

Client Tell

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

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Blackburn, Childers & Steagall, PLC Quarterly Newsletter

Merry
Christmas
&
Happy
Holidays



Tax Organizers

Your Tax Organizer will be in the mail the second week of January. Questions in the organizer can prompt you to remember significant events in 2013 that may impact your return, such as change in address,

dependents, purchase or sale of your home. It also serves as a checklist for gathering source documents, qualifying expense documents, and itemized deductions.

Our BCS Tax Staff encourages

you to complete the organizer, sign the engagement letter, and return both to our office along with your source tax documents.

Please contact our office if you do not receive an organizer.



A Budget: Friend or Foe?

Viewpoint by Tommy Greer

Whether you are part of a business, a nonprofit, or concerned with personal finance, I believe a budget is one of the main keys to having financial success. However, as with all good things a budget can be used for good or bad! Below we will look at some ways to make sure the budget is your friend and not your foe.

How to Make a Budget a Friend

Start with accuracy - review/track your history and current spending as step #1 to make sure your plan is factual not wishful. Group your spending by category and in the beginning keep it simple.

Align with your goals – this is an important tool for clear communication and should be designed together to make sure everyone is committed to the plan. Agreeing to mutually established goals on the front end is critical to long term success.

Plan for the year but budget monthly – breaking down in smaller pieces makes it easier to manage and monitor. This should be in a written format where actual spending can be added when done.

Conservative budgets always win! - budget income low, expenses high and build a cushion or margin into your budget – surprises happen, opportunities come up, plan for them.

Saving and giving becomes easier – as part of a structured plan these two items are paid the same as other normal reoccurring items on the front end and not at the end when you are trying to figure out where all your money went. Set up specific accounts or line items for the future events/items for which you are saving.

Build in small rewards along the way – Celebrate your budgeting/financial successes along the way; within budget, of course!

Not a once a year event – this would be like looking at the map before you got in the car and then never looking at it again, you should review regularly and modify as your goals and circumstances change.

Items of Caution

Should not be used to “lord over others” – budgets are not whipping sticks or a way to control others if done properly on the front end it should bring people closer together and inspire teamwork (see “goals” above).

Expenses should always be budgeted at less than income – sounds easy enough, but many, many times we let expenses exceed our income. Many organizations and marriages have failed due to this easy to say but hard to do principle.

Although budgeting takes time, you will find it is well worth the time and also improves communication. Finances and the unknown can add stress to any organization or relationship. Take the mystery out and start planning today to make 2014 a financially successful and stress free year!

Visit BCS CPA.com/tools and look for the “Home Budget Analysis” to view a budget calculator.

Personal Lines



Siena Rambo Congratulations to Siena Rambo, who was just named to the Tri-Cities Business Journal's 40 Under Forty list. This award is presented to forty young professionals in the region each year who show professional success and dedication to being an active member of the community.



Kala Hyder Kala is our newest full time member of the Johnson City Small Business Department. She has a Bachelor of Science in Accounting from ETSU and four years of public accounting experience. Kala and her husband Trevor are members of Valley Forge Freewill Baptist Church.



Andy Clark Congratulations to Andy Clark, who recently received the 2013 Student Achievement Award from the Federation of Schools of Accountancy, in recognition of superior academic achievement, leadership, and professionalism in post-baccalaureate accounting education.



Nick Crowe Congratulations to Nick and Micah Crowe on the birth of their daughter, Marley McKinley Crowe. She weighed 8 pounds, 1 ounce, and was 22 inches long. Marley joins big sisters Brooklyn and Leighton.



Taylor Day Taylor is the new IT intern in the Johnson City office. He is studying Computer Information Systems and Accounting at Milligan College and expects to graduate in May 2017. Taylor is a member of the National Society of Leadership and Success and Grace Baptist Church.



Sarah Presnell Congratulations to Sarah and Ryan Presnell on the birth of their daughter, Caroline Morgan Presnell. She weighed 6 pounds, 13 ounces, and was 20 inches long. Caroline joins big brother Ryan Jr.

