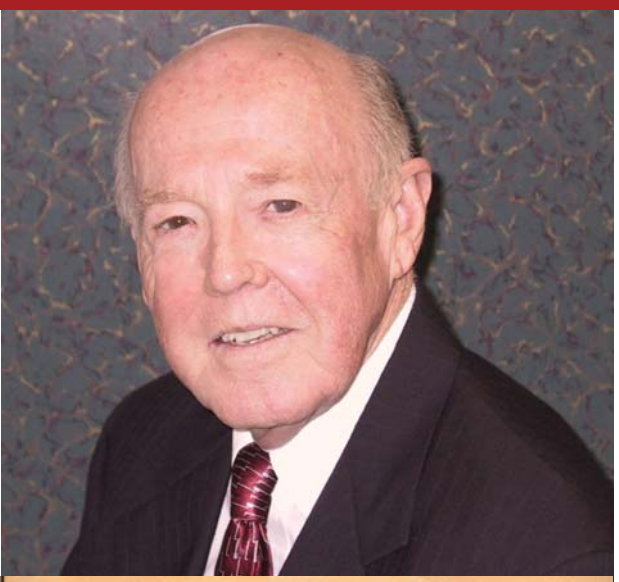
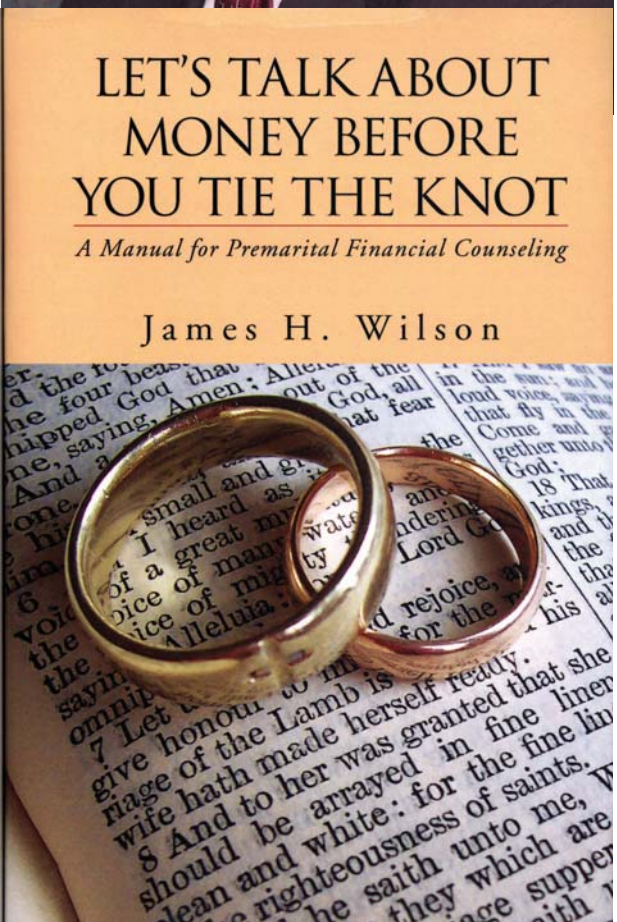
ClientTell

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

Volume XIII , No. 3 Fall 2007 Blackburn, Childers & Steagall, PLC Quarterly Newsletter





Read All About It!!

BCS is proud to announce that Mr. Jim Wilson has now published his book, *Let's Talk About Money Before You Tie the Knot*. It is a manual for the pre-marital financial counseling which:

- Encourages a couple to develop a Biblical view of finance
- Gives the Pastor material to do a thorough job of financial counseling
- Provides a vehicle to look at your financial health – past, present and future
- Uses text and forms to help flesh out a pre-marital financial plan
- Gives guidelines for purchasing a house, buying insurance, preparing for the future of children, college costs and retirement
- Provides a reference source for future planning

It is available at most online book sellers and Xlibris.com 1-888-795-4274

James H. Wilson, CPA/PFS, is currently the Director of Personal Financial Planning at Blackburn, Childers & Steagall, PLC in Johnson City, Tennessee. He holds a B.B.A. in accounting from the University of Miami, has an M.B.A. in Management from Florida Atlantic University, and has earned the PFS (Personal Financial Specialist) designation which is awarded by the American Institute of Certified Public Accountants (AICPA). He is a member of the Tennessee Society of Certified Public Accountants and the AICPA.

