

Report on the

# Marine Environmental Sciences Consortium

Dauphin Island, Alabama

October 1, 2008 through September 30, 2009

Filed: July 2, 2010



## Department of Examiners of Public Accounts

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*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

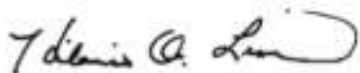
Dear Sir:

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, 2008 through September 30, 2009.

Sworn to and subscribed before me this  
 the 11 day of June, 2010.

  
 \_\_\_\_\_  
 Notary Public

Respectfully submitted,



Hilario O. Lim  
 Examiner of Public Accounts

Sworn to and subscribed before me this  
 the 11 day of June, 2010.

  
 \_\_\_\_\_  
 Notary Public



JoNesia S. Turner  
 Examiner of Public Accounts

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My Commission Expires 5-23-11



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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Marine Environmental Sciences Consortium  
October 1, 2008 through September 30, 2009**

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 21 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, 2009.

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

The following officials/employees were invited to an exit conference to discuss the results of this audit: Dr. George Crozier, Executive Director, and David England, Associate Director of Administrative Services. The following individuals attended the exit conference: Dr. George Crozier, 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, 2008 through September 30, 2009**

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; and the University of West Alabama.

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 books 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, a component unit of the State of Alabama, as of and for the year ended September 30, 2009, 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, 2009, 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 May 21, 2010 on our consideration of the Marine Environmental Sciences Consortium's internal control over financial reporting and 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 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

May 21, 2010

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

# Management's Discussion and Analysis

For the Year Ended September 30, 2009

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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, 2009. 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, 2009. 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, 2009

The total net assets of MESC reflect a decrease in both Restricted and Unrestricted net assets. These decreases are primarily due to the harsh economic climate we are currently operating in. With conservative budgeting and a careful use of resources, MESC should weather the hard economic times ahead. 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>		
	2009	2008
<b>Assets</b>		
Current assets	\$ 1,389,704	\$ 1,564,374
Non-current (Capital) assets	11,296,390	8,570,977
Total Assets	<u>12,686,094</u>	<u>10,135,351</u>
<b>Liabilities</b>		
Current liabilities	503,224	502,997
Noncurrent liabilities	711,969	919,835
Total liabilities	<u>1,215,193</u>	<u>1,422,832</u>
<b>Net assets</b>		
Invested in capital assets, net	11,162,378	8,133,793
Of related debt		
Restricted - expendable	390,170	633,919
Unrestricted	(81,647)	(55,193)
Total Net Assets	<u>\$ 11,470,901</u>	<u>\$ 8,712,519</u>

## **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 non-operating, and the expenses paid by MESC, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by MESC.

# Management's Discussion and Analysis

For the Year Ended September 30, 2009

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. Non-operating revenues are revenues received for which goods and services are not provided. GASB Statement No. 34 requires that state appropriations be classified as non-operating.

