

# Client Tell

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

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Blackburn, Childers & Steagall, PLC Quarterly Newsletter

## What Does Regional Economic Development Look Like?

### Viewpoint

By Tommy Greer

### Other Successful Trails:

Proponents of the Tweetsie Trail hope the trek becomes as successful as the 34-mile Virginia Creeper Trail. This trail is considered to be the best rail-trail in the Northeast and has become one of the region's premiere destinations for hikers, bikers and ecotourists. Other highly successful "rails to trails" include the New River Trail in Virginia; and the Greenbrier River Trail in West Virginia.

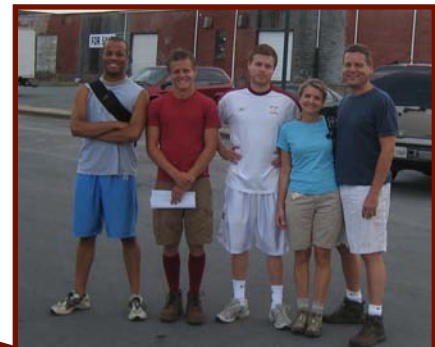
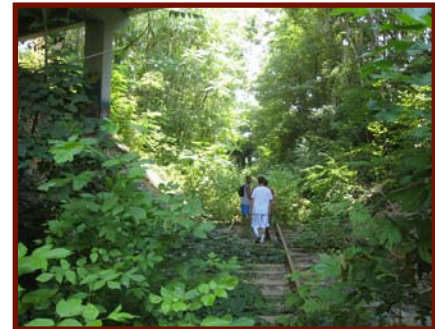
**Friends of Tweetsie Trail**  
[www.eteamz.com/TweetsieHistoricTrailAssociation](http://www.eteamz.com/TweetsieHistoricTrailAssociation)

*If you answered "The Tweetsie Trail" you would be correct.*

The Tweetsie Trail is currently the unused old Tweetsie rail line running from downtown Johnson City through downtown Elizabethton, and ends near Valley Forge before Hampton. In the future, the Tweetsie Trail will be a rails-to-trails or "railbanking" project that allows an unused railroad corridor to be converted to a walking or biking trail.

I applaud our city commissioners and staff for having the vision and foresight to see the future value of what this trail brings to our region as a whole, not just Johnson City. This summer Genesee & Wyoming, the parent company of East Tennessee Railway, agreed to Johnson City's \$600,000 offer for a 10-mile stretch of land on which the first "rails-to-trails" project in East Tennessee could be constructed.

Upon hearing this news I wanted to experience this trail firsthand, so for Father's Day this year I told my sons no ties for me, I want to "blaze" the Tweetsie Trail. On the Friday after Father's day Cay, Alexander, Isaiah, Bryson (a friend staying with us part of the summer) and I took a car to the other side of Elizabethton, parked it and headed back to downtown Johnson City to start our journey. What an adventure it was! There were a couple of nervous bridge crossings and between King Springs and Happy Valley, the brush was so over grown you could not even see the tracks in some places. The heat walking through downtown Elizabethton was stifling, but as our trek ended by the Skyline Theatre a great sense of accomplishment was felt by all. We had a great time and through the journey, the beauty and potential of the trail was clearly evident, especially after the experience we had the previous weekend. *(continued on page 2)*



Elizabethton

Johnson City

## What Does Regional Economic Development Look Like?

### A Glimpse of What Could Be?



1990 The Mount Vernon Trail

Having been at a conference in Washington, DC the previous week, Cay and I enjoyed our Saturday by renting and riding bikes the 10 miles from Alexandria, VA to Mount Vernon and then back on the “Mount Vernon Trail”. This trail is an 18.5 mile multi-use paved path that runs from DC to Mount Vernon along the Potomac River, paralleling the George Washington Memorial Parkway. The day we were there it was busy with young professionals, families, and retirement aged people biking, running, walking and rollerblading. It was a picture of healthy active people enjoying the outdoors around them. The vision for this trail was cast by civic groups in 1972, paved and functional in 1975, fully completed in 1988 and today has become the “flagship” of recreational trails throughout the country.

In the short span of seven days we saw our trail, raw and unused, as it currently is; to in Washington DC, what the Tweetsie Trail can be, and it was exciting!

I do believe related small businesses will be established due to the trail. I also believe it will bring additional people to downtown Johnson City and Elizabethton. With parts of the trail being a stone’s throw from both ETSU and

Milligan College, what an attractive recreational activity to tout to prospective students. Lastly and in my opinion most important, what another nice free recreational opportunity for all ages to have and promote to retain our young talent and also attract new business to our entire region.

