

**CONNECTICUT DISTANCE  
LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

**JUNE 30, 2013 and 2012**

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Financial Statements and  
Management's Discussion and Analysis**

**June 30, 2013**

**C O N T E N T S**

<b>Independent Auditors' Report</b>	1-3
<b>Management's Discussion and Analysis (Unaudited)</b>	4-14
<b>Financial Statements:</b>	
Statements of Net Position	15
Statements of Revenues, Expenses and Changes in Net Position	16
Statements of Cash Flows	17
Notes to the Financial Statements	18-32
<b>Additional Report:</b>	
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>	33-34



## **INDEPENDENT AUDITORS' REPORT**

To the Connecticut State Colleges & Universities  
Board of Regents for Higher Education  
Hartford, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Connecticut Distance Learning Consortium (a component unit of the State of Connecticut) ("CTDLC"), which comprise the statements of net position as of June 30, 2013 and 2012, the related statements of revenues, expenses and changes in net position and cash flows for the year ended June 30, 2013, and the related notes to the financial statements as of June 30, 2013 and 2012. As explained below we did not perform audit procedures related to the statements of revenues, expenses and changes in net position and the statements of cash flows for the year ended June 30, 2012.

### **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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. Except as discussed in the "Opinion" paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 on 2013 Financial Statements**

In our opinion, the financial statements as of and for the year ended June 30, 2013 present fairly, in all material respects, the financial position of Connecticut Distance Learning Consortium and the respective changes in net position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

### **Opinion on 2012 Financial Statements**

As explained in the following paragraphs our opinion on the financial statements of Connecticut Distance Learning Consortium as of and for the year ended June 30, 2012 was limited to the statement of net position and contained a disclaimer on the statements of revenues, expenses and changes in net position and the statements of cash flows for the year then ended.

Because we were not engaged as auditors until after June 30, 2011, we did not perform audit procedures related to the Statement of Net Position as of June 30, 2011, and we have not satisfied ourselves by means of other auditing procedures about beginning balances of the Statement of Net Position. Also, in accordance with the terms of our engagement, we have not applied audit procedures necessary to satisfy ourselves about the classifications and amounts comprising the Statement of Net Position at June 30, 2011. The amount of accounts receivable and accrued payroll and related benefits, and other significant aspects of the Statement of Net Position at June 30, 2011, including classifications and amounts, materially affect the determination of the results of operations and cash flows for the year ended June 30, 2012.

Because of the significance of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the results of operations and cash flows for the year ended June 30, 2012, or on the consistency of application of accounting principles with the preceding year.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-14 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

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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of CTDLC'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 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 CTDLC's internal control over financial reporting and compliance.

*O'Connor and Drew, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

December 17, 2013

# CONNECTICUT DISTANCE LEARNING CONSORTIUM (a Component Unit of the State of Connecticut)

## Management's Discussion and Analysis

Connecticut Distance Learning Consortium ("CTDLC" or "CT Distance Learning Consortium") was created by the former Board for State Academic Awards in 1996 to provide services and support to help educational institutions and other learning focused organizations in and out of CT meet ever increasing demands of developing and delivering effective technology enhanced learning opportunities for students in higher education, K-12 and adult education, and in the workplace to promote workforce training and development.

The CT Distance Learning Consortium offers the following services to assist educators, State agencies, and employers to meet increasing demands of developing and delivering effective technology-enhanced learning opportunities:

- Learning Systems Hosting
- Instructional Design
- Technical Support (support center services and web and software development to support learning services)
- Online Tutoring Services
- K-12 and Adult education services
- Strategic Consulting
- Consortium priced LMS software pricing
- Grants & Partnerships

### **Overview of Financial Statements**

At the end of June 30, 2013, the CT Distance Learning Consortium had \$740,472 in total assets; \$549,512 in current assets; total liabilities of \$309,846; current liabilities of \$213,955; total net position of \$430,626 and unrestricted funds of \$239,666. Compared to fiscal year 2012, total assets increased \$50,510 or 7%; current assets increased \$93,651 or 21%; total liabilities increased \$5,059 or 2%; net position increased \$45,451 or 12% and unrestricted funds increased \$152,156 or 174%.

Total operating revenues from fees generated from clients, grants, and contracts were \$1,638,860; total operating expenses were \$2,779,596; net non-operating revenues were \$1,035,517; and net position at the end of the year was \$430,626. Compared to fiscal year 2012, total operating revenues increased \$40,730 or 3%; total operating expenses decreased \$637,549 or 19%; net non-operating revenues decreased \$197,030 or 16%; and net position increased \$45,451 or 12%.

Cash and equivalents were \$459,580. This is a \$126,963 increase over fiscal year 2012 or 38%.

# CONNECTICUT DISTANCE LEARNING CONSORTIUM (a Component Unit of the State of Connecticut)

## Management's Discussion and Analysis - Continued

### Derivation of the Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities (GASB 35), as amended by GASB Statements No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34, (GASB 37): No. 38, Certain Financial Statement Note Disclosures (GASB 38) and No. 39, Determining Whether Certain Organizations are Component Units – an amendment of GASB statement No. 14 (GASB 39). GASB 35 extended the state and local government financial reporting requirements of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34) to include public colleges and universities. As required by GASB 34 and 35, a comparative analysis of fiscal year 2012 financial data with fiscal year 2011 is also presented. The College also complies with GASB 51, Accounting and Financial Reporting for Intangible Assets which provides guidance on the accounting and reporting of intangible assets including computer software. The capitalization threshold for intangible assets is one thousand dollars.

CT Distance Learning Consortium reports as a special-purpose government engaged only in business-type activities, with much of the cost of providing service recovered through fees charged to public and private agencies in exchange for services. Required financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. A review of these financial statements can provide information regarding both short-term profitability and liquidity, as well as long-term financial viability and financing, helping to answer the important question of whether the financial condition continues to support the achievement of its operating objectives and mission.