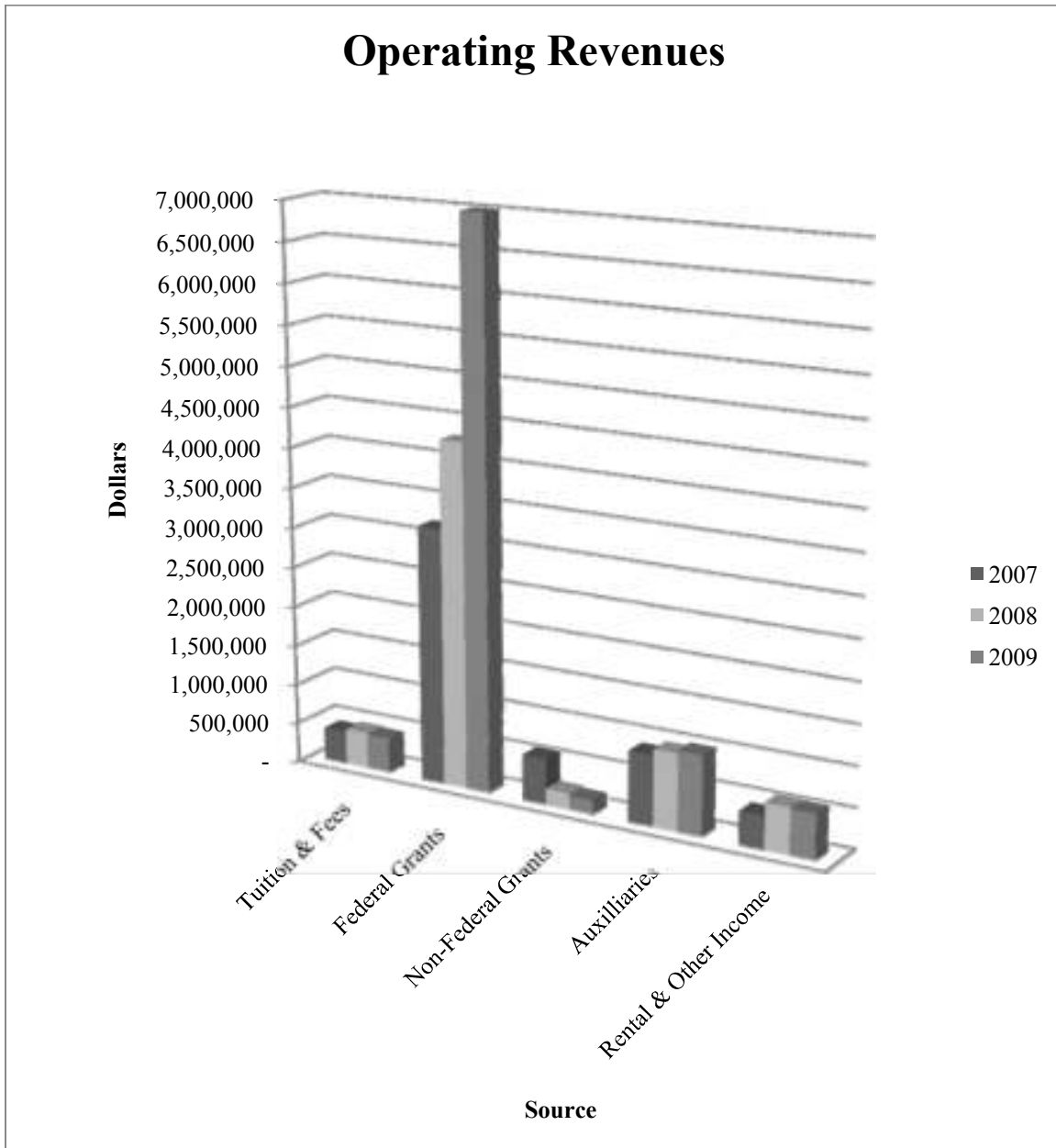
<b>Statement of Revenues, Expenses and Changes in Net Assets</b>		
	2009	2008
Operating revenues	\$ 9,331,965	\$ 6,442,693
Operating expenses	10,909,571	10,686,133
Operating loss	(1,577,606)	(4,243,440)
Nonoperating revenues & expenses	4,335,988	5,085,865
Changes in Net Assets	2,758,382	842,425
Total Net Assets - Beginning of Year	8,712,519	7,870,094
Total Net Assets - End of Year	\$ 11,470,901	\$ 8,712,519

The Statement of Revenues, Expenses, and Changes in Net Assets reflect operating revenues of \$9,331,965 which is an increase of \$2,889,272 from the prior year. The increase is the result of the construction of the Richard C. Shelby Center for Ecosystem Based Fisheries Management Building (the Shelby Center) and an increase in federal research grants. The operating expenses reflect a slight increase from last year. This increase is also due to the increase in Federal Grants and Contracts.

