

Report on the

Marine Environmental Sciences Consortium

Dauphin Island, Alabama

October 1, 2014 through September 30, 2015

Filed: July 1, 2016



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

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

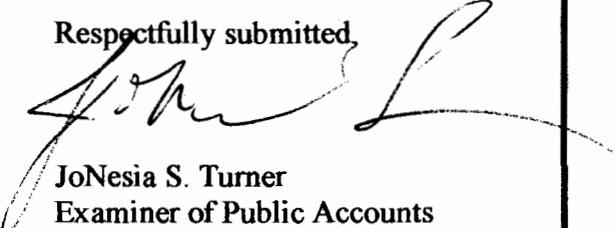
Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of the Marine Environmental Sciences Consortium for the period October 1, 2014 through September 30, 2015.

Sworn to and subscribed before me this
the 17th day of June, 2016.

Sandra E Shirley
Notary Public

Respectfully submitted,



JoNesia S. Turner
Examiner of Public Accounts

rb

Table of Contents

	<i>Page</i>
Summary	A
Contains items pertaining to state and federal legal compliance, Consortium operations and other matters.	
Comments	C
Contains information pertaining to the history of the Consortium.	
Independent Auditor's Report	E
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).	
Management's Discussion and Analysis	I
Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Consortium introducing the basic financial statements and providing an analytical overview of the Consortium's financial activities for the year. This information has not been audited, and no opinion is provided about the information.	
<u>Basic Financial Statements</u>	1
Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Consortium's financial position and results of operations in accordance with GAAP.	
Marine Environmental Sciences Consortium	
Exhibit #1 Statement of Net Position	2
Exhibit #2 Statement of Revenues, Expenses and Changes in Net Position	4
Exhibit #3 Statement of Cash Flows	6
Dauphin Island Sea Lab Foundation, Inc.	
Exhibit #4 Statement of Financial Position	8
Exhibit #5 Statement of Activities	9

Table of Contents

		<i>Page</i>
<u>Notes to the Financial Statements</u>		
Marine Environmental Sciences Consortium		11
Dauphin Island Sea Lab Foundation, Inc.		28
<u>Required Supplementary Information</u>		34
Provides information required by the GASB to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.		
Exhibit #6	Schedule of the Consortium's Proportionate Share of the Net Pension Liability	35
Exhibit #7	Schedule of the Consortium's Contributions	36
<u>Supplementary Information</u>		37
Contains financial information and notes relative to federal financial assistance.		
Exhibit #8	Schedule of Expenditures of Federal Awards	38
Notes to the Schedule of Expenditures of Federal Awards		46
<u>Additional Information</u>		47
Provides basic information related to the Consortium, including reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits.		
Exhibit #9	Board Members and Officials – a listing of the Consortium Board members and officials.	48
Exhibit #10	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the Consortium complied with laws and regulations which could have a direct and material effect on the Consortium's financial statements.	50

Table of Contents

	<i>Page</i>
Exhibit #11 Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the Consortium complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.	52
Exhibit #12 Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133.	55



Department of
Examiners of Public Accounts

SUMMARY

**Marine Environmental Sciences Consortium
October 1, 2014 through September 30, 2015**

**Dauphin Island Sea Lab Foundation, Inc.
October 1, 2014 through September 30, 2015**

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.

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 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. This report also presents the results of an audit of the Consortium's component unit, the Foundation, which was audited by other auditors. The Consortium's 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. The Foundation's audit was conducted in accordance with auditing standards generally accepted in the United States of America.

An unmodified opinion was issued on the basic financial statements of the Consortium and its component unit, 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, 2015.

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 was: JoNesia Turner, Examiner.



Department of
Examiners of Public Accounts

COMMENTS

**Marine Environmental Sciences Consortium
October 1, 2014 through September 30, 2015**

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 7,400 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.

Independent Auditor's Report

Independent Auditor's Report

To: Dr. John F. Valentine, Executive Director – Marine Environmental Sciences Consortium

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Marine Environmental Sciences Consortium, as of and for the year ended September 30, 2015, as listed in the table of contents as Exhibits 1 through 3.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Dauphin Island Sea Lab Foundation, Inc., a component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Dauphin Island Sea Lab Foundation, Inc., is based on the report of other auditors. 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. The financial statements of Dauphin Island Sea Lab Foundation, Inc. were not audited in accordance with ***Government Auditing Standards***.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 and the Dauphin Island Sea Lab Foundation, Inc., as of September 30, 2015, and the respective changes in financial position and where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, in fiscal year 2015, Marine Environmental Sciences Consortium adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions*** – an amendment of GASB Statement Number 27. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Consortium's Proportionate Share of the Net Pension Liability, and Schedule of the Consortium's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 8) is presented for the 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.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and directly relates to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2016, 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* in considering the Marine Environmental Sciences Consortium's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 26, 2016

Management's Discussion and Analysis
(Required Supplementary Information)

Management's Discussion and Analysis

For the Year Ended September 30, 2015

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, 2015. 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 Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- 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 Position

The Statement of Net Position presents the assets, liabilities and net position of MESC as of the fiscal year ended September 30, 2015. The net position is displayed in three parts, restricted, unrestricted and net investment in capital assets. Restricted net position may either be expendable or non-expendable and are those assets that are restricted by law or by an external donor. Unrestricted net position, 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 Position, 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 Position 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 Position provides a picture of the net position (assets minus liabilities) and their availability for expenditures by MESC.

Management's Discussion and Analysis

For the Year Ended September 30, 2015

Total assets and total liabilities consist of both current and noncurrent portions. Current assets consist of cash and cash equivalents totaling \$1,771,704, accounts receivables of \$2,650,820 and lease improvement receivable of \$1,798,673. Liabilities include current and non-current lease obligations of \$1,910,000. Unearned revenues totaled \$1,592,595.

Statement of Net Position		
	<u>2015</u>	<u>2014</u>
Assets		
Current assets	\$ 4,565,659	\$ 3,627,454
Non-current assets	14,648,685	12,895,902
Total Assets	<u>19,214,344</u>	<u>16,523,356</u>
Deferred Outflow of Resources	569,000	
Liabilities		
Current liabilities	1,996,376	1,459,617
Noncurrent liabilities	8,280,337	456,649
Total liabilities	<u>10,276,713</u>	<u>1,916,266</u>
Deferred Inflow of Resources	457,000	
Net Position		
Net Investment in Capital Assets	12,850,012	12,104,825
Restricted - expendable	1,532,969	477,317
Unrestricted	(5,333,350)	2,024,948
Total Net Position	<u>\$ 9,049,631</u>	<u>\$ 14,607,090</u>

At September 30, 2015 the Consortium reported a liability of \$6,093,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014 and the pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The Consortium's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014 the Consortium's proportion was 0.067073% which is an increase of 0.001396% from its proportion on September 30, 2013.