The **Statement of Net position** presents the overall financial position of the CTDLC at the end of fiscal year 2013 compared with fiscal year 2012, and includes all assets and liabilities, including capital assets net of depreciation. The difference between total assets and total liabilities, or net position, is one indicator of the current financial condition. Over time, increases or decreases in net position may serve as an indicator of whether the financial health of the college is improving or deteriorating, although other factors including enrollment and condition of physical facilities must also be considered. The Statement of Net Position classifies assets and liabilities as current and non-current. In general, current liabilities are those that will be paid within one year of the date of the statement of net position. Current assets are those that are available to satisfy current liabilities. Comparisons of current assets to current liabilities can provide an indication of the college's ability to meet its obligations in the short term.

# CONNECTICUT DISTANCE LEARNING CONSORTIUM (a Component Unit of the State of Connecticut)

## Management's Discussion and Analysis - Continued

### Derivation of the Financial Statements - Continued

Net asset balances represent resources available to support future operations. Net position classified as Invested in Capital Assets provide an indication of the State's and the college's investment in long-lived assets such as land, buildings, technology infrastructure, machinery and moveable equipment, necessary to support the educational mission on a long-term basis. Restricted Expendable net position provide an indication of non-exchange resources available for specific purposes based on donor or legal restrictions, including unexpended capital (bond fund), appropriations, scholarship donations, and other non-capital gifts. Unrestricted Net position provide an indication of the one-time financial reserves available to supplement current-year revenues or to provide resources for designated program expansions or capital investment, and as such, can provide an indication of the financial health and flexibility of the college as well as its ability to weather short-term financial difficulties.

The **Statement of Revenues, Expenses and Changes in Net Position (SRECNP)**, like the Statement of Net Position, is prepared using the economic resources measurement focus, which includes both financial resources and capital resources. As required by GASB 35, both statements also utilize the full accrual basis of accounting, similar to that used by corporations and private colleges and universities, which recognizes revenues when goods or services are provided, and expenses when goods or services are consumed, regardless of when the related inflows and outflows of cash occur. The SRECNP provides information regarding whether the college is receiving sufficient revenues each year to cover the costs incurred in providing its educational and other services to students and the public.

The SRECNP classifies revenues and expenses into operating and non-operating. Operating revenues – those which are generated as a result of the college's educational and public service activities – do not include State appropriations. Therefore, the college and virtually all public colleges and universities that rely on government appropriations as a major source of (non-operating) revenue, will show an operating loss on the Statement of Revenues, Expenses and Changes in Net Position.

GASB 34 and 35 require that revenues be reported net of discounts and allowances. Therefore, for financial reporting purposes, student tuition, fee and other revenues are reduced by the value of student financial aid and tuition and fee waivers used to pay off these charges. Similarly, student financial aid and waiver expenses are reduced to the extent used to pay off tuition and fee charges. The resulting net revenues reflect only the revenues to be actually paid by and on behalf of the students, and the resulting net financial aid/waiver expense reflects only the amount of financial aid actually paid to students, above any amounts used to satisfy tuition and fee

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Management's Discussion and Analysis - Continued**

**Derivation of the Financial Statements - Continued**

charges. The SRECNP shows both the gross and contra, or reduction, tuition and fee revenue amounts.

Governments including public colleges and universities are required under GASB34 and 35, to record depreciation expense for all capital assets. The SRECNP records a portion of the initial capital outlay each year as depreciation expense, over the expected useful life of the asset. This differs from budgetary practices, which record all capital outlays as expenditure against the current year appropriation or budget.

The **Statement of Cash Flows** presents information related to cash inflows and outflows summarized into the categories of operating, non-capital financing, and capital financing, and investing activities. State appropriations, which are considered to be cash equivalents, are also included in this statement. These State appropriations include the general fund appropriation.

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Management's Discussion and Analysis - Continued**

**Derivation of the Financial Statements - Continued**

**Condensed Financial Information**  
**June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>	<u>% Change</u> <u>Current Year</u>
<b>Assets:</b>			
Current assets	\$ 549,512	\$ 455,861	21%
Non-current assets	<u>190,960</u>	<u>234,101</u>	-18
 Total Assets	 <u>740,472</u>	 <u>689,962</u>	 7
<b>Liabilities:</b>			
Current liabilities	213,955	185,785	15
Non-current liabilities	<u>95,891</u>	<u>119,002</u>	-19
 Total Liabilities	 <u>309,846</u>	 <u>304,787</u>	 2
<b>Net Position:</b>			
Invested in capital assets, net of related debt	190,960	234,101	-18
Restricted - expendable	-	63,564	
Unrestricted	<u>239,666</u>	<u>87,510</u>	174
 Total Net Position	 <u>430,626</u>	 <u>385,175</u>	 12
 Total Liabilities and Net Position	 \$ <u>740,472</u>	 \$ <u>689,962</u>	 7%

*Current assets* are composed of \$529,580 in cash held by the State Treasurer. This amount has increased 38%, or \$126,963 compared to fiscal year 2012. Total current assets of \$549,512 are \$93,651 more, or 21% higher than in fiscal year 2012. Non-current assets are \$43,141 less, or 18% lower than in fiscal year 2012. The \$89,932 in receivables represents the amount due from state agencies or other private educational institutions for contracted services. This amount is \$33,312 less, or 27% than fiscal year 2012. Total assets are \$740,472, which are 7%, or \$50,510 higher than the previous fiscal year.

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Management's Discussion and Analysis - Continued**

**Derivation of the Financial Statements - Continued**

Noncurrent assets consist of other assets (net) are software used by the CTDLIC to operate a data center that supports over 150,000 students throughout the State, nationally , and internationally to access and utilize electronic learning or learning support programs. The investment in plant and equipment primarily represents the value of the data center equipment. These assets represent \$190,960 in fiscal year 2013 and are 18% less, or \$43,141, than the fiscal 2012 total.