# Management's Discussion and Analysis

For the Year Ended September 30, 2009

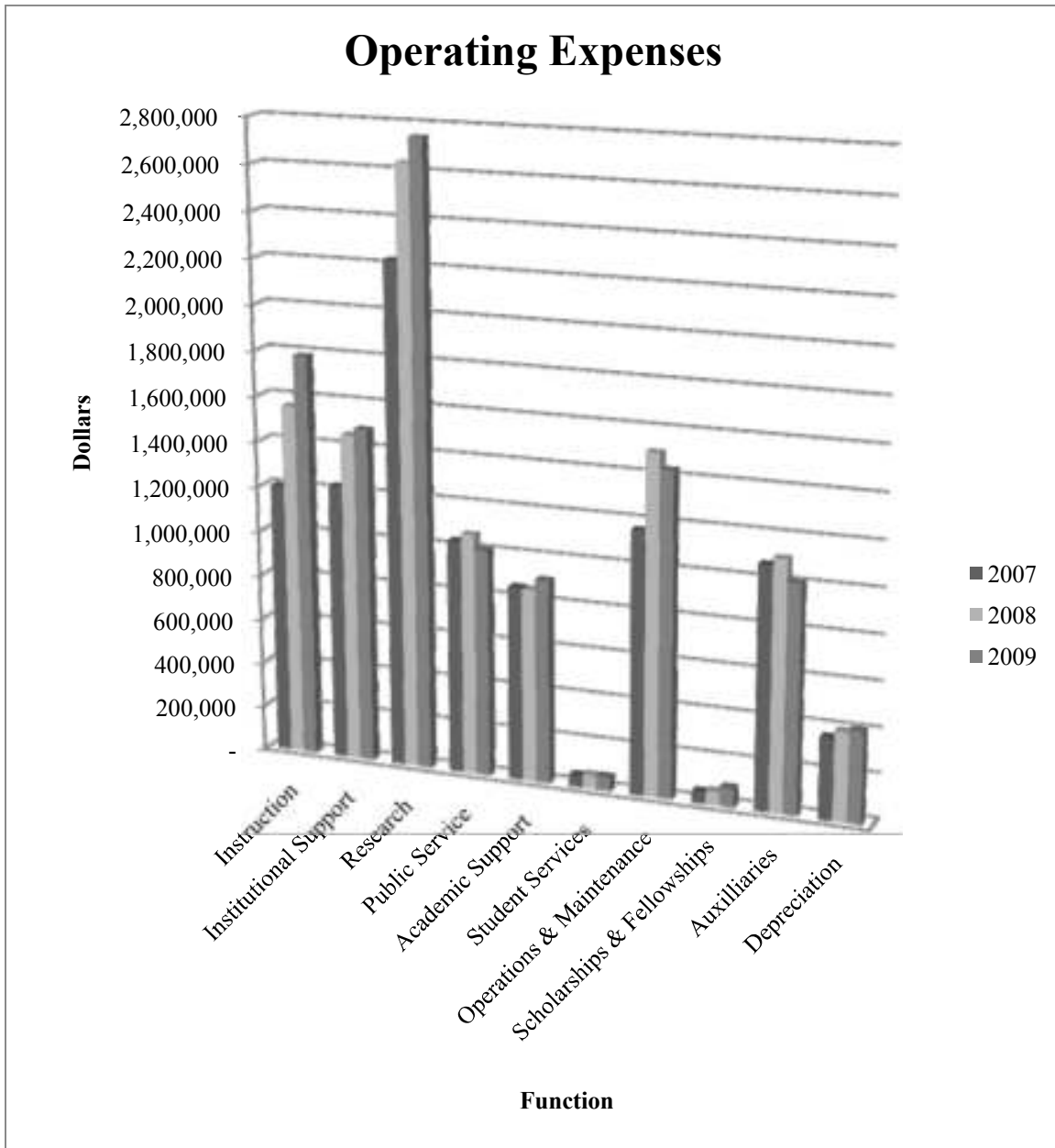
The chart below displays the operating revenues by type and their relationship to one another as discussed in the previous paragraph. Federal Grants and Contracts represent the largest source of Operating Revenues. The largest source of non-operating revenues is the State Appropriation. MESC annually receives a State Appropriation as a separate line item in the State of Alabama Education Trust Fund budget. The 2009 FY State Appropriation totaled \$3,896,004 as compared to \$5,024,304 for the previous fiscal year.



# Management's Discussion and Analysis

For the Year Ended September 30, 2009

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 three years. The increases in expenditures are primarily attributable to the increases in health cost, retirement cost, and the construction of the Shelby Center.

# Management's Discussion and Analysis

For the Year Ended September 30, 2009

## 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>	
	2009
Cash provided (used) by:	
Operating activities	\$ (1,006,519)
Noncapital financing activities	4,115,461
Capital and related financing activities	(3,182,310)
Investing activities	795
Net change in Cash	(72,573)
Cash, beginning of year	268,665
Cash, end of year	\$ 196,092

## Economic Outlook

MESC's administration took precautionary steps in fiscal year 2008 to prepare for the eventual reality of a worsening global economy. A significant decrease in fiscal year 2009 State Appropriations, has led to a significant reduction in spending of monies other than Grants and Contracts, and reallocation of resources. The Consortium will continue to seek other sources of revenue and cut costs where possible.

MESC has received a substantial decrease in state funding for the upcoming fiscal year. The Consortium will strive to continue to offer the same level of services and programs as in the past. 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, 2009***

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**ASSETS**

**Current Assets**

Cash	\$	196,092
Accounts Receivable		1,046,644
Inventories		146,968
Total Current Assets		<u>1,389,704</u>

**Noncurrent Assets**

Capital Assets:

Land		658,757
Improvements Other Than Buildings		82,610
Buildings		9,181,972
Equipment		1,564,123
Vessels		560,248
Construction in Progress		3,487,170
Library Holdings		842,322
Less: Accumulated Depreciation		<u>(5,080,812)</u>
Total Capital Assets, Net of Depreciation		<u>11,296,390</u>

Total Noncurrent Assets 11,296,390

Total Assets \$ 12,686,094

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

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**LIABILITIES****Current Liabilities**

Accounts Payable	\$	94,888
Leases Payable		108,825
Notes Payable		8,244
Compensated Absences		21,959
Deferred Revenue		163,288
Deposits Held for Others		106,020
Total Current Liabilities		<u>503,224</u>

**Noncurrent Liabilities**

Notes Payable		367,946
Compensated Absences		344,023
Total Noncurrent Liabilities		<u>711,969</u>

Total Liabilities		<u>1,215,193</u>
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**NET ASSETS**

Invested in Capital Assets, Net of Related Debt		11,162,378
Restricted for:		
Expendable:		
Scholarships and Fellowships		45,833
Research and Public Outreach		295,686
Capital Projects		48,651
Unrestricted		<u>(81,647)</u>
Total Net Assets	\$	<u>11,470,901</u>

