



LOCAL NO. 681 15250 MERCANTILE DRIVE • DEARBORN, MI 48120 • 313-584-5311 • FAX 313-584-3232
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August 1, 2017

Dear DFT Member:

As you know, our collective bargaining agreement requires that all members of the bargaining unit either join the union and pay dues or pay an agency or representation fee. The latter covers expenses related to or that impact collective bargaining, contract administration and enforcement. Agency fee payers do not have a vote or any say on how the union operates, contract ratification or on any other union activity. Agency fee payers are not eligible for the \$1,000,000 occupational liability insurance or the \$5,000 Life Insurance offered only to members of the American Federation of Teachers.

Enclosed for your information is a Notice to Bargaining Unit Members, which explains agency fee. This is provided for your information and does not require any action on your part.

In Solidarity,

A handwritten signature in cursive script that reads "Chris Sipperley".

Chris Sipperley, President
Dearborn Federation of Teachers, AFT Local 681

Enclosure
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**ANNUAL NOTICE TO BARGAINING UNIT MEMBERS
DEARBORN FEDERATION OF TEACHERS, AFT LOCAL 681**

As a Federation member, you have the opportunity to work with your colleagues on questions important to employees of the Dearborn Public Schools. As a member of the Union, you receive important benefits including the right to vote on all Union issues, including our contract. However, you are not required to join the Union.

The Law Requires Us to Notify You That:

1. You have the right to become a member of the organization or refrain from becoming a member of the Union without fear of reprisal by either the Union or the Dearborn Public Schools.
2. An employee represented by the Union who chooses not to become a member of the union or who after joining the union decides to resign is subject to the Union Security Clause of the collective bargaining agreement between the Union and the Dearborn Public Schools. The Clause requires an employee who does not join the union to pay a service fee, also called an agency or representation fee.
3. The agency fee is limited to that portion of union dues the Union expends on matters related to or impacts collective bargaining contract administration and enforcement.
4. A non-member must arrange for either payroll deduction if permitted by law (unless the collective bargaining agreement permits payroll deduction without the non-member's consent) direct payment of the agency fee or auto deduction of the fee from a bank account or credit card or advance, direct, payment of the fee.
5. The following contract language from Article III A. 7 explains what happens if a non-member does not pay the agency or representation fee:
 7. *A Bargaining Unit member may revoke the Voluntary Authorization for Deduction of Dues or the Payroll Withholding Authorization for deduction of Union dues or service fee from 8/1 through 8/21 by written notification to the Employer on a form provided by the Employer, provided notice of such revocation is given to the Union. Payroll deductions shall terminate when a revocation has been delivered to the Employer from 8/1 through 8/21 inclusive, or else deductions will continue. If the Bargaining Unit member exercises his/her right to terminate payroll deductions, he/she will then be responsible for paying either dues or service fees directly to the Union in such a manner, and on such a schedule, as the Union may approve.*
 - a. *The parties acknowledge that involuntary deduction of the service fee is a sanction that is less harmful to education continuity than discharge.*
 - b. *Notwithstanding the same, in the event that Section 2 above is found to be unenforceable by a court or agency of competent jurisdiction from which appeals have exhausted (or the time to appeal has expired), then the parties shall utilize the process which follows:*

- i. *The Union notifies the employee by letter, explaining that he or she is delinquent in not tendering either Union dues or service fees, and specifying the current amount of such delinquency, and warning him or her that unless such dues or service fees or a properly executed Payroll Withholding Authorization are tendered within thirty (30) calendar days of such notice, he or she will be reported to the Board for termination. The effective date for termination of employment of any employee who fails to comply with this agreement shall be the end of the school year in which the employee's failure to comply occurs.*
- ii. *The Union will furnish the Board with a copy of the letter sent to the employee and notice that he or she has not complied with the Union's request. When requesting the Board to terminate the employee, the Union shall further specify the following by written notice:
 - 1.) *The Union certifies that (Name) _____ has failed to tender either the required Union dues or service fees required as a condition of continued employment under this collective bargaining agreement and demands that, under the terms of this agreement, the Board shall terminate this employee.**
- iii. *The Board agrees that within five (5) days of receipt of the notice provided in the last preceding paragraph, it shall notify the employee that his or her services shall be terminated at the end of the current school year, and the Board further agrees that, at the next meeting of the Board after receipt of the said notice, the Board shall, at its option, either adopt a resolution terminating the employment of the employee effective at the end of the current school year, or adopt a resolution initiating Tenure Act proceedings directed toward termination of the employment of the employee effective at the end of the current school year. The Board further agrees that after it has received the said notice it will not accept a Payroll Withholding Authorization from such employee without the consent of the Union.*
- iv. *Notwithstanding the foregoing, the individual employee(s) may be reemployed in the event that, at the time of hire, they either join the Union or pay or arrange for payment of a service fee.*

6. A non-member may object to the amount of the agency fee. To object, the non-member must present a written objection to the union's treasurer or other designated person. The objection must be presented from August 1 through August 21. The failure to present an objection waives the right to do so. An objector will be given a full explanation of the basis for the agency fee.