Total assets were \$740,472 and 7%, or \$50,510 higher than in the previous fiscal year.

*Current liabilities* are 15% higher than in fiscal year 2012. The increase to \$213,955 was driven primarily by accounts payable and accrued employee compensated absences. Non-current liabilities were reduced \$23,311 to \$95,891. This reduction was the result of the resignation of a long term employee in the agency.

Total liabilities increased 2% to \$309,846 from \$304,787 in the previous fiscal year.

Total net position increased 12%, or \$152,156, to \$430,626 from \$385,175. Unrestricted funds increased 174% to \$239,666 from \$87,150 in the previous fiscal year.

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Management's Discussion and Analysis - Continued**

**Derivation of the Financial Statements - Continued**

	<u>2012</u>	<u>2011</u>	<u>% Change Current Year</u>
<b>Operating Revenues:</b>			
Federal grants and contracts	\$ 375,550	\$ 433,547	-13%
Nongovernmental grants and contracts	-	78,900	
Other operating revenues	<u>1,263,310</u>	<u>1,085,683</u>	16
Total Operating Revenues	1,638,860	1,598,130	3
<b>Operating Expenses</b>	<u>2,779,596</u>	<u>3,417,145</u>	-19
Operating loss	<u>(1,140,736)</u>	<u>(1,819,015)</u>	-37
<b>Non-operating Revenues (Expenses):</b>			
State appropriations	721,851	795,650	-9
Other non-operating revenue	<u>313,666</u>	<u>436,897</u>	-28
Total non-operating revenues	<u>1,035,517</u>	<u>1,232,547</u>	-16
Increase (decrease) in net position	45,451	(586,468)	92
<b>Net Position:</b>			
Net Position at Beginning of Year	<u>385,175</u>	<u>971,643</u>	-60
Net Position at End of Year	\$ <u>430,626</u>	\$ <u>385,175</u>	12%

# CONNECTICUT DISTANCE LEARNING CONSORTIUM (a Component Unit of the State of Connecticut)

## Management's Discussion and Analysis - Continued

### Derivation of the Financial Statements - Continued

Total operating revenues increased \$40,730, or 3% to \$1,638,860 from the previous fiscal year. Fees charged to clients increased \$177,627, or 16% to \$1,263,310 from \$1,085,683 in fiscal year 2012. Total operating expenses decreased 19%, or \$637,549 from the previous year to \$2,779,596 from \$3,417,145. The net operating loss decreased 37% from fiscal year 2012. This change was from \$(1,819,015) in fiscal year 2012 to (1,140,736). A large part of this reduction was the elimination of the 27<sup>th</sup> payroll in fiscal year 2013 and the reduction of instructional costs.

Net non-operating revenues decreased 16% or \$197,030 to \$1,035,517 compared to \$1,232,547. This reduction was largely due to the decrease in the State Appropriation and related fringes. This amount was reduced \$73,799 from \$795,650 in fiscal year 2012. The decrease in net position before capital appropriations was (105,219), which was \$481,249 less, or 82% than in fiscal year 2012.

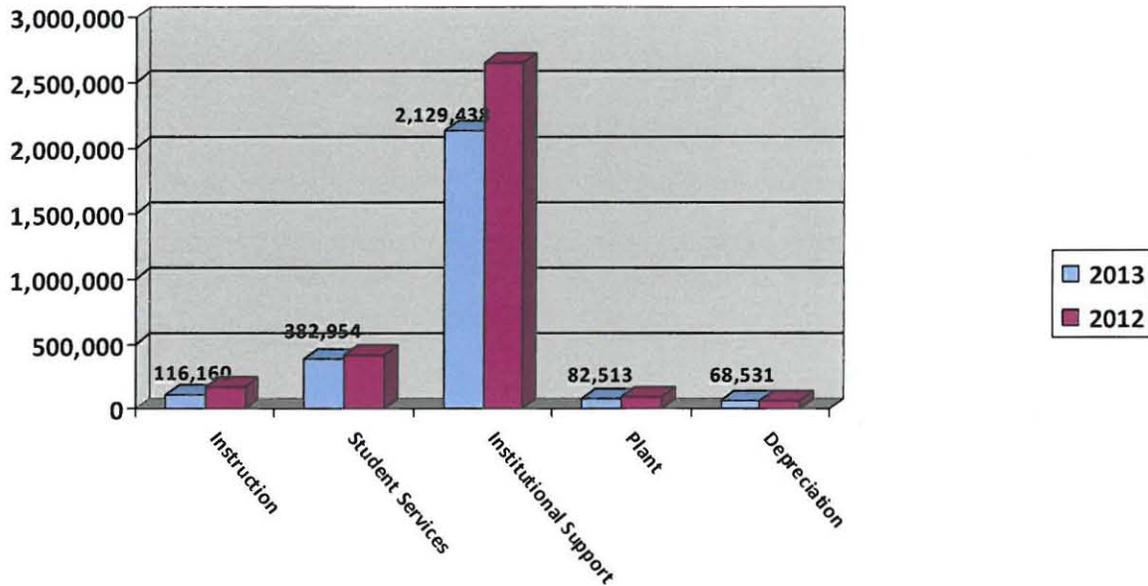
Capital appropriations through the Capital Equipment Program Fund were received for the first time since fiscal year 2010. One-hundred-fifty-thousand and six hundred and seventy dollars were applied to CTDLC. The addition of these funds increased the net position to \$45,451 in fiscal year 2013. This was a \$631,919 change from fiscal year 2012.

The net position at the end of the year was a 12% improvement over fiscal year 2012. The value increased to \$430,626 from \$385,175 in fiscal year 2012.