On November 1, 1988, the PFP Division awarded Jim with the first annual Outstanding Service Award. The award is given to a CPA who has served the public interest by enhancing the quality of personal financial planning services and has provided outstanding service to the AICPA's PFP Division. In July, 1990, the LINC Society of CPA Financial Planners selected Jim as the "CPA Financial Planner of the Year". The National Association of Estate Planners and Councils selected Jim to receive the NAEPC Distinguished Accredited Estate Planner award and designation in 2006.

Viewpoint

Tommy Greer

Financial Urban Legends

Do you ever just shake your head and wonder how some people could believe the things they do?

Unfortunately, e-mails and the internet have made things worse. Apparently if something is seen in an e-mail or the internet, that automatically makes it true for many people. Then making things worse the e-mail is then forwarded to all their closest family and friends.

Some of the following are financial tales, excerpted from an article by Julie Sturgeon, making the rounds that many people believe are true. Also remember next time you get an e-mail or hear a tale that seems hard to believe, check out Snopes.com before passing it on to others. Barbara Mikkelson spends a lot of time getting to the bottom of financial tall tales that she encounters. She is co-founder and researcher at Snopes.com, a Web site dedicated to the destruction of urban myths.

1: You can float a check longer if you write in red ink. The theory is that a bank's equipment can't scan red ink, so it takes longer to process the check.

Fact: The color of the ink makes no difference.

"However, gel ink doesn't image well, which makes it difficult to verify the signature and the check," says Tracey Mills, of the American Bankers Association. "As a result, the paying bank cannot authorize the transaction, and chances are the check will be returned to the creditor or merchant."

Then, instead of getting some extra time on the float, you are socked with a returned-check fee.

2: You don't have to pay income tax — it's illegal. Only foreign income is subject to Uncle Sam's cut, the story runs, and there's a form you can file to exempt yourself. But no one will tell you about it.

The truth is, there is no form. You'll get arrested if you don't pay your taxes.

3: I'm under 18, so I can't be held accountable for a debt. (Variation: Credit-card debts are wiped out when you turn 19.) Spring-breakers love to use this one to justify running up a cruise or resort-hotel bill on their credit cards.

It is true that people younger than 18 cannot sign a legally binding contract. So they can't take out a loan or sign a credit-card agreement. However, credit-card companies will allow a minor to have a card — if an adult has co-signed the agreement or added the minor to their account as an authorized user.

So someone will pay — the adult who signed on the dotted line.

4: My hotel key card has my credit-card information. The ramification is that you'd better clutch it tightly or a con will decode it and rack up a big bill.

The manufacturers who churn out these magnetic-strip room-key cards employ three embedded and encrypted tracks. Most hoteliers use track three, which contains locked information listing the guest's room number and check in/out dates. The remaining tracks — if supplied by the hotel's property-management system — provide additional, limited guest information like a folio number or name to identify guests at point-of-sale terminals located throughout the hotel.

"Worst that ever happens to me is the key stops working promptly at 12:01 and I have to go to the reception desk to get back in my room," McInerney says.

5: Boycotting a few gasoline brands brings gas prices down. Poor Exxon and Mobil. They often show up as the bad guys in a mass e-mail urging Americans to avoid their pumps on a particular day.

Its easy-to-understand language makes the plea plausible. The trouble lies in the fact it's too simple — and economics don't work that way. For starters, gasoline is what's known as a fungible commodity — if one company has an oversupply, it sells it to a competitor. No matter who you buy from, the basic supply numbers remain the same.

