

PALOMAR COLLEGE COUNCIL OF CLASSIFIED EMPLOYEES, LOCAL 4522

Statement of Modified General Fund Expenses and Allocation Between
Chargeable Expenses and Nonchargeable Expenses
For the Year Ended June 30, 2011

(With Accountant's Review Report Thereon)

Rita C. Villa
Certified Public Accountant

To the Executive Board
Palomar College Council of Classified Employees, Local 4522

I have reviewed the accompanying statement of modified general fund expenses and allocation between chargeable expenses and nonchargeable expenses of the Palomar College Council of Classified Employees, Local 4522 (the "Council") for the year ended June 30, 2011 (the "Statement"). A review includes primarily applying analytical procedures to management's financial data and making inquiries of Council management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

The accompanying Statement was prepared for the purpose of complying with the legislation regarding the determination of fair share service fee. The total expenses reflected in Column A are based on the modified expenses of the Council for the year ended June 30, 2011, with regard to the accounting policies explained in Note 2. The allocation of expenses between Chargeable (Column B) and Nonchargeable (Column C) is based on the definitions and significant factors and assumptions described in Notes 3 and 4.

Management is responsible for the preparation and fair presentation of the Statement in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the Statement.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the Statement. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying Statement in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Rita C. Villa

May 17, 2012

PALOMAR COLLEGE COUNCIL OF CLASSIFIED EMPLOYEES, LOCAL 4522

Statement of Modified General Fund Expenses and Allocation
Between Chargeable Expenses and Nonchargeable Expenses

For the Year Ended
June 30, 2011

	Column A Total Expenses	Column B Chargeable Expenses	Column C Nonchargeable Expenses	Notes
Direct Expenses:				
American Federation of Teachers Per Capita Taxes	\$ 14,416	\$ 8,908	\$ 5,508	4(a)
California Federation of Teachers Per Capita Taxes	34,881	22,955	11,926	4(a)
Other Per Capita Taxes	2,233	0	2,233	4(a)
Members' Insurances	702	0	702	4(b)
Good & Welfare	275	0	275	4(c)
Meetings	1,853	1,668	185	4(d)
Conferences & Conventions	2,764	2,178	586	4(d)
Legal	14,215	14,215	0	4(e)
Less: CFT Legal Defense Grant	<u>(4,401)</u>	<u>(4,401)</u>	<u>0</u>	4(e)
Total Direct Expenses	66,938	45,523	21,415	
General, Administrative & Overhead:				
Office	442	301	141	4(f)
Rent	510	347	163	4(f)
Internet	<u>207</u>	<u>141</u>	<u>66</u>	4(f)
Total General, Administrative & Overhead	<u>1,159</u>	<u>789</u>	<u>370</u>	
Total Expenses	<u>\$ 68,097</u>	<u>\$46,312</u>	<u>\$ 21,785</u>	
Percentage	<u>100.00%</u>	<u>68.00%</u>	<u>32.00%</u>	

See accompanying notes and accountant's report.

PALOMAR COLLEGE COUNCIL OF CLASSIFIED EMPLOYEES, LOCAL 4522

Notes to Statement of Modified General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses

(1) Organizational Purpose

The Palomar College Council of Classified Employees, Local 4522 (the “Council”) was formed to: obtain exclusive bargaining rights, including the right to strike, for classified employees of Palomar Community College District (the “District”); bring local and state federations of classified employees into relations of mutual assistance and cooperation; obtain for classified employees all of the rights to which they are entitled in a free society; improve standards for classified employees, by promoting better preparation, encouraging relevant in-service training, and securing the working conditions essential to the best performance of professional service; encourage the hiring and retention of competent classified employees and other educational workers, the maintenance of modern, well equipped schools, and the promotion of such educational programs and conditions in community colleges as will enable their students to equip themselves better to take their places in the economic, social and political life of the community; fight all forms of unfair bias due to race, creed, sex, disability, age, or social, political or economic status, or national origin; support and promote the ideals of democracy as envisioned in the Constitution of the United States of America, its Bill of Rights and other Amendments; and work for passage and retention of just laws which will improve the educational climate for all employees of the educational system, and to encourage employees to exercise their proper rights and responsibilities under these laws. The Council is Local 4522 of the American Federation of Teachers. It is affiliated with the California Federation of Teachers and the AFL-CIO. The Council is the exclusive bargaining agent for all classified employees of the District. The District has approximately 380 classified employees.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying Statement of Modified General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses of the Council (the “Statement”) was prepared for the purpose of determining the fair share cost of services rendered by the Council for employees represented by, but not members of, the Council. The accompanying statement is not intended to be a complete presentation of the Council’s financial position, results of operations or changes in financial position in accordance with generally accepted accounting principles.

