



Client Tell

Blackburn, Childers, and Steagall, PLC
Certified Public Accountants and Consultants

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Blackburn, Childers, and Steagall, PLC Quarterly Newsletter



Peer Review Results are In!!

Blackburn, Childers & Steagall, PLC (BCS) is required by the American Institute of Certified Public Accountants (AICPA) to undergo a Peer Review every three years. We have recently completed our peer review for the year ended December 31, 2005 and received an unqualified opinion, which means BCS is in compliance with the requirements of quality control standards for an accounting and auditing practice. The system of quality control encompasses the Firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards.

FALL 2006

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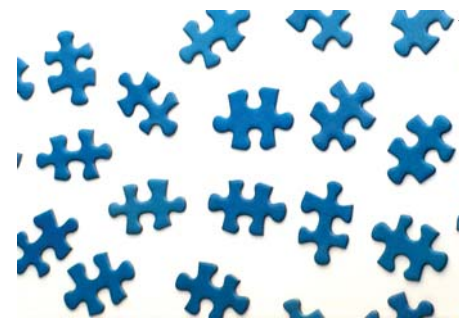




Viewpoint
By Tommy Greer



Bits -n- Pieces



Public to Private

It is no surprise that many smaller businesses have decided to stay private or have chosen to go back to private from public due largely to the cost of Sarbanes-Oxley(SOX) compliance. Most figure being public isn't worth it.

Now some giant public companies hope escaping Wall Street's scrutiny and the compliance cost of SOX will give them the freedom to fix themselves.

Ford, according to *USA Today* is even considering going private. "There's no limit to the size of deals being done," says Raj Trikha of KeyBanc Capital Markets. "It's really caught fire."

Public companies that are going private by buying back all their outstanding shares are getting:

- Bigger.** The average take-private deal this year was worth \$1.7 billion, Thomson Financial says — up 87% from 2005 and more than triple 2004's average.

- More high-profile.** While Ford would be gigantic, 2006 has already witnessed several large take-private transactions. Those include one of the largest ever, hospital operator HCA, followed by energy company Kinder Morgan, broadcaster Univision and concessionaire Aramark, Thomson says.

- More frequent.** More than 80 formerly public companies have gone private this year, on pace to be the busiest year since at

245

Number of public companies that went private in 2004 compared to 143 in 2001

least 2000. Meanwhile, the total value of the deals, \$136.5 billion, is already a record and well above the \$94.7 billion of 2005.

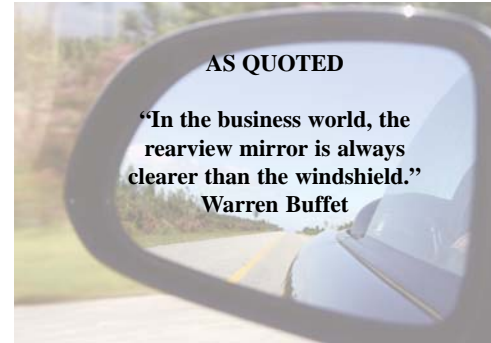
The option of going private is available to more large companies because there are private-equity firms with enough cash to buy almost any company, says Ken Henderson, partner at law firm Bryan Cave. And going private could be the medicine some need, says Allen Stern at Imperial Capital. "Once you're private, you can make the tough decisions and really do the kind of things you need to do," he says.

For Ford, analysts say, going private could give the company time to formulate long-term plans and stop worrying about criticism every quarter. As a private company, Ford wouldn't "need to be as transparent, and can approach it at their own pace, and not be under the scrutiny of Wall Street analysts," says David Kudla of Mainstay Capital Management.

This significant trend was first noted in 2004 when 245 public companies went

private compared to 143 in 2001 according to the Government Accountability Office(GAO)

Contributing source *USA Today*, Matt Krantz and Sharon Silke Carty.



AS QUOTED

**"In the business world, the rearview mirror is always clearer than the windshield."
Warren Buffet**

The New Pension Protection Act of 2006

- **Higher IRA Contribution Dollar amounts.** It raised the amount you can contribute annually to an IRA. For 2006 it is \$4,000. That amount rises to \$5,000 in 2008. The new law makes the \$5,000 amount permanent and adjusts it for inflation after 2008.