# CONNECTICUT DISTANCE LEARNING CONSORTIUM (a Component Unit of the State of Connecticut)

## Management's Discussion and Analysis - Continued

The functional classification of expenses is as follows:



### Derivation of the Financial Statements - Continued

The statement of cash flows utilizes the direct method and outlines cash receipts and payment summaries for fiscal year 2013. Receipts are from fees for services, State appropriation, and grants, capital appropriations and other receipts. Outflows are for salaries and wages and payments to vendors for goods and services.

Cash and equivalents at the end of the year increased 38% to \$459,580 from the previous fiscal year.

# CONNECTICUT DISTANCE LEARNING CONSORTIUM (a Component Unit of the State of Connecticut)

## Management's Discussion and Analysis - Continued

### Factors Impacting Future Results

Since the CTDLC was created in 1996, the composition of revenue has dramatically changed. In the beginning most of revenue was generated by work with public and private institutions hosting learning management systems and supporting these institutions with the preparation of their online courses for delivery on the hosted system. This approach reduced the infrastructure costs of these participating institutions to expand their instructional reach through distance learning. As more colleges are creating their own infrastructure and staff resources to offer online courses, this revenue avenue has become more limited.

The success of the organization will be the result of a number of factors; they include: reducing and streamlining infrastructure costs; continue the transition to more of a consulting service model; aggressively seeking partnerships with public and private organizations around student support and grant opportunities; expansion of K-12 and adult education services; and continuous environmental scanning for new opportunities. It has become clear that State support can no longer be considered predictable, and availability of State bonding money to support equipment replacement in the data center, has been nonexistent until late in fiscal year 2013. This was the first time these funds were received since fiscal year 2010.

In terms of reducing and streamlining infrastructure, the CTDLC continually looks at cost savings options to reduce the number of servers required by focusing on virtualization and also seeks out software that will allow the data center to work more efficiently. As their role as a hosting site has decreased, ongoing evaluation has taken place to size the data center in terms of the services that are offered to its clients.

The transition to a consulting service model has had success over the last several years. More opportunities have been created to engage in web based training for State and private organizations. Additional opportunities have occurred to work with State and private organizations in grant opportunities or discussions of partnerships. The service desk services have also steadily increased to include areas like financial aid support to higher education institutions. This program continues to grow and more institutions are interested in these services during fiscal year 2014. Instructional design services have also increasingly been sold to organizations looking to develop training or instructional programs for their personnel.

# **CONNECTICUT DISTANCE LEARNING CONSORTIUM**

## **(a Component Unit of the State of Connecticut)**

### **Management's Discussion and Analysis - Continued**

#### **Factors Impacting Future Results - Continued**

A major project of the CTDLC during fiscal year 2013 was an application to the Infrastructure Bond Fund to create the CT Academy. This project would provide eLearning opportunities to state employees. The learning would include the required State Employee courses in Workforce Violence, Diversity Training, and Sexual Harassment training. A proposal engaging state agency partners was submitted to the Office of Policy and Management during the spring of 2013. The 1.8 million dollar proposal was approved by OPM in fiscal year 2014.

Student support activities have tremendously expanded with the sale of an Etutoring platform that was created by CTDLC. This software that allows for consortium institutions to share tutoring resources among the group has reduced the costs of educational institutions to provide academic support to their students. The uniqueness of this product continues to attract more institutions into the mix. This interest has also included institutions from Canada and inquiries from other countries as well.

The staff of the CTDLC continually scans the environment for new opportunities for the organization. Involvement in State, educational, grant, and other consultant projects continuously places representatives of the organization in new situations where their services may be applied to different needs. Attendance of several national conferences each year also assists in the identification of trends and new needs of the education and learning technology sectors. The Advisory Committee of the CTDLC which is represented by educational and training partners also provide insight into new developments.

#### **Requests for Information**

This financial report is designed to provide a general overview of the CTDLC's finances. Questions concerning any of the information provided in this report should be addressed to Clifford Williams, Chief Financial & Administrative Officer, CTDLC, 85 Alumni Road, Newington, CT 06111.

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Statements of Net Position**

**June 30,**

**Assets**

	(Audited) <u>2013</u>	(Audited) <u>2012</u>
<b>Current Assets:</b>		
Cash held by State Treasurer	\$ 459,580	\$ 332,617
Accounts receivable - state agencies	21,408	25,089
Accounts receivable	<u>68,524</u>	<u>98,155</u>
<b>Total Current Assets</b>	<u>549,512</u>	<u>455,861</u>
<b>Non-Current Asset:</b>		
Capital assets, net	<u>190,960</u>	<u>234,101</u>
<b>Total Assets</b>	<u>\$ 740,472</u>	<u>\$ 689,962</u>

**Liabilities and Net Position**

<b>Current Liabilities:</b>		
Accounts payable	\$ 48,163	\$ 4,610
Accrued payroll	61,927	91,301
Accrued employee compensated absences	<u>103,865</u>	<u>89,874</u>
<b>Total Current Liabilities</b>	<u>213,955</u>	<u>185,785</u>
<b>Non-Current Liabilities:</b>		
Accrued employee compensated absences	<u>95,891</u>	<u>119,002</u>
<b>Total Liabilities</b>	<u>309,846</u>	<u>304,787</u>
<b>Net Position:</b>		
Invested in capital assets, net of related debt	190,960	234,101
Restricted-expendable	-	63,564
Unrestricted	<u>239,666</u>	<u>87,510</u>
<b>Total Net Position</b>	<u>430,626</u>	<u>385,175</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 740,472</u>	<u>\$ 689,962</u>

*See accompanying notes to the financial statements.*

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Statements of Revenues, Expenses and Changes in Net Position**