PALOMAR COLLEGE COUNCIL OF CLASSIFIED EMPLOYEES, LOCAL 4522

Notes to Statement of Modified General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses

(b) Accrued Expenses

The Statement has been prepared on the accrual basis. The accrual basis recognizes expenses when incurred rather than when paid.

(c) Income Taxes

The Council is exempt from income taxes under Section 501(c)(5) of the Internal Revenue Code and Section 23701(a) of the Revenue and Taxation Code of the State of California.

(d) Use of Estimates

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

(3) Definitions

(a) Chargeable Expenses

Chargeable expenses are those incurred by the Council that reflect the share of the costs of operations of the Council which are considered necessarily and reasonably incurred for the purpose of performance of their duties as a representative of the employees in dealing with the employer on labor management issues, including the costs of: negotiating and administering the collective bargaining contract; settling grievances and disputes by mutual agreement, or in arbitration, court or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the Council as representative of the employees in the bargaining unit; and the maintenance of the Council's associational existence. The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration including investigation and processing grievances; meetings, conferences, administrative, arbitral and court proceedings and pertinent investigation and research in connection with work-related subjects and issues; handling work-related problems of employees; communications with community organizations, civic groups, government agencies and the media respecting the Council's position on work-related matters; maintaining records; and providing legal, economic and technical expertise on behalf of employees in all work-related matters.

PALOMAR COLLEGE COUNCIL OF CLASSIFIED EMPLOYEES, LOCAL 4522

Notes to Statement of Modified General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses

(b) Nonchargeable Expenses

Nonchargeable expenses are those of an ideological or political nature and those that are not germane to work-related interests of employees. The term "political" is defined as support for or against candidates for political office of any level of government and any office in the union structure. The term "ideological" is defined as support for or against certain positions that the union may take which are not work-related. The following expenses are classified as nonchargeable: member-only benefits, lobbying, electoral or political activities outside the limited context of contract ratification or implementation; litigation expenses that do not concern the objecting employees' bargaining unit; public relations efforts designed to enhance the reputation of the teaching profession; and the costs of activities primarily aimed at recruiting new members.

(4) Significant Factors and Assumptions used in the Allocation of Expenses Between Chargeable and Nonchargeable

(a) Per Capita Taxes

The American Federation of Teachers and the California Federation of Teachers (the "CFT") provided the Council with audited reports of chargeable and nonchargeable expenses. Based on those reports, the Council allocated as chargeable expense 61.79% and 65.81% of per capita taxes, respectively. In the absence of such a report, per capita taxes are deemed to be 100% nonchargeable.

(b) Members' Insurances

The Council pays for insurance on members only, which is therefore considered 100% nonchargeable.

(c) Good & Welfare

Good & welfare expenses include public relations activities. All such expenses are nonchargeable.

PALOMAR COLLEGE COUNCIL OF CLASSIFIED EMPLOYEES, LOCAL 4522

Notes to Statement of Modified General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses

(d) Meetings, Conferences & Conventions

Except for costs of activities which were not associated with the Council's function as collective bargaining representative, these expenses are considered 100% chargeable.

(e) Legal

Legal costs, which were part of contract enforcement or in defense of the Council's associational existence, are considered fully chargeable. The legal defense grant received from the CFT has been deducted from both the total and chargeable expenses.

(f) General, Administrative and Overhead

These expenses have been allocated in the same ratio as the direct expenses.

5. Subsequent Events

The Council has evaluated subsequent events through May 17, 2012, the date the financial statements were available to be issued.