### Improved Health and Fitness?

The timing of this decision is also perfect based on the fact Tennessee was just ranked #2 behind Mississippi as the most obese state in our nation. Obesity is a major risk factor for heart disease, stroke and diabetes - areas where Tennessee also ranks poorly. Every year, obesity costs Tennessee \$2.9 billion and contributes to tens of thousands of needless deaths. Childhood obesity is also a major concern currently. Thus the more opportunities we can provide for recreational activities for the people of this region the more we can improve our fitness, health and finances.

Going forward it is hoped that the Tweetsie Historic Trail will be a joint project of Johnson City, Washington County, Elizabethton, and Carter County, all of which will benefit economically and socially from this investment in recreational infrastructure. Other sources of support could include state and federal grants and private contributions.

In this day and age when typically all you get is criticism for your service in public office, I say thank you to our city commissioners for their vision!

## The Grand Vision?

Since we are looking to the future, how about if we dream big for a minute. Upon completion of the Tweetsie Trail from Elizabethton to Johnson City, why not then build on the history of our region that attracts many visitors and take the trail to Jonesborough. While we are dreaming big here, let’s go ahead and take our trail to historical downtown Greeneville, also. Federal and State Grants should both be available to provide significant funding. This would provide another draw for tourists to the area and would truly be “regional” economic development!

What do you say Washington County and Greene County?

Jonesborough

Greeneville



By Luke Gillis

## SUGGESTIONS FOR AN EFFECTIVE CLOSE

All entities regardless of organizational structure, size, industry, or type (for profit, not for profit, governmental) have a common goal every 30 days-to get the month closed. It is almost never easy to close a month because we rely on information from several different sources, and we need the information yesterday. On top of this, the world doesn't stop for us to close the books; we have to balance our everyday duties with the process of closing. Sometimes the process becomes overwhelming and what we really need to do is stop, think through what we need to do, and just get started-preferably with something that can be finished quickly.

The following are some suggestions for good places to start:

**BANK RECONCILIATIONS:** All entities should reconcile all of their cash on a timely basis, i.e. as close to the date that you receive your monthly statement as possible or your organization could even use online banking to get an early start.

**REVIEW OF CREDIT CARD TRANSACTIONS:** Most entities utilize a credit card, purchase card, or procurement card for the purchase of small items. These receipts should be reviewed and reconciled each month. This is another item where information can and should be accumulated throughout the month to help expedite the closing process.

**RECONCILING ACCOUNTS:** Most accounts have details, such as subsidiary ledgers, or statements to support balances. The general ledger should usually agree to the support. This may require some reconciliation and adjusting. If your organization finds that a subsidiary ledger consistently does not reconcile with the general ledger, your organization should evaluate the accounting system to ensure that it is functioning properly.

**ACCUMULATION AND MAINTENANCE OF OTHER ITEMS:** This can range from expense reports, to production reports, to attendance or use records. It also includes new agreements or contracts. It is critical to obtain these reports on a monthly basis to prevent year end surprises. It is also a good idea to develop a template for reporting of items such as travel expenses.

**COMPARISON WITH BUDGET:** Each month an organization should compare the results from the month with the budget. If there are significant differences, these should be investigated.

**COMPARISON WITH PRIOR MONTH-ASSETS/LIABILITIES/EQUITY:** Typically assets, liabilities, and equity/fund balance accounts do not have budgets. These should be compared with the prior month to ensure that no transactions were inappropriately posted to them.

**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 them and make sure that entries aren't double posted or reversed. It is also a good idea to take some time to review the entries with management, especially in smaller organizations. You should also consider the creation of templates for recurring journal entries.

This list is not all inclusive, and your organization should tailor the list to match your needs. Remember for financial information to be useful, it must be delivered timely.



By Don Wallingford

C l o u d computing is internet based computing where resources, software, and other information are available on demand to a person on almost any internet accessible device. An example of cloud computing would be when you access your Yahoo / Hotmail / Gmail e-mail account to check your e-mail. Instead of using a program installed locally, such as Microsoft Outlook, to view e-mail; you are accessing your e-mail via a website. That is pretty much the concept of cloud computing in a nutshell. Microsoft has developed their "Office Web Apps" and Google their "Google Docs"; both of which will allow you to create / edit / save / access documents from any computer with an internet connection (like this article I'm using Office Web Apps to create).