**For the Years Ended June 30,**

	(Audited) <u>2013</u>	(Unaudited) <u>2012</u>
<b>Operating Revenues:</b>		
Fees	\$ 1,263,310	\$ 1,085,683
Federal grants and contracts	375,550	433,547
Private grants and contracts	<u>          -</u>	<u>      78,900</u>
<b>Total Operating Revenues</b>	<b><u>1,638,860</u></b>	<b><u>1,598,130</u></b>
<b>Operating Expenses:</b>		
Educational and general:		
Instruction	116,160	178,852
Student services	382,954	411,066
Institutional support	2,129,438	2,650,730
Operation and maintenance of plant	82,513	103,093
Depreciation	<u>68,531</u>	<u>      73,404</u>
<b>Total Operating Expenses</b>	<b><u>2,779,596</u></b>	<b><u>3,417,145</u></b>
<b>Net Operating Loss</b>	<b><u>(1,140,736)</u></b>	<b><u>(1,819,015)</u></b>
<b>Non-Operating Revenues (Expenses):</b>		
Other non-operating revenue	324,374	436,701
State appropriations	721,851	795,650
Loss on disposal of capital assets	(11,348)	(259)
Investment income	<u>      640</u>	<u>      455</u>
<b>Net Non-Operating Revenues</b>	<b><u>1,035,517</u></b>	<b><u>1,232,547</u></b>
<b>Decrease in Net Position Before Capital Appropriations</b>	<b>(105,219)</b>	<b>(586,468)</b>
Capital Appropriations	<u>150,670</u>	<u>          -</u>
<b>Increase (Decrease) in Net Position</b>	<b>45,451</b>	<b>(586,468)</b>
<b>Net Position, at Beginning of Year</b>	<b><u>385,175</u></b>	<b><u>971,643</u></b>
<b>Net Position, at End of Year</b>	<b><u>\$ 430,626</u></b>	<b><u>\$ 385,175</u></b>

*See accompanying notes to the financial statements.*

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
(a Component Unit of the State of Connecticut)

**Statements of Cash Flows**

**For the Years Ended June 30,**

	(Audited) <u>2013</u>	(Unaudited) <u>2012</u>
<b>Cash Flows from Operating Activities:</b>		
Collection of fees	\$ 1,296,622	\$ 1,074,938
Grants and contracts	375,550	512,447
Payments to employees	(1,782,497)	(1,881,450)
Payments to suppliers and vendors	<u>(739,173)</u>	<u>(1,338,167)</u>
Net Cash Applied to Operating Activities	<u>(849,498)</u>	<u>(1,632,232)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Other	324,374	436,701
State appropriations	<u>537,515</u>	<u>594,064</u>
Net Cash Provided by Non-Capital Financing Activities	<u>861,889</u>	<u>1,030,765</u>
<b>Cash Flows from Capital Financing Activity:</b>		
Capital appropriations	150,670	-
Purchases of capital assets	<u>(36,738)</u>	<u>(74,413)</u>
Net Cash Applied to Non-Capital Financing Activities	<u>113,932</u>	<u>(74,413)</u>
<b>Cash Flows from Investing Activity:</b>		
Interest	<u>640</u>	<u>455</u>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	<b>126,963</b>	<b>(675,425)</b>
Cash and Equivalents, Beginning of Year	<u>332,617</u>	<u>1,008,042</u>
<b>Cash and Equivalents, End of Year</b>	<b>\$ <u>459,580</u></b>	<b>\$ <u>332,617</u></b>
<b>Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:</b>		
Net operating loss	\$ (1,140,736)	\$ (1,819,015)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	68,531	73,404
Fringe benefits provided by the state	184,336	201,586
Changes in assets and liabilities:		
Accounts receivable - state agencies	3,681	(4,006)
Accounts receivable	29,631	(6,739)
Accounts payable	43,553	(921)
Accrued payroll	(29,374)	(97,350)
Accrued employee compensation and benefits	<u>(9,120)</u>	<u>20,809</u>
Net Cash Applied to Operating Activities	<u>\$ (849,498)</u>	<u>\$ (1,632,232)</u>
<b>Non-Cash Transaction:</b>		
Fringe benefits provided by the state	<u>\$ 184,336</u>	<u>\$ 201,586</u>

*See accompanying notes to the financial statements.*

# CONNECTICUT DISTANCE LEARNING CONSORTIUM (a Component Unit of the State of Connecticut)

## Notes to the Financial Statements

June 30, 2013 and 2012

### Note 1 - Summary of Significant Accounting Policies

#### Organization

Connecticut Distance Learning Consortium ("CTDLC") is a state-supported organization created in 1999 to provide services and support to help educational institutions and other learning focused organizations, in and out of the State of Connecticut, to meet the ever increasing demands of developing and delivering effective technology enhanced learning opportunities for students in higher education, K-12, adult education, and in the workplace to promote workforce training and development.

On June 13, 2011, the Legislation placing CTDLC under the Board of Regents for Higher Education was enacted, consolidating its governing authority within a single authority including the Connecticut State University System and the Community-Technical College System.

#### Basis of Presentation and Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statements of revenue, expenses and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Fee revenues primarily include charges to educational institutions. Items not meeting the definition of fee revenue are reported as non-operating revenues.

CTDLC has determined that it functions as a business-type activity as defined by GASB. The effect of inter-fund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general purpose governments consist of management's discussion and analysis and basic financial statements.

# CONNECTICUT DISTANCE LEARNING CONSORTIUM (a Component Unit of the State of Connecticut)

## Notes to the Financial Statements - Continued

June 30, 2013 and 2012

### Note 1 - Summary of Significant Accounting Policies - Continued

#### *Basis of Presentation and Accounting - Continued*

CTDLC presents statements of net position, revenues, expenses, and changes in net position, and cash flows. CTDLC's policy for defining operating activities in the statement of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for services and for the purchase of goods and services. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include CTDLC's operating and capital appropriations from the State of Connecticut, net investment income and interest expense.

CTDLC's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements.

#### *Net Position*

Resources are classified for accounting purposes into the following four net position categories:

Net Investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.