- **Higher dollar limits on defined contribution plans.** If you have 401(k), 457 or similar plan, the new law makes permanent higher dollar limits on defined contribution plans (\$44,000 in 2006) as well as elective deferrals for 401(k)s, 457s and SIMPLE plans.

- **Catch up contributions.** The new law also makes permanent EGTRRA's more generous treatment of compensation that may be taken into account under a plan. The new pension reform law makes catch-up contributions permanent. It also indexes the \$5,000 401(k) catch-amount amount for inflation but not the \$1,000 IRA catch-up amount.

- **Roth 401(k)s.** The new law makes Roth 401(k)s permanent and this could encourage more employers to offer them.

ON THE TUBE

CPA as a Private Eye?

Watch for "Andy Barker PI," a new NBC prime-time comedy starring Andy Richter as a mild-mannered CPA. When he rents an office space in a site formerly occupied by a detective agency, Barker immediately starts getting calls from people who mistake him for a private investigator. Instead of coming clean, he decides to take on some cases and embarks on a new career. Late-night talk show host Conan O'Brien is a co-writer and executive producer of the pilot.

"All I can say is, it's about time!!!"



By Andy Hatfield

Increased Age Limit to Kiddie Tax



The Tax Increase Prevention and Reconciliation Act of 2005 was signed into law by President Bush on May 17, 2006. One of the main law changes increased the age limit for a minor child to be subject to the “kiddie tax.” The age limit increase now affects a minor under the age of 18. Under the age of 14 was the limit prior to this new legislation. This change in law is effective for tax years beginning after December 31, 2005.

Some of you may not be too familiar with this kiddie tax term, so let’s start by taking a look at what this tax is all about.

Years ago, the kiddie tax was designed by lawmakers in Washington to lessen the effectiveness of intra-family transfers of income-producing property from mom and dad, who are generally in a higher tax bracket, to a minor child, typically in a lower tax bracket, thus reducing the overall tax liability of the family.

The kiddie tax applies to unearned income or investment income of a minor child under the age of 18. Investment income includes interest, dividends, capital gains, rents, royalties, taxable Social Security benefits, pension and annuity income, and unearned income received as a beneficiary of a trust.

The tax computed using the parent’s highest marginal tax rate is on the amount of investment income in the child’s name over an exemption amount (\$1,700 for 2006) adjusted each year for inflation. Therefore, unearned income under \$1,700 in 2006 is not affected by the kiddie tax.

There are three circumstances in which the kiddie tax rules do not apply:

- 1) If the child is 18 years old as of the close of the tax year;
- 2) If neither parent is alive at the close of the tax year; or
- 3) The child is married and files a joint return for the tax year.

Also, remember that while older children are likely to earn money on summer and part-time jobs, the kiddie tax only applies to unearned income.

There are a couple of planning ideas to consider with this new legislation. The age increase is effective for 2006, so the law change has an immediate impact on investment choices. Parents who had planned to sell their child’s stock portfolio in 2006 when the child reaches the age of 14 must now wait four more years to take advantage of the child’s lower tax rate. Also, keep in mind that capital gains will not be taxed for those in the lowest tax bracket in years 2008, 2009 and 2010.

We encounter the kiddie tax with several of our clients on an annual basis. Let us know if you are interested in learning more details on this tax or think that the tax could apply to you and your children in the future.



What You Should Know About Higher FDIC Coverage for Retirement Accounts

1. Certain retirement accounts at FDIC-insured banks and savings institutions will be insured up to \$250,000, up from \$100,000 previously. The higher insurance coverage applies primarily to traditional and Roth IRAs (Individual Retirement Accounts). Also included are self-directed Keogh accounts, “457 Plan” accounts for state government employees, and employer-sponsored “defined contribution plan” accounts that are self-directed, which are primarily 401(k) accounts. In general, self-directed means that the consumer chooses how and where the money is deposited.

2. The basic insurance coverage for other deposit accounts is still \$100,000. However, as before, there are ways to qualify for far more than the basic coverage at one insured institution. For example, the funds you have in checking and savings accounts (not retirement accounts) in your name alone are insured up to \$100,000. Also, your portion of accounts held jointly with other people is also separately insured up to \$100,000. Likewise, two other categories of accounts – business accounts you have at that bank and your share of employer-sponsored pension or profit-sharing plans – each qualify for separate insurance coverage of \$100,000.

