81
Sub-Total Sea Grant Support		
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>		
Unallied Management Projects	11.454	FOCAL
 Coastal Zone Management Administration Awards	 11.419	 DISL-CZM-309-11-1
Coastal Zone Management Administration Awards	11.419	DISL-CZM-306-11-3
Coastal Zone Management Administration Awards	11.419	DISL-CZM-306-11-2
Coastal Zone Management Administration Awards	11.419	DISL-CZM-306-11-1
Coastal Zone Management Administration Awards	11.419	DISL-CZM-306-10-4
Coastal Zone Management Administration Awards	11.419	DISL-CZM-306-10-3
Coastal Zone Management Administration Awards	11.419	DISL-CZM-306-10-2
Coastal Zone Management Administration Awards	11.419	DISL-CZM-306-10-1
Sub-Total Coastal Zone Management Administration Awards		
Passed Through Alabama Department of Conservation and Natural Resources		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
08/01/2009-07/31/2011	\$ 118,110.00	\$ 118,110.00	\$ 40,736.14	\$ 40,736.14
07/01/2008-06/30/2011	221,230.00	221,230.00	181,484.95	181,484.95
			<u>222,221.09</u>	<u>222,221.09</u>
07/01/2006-01/31/2011	2,129,368.00	2,129,368.00	488,382.03	488,382.03
09/01/2010-08/31/2013	749,250.00	749,250.00	237,022.74	237,022.74
09/01/2009-08/31/2011	899,100.00	899,100.00	729,909.71	729,909.71
			<u>966,932.45</u>	<u>966,932.45</u>
02/01/2010-01/31/2014	126,934.00	79,265.00	49,601.40	49,601.40
02/01/2010-01/31/2012	441,549.00	289,254.00	116,785.90	116,785.90
04/01/2011-08/30/2011	28,100.00	28,100.00	6,594.19	6,594.19
			<u>172,981.49</u>	<u>172,981.49</u>
10/01/2006-06/30/2012	5,000,000.00	5,000,000.00	1,034,431.09	1,034,431.09
10/01/2010-03/15/2012	50,000.00	50,000.00	242.22	242.22
10/01/2010-02/29/2012	60,000.00	30,000.00	11,454.93	11,454.93
10/01/2010-03/25/2012	70,000.00	35,000.00	29,583.00	29,583.00
10/01/2010-03/25/2012	20,000.00	10,000.00	280.80	280.80
03/01/2010-09/30/2011	15,000.00	7,500.00	7,500.00	7,500.00
03/01/2010-02/28/2011	15,000.00	7,500.00	7,500.00	7,500.00
02/01/2010-03/15/2011	10,000.00	5,000.00	5,000.00	5,000.00
10/01/2009-02/15/2011	\$ 50,000.00	\$ 25,000.00	6,202.66	6,202.66
			<u>67,763.61</u>	<u>67,763.61</u>
			\$ 67,763.61	\$ 67,763.61





Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
09/15/2010-09/14/2013	\$ 354,750.00	\$ 354,750.00	\$ 69,905.77	\$ 69,905.77
			137,669.38	137,669.38
06/01/2010-04/30/2012	88,212.00	88,212.00	11,167.52	11,167.52
05/01/2010-05/31/2011	5,000.00	5,000.00	5,000.00	5,000.00
01/01/2010-08/15/2012	184,131.46	184,131.46	75,785.39	75,785.39
10/01/2009-09/30/2011	418,000.00	418,000.00	172,292.41	172,292.41
10/01/2009-09/30/2011	154,472.00	154,472.00	84,658.81	84,658.81
10/01/2009-09/30/2011	259,362.00	259,362.00	115,131.49	115,131.49
10/01/2009-09/30/2011	163,576.00	144,225.00	115,396.17	115,396.17
10/01/2009-09/30/2011	261,157.00	200,600.00	136,948.31	136,948.31
07/15/2008-02/15/2011	65,000.00	65,000.00	30,841.80	30,841.80
			747,221.90	747,221.90
02/01/2010-12/31/2011	70,021.00	44,533.00	1,141.49	1,141.49
02/01/2009-04/30/2011	70,627.50	54,278.50	10,049.64	10,049.64
08/01/2009-06/30/2012	563,705.00	563,705.00	153,425.66	153,425.66
			164,616.79	164,616.79
05/01/2010-04/30/2012	29,503.00	29,503.00	5,553.34	5,553.34
			170,170.13	170,170.13
08/01/2009-12/31/2012	\$ 224,223.00	\$ 224,223.00	\$ 64,122.65	\$ 64,122.65