Capital assets include those with an acquisition cost of \$5,000 or more, and a useful life in excess of 1 year. 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.

Management's Discussion and Analysis

For the Year Ended September 30, 2015

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. 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.

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. For example, state appropriations are non-operating revenues because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

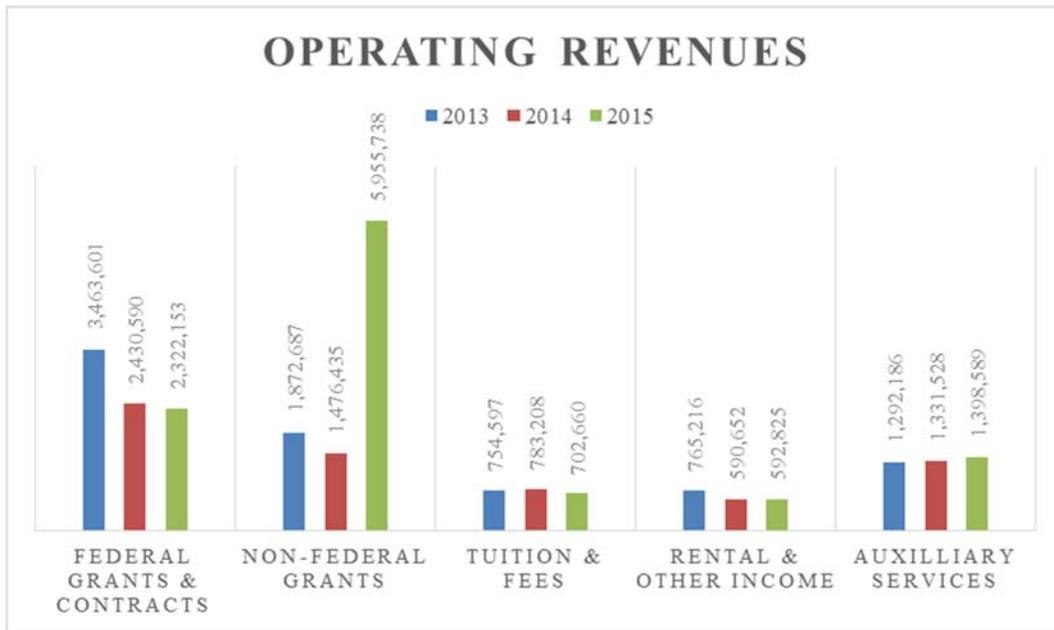
The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase of \$1,173,946 in net position at the end of the fiscal year. A restatement of \$6,731,405 was also reported on September 30, 2015 mostly due to GASB 67 and GASB 68 reporting requirements dealing with Unfunded Pension Liability reporting.

Statement of Revenues, Expenses and Changes in Net Position		
	2015	2014
Operating revenues	\$ 10,971,965	\$ 6,612,413
Operating expenses	13,939,898	11,165,153
Operating loss	(2,967,933)	(4,552,740)
Nonoperating revenues & expenses	4,141,879	4,568,246
Changes in Net Position	1,173,946	15,506
Total Net Position - Beg. of Year	7,875,685	14,591,584
Total Net Position - End of Year	\$ 9,049,631	\$ 14,607,090

Management's Discussion and Analysis

For the Year Ended September 30, 2015

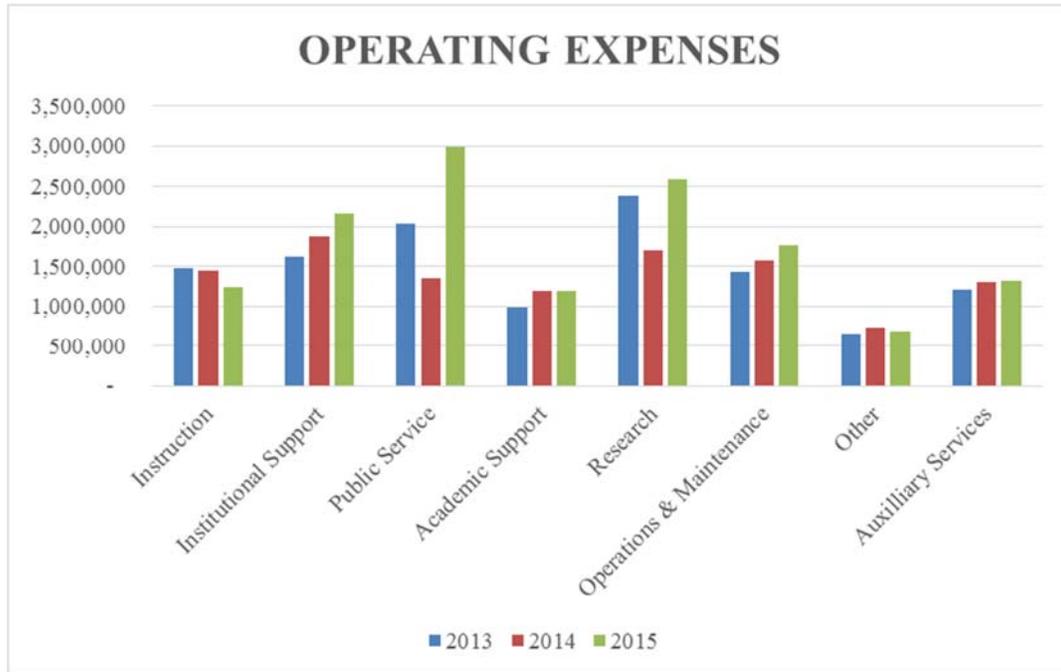
The chart below displays the operating revenues by type and their relationship to one another as discussed in the previous paragraph. Non-Federal Grants and Contracts represent the largest source of Operating Revenues. The largest source of non-operating revenues is the State Appropriation. MESC annually receives a State Appropriation as a separate line item in the State of Alabama Education Trust Fund budget. The State Appropriation for fiscal year 2015 totaled \$4,005,262. Of this, \$76,088 was earmarked for Mobile Bay National Estuary Program, a division of MESC/Dauphin Island Sea Lab, and \$76,088 was earmarked for the Mississippi-Alabama Sea Grant Consortium, making the net appropriation available to MESC of \$3,853,086.