3. The insurance limits could rise in the future, but not until 2011, if at all. The new law establishes a method for considering an increase in the insurance limits on all deposit accounts (including retirement accounts) every five years starting in 2011 and based, in part, on inflation. Otherwise, your accounts will continue to be insured just as we’ve described them.

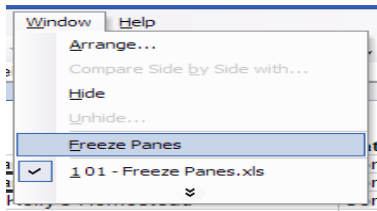


Freezing Panes within Excel

By Don Wallingford

Out of all the programs that people use today, none can be as confusing and frustrating as Microsoft Excel. Fortunately, there are a few basic tasks within Excel to help you get your work done faster and easier. I just want to go over one basic task that you can do within Excel. I'd like to show you how to freeze a row and/or column so you can view the information in those cells as you scroll through your spreadsheet. Let's begin shall we?

To freeze titles, select the cells you wish to freeze in the worksheet, and then click **Freeze Panes** on the **Window** menu.



To freeze titles, *do not* select the titles themselves. To freeze:

Column titles only Select the first row below the titles.

	A
1	Product Name
2	Chef Anton's Cajun Seasoning
3	Chef Anton's Gumbo Mix

Row titles only Select the first column to the right.

	A	B
t Name	Supplier	
ton's Cajun Seasoning	New Orleans Cajun Delights	Co
ton's Gumbo Mix	New Orleans Cajun Delights	Co

Both column and row titles Select the cell that is both directly below the column titles and to the right of the row titles.

	A	B
1	Product Name	Supplier
2	Chef Anton's Cajun Seasoning	New Orleans Cajun Delights
3	Chef Anton's Gumbo Mix	New Orleans Cajun Delights
4	Grandma's Boysenberry	Grandma Kelly's Homestead

To unfreeze panes, on the **Window** menu, click **Unfreeze Panes**.

You can freeze panes anywhere, not just below the first row or to the right of the first column. Click the row below, or the column to the right, or the cell that is both below and just to the right of whatever information you want to freeze.

Being able to freeze rows and columns is just one great feature within Excel. If you would like to learn more about the different tips and tricks within Excel and the rest of Microsoft Office, you can visit the Microsoft Office training site (<http://office.microsoft.com/en-us/training/default.aspx>).

You can also go to the BCS website (www.bcsca.com) and click on the Excel Training link to view spreadsheets that come with directions on how to accomplish a few basic features and tasks within Excel.



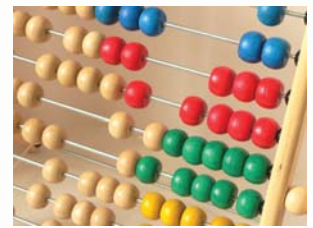
Top Ten Favorite Words (Not in the Dictionary)

- ginormous** (adj): bigger than gigantic and bigger than enormous
- confuzzled** (adj): confused and puzzled at the same time
- woot** (interj): an exclamation of joy or excitement
- chillax** (v): chill out/relax, hang out with friends
- cognitive dyslexia** (n): the feeling you have before you even leave the house that you are going to forget something and not remember it until you're on the highway
- gription** (n): the purchase gained by friction: "My car needs new tires because the old ones have lost their gription."
- phonecrastinate** (v): to put off answering the phone until caller ID displays the incoming name and number
- slickery** (adj): having a surface that is wet and icy
- snirt** (n): snow that is dirty, often seen by the side of roads and parking lots that have been plowed
- lingweenie** (n): a person incapable of producing neologisms



Spreadsheets: The Error of My Ways

By Rachel Squibb



Q: What do public companies, private companies, nonprofit organizations, governments and even public accountants have in common?

A: Spreadsheets.

At first glance, the spreadsheet seems like the answer to all of the problems within the financial world because of its flexibility and capability to handle tasks, its user friendly approach and its economical price. However, with strengths also come weaknesses. Statistics state that over 90% percent of spreadsheets contain some type of error.

As auditors, the first step when we receive a spreadsheet during the audit from the client should be to verify the accuracy of the calculations within the spreadsheet. As a client, you may want to spot these errors before the auditors do. There is no guarantee that a spreadsheet is 100% accurate. Fortunately there are many tools to help catch and correct errors. One way to identify errors is to use embedded self-checking formulas within a spreadsheet. These formulas can provide an extra check and balance to help draw your attention to problem areas. There are no standard self-checking formulas; therefore, each formula must be customized specifically to your data.