What are Chargeable Expenses?

1. Expenses related to or that impact collective bargaining, contract administration and enforcement.
2. Expenses related to or that impact the administration and enforcement of agreements,

practices and working conditions, including grievance handling and arbitration. Also included are expenses related to communication with employees in the bargaining unit or with employer representatives regarding wages, hours or working conditions;

3. Expenses related to normal union internal governance and management expenses;
4. Expenses related to social activities (if members may attend) and union business meetings;
5. Expenses related to union publications (to the extent coverage is related to chargeable activities);
6. Expenses related to litigation before the courts and administrative agencies related to contract administration, collective bargaining rights and internal governance;
7. Expenses related to legislative, executive branch and administrative agency representation on legislative and regulatory matters related to contract ratification or the implementation of contracts;
8. Expenses related to the education of and training of members, officers, and staff intended to prepare the participants to better perform chargeable activities;
9. A proportional share of all overhead and administrative expenses.

What Are Non-Chargeable Expenses?

1. Expenses related to community service activities of the Union;
2. Expenses related to legislative activity not involving contract ratification or the implementation of contracts;
3. The non-chargeable portion of AFT and AFT Michigan per capita (AFT and AFT Michigan send an annual notice to locals of what percentage is non-chargeable);
4. Expenses related to the cost of affiliating with organizations other than the AFT and AFT Michigan;
5. Expenses related to the direct support of political candidates, PAC expenditures and contributions to ballot questions.

Your Right to Object

1. A fee payer who disagrees with the Union's characterization of chargeable and non-chargeable expenditures or calculation of the expenditures in any category may challenge the Union's determination by submitting a written challenge to the Treasurer or other local designee of the Union during the defined window period. A challenge to the fee determination must be filed not later than 28 days following the annual distribution of the

notice of the amount of the fee.

2. A timely filed challenge to the union's determination of chargeable and non-chargeable expenses will be resolved by an impartial determination process culminating in arbitration. All challenges will be consolidated to the extent practicable and be heard as soon as possible. The presentation to the arbitrator will be either in writing or at a hearing if requested by any objector(s). If a hearing is held any objector who does not wish to attend may submit his or her views in writing by the date of the hearing. If a hearing is not held, the arbitrator will set a date by which all written submissions will be received and will decide the case based on the records submitted. The Union will bear the burden of justifying its calculation.
3. Our local Union has adopted the *Rules for Impartial Determination of Union Fees* promulgated by the American Arbitration Association. Those rules may be found at <http://www.adr.org/>. A copy may also be obtained by contacting the American Arbitration Association at 888-774-6904.
4. Any cost for arbitrator's services and the cost of any proceeding before the arbitrator will be borne by the Union. Individually incurred costs will be borne by the party incurring them.
5. While the objection is pending, the Union's Treasurer will hold, in an escrow account, that portion of the fees that are reasonably in dispute. In the event that the arbitrator determines that the objector is entitled to a greater reduction in fees than that calculated by the Union, an additional check will be issued at the close of the objection procedure for the balance of the reduction in fees, as determined by the arbitrator.

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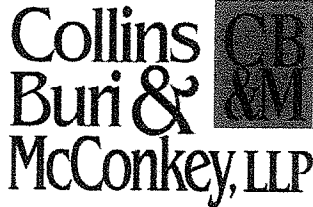
**DEARBORN FEDERATION OF TEACHERS,
AMERICAN FEDERATION OF TEACHERS, LOCAL 681,
AND SUBSIDIARY**

**SCHEDULE OF COMBINED EXPENSES AND ALLOCATION
BETWEEN CHARGEABLE AND NON-CHARGEABLE EXPENSES
AND
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended December 31, 2016

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Troy, Michigan

Independent Auditor's Report

To the Executive Board of Directors,
Dearborn Federation of Teachers,
American Federation of Teachers, Local 681,
and Subsidiary
Dearborn, Michigan

We have audited the accompanying schedule of combined expenses and allocation between chargeable and non-chargeable expenses of Dearborn Federation of Teachers, American Federation of Teachers, Local 681, and Subsidiary (the Federation) for the year ended December 31, 2016, and the related notes to the schedule.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule, and the allocation of expenses between chargeable and non-chargeable expenses, on the basis of the definitions and significant factors and assumptions as described in Note B5 and C; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, 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 schedule 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 combined schedule of expenses.

Auditor's Responsibility (Continued)

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 schedule referred to above presents fairly, in all material respects, the combined expenses of the Federation and the allocation between chargeable and non-chargeable expenses for the year ended December 31, 2016, on the basis of the definitions and significant factors and assumptions as described in Notes B5 and C.