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of the Interior</u></b>		
<b><u>Direct Program</u></b>		
Coastal Program	15.630	
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>		
Endangered Species Conservation	15.612	Manatee Survey
<b><u>National Science Foundation</u></b>		
<b><u>Direct Program</u></b>		
Geosciences	47.050	
ARRA - Trans-NSF Recovery Act Research Support	47.082	
<b><u>Passed Through Results Group</u></b>		
Engineering Grants	47.041	ISIS NSF2010A
<b><u>Passed Through Bermuda Institute of Ocean Sciences</u></b>		
Geosciences	47.050	102315 OCE 1030149
<b><u>Passed Through University of Alabama in Huntsville</u></b>		
Office of Experimental Program to Stimulate Competitive Research	47.081	SUB2011-043
<b><u>U. S. Department of Health and Human Services</u></b>		
<b><u>Direct Program</u></b>		
Food and Drug Administration - Research	93.103	
Total Research and Development Cluster (M)		
<b><u>Other Federal Awards</u></b>		
<b><u>U. S. Department of Commerce</u></b>		
<b><u>Direct Programs</u></b>		
Marine Mammal Data Program	11.439	
Congressionally Identified Awards and Projects	11.469	
Congressionally Identified Awards and Projects	11.469	
Congressionally Identified Awards and Projects	11.469	
Sub-Total Congressionally Identified Awards and Projects		
Coastal Services Center (M)	11.473	

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
09/01/2008-12/31/2010	\$ 50,000.00	\$ 50,000.00	\$ 766.55	\$ 766.55
10/01/2010-09/30/2011	48,906.00	35,794.00	35,794.00	35,794.00
06/01/2010-05/31/2011	199,867.00	199,867.00	103,707.64	103,707.64
08/01/2009-07/31/2012	545,289.00	258,552.00	74,500.60	74,500.60
09/07/2010-12/07/2011	27,000.00	27,000.00	19,101.42	19,101.42
10/01/2010-09/30/2013	151,708.00	151,708.00	34,362.11	34,362.11
10/01/2010-08/31/2013	239,283.00	239,283.00	25.00	25.00
09/18/2009-09/17/2011	250,000.00	250,000.00	126,961.12	126,961.12
			<u>4,399,350.65</u>	<u>4,399,350.65</u>
09/01/2011-08/31/2012	106,386.00	74,388.00	4,343.54	4,343.54
07/20/2010-12/31/2014	122,580.00	76,407.00	109.78	109.78
10/01/2009-09/30/2012	314,695.00	246,309.00	12,010.54	12,010.54
07/01/2006-01/31/2011	4,411,204.00	4,411,204.00	214,848.30	214,848.30
			<u>226,968.62</u>	<u>226,968.62</u>
10/01/2008-09/30/2011	\$ 2,151,837.00	\$ 2,151,837.00	\$ 640,935.73	\$ 640,935.73

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>Passed Through Texas A&amp;M Research Foundation</u></b>		
Integrated Ocean Observing System (IOOS)	11.012	99-S120009
Coastal Services Center (M)	11.473	S080018
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>		
Coastal Zone Management Administration Awards	11.419	MBNEP-CZM-306-10-1
Unallied Management Projects	11.454	SLD-EDRP-DISL-08-1
<b><u>Passed Through Mississippi State University</u></b>		
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	1910001 363558 04/TO 006
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	1910001 363558 04/TO 001
Sub-Total National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes		
<b><u>Passed Through The Association of National Estuary Programs, Inc.</u></b>		
Habitat Conservation	11.463	NEP/NOAA CRP
<b><u>U. S. Department of the Interior</u></b>		
<b><u>Direct Program</u></b>		
Fish and Wildlife Management Assistance	15.608	
Cooperative Research and Training Programs – Resources of the National Park System	15.945	
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>		
Coastal Impact Assistance Program (CIAP)	15.426	AL-21
<b><u>Passed Through Baldwin County Commission</u></b>		
Coastal Impact Assistance Program (CIAP)	15.426	M10AF20140
Coastal Impact Assistance Program (CIAP)	15.426	M10AF20164
Sub-Total Coastal Impact Assistance Program Passed Through Baldwin County Commission		
<b><u>Passed Through Mobile County Commission</u></b>		
Coastal Impact Assistance Program (CIAP)	15.426	CIAP-MC09-0001
Sub-Total Coastal Impact Assistance Program		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
06/01/2011-05/31/2012	\$ 26,476.00	\$ 26,476.00	\$ 741.71	\$ 741.71
12/31/2008-12/31/2011	66,297.00	66,297.00	11,078.58	11,078.58
10/01/2009-01/31/2011	11,000.00	5,500.00	691.02	691.02
07/01/2008-09/15/2011	1,500,000.00	1,500,000.00	454,483.40	454,483.40
02/01/2007-01/31/2011	230,000.00	230,000.00	29,903.78	29,903.78
02/01/2007-06/30/2011	950,439.00	950,439.00	99,122.33	99,122.33
			129,026.11	129,026.11
05/01/2008-12/31/2010	34,550.00	26,450.00	4,657.50	4,657.50
07/01/2005-07/30/2011	50,000.00	50,000.00	22,540.16	22,540.16
08/31/2011-01/31/2013	26,845.00	26,845.00	2,023.42	2,023.42
01/01/2011-10/31/2012	100,000.00	100,000.00	22,635.78	22,635.78
04/21/2011-02/28/2013	200,000.00	200,000.00	4,385.83	4,385.83
06/13/2011-12/31/2012	250,000.00	250,000.00	51,056.65	51,056.65
			55,442.48	55,442.48
07/21/2010-11/30/2012	\$ 249,998.17	\$ 249,998.17	86,806.65	86,806.65
			\$ 164,884.91	\$ 164,884.91