Client Feature

General Shale

Celebrating their 85th Anniversary this year, General Shale has grown from two small brick companies in Upper East Tennessee to one of the largest building materials companies in North America. “We love our roots, and even though we’ve had a lot of growth around the country, this is still home,” said Dick Green, CEO. General Shale now has 30 distribution centers around the US, mostly east of the Mississippi and also in the Rocky Mountain region. “We are customer-oriented. We provide better solutions for building professionals,” said Mr. Green.



Not all building materials companies are the same. General Shale differentiates themselves from the competition by providing professional grade products which anyone can purchase. They have three main areas of sales: new build, renovation, and outdoor living products.

Outdoor living is their fastest growing segment. They have many do-it-yourself kits available for purchase, including fireplaces, fire pits, mailboxes and all of the accessories needed to complete your outdoor living space such as lighting, pergolas and grills.

General Shale promotes their products as high quality, energy efficient and sustainable. Their headquarters in Johnson City also house the world’s only brick museum, with bricks



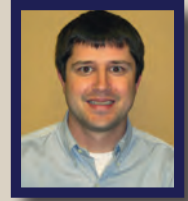
from around the globe. “We have a brick from the Wall of Jericho – this is 10,000 years old - proving that brick is the most durable building material of all time,” said Mr. Green.

To learn more about General Shale, visit any of their retail showrooms in Johnson City, Kingsport or Abingdon or by visiting their website at www.generalshale.com.



New Hall Income Tax Exemption Level

By Ryan Bowman



Most Tennessee residents and part-year residents are exempt from the Hall Income Tax because the taxable portion of certain interest and dividend income is below the exemption level (See below for a limited list of taxable and nontaxable income.). The exemption level for the taxable portion of interest and dividend income is \$1,250 for individuals and \$2,500 for married filing jointly. Filers 65 years old and over have an additional exemption.

Beginning January 1, 2013, any person 65 years or older with total income from any and all sources of less than \$33,000 for single filers and joint filers with total income from any and all sources of less than \$59,000 are exempt from the Hall Income Tax. This exemption has increased from \$26,200 for single filers and \$37,000 for joint filers for 2012.

Total income from any and all sources means all income, including social security income, regardless of whether it's taxable for federal purposes and without deduction for loss. If total income from any and all sources exceeds the exemption levels for persons over 65 and the taxable portion of interest and dividend income is still under the \$1,250 single or \$2,500 married filing joint exemption, taxpayers remain exempt from the Hall Income Tax.

Taxable Income

- Dividends from all corporations
- Interest from the following, if the instrument matures in more than 6 months from the date of issuance (except CDs):
 - Bonds of states, counties, and municipalities outside TN
 - Bonds of Foreign governments
 - Church Bonds
 - Bonds, mortgages, deeds of trust, personal notes, promissory notes, installment notes, commercial paper, or other written instruments issued by any person, firm, corporation, joint-stock company, business, trust or partnership
- Income from investment trusts and mutual funds, including capital gain distributions
- Distributions designated as "nontaxable" under federal income tax law
- Dividends or interest from Federal National Mortgage Association, Government National Mortgage Association and Federal Home Loan Mortgage Corporation

Nontaxable Income

- Interest from the following regardless of the date of maturity:
 - Bonds of state of TN and its counties and municipalities
 - Bonds of the U.S. government and its agencies (including territories). FNMA, GNMA, or FHLMC are not agencies of the U.S. Government and interest they pay to their investors is taxable.
 - Certificates of deposit issued by any bank, savings and loan association or credit union.
 - Repurchase agreements or similar evidences of indebtedness. A repurchase agreement is an investment instrument whereby a person buys a security and the seller (usually a broker) agrees to repurchase the security on a certain date for a certain price
- Interest from savings accounts, checking accounts, or money market accounts in any bank, savings and loan association, or credit union. Dividends or interest from shares or units in money market funds are not exempt.
- Interest of dividends from credit unions



Accounting Closing Procedures

By Nick Crowe

Closing periods are very common in all companies regardless of size, industry or corporate structure. The closing process occurs at least once a year, and is recommended on a monthly or quarterly basis, depending on the complexity of your company. Accountants clean up issues, conduct reconciliations and correct errors. Many companies have specific procedures, which include checklists and timelines, to ensure all company activity is accounted for in the financial records.

