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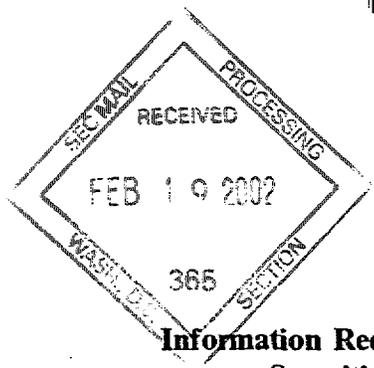
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8- 50429

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01-01-01 AND ENDING 12-31-01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: USI Securities, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

95 Glastonbury Blvd.

(No. and Street)

Glastonbury

CT

06033

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

John A. O'Connor

860-652-3239

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Haggett, Longobardi & Company, LLC

(Name -- if individual, state last, first, middle name)

115 Glastonbury Blvd.

Glastonbury

CT

06033

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

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FEB 25 2002

THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, John A. O'Connor, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of USI Securities, Inc., as of Dec. 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

-NONE-

John O'Connor
Signature
President
Title

Marylynn Zadrick
Notary Public

MARYLYNN ZADRICK
NOTARY PUBLIC
MY COMMISSION EXPIRES 12/31/2006

This report** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

USI SECURITIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2001

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
USI Securities, Inc.

We have audited the accompanying statements of financial condition of USI Securities, Inc. as of December 31, 2001 and 2000, and the related statements of income, changes in retained earnings and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USI Securities, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 16, 2002

Haggett Longobardi & Company LLC

USI SECURITIES, INC.

STATEMENTS OF FINANCIAL CONDITION

December 31, 2001 and 2000

ASSETS

	<u>2001</u>	<u>2000</u>
Current assets		
Cash	\$383,630	\$387,316
Other receivables	52,138	-
Commissions receivable	36,477	-
Deposits	35,000	35,000
Due from Officer	3,300	3,300
Other current assets	644	3,370
Trade receivables	-	567
	<u>511,189</u>	<u>429,553</u>
Property and equipment, at cost		
Furniture and fixtures	11,455	10,455
Less accumulated depreciation	(7,166)	(5,024)
	<u>4,289</u>	<u>5,431</u>
	<u>\$515,478</u>	<u>\$434,984</u>

LIABILITIES AND EQUITY

Current liabilities		
Accrued expenses	\$201,528	\$200,020
Accounts payable	1,516	4,445
	<u>203,044</u>	<u>204,465</u>
Equity		
Common stock, \$1 par value; 100 shares authorized, 10 shares issued and outstanding	10	10
Paid in capital	572,990	572,990
Deficit	(260,566)	(342,481)
	<u>312,434</u>	<u>230,519</u>
	<u>\$515,478</u>	<u>\$434,984</u>

The accompanying accounting policies and notes are an integral part of the financial statements.

USI SECURITIES, INC.

STATEMENTS OF INCOME

For the Years Ended December 31, 2001 and 2000

	2001	2000
Revenue		
Commission income	\$8,498,823	\$7,835,952
Interest income	23,602	29,321
Other income	15,670	11,207
	8,538,095	7,876,480
Expenses		
Management fees	7,653,323	7,219,724
Salaries	427,752	307,076
Professional fees	60,049	45,922
Commissions - independent representatives	54,324	-
Rent	50,004	36,000
Licenses and fees	38,659	38,241
Payroll tax	25,440	18,191
Trading fees	24,665	-
Promotional expenses	20,200	10,921
Telephone	16,701	8,333
Software lease	14,520	13,650
Travel	13,553	8,659
Training/professional development	10,530	6,793
Office expense	10,236	1,188
Retirement plan - 401(k) match	8,199	7,558
Insurance	6,702	20,984
Dues and subscriptions	5,947	6,243
Meals and entertainment	4,803	1,466
Office supplies	3,237	3,741
Bank charges	3,103	4,303
Depreciation	2,142	2,047
Commissions	1,128	9,009
Payroll processing	533	502
Claims and losses	-	12,796
Charitable contributions	-	600
Miscellaneous	430	450
	8,456,180	7,784,397
Net income	\$81,915	\$92,083

The accompanying accounting policies and notes are an integral part of the financial statements.

USI SECURITIES, INC.

STATEMENTS OF CHANGES IN RETAINED EARNINGS

For the Years Ended December 31, 2001 and 2000

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Deficit</u>	<u>Total Equity</u>
Balance, December 31, 1999	\$10	\$572,990	\$(434,564)	\$138,436
Capital contributions	-	-	-	-
Net income	-	-	92,083	92,083
Balance, December 31, 2000	10	572,990	(342,481)	230,519
Capital contributions	-	-	-	-
Net income	-	-	81,915	81,915
Balance, December 31, 2001	<u>\$10</u>	<u>\$572,990</u>	<u>\$(260,566)</u>	<u>\$312,434</u>

The accompanying accounting policies and notes are an integral part of the financial statements.

USI SECURITIES, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$81,915	\$92,083
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	2,142	2,047
(Increase)/decrease in:		
Other receivables	(52,136)	(3,867)
Commissions receivables	(36,477)	(3,867)
Deposits	-	3,130
Other current assets	2,726	(3,370)
Trade receivables	567	-
(Decrease) increase in:		
Accrued expenses	1,508	189,353
Accounts payable	(2,931)	4,445
Net cash (used in) provided by operating activities	<u>(2,686)</u>	<u>283,821</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,000)</u>	<u>-</u>
Net (decrease) increase in cash	(3,686)	283,821
Cash and cash equivalents, beginning of year	<u>387,316</u>	<u>103,495</u>
Cash and cash equivalents, end of year	<u>\$383,630</u>	<u>\$387,316</u>

The accompanying accounting policies and notes are an integral part of the financial statements.