Restricted - nonexpendable: Net position subject to externally imposed conditions that CTDLC must maintain in perpetuity.

Restricted - expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of CTDLC or by the passage of time.

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Notes to the Financial Statements - Continued**

**June 30, 2013 and 2012**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Net Position - Continued*

Unrestricted: All other categories of net position. Unrestricted net position may be designated by actions of CTDLC's Board of Regents.

CTDLC has adopted a policy of generally utilizing restricted - expendable funds, when available, prior to unrestricted funds.

*Cash and Equivalents*

Cash and equivalents consist of cash held by the state treasurer in a Short-Term Investment fund ("STIF"), state general fund and capital appropriations, and petty cash. The STIF, stated at market value, is held on behalf of CTDLC by the State Treasurer and has original maturities of three months or less. Interest income is recognized on the accrual basis. The largest inflow of cash related to non-capital financing is State appropriations, including general fund appropriations for salaries and other items. CTDLC does not receive cash from the State in support of the general fund appropriation. The appropriation is treated as a cash equivalent for accounting and reporting purposes, and it is included in the cash flow statements. Fringe benefit payments are made by the State Comptroller on behalf of CTDLC, and information regarding the associated fringe benefit expense is provided to CTDLC with each biweekly payroll. This is treated as a cash equivalent on the statements of cash flows.

*Allowance for Doubtful Accounts*

Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks, and current economic conditions. As of June 30, 2013 and 2012, management has concluded an allowance for doubtful accounts is not required.

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Notes to the Financial Statements - Continued**

**June 30, 2013 and 2012**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Capital Assets*

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment and collection items are stated at cost, at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than \$1,000 are capitalized. CTDLC capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CTDLC does not have collections of historical treasures, works of art or other items that are inexhaustible by their nature and are of immeasurable intrinsic value, thus not requiring capitalization or depreciation in accordance with GASB guidelines.

In accordance with GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, all identifiable intangible assets, not specifically excluded, are included as intangible assets in CTDLC statement, in accordance with CTDLC policy regarding capitalization.

*Fringe Benefits*

CTDLC participates in the state's Fringe Benefit programs, including health insurance, unemployment, pension and workers' compensation benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to CTDLC. Workers' compensation costs are assessed separately based on CTDLC's actual experience.

*Compensated Absences*

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2013 and 2012. The accrued sick leave balance represents 25% of amounts earned by those employees with ten or more years of State service as of June 30, 2013 and 2012. Upon termination of employment, these employees are entitled to receive payment for this accrued balance.

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Notes to the Financial Statements - Continued**

**June 30, 2013 and 2012**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Fees*

Revenue is recognized in the accounting period in which it is earned or incurred.

*Tax Status*

CTDLC is an agency of the State of Connecticut and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

*Use of Estimates*

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

*New Governmental Accounting Pronouncements*

GASB 65, *Items Previously Reported as Assets and Liabilities*, is required for periods beginning after December 15, 2012. Establishes accounting and financial reporting standards for the reclassification of certain assets and liabilities in accordance with GASB 63. Management expects this Statement to have no effect on the financial statements.

GASB 66, *Technical Corrections - 2012 - an amendment of GASB Statements 10 and 62*, effective for periods beginning after December 15, 2012 resolves conflicts between recently issued and earlier GASB statements, as well as modifying guidance related to accounting for certain operating leases. Management is in the process of reviewing this Statement and its potential effect upon their financial reporting.

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Notes to the Financial Statements - Continued**

**June 30, 2013 and 2012**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*New Governmental Accounting Pronouncements - Continued*

GASB 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* is required for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management is in the process of reviewing this Statement and its potential effect upon their financial reporting.

GASB 69, *Government Combinations and Disposals of Government Operations* is required for periods ending after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Management is in the process of reviewing this Statement and its potential effect upon their financial reporting. It does not expect any material impact.

GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, is required for periods beginning after June 15, 2013. This Statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. Management does not believe the Statement will have a material effect on the financial statements.

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Notes to the Financial Statements - Continued**

**June 30, 2013 and 2012**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Reclassifications*

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

Note 2 - **Cash and Equivalents**

Cash is invested in the State of Connecticut Treasurer's STIF, a combined investment pool of high quality, short-term money market instruments. All temporary surplus cash is invested in the STIF. CTDLC may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet CTDLC daily cash flow requirements.

The STIF is managed by investment managers in accordance with the investment guidelines established by the State Treasurer. These guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements in amounts not to exceed 5.0% of the STIF's net assets at the time of execution.

CTDLC has assessed the Credit Risk, Custodial Credit Risk, the Concentration of Credit Risk, and the Interest Rate Risk of its Cash and Equivalents as follows:

*Credit Risk* – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CTDLC is only invested in the State of Connecticut Treasurer's STIF, which is a combined investment pool of high quality, short-term money market instruments. Management believes there is essentially no risk to these types of investments.

*Concentration of Credit Risk* – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5 percent or more of the total value of investments. All of CTDLC's total cash and equivalents are invested in the STIF or consist of State general fund and capital bond fund appropriations allocated to CTDLC, which are backed by cash held by the state.

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Notes to the Financial Statements - Continued**

**June 30, 2013 and 2012**

Note 3 - **Accounts receivable - State Agencies**

The balance represents amounts due to CTDLC from other state agencies in connection with services provided by CTDLC.

