

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

JUNE 30, 2018

GOVERNING BOARD

<u>MEMBER</u>	<u>PARTICIPANT</u>	<u>OFFICE</u>
Kristin Olson	Santa Clara County Office of Education	President of the Board
Michael Arnoldus	Ventura County Community College District	Vice President
Tika Dave-Harris	Fontana Unified School District	Member
BethAnn Arko	Downey Unified School District	Member
Marina Mihalevsky	Conejo Valley Unified School District	Member
Jane Jackson	Santa Barbara County Office of Education	Member
Bernie Konig	Centinela Valley Unified High School District	Member
Frank Olmos	Los Angeles County Office of Education	Member
Joel Garcia	Ramona Unified School District	Member
Brandon Tietze	Anaheim Union High School District	Member

ADMINISTRATION

Jonathan Koch	Executive Director
---------------	--------------------

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 four hundred (415) customers.

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**TABLE OF CONTENTS
June 30, 2018**

FINANCIAL SECTION

Independent Auditors' Report	1
Basic Financial Statements	
Statement of Fund Net Position	3
Statement of Activities, and Changes in Fund Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITOR'S REPORT

Independent Auditors' 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>	16
---	----

Financial Section

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, 2018, 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

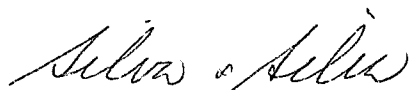
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cooperative Organization for the Development of Employee Selection Procedures (the "Authority") which comprise the statement of net position as of June 30, 2018, and the changes 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.

Emphasis of Matter

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basis financial statements. Such information, although not part of the basis financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2019, 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
April 16, 2019

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**STATEMENT OF NET POSITION
June 30, 2018**

ASSETS

CURRENT ASSETS

Cash in bank (Note 2)	\$ 103,769	
Revolving cash fund	4,000	
Investments (Note 3)	1,261,111	
Receivables - interest	1,650	
Prepaid expenses	22,164	
Total current assets		\$ 1,392,694

CAPITAL ASSETS

Office equipment	51,850	
Accumulated depreciation	(51,850)	
Total, net capital assets		-

TOTAL ASSETS

1,392,694

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions		<u>82,943</u>
---------------------------------------	--	---------------

LIABILITIES

CURRENT LIABILITIES

Accrued salaries and benefits	50,479	
Accounts payable	2,706	
Deferred income	105,025	
Total current liabilities		158,210

LONG-TERM LIABILITIES

Net pension liability		<u>527,242</u>
-----------------------	--	----------------

TOTAL LIABILITIES

685,452

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions		<u>21,615</u>
--------------------------------------	--	---------------

NET POSITION

Unrestricted		<u>768,570</u>
--------------	--	----------------

TOTAL NET POSITION

\$ 1,475,637

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

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

		Percent of Total Income
REVENUES		
Member fees	\$ 759,300	94.48
Other income	132,766	5.52
Total Revenue	<u>892,066</u>	<u>100.00</u>
EXPENSES		
Salaries and benefits		
Classified salaries	573,744	59.92
Employee benefits	215,377	15.47
Total Salaries and Benefits	<u>789,121</u>	<u>75.39</u>
Other Expenses		
Supplies & small equipment	983	0.33
Travel and conferences	5,221	1.63
Staff development	650	0.08
Insurance	6,203	0.54
Utilities	7,135	0.93
Office lease	31,962	2.82
Office expenses	1,679	
Professional services	11,074	0.77
Miscellaneous expense	391	
Dues & memberships	245	0.07
Marketing	6,305	0.41
Software & maintenance contracts	49,000	7.37
Interest	864	0.17
Total Other Expenses	<u>121,712</u>	<u>15.12</u>
Total Operating Expenses	<u>910,833</u>	<u>90.51</u>
OPERATING INCOME	<u>(18,767)</u>	9.49
NON-OPERATING REVENUES		
Interest Income	<u>18,844</u>	0.77
INCREASE IN NET POSITION	77	<u>10.28</u>
NET POSITION, BEGINNING OF YEAR	<u>768,493</u>	
NET POSITION, END OF YEAR	<u>\$ 768,570</u>	

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

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from members	920,041
Cash paid to suppliers and employees	<u>(883,318)</u>
Net Cash Provided by Operating Activities	36,723