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***Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended September 30, 2009***

**OPERATING REVENUES**

Student Tuition and Fees	\$ 425,186
Federal Grants and Contracts	7,195,344
State and Local Grants and Contracts	166,842
Sales and Services of Educational Departments	164,119
Auxiliary Enterprises:	
Estuarium	320,017
Giftshop	297,554
Food Services	369,860
Other	4,227
Rental Income	378,896
Other Operating Revenues	9,920
Total Operating Revenues	<u>9,331,965</u>

**OPERATING EXPENSES**

Instruction	1,783,267
Institutional Support	1,484,656
Public Service	1,006,178
Academic Support	902,707
Student Services	59,320
Research	2,744,263
Operation and Maintenance	1,433,000
Scholarships and Fellowships	82,497
Depreciation	405,638
Auxiliary Enterprises:	
Estuarium	307,623
Giftshop	416,953
Food Services	282,880
Other	589
Total Operating Expenses	<u>10,909,571</u>
Operating Income (Loss)	<u>(1,577,606)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	3,896,004
Investment Income	795
Private Gifts	123,754
Interest on Capital Asset Related Debt	(14,771)
Other Nonoperating Revenues (Expenses)	536
Net Nonoperating Revenues	<u>4,006,318</u>
Income Before Other Revenues, Expenses, Gains or Losses	2,428,712
Capital Grants and Contracts	<u>329,670</u>
Changes in Net Assets	2,758,382
Total Net Assets - Beginning of Year	8,712,519
Total Net Assets - End of Year	<u>\$ 11,470,901</u>

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

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***Statement of Cash Flows***  
***For the Year Ended September 30, 2009***

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 461,196
Grants and Contracts	7,461,710
Payments to Suppliers	(3,166,278)
Payments to Utilities	(530,229)
Payments to Employees	(4,887,225)
Payments to Benefits	(1,816,411)
Payments to Scholarships and Fellowships	(74,876)
Auxiliary Enterprise Charges:	
Estuarium	318,963
Giftshop	293,791
Food Services	373,597
Other	4,277
Sales and Services of Educational Departments	164,119
Other Receipts (Payments)	390,847
Net Cash Provided (Used) by Operating Activities	<u>(1,006,519)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	3,896,004
Private Gifts	123,754
Other	95,703
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,115,461</u>

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

Purchases of Capital Assets	(3,131,051)
Proceeds from Capital Debt	26,537
Principal Paid on Capital Debt and Leases	(328,359)
Principal Paid on Short-Term Notes Payable	(51,350)
Interest Paid on Capital Debt and Leases	(14,771)
Interest Paid on Short-Term Notes Payable	(12,986)
Capital Grants	329,670
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,182,310)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments	795
Net Cash Provided (Used) by Investing Activities	<u>795</u>
Net Increase (Decrease) in Cash	(72,573)
Cash and Cash Equivalents - Beginning of Year	268,665
Cash and Cash Equivalents - End of Year	<u>\$ 196,092</u>

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) \$ (1,577,606)

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

Depreciation Expense 405,638  
Changes in Assets and Liabilities:  
(Increase)/Decrease in Receivables 110,333  
(Increase)/Decrease in Inventories (8,159)  
Increase/(Decrease) in Accounts Payable 90,484  
Increase/(Decrease) in Compensated Absences (27,209)

Net Cash Provided (Used) by Operating Activities \$ (1,006,519)

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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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, 2009*

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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, 2009***

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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, 2009, 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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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

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:**
  - 9 **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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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**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.

**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	\$ 918,691
Third Party Tuition and Fees	110,281
Auxiliary	17,672
Total Accounts Receivable, Net	<u>\$1,046,644</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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#### **Note 4 – Capital Assets**

Capital asset activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 658,757	\$	\$	\$ 658,757
Improvements Other Than Buildings	82,610			82,610
Buildings	9,181,972			9,181,972
Equipment	1,449,403	120,102	5,382	1,564,123
Vessels	560,248			560,248
Library Holdings	842,322			842,322
Construction in Progress	476,221	3,010,949		3,487,170
Total	13,251,533	3,131,051	5,382	16,377,202
Less: Accumulated Depreciation				
Improvements Other Than Buildings	53,891	3,844		57,735
Buildings	2,997,855	183,639		3,181,494
Equipment	1,003,004	143,777	5,382	1,141,399
Vessels	267,612	18,223		285,835
Library Holdings	358,194	56,155		414,349
Total Accumulated Depreciation	4,680,556	405,638	5,382	5,080,812
Capital Assets, Net	\$ 8,570,977	\$2,725,413	\$	\$11,296,390