Note 4 - **Capital Assets**

Capital asset activity for the year ended June 30, 2013 is as follows:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, depreciated:						
Buildings and improvements	10-40	\$ 36,709	\$ -	\$ -	\$ -	\$ 36,709
Furnishings and equipment (including the cost of capital leases)	6	413,888	36,738	(59,869)	-	390,757
Software	5	<u>106,921</u>	-	-	-	<u>106,921</u>
Total depreciated capital assets		<u>557,518</u>	<u>36,738</u>	<u>(59,869)</u>	-	<u>534,387</u>
Less: accumulated depreciation:						
Buildings and improvements		15,647	3,451	-	-	19,098
Furnishings and equipment		244,023	51,965	(48,521)	-	247,467
Software		<u>63,747</u>	<u>13,115</u>	-	-	<u>76,862</u>
Total accumulated depreciation		<u>323,417</u>	<u>68,531</u>	<u>(48,521)</u>	-	<u>343,427</u>
Capital assets, net		\$ <u>234,101</u>	\$ <u>(31,793)</u>	\$ <u>(11,348)</u>	\$ -	\$ <u>190,960</u>

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Notes to the Financial Statements - Continued**

**June 30, 2013 and 2012**

Note 4 - **Capital Assets - Continued**

Capital asset activity for the year ended June 30, 2012 is as follows:

	Estimated lives (in years)	(Unaudited) Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, depreciated:						
Buildings and improvements	10-40	\$ 36,709	\$ -	\$ -	\$ -	\$ 36,709
Furnishings and equipment (including the cost of capital leases)	6	428,520	38,686	(53,318)	-	413,888
Software	5	<u>71,194</u>	<u>35,727</u>	<u>-</u>	<u>-</u>	<u>106,921</u>
Total depreciated capital assets		<u>536,423</u>	<u>74,413</u>	<u>(53,318)</u>	<u>-</u>	<u>557,518</u>
Less: accumulated depreciation:						
Buildings and improvements		11,830	3,817	-	-	15,647
Furnishings and equipment		240,500	56,582	(53,059)	-	244,023
Software		<u>50,742</u>	<u>13,005</u>	<u>-</u>	<u>-</u>	<u>63,747</u>
Total accumulated depreciation		<u>303,072</u>	<u>73,404</u>	<u>(53,059)</u>	<u>-</u>	<u>323,417</u>
Capital assets, net		\$ <u>233,351</u>	\$ <u>1,009</u>	\$ <u>(259)</u>	\$ <u>-</u>	\$ <u>234,101</u>

Note 5 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2013 consist of:

	<b><u>Beginning Balance</u></b>	<b><u>Net Additions</u></b>	<b><u>Net Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Current Portion</u></b>
Other long-term liabilities:					
Vacation	\$ 181,616	\$ -	\$ 23,072	\$ 158,544	\$ 94,707
Sick	<u>27,260</u>	<u>13,952</u>	<u>-</u>	<u>41,212</u>	<u>9,158</u>
Total long-term liabilities	\$ <u>208,876</u>	\$ <u>13,952</u>	\$ <u>23,072</u>	\$ <u>199,756</u>	\$ <u>103,865</u>

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Notes to the Financial Statements - Continued**

**June 30, 2013 and 2012**

Note 5 - **Long-Term Liabilities - Continued**

Long-term liabilities at June 30, 2012 consist of:

	(Unaudited) Beginning Balance	Net Additions	Net Reductions	Ending Balance	Current Portion
Other long-term liabilities:					
Vacation	\$ 163,523	\$ 18,093	\$ -	\$ 181,616	\$ 84,845
Sick	<u>24,544</u>	<u>2,716</u>	<u>-</u>	<u>27,260</u>	<u>5,029</u>
Total long-term liabilities	<u>\$ 188,067</u>	<u>\$ 20,809</u>	<u>\$ -</u>	<u>\$ 208,876</u>	<u>\$ 89,874</u>

Leases

CTDLC leases various equipments under operating lease agreements. The following summarizes future minimum payments under non-cancelable leases subsequent to the year ended June 30, 2013:

Year Ending June 30,	Operating Leases
2014	\$ 3,288

Rent expense for operating leases was \$43,924 and \$43,272 for the years ended June 30, 2013 and 2012, respectively.

Note 6 - **Restricted Net Position**

CTDLC is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. Restricted - expendable net position consist of income to be used for grants and research, as well as funds to be used for capital projects.

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Notes to the Financial Statements - Continued**

**June 30, 2013 and 2012**

Note 7 - **Contingencies**

In the opinion of management, no litigation is now pending or threatened, which would materially affect CTDLC's financial position. CTDLC receives significant financial assistance from Federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. CTDLC must repay any disallowed expenditures resulting from such audits. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of CTDLC.

Note 8 - **Operating Expenses**

CTDLC's operating expenses, on a natural classification basis, are comprised of the following at June 30:

	<u>2013</u>	<u>2012</u>
Compensation and benefits	\$ 1,928,339	\$ 2,006,494
Supplies and services	782,726	1,337,247
Depreciation	<u>68,531</u>	<u>73,404</u>
	<u>\$ 2,779,596</u>	<u>\$ 3,417,145</u>

Note 9 - **Retirement and Other Post-Employment Benefits**

*Retirement*

Plan Description

All regular full-time employees participate in one of two retirement plans. The State of Connecticut is statutorily responsible for the pension benefits of CTDLC employees who participate in the State Employees' Retirement System ("SERS"). SERS is the administrator of a single employer defined benefit public employee retirement system ("PERS"). The plan provides retirement, disability, death benefits and annual cost of living adjustments to plan members and their beneficiaries. Plan benefits, cost of living adjustments, contribution requirements of plan members and the State and other plan provisions are described in the General Statutes. The plan does not issue stand-alone financial reports. Information on the plan is currently publicly available in the State of Connecticut's Comprehensive Annual Financial Report prepared by the Office of the State Comptroller.

# CONNECTICUT DISTANCE LEARNING CONSORTIUM (a Component Unit of the State of Connecticut)

## Notes to the Financial Statements - Continued

June 30, 2013 and 2012

### Note 9 - Retirement and Other Post-Employment Benefits - Continued

#### *Retirement - Continued*

##### Plan Description - Continued

Employees hired before July 1, 1984 participate in the old (Tier 1) Plan, which includes employee contributions while other employees may participate in the Tier II or Tier IIA Plans. As of June 30, 2013 and 2012, approximately thirty-one percent (31%) of CTDLC workforce was covered under the Tier II or Tier II A Plans. CTDLC makes contributions on behalf of the employees through a fringe benefit charge assessed by the State of Connecticut.

