

SEPTEMBER 2001

# Quill

QUARTERLY NEWSLETTER

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# FAREWELL TO ALICE HARRIS

By Carl N. Ouellette, Principal

After twelve incredible years with RKO, Alice Harris is retiring next month. As Principal in charge of our nonprofit audit practice, Alice originally announced her plans to leave the Firm and move back to West Virginia almost two years ago. With a desire to be closer to family and to keep her health issues in check, she graciously offered to stay a few years to help us transition the nonprofit practice. Time has flown past, and we will be officially bidding her adieu at the end of September.

## Accomplishments

In a little more than a decade, Alice has spearheaded the growth of the Firm's nonprofit department, and today that segment represents about 23% of firm revenues. To achieve that success, Alice clearly possessed the requisite traits and skills. She has a passion for the profession and a love for the nonprofit community. Alice routinely demonstrates initiative, persistence, firm convictions, and professionalism. I will personally miss her ability to listen, problem solve, mediate, and motivate. And to those of us who know her best, Alice always puts others before herself.

## Brief History

In 1989 Alice moved from West Virginia to join RKO as a senior accountant. Since she had already passed the CPA exam and had worked with a small firm back home, we were eager to welcome her aboard. We were only half our current size then, and we recruited her to help expand our nonprofit sector. Initially, Alice didn't work exclusively with nonprofits. She actually served small businesses and individuals in the tax and business advisory area as well. Her knowledge and expertise in the nonprofit industry was soon so overwhelmingly accepted by the community that she quickly devoted substantially all her time in that arena. In 1996,

Alice became a Principal in the Firm, and the same qualities she has demonstrated while serving on numerous nonprofit boards and committees were brought to our board table. As Alice departs RKO, she will also leave Maine. Returning to her native West Virginia, she hopes to achieve an improved balance in her life, enjoy her new home, be close to her dear niece and other family members, work on her golf game, and benefit from shorter winters. She assures us that she will return to Maine regularly to



*Alice Harris at her desk.*

maintain her personal connections here and to chase that little white ball around the local golf courses.

## Reflections

As difficult as it has been to think about Alice leaving, we all take solace that she has made the right decision. It has not been an easy one for her but the recent spark in her eyes says it all! We will miss you, Alice.

## Farewell

*and best wishes from all of us!*

## NEW LOOK FOR THE QUILL

By Glenn Kersteen, Principal

RKO is pleased to present a new style for our quarterly newsletter. Since we began publishing the QUILL in 1986, the newsletter has undergone just one or two changes. With the assistance of Kico Passalacqua, a creative designer from Waterville, this new “look” is just another component of RKO’s new image. We hope you will continue to enjoy the publication and gain useful information from our articles.

## PICKING YOUR FINANCIAL ADVISOR

By Brian M. McMann, Senior Manager



Unfortunately for many of us, the year 2000 was not a good year in the stock market and you may be wondering where to obtain sound financial advice.

The media is full of stories of those that have made or lost fortunes by trading on their own with little direction from anyone else. For the most part, I believe you would do better by going to Las Vegas.

Instead you may choose a discount broker and utilize the services of their staff. Generally, this is done over the phone with little personal consideration. Commissions on trades are discounted and usually the service is limited to generalities.

You may choose to use a full service broker whose goal should be to tailor a plan to fit your particular circumstances and adjust that plan as time passes. These brokers have historically charged commissions on trades many times that charged by the discount brokers. More recently, many of these brokerage firms are charging a fixed annual percentage of your portfolio to manage your account with no fees to trade. A

full service broker should meet with you a few times each year in order to review your account and give you some beneficial advice. With a few exceptions, these brokers have no financial incentive to direct you to one particular stock or other investment. They will receive the same commission on each.

A significant number of newer investors with somewhat limited resources to invest seem to be engaging the services of “financial advisors/planners”. It is very difficult for the average investor to determine who is qualified to provide good advice and who isn’t. Unlike the brokers in the large brokerage firms, there is generally very little peer or employer review of these services. Generally, these planners depend on the commissions received from selling you a product they recommend you buy. I believe it is critical for the average client of these planners to be involved in any decision regarding their investments.