Management's Discussion and Analysis

For the Year Ended September 30, 2015

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.

Management's Discussion and Analysis

For the Year Ended September 30, 2015

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 Position.

Statement of Cash Flows	
	2015
Cash provided (used) by:	
Operating activities	\$ (3,593,819)
Noncapital financing activities	4,523,906
Capital and related financing activities	(1,233,309)
Investing activities	<u>1,889</u>
Net change in Cash	(301,333)
Cash, beginning of year	2,073,037
Cash, end of year	<u>\$ 1,771,704</u>

Management's Discussion and Analysis

For the Year Ended September 30, 2015

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. 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 continues to be an active participant in the BP sponsored Gulf Research Initiative to study the effects of the DWHO.

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 and continue to be wise stewards of all funds awarded to us.

Basic Financial Statements

Statement of Net Position
September 30, 2015

ASSETS

Current Assets

Cash	\$	1,771,704
Accounts Receivable		2,650,820
Inventories		143,135
Total Current Assets		<u>4,565,659</u>

Noncurrent Assets

Accounts Receivable		1,798,673
Capital Assets:		
Land		658,757
Improvements Other Than Buildings		391,481
Buildings		13,618,496
Equipment		2,998,239
Vessels		1,075,392
Library Holdings		842,322
Construction in Progress		1,278,728
Less: Accumulated Depreciation		<u>(8,013,403)</u>
Total Capital Assets, Net of Depreciation		<u>12,850,012</u>
Total Noncurrent Assets		<u>14,648,685</u>
Total Assets		<u>19,214,344</u>

Deferred Outflow of Resources

Related to Defined Benefit Pension Plan	\$	<u>569,000</u>
---	----	----------------

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

LIABILITIES**Current Liabilities**

Accounts Payable	\$	53,805
Leases Payable		180,000
Compensated Absences		29,192
Unearned Revenue		1,592,595
Deposits Held for Others		140,784
Total Current Liabilities		<u>1,996,376</u>

Noncurrent Liabilities

Leases Payable		1,730,000
Compensated Absences		457,337
Net Pension Liability		6,093,000
Total Noncurrent Liabilities		<u>8,280,337</u>

Total Liabilities		<u>10,276,713</u>
-------------------	--	-------------------

Deferred Inflow of Resources

Related to Defined Benefit Pension Plan		<u>457,000</u>
---	--	----------------

NET POSITION

Net Investment in Capital Assets		12,850,012
Restricted for:		
Expendable:		
Scholarships and Fellowships		51,037
Research and Public Outreach		1,114,119
Instruction		339,479
Capital Projects		28,334
Unrestricted		<u>(5,333,350)</u>
Total Net Position	\$	<u>9,049,631</u>

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2015

OPERATING REVENUES

Student Tuition and Fees	\$ 702,660
Federal Grants and Contracts	2,322,153
State and Local Grants and Contracts	1,084,676
Private Grants and Contracts	4,871,062
Sales and Services of Educational Departments	171,497
Auxiliary Enterprises:	
Estuarium	525,178
Giftshop	467,910
Food Services	401,059
Other	4,442
Rental Income	396,422
Other Operating Revenues	24,906
Total Operating Revenues	<u>10,971,965</u>

OPERATING EXPENSES

Instruction	1,240,384
Institutional Support	2,156,535
Public Service	2,983,901
Academic Support	1,191,518
Student Services	68,195
Research	2,588,223
Operation and Maintenance	1,771,254
Scholarships and Fellowships	35,020
Depreciation	580,277
Auxiliary Enterprises:	
Estuarium	433,033
Giftshop	397,708
Food Services	493,807
Other	43
Total Operating Expenses	<u>13,939,898</u>
Operating Income (Loss)	<u>\$ (2,967,933)</u>

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

NONOPERATING REVENUES (EXPENSES)

State Appropriations	\$	3,929,174
Investment Income		1,889
Private Gifts		215,009
Interest on Capital Asset Related Debt		(19,172)
Other Nonoperating Revenues (Expenses)		14,979
Net Nonoperating Revenues		<u>4,141,879</u>
Changes in Net Position		1,173,946
Total Net Position - Beginning of Year, as Restated (Note 11)		<u>7,875,685</u>
Total Net Position - End of Year	\$	<u><u>9,049,631</u></u>

Statement of Cash Flows
For the Year Ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 830,190
Grants and Contracts	6,938,472
Payments to Suppliers	(5,681,690)
Payments to Utilities	(650,909)
Payments to Employees	(5,343,390)
Payments to Benefits	(1,622,985)
Payments to Scholarships and Fellowships	(32,307)
Auxiliary Enterprise Charges:	
Estuarium	526,658
Giftshop	439,485
Food Services	405,390
Other	4,442
Sales and Services of Educational Departments	171,497
Other Receipts (Payments)	421,328
Net Cash Provided (Used) by Operating Activities	<u>(3,593,819)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	3,929,174
Private Grants and Gifts	215,009
Other	379,723
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,523,906</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Building Authority Construction Fund	201,326
Purchases of Capital Assets	(1,314,792)
Principal Paid on Capital Debt and Leases	(100,671)
Interest Paid on Capital Debt and Leases	(19,172)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,233,309)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	<u>1,889</u>
Net Cash Provided (Used) by Investing Activities	<u>1,889</u>
Net Increase (Decrease) in Cash	(301,333)
Cash and Cash Equivalents - Beginning of Year	2,073,037
Cash and Cash Equivalents - End of Year	<u>\$ 1,771,704</u>

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

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

Operating Income (Loss) \$ (2,967,933)

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

Depreciation Expense 580,277
Changes in Assets and Liabilities:
(Increase)/Decrease in Receivables (1,215,561)
(Increase)/Decrease in Inventories (23,989)
Increase/(Decrease) in Accounts Payable 2,655
Increase/(Decrease) in Compensated Absences 732
Increase/(Decrease) in Deferred Outflows (569,000)
Increase/(Decrease) in Deferred Inflows 457,000
Increase/(Decrease) in Pension Liability 142,000

Net Cash Provided (Used) by Operating Activities \$ (3,593,819)

This Page Intentionally Blank

Statement of Financial Position
Dauphin Island Sea Lab Foundation, Inc.
September 30, 2015