# Working from the Cloud

Recently I've had several parents of college bound students ask me for recommendations on laptops. I'd offer general specifications to look for in a laptop and certain technical services to refuse from any retail store they were making their purchase.

Another frequent question asked is, "What size jump drive should I get?". A jump drive is almost perfect for a student who can work on class assignments in the dorm, save them to the jump drive, and then take the jump drive to a computer lab to print off their assignments. I say almost because both Office Web Apps and Google Docs provide light editing tools to utilize while working within your documents. Whether it is a spreadsheet, presentation, or word document you are able to make any needed changes from any computer. You can either print your document or share it with someone else to view or make any changes without having to keep track of multiple copies.

Some might be concerned with the amount of storage offered by both Google and Microsoft for these free products. Microsoft provides storage from what they call your "Skydrive" where you get 25GB of storage. Google currently offers 1GB of storage but it seems that later on you will be able to purchase additional storage space. To help give you an idea as to how much storage that is; you are able to save 300 to 1000 documents within 1GB of storage depending on each individual file size.

Both of these are great products that offer the ability to create and edit documents from any computer that is internet accessible. Keep in mind though that these are not as full featured as Microsoft Office. I would recommend checking out both to see which one might work best for you for home use.



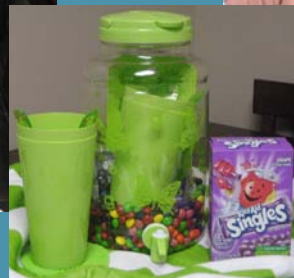
## Relay for Life 2010 \* Relay for Life 2010 \* Relay for Life 2010 \* Relay for Life 2010

### Greene County

Amongst ourselves, we wanted to come up with something we could pass from cubicle to cubicle. It had to be something employees would not want in their office area. The Relay for Life Purple Flamingo was the idea we wanted to base it on. Flamingos are placed on your lawn and you have to pay (donate money) to have them removed and placed somewhere else. Flamingos were not humiliating enough so someone mentioned the Purple Toilet idea that was new to Relay for Life fundraising titled "Flush Out Cancer". We could not easily move a whole toilet so we settled for a toilet seat. It was spray painted purple and decorated glamorously. When an employee received the toilet seat they signed their name and for a donation of five dollars, they picked the next victim to be "flushed". With a total of 35 participants from all three offices, we raised \$175.

Our office also made a jar filled with goodies and skittles. For a donation of two dollars, one could place a guess for the number of skittles in the jar and the closest guess won skittles and all. A total of \$246 was raised in our Greeneville office for Greene County's Relay for Life.

by Lindsey Rollins



# KEY PERFORMANCE INDICATORS



By **Travis McMurray**

Every time you visit your doctor, there are a few vital measures that are recorded...your weight, your blood pressure, and your temperature. The measures give an overview of how well you are performing physically. The numbers can be significant as stand-alone measures, but they are even more valuable when analyzing the trends from visit to visit. With businesses, the amount of varying measures (like the human body) can at times be overwhelming, so it becomes important to reduce complex reporting and analysis by identifying the critical measures....the key performance indicators (KPIs).

KPIs not only assist management in seeing if a company is healthy, but ideally these measures can provide leading indicators on the company's future performance. In determining the KPIs for a company, several things need to be considered including:

- 1). *What are the critical success factors for the company?*
- 2). *How does management define success?*
- 3). *What are the strategic goals of the company?*
- 4). *What are the industry benchmarks/standards?*
- 5). *What life cycle stage is the company/industry currently in (growth, maturity, decline, etc)?*

It is very important to understand what indicators are required for learning and improvement. One common misconception is that these indicators are strictly financial in nature. KPIs can be in many different non-financial formats such as growth rates, ratios, or even simply raw numbers. For example, if one of your strategic goals is growth or the building of a customer database, perhaps the number of new customers is a KPI. In addition, some measures may be key risk indicators rather than key performance indicators.

KPIs can be defined for the business overall or specific areas of the business such as marketing and sales, productivity, procurement, customer loyalty, or quality performance. Once your company has identified what should be measured, the next step is determining the frequency of measurement. There may be a few measures that are reviewed weekly and/or monthly and then there may be additional measures that are only reviewed quarterly and/or annually. In addition to giving you important insight into the company's performance at a given time, KPIs can also be extremely valuable in identifying trends, variations, or seasonality of your business, thereby becoming a critical problem-solving tool for your company. Another valuable exercise is to identify targets along with acceptable ranges for each measure. By generating some KPIs for your company, you can quickly grade your company and not get lost in details.