You should feel free to ask your planner to put the plan in writing for you to review. Ask how much his commission is on a particular recommendation.

Is there a penalty involved if you choose to withdraw your investment within a certain time? If your planner does nothing more than recommend mutual funds, for which he or she receives a substantial commission, would you be just as well off investing in a similar fund with one of the “no load” mutual fund companies? Are you aware of the limitations of tax deferred annuities, not to mention the extremely high commissions on them? Don’t forget, you pay the commission, not the mutual fund or the insurance company. Do not hesitate to ask your planner what you will be paying. It is your money and no one else cares about it as much as you.

As an alternative, some planners are compensated strictly on a fee for service basis. You pay only for the amount of time involved. These planners do not sell a product. Typically, they have no financial incentive to direct you to any particular investment.

We have the benefit of observing the results of many of these avenues of investing and would be pleased to work with you to help choose the method that most benefits you.

## ADVANCED PAYMENT (REBATE) CHECKS

By Jennifer L. McKenney, Supervisor



What is the all of the fuss over checks ranging up to \$600 from the IRS? The advanced payment checks being mailed by the IRS have caused quite a stir and the IRS has been inundated with questions. Here are some answers to some of the most frequently asked questions.

**Q** – Who does not qualify for the advanced payment this year?

**A** – If you did not pay any income tax for 2000, you are not eligible for the advanced payment. If you could be claimed as a dependent on another person’s 2000 return, you are also ineligible.

**Q** – If the checks were supposed to be for \$300 and \$600, how come mine was less and is there any way I can get the rest?

**A** – Although these advanced payment checks are for your 2001 taxes, they are based on your 2000 taxes. Your situation may well be different this year. Thus, there will be a worksheet included in the tax instructions for your 2001 return that figures out the maximum amount that you should receive. If the amount that you received as an advanced payment is less than what you calculate, then you may be able to claim an additional credit when you file your 2001 return. On the flip side, if you received a larger advanced payment than you should have, you will not be required to return the overpayment to the IRS.

**Q** – I filed my return by mid-April and I know the IRS received it because they cashed my check. Why haven't I received notice about my advance payment?

**A** – Some taxpayers who filed their returns by the April deadline and sent payment with the return may not have received a notice yet about their advanced payment check. Advanced payment checks are processed based on the last four digits of your social security number and the process is expected to continue through September. If you are eligible to receive a check and haven't yet, you may also be held up by the order of processing returns. First they process the payment checks, then the refund returns and lastly the returns that came with the payments. Of course, if you extended the filing of your 2000 tax return, your advance payment check will be delayed accordingly.

If you have any questions regarding the amount of your refund, please give our office a call and we will assist you.

## INCREASE IN PENSION CONTRIBUTION LIMITS

By Richard L. Morin, Senior Manager



### Individual Retirement Accounts (IRA's) and Roth IRA's

New tax laws have increased the contribution limits for most retirement plans. The following chart summarizes the new limits. Note that several of these limitations increase in later years based on inflation adjustments and have "catch up" provisions. Call us for more details.

Year	Contribution Limits		
	IRA's	Roth IRA's	SIMPLE Plans
2001	2,000	2,000	6,500
2002	3,000	3,000	7,000
2003	3,000	3,000	8,000
2004	3,000	3,000	9,000
2005	4,000	4,000	10,000
2006	4,000	4,000	10,000
2007	4,000	4,000	10,000
2008	5,000	5,000	10,000

### Savings Incentive Match Plan for Employees (SIMPLE)

The current maximum elective deferral of \$6,500 will be increased to \$7,000 in 2002 and in \$1,000 annual increments until the limit reaches \$10,000 in 2005. Beginning after 2005, the \$10,000 limit will be indexed in \$500 increments, based on inflation. Individuals over 50 will be able to make additional "catch-up" contributions in 2002-2006 and inflation adjusted contributions thereafter.

