Statement of General Fund Expenses and Allocation Between
Chargeable Expenses and Nonchargeable Expenses
For the Year Ended June 30, 2017
Rita C. Villa  
Certified Public Accountant  

Independent Auditor’s Report

Palomar College Council of Classified Employees, Local 4522:

Report on Financial Statement
I have audited the accompanying statement of general fund expenses and allocation between chargeable expenses and nonchargeable expenses and related notes of the Palomar College Council of Classified Employees, Local 4522 (the “Council”) for the year ended June 30, 2017 (the “Financial Statement”).

Management’s Responsibility for the Financial Statement
Management is responsible for the preparation and fair presentation of this Financial Statement 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 the Financial Statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
My responsibility is to express an opinion on the Financial Statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the Financial Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statement. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the Financial Statement, 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 Statement 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, I 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 Statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the Financial Statement referred to above presents fairly, in all material respects, the expenses of the general fund of the Council for the year ended June 30, 2017, with regard to the accounting policies explained in Note 2, and the allocated expenses between chargeable expenses and nonchargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 3 and 4, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
I draw attention to Note 2(a) to the Financial Statement, which describes that the Financial Statement was prepared for the purpose of complying with the legislation regarding the determination of fair share service fee and is not intended to be a complete presentation of the revenues and expenses of the Council’s general fund. My opinion is not modified with respect to this matter.

Restriction on Use
This report is intended solely for the information and use of the Council and its fair share fee payers, and is not intended to be used by anyone other than these specified parties and should not be used for any other purpose.

Rita C. Villa

August 30, 2017

4353 COFFAX AVENUE #6, STUDIO CITY, CA 91604; TELEPHONE: VILLA (818) 384-1942 -- POOLEY (818) 370-4613; FAX (818) 985-7266
### Statement of General Fund Expenses and Allocation
Between Chargeable Expenses and Nonchargeable Expenses

**For the Year Ended**
**June 30, 2017**

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenses</td>
<td>Chargeable Expenses</td>
<td>Nonchargeable Expenses</td>
<td></td>
</tr>
<tr>
<td>Direct Expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Federation of Teachers Per Capita Taxes</td>
<td>$37,446</td>
<td>$21,284</td>
<td>$16,162</td>
</tr>
<tr>
<td>California Federation of Teachers Per Capita Taxes</td>
<td>89,254</td>
<td>66,708</td>
<td>22,546</td>
</tr>
<tr>
<td>Other Per Capita Taxes</td>
<td>5,133</td>
<td>0</td>
<td>5,133</td>
</tr>
<tr>
<td>Members’ Insurances</td>
<td>1,309</td>
<td>0</td>
<td>1,309</td>
</tr>
<tr>
<td>Good &amp; Welfare</td>
<td>945</td>
<td>0</td>
<td>945</td>
</tr>
<tr>
<td>Membership</td>
<td>30,008</td>
<td>5,366</td>
<td>24,642</td>
</tr>
<tr>
<td>Meetings</td>
<td>1,145</td>
<td>1,088</td>
<td>57</td>
</tr>
<tr>
<td>Conventions</td>
<td>9,992</td>
<td>9,992</td>
<td>0</td>
</tr>
<tr>
<td>Conferences</td>
<td>36,421</td>
<td>30,814</td>
<td>5,607</td>
</tr>
<tr>
<td>Web/Internet</td>
<td>770</td>
<td>731</td>
<td>39</td>
</tr>
<tr>
<td>Representation</td>
<td>1,509</td>
<td>1,509</td>
<td>0</td>
</tr>
<tr>
<td>Bonding</td>
<td>60</td>
<td>60</td>
<td>0</td>
</tr>
<tr>
<td>Legal</td>
<td>8,836</td>
<td>8,836</td>
<td>0</td>
</tr>
<tr>
<td>Accounting</td>
<td>6,000</td>
<td>6,000</td>
<td>0</td>
</tr>
<tr>
<td>Total Direct Expenses</td>
<td>228,828</td>
<td>152,388</td>
<td>76,440</td>
</tr>
</tbody>
</table>

| General, Administrative & Overhead: |  |  |  |
| Office | 4,069 | 2,710 | 1,359 | 4(g) |
| Rent | 9,000 | 5,993 | 3,007 | 4(g) |
| Depreciation | 983 | 655 | 328 | 4(g) |
| Total General, Administrative & Overhead | 14,052 | 9,358 | 4,694 | |
| Total Expenses | $242,880 | $161,746 | $81,134 |
| Percentage | 100.00% | 66.59% | 33.41% |

See report of independent auditor and accompanying notes.
(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 340 classified employees.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying Statement of 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.

(b) Accrued Expenses

The Statement has been prepared on the accrual basis. The accrual basis recognizes expenses when incurred rather than when paid.
PALOMAR COLLEGE COUNCIL OF CLASSIFIED EMPLOYEES, LOCAL 4522

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

(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) **Depreciation**

Asset acquisitions greater than $500 are capitalized. Depreciation on equipment was computed by using the straight-line method over the estimated useful life of the asset.

(e) **Use of Estimates**

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management’s estimates and assumptions. Further, in the preparation of the Statement, management’s estimates have been used in the allocation of expenses between chargeable and nonchargeable expenses. The nature of these estimates is such that actual results could be different.

(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.
(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 AFT and CFT provided the Council with audited reports of chargeable and nonchargeable expenses. Based on those reports, the Council allocated as chargeable expense 56.84% and 74.74% of per capita taxes, respectively.

All other per capita taxes are deemed to be 100% nonchargeable.

(b) **Members' Insurances and Good & Welfare**

The Council pays for insurance on members only, which is therefore considered 100% nonchargeable. Good & welfare expenses include public relations activities. All such expenses are nonchargeable.

(c) **Membership**

All members of the unit received year-end gift cards. The additional gift to union members is nonchargeable. Social events unrelated to representation directly are nonchargeable.

(d) **Meetings, Conventions & Conferences**

Except for costs of activities which were not associated with the Council's function as collective bargaining representative, these expenses are considered 100% chargeable.
Notes to Statement of General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses

(e) **Website/Internet**

The contents of the website were analyzed to assess chargeability.

(f) **Representation, Bonding, Legal and Accounting**

These expenses, which include the cost of preparing this report, are part of the Council’s representational costs and are fully chargeable.

(g) **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 August 30, 2017, the date the Statement was available to be issued.