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>National Aeronautics and Space Administration (NASA)</u></b>		
<b><u>Passed Through University of South Carolina</u></b>		
Science	43.001	11-1823
<b><u>National Science Foundation</u></b>		
<b><u>Passed Through University of Southern Mississippi</u></b>		
Geosciences	47.050	USM-GR02399-A10
Geosciences	47.050	OCE-1045252
Sub-Total Geosciences		
<b><u>Environmental Protection Agency</u></b>		
<b><u>Direct Programs</u></b>		
National Estuary Program	66.456	
National Estuary Program	66.456	
Sub-Total National Estuary Program		
Gulf of Mexico Program	66.475	
Gulf of Mexico Program	66.475	
Sub-Total Gulf of Mexico Program		
<b><u>Passed Through State of Florida Department of Environmental Protection</u></b>		
Nonpoint Source Implementation Grants	66.460	G0299
<b><u>U. S. Department of Energy</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
State Energy Program (M)	81.041	1EX-CRUDE-SEP11-DOE-01
Total Federal Awards		

(M) = Major Program

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
12/15/2009-12/14/2011	\$ 22,725.00	\$ 22,725.00	\$ 4,133.75	\$ 4,133.75
09/01/2005-08/31/2011	250,720.00	250,720.00	6,884.48	6,884.48
06/15/2010-05/31/2011	46,500.00	46,500.00	21,243.88	21,243.88
			<u>28,128.36</u>	<u>28,128.36</u>
10/01/2010-09/30/2013	2,797,600.00	1,398,800.00	406,415.94	406,415.94
10/01/2006-09/30/2011	4,204,701.00	2,102,350.00	55,044.73	55,044.73
			<u>461,460.67</u>	<u>461,460.67</u>
05/01/2010-04/30/2013	319,797.00	159,950.00	86,096.90	86,096.90
12/01/2008-11/30/2011	103,725.00	79,925.00	10,500.00	10,500.00
			<u>96,596.90</u>	<u>96,596.90</u>
09/15/2010-09/30/2011	51,152.14	51,152.14	29,276.05	29,276.05
03/01/2011-09/30/2011	\$ 338,117.00	\$ 270,000.00	<u>270,000.00</u>	<u>270,000.00</u>
			<u>\$ 6,951,321.08</u>	<u>\$ 6,951,321.08</u>

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2011***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Marine Environmental Sciences Consortium and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**Note 2 – Subrecipients**

Of the federal expenditures presented in the schedule, the Marine Environmental Sciences Consortium provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Sea Grant Support	11.417	\$ 61,374.67
Coastal Zone Management Administration Awards Office of Oceanic and Atmospheric Research (OAR)	11.419	\$ 5,134.23
Joint and Cooperative Institutes	11.432	\$ 65,441.57
Marine Fisheries Initiative	11.433	\$ 72,295.00
Unallied Management Projects	11.454	\$125,000.00
Congressionally Identified Awards and Projects	11.469	\$167,707.97
Unallied Science Program	11.472	\$ 31,634.76
Coastal Services Center	11.473	\$445,487.03
Fish and Wildlife Management Assistance	15.608	\$ 19,096.60
National Estuary Program	66.456	\$ 76,205.82
Gulf of Mexico Program	66.475	\$ 10,500.00
Food and Drug Administration-Research	93.103	\$ 7,676.32



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## *Additional Information*

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***Board Members and Officials***  
***October 1, 2010 through September 30, 2011***