Three examples of self-checking formulas/auditing tools are:

- 1) Control Total – sums or counts that are calculated on the data
- 2) Limit Total – compares values within the data to thresholds designated by you.
- 3) Derived Formulas – recomputed totals using alternative method.

It is imperative that all spreadsheets are examined for errors because errors are reproduced within each subsequent copy of the template. Each time you open a spreadsheet be sure to have a critical eye for underlying errors that may exist.

Sources: Accounting Today: Feb 27 – March 19, 2006
JOFA Feb 2004



The Power of Politeness


A few tips for business etiquette

- ⚙ **Use polite words.** Please and thank you go a long way
- ⚙ **Write thank you notes.** Written acknowledgement shows that extra effort
- ⚙ **Don't put people down.** An upbeat office leaves little room for drama.
- ⚙ **Don't use offensive language.** No one wants to hear a foul mouth.
- ⚙ **Greet people.** Everyone likes to hear a polite hello or see happy smile.
- ⚙ **Help others today.** You might need help tomorrow.
- ⚙ **Disagree agreeably.** You don't have to agree, but you should respect other opinions.

Resources For Audit Committees

Need advice on how to strengthen audit committees. To help, the AICPA Audit Committee Toolkit was developed to provide a comprehensive set of best practices that audit committees can adopt. There is a separate toolkit available for Corporate, Not for Profit and Governmental audit committees at the AICPA's website (www.aicpa.org/audcommctr/homepage.htm).

Congratulations!



Weston Frederick Squibb was born July 8. He weighed 7 lbs. 10 oz. and was 20 1/4 inches long. Congratulations to Wesley and Rachel (Audit Dept) on the birth of their new little boy!



Eight Tips for Financial Survival



For those of us who are looking forward to retirement here are some tips to make sure that your funds do not expire before you do. These ideas may also enable you to develop a strategy for achieving financial independence even though the time frame may be far in the future.

1. **Plan on a longer life span:** Planners used to plan on clients living to age 85 but now have extended it to 90 or beyond. This means that you should plan on having your funds last longer.
2. **Health concerns in addition to longevity.** Retirees must also be concerned about the cost of long-term health care. This can be taken care of by getting a long-term health care policy. One additional tip in getting a LTHC policy is that the earlier you buy one, the less the premium. Also remember that you don't have to cover the entire cost of a custodial care nursing facility – just enough to take off the pressure from the spouse who remains at home.
3. **Make your withdrawals conservatively.** Research indicates that retirees can “safely” withdraw a dollar amount based on 4-5% of the value of their portfolio as of the end of the preceding year. If you had a retirement fund of \$300,000, the first year you could withdraw between \$12-15,000 from that fund. Then the amount withdrawn the subsequent year would be based upon the balance in the portfolio as of December 31st of that year.
4. **Stocks remain important in retirement.** Just because someone retires doesn't mean that the entire portfolio immediately goes into bonds. Remember, Point 1 on living longer. There still may be a 20-30 year life span, and you need the inflation protection of common stocks so that you insure real growth.
5. **Keep cash in the portfolio.** We constantly recommend that you keep 3-5 years of needed withdrawals in low risk liquid assets – cash or short term bonds. This is done as a protective measure so that you don't have to sell stocks during down markets for living expenses.
6. **Work out a strategy for where the withdrawals will come from.** If you have two or three pools of money such as a 401(k) plan, an IRA and a private investment portfolio, consult with a planner to decide where the best place to start the withdrawals should be.
7. **Control spending.** Smart budgeting during retirement will particularly benefit you by stretching the amount of funds to accommodate the longer life span. It is particularly good to watch your variable expenses such as vacations and new cars.
8. **Consider working part-time.** Part-time work will go a long way towards reducing the risk that your portfolio will run out of money. It may also provide for domestic tranquility. You know the old song about when the husband retires, wife gets twice as much husband and one-half as much money, which is usually not a good trade off.