	2015
<u>Assets</u>	
Cash	\$ 145,745.00
Investments - Community Foundation of South Alabama	<u>831,668.00</u>
Total Assets	<u><u>977,413.00</u></u>
<u>Liabilities and Net Assets</u>	
Unrestricted	697,452.00
Temporarily Restricted	36,220.00
Permanently Restricted	<u>243,741.00</u>
Total Liabilities and Net Assets	<u><u>\$ 977,413.00</u></u>

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

Statement of Activities
Dauphin Island Sea Lab Foundation, Inc.
For the Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted
<u>Revenue and Other Support</u>		
Special Events	\$ 111,339.00	\$
Less Cost of Special Events	(38,607.00)	
Net Special Events	<u>72,732.00</u>	
Contributions	34,786.00	35,000.00
Investment Income (Loss)	(8,841.00)	
Total Revenues and Other Support	<u>98,677.00</u>	<u>35,000.00</u>
<u>Expenses</u>		
Program Expenses	6,499.00	
General and Administrative Expenses	7,774.00	
Fundraising Expenses	19,500.00	
Total Expenses	<u>33,773.00</u>	
Change in Net Assets	64,904.00	35,000.00
Net Assets - Beginning of Year	<u>632,548.00</u>	<u>1,220.00</u>
Net Assets - End of Year	<u>\$ 697,452.00</u>	<u>\$ 36,220.00</u>

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

Permanently Restricted	Total 2015
\$	\$ 111,339.00
	(38,607.00)
	72,732.00
	69,786.00
(9,896.00)	(18,737.00)
(9,896.00)	123,781.00
	6,499.00
	7,774.00
	19,500.00
	33,773.00
(9,896.00)	90,008.00
253,637.00	887,405.00
\$ 243,741.00	\$ 977,413.00

Notes to the Financial Statements

For the Year Ended September 30, 2015

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. Component Units

The Governmental Accounting Standards Board (GASB) has issued Statement Number 39, “Determining Whether Certain Organizations are Component Units”, an amendment to GASB Statement Number 14. Statement Number 39 provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be treated as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting as a component unit, an organization that raises and holds economic resources for the direct benefit of a government unit.

Notes to the Financial Statements

For the Year Ended September 30, 2015

The Dauphin Island Sea Lab Foundation, Inc. has been established to support the Consortium in its mission to provide wise stewardship of the marine environment through education and research for the benefit of the Consortium. Because of the significance of the relationship between the Consortium and the Foundation, the Foundation is considered a component unit of the Consortium. The Foundation's financial statements and accompanying notes are reported separately because of the difference in the reporting model for the Foundation. The Foundation follows the Financial Accounting Standards Board (FASB) rather than the Governmental Accounting Standards Board (GASB). As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial statements for these differences.

C. 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.

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 resources are available.

The Statement of Revenues, Expenses and Changes in Net Position 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.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Deposits and Investments

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

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.

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

Notes to the Financial Statements
For the Year Ended September 30, 2015

5. Deferred Outflows of Resources

Deferred outflow of resources is reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

6. Long-Term Obligations

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

7. 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, 2015, 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

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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

8. Deferred Inflows of Resources

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

10. Net Position

Net position is required to be classified for accounting and reporting purposes into the following categories:

- ◆ **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.

- ◆ **Restricted:**
 - ✓ **Expendable** – Net position 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.

Notes to the Financial Statements
For the Year Ended September 30, 2015

- ◆ ***Unrestricted*** – Net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Board of Directors.

11. 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 Deposit 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 Position classification cash includes all readily available cash such as petty cash and demand deposits.

Note 3 – Receivables

Receivables are summarized as follows:

<u>Accounts Receivable:</u>	
Federal	\$2,326,452
Third Party Tuition and Fees	313,961
Auxiliary	10,407
Dauphin Island Public Education	
Building Authority Construction Fund	1,798,673
Total Accounts Receivable	<u>\$4,449,493</u>

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Deductions	Reclassifications/ Adjustments	Ending Balance
Land	\$ 658,757	\$	\$	\$	\$ 658,757
Improvements Other Than Buildings	391,481				391,481
Buildings	13,618,496				13,618,496
Equipment	2,724,644	342,985	69,390		2,998,239
Vessels	1,075,392				1,075,392
Library Holdings	842,322				842,322
Construction in Progress	306,921	971,807			1,278,728
Total	19,618,013	1,314,792	69,390		20,863,415
Less: Accumulated Depreciation					
Improvements Other Than Buildings	152,910	22,148			175,058
Buildings	4,369,548	272,370			4,641,918
Equipment	1,921,066	198,084	69,390		2,049,760
Vessels	358,890	53,770			412,660
Library Holdings	700,102	33,905			734,007
Total Accumulated Depreciation	7,502,516	580,277	69,390		8,013,403
Capital Assets, Net	\$12,115,497	\$ 734,515	\$	\$	\$12,850,012

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2015

B. Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS were required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Notes to the Financial Statements
For the Year Ended September 30, 2015

Participating employers' contractually required contribution rate for the year ended September 30, 2015, was 11.71% of annual pay for Tier 1 members and 11.05% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Consortium were \$471,871 for the year ended September 30, 2015. 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,	Tier 1 2015	Tier 2 2015	Tier 1 2014	Tier 2 2014
Total Percentage of Covered Payroll	19.21%	17.05%	19.21%	17.08%
Contributions:				
Percentage Contributed by College	11.71%	11.05%	11.71%	11.08%
Percentage Contributed by Regular Employees	7.50%	6.00%	7.50%	6.00%
Contributed by College	\$432,589	\$39,282	\$455,271	\$33,101
Contributed by Employees	277,064	21,329	291,823	17,924
Total Contributions	<u>\$709,653</u>	<u>\$60,611</u>	<u>\$747,094</u>	<u>\$51,025</u>

D. Pension Liabilities, Pension Expense, and Deferred Resources Related to Pensions

At September 30, 2015, the Consortium reported a liability of \$6,093,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The Consortium's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, the Consortium's proportion was 0.067073%, which was an increase of 0.001396% from its proportion measured as of September 30, 2013.

