

# Financial checkup for small business – and cities and rural water districts too

**A**t some point or another, almost all of us have done it. You pick a destination, load the family in the car and take off on a cross-country trip.

Along the way, you stop every now and then to check the map and make sure you're headed in the right direction. If you miss an exit or make a wrong turn, you adjust your course accordingly. You might arrive a little behind schedule, but you get there.

All this is second nature to travelers. But it should be second nature to organizations like your water district as well – especially during volatile times.

Rural water district board and city council members and the employees of these utilities need to “check the map” as they navigate their organization through the twists and turns of a slowing economy. Similar to a personal financial checkup, an annual look at your utility's finances enables you to review how you're doing – and make sure you're still headed in the direction you intend.

## What does it involve?

### Step one: Identifying your goals

The first step in any financial checkup is an evaluation of your financial goals. Ask where your water district or city should be in five years. Where do you want to be in ten years? Do you have plans to avoid a cash crunch or speed up collecting accounts receivables if the economy slows? Do you have a written financial plan or policy to govern how you invest any cash reserves? If so, that's great! If not, can you figure out what you'll need to do to get there?

Not sure where to begin? Then make an appointment with your accountant, banker or other financial professional. They can look at your books and help you assess your financial strengths and weaknesses. If customers are behind on payments, for example, they may have ideas for improving your cash flow or restructuring your city's or RWD's debt.

The important thing is to get your goals and other financial information down in writing, so you have hard numbers you can compare from year to year as you measure your progress.

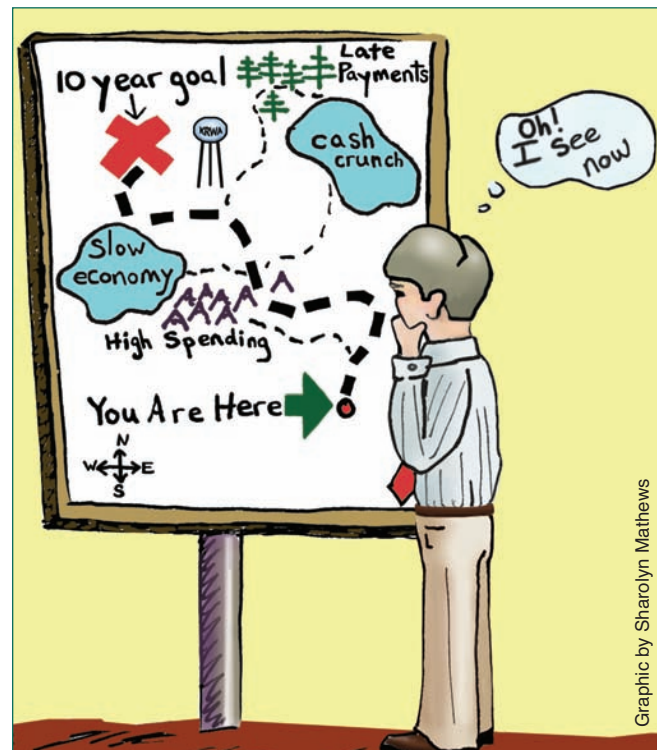
**An annual look  
at your utility's finances  
enables you to review  
how you're doing.**

### Step two: Assessing your needs

As part of your financial checkup, you will also want to plan equipment purchases and other capital expenditures that may be needed in the coming months and years. Even though the economy is slowing, you may still have things you “have to” do this year. Make sure you're planning and budgeting

for those adequately. By planning ahead, you can take the time to understand which financing option works best with your cash flow and balance sheet needs.

If high energy costs are significantly impacting your bottom line, you may decide it's time to switch to vehicles with higher gas mileage, or install energy-conserving upgrades to your office. Or maybe you can find a deal on some computer equipment as companies become hungry to make sales. While you should never buy something just because it's on sale, you may want to expedite purchases if you can get a favorable price, and it is part of your short-term plans.



Graphic by Sharolyn Mathews

### Step three: Protecting your assets and yourself

If cash flow begins to be pinched, many organizations are tempted to cut costs, but you can cut too deeply and put your organization at risk. Don't skimp on insurance for your organization. And if you haven't covered your directors and officers with liability insurance, now may be a time to consider it. Unfortunately we live in a litigious society, and when times are tough, a lawsuit may be attractive to someone who has a grievance and financial troubles of their own.

You also need to be even more diligent in your efforts to detect and prevent fraud. Anyone with access to your accounts or customers' accounts has access to sensitive information and can use that information to line their own pockets. There are several situations in Kansas at the present time where money has been embezzled from small cities. Be sure to maintain a separation of duties and consider investing in technology that can help you spot fraudulent activity within your organization.