6: It's better if you don't sign the back of your credit card. Some well-meaning pigeon decided one day this would protect him from identify theft.

Unfortunately, in the real world, it only "protects" you from having the merchant accept your payment at the checkout counter, says Mills. Not to mention that an unsigned card in the hands of fraudsters is much easier to use for unauthorized purchases. They can just sign the card themselves. Then their signature will always match the receipt signature.

7: You can make a pile of dough by helping a foreigner solve his money problems. "Hello, my name is unpronounceable, and I need to get money out of my country. Will you let me use your bank account?" is the gist of this e-mail plea.

It's called the Nigerian bank scam, and it's among Mikkelson's favorites, mainly because the number of people asking about it is huge. "It is impossible for the average person to figure out what is going on unless they know there is such a thing as a Nigerian scam," she says.

8: You can now opt out of having credit bureaus give your information to anyone who asks. Just call (888) 567-8688 and give them the Social Security numbers of everyone in the household in a single call, says the message. But hurry — you only have 60 days to take advantage of this ability.

The grain of truth lies in the fact that companies are required by law to inform their customers of their privacy policies. (Remember the flood of confusing legalese that showed up in your mailbox from every department store credit card prior to July 1, 2000?) If you don't want them to sell your

(cont'd from page 2)

personal information, you must call them directly — one by one — to halt the practice.

9: E-mail from the IRS indicating you are eligible for a tax refund is true. A March 2006 mass phish e-mailing took advantage of those points, spamming millions of Internet users with phony notices that included the IRS logo, advised recipients they were eligible to receive tax refunds (of $63.80 or $163.80), and invited them to click on a link which took them to an IRS web site form through which they could claim those refunds. Of course, the links included in the messages didn't actually send users to the genuine IRS web site; they redirected claimants to imposter IRS sites (hosted on servers in a variety of countries) and instructed them to enter all sorts of sensitive personal information (credit card number, expiration date, CVV code and ATM PIN) into an on-line form so that the putative refunds could be posted directly to their debit/credit card or bank accounts. Any information entered into such forms can be harvested by scammers and used for identity theft and other financial crimes.

The IRS never offers refunds through e-mail or sends out unsolicited e-mails to taxpayers. When the IRS needs to contact a taxpayer, they send notice via U.S. Mail, and every such notice includes a telephone number that the recipient can call for confirmation. Should you need to visit the IRS web site for any reason, go there directly (by entering the **www.irs.gov** URL into your web browser) rather than following links in e-mail messages.

10: Hotel Bibles often have $100 bills tucked into them. Heard the one that Gideons leave $100 bills in their hotel Bibles to reward folks who turn to the Good Book?

Mikkelson rejoiced when she actually discovered such a treasure during her honeymoon — and found out a few hours later that her new husband was pretending to be God. The only thing Gideons leave behind is the book.

That said, one truth I do know, is what truly is inside the Bible is worth far more than $100 !!!! Be careful out there.

Tech Talk

By Don Wallingford

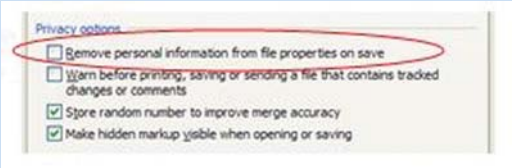
Reading Between the Hidden Lines

A friend of mine wanted to stress to his boss the importance of keeping sensitive information from leaking outside of the company. He had his boss e-mail him a simple Microsoft Word document that the boss was currently working on. My friend then came back to his boss with additional figures that the boss was unaware of, such as the salaries of employees that had been deleted from the document, and random sentences that had been typed then erased then retyped. How was my friend able to retrieve such sensitive information from a seemingly simple and innocent document? The answer is metadata.