#### **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, 2009*

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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,	2009	2008	2007
Total Percentage of Covered Payroll	17.07%	16.75%	14.36%
<u>Contributions:</u>			
Percentage Contributed by the Consortium	12.07%	11.75%	9.36%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Contributed by the Consortium	\$504,033	\$498,241	\$361,827
Contributed by the Employees	208,791	212,017	193,284
Total Contributions	<u>\$712,824</u>	<u>\$710,258</u>	<u>\$555,111</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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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 2009
Individual Coverage – Non-Medicare Eligible	\$ 97.54
Individual Coverage – Medicare Eligible	\$ 1.14
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$284.94
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$188.54
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$188.54
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 92.14
Surviving Spouse – Non-Medicare Eligible	\$585.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$717.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$676.00
Surviving Spouse – Medicare Eligible	\$290.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$422.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$381.00



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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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 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
2009	\$752.00	\$205.45	27.32%	\$240,420.97	100%
2008	\$775.00	\$212.35	27.40%	\$260,150.17	100%
2007	\$717.00	\$217.25	30.30%	\$243,302.29	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, 2009, the Consortium had been awarded approximately \$3,525,758.00 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, 2009***

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**Note 8 – Long-Term Liabilities**

Long-term liabilities activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Lease Payable	\$ 437,184	\$	\$328,359	\$108,825	\$108,825
Other Liabilities:					
Notes Payable	401,003	26,537	51,350	376,190	8,244
Compensated Absences	393,190		27,208	365,982	21,959
Total Long-Term Liabilities	<u>\$1,231,377</u>	<u>\$26,537</u>	<u>\$406,917</u>	<u>\$850,997</u>	<u>\$139,028</u>

**Capital Lease Payable**

Dauphin Island Public Educational Building Authority (the “Authority”), a non-profit corporation, issued the Dauphin Island Public Educational Building Authority Revenue Bond, Series 1997, in the principal amount of \$2,000,000.00, in fiscal year 1997-98. These bonds were issued to finance the acquisition, construction, and development of the Marine Environmental Sciences Consortium Estuarium located on Dauphin Island, Alabama. The Consortium leases the land, upon which the Estuarium was constructed, to the Authority.

The Consortium leases the Estuarium from the Authority. The lease payments are payable solely from non-appropriated funds and are equal to the principal and interest payments on the bond issue. The lease payments are due on or before the business day preceding each February 1 and August 1. The lease term begins February 1998 and ends February 2010.

The bond issuance is secured by a Guaranty Agreement, Mortgage, Assignment of Leases, and Security Agreement between the Consortium, the Authority, and AmSouth Bank. After payment in full of indebtedness secured by the Mortgage, the Consortium may purchase the Estuarium for a purchase price equal to the sum of \$100.00.

On April 1, 2004, a Financing and Lease Agreement was entered between AmSouth Leasing Corporation and the Authority as assigned to the Consortium to refinance the unpaid principal balance due on the Revenue Bond, Series 1997 and the accrued interest thereon.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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

Fiscal Year	Revenue Bonds	
	Principal	Interest
2009-2010	\$108,825	\$2,147
Totals	\$108,825	\$2,147

**Notes Payable**

The Notes Payable consists of an annual renewable bank loan issued in 2005-2006 for \$500,000. Interest is paid on a monthly basis and principal is paid as funds are available. Principal amount of \$50,000 was paid on the loan during the current fiscal year.

The addition of \$26,537 is for a three year retail installment sales contract for the financing of the purchase of a motor vehicle.

**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.

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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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**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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## *Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2009***

<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>		
Coastal Zone Management Estuarine Research Reserves	11.420	
Marine Fisheries Initiative	11.433	
Marine Fisheries Initiative	11.433	
Marine Fisheries Initiative	11.433	
Congressionally Identified Awards and Projects	11.469	
<b><u>Passed Through University of Southern Mississippi</u></b>		
Sea Grant Support	11.417	USM-GR02638
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>		
Coastal Zone Management Administration Awards	11.419	DISL-CZM-306-08-1
Unallied Management Projects	11.454	C004863
Unallied Management Projects	11.454	FOCAL
<b><u>Passed Through University of New Hampshire</u></b>		
Coastal Zone Management Administration Awards	11.419	07-050
<b><u>Passed Through University of North Carolina Wilmington</u></b>		
Undersea Research	11.430	2007-11 A&B
<b><u>Passed Through Mississippi State University</u></b>		
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	11.432	1910001 363593-04
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	11.432	1910001 363558-04
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	11.432	1910001 363558-004
Congressionally Identified Awards and Projects	11.469	1910001 361664-01
<b><u>Passed Through The Nature Conservancy</u></b>		
Habitat Conservation	11.463	020109-01
ARRA-Habitat Conservation	11.463	ALFO SA 3807-01