Other Matter

We draw attention to Notes B5 and Note C of the schedule, which describes the definitions, significant factors and assumptions used to allocate expenses between chargeable and non-chargeable classifications. Such allocations reflect a basis of financial reporting other than accounting principles generally accepted in the United States of America, to comply with the significant factors and assumptions referred to above. The schedule is not intended to be a complete presentation of the Federation's expenses. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the board of directors, management and members of the Federation, and its affiliates, and is not intended to be and should not be used by anyone other than these specified parties.

Collins, Buri & McConkey, LLP

Troy, Michigan
May 22, 2017

DEARBORN FEDERATION OF TEACHERS,
AMERICAN FEDERATION OF TEACHERS, LOCAL 681,
AND SUBSIDIARY

SCHEDULE OF COMBINED EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE AND NON-CHARGEABLE EXPENSES

For the Year Ended December 31, 2016

	Total Expenses	Chargeable Expenses	Non- Chargeable Expenses	Notes
Affiliate per capita dues				
AFT	\$ 299,698	\$ 209,099	\$ 90,599	C(1)
AFT Michigan	290,595	224,659	65,936	C(1)
AFL-CIO	11,258	-	11,258	C(1)
Salaries				
Employees	65,980	64,387	1,593	C(3)
Editor	2,500	1,300	1,200	C(3)
Officers	26,553	23,898	2,655	C(3)
Audit fees	8,800	8,800	-	C(9)
Building representative meetings	1,459	1,459	-	C(2)
Building representative stipends	14,930	14,930	-	C(3)
Conferences and conventions	12,623	8,836	3,787	C(2)
Depreciation	18,405	18,405	-	C(9)
Executive Board stipends	7,000	7,000	-	C(3)
Flowers and gifts	1,093	1,093	-	C(9)
Furniture and equipment	517	517	-	C(9)
Insurance				
AFT liability	5,892	-	5,892	C(10)
Building	2,211	2,211	-	C(9)
Workers' compensation	850	850	-	C(9)
Interest	11,473	11,473	-	C(9)
License fees	20	20	-	C(9)
Membership functions	9,366	-	9,366	C(5)
Officer travel	2,728	2,728	-	C(7)
Payroll service fees	1,450	1,450	-	C(9)
Payroll taxes	7,889	7,426	463	C(3)
President's salary and fringe benefits reimbursement	127,889	115,099	12,790	C(3)
Printing and postage	479	349	130	C(6)
Property taxes	14,412	14,412	-	C(9)
Publications	30	30	-	C(6)
Public relations	5,655	-	5,655	C(8)
Repairs and maintenance	12,910	12,910	-	C(9)
Retirees expenses	2,659	-	2,659	C(5)
Supplies	1,644	1,644	-	C(9)
Union release time	26,070	26,070	-	C(4)
Utilities	<u>2,627</u>	<u>2,627</u>	<u>-</u>	C(9)
Total general, administrative, and operating expenses	<u>\$ 997,665</u>	<u>\$ 783,682</u>	<u>\$ 213,983</u>	
	<u>100.00%</u>	<u>78.55%</u>	<u>21.45%</u>	

The accompanying notes are an integral part of this schedule.

DEARBORN FEDERATION OF TEACHERS,
AMERICAN FEDERATION OF TEACHERS, LOCAL 681,
AND SUBSIDIARY

NOTES TO SCHEDULE OF COMBINED EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE AND NON-CHARGEABLE EXPENSES

For the Year Ended December 31, 2016

Note A – NATURE OF THE ENTITY

Dearborn Federation of Teachers, American Federation of Teachers, Local 681 (the Federation) is a Michigan non-profit association organized as the sole bargaining agent for classroom teachers in the Dearborn School District. The objectives of the Federation are to raise the standards of the teaching profession, to promote welfare by providing progressively better educational opportunities for all, and to obtain for teachers all the rights to which they are entitled.

The Dearborn Federation of Teachers Building Corporation, wholly-owned by the Federation, is organized to hold title to the real estate in which the Federation maintains its offices.

Note B – SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying schedule follows:

1. Principles of Combination

The combined schedule of expenses includes the accounts of Dearborn Federation of Teachers, excluding the activity of its Political Action Committee, and Dearborn Federation of Teachers Building Corporation. All significant intercompany transactions have been eliminated.

2. Basis of Accounting

The accompanying schedule was prepared for the purpose of determining the fair share cost of services rendered by the Federation for employees represented by, but not members of, the Federation. The accompanying schedule is not intended to be a complete presentation of the Federation's consolidated financial position, changes in net assets or its cash flows in conformity with generally accepted accounting principles in the United States of America.