### Roth-Style 401(k)

Beginning in 2006, employers will be able to create "Qualified Roth Contribution Programs" that allow participants that contribute to a 401(k) plan to designate a portion of their contributions as after-tax Roth contributions. Like Roth IRA's, these contributions and related earnings are not subject to income tax when distributed as long as the distribution is not made before age 59, death, or disability. For distributions to be tax free, the individual's account must have been in existence for a minimum of five years.

### Defined-Contribution Plans

The annual dollar limit to a defined contribution plan is scheduled to increase from the current \$35,000 to \$40,000 in 2002 and will be indexed for inflation in \$1,000 increments thereafter.

### Compensation Limit

The maximum amount of compensation that can be taken into account for determining contributions and benefits will increase to \$200,000 in 2002, and will be indexed for inflation in \$5,000 increments.

## WHAT DOES YOUR AUDIT OPINION REALLY MEAN?

By Monique Lemieux, Staff Accountant

Does your organization really understand the report of the auditors' that is given at the end

of the audit process? This report is designed to explain to an organization the results of the audit and express an opinion on the financial statements. Depending on the findings during the audit, certain opinions are rendered. Unqualified, qualified, adverse, and disclaimers of opinion are the terms used to describe the financial statements of an organization.

Sometimes called a "clean opinion", an unqualified opinion means that we, as auditors, have not identified anything wrong with the financial statements – that they "present fairly, in all material respects, an entity's financial position, results of operations, and cash flows in conformity with generally accepted accounting principles".

A qualified opinion indicates that the financial statements are presented fairly "except for" a departure from generally accepted accounting principles or GAAP. The reasons for this qualification are then stated in the audit report.

An adverse opinion indicates that the financial statements do not present fairly the financial condition of the organization in conformity with GAAP with the reasons explained.

A disclaimer of opinion states that the auditor does not express an opinion on the financial statements. The reasons for the disclaimer are then expressed.

Whether you are issuing or reading a financial statement, it is important to understand the terminology associated with an audit opinion in order to maintain or improve upon the existing financial condition and/or reporting of the entity. We can assist you in obtaining a "clean opinion" or in understanding the report of other auditors.



## DOES JUGGLING CREDIT CARDS HURT YOUR CREDIT?

By Jeanne Gibson, Manager



If you have shopped around for low-interest-rate cards, taken advantage of low introductory offers, and then moved your balance to another card when the preferential rate expired, you may have wondered whether juggling credit cards to chase low rates would come back to haunt you. You need not be concerned. Your credit rating will generally not be penalized for shifting

credit-card accounts. However, you should close credit lines you no longer use. Too much available credit could hurt you if you apply for a loan, and some lenders may not like it if you've had accounts open only a short period of time.

## USED CELL PHONES

By Meghan Rochefort, Client Service Team



The Maine State Police along with Governor King have set up a program to collect used cell phones and donate them to organizations for abused women. Runyon Kersteen Ouellette believes this is a wonderful program and would like to solicit your help. If you would like to contribute to this program, you may drop off your used cell phone at the following locations:

State Police Barracks, Route 26, Gray; State Police Barracks, Route 202, Alfred; Maine Department of Public Safety, 36 Hospital Street, Augusta. If you have any questions or want further information on this program, please contact Steve McCausland, Maine Department of Public Safety, 287-3040.

## WELCOME NEW EMPLOYEES

**Laura Johnston** has joined RKO as an Assistant Accountant. She graduated from Husson College in Bangor in May 2001. She is a resident of Lyman, Maine.

**Amy L. Rossignol** received her Bachelors degree in Public Accounting from Thomas College in May 2001. She was raised in Van Buren, Maine. She attended Thomas College and was the recipient of the Thomas College President's Scholar's Award.

**Christopher Stevenson** has joined RKO as an Assistant Accountant. He graduated from the University of Vermont in Burlington in May 2001. Chris recently relocated to southern Maine and is living in Portland.

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