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	<u>18,844</u>
-----------------	---------------

NET INCREASE IN CASH	<u>55,567</u>
-----------------------------	---------------

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,313,313
---	-----------

CASH AND CASH EQUIVALENTS, END OF YEAR	<u>1,368,880</u>
---	------------------

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

Net increase in net assets		77
Increase in interest receivable	(593)	
Decrease in prepaid expenses	1,352	
Decrease in deferred outflow of resources	25,857	
Decrease in accrued salaries & benefits	(11,974)	
Increase in accounts payable	873	
Increase in deferred income	27,975	
Increase in deferred inflow of resources	4,714	
Increase in net pension liability	<u>7,286</u>	
		<u>55,490</u>
Net Cash Provided by Operating Activities		<u><u>55,567</u></u>

The accompanying notes are an integral part of these financial statements

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018. Cash in County is considered to be a cash equivalent.

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Capital 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, 2018, 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.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of goods or services.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. 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 inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No.50 remain applicable for pensions that are not covered by the scope of this Statement.

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addresses. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans – pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans – pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer’s share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The Agency implemented the Provisions of this Statement beginning with the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that government recognize its contribution as a deferred outflow of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transitions only if it is practical to determine all such amounts.

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, held on behalf of the Authority are presented below:

	<u>Reported Amount</u>	<u>Fair Value</u>
Uncategorized	\$1,261,117	\$1,254,670
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.

NOTE 4 – OPERATING LEASES

The Authority has an operating lease for office space in Huntington Beach, expiring on July 31, 2019, requiring monthly payments of \$2,336.10. Lease will continue on a month-to-month basis after the expiration. Future minimum lease payments as of June 30, 2018, are as follows:

6/30/19	\$2,336.10
---------	------------

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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).

The Authority implemented GASB Statements No. 68 and No. 71, for the fiscal year ended June 30, 2018. As a result, the Authority reported its proportionate share of the net pension liabilities, pension expense, and deferred outflows, inflows of resources as follows:

<u>Pension Plan</u>	Proportionate Share of Net Pension Liability	Proportionate Share of Deferred Outflows	Proportionate Share of Deferred Inflows	Proportionate Share of Pension Expense
CalPERS	<u>\$ 527,242</u>	<u>\$82,943</u>	<u>\$21,615</u>	<u>\$81,825</u>

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 PEPR, 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.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member’s final compensation. Members hired on or before December 31, 2012, with five years total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1 2013), and has at least five years of credited service. The cost living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Miscellaneous Employer Pool (CalPERS)</u>	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of Service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.250%
Required employer contribution rate	12.801%	6.250%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as percentage of annual payroll. The Authority's contributions to CalPERS for the fiscal year ended June 30, 2018 was \$58,544 and equals 100 percent of the required contribution.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2018, the Authority reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$527,242. The net pension liability was measured as of June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating miscellaneous governmental entities, actuarially determined. As of June 30, 2018, the Authority's proportion was .0139 percent.

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

For the year ended June 30, 2018, the Agency recognized pension expense of \$96,401. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 0	\$ 0
Net differences between projected and actual earnings on Plan investments	<u>82,943</u>	<u>21,615</u>
Total	<u>\$ 82,943</u>	<u>\$ 21,615</u>

Actuarial Methods and Assumptions

Total pension liability for the MEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	2.50%

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Mortality assumptions are based on a mortality table based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return of each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Global fixed income	28%	2.62%
Inflation sensitive	-	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Miscellaneous Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the Authority's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 846,899
Current discount rate (7.15%)	527,243
1% increase (8.15%)	263,373

**COOPERATIVE ORGANIZATION FOR THE DEVELOPMENT
OF EMPLOYEE SELECTION PROCEDURES
(A Joint Powers Entity)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 16, 2019, the date that the financial statements were available for issue and has determined that there are no additional adjustments and/or disclosures required.

Independent Auditor's Report

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, 2017, 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 April 16, 2019.

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. Given these limitations, during our audit we did not identify any

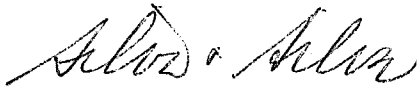
deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
April 16, 2019