### Step four: Reviewing your investment plan

If you haven't set up a retirement plan for the employees, or want to change the type of plan you have, now is the time to review your options.

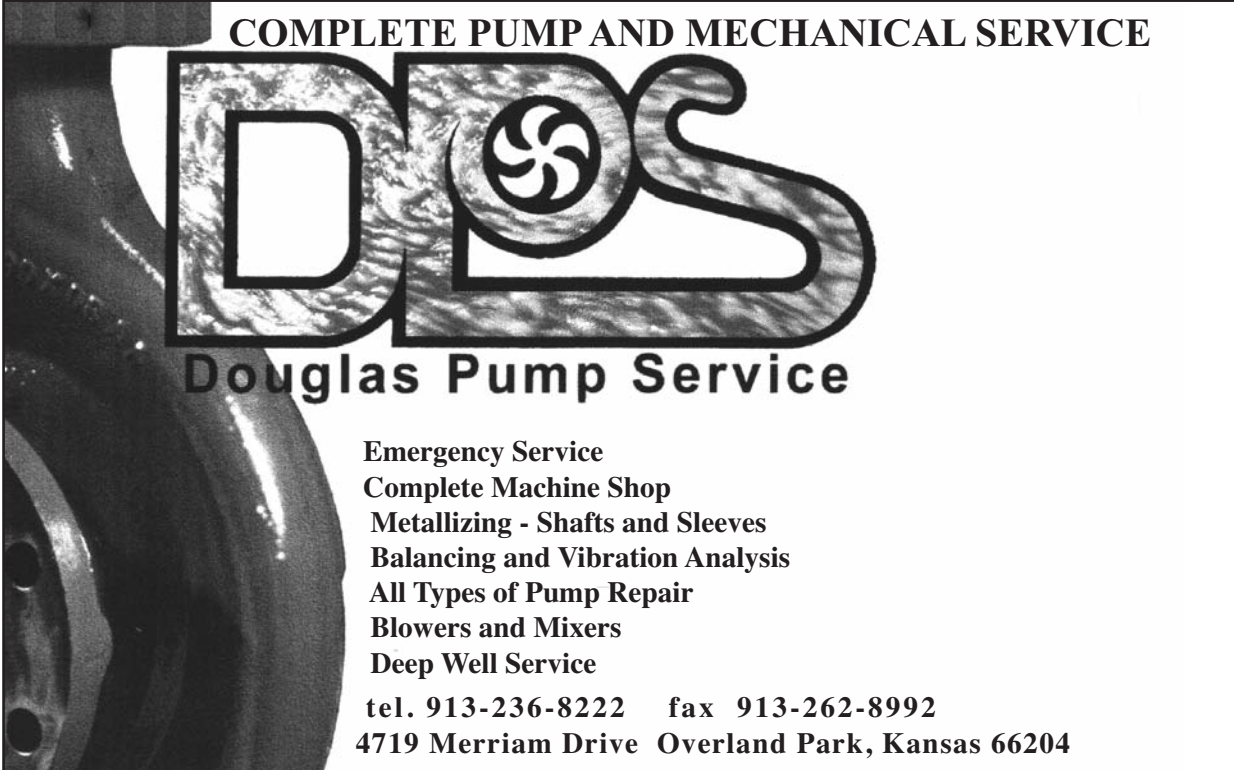
Similarly, you will want to review the organization's investments to see if they are provided the best possible return. Cities and rural water districts have limitations as to their investments – and given the extreme downturn in the stock market, those limitations have helped avert financial losses.

There are lots of things to consider about finances when the market is rocky and the country is in a recession. It's not easy or comfortable to give these areas a hard and honest look, but taking the time to do that will help your city or rural water district be strong enough to get through these challenging times.

*Doug Haverkamp is Vice President in the Commercial Banking Department at Commerce Bank in Manhattan, KS. Doug's primary duties are maintaining current banking customers and bringing in new business, involving agricultural, residential, and commercial lending.*



**Check out [www.commercebank.com](http://www.commercebank.com) for additional products and services.**



**COMPLETE PUMP AND MECHANICAL SERVICE**

**DPS**

**Douglas Pump Service**

- Emergency Service
- Complete Machine Shop
- Metallizing - Shafts and Sleeves
- Balancing and Vibration Analysis
- All Types of Pump Repair
- Blowers and Mixers
- Deep Well Service

tel. 913-236-8222 fax 913-262-8992  
4719 Merriam Drive Overland Park, Kansas 66204