

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)
OF ORANGE COUNTY
HUNTINGTON BEACH, CALIFORNIA**

JUNE 30, 2014

GOVERNING BOARD

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Debby Wulff	Poway Unified School District	Member

ADMINISTRATION

Marianne Tonjes	Executive Director
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ORGANIZATION

Federal and State laws require that all public agencies be able to demonstrate that their employment selection procedures do not discriminate on the basis of sex, age, race, creed, national origin or disability which may be reasonably accommodated. In 1973, the Cooperative Organization for the Development of Employee Selection Procedures was formed to provide school and college districts with essential services in developing and providing selection materials used in testing candidates for district classified employment. Currently, Cooperative Organization for the Development of Employee Selection Procedures serves over three hundred (300) customers.

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June 30, 2014**

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Rudolph F. Silva, CPA
Lisa D. Silva, CPA

INDEPENDENT AUDITORS' REPORT

Executive Committee
Cooperative Organization for the
Development of Employee Selection Procedures
Huntington Beach, California

Report of the Financial Statements

We have audited the accompanying financial statements of Cooperative Organization for the Development of Employee Selection Procedures (the "Authority") which comprise the statement of net position as of June 30, 2014, and the related statement of activities and changes in net position, and cash flows for the year then ended, and the related note to the financial statements.

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 consolidated 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 consolidated financial statements based on our audits. 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 consolidated 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 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 evaluation 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 financial statements referred to above present fairly, in all material respects, the financial position of Cooperative Organization for the Development of Employee Selection Procedures (the "Authority") which comprise the statement of net position as of June 30, 2014, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. The management of the Cooperative Organization for the Development of Employee Selection Procedures has elected to omit this information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2015, on our consideration of the Cooperative Organization for the Development of Employee Selection Procedures' 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 *Governmental Auditing Standards* in considering Cooperative Organization for the Development of Employee Selection Procedures' internal control over financial reporting and compliance.



SILVA & SILVA CPAS
Brea, California
January 17, 2015

FINANCIAL SECTION

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
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(A Joint Powers Entity)**

**STATEMENT OF FUND NET POSITION
June 30, 2014**

ASSETS

CURRENT ASSETS

Cash in bank (Note 2)	\$ 111,403	
Revolving cash fund	4,000	
Investments (Note 3)	1,247,659	
Receivables - interest	436	
Receivables - other	925	
Prepaid expenses	12,802	
Total current assets	1,377,225	\$ 1,377,225

FIXED ASSETS

Office equipment	51,850	
Accumulated depreciation	(51,850)	
	-	-

TOTAL ASSETS 1,377,225

LIABILITIES

CURRENT LIABILITIES

Accrued salaries and benefits	41,225	
Accounts payable	1,918	
Deferred income	64,175	
Total current liabilities	107,318	

TOTAL LIABILITIES 107,318

NET POSITION

Unreserved, undesignated	1,269,907	
TOTAL NET POSITION	1,377,225	\$ 1,377,225

The accompanying notes are an integral part of these financial statements.

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
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**STATEMENT OF ACTIVITIES AND CHANGES
IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

		Percent of Total Income
OPERATING REVENUES		
Member fees	\$ 610,500	94.48
Other income	53,976	5.52
Total Revenue	<u>664,476</u>	<u>100.00</u>
OPERATING EXPENSES		
Salaries and benefits		
Classified salaries	398,137	59.92
Employee benefits	102,780	15.47
Total Salaries and Benefits	<u>500,917</u>	<u>75.39</u>
Other Expenses		
Supplies & small equipment	2,186	0.33
Travel and conferences	10,837	1.63
Staff development	520	0.08
Insurance	3,606	0.54
Utilities	6,198	0.93
Office lease	18,741	2.82
Professional services	5,121	0.77
Dues & memberships	429	0.07
Marketing	2,753	0.41
Software maintenance	49,000	7.37
Interest	1,094	0.17
Total Other Expenses	<u>100,485</u>	<u>15.12</u>
Total Operating Expenses	<u>601,402</u>	<u>90.51</u>
OPERATING INCOME	<u>63,074</u>	<u>9.49</u>
NON-OPERATING REVENUES		
Interest Income	5,211	0.77
INCREASE IN NET POSITION	68,285	<u>10.28</u>
NET POSITION, BEGINNING OF YEAR	<u>1,201,622</u>	
NET POSITION, END OF YEAR	<u>\$ 1,269,907</u>	

The accompanying notes are an integral part of these financial statements.