Notes to the Financial Statements
For the Year Ended September 30, 2015

For the year ended September 30, 2015, the Consortium recognized pension expense of \$487,000. At September 30, 2015, the Consortium reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$	\$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		457,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	112,000	
Employer contributions subsequent to the measurement date	457,000	
Total	<u>\$569,000</u>	<u>\$457,000</u>

Fiscal year 2015 employer contributions applied to pension liability \$457,000 reported as deferred outflows of resources related to pensions resulting from Consortium contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ending:	
September 30, 2016	\$(88,000)
2017	\$(88,000)
2018	\$(88,000)
2019	\$(88,000)
2020	\$ 7,000
Thereafter	\$

Notes to the Financial Statements

For the Year Ended September 30, 2015

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2013, using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	3.00%
Investment Rate of Return (*)	8.00%
Projected Salary Increases	3.5%-8.25%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the actuarial valuation as of September 30, 2013, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rate for TRS were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected further real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rate of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	
(*) Includes assumed rate of inflation of 2.50%.		

Notes to the Financial Statements
For the Year Ended September 30, 2015

F. Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity of the Consortium's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Consortium's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the Consortium's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Consortium's proportionate share of collective net pension liability	\$8,301,000	\$6,093,000	\$4,222,000

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2014, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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/> under the Employers' Financial Reports section. 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 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 2015
Individual Coverage – Non-Medicare Eligible	\$151.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$391.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$250.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$250.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse – Non-Medicare Eligible	\$700.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$934.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$907.00
Surviving Spouse – Medicare Eligible	\$354.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$595.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$568.00

Notes to the Financial Statements

For the Year Ended September 30, 2015

For employees that retire other than for disability on or after October 1, 2005 and before January 1, 2012, 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. Employees who retire on or after January 1, 2012, with less than 25 years of service are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees who retire on or after January 1, 2012 are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is \$28.00 per month for retired members who use tobacco products.

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
2015	\$780.00	\$180.76	23.17%	\$164,476.32	100%
2014	\$714.00	\$220.09	30.83%	\$204,717.37	100%
2013	\$714.00	\$216.90	30.38%	\$207,062.79	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 – Significant Commitments

As of September 30, 2015, the Consortium had been awarded approximately \$3 million 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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 8 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Lease Payable – Telephone	\$ 10,672	\$	\$ 10,672	\$	\$
Capital Lease Payable – Bond		2,000,000	90,000	1,910,000	180,000
Other Liabilities:					
Compensated Absences	485,797	732		486,529	29,192
Total Long-Term Liabilities	\$496,469	\$2,000,732	\$100,672	\$2,396,529	\$209,192

Capital Lease Payable

The Consortium entered into a purchase financing agreement for a telephone system in fiscal year 2009-2010, all obligations related to this financing agreement were paid in full during fiscal year 2015.

Dauphin Island Public education Building Authority (the “Authority”), a non-profit corporation, issued the Dauphin Island Public Education Building Authority Revenue Bond, Series 2015, in the principal amount of \$2,000,000 in fiscal year 2015. These bonds were issued to finance the acquisition, construction and renovation of equipment and existing building on the Consortium’s campus located on Dauphin Island, Alabama. The Consortium leases the land, upon which the improvements are made, to the Authority.

The Consortium leases the improvements 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 next preceding each January 1 and July 1. The lease term begins July 2015 and ends July 2024.

The bond issuance is secured by a Guaranty Agreement, the Authority and Trustmark National Bank. After payment in full of indebtedness secured by the Mortgage, the Consortium may purchase the improvements for the purchase price equal to the sum of \$100.00.

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

Fiscal Years	2015 Revenue Bond		Total
	Principal	Interest	
2015-2016	\$ 180,000.00	\$ 45,187.62	\$ 225,187.62
2016-2017	190,000.00	40,725.95	230,725.95
2017-2018	195,000.00	36,127.95	231,127.95
2018-2019	200,000.00	31,348.94	231,348.94
2019-2020	210,000.00	26,517.89	236,517.89
2020-2021	220,000.00	21,306.94	241,306.94
2021-2022	230,000.00	15,922.94	245,922.94
2022-2023	240,000.00	10,296.93	250,296.93
2023-2024	245,000.00	4,497.23	249,497.23
Totals	<u>\$1,910,000.00</u>	<u>\$231,932.39</u>	<u>\$2,141,932.39</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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 10 – Component Unit

During the year ended September 30, 2015, the Dauphin Island Sea Lab Foundation, Inc. is a discretely presented component unit of the Consortium's financial statements because they operate almost exclusively for the benefit of the Consortium. During the fiscal year ended September 30, 2015, the Foundation did not distribute any funds to the Consortium. Separate financial statements of the Dauphin Island Sea Lab Foundation, Inc. can be obtained from Kim Enikeieff, CPA, P. O. Box 8754, Mobile, Alabama 36689.

Note 11 – Net Position Restatement

In fiscal year 2015, the Consortium adopted Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The adoption of this statement has a significant impact on the Consortium's financial statements. For fiscal year 2015, the Consortium made prior period adjustments due to the implementation of GASB Statement Number 68 which required the restatement of the September 30, 2014, net position by \$5,951,000.

In January 2015, the Executive Committee of the Consortium and the Foundation executed an Assignment and Assumption Agreement to assign all rights and obligations of the Consortium related to the Kresge Fund Agreement and the Crozier Endowment to the Foundation. This transfer of ownership of funds to the Foundation resulted in a restatement of net position by \$780,405.

The result of the above restatements is a decrease in net position at October 1, 2014, of \$6,731,405.

Beginning Net Position, September 30, 2014	\$14,607,090
<u>Adjustments Due to Accounting Change:</u>	
GASB 68 – Adjustment of Net Pension Liability	(5,951,000)
<u>Other Prior Period Adjustments:</u>	
Transfer of Endowment Funds to the Foundation	(780,405)
Total Prior Period Adjustments	<u>(6,731,405)</u>
Net Position, October 1, 2014, as Restated	<u>\$ 7,875,685</u>

Notes to the Financial Statements
Dauphin Island Sea Lab Foundation, Inc.
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Dauphin Island Sea Lab Foundation, Inc. (the “Foundation”) was formed to support the Dauphin Island Sea Lab (the “Sea Lab”) in its mission to provide wise stewardship of the marine environment through education and research. The Foundation provides funds to sustain the activities of the Sea Lab and promotes awareness of the Sea Lab and its environmental issues. The Foundation is also building an endowment for the Sea Lab.

Summary of Significant Accounting Policies

Method of Accounting

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Notes to the Financial Statements
Dauphin Island Sea Lab Foundation, Inc.
September 30, 2015

The Foundation values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy that prioritizes the inputs to valuation techniques is used to measure the fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into the following three levels, based on the reliability of the inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are observable at the measurement date;

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and

Level 3: Significant unobservable inputs for the asset or liability that reflect the reporting organization's own estimates about the assumptions that market participants would use in pricing the asset or liability.