What is metadata? It's basically "data about data". Many documents that you might work with could contain lots of metadata/hidden data. Metadata can give out information such as the author, content, location, date of creation, and with some programs, even simple changes that are made to the document.

How can metadata affect me? If a company is sending out documents about clients to outside sources for approval, confirmation, or informational purposes, and that outside source is able to pull up any metadata within the document then there could be a breach of client confidentiality.

How can I remove metadata from my documents? Let's just look mainly at Microsoft Word 2003 and how Microsoft is trying to help remove metadata from your Office documents. Microsoft provides a free add-in program to permanently remove hidden and collaborative data. To download the add-in, just go to http://www.bcscpa.com/hiddendata.htm and click on the "Hidden Data Removal Tool" link to download the tool. Once you have downloaded and installed the add-in, you will have a "**Remove hidden data**" option under the "**File**" menu within Word. Keep in mind that you'll have to run the hidden data option with every document you create/edit within Word. Also, while Word is open you can click on the **Tools – Options** and then click the **Security** tab. In the middle of the window you will have a check box to remove information when you save… make sure it's checked and then just click "**OK**". Now whenever you save a document, Word will remove some basic hidden data automatically. You still will need to run the "Remove hidden data" option to remove even more hidden data within your document before you send out your document.



For more information and instructions on removing metadata from your Microsoft Office documents, please visit the BCS website and click on the "Removing metadata" link. Once there you can click on more links on how to remove metadata from Microsoft Word, Excel, and Adobe PDF documents.

Tax Time

By Andy Hatfield

New Small Business Tax Act

As your tax and business advisors we feel it is important to inform you of new tax laws and this is one of the main intentions of this quarterly article.

Therefore, I will use this article to mention the two most pertinent issues that are addressed in the latest tax act that you are likely to face as a small business owner and as an individual.

President Bush signed into law the *Small Business and Work Opportunity Tax Act* on May 25, 2007. The Act contains several tax incentives to small businesses to help absorb the cost of a higher federal minimum wage that will be phased in over the next two years. Unlike most recent tax acts, this one also contains "revenue raisers" (in contrast to a tax incentive) that help pay for the small business tax cuts.

The main ***incentive*** that I want you to be aware of is the extension of "the small business expense", also known as the Sec. 179 expense, that allows a current deduction of tangible personal property assets (assets that would otherwise be capitalized and depreciated over time) placed in service during the year.

Most small business owners are quite aware of this tax incentive. The new act extends the time of the increased expense limits until the year 2010 (without this extension the expense limit was going to revert back to the pre-2003 limit of $25,000) and allows for an increase of the 2007 expense to $125,000 from $112,000 and an inflation adjusted increase for years to come. This expense is subject to several important limitations, so please seek our advice before assuming that you are able to take advantage of this incentive.

The largest ***revenue raiser*** is the significant change to the "kiddie tax" rules. I have discussed these rules in prior articles but thought it would be worth reviewing the basics and history of the rules before mentioning the changes.

The "kiddie tax" rules have prevented most children under the age of 18 from using their low tax brackets to shelter significant amounts of investment income. Under the rules, investment income over a stated threshold is taxed at the parents' tax rate, as if earned by the parent. The threshold amount for 2007 is $1,700.

Until last year, the kiddie tax applied to children under the age of 14 with unearned (investment) income. In 2006, Congress raised the age to under 18.

The new law raises the age to under 19 (under age 24 for full-time students). When Congress raised the age to under 18 in 2006, it did so retroactively to January 1, 2006. This time, Congress makes the change prospective. It kicks-in for 2008. The difference is critical. Unlike in 2006, you have time to adjust your tax planning. This is especially important if you have a child starting college next year and you were planning to use appreciated assets to pay for tuition.

If you think the "kiddie tax" applies to you or your children or if it has applied in the past it could be worth your while to consider some alternative tax planning. These rules are complicated and we encourage you to contact us for further details if the need arises.