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
06/01/2007-05/31/2009	\$ 91,772.00	\$ 40,000.00	\$ 32,486.86	\$ 32,486.86
08/01/2009-07/31/2011	118,110.00	118,110.00	10,529.33	10,529.33
07/01/2008-06/30/2010	111,021.00	111,021.00	21,916.82	21,916.82
08/01/2007-07/31/2009	287,649.00	287,649.00	156,359.49	156,359.49
07/01/2006-07/31/2009	2,129,368.00	2,129,368.00	589,438.12	589,438.12
02/01/2006-07/31/2009	300,307.00	196,961.00	29,880.46	29,880.46
10/01/2007-09/30/2009	168,000.00	84,000.00	19,233.97	19,233.97
06/01/2007-05/31/2009	91,302.00	91,302.00	3,786.70	3,786.70
10/01/2006-09/30/2009	3,026,000.00	3,026,000.00	973,763.04	973,763.04
09/01/2006-02/28/2009	270,274.00	270,274.00	19,584.07	19,584.07
03/01/2006-05/31/2009	64,392.00	64,392.00	50,853.54	50,853.54
07/15/2008-07/31/2010	65,000.00	65,000.00	4,522.00	4,522.00
02/01/2007-01/31/2010	346,609.00	346,609.00	119,214.10	119,214.10
06/30/2008-06/30/2009	38,000.00	38,000.00	10,126.99	10,126.99
11/03/2008-12/31/2009	170,000.00	170,000.00	134,277.63	134,277.63
02/01/2009-04/30/2010	70,627.50	54,278.50	366.21	366.21
08/01/2009-06/30/2011	\$ 463,705.00	\$ 463,705.00	\$ 13,260.78	\$ 13,260.78

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2009***

<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 University of South Alabama</u></b>		
Habitat Conservation	11.463	07-070284
Habitat Conservation	11.463	07-070349
Habitat Conservation	11.463	07-070062
<b><u>Passed Through Mississippi Department of Marine Resources</u></b>		
Coastal Services Center	11.473	S-09-DMR-DISL-EPA-03
<b><u>Passed Through University of South Florida</u></b>		
Center for Sponsored Coastal Ocean Research - Coastal Ocean Program	11.478	4710-1048-01-B
<b><u>U. S. Department of 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>		
Wildlife Restoration	15.611	C8004803
Endangered Species Conservation	15.612	Manatee Survey
<b><u>Environmental Protection Agency</u></b>		
<b><u>Passed Through University of South Alabama</u></b>		
Office of Research and Development Consolidated Research/Training/Fellowships	66.511	01-08-13
Office of Research and Development Consolidated Research/Training/Fellowships	66.511	01-08-12
Office of Research and Development Consolidated Research/Training/Fellowships	66.511	01-08-15
Office of Research and Development Consolidated Research/Training/Fellowships	66.511	08-070390
Office of Research and Development Consolidated Research/Training/Fellowships	66.511	08-070085-NCE
Office of Research and Development Consolidated Research/Training/Fellowships	66.511	06-060370
Total Research and Development Cluster (M)		



Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
06/01/2007-03/31/2010	\$ 163,368.00	\$ 163,368.00	\$ 7,440.74	\$ 7,440.74
08/15/2007-08/31/2009	143,152.00	143,152.00	75,085.66	75,085.66
09/01/2006-03/31/2009	382,043.00	382,043.00	18,014.67	18,014.67
08/01/2009-07/30/2010	120,586.00	120,586.00	26,388.68	26,388.68
06/01/2007-03/16/2009	95,122.00	95,122.00	2,683.99	2,683.99
09/01/2008-12/31/2010	50,000.00	50,000.00	3,207.19	3,207.19
10/01/2007-09/30/2008	48,151.00	25,171.00	1,192.02	1,192.02
10/01/2008-09/30/2009	51,494.00	38,620.00	33,939.46	33,939.46
01/01/2009-10/31/2009	4,830.00	4,830.00	4,830.00	4,830.00
01/01/2009-10/31/2009	34,522.00	34,522.00	16,074.38	16,074.38
11/01/2006-10/31/2009	94,138.00	94,138.00	85,330.31	85,330.31
10/01/2007-06/30/2009	33,630.00	33,630.00	11,609.58	11,609.58
07/01/2007-06/30/2009	143,500.00	143,500.00	4,108.54	4,108.54
11/01/2005-10/31/2008	\$ 83,926.00	\$ 83,926.00	16,190.08	16,190.08
			<u>\$ 2,495,695.41</u>	<u>\$ 2,495,695.41</u>

