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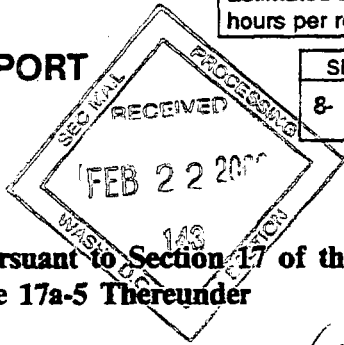
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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



SEC FILE NUMBER
8-40696

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:

FIRST AMERICAN MUNICIPALS INC

OFFICIAL USE ONLY
FIRM ID. NO.

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

606 CORPORATE DRIVE  
(No. and Street)

LANGHORNE PA 19047  
(City) (State) (Zip Code)

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

PATRICIA K. POPRIK 215-504-9300  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

MANTAS OHLIGER MCGARY & QUINN  
(Name - if individual, state last, first, middle name)

660 AMERICAN AVE SUITE 101 KING OF PRUSSIA PA 19406  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

FEB 27 2002

FOR OFFICIAL USE ONLY
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, PATRICIA K POPRIK, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FIRST AMERICAN MUNICIPALS, INC, as of 12/31, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Patricia K Poprik  
Signature  
PRESIDENT  
Title

Patricia A Walker  
Notary Public

Notarial Seal  
Patricia A. Walker, Notary Public  
Middletown Twp., Bucks County  
My Commission Expires June 27, 2005

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).

**MANTAS, OHLIGER, MCGARY & QUINN, P.C.**  
Certified Public Accountants

Independent Auditor's Report on Internal Control  
Required by SEC Rule 17a-5

Board of Directors  
First American Municipals, Inc.  
Langhorne, Pennsylvania

In planning and performing our audit of the financial statements of First American Municipals, Inc. for the year ended December 31, 2001, we considered its internal control 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 and Exchange Commission (SEC), we have made a study of the practices and procedures followed by First American Municipals, Inc., 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 accounting principles generally accepted in the United States of America. 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 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 information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers 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 is not intended to be and should not be used by anyone other than these specified parties.

*Mantas Obliger, Mc Gary + Quinn, P.C.*

January 18, 2002

FIRST AMERICAN MUNICIPALS, INC.

YEAR ENDED DECEMBER 31, 2001

FIRST AMERICAN MUNICIPALS, INC.  
YEAR ENDED DECEMBER 31, 2001

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MANTAS, OHLIGER, MCGARY & QUINN, P.C.  
Certified Public Accountants

Independent Auditors' Report

Board of Directors  
First American Municipals, Inc.  
Langhorne, Pennsylvania

We have audited the accompanying balance sheet of First American Municipals, Inc. as of December 31, 2001 and the related statements of income, shareholders' equity, and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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 First American Municipals, Inc. as of December 31, 2001 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on page 8 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 and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit 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.

*Mantas, Ohliger, McGary & Quinn, P.C.*

January 18, 2002

FIRST AMERICAN MUNICIPALS, INC.  
BALANCE SHEET  
DECEMBER 31, 2001

ASSETS

Cash	\$ 562,276
Deposits with clearing organization	53,150
Accounts receivable	3,500
Furniture and equipment, net of accumulated depreciation of \$44,355	723
Other assets	<u>9,201</u>
	<u>\$ 628,850</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:	
Accounts payable and accrued expenses	\$ 137,267
Due to brokers	<u>166,762</u>
	<u>304,029</u>
Shareholders' equity:	
Common stock, \$1 par; authorized 1,000 shares; issued 200 shares; outstanding 151 shares	200
Additional paid-in capital	119,360
Retained earnings	<u>283,319</u>
	402,879
Less common stock held in treasury, 49 shares, at cost	<u>(78,058)</u>
	<u>324,821</u>
	<u>\$ 628,850</u>



FIRST AMERICAN MUNICIPALS, INC.  
STATEMENT OF INCOME  
YEAR ENDED DECEMBER 31, 2001

Revenues:	
Trading/selling group	\$ 566,066
Management fees	189,850
Financial advisory fees	525,750
Interest	22,265
	<u>1,303,931</u>
Expenses:	
Employee compensation and benefits	1,025,053
Clearing and regulatory fees	32,130
Contributions	6,930
Depreciation	1,966
Dues and subscriptions	24,289
Insurance	42,041
Office supplies and expense	18,013
Professional fees	7,750
Rent	35,348
Taxes	300
Telephone	12,908
Travel and entertainment	17,603
Underwriting	66,773
Utilities	2,029
	<u>1,293,133</u>
Income before income taxes	10,798
Income taxes	<u>4,700</u>
Net income	<u><u>\$ 6,098</u></u>