## Life 2010 \* Relay for Life 2010 \* Relay for Life 2010 \* Relay for Life 2010

### Washington County

The Johnson City office raised a grand total of \$1,365 this year for Johnson City/Washington County Relay for Life. Activities included Friday Jeans Day and breakfast for which employees "paid" to participate, a Dessert of the Month auction, Bake Sale, Book and CD Sale, and guessing the number of M&Ms in the jar. Several employees gave over and above the set "cost" of the activities. Thanks to those wonderful employees who chose to participate in this annual fundraiser.

*by Cheryl King*



### Sullivan County

The Kingsport office raised \$183 dollars for Relay for Life this year. Fundraising activities included a Trash to Treasure Sale, an Ice Cream Sundae Social, and Denim Fridays. Our biggest event was our Pie-a-Partner raffle, where we had a drawing for a chance to pie either Chuck Huffman or Chad Kisner. As always, the Kingsport office had lots of fun while raising money for a great cause!

*by Nikki Cole*



## What Type of Business Should My Company Be?

Warren Buffett says “There are three kinds of people in the world: Those who can count, and those who can’t.” But running a successful business requires more than the ability to count. Careful decisions must be made about how to organize and structure the business to meet the needs of the individual owners.

By *Beth Lillycrop*

### Sole Proprietor

The most popular form of business organization that accounts for more than 75% of all businesses is the sole proprietor. Reasons for the popularity of sole proprietorships are that self-employment tax is reported on a simple form, no fees or formal registration are required, it is easy to organize and the owner receives all the income. Major disadvantages to a sole proprietorship are that the owner is personally liable for all the debts of the business and of course this entity type only allows for one owner.

### Partnership

Another popular business structure is the partnership that simply consists of two or more people sharing ownership of a single business. Characteristics of the partnership are that it is easy to establish but a partnership agreement should always be developed. Profits and losses flow directly to the partner’s personal tax returns. But partners are liable for the actions of other partners and profits must be shared. In addition, the partnership may end on the death or withdrawal of a partner.

### C Corporation

Corporations are considered by law to be a unique entity that is separate apart from those who own it. Shareholders have limited liability for debts or lawsuits and shareholders are only held accountable for the amount of their investment. A disadvantage of this form of ownership

is the expense to organize and income can be taxed twice, once at the corporate level and again at the shareholder level when dividends are paid.

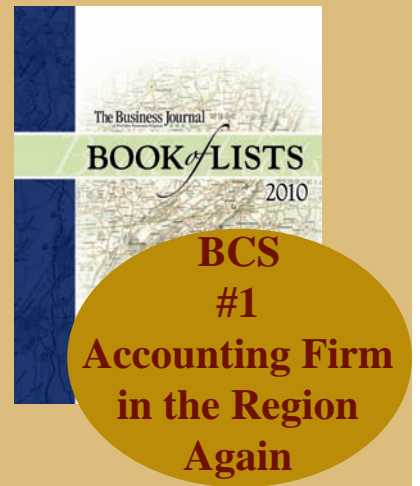
### S Corporation

The S Corporation enables the shareholder of a corporation to treat earnings and profits as distributions and pass these through to the personal tax return. Owners have limited liability but this form of organization is more expensive to create than partnerships or sole proprietors and involves more paperwork than an LLC, which offers similar advantages. There are also some restrictions on the eligibility of certain shareholders. The S Corporation is simply a corporation that has elected to be taxed as a “pass-through” entity rather than pay the tax at the corporate level.

### Limited Liability Company

An LLC is a hybrid business structure that provides the limited liability of a corporation with the tax efficiencies of a partnership. Owners are personally protected from business liabilities and it is a separate legal entity that assumes its own risks.

Each state has its own filing requirements for the various types of entities, so be sure to identify your state’s requirements before deciding on which business entity best meets your needs. Let us help review your business structure to find the most profitable and tax efficient structure that is right for your particular needs.



Blackburn, Childers & Steagall, PLC is pleased to be recognized as the #1 Accounting Firm in the region in the 2010 Book of Lists published by The Business Journal of Tri-Cities Tennessee/Virginia. BCS is the top ranked firm under the “Accountants” listing in the Business & Finance category.

Listings are based on the number of Certified Public Accountants in each firm located within our region. BCS was first with 34 CPA’s. The second and third place firms reported 21 and 8 CPA’s respectively.