3. Use of Estimates

The preparation of this schedule requires management to make estimates and assumptions that affect the reported amounts of expenses during the reporting period and the allocation of expenses between chargeable and non-chargeable. Actual results could differ from those estimates.

4. Income Taxes

The Dearborn Federation of Teachers is a non-profit corporation and is granted tax-exempt status by the Internal Revenue Service under Code Section 501(c)(5) as an affiliate of the American Federation of Teachers. The Dearborn Federation of Teachers Building Corporation is a non-profit corporation and is granted tax-exempt status under Code Section 501(c)(2). Accordingly, no provision for income taxes is required.

DEARBORN FEDERATION OF TEACHERS,
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NOTES TO SCHEDULE OF COMBINED EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE AND NON-CHARGEABLE EXPENSES

For the Year Ended December 31, 2016

Note B – SUMMARY OF ACCOUNTING POLICIES (Continued)

5. Definitions

a. Chargeable Expenses

Chargeable expenses are those incurred by the Federation that reflect operational costs which are considered necessary and reasonably incurred in the performance of its role as a representative of employees in dealing with the Dearborn Board of Education on labor/management issues, including the costs of: negotiating and administering the collective bargaining contract; settling grievances and disputes by mutual agreement, arbitration, legal process, or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the union as the representative of the employees in their bargaining unit.

The following are examples of expenses classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration including investigation and processing grievances; meetings, conferences, administrative, arbitral, and legal 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 regarding the Federation's position on work-related matters; lobbying and legislative activities with respect to matters concerning employees' work-related issues; maintaining membership and recruitment of members; employee group programs; and providing legal, economic, and technical expertise on behalf of employees in all work-related matters.

b. Non-Chargeable Expenses

Non-chargeable 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 or an 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.

DEARBORN FEDERATION OF TEACHERS,
AMERICAN FEDERATION OF TEACHERS, LOCAL 681,
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NOTES TO SCHEDULE OF COMBINED EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE AND NON-CHARGEABLE EXPENSES

For the Year Ended December 31, 2016

Note C – SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF
COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE EXPENSES

1. Affiliate Per Capita Dues

The portion of per capita dues paid to AFT and AFT Michigan deemed to be non-chargeable are based on the percentage reported by the respective affiliates for their previous fiscal year. Per capita dues paid to the AFL-CIO are deemed fully non-chargeable.

2. Conferences and Conventions and Building Representative Meetings

These expenses include training programs for the staff and union members to enhance skills in collective bargaining, grievance handling, contract administration, and administration of the Federation's constitution and by-laws. Expenses to attend conferences and conventions that are considered political or ideological in nature are allocated as non-chargeable. Other expenses are considered fully chargeable.

3. Salaries, Stipends, Payroll Taxes and Fringe Benefits

Salary expenses and stipends have been allocated to non-chargeable expenses based on time spent on non-chargeable activities. Payroll taxes and fringe benefits have been allocated to non-chargeable based on the percentage of allocated salary expense.

4. Union Release Time

The Federation reimburses the Dearborn School District for the cost of substitute teachers to release building representatives and officers to attend training related to member representation, and is considered fully chargeable.

5. Membership Functions and Retiree Expenses

The union holds several social events and functions each year for current and retired members. These events are open only to members and are therefore fully non-chargeable.

6. Postage, Printing, and Publications

Direct expenses of postage, printing, and publications are allocated based on the specific content of the publications. Expenses allocable to publication considered political or ideological in nature are non-chargeable.

7. Officer Travel

Expenses incurred by the President and other officers that are related to contract administration, grievance handling, and collective bargaining issues are specifically identified and considered fully chargeable.

DEARBORN FEDERATION OF TEACHERS,
AMERICAN FEDERATION OF TEACHERS, LOCAL 681,
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NOTES TO SCHEDULE OF COMBINED EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE AND NON-CHARGEABLE EXPENSES

For the Year Ended December 31, 2016

Note C – SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF
COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE EXPENSES
(Continued)

8. Public Relations

Public relations expenses include expenditures for goodwill items and events, membership dues, sponsorship fees, contributions, and other expenses related to participation in local civic and charitable activities, and contributions toward local ballot issues. All local ballot issue contributions and other public relations expenses are political or ideological in nature and are deemed fully non-chargeable.

9. General, Administrative, and Operating Expenses

All general, administrative, and operating expenses, unless otherwise noted and directly allocable, are deemed fully chargeable.

10. AFT Liability Insurance

AFT liability insurance is available only to union members; therefore, all AFT insurance expense is deemed fully non-chargeable.

Note D – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after December 31, 2016, but before the accompanying schedule is issued or is available to be issued, and which may require recognition or disclosure in the schedule. Management has evaluated such events or transactions through May 22, 2017 (the available to be issued date), and determined that such occurrences, if any, do not require recognition or disclosure in the accompanying schedule.