Many companies place reconciliations on top of their closing checklists. Typically, all balance sheet accounts are reconciled before the period is closed. Accounts receivable and payable modules are reconciled to the numbers in the general ledger. Cash accounts are reconciled to monthly bank statements. The purpose of performing reconciliations is to certify that the period to be closed contains accurate and reliable numbers.

An important management tool that is a by-factor of the closing process is the accounts receivable and payable aging reports. The aging reports allow you to view the activity for each customer/vendor and display invoice balances in a particular column based on the due date. You can quickly see which invoices are past due, currently due, or not due until a future date. You can modify the aging schedule to meet your company needs.

The following are a few common tasks that can be performed during the closing process:

Search for Accrued Liabilities: These consist of goods that have been received or services have been rendered before the balance sheet date, but have not yet been paid as of the balance sheet date. Accountants look over invoices received after the closing date to determine if they should be accrued in the prior period.

Review of Credit Card Transactions: Most companies utilize credit cards for the purchase of small items. These receipts should be reviewed and reconciled each month for proper support and approval.

Budget Comparisons: Each month a company should compare the results for the month with the budget. If there are significant differences, these should be investigated.

Comparison with Prior Periods: Financial statements should be compared to prior periods in a way to ensure accurate and reliable data. These comparisons can range monthly to annually at management's discretion.

Review of Journal Entries: While all journal entries should be reviewed immediately after posting, the end of the month is a great time to review to ensure proper posting.

As a result of the closing periods being performed, the existence of control procedures have been set in place, which can help reduce the company's risk of fraudulent activity.

The closing process will help produce relevant and reliable reports for management to make proper decision for the company's future financial success.



Karen McMurray Receives ETSU Lifetime Achievement in Business Award

Congratulations to Karen, who was inducted into ETSU's College of Business and Technology Hall of Fame, also receiving the Lifetime Achievement in Business Award. This award is given to leaders with significant community service, business accomplishments, and commitment to ETSU.



This article previously ran in the Covenant Trust newsletter. Please contact us if you would like more information about Covenant.

Should I name Covenant as my executor? Can't I just name a family member? As is often the case when attorneys answer questions, the answer is "it depends." Conceivably, a family member could work (and this happens without issue all the time). It really comes down to what is most important to the client.

Considerations

- How important is it to the testator to make things as easy as possible on the family who has just lost a loved one? If that is a high priority, leaving one or more family members with a substantial job to do may not be preferred. This is especially true the closer the family member (Will the family member be emotionally stable enough to both grieve for his or her loss and, simultaneously settle the deceased's estate in an organized, businesslike manner?).
- Is/are there family who are local, willing and able to serve and conscientious enough to do what needs to be done in a timely, organized and documented fashion?
- Are the family dynamics supportive of selecting one or two family members to be "in charge" after a death? Is naming some person likely to cause any friction in the family?
- Is the family member likely to charge less in fees than a professional? Even if the individual takes a fee that is smaller than that which would be charged by a professional, if that person is not the sole beneficiary, might this cause any family friction?
- If not, does that family member realize that serving really is a job (not just some dying honor bestowed upon them by the now recently deceased) with corresponding responsibilities, obligations, deadlines, requirements, liabilities and etc.?
- Does the executor have expertise in understanding will and trust documents, selling real estate, handling investments, and distributing IRAs?

If there are family members who meet the above "criteria" (not that these are requirements, but merely issues that a testator should consider when thinking about naming family as executor), then naming that person as executor should be fine. In reality, many testators do not think through all these issues when naming a family member. Even after choosing a family member as executor (in light of the preceding considerations), it is nevertheless a wise practice to name a professional fiduciary, such as Covenant Trust, as an alternate. That way if family decides they do not wish to act, they can simply decline to serve, leaving Covenant as the "backstop."

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Color Me Rad!



Color Me Rad, a 5K race held at the Gray Fairgrounds in September, benefitted the Southern Appalachian Ronald McDonald House. Over 30 BCS employees, friends and family ran in the race or worked behind the scenes.