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from members	668,976
Cash paid to suppliers and employees	<u>(594,128)</u>
Net Cash Provided by Operating Activities	74,848

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	<u>5,074</u>
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NET INCREASE IN CASH

79,922

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

1,283,140

CASH AND CASH EQUIVALENTS, END OF YEAR

1,363,062

**RECONCILIATION OF NET INCOME TO CASH
PROVIDED BY OPERATING ACTIVITIES**

Net increase in net assets		68,285
Increase in interest receivable	(137)	
Increase in other receivable	(925)	
Decrease in prepaid expenses	3,665	
Increase in accrued salaries & benefits	3,252	
Increase in accounts payable	357	
Increase in deferred income	<u>5,425</u>	

Net Cash Provided by Operating Activities

11,637

79,922

The accompanying notes are an integral part of these financial statements

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cooperative Organization for the Development of Employee Selection Procedures (the “Authority”) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

Financial Reporting Entity

The Authority has elected to formalize participation by its members through formation of a joint powers authority. Funding for the Authority membership will continue to flow from the individual members’ districts. The Authority includes all funds and account groups that are controlled by or dependent on the Authority’s Executive Committee for financial reporting purposes. The Authority has considered all potential component units in determining how to define the reporting entity using criteria set forth in generally accepted accounting principles. The Authority determined that there are not potential component units that meet the criteria for inclusion within the reporting entity.

Fund Accounting

The accounts of the Authority are organized on the basis of a fund. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Authority resources are allocated to and accounted for in a fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Authority’s accounts are organized into categories, which include one fund type as follows:

Proprietary Fund

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises.

Basis of Accounting

The Authority uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the related liabilities are incurred. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Authority considers all investment instruments purchased with maturity of three months or less to be cash equivalents. The investments are considered cash equivalents as of June 30, 2013. Cash in County is considered to be a cash equivalent.

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Fixed Assets and Depreciation Methods

Machinery and equipment are stated at cost, less accumulated depreciation computed using accelerated methods. Machinery and equipment are depreciated over five to seven years. Depreciation for the year ended June 30, 2014, amounted to \$0.

Use of Estimates

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

Income Taxes

The Authority is not subject to income taxes pursuant to Section 115 of the Internal Revenue Code and the corresponding section of the California Revenue and Taxation Code.

NOTE 2 – CASH

Cash balances held in banks and in revolving funds are fully insured by the National Credit Union Administration.

NOTE 3 - INVESTMENTS

Investments at June 30, 2014, held on behalf of the Authority are presented below:

	<u>Reported Amount</u>	<u>Fair Value</u>
Uncategorized	\$1,247,659	\$1,248,158
Deposits with County Treasurer		

Deposits with County Treasurer

Deposits with county treasurer is an external investment pool sponsored by the County of Orange. School districts and the Authority are required to deposit all receipts and collections of monies with their county treasurer (Education Codes Section 41004). Therefore, the Authority is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided fair value for these deposits. There is no limitation of interest rate risk, credit risk that will adversely affect the fair value of this investment.

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 – OPERATING LEASES

The Authority has an operating lease for office space in Huntington Beach, expiring on April 30, 2015, requiring monthly payments of \$1,247.40. Future minimum lease payments as of June 30, 2014, are as follows:

6/30/15	<u>\$14,969</u>
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NOTE 5 – EMPLOYEE RETIREMENT SYSTEM

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement Systems (CalPERS).

CalPERS

Plan Description

The Authority contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provided retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. As a result of the PEPRA, changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from CalPERS Executive Office, 400 P Street, Sacramento, California 95811, or from their website.

Funding Policy

As a result of the implementation of PEPRA, new members must pay at least 50 percent of the normal cost of the plan, which can fluctuate from year to year. For 2013-12 the normal cost is 11.85 percent, which round to a 6.0 percent contribution rate. "Classic" plan member continue to contribute 7.0 percent. The Authority is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for the plan members are established by State statute. The Authority's contributions to CalPERS for the fiscal year ended June 30, 2014 was \$39,305 and equals 100 percent of the required contribution.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 17, 2015, the date that the financial statements were available for issue and has determined that there are no additional adjustments and/or disclosures required.

INDEPENDENT AUDITORS' REPORTS

Rudolph F. Silva, CPA
Lisa D. Silva, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Executive Committee
Cooperative Organization for the
Development of Employee Selection Procedures
Huntington Beach, California

We have audited, in accordance with the 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 governmental activities, the business-type activities, and the aggregate remaining fund information of Cooperative Organization for the Development of Employee Selection Procedures as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Cooperative Organization for the Development of Employee Selection Procedures' basic financial statements, and have issued our report thereon dated January 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cooperative Organization for the Development of Employee Selection Procedures' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cooperative Organization for the Development of Employee Selection Procedures' internal control. Accordingly, we do not express an opinion on the effectiveness of Cooperative Organization for the Development of Employee Selection Procedures' 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 and therefore, 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 Cooperative Organization for the Development of Employee Selection Procedures' 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 *Governmental 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.



SILVA & SILVA CPAS
Brea, California
January 17, 2015