Alternatively, employees may choose to participate in the Alternate Retirement Plan, which is managed by ING. Under this arrangement, CTDLC and the plan participants purchase individual investments managed by ING.

##### Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature.

Tier I Plan B regular and Hazardous Duty members are required to contribute 2% and 4% of their annual salary up to the Social Security Taxable Wage Base plus 5% above that level. Tier I Plan C members are required to contribute 5% of their annual salary. Tier IIA Plan regular and Hazardous Duty members are required to contribute 2% and 5% of their annual salaries, respectively. The State is required to contribute at an actuarially determined rate, which may be reduced by an act of the State legislature. Administrative costs of the plan are funded by the State.

##### Annual Pension Cost, Net Pension Obligation and Related Information (Unaudited)

Because of the cost-sharing arrangements CTDLC has with other State departments and agencies, one actuarial valuation is performed for the State of Connecticut. As a result, the following information is not separately available for CTDLC. Additionally, the information for fiscal year 2013 is not available as of the issue date of CTDLC's financial statements and, therefore, the following information is as of June 30, 2012.

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Notes to the Financial Statements - Continued**

**June 30, 2013 and 2012**

Note 9 - **Retirement and Other Post-Employment Benefits - Continued**

*Retirement - Continued*

Annual Pension Cost, Net Pension Obligation and Related Information (Unaudited) - Continued

The liability for the pension plan will be recorded by the State of Connecticut, which has communicated to CTDLIC that CTDLIC should not record a liability associated with the pension plan.

The State's annual pension cost and net pension obligation for SERS as of June 30, 2012 are as follows (in thousands):

Annual required contribution	\$ 926,372
Interest on net pension obligation	247,664
Adjustment to annual required contribution	<u>(195,138)</u>
Annual pension cost	978,898
Contributions made	<u>926,343</u>
Increase in net pension obligation	52,555
Net pension obligation, beginning of year	<u>2,913,694</u>
 Net pension obligation, end of year	 <u>\$ 2,966,249</u>

Three year trend information (in thousands):

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 952,753	75.6%	\$ 2,740,231
2011	999,261	82.6%	2,913,691
2012	978,898	94.6%	2,966,249

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Notes to the Financial Statements - Continued**

**June 30, 2013 and 2012**

Note 9 - **Retirement and Other Post-Employment Benefits - Continued**

*Retirement - Continued*

Annual Pension Cost, Net Pension Obligation and Related Information (Unaudited) - Continued

The following actuarial information related to the calculation of the annual required contribution for SERS is for all State of Connecticut employees:

Actuarial valuation date	June 30, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	19 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases (includes inflation of 2.75%)	4.75%
Cost of living adjustments	2.3% - 4.75%

Required Supplementary Information (in millions):

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL)</b>	<b>(b-a) Unfunded AAL (UAAL)</b>	<b>(a/b) Funded Ratio</b>	<b>(c) Covered Payroll</b>	<b>(b-a/c) UAAL as a Percentage of Covered Payroll</b>
6/30/07	\$ 9,585.1	\$ 17,888.1	\$ 8,303.0	53.6%	\$ 3,310.4	250.8%
6/30/08	9,990.2	19,243.4	9,253.2	51.9%	3,497.4	264.6%
6/30/09 *	-	-	-	-	-	-
6/30/10	9,349.6	21,054.2	11,704.6	44.4%	3,295.7	355.1%
6/30/11 *	-	-	-	-	-	-
6/30/12	9,745.0	23,018.8	13,273.8	42.3%	3,354.7	395.7%

\*An actuarial valuation was not performed for the fiscal years ended June 30, 2009 and 2011.

**CONNECTICUT DISTANCE LEARNING CONSORTIUM**  
**(a Component Unit of the State of Connecticut)**

**Notes to the Financial Statements - Continued**

**June 30, 2013 and 2012**

Note 9 - **Retirement and Other Post-Employment Benefits - Continued**

*Retirement - Continued*

Other Post-Employment Benefits

The State of Connecticut provides post-retirement health care and life insurance benefits to eligible CTDLC employees, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). This benefit is available to retirees of the State Employees' Retirement System and participants in the Connecticut Alternate Retirement Program who meet certain age and service criteria.

The State also pays a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined in a formula based on the number of years of State service that the retiree had at the time of retirement.

During fiscal year 2008, CTDLC adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* ("GASB 45"). However, as the State of Connecticut is legally responsible for any post-employment benefits, the standard had no impact on CTDLC's financial statements. The liability for post-employment benefits will be recorded by the State of Connecticut, which has communicated to CTDLC that CTDLC should not record a liability associated with the post-employment benefits for its employees or retired employees.

For the State of Connecticut liability and disclosures associated with GASB 45 please see the State of Connecticut's Comprehensive Annual Financial Report prepared by the Office of the State Comptroller at the following website address:  
<http://www.osc.state.ct.us/reports/>.

**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***



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

To the Connecticut State Colleges & Universities  
Board of Regents for Higher Education  
Hartford, Connecticut

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 Connecticut Distance Learning Consortium ("CTDLC"), which comprise the statements of net position as of June 30, 2013 and 2012, the related statements of revenues, expenses and changes in net position and cash flows for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise CTDLC's basic financial statements and have issued our report thereon dated December 17, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered CTDLC'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 CTDLC's internal control. Accordingly, we not express an opinion on the effectiveness of CTDLC's internal control.

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 CTDLC's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 CTDLC's financial statements are free from 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 CTDLC's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering CTDLC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*O'Connor and Drew, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

December 17, 2013