Chad Kisner, a partner from our Kingsport office, is serving as the 2010-2011 Kingsport Leadership Programs Council Finance vice-chair. Chad is a 2003 graduate of the Leadership Kingsport program.



By James Motte

# TIME TO CONSIDER REFINANCING YOUR HOME

Thinking of refinancing your home now that interest rates are at historic lows? Before taking the plunge, you may want to consider the following:

- How long do you plan on staying in your home and what are the costs to refinance? You will want to stay in your current home long enough that your monthly savings will cover the costs of refinancing. For example, if your closing costs are \$1,800 and by refinancing you reduce your monthly payment by \$100 per month it will take 18 months before you recover the costs of refinancing.
- For how many years should you refinance? If your current loan is a 30 year mortgage and you have been paying on it for 10 years when refinancing you should consider a loan of 20 years or less. These payments (depending on your original interest rate) should be close to your current payment and more of your payment will go toward the principle of the loan than if you refinanced for 30 years. With a 30 year mortgage, your payment will be lower but you will pay much more in interest.
- Be aware that if you did not put down at least 20% when purchasing your home, you may have difficulty refinancing. Most banks are requiring home owners to have a 75% loan to value ratio (LTV Ratio) when refinancing. For example, if your house is appraised at \$100,000 the most your mortgage (and Home Equity Line of Credit "HELOC") combined can be is \$75,000. If your mortgage is \$70,000 and your HELOC has an available line of \$10,000 you will have to reduce your HELOC by \$5,000 in order to refinance. The bank's lending practices have become much stricter since the financial market meltdown. The days of easy money and the so called "Liar Loans" are gone.
- Be sure to research mortgage rates at several local banks as well as on-line to verify you are getting the best rate possible. A great resource online for mortgage rates (as well as other financial information) is Bankrate.com.

## Personal Lines



Eric Nauman became a full time employee on July 1, 2010 and will be working in the Audit and Tax Departments in the Johnson City office. Eric graduated in 2009 with a Bachelor of Science degree in accounting from Milligan College, where he was a member of the Milligan College Jazz Ensemble for three years.

He is currently enrolled in the Master of Accountancy program at ETSU with an expected graduation date of 2011.

Eric was a summer intern at the City of Mount Vernon, Ohio Auditor's office in 2009. He was also an intern at BCS from 2009-2010. Eric grew up in Mount Vernon, Ohio and now lives in Johnson City with his wife Lyndsay. They attend Crossroads Christian Church.



Brooke Compton became a full-time employee on June 1, 2010 and will be working in both the Tax and Audit Departments in our Greeneville and Johnson City offices. Brooke first came to BCS in January of 2009 as an intern. She graduated Summa Cum Laude from Tusculum College in December of 2009 with a

Bachelor's Degree in Business Accounting and a Minor in Management. She is currently attending the Master of Accountancy program at ETSU, and plans to take the CPA exam upon the completion of this program.

Brooke is a resident of Greeneville and is engaged to Daniel Davis. A wedding date is planned for October the 16th, 2010. Brooke and Daniel have two dogs, who are practically their children, named Abigail and Bella.

# Welcome Fans

## BCS Goes Out to the Ballgame with the GREENEVILLE ASTROS

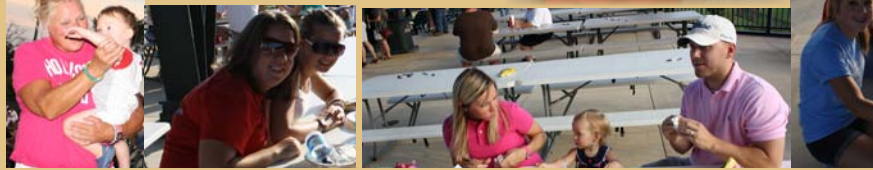
Article by Carol Wallace  
Design by Audrey Capps

Over 100 BCS employees and family members came out to see the Greenville Astros game at Pioneer Park and enjoy the great game of baseball. Spirits were high and excitement amplified as the kids and adults settled in for the game.



Clay Pickering, age 6, was the star of the night with the BCS crowd. A drawing was held among the children and grandchildren of BCS staff to select a winner to receive the honor of throwing the first pitch of the game. Clay's big sister, Courtney, was the actual winner, but in a show of great sportsmanship among siblings she wanted Clay to have the honor. According to Clay and Courtney's Mom, Kay Pickering, Clay "loves" baseball! With anticipation in his heart and a smile on his face, Clay stepped to the pitcher's mound in his Astros shirt and hat to throw the ball like a pro. Great job, Clay! Childhood memories are such as this.