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2009***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>Other Federal Awards</u></b>		
<b><u>U. S. Department of Commerce</u></b>		
<b><u>Direct Programs</u></b>		
Congressionally Identified Awards and Projects (M)	11.469	
Coastal Services Center (M)	11.473	
<b><u>Passed Through University of Southern Mississippi</u></b>		
Sea Grant Support	11.417	USM-GR02638/OMNIBUS-DISL-ED-12
Sea Grant Support	11.417	USM-GR02734-A10/ED-18
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>		
Coastal Zone Management Administration Awards	11.419	MBNEP-CZM-306-09-1
Coastal Zone Management Administration Awards	11.419	MBNEP-CZM-306-309-08-1
Coastal Zone Management Administration Awards	11.419	MBNEP-CZM-306-309-07-1
Unallied Management Projects	11.454	SLD-EDRP-DISL-08-1
Congressionally Identified Awards and Projects	11.469	DISL-WBBEP-469-07-1
<b><u>Passed Through National Marine Sanctuary Foundation</u></b>		
Special Oceanic and Atmospheric Projects	11.460	LOSTOE
<b><u>Passed Through Mississippi State University</u></b>		
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	11.432	1910001 363558 04/TO 006
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	11.432	1910001 363558 04/TO 001
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	11.432	1910001 363558 04
Hydrologic Research	11.462	191001 363605
<b><u>Passed Through Gulf of Mexico Foundation</u></b>		
Habitat Conservation	11.463	CPR 7001
<b><u>Passed Through University of South Alabama</u></b>		
Habitat Conservation	11.463	01-08-17
Applied Meteorological Research	11.468	08-080245-01
<b><u>Passed Through Texas A&amp;M Research Foundation</u></b>		
Coastal Services Center (M)	11.473	S080018

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
07/01/2006-06/30/2009	\$ 4,411,204.00	\$ 4,411,204.00	\$ 2,545,884.81	\$ 2,545,884.81
10/01/2008-09/30/2011	1,429,540.00	1,429,540.00	312,315.71	312,315.71
02/01/2006-07/31/2010	211,640.00	134,470.00	38,169.49	38,169.49
06/01/2006-05/31/2008	241,616.00	199,962.00	431.02	431.02
10/01/2008-12/31/2009	6,000.00	6,000.00	5,991.37	5,991.37
10/01/2007-02/28/2009	31,000.00	31,000.00	16,685.97	16,685.97
10/01/2006-12/31/2008	115,500.00	115,500.00	104,001.24	104,001.24
07/01/2008-09/15/2011	1,500,000.00	1,500,000.00	321,097.83	321,097.83
04/01/2008-11/30/2010	50,000.00	50,000.00	1,961.79	1,961.79
06/20/2006-06/19/2008	29,000.00	29,000.00	1,825.74	1,825.74
02/01/2007-01/31/2009	180,000.00	180,000.00	59,125.15	59,125.15
02/01/2007-01/31/2009	658,113.00	658,113.00	245,714.01	245,714.01
11/01/2007-12/31/2008	85,141.00	70,448.00	14,876.42	14,876.42
06/01/2009-08/15/2009	6,295.00	6,295.00	6,295.00	6,295.00
01/01/2008-03/31/2010	38,550.00	38,550.00	4,499.42	4,499.42
01/01/2007-03/31/2010	40,365.00	40,365.00	19,864.07	19,864.07
09/01/2008-01/08/2009	36,294.00	36,294.00	11,703.27	11,703.27
12/31/2008-12/31/2009	\$ 44,842.00	\$ 44,842.00	\$ 23,802.35	\$ 23,802.35

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2009***

<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>		
Fish and Wildlife Management Assistance	15.608	
<b><u>National Science Foundation</u></b>		
<b><u>Passed Through University of Southern Mississippi</u></b>		
Geosciences	47.050	USM-GR02399-A10
<b><u>Environmental Protection Agency</u></b>		
<b><u>Direct Programs</u></b>		
National Estuary Program (M)	66.456	
Gulf of Mexico Program	66.475	
Gulf of Mexico Program	66.475	
Gulf of Mexico Program	66.475	
<b><u>Passed Through The Nature Conservancy</u></b>		
Gulf of Mexico Program	66.475	040108-3803-02
<b><u>Passed Through University of South Alabama</u></b>		
Office of Research and Development Consolidated Research/Training/Fellowships	66.511	06-050477
<b><u>U. S. Department of Education</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Improving Teacher Quality State Grants	84.367	MAST
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		
07/01/2005-07/30/2010	\$ 50,000.00	\$ 50,000.00	\$ 1,330.38	\$ 1,330.38
09/01/2005-08/31/2008	145,421.00	145,421.00	56,192.56	56,192.56
10/01/2006-09/30/2010	3,293,449.00	1,502,350.00	504,794.52	504,794.52
12/01/2008-11/30/2011	103,725.00	79,925.00	11,525.39	11,525.39
05/01/2006-09/30/2009	271,918.00	136,022.00	51,629.09	51,629.09
06/15/2007-06/14/2009	150,000.00	150,000.00	149,488.70	149,488.70
04/01/2008-10/31/2009	75,500.00	75,500.00	33,218.28	33,218.28
11/01/2006-10/31/2007	155,337.00	155,337.00	3,590.98	3,590.98
10/31/2008-09/30/2009	\$ 55,552.00	\$ 55,552.00	55,509.00	55,509.00
			<u>\$ 7,097,218.97</u>	<u>\$ 7,097,218.97</u>