Please let us know how we can help with your tax planning needs. Remember with tax planning it's important to take action now rather than waiting until April 15th of the following year.

By Chad Kisner

CUT OFF

While many times throughout the course of your year the term "cut off" may not even be used it is very important to the annual closing you perform prior to your audit. Cut off is ensuring that all time sensitive items pertaining to a year have been handled properly. These items should include reconciling items regarding cash accounts, investment accounts, accounts receivable, inventory, accounts payable, debt and the list goes on. Proper cut off is essential to ensuring what belongs in the 2007 year is recorded in it and likewise what belongs in the following year isn't.

Ensuring proper cut off is done by communicating the proper practices to the related staff and having practices and policies in place to ensure timeliness is considered. Many audit procedures are conducted to ensure cut off occurs and is handled properly. The time and energy spent by you and your staff prior to the audit will ensure these procedures go very well.

BCS Financial, LLC
WEALTH MANAGEMENT SERVICES

By Myra O'Dell
CFP®

BACK TO SCHOOL!!

According to The College Board ®, the average 2006/2007 tuition increase was 5% at private colleges and 6.3% at public universities. This means that if we assume an annual 6% increase in tuition, the projected four year tuition and fees is as follows:

Type of Institution	Today (Enrolling in 2007)	In 18 years (Enrolling in 2025)
Private	$103,000	$294,100
Public/University	$27,100	$77,200

Source: www.savingforcollege.com

Based on these projections, it is important that you start saving for your child's education early. Three frequently used tools for college funding are 529 plans, Education Savings Plans, and custodial accounts.

A 529 plan is an education savings program maintained by a state or agency that allows individuals, regardless of their income, to set aside assets in a tax-deferred account to pay for a beneficiary's post-secondary education. 529 Plans allow for significantly higher contributions than other education savings plans and are not subject to income phase-out limits. While contributions are not tax-deductible, earnings in the account grow federally tax-deferred until withdrawn. When withdrawn for qualified higher education expenses, earnings are free from federal income tax.

There are two types of 529 plans: prepaid and savings. Prepaid plans allow for the pre-purchase of tuition based on today's rates and then paid out at the future cost when the beneficiary is in college. Performance is often based upon tuition inflation. Prepaid plans may be administered by states or higher education institutions. Savings plans are different in that your account earnings are based upon the market performance of the underlying investments, which typically consist of mutual funds. Savings plans may only be administered by states. Most 529 savings plans offer a variety of age-based investment options where the underlying investments become more conservative as the beneficiary gets closer to college-age. They also offer risk-based investment options where the underlying investments remain in the same fund or combination of funds regardless of the age of the beneficiary.

An Education Savings Account (formerly Education IRA) is a savings plan set up and managed by a parent or other authorized person for the benefit of a minor. Assets are tax-free if used to help pay qualified education costs. Contributions are limited to $2,000 per year per minor and qualified distributions may be used to pay for the costs of elementary and secondary education, as well as post-secondary education. Eligibility phase-out begins at modified AGI of $190,000 for contributors who are married and filing jointly, and modified AGI of $95,000 for single taxpayers. Withdrawal of earnings for non-qualified education expenses may be subject to a 10% penalty, and will be considered taxable income.

Here are some of the main differences between 529 Plans and ESAs:

529 Plans	Education Savings Account
Not eligible for grades K through 12 expenses	Eligible for K through 12 expenses and beyond
No income limitations for contributions	Contribution limits are phased out for higher income contributors
Contribution may be made for a beneficiary of any age	Contributions may not be made after the beneficiary is age 18
Account may be kept open as long as a named beneficiary is alive	Account must be distributed upon the beneficiary reaching age 30