Thanks, Courtney, for your generous spirit!

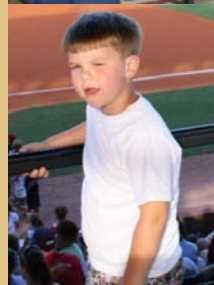
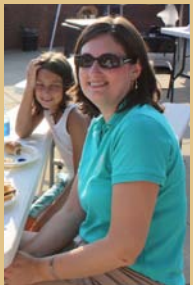


Baseball and kids go together! Other winners of the evening included Erin Lillycrop, daughter of Beth Lillycrop, who participated in the "Tex Toss" game. The race to dress in the baseball uniform revealed the speed talents of Joseph Kisner, son of Chad Kisner. Kids waited patiently to get autographs from the players and to interact with the Astros' Mascots, Tex and Tess. Each child or grandchild of BCS staff also received a gift certificate to "The Upper Deck" Team Store.



The crack of the bat, the "heads up" cry for the foul ball, home runs and seventh inning stretch...baseball under the lights with a fantastic finale of fireworks all made for a great summer evening of fun for all.





## Two Notable Revenue Raisers in the Recent Health Care Reform Tax Legislation



By Jake Hutchison

In March, President Obama signed two new pieces of legislation into law: The Patient Protection and Affordable Act and the Health Care and Education Reconciliation Act of 2010. The legislation was designed to reform the U.S. health care system. The total revenue expected to be raised over the next ten years by the new tax laws is estimated to be \$437.8 billion. The main two revenue raisers are increases to Medicare tax on earned income and Medicare tax on investment income. The estimated revenue from these two new laws makes up \$210 billion out of the total \$437.8 billion.

The first revenue raiser deals with the Medicare hospital insurance tax base of “high income” taxpayers. Under current law, taxpayers are subject to a 1.45 percent hospital insurance tax on all earned wages and the employer is subject to the same tax. Self-employed taxpayers are subject to both the employee and employer portion or 2.9 percent tax rate. The new legislation increases the employee portion by 0.9 percent of covered compensation in excess of \$250,000 for married filing jointly (\$125,000 for married filing separately) and \$200,000 for all others. Thus, the total Medicare tax will be 3.8 percent with the employee’s portion increased from 1.45 percent to 2.35 percent.

The second main revenue raiser focuses on Medicare tax on investment income. The new tax imposes a 3.8 percent unearned income Medicare contribution tax on individuals whose

modified AGI exceeds the “high income” thresholds mentioned below. The tax is on the lesser of two items: net investment income or the excess of modified adjusted gross income over the threshold amount (modified adjusted gross income of \$250,000 for joint returns, \$125,000 for married separate returns, and \$200,000 for all others). One note to mention is modified adjusted gross income will be higher than taxable income because personal exemptions and itemized deductions (or the standard deduction) are not subtracted. Investment income includes net capital gains, net income from passive activities (i.e. rental activities, income from passive LLC interests, etc), interest, dividends, annuities, and royalties.

One final note, the new tax changes effect only “high income taxpayers” (those with income limits greater than the thresholds mentioned above) and do not go into effect until tax years beginning after December 31, 2012. This law, along with all tax legislation that is scheduled to take effect in the future, could easily be altered or never put into place with an act from the legislative body. Even though this tax hike doesn’t take effect for a couple more years, it is noteworthy since it’s such a big chunk of the overall tax revenue expected to be raised to pay for health care reform. We will keep you up to date on the progression of other major tax law changes and, as always, please let us know if you have any questions.

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**Johnson City-Washington County Chamber Small Business Breakfast**

BCS once again co-sponsored the Johnson City-Washington County Chamber's Small Business Breakfast. Gina Lemons (right) represented our firm. The purpose of the breakfast held at the Holiday Inn in JC was to provide an opportunity for chamber members to interact with small business members in an informal, networking atmosphere. A continental breakfast was provided, followed by a brief welcome and comments where members were encouraged to interact with the sponsoring businesses. At the conclusion of the event, door prizes contributed by the sponsoring businesses were given away.



**Brad Smith & Jason Boger, Dock 1**



**Lakebridge Health Care Center**



**Lester Lattany, President/CEO  
United Way of Washington County, TN**

Pictured above: Some of our valued BCS business and not-for-profit clients attending the breakfast.