

The C&P Advisors companies are happy to bring our latest newsletter to you. If you have questions on any of these topics, contact your C&P Advisor or the individuals listed.

September 2009

Money Management

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Managing Cash Flow - Keys to Your Success

Cash is king! How you manage your cash flow can play an important role in the profitability of your company. It is critical to the overall health of your business.

Receivables constitute the major source of cash coming into your business while payables are a drain on finances. Since the majority of materials are purchased at the beginning of the job, construction companies often have the challenge of paying suppliers before they can collect from the project owner. This issue has become even more pronounced in today's struggling economy since project owners are not paying their bills as quickly.

Some of the solutions Ciuni & Panichi, Inc. suggests to improve receivables:

- Implement credit checks if they are not currently being conducted
- Document the guidelines prospective customers have to meet and ensure they are clear and strictly enforced
- Require an approval for every sale

Having a project owner that is unable to pay costs you money and time.

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Construction Services Group

Welcome to the Ciuni & Panichi, Inc. Construction Advisor. We hope you find this newsletter valuable and we welcome your comments. Please share it with a colleague or business partner. In the coming months, we will tackle such topics as shoring up your balance sheet, dealing with net operating losses, utilization of tax credits, and year end tax planning ideas, among others.

We are a team knowledgeable in and dedicated to the construction industry; contact any one of us at 216-831-7171:

- John Troyer: Construction Audit Partner
- Brian Marita: Construction Tax Partner
- Jeremy Harrison and Kristen Schrader: Construction Audit Specialists
- Alan Urbancic and William Schneider: Construction Tax Specialists



John Troyer

Managing Cash Flow - Keys to Your Success continued:

Another equally important receivable issue is collections. Closely monitor aged accounts receivable and hold project owners to contract due dates. Follow up promptly as soon as the bill is past due and continue to maintain contact after that with the best form of communication: email, letters, or phone.

Forecasting helps determine if there are foreseeable problems ahead. We recommend doing weekly forecasts of anticipated cash disbursements and receipts for the subsequent four week period. Daily reports should summarize changes in cash position and outstanding accounts receivable and payable. Be sure to include debt service requirements during this period (as this can take a significant amount of your cash flow during the period being analyzed). It will be important to allow time for accounting personnel to report these results to management so you can stay informed of the current cash position and trends.

Use of accounting software or spreadsheets downloaded off of the internet is a great way to manage the information and makes it easy to take a snapshot of where you are at any moment in time.

The overall benefit is the ability to plan accordingly, rather than being surprised by unexpected circumstances. This process will allow you to combine planning for capital acquisitions and debt requirements with your daily needs. Discretionary expenditures can also be planned. You will see when there is a need for temporary borrowing or, better yet, when there is an opportunity to invest cash short term (money markets, CDs, etc.).

Another idea worth considering is leasing large asset purchases such as equipment and real estate. This may allow you to conserve cash and improve working capital position by decreasing your monthly payment. If you can take advantage of the discounts offered by suppliers based on their payment terms, it will help to improve your accounts payable. Add these dates to your organization's method for paying bills to ensure you do not miss out on this opportunity.

Let the Construction Services Group at Ciuni & Panichi, Inc. help you find the right cash flow strategy for your business.

Bill Schneider, Kristen Schrader
Alan Urbancic, and Jeremy Harrison



City Reporting Requirements

Taxes, taxes, taxes! With over 580 authorized taxing cities in Ohio, employers may have a payroll reporting and net income tax reporting obligation for multiple cities.

Companies' payroll departments and/or their payroll providers need to be aware of the rules regarding employer responsibility when their employees are working in different cities during the year.

Under normal circumstances, the employer will withhold city payroll tax from the employees' wages for the location where the work is performed (normally at the location of the employer).

In the construction industry, employees will normally work in different locations for various lengths of time during a payroll period. What are the rules regarding employer responsibility in the construction industry when employees are working in various cities?

- It is the duty of the employer to withhold city payroll tax in the city where the work is performed.
- If work is performed in a city on 12 or fewer days in a calendar year, no city withholding payroll tax is required for that city (12 day occasional entry rule).
- Once work is performed in a city for more than 12 days, the employer is required to withhold city payroll tax from the employee's wages starting with the first day the employee entered the city.

Assume company ABC, which is in the business of city sidewalk repairs, has various ongoing jobs in different cities that typically last about five days, and it is typical that the company will work within a taxing city on numerous times throughout the year. The company will be responsible for proper timesheet record keeping to determine when an employee(s) has reached the 12 day occasional entry rule.



When an employee has performed work within a taxing city for more than 12 days, the company will need to withhold city payroll tax for that city starting with the first day that work was performed. This can create an administrative nightmare but can be avoided with proper record keeping, employee and employer understanding of the rules, and assistance from your accountant.

The rules for business city net profit income tax reporting requirements are different than the above rules for city payroll withholding. The main difference is that for net profit income tax reporting, there is no 12 day rule. Once a business is performing work within a taxing city, *even for one day*, a net profit income tax return is required to be filed to report the business income or loss allocated to that location. It is very important to report business activity for each taxing city as losses from one year can be used to offset income in future years. You do not want to forego losses that can be utilized to save tax dollars in future years.

Cities are increasing their enforcement efforts to capture their respective share of withholding taxes and net income taxes especially in the construction industry where transient projects are common. As many budgets are falling short, they are looking for ways to make up the difference.

As you are entering into a new city, call one of our tax experts to assist you in determining what your exposure is in this area.

Ciuni & Panichi, Inc.

Did you know? C&P Advisors, LLC has a Wealth Management Division that builds upon Ciuni & Panichi, Inc.'s vast experience and expertise by advising on the following:

Providing Employee Education Seminars
Starting and Replacing Retirement Plans: 401(k), SIMPLE, SEP, Profit-Sharing
Implementing Buy-Sell Agreements
Discussing Key Person Insurance
Advising on Personal Planning Issues
Evaluating Deferred Compensation Options
Insurance Planning

Come meet C&P Wealth Management, LLC for a second look.



Jason Ice
ChFC®, CRPC®, AWMA®, AAMS®,
CMFC®, CLTC, CFS®
Director of Financial Services



James Komos
CPA, CFP®, MACC
Partner

You are also invited to attend our upcoming seminars:
Tuesday, October 20, 2009: Retirement Plans for Larger Employers
Tuesday, November 17, 2009: College Education Savings Options
Continental Breakfast served: 7:30 a.m.

Presentation: 8:00 a.m.

R.S.V.P. Jason Ice 216-831-7171 or jice@cp-advisors.com

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