FIRST AMERICAN MUNICIPALS, INC.  
STATEMENT OF SHAREHOLDERS' EQUITY  
YEAR ENDED DECEMBER 31, 2001

	<u>Common stock</u>		<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Treasury stock</u>
	<u>Shares</u>	<u>Amount</u>			
Balance, January 1, 2001	200	\$ 200	\$ 119,360	\$ 277,221	\$ (78,058)
Net income				6,098	
Balance, December 31, 2001	<u>200</u>	<u>\$ 200</u>	<u>\$ 119,360</u>	<u>\$ 283,319</u>	<u>\$ (78,058)</u>

FIRST AMERICAN MUNICIPALS, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2001

Cash flows from operating activities:	
Net income	\$ 6,098
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,966
Change in operating assets and liabilities:	
(Increase) decrease in:	
Deposits with clearing organization	(1,860)
Accounts receivable	48,662
Increase in:	
Accounts payable and accrued expenses	79,243
Due to broker	<u>166,762</u>
Net cash provided by operating activities and net increase in cash	300,871
Cash, beginning	<u>261,405</u>
Cash, ending	<u><u>\$ 562,276</u></u>
Supplemental disclosure of cash flow information, cash paid during the year for income taxes	<u><u>\$ 1,662</u></u>

FIRST AMERICAN MUNICIPALS, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2001

1. Description of the business and summary of significant accounting policies:

Description of the business:

First American Municipals, Inc. (the "Company") is incorporated under the laws of the Commonwealth of Pennsylvania to conduct business as a broker dealer of municipal securities and a provider of a full range of investment banking, financial and investment advisory services.

Summary of significant accounting policies:

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Furniture and equipment and depreciation:

Furniture and equipment are stated at cost. The cost of furniture and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method.

Income taxes:

The shareholders have elected to be taxed under the "S" corporation provisions of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made. The shareholders include corporate income on their personal federal income tax returns. Provision for state and city income taxes has been made to the extent applicable states and cities do not recognize "S" corporation status or the shareholders have not elected "S" corporation status.

2. Pension plan:

The Company maintains a simplified employee pension plan covering substantially all employees who have completed three years of service with the Company. Contributions are made at the discretion of the Board of Directors and are limited to a maximum of 15% of eligible compensation. Pension plan expense for the year ended December 31, 2001 was \$81,150.

FIRST AMERICAN MUNICIPALS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2001

3. Commitments:

The Company leases office space in Langhorne, Pennsylvania under an operating lease agreement which expires in 2002. The Company also leases office space in New York.

The New York lease is a noncancelable operating lease with a term of five years which expires in 2002. In addition to base rent, the Company will pay its pro-rata share of real estate taxes and assessments and sewer and water rents to the extent such taxes, assessments and rents exceed the base year amount.

Future minimum lease payments under all noncancelable operating leases are expected to be \$7,200 in 2002.

4. Credit risk:

The Company places its cash with high quality financial institutions. As of December 31, 2001, the Company had \$537,301 in one bank.

5. Net capital:

Pursuant to the net capital requirement provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company, upon approval by various regulatory agencies, will be required to maintain a minimum net capital as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2001, the Company had net capital of \$311,248. Minimum net capital as required by Rule 15c3-1 was \$100,000 at December 31, 2001.

The Company's ratio of aggregate indebtedness to net capital was .98 to 1 at December 31, 2001.

6. Exemption:

Pursuant to the reserve requirement provisions of Rule 15c3-3 of the Securities Exchange Act of 1934, First American Municipals, Inc. claims exemption (k)(2)(ii).

FIRST AMERICAN MUNICIPALS, INC.  
 COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
 OF THE SECURITIES AND EXCHANGE COMMISSION  
 DECEMBER 31, 2001

Net capital:	
Total shareholders' equity	<u>\$ 324,821</u>
Total shareholders' equity qualified for net capital	324,821
Less:	
Deductions and/or charges:	
Furniture and equipment, net	723
Other assets	<u>9,051</u>
	<u>9,774</u>
Net capital before haircuts	315,047
Haircuts	<u>(3,799)</u>
Net capital	<u><u>\$ 311,248</u></u>
Aggregate indebtedness:	
Items included on balance sheet:	
Accounts payable and accrued expenses	\$ 137,267
Due to brokers	<u>166,762</u>
Total aggregate indebtedness	<u><u>\$ 304,029</u></u>
Computation of basic net capital requirements:	
Minimum net capital required	<u><u>\$ 100,000</u></u>
Excess net capital	<u><u>\$ 211,248</u></u>
Excess net capital at 1,500%	<u><u>\$ 290,980</u></u>
Excess net capital at 1,000%	<u><u>\$ 280,845</u></u>
Ratio: aggregate indebtedness to net capital	<u><u>.98:1</u></u>

Reconciliation with Company's computation (included in Part II of Form X17a-5 as of December 31, 2001):

There are no differences between the Company's computation of net capital under