USI SECURITIES, INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

USI Securities, Inc. (the Company) is a Delaware corporation that is a wholly-owned subsidiary of USI Insurance Services Corporation (Parent). The Company is a NASD member broker-dealer and SEC registered investment advisor. During the year 2001, the Company, through its registered representatives, offered and sold mutual funds, variable annuities and variable life insurance contracts, primarily in the qualified plans market. The Company also has a limited amount of "constructive receipt" arrangements with other broker/dealers whereby the Company receives override commissions derived from the sale of securities products to customers of other subsidiaries of the Parent.

Basis of Accounting

The Company utilizes the accrual basis of accounting. Commission revenue and related expenses are recorded on a settlement date basis, which is generally one to three business days after trade date for securities sold to customers.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all investment instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2001 and 2000, there were no cash equivalents.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash or cash equivalents.

Net Capital Requirements

The Company is subject to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital as defined under such provisions, and requires that the ratio of aggregate indebtedness to net capital be less than 15 to 1.

USI SECURITIES, INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserve Requirements

The Company is exempt from the requirements relating to cash reserves and possession or control of customers securities under Rule 15c3-3 of the Securities Exchange Act of 1934.

Property and Equipment - Depreciation

Depreciation of property and equipment is recorded on the straight-line basis for financial reporting purposes over the estimated useful lives of the assets. Estimated lives for financial reporting purposes are as follows:

<u>Asset</u>	<u>Estimated Lives</u>
Furniture and fixtures	5 - 7 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

USI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Net Capital Requirements

As a broker-dealer, the Company is subject to the net capital rule adopted and administered by the Securities and Exchange Commission. The rule prohibits a broker-dealer from engaging in securities transactions at any time when its aggregate indebtedness exceeds fifteen (15) times its net capital, as those terms are defined by the Securities and Exchange Commission. A broker-dealer may also be required to reduce its business if its net capital ratio should exceed twelve (12) to one (1) and may be prohibited from expanding its business if the ratio exceeds ten (10) to one (1). As of December 31, 2001, aggregate indebtedness was \$203,044 and the net capital was \$252,064, an excess of \$238,528 over required minimum net capital of \$13,536.

(2) Liabilities Subordinated to Claims of General Creditors

There are no borrowings under subordination agreements at December 31, 2001 or 2000.

(3) Related Parties

The Company rents space in the offices of USI Consulting Group, Inc., which is also a wholly-owned subsidiary of USI Insurance Services Corporation. In 2001, the Company paid rent of \$50,004 to USI Consulting Group, Inc. Rent is paid monthly and is based on the number of USI Securities, Inc. employees. USI Consulting Group, Inc. also provides accounting services to the Company for \$1,000 per month. Total rent and accounting services fees were \$62,004 in 2001 and \$48,000 in 2000.

The Company's revenues (other than interest income) are mainly derived from sales to customers of other subsidiaries of USI Insurance Services Corporation.

The Company receives commissions from mutual fund companies and pays approximately 90% of these commissions to USI Insurance Services Corporation in the form of management fees.

Management fees totaled \$7,653,323 and \$7,219,724 for the years ended December 31, 2001 and 2000, respectively.

(4) Operating Leases

During 1998, the Company entered into a month-to-month computer software lease. The monthly lease payment was \$1,210 for 2001. The total lease expense for 2001 and 2000 was \$14,520 and \$13,650, respectively.

USI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

(5) Income Taxes

The Company is included in the consolidated income tax returns filed by its Parent. Therefore, no separate tax provision of the Company is included in the financial statements.

(6) Retirement Plan

The Company has a 401(k) retirement plan (the Plan), matching 75% of employee contributions up to 4% of an employee's salary, subject to the provisions of the Employees Retirement Income Securities Act. Eligibility for the Plan is based on attaining the age of 21 and completing six months of service with the Company. The Company's contributions to the Plan for 2001 and 2000 were \$8,199 and \$7,558, respectively.

**INDEPENDENT AUDITOR'S' REPORT ON SUPPLEMENTARY
INFORMATION REQUIRED BY RULE 17a-5 OF THE
SECURITIES AND EXCHANGE COMMISSION**

To the Board of Directors of
USI Securities, Inc.

We have audited the accompanying financial statements of USI Securities, Inc. as of December 31, 2001 and 2000 and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated January 16, 2002. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 16, 2002

Haggett Longobardi & Company LLC

USI SECURITIES, INC.COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF
THE SECURITIES AND EXCHANGE COMMISSION

December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
NET CAPITAL		
Total equity	\$312,434	\$230,519
Deduct equity not allowable for net capital	(60,370)	(12,668)
Total equity qualified for net capital	<u>\$252,064</u>	<u>\$217,851</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT		
Minimum net capital required for broker	<u>\$13,536</u>	<u>\$13,638</u>
Excess net capital	<u>\$238,528</u>	<u>\$204,213</u>
Net capital requirement	<u>\$13,536</u>	<u>\$13,638</u>
Net capital deficiency	<u>None</u>	<u>None</u>
RECONCILIATION WITH COMPANY'S COMPUTATION (included in Part IIA of Form X-17A-5 as of December 31, 2001 and 2000)		
Net capital, as reported in Company's Part IIA (Unaudited) focus reports	\$252,064	\$217,851
Audit adjustment	<u>-</u>	<u>-</u>
Net capital per above	<u>\$252,064</u>	<u>\$217,851</u>

To the Board of Directors of
USI Securities, Inc.

In planning and performing our audit of the financial statements and supplemental schedule of USI Securities, Inc. (the Company), for the year ended December 31, 2001, we considered its internal controls, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

January 16, 2002