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2009***

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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
Unallied Management Projects	11.454	\$227,191.82
Congressionally Identified Awards and Projects	11.469	\$ 95,818.02
Coastal Services Center	11.473	\$ 87,626.93
National Estuary Program	66.456	\$111,882.11
Gulf of Mexico Program	66.475	\$ 31,486.97

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## *Additional Information*

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***Board Members and Officials***  
***October 1, 2008 through September 30, 2009***

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<b>Board Members</b>		<b>Term Expires</b>
Mr. V. Gordon Moulton, Chairman	University of South Alabama Mobile, Alabama 36688	Indefinite
Dr. William H. Harris	Alabama State University Montgomery, Alabama 36104	Indefinite
Dr. Robert Glenn	Athens State University Athens, Alabama 35611	Indefinite
Dr. Jay Gogue	Auburn University Auburn University, Alabama 36849	Indefinite
Dr. John G. Veres	Auburn University at Montgomery Montgomery, Alabama 36124	Indefinite
Dr. G. David Pollick	Birmingham Southern College Birmingham, Alabama 35254	Indefinite
Dr. John Cameron West	Huntingdon College Montgomery, Alabama 36106	Indefinite
Dr. William A. Meehan	Jacksonville State University Jacksonville, Alabama 36265	Indefinite
Dr. David E. Potts	Judson College Marion, Alabama 36756	Indefinite
Dr. Andrew Westmoreland	Samford University Birmingham, Alabama 35229	Indefinite



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***Board Members and Officials***  
***October 1, 2008 through September 30, 2009***

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<b>Board Members</b>		<b>Term Expires</b>
Rev. Gregory Lucey, S.J.	Spring Hill College Mobile, Alabama 36608	Resigned May 31, 2009
Rev. Richard Salmi, S.J., (Beginning June 1, 2009)	Spring Hill College Mobile, Alabama 36608	Indefinite
Dr. Billy C. Hawkins	Talladega College Talladega, Alabama 35160	Indefinite
Dr. Jack Hawkins, Jr.	Troy University Troy, Alabama 36081	Indefinite
Dr. Benjamin F. Payton	Tuskegee University Tuskegee, Alabama 36088	Indefinite
Dr. Robert E. Witt	University of Alabama Tuscaloosa, Alabama 35487	Indefinite
Dr. Carol Z. Garrison	University of Alabama at Birmingham Birmingham, Alabama 35294	Indefinite
Dr. David B. Williams	University of Alabama at Huntsville Huntsville, Alabama 35899	Indefinite
Dr. Mark Foley	University of Mobile Mobile, Alabama 36613	Indefinite

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***Board Members and Officials***  
***October 1, 2008 through September 30, 2009***

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<b>Board Members</b>		<b>Term Expires</b>
Dr. Philip C. Williams	University of Montevallo Montevallo, Alabama 35115	Indefinite
Dr. William G. Cale, Jr.	University of North Alabama Florence, Alabama 35632	Indefinite
Dr. Richard Holland	University of West Alabama Livingston, Alabama 35470	Indefinite

**Officials**

Dr. George F. Crozier, Executive Director (Board Secretary)	Marine Environmental Sciences Consortium 101 Bienville Boulevard Dauphin Island, Alabama 36528
Mr. David England, Associate Director of Administrative Services	Marine Environmental Sciences Consortium 101 Bienville Boulevard Dauphin Island, Alabama 36528

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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, 2009, and have issued our report thereon dated May 21, 2010. 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 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 purpose 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 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity'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.

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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***

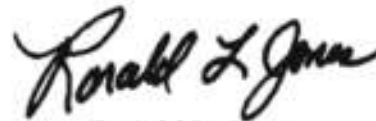
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**Compliance and Other Matters**

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

May 21, 2010

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# ***Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133***

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## **Compliance**

We have audited the compliance of the Marine Environmental Sciences Consortium with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

## **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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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***Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133***

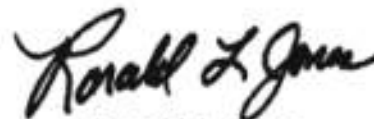
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A control deficiency in an entity's internal control over compliance exists when the design and operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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

May 21, 2010

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2009***

**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 that are not considered to be material weakness(es)? \_\_\_\_\_ 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 that are not considered to be material weakness(es)? \_\_\_\_\_ Yes     X  None reported

Type of opinion 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, 11.420, 11.430, 11.432, 11.433, 11.454, 11.463, 11.469, 11.473, 11.478, 15.611, 15.612, 15.630, 66.511	Research and Development Cluster
11.469	Congressionally Identified Awards and Projects
11.473	Coastal Services Center
66.456	National Estuary Program

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

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

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2009***

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

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		The audit did not disclose any findings or questioned costs required to be reported.	

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

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			The audit did not disclose any findings or questioned costs required to be reported.	