BCS

Tips for Supervising Employees

1. **Hire carefully.** Hire for attitude: train for skills. You are better off with an employee who has a good attitude and really wants the job than one with a bad attitude who may be more knowledgeable.
2. **Establish workplace standards.** Communicate your expectations. Make it clear what is expected from dress code to telephone manners.
3. **Provide training.** Offer opportunities for growth and development, and since your behavior sets the tone for the office, be careful to model the behavior you want employees to mirror.
4. **Recognize and reward high performers.** Use incentive compensation to recognize and reward the employees and behavior that make your business successful.
5. **Weed out weak performers.** Firing is painful but necessary. Retaining poor employees drains productivity.
6. **Invite employees' input.** Staff members know what's really going on. Solicit their feedback.
7. **Communicate.** Establish a regular schedule to keep employees informed and engaged.
8. **Deal with problems sooner rather than later.** Do not delay in addressing a problem. With a positive tone, discuss the issue privately with the person and then, if appropriate, communicate a policy to the entire staff.
9. **Develop strong processes.** Cross-train employees and document procedures so anyone can be replaced.
10. **Treat employees consistently.** Problems arise when staff members are treated differently for vacations, overtime, holidays and continuing education. An employee handbook clearly establishes the policy for everyone.

Personal Lines



Congratulations & Best Wishes!!

Our extended family grew over the summer. We are pleased to announce arrival of a new little boy and the marriage of two staff members.



Kristen Silver (Audit Dept) and Channing Richardson were married June 17, 2006. Kristen has moved to our Greenville office, where she will continue to prepare tax returns and audits.



Christina Hensley (Tax Dept) and Tim Morgan were married May 13, 2006 at the Rose Hill Wedding Chapel in Johnson City. The couple honeymooned in St. Lucia and now reside in Boones Creek.



William Connor Hackney, son of **David & Sarah Hackney**, was born June 12th. He weighed 9lbs 4 oz and was 20 ½ in long. David (Audit Dept) and Sarah are happily adjusting to the new addition to their family.



Welcome!!

April Harmon began in July as the Administrative Assistant in our Greenville office.

Paul Adams joined the tax department in July in our Johnson City office.

Sarah Korell joined the Small Business Department / Tax Department in July.

Melissa Van Huss and Rebecca Smith have been working with BCS part-time through out 2006 and will begin full-time in the Audit Department September 1, 2006.

College Interns:

Brandy Stykes, Nicholas Crowe, Tara Bradley and David Elkins



My Chat With...Carolyn Helton

Carolyn Helton joined Blackburn, Childers & Steagall, PLC (BCS) in 2003 as a part time administrative assistant in the Johnson City office. She graduated from East Tennessee State University in 1969 with Bachelor of Science degree in Business Education. Carolyn worked for 29 ½ years at Eastman Chemical in Kingsport and then retired in 1999.

Carolyn is married to Donald Helton. They attend Westminster Presbyterian Church in Johnson City. She enjoys watching her nieces and nephews participate in sports. Carolyn also enjoys cross stitching, reading, cooking and traveling.

by MeLissa Crockett



Congratulations to **Tommy Greer** on appearing in the August Issue of the Christian Standard in the Editors Article by Mark A. Taylor. Tommy was recognized for his Leadership in Christian Service in the area.



Glen Black recorded five points and was successful on all of his kicking attempts in Tusculum's season-opening football win. The 6-2, 180-pound senior place kicker from Bristol, TN. made both of his extra point attempts and knocked home Tusculum's first points of the season with his 33-yard field goal. The 2005 South Atlantic Conference Scholar Athlete continues to move up the in the TC record book. Black, a graduate of Tennessee High School, is currently fourth all-time in kick scoring (73), extra points (49), extra point attempts (55) and PAT percentage (.891). He is also fifth in field goals (8), field goal attempts (16) and third in field goal percentage (.500).

Oops I forgot!!!

Please forgive me...I forgot to mention the author of the article **Retirement Plans: Are you up to Date?** that appeared in the Summer 2006 issue of the newsletter. The writer is Noel Hebert from our Audit Department here at BCS. I apologize for the omission.

Special Thanks to the following friends for donating gift certificates or supplies for our July 3rd Employee BBQ to help make our celebration a success:

Bojangles
Dairy Queen – Gray
Heritage Family Cemeteries
Keva Juice

September 11, 2001 **We will not forget**

Please continue to keep all the families and friends we lost and those that still remain in your thoughts and prayers.



Thanks to **AmSouth Bank** for sponsoring our July 3rd employee BBQ. We enjoyed food, fun, games and watched the fireworks with family and friends.



Photo by Steve Smith



Photo by Steve Smith



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