You may also want to consider a custodial account to set aside money for a child's education. Depending on your state of residence, there is either a Uniform Gifts to Minors Act (UGMA) or a Uniform Transfers to Minors Act (UTMA). These laws determine the type of account that is available. Assets held in UGMA/UTMA accounts are controlled by the custodian, typically a parent, and must be used for the minor child's benefit. Deposits to a custodial account are considered an irrevocable gift. There are a couple of disadvantages to using custodial accounts for education savings. For example, investment income over $1,700 for 2007 may be subject to the kiddie tax rules until the child reaches age 18 or over depending upon the specific circumstances. Also, the money is saved is in the child's name, which could affect financial aid eligibility. Another disadvantage is that, when the child reaches the age of majority in the state where a custodial account is established (either age 18, 21, or 25), the child gains control of account assets and may or may not decide to use them for college.

There are advantages and disadvantages to all three types of savings vehicles. Be sure to consult with your financial advisor to see which type of account is best for you.

Then & Now

Citizens Telephone Cooperative

"Connecting People and Communities" is the motto of Citizens, a BCS audit client nestled in the mountains of Southwest Virginia, just off the Blue Ridge Parkway in the town of Floyd, Virginia. Citizens is made up of Citizens Telephone Cooperative, Inc. and its subsidiaries, Citizens Communications Corporation, Citizens Cablevision, Inc. and SelecTec, Inc. Citizens is a regional provider of communication and entertainment services that offers customers multiple voice, video and data options. Their mission statement, "To provide Quality Service, Excellent Support, and Advanced Technologies related to communications and entertainment in our service territory", speaks to the vision and the integrity of the management and directors of Citizens.

The roots of telephone service in Floyd County are traced back to Citizens Mutual in 1914. On January 12, 1954, the members of the Company elected Cooperative status and became affiliated with the Rural Electrification Administration (REA). Telephone cooperatives are typically locally owned and operated telephone systems, developed through the efforts of dedicated community citizens who held community meetings, dealt with the government paperwork and trudged country roads to sign up the initial members. The Cooperative started over 60 years ago with the goal of providing much-needed affordable communication services to residents of Floyd County and has grown with the times, never losing sight of its goals. In 1993, the definition of communication services was amended in the Virginia Code to include voice, video and data. This allowed Citizens to roll out dial-up Internet service opening the Worldwide Web to its customers. In 1997, Citizens expanded its communications through Citizens Communications, a corporation created to maintain Citizens' competitive edge in providing communications outside the local service area. Within the same year, Citizens Long Distance became a reality and now provides competitive long distance rates and calling cards to its customers. In 2004, Citizens purchased a cable system in Fort Chiswell and the local Floyd cable system, through Citizens Cablevision, Inc., and is now offering analog and digital cable services (DSL) in surrounding counties. Answering the demands of mobile customers, in 2006, Citizens expanded its line of communication services to include cellular phone services, providing a wide range of plan options. Using a reliable national network, Citizens has met its competitors head-on by expanding from its traditional wire-line market to the wireless phone arena .

To remain competitive, Citizens is staying abreast of technologies, deployment of services and service delivery methods which customers view as value added. In late 2007, Citizens will offer Voice Over Internet Protocol (VOIP), a method by which voice conversations can be transmitted over the Internet, which will continue to allow the Company to expand its service area outside of Southwest Virginia.

Citizens has remained a strength in its community by adhering to the values of its small-town past, while keeping its focus on the advances of the future. The citizens of Floyd and the surrounding counties have a right to be proud of the cooperative they can all be a part of.

-Borrowed from the Citizens Employee Handbook History and Future.

Special thanks to Chris Bond, Citizens Finance Manager; Robert Weeks, Citizens Marketing Manager; Jeff Moore and David Moore, BCS Auditors.

BCS

www.citizens.coop

Personal Lines

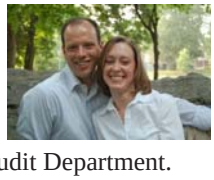
Rachel Anglen joined BCS on February 13, 2007 as an Administrative Assistant in our Kingsport office. Rachel has an Associates degree from Northeast State Technical Community College and is currently scheduled to graduate from Milligan in February 2008 with a Bachelor of Science Degree in Business Administration.