Investments are composed of mutual funds investing in debt and equity securities and are carried at fair value. Unrealized gains and losses are included in the change in net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Income Taxes

Income taxes are not provided for in the financial statements since the Foundation is exempt from federal and state income taxes under section 501 (c)(3) of the Internal Revenue Code and similar state provisions. The Foundation is not classified as a private foundation.

A policy for accounting for uncertainty in income taxes was adopted in prior years that require the Foundation to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The Foundation has no uncertain tax positions that qualified for either recognition or disclosure in the financial statements at September 30, 2015.

Notes to the Financial Statements
Dauphin Island Sea Lab Foundation, Inc.
September 30, 2015

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Materials and Services

Donated materials or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Foundation's program services.

Functional Expenses

Functional expenses have been allocated among the program and supporting services based upon an analysis of the expenses and benefits derived.

Evaluation of Subsequent Events

The Organization has evaluated subsequent events through December 4, 2015, the date which the financial statements were available to be issued.

Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes or period at September 30:

	2015
Program expenses and equipment	\$36,220
Total	<u>\$36,220</u>

Notes to the Financial Statements
Dauphin Island Sea Lab Foundation, Inc.
September 30, 2015

Permanently Restricted Net Assets

Permanently restricted net assets were available for the following purposes or period at September 30:

	2015
Endowment	\$243,741
Total	<u>\$243,741</u>

NOTE 2 – INVESTMENTS

The Community Foundation of South Alabama holds and invests the Foundation’s investment portfolio. These funds are under the control of the Community Foundation of South Alabama and at the request of the Foundation, the Community Foundation of South Alabama disburses funds as needed.

Investments are stated at fair value and are summarized as follows as of September 30:

	2015			
	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
Mutual Funds – Community				
Foundation of South Alabama	\$831,668	\$	\$	\$831,668
Total	<u>\$831,668</u>	<u>\$</u>	<u>\$</u>	<u>\$831,668</u>

Investment return for the year ended September 30, 2015 is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 11,989	\$	\$ 1,730	\$ 13,719
Realized gains (losses)	14,621			14,621
Unrealized gains (losses)	(25,540)		(11,626)	(37,166)
Administrative fees	(9,911)			(9,911)
Total	<u>\$ (8,841)</u>	<u>\$</u>	<u>\$ (9,896)</u>	<u>\$ (18,737)</u>

Notes to the Financial Statements
Dauphin Island Sea Lab Foundation, Inc.
September 30, 2015

NOTE 3 – ENDOWMENT

The Foundation's endowment consists of a fund established for the purpose of providing funding to the Dauphin Island Sea Lab in its mission to provide wise stewardship of the marine environment through education and research. Distributions from the endowment fund must have approval from the Endowment Committee. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment and the net appreciation of realized and unrealized gains and losses.

The Foundation has interpreted the Uniform Prudent Management and Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide the Foundation's programs with current income. Endowment assets are invested in money market funds and mutual funds. The Foundation seeks to build endowment assets through investment earnings and additional contributions. The Foundation has a policy of appropriating for distribution annually a portion of the endowment fund's investment income from the previous years. The current spending policy is expected to allow the Foundation's endowment fund to grow as a result of investment returns. This is consistent with the Foundation's objective to provide income to the Foundation's programs, preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through investment income and new gifts. The Foundation's investments which are held by the Community Foundation of South Alabama are directed by the investment policies of the Foundation.

Notes to the Financial Statements
Dauphin Island Sea Lab Foundation, Inc.
September 30, 2015

Changes in endowment net assets for the year ended September 30, 2015, is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets beginning of year	\$526,768	\$	\$253,637	\$780,405
Investment return:				
Investment income	2,078		1,730	3,808
Net appreciation (realized and unrealized)	(10,919)		(11,626)	(22,545)
Total investment return	(8,841)		(9,896)	(18,737)
Contributions	70,000			70,000
Total	<u>\$587,927</u>	<u>\$</u>	<u>\$243,741</u>	<u>\$831,668</u>

Required Supplementary Information

***Schedule of the Consortium's Proportionate Share of the
Net Pension Liability
For the Year Ended September 30, 2015
(dollar amounts in thousands)***

	2015
Consortium's proportion of the net pension liability	0.067073%
Consortium's proportionate share of the net pension liability	\$ 6,093,000
Consortium's covered-employee payroll during the measurement period (*)	\$ 4,339,872
Consortium's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	140%
Plan fiduciary net position as a percentage of the total collective pension liability	71.01%

(*) Consortium's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2015, the measurement period is October 1, 2013 through September 30, 2014.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Consortium's Contributions
For the Year Ended September 30, 2015
(dollar amounts in thousands)

	2015
Contractually required contribution	\$ 457,000
Contributions in relation to the contractually required contribution	<u>\$ 457,000</u>
Contribution deficiency (excess)	\$
Consortium's covered-employee payroll	\$ 4,434,381
Contributions as a percentage of covered-employee payroll	10.32%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

This Page Intentionally Blank

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>Research and Development Cluster</u>		
<u>U. S. Department of Commerce</u>		
<u>Direct Program</u>		
Habitat Conservation	11.463	
<u>Passed Through Woods Hole Oceanographic Institution</u>		
Sea Grant Support	11.417	NA14OAR4170074
<u>Passed Through University of South Alabama</u>		
Sea Grant Support	11.417	R/SFA-03
<u>Passed Through University of Southern Mississippi</u>		
Sea Grant Support	11.417	USM-GR05007-R/SFA-01
Sea Grant Support	11.417	USM-GR03924/ OMNIBUS-DISL-E/O-79
Sea Grant Support	11.417	USM-GR05007-A/0-40
Sea Grant Support	11.417	USM-GR05007-E/0-84
Sub-Total Sea Grant Support		
<u>Passed Through Mississippi State University</u>		
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	191001-363405-02/TO 007
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	191001-363405-02/TO 006
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	191001-363405-02/TO 003
Sub-Total National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes		
<u>Passed Through University of South Alabama</u>		
Marine Fisheries Initiative	11.433	NA13NMF4330169
Unallied Management Projects	11.454	NA15NMF4540103