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<b>Board Members</b>		<b>Term Expires</b>
Mr. V. Gordon Moulton, Chairman	President, University of South Alabama	Indefinite
Dr. William H. Harris	President, Alabama State University	Indefinite
Dr. Robert Glenn	President, Athens State University	Indefinite
Dr. Jay Gogue	President, Auburn University	Indefinite
Dr. John G. Veres	Chancellor, Auburn University at Montgomery	Indefinite
General Charles C. Krulak Beginning June 1, 2011	President, Birmingham Southern College	Indefinite
Dr. Mark S. Schantz	Interim President, Birmingham Southern College	June 1, 2011
Dr. John Cameron West	President, Huntingdon College	Indefinite
Dr. William A. Meehan	President, Jacksonville State University	Indefinite
Dr. David E. Potts	President, Judson College	Indefinite
Dr. Andrew Westmoreland	President, Samford University	Indefinite
Dr. Andrew Hugine, Jr.	President, Alabama A & M University	Indefinite
Rev. Richard Salmi, S.J.	President, Spring Hill College	Indefinite
Dr. Billy C. Hawkins	President, Talladega College	Indefinite
Dr. Jack Hawkins, Jr.	Chancellor, Troy University	Indefinite

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***Board Members and Officials***  
***October 1, 2010 through September 30, 2011***

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<b>Board Members</b>		<b>Term Expires</b>
Dr. Gilbert L. Rochon Beginning November 1, 2010	President, Tuskegee University	Indefinite
Dr. Charlotte Morris	Interim President, Tuskegee University	October 31, 2010
Dr. Robert E. Witt	President, University of Alabama	Indefinite
Dr. Carol Z. Garrison	President, University of Alabama at Birmingham	Indefinite
Dr. Malcolm Portera Beginning April 1, 2011	Interim President, University of Alabama at Huntsville	Indefinite
Dr. David B. Williams	President, University of Alabama at Huntsville	April 1, 2011
Dr. Mark Foley	President, University of Mobile	Indefinite
Dr. John W. Stewart, III	President, University of Montevallo	Indefinite
Dr. William G. Cale, Jr.	President, University of North Alabama	Indefinite
Dr. Richard Holland	President, University of West Alabama	Indefinite

**Officials**

Dr. George F. Crozier, Board Secretary	Executive Director
Mr. David England	Associate Director of Administrative Services

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***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***

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We have audited the financial statements of the Marine Environmental Sciences Consortium as of and for the year ended September 30, 2011, and have issued our report thereon dated June 29, 2012. 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***

Management of the Marine Environmental Sciences Consortium is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Marine Environmental Sciences Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Marine Environmental Sciences Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marine Environmental Sciences Consortium's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

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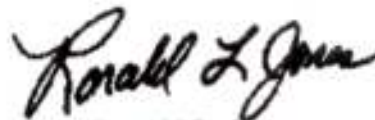
***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Marine Environmental Sciences Consortium's 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 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 management, Board of Directors of the Consortium, others within the entity, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

June 29, 2012

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***Report on Compliance With Requirements That Could  
Have a Direct and Material Effect on Each Major  
Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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***Independent Auditor's Report***

***Compliance***

We have audited the Marine Environmental Sciences Consortium's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Marine Environmental Sciences Consortium's major federal programs for the year ended September 30, 2011. The Marine Environmental Sciences Consortium's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Marine Environmental Sciences Consortium's management. Our responsibility is to express an opinion on the Marine Environmental Sciences Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Marine Environmental Sciences Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Marine Environmental Sciences Consortium's compliance with those requirements.

In our opinion, the Marine Environmental Sciences Consortium complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

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***Report on Compliance With Requirements That Could  
Have a Direct and Material Effect on Each Major  
Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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**Internal Control Over Compliance**

The management of the Marine Environmental Sciences Consortium is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Marine Environmental Sciences Consortium's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Marine Environmental Sciences Consortium's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

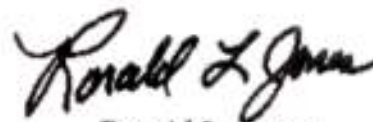
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We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

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***Report on Compliance With Requirements That Could  
Have a Direct and Material Effect on Each Major  
Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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This report is intended solely for the information and use of management, Board of Directors of the Consortium, others within the entity, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

June 29, 2012



***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2011***

**Section I – Summary of Examiner's Results**

**Financial Statements**

Type of opinion issued: Unqualified

Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ Yes     X  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes     X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes     X  No

**Federal Awards**

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ Yes     X  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes     X  None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes     X  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
11.417, 11.419, 11.432, 11.433, 11.454, 11.463, 11.469, 11.472, 11.473, 15.612, 15.630, 47.041, 47.050, 47.081, 93.103, ARRA 11.463, ARRA 47.082	Research and Development Cluster
11.473	Coastal Services Center
81.041	State Energy Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes     X  No

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2011***

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**Section II – Financial Statement Findings (GAGAS)**

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		No matters were reportable.	

**Section III – Federal Awards Findings and Questioned Costs**

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	