Mitzi Malone joined BCS on June 11, 2007 working in our Small Business Department. Mitzi serves our clients by processing Payroll, Accounts Payable, Financial Statement preparation and other Small Business related services. She is currently finishing up her Accounting Degree at Northeast State Technical Community College and plans to graduate in December 2007.

Alice Williams began work at BCS August 20, 2007 also working in the Small Business Department. She has eight years of bookkeeping experience and graduated from East Tennessee State University with a degree in Accounting and Finance. Alice is a candidate member of the American Institute of Certified Public Accountants and an associate member of the Tennessee Socitey of CPAs. She plans to sit for the CPA exam.

Bobby Potter began work at BCS August 20, 2007 as an intern in our Audit Department. Bobby attends East Tennessee State University working on his Accounting Degree and plans to graduate in May 2008. He is a student member of the American Institute of Certified Public Accountants and the Tennessee Society of CPAs.

BCS Financial, LLC is proud to announce that in June **Myra O'Dell** satisfied the Education, Examination, Experience and Ethics requirements to be considered a CERTIFIED FINANCIAL PLANNER™ practitioner. Myra is the Client Service Coordinator for BCS Financial. Myra joined BCS Financial in 2004.



Siena and John Rambo were married on July 14, 2007 at Crossroads Christian Church with a reception following at the International Storytelling Center in Jonesborough. Siena works in the Audit Department.

Kay Pickering is now certified in QuickBooks 2005 and 2006. She has been with BCS in January 2005 and works in our Kingsport office. Kay currently attends Milligan College working on her degree in Business Administration.

Jacqueline Ayers passed the CPA exam in September 2007. She is a member of the Johnson City audit team.

Myron Dale has been with BCS since June 2007. He is an intern in the Johnson City office, attends East Tennessee State University and plans to graduate in May of 2008. Myron was married to Charlotte Akers on June 22, 2007 in Bristol. Congratulations!!!

Brittany Johnson began her internship at Blackburn, Childers, & Steagall on June 1, 2007 and is currently assisting in the audit department. She plans to graduate in May 2008 from East Tennessee State University with a B.B.A. in Accountancy and a minor in Spanish Language Studies.

TRI-CITIES REGIONAL AIRPORT

In Memory and In Honor of Cathy S. Smith

We would like to take this opportunity to honor and remember the accomplishments of Cathy S. Smith, Director of Finance, for the Tri-Cities Airport Commission. Management received notice after Cathy's death, that she had received the Government Finance Officers Association (GFOA) certificate for financial reporting. Amazingly, she excelled in her profession while battling cancer so bravely.

The Certificate of Achievement is the highest form of recognition in governmental and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

Cathy worked for the Tri-Cities Airport Commission for 19 years and received the GFOA Certificate of Achievement for the past seven years.

Meet Kevin Peters

Kevin Peters an Elizabethton, TN native, joined Blackburn, Childers, & Steagall, PLC in June 1998 and now serves as Manager in our audit department. He received his Master of Accountancy degree from East Tennessee State University in May 1998 after earning his Bachelor of Business Administration from East Tennessee State University in December 1996. Kevin passed the CPA exam in 1999. He is a member of the American Institute of Certified Public Accountants and the Tennessee Society of CPAs, a 2002 Graduate of the Carter County Leadership Tomorrow Program and a Board member of the Southern Appalachian Ronald McDonald House serving as Chair of Finance Committee. Kevin's areas of concentration are in auditing particularly with non profit and governmental entities. Kevin is a member of Unaka Baptist Church where he serves on the Budget and Finance Committee.

He enjoys reading, traveling, white water rafting and photography, and is a fan of the Tennessee Lady Vols and the Duke University basketball teams.

By MeLissa Crockett

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