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
01/01/2014-12/31/2014	\$ 94,400.00	\$ 94,400.00	\$ 27,180.32	\$ 27,180.32
02/01/2014-01/31/2016	34,200.00	34,200.00	9,291.40	9,291.40
02/01/2014-01/31/2017	112,639.00	112,639.00	52,385.78	52,385.78
02/01/2014-01/31/2017	216,422.00	143,660.00	38,424.44	38,424.44
02/01/2010-01/31/2015	254,013.00	159,738.00	32,316.53	32,316.53
09/01/2014-08/31/2016	101,119.00	79,998.00	32,464.02	32,464.02
02/01/2014-01/31/2017	165,539.00	104,047.00	11,231.06	11,231.06
			<u>176,113.23</u>	<u>176,113.23</u>
06/01/2014-05/31/2016	156,979.00	156,979.00	79,963.59	79,963.59
08/01/2014-07/31/2016	44,082.00	44,082.00	18,225.59	18,225.59
04/01/2012-09/30/2016	256,517.00	256,517.00	52,899.23	52,899.23
			<u>151,088.41</u>	<u>151,088.41</u>
09/01/2013-08/31/2016	209,250.00	209,250.00	127,949.25	127,949.25
09/01/2015-08/31/2016	\$ 166,813.00	\$ 166,813.00	\$ 2,201.49	\$ 2,201.49

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Defense</u>		
<u>Passed Through Florida Atlantic University</u>		
Basic and Applied Scientific Research	12.300	D01-W9126G-14-2-0028
<u>U. S. Department of the Interior</u>		
<u>Direct Program</u>		
Coastal Program	15.630	
<u>Passed Through Alabama Department of Conservation and Natural Resources</u>		
Cooperative Endangered Species Conservation Fund	15.615	F14AP00836
<u>Passed Through University of Southern Mississippi</u>		
Assistance to State Water Resources Research Institutes	15.805	USM-GR05064-002
Assistance to State Water Resources Research Institutes	15.805	USM-GR05314/GR05321-01
Total Assistance to State Water Resources Research Institutes		
<u>National Science Foundation</u>		
<u>Direct Programs</u>		
Geosciences	47.050	
Geosciences	47.050	
<u>Passed Through University of California Santa Barbara</u>		
Geosciences	47.050	KK1333
<u>Passed Through University of South Alabama</u>		
Geosciences	47.050	OCE-1342699
Geosciences	47.050	1436576
Sub-Total Geosciences		
Engineering Grants	47.041	CBET-1438235
<u>Passed Through University of Southern Mississippi</u>		
Education and Human Resources	47.076	HRD-1447239
<u>Passed Through University of Alabama in Huntsville</u>		
Office of Experimental Program to Stimulate Competitive Research	47.081	SUB2011-043

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
08/15/2014-01/31/2016	\$ 116,753.00	\$ 116,753.00	\$ 16,591.70	\$ 16,591.70
09/01/2011-12/31/2015	97,067.35	97,067.35	10,110.75	10,110.75
10/01/2014-09/30/2015	40,000.00	30,000.00	30,000.00	30,000.00
03/01/2014-02/28/2015	8,010.00	3,996.00	3,525.36	3,525.36
03/01/2015-02/29/2016	21,801.00	6,310.00	5,078.38	5,078.38
			8,603.74	8,603.74
09/01/2014-08/31/2016	187,220.00	187,220.00	66,984.65	66,984.65
04/09/2013-12/31/2015	189,308.00	189,308.00	97,400.78	97,400.78
04/01/2013-03/31/2015	119,374.00	119,374.00	44,181.79	44,181.79
01/01/2014-12/31/2018	110,826.00	110,826.00	9,063.35	9,063.35
01/01/2015-12/31/2018	101,217.00	101,217.00	2,641.95	2,641.95
			220,272.52	220,272.52
09/01/2014-08/31/2017	104,580.00	104,580.00	11,690.06	11,690.06
06/01/2015-09/01/2015	4,423.00	4,423.00	4,423.00	4,423.00
10/01/2010-02/28/2014	\$ 239,283.00	\$ 239,283.00	\$ 11,406.20	\$ 11,406.20

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Health and Human Services</u>		
<u>Direct Program</u>		
Food and Drug Administration - Research	93.103	
Total Research and Development Cluster (M)		
<u>Other Federal Awards</u>		
<u>U. S. Department of Commerce</u>		
<u>Direct Programs</u>		
Habitat Conservation	11.463	
Congressionally Identified Awards and Projects	11.469	
<u>Passed Through Texas A&M Research Foundation</u>		
Integrated Ocean Observing System (IOOS)	11.012	S120009
<u>Passed Through Alabama Department of Conservation and Natural Resources</u>		
Coastal Zone Management Estuarine Research Reserves	11.420	DISL-WB-315-12-1
Coastal Zone Management Administration Awards	11.419	DISL-CZM-306-14-2
Coastal Zone Management Administration Awards	11.419	DISL-CZM-306-15-1
Coastal Zone Management Administration Awards	11.419	MBNEP-CZM-306-15-1
Coastal Zone Management Administration Awards	11.419	MBNEP-CZM-309-15-1
Coastal Zone Management Administration Awards	11.419	DISL-CZM-306a-14-1
Coastal Zone Management Administration Awards	11.419	MBNEP-CZM-309-14-1
Sub-Total Coastal Zone Management Administration Awards		
<u>Passed Through Mississippi State University</u>		
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	191001-363411-02/TO 001
<u>Passed Through The Gulf of Mexico Alliance</u>		
Office for Coastal Management	11.473	GOMA 121131
<u>Passed Through Florida Aquarium</u>		
Congressionally Identified Awards and Projects	11.469	NA09SEC4690037

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
09/21/2011-08/31/2016	\$ 790,000.00	\$ 790,000.00	\$ 149,439.26	\$ 149,439.26
			947,069.93	947,069.93
08/01/2013-12/31/2014	201,729.00	99,766.00	32,392.90	32,392.90
10/01/2009-09/30/2015	377,264.00	295,246.00	32,351.63	32,351.63
06/01/2011-05/31/2016	136,886.00	136,886.00	23,989.65	23,989.65
04/01/2013-03/31/2015	22,000.00	22,000.00	2,100.65	2,100.65
04/15/2015-09/30/2015	10,000.00	5,000.00	5,000.00	5,000.00
03/01/2015-03/31/2016	81,378.00	40,689.00	16,889.89	16,889.89
10/01/2014-09/30/2015	13,000.00	6,500.00	6,500.00	6,500.00
10/01/2014-03/31/2016	93,000.00	93,000.00	9,321.61	9,321.61
10/17/2013-12/31/2014	42,320.00	21,160.00	5,109.39	5,109.39
10/01/2013-03/31/2015	82,000.00	82,000.00	74,406.62	74,406.62
			117,227.51	117,227.51
07/01/2012-06/30/2016	32,097.00	32,097.00	16,792.04	16,792.04
01/01/2014-09/30/2015	33,108.00	33,108.00	26,741.61	26,741.61
07/20/2010-12/31/2014	\$ 122,580.00	\$ 76,407.00	\$ 1,098.24	\$ 1,098.24

