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Q. Last month's *Financial Forum* discussed different subdivisions of fund balance required by the Governmental Accounting Standards Board (GASB) Statement 54. What actions, if any, are needed by the township board, due to these new standards?

If you will recall, the standards have new definitions of these classifications:

- **Nonspendable.** These classifications are generally from external sources, such as legal or contractual requirements, or represent non-cash items, such as inventory or prepaid amounts. No actions by the township board appear necessary. For these types of net assets, the classification occurs by definition.
- **Restricted.** Typically used for external restrictions by creditors, laws or regulations, the restriction itself is generally from external sources, thus it also is by definition classified as "restricted."
- **Committed.** Amounts can only be used for specific purposes imposed by formal action of the township, such as a resolution or ordinance adopted by the township board. It is also the author's belief that a policy adopted by board resolution to maintain a certain level of fund balance could be deemed a formal commitment by the township board.
- **Assigned.** This classification, which is similar to the previous "designated" classification, shows the governing body's "intent." This classification generally will require some action by the township board to indicate who is authorized to make these assignments on behalf of the township. The township's general appropriations act is a good place to communicate the board's intentions. Or, once the annual audit process is complete, the board could formally create these assignments through a resolution. For example, if the township board wishes to assign a portion of fund balance for the purchase of a new piece of equipment, building renovation or other project, the board could, by resolution, make this formal "assignment." If the board wishes to designate these assignments—which could be revised by future board actions—to the supervisor, or other elected officials or employees, it could do so in the annual budget resolution.
- **Unassigned.** This is the residual balance of the general fund only after allocations are made to the aforementioned classifications.

Q. What is the IRS standard mileage rate for 2011?

The standard mileage rate—the maximum amount employers can reimburse employees for business miles driven in the

employee's personal vehicle, without tax consequences—is 51 cents per mile in 2011.

There is no requirement for townships to pay this amount per mile; the IRS sets these "safe harbor" limits whereby the employer (township) can reimburse the employee for the business use of his or her personal vehicles without income tax consequences.

Q. What is the maximum wage base for Social Security taxes in 2011?

If an employee is subject to these taxes:

- The Medicare portion of Social Security taxes is not capped; all covered employees wages are subject to this tax.
- The Social Security portion is limited to the first \$106,800 wages paid in calendar year 2010 and 2011.

Q. Have retirement plan limits changed for 2011?

No, plan limits for all types of "elective deferrals" remain the same for 2011:

- Section 457 deferred compensation plan: \$16,500 limit
- Savings Incentive Match Plan for Employees (SIMPLE) plans (408 (p)(2)): \$11,500 limit
- "Catch-up" contribution for participants age 50 and older, for 401 and 457 plans: \$5,500 per year
- "Catch-up" contributions for participants age 50 and older for SIMPLE plans: \$2,500 per year

For more information, contact your plan administrator.

Information provided in Financial Forum should not be considered legal advice, and readers are encouraged to contact their township auditor and/or attorney for advice specific to their situation.

The advertisement features a black and white photograph of a person's hands writing in a notebook. To the right of the photo, the words "experience", "knowledge", and "integrity" are written in a cursive font. Below the photo, the firm's name "POST, SMYTHE, LUTZ & ZIEL OF PLYMOUTH, LLP" is printed in a bold, sans-serif font, followed by "CERTIFIED PUBLIC ACCOUNTANTS". At the bottom, the address "1034 West Ann Arbor Trail • Plymouth, MI 48170" and phone/fax numbers "Ph. 734.453.6770 Fax. 734.453.0312" are listed. To the right of the firm's name, the services "Auditing", "Governmental Accounting", and "Financial Consulting Services" are listed in a smaller font.