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of the Interior</u>		
<u>Direct Programs</u>		
Coastal Program	15.630	
Cooperative Research and Training Programs – Resources of the National Park System	15.945	
<u>Passed Through Alabama Department of Conservation and Natural Resources</u>		
Coastal Impact Assistance Program	15.668	AL-29-F12AF01186
<u>Passed Through Baldwin County Commission</u>		
Coastal Impact Assistance Program	15.668	BC-15-F12AF00814
Sub-Total Coastal Impact Assistance Program		
<u>National Science Foundation</u>		
<u>Direct Program</u>		
Education and Human Resources	47.076	
<u>Environmental Protection Agency</u>		
<u>Direct Programs</u>		
National Estuary Program	66.456	
National Estuary Program	66.456	
Sub-Total National Estuary Program (M)		
<u>Passed Through University of Southern Mississippi</u>		
Gulf of Mexico Program	66.475	MX-95453310-0
<u>Passed Through Alabama Department of Environmental Management</u>		
Performance Partnership Grants	66.605	C20596090
Total Federal Awards		

(M) = Major Program

(N) = Non-Monetary Federal Assistance

N.A. = Not Available

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		
08/01/2012-09/30/2016	\$ 39,550.00	\$ 39,550.00	\$ 5,676.69	\$ 5,676.69
08/31/2011-08/31/2016	140,928.00	140,928.00	52,822.57	52,822.57
09/01/2012-09/30/2015	395,000.00	395,000.00	329,551.53	329,551.53
06/01/2012-05/31/2015	200,000.00	200,000.00	79,928.72	79,928.72
			409,480.25	409,480.25
09/15/2013-08/31/2016	44,652.00	44,652.00	27,010.65	27,010.65
10/01/2010-03/31/2015	4,136,934.00	2,068,467.00	77,239.66	77,239.66
10/01/2013-09/30/2018	3,340,000.00	1,670,000.00	490,189.72	490,189.72
			567,429.38	567,429.38
07/01/2010-06/30/2015	414,413.00	414,413.00	3,103.74	3,103.74
03/01/2012-09/30/2015	\$ 1,283,925.00	\$ 710,563.00	81,311.18	81,311.18
			\$ 2,346,598.62	\$ 2,346,598.62

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2015***

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
Habitat Conservation	11.463	\$28,500.00
Geosciences	47.050	\$31,592.19
National Estuary Program	66.456	\$77,439.07
Performance Partnership Grants	66.605	\$57,644.78

Additional Information

Board Members and Officials
October 1, 2014 through September 30, 2015

Board Members		Term Expires
Dr. Tony G. Waldrop, Chairman	President, University of South Alabama	Indefinite
Dr. Gwendolyn Boyd	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	President, Birmingham Southern College	Indefinite
Rev. 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
Dr. Christopher Puto	President, Spring Hill College	Indefinite
Rev. Gregory F. Lucey, S.J.	President, Spring Hill College	April 1, 2015
Dr. Billy C. Hawkins	President, Talladega College	Indefinite
Dr. Jack Hawkins, Jr.	Chancellor, Troy University	Indefinite
Dr. Brian L. Johnson	President, Tuskegee University	Indefinite

Board Members and Officials
October 1, 2014 through September 30, 2015

Board Members		Term Expires
Dr. Stuart Bell	President, University of Alabama	Indefinite
Dr. Judy Bonner	President, University of Alabama	June 30, 2015
Dr. Ray Watts	President, University of Alabama at Birmingham	Indefinite
Dr. Robert Altenkirch	President, University of Alabama at Huntsville	Indefinite
Dr. Mark Foley	President, University of Mobile	Indefinite
Dr. John W. Stewart, III	President, University of Montevallo	Indefinite
Dr. Kenneth Kitts	President, University of North Alabama	Indefinite
Dr. John G. Thornell	Interim President, University of North Alabama	March 29, 2015
Dr. Ken Tucker	President, University of West Alabama	Indefinite
Mr. John G. Blackwell	Interim President, University of West Alabama	December 31, 2014

Officials

Dr. John F. Valentine, Board Secretary	Executive Director
Mr. David England	Associate Director of Administrative Services

***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***

Independent Auditor's Report

To: Dr. John F. Valentine, Executive Director – Marine Environmental Sciences Consortium

We have audited 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, the financial statements of the Marine Environmental Sciences Consortium as of and for the year ended September 30, 2015, and related notes to the financial statements, which collectively comprise the Marine Environmental Sciences Consortium's basic financial statements and have issued our report thereon dated May 26, 2016. Our report includes a reference to other auditors who audited the financial statements of Dauphin Island Sea Lab Foundation, Inc. as described in our report on the Marine Environmental Sciences Consortium's financial statements. The financial statements of Dauphin Island Sea Lab Foundation, Inc. were not audited in accordance with ***Government Auditing Standards***.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Marine Environmental Sciences Consortium's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. 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. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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***.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards***, in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 26, 2016

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

Independent Auditor's Report

To: Dr. John F. Valentine, Executive Director – Marine Environmental Sciences Consortium

Report on Compliance for Each Major Federal Program

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, 2015. 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. The financial statements of Dauphin Island Sea Lab Foundation, Inc. were not audited in accordance with OMB Circular A-133, accordingly, this report does not extend to Dauphin Island Sea Lab Foundation, Inc. .

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with each of the Marine Environmental Sciences Consortium's major federal programs based on our audit of the types of compliance requirements referred to above. 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 also 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the Marine Environmental Sciences Consortium's compliance.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

Opinion on Each Major Federal Program

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, 2015.

Report on Internal Control Over Compliance

Management of the Marine Environmental Sciences Consortium is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Marine Environmental Sciences Consortium's internal control over compliance with the types of 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 for each major program 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. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

Purpose of the Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 26, 2016

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified
 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: Unmodified
 Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
11.417, 11.432, 11.433, 11.454, 11.463, 12.300, 15.615, 15.630, 15.805, 47.041, 47.050, 47.076, 47.081, 93.103	Research and Development Cluster
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? _____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

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.	