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

MAR 01 2002

SEC FILE NUMBER

8- 52094

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:

Michigan Securities, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

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

21415 Civic Center Drive, Suite 200

(No. and Street)

Southfield,

Michigan

48076

(City)

(State)

(Zip Code)

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

William Rice

248-358-4393

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Groen, Kluka & Company, P.C.

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

888 West Big Beaver Rd., Suite 790

Troy, MI

48084

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 20 2002

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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).

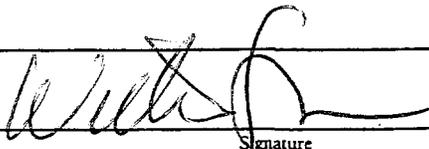
LF 3-19-02

OATH OR AFFIRMATION

I, William Rice, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Michigan Securities, Inc., as of

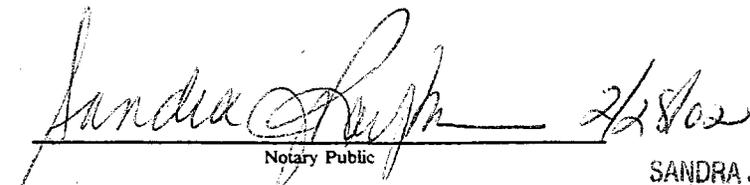
December 31, 19 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None


Signature

CEO

Title


Notary Public

SANDRA J RAYBA
Notary Public, Hillsdale County, MI
My Commission Expires Dec 9, 2004

Notary in Oakland Co.

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).

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Michigan Securities, Inc.

We have audited the accompanying balance sheet of Michigan Securities, Inc. as of December 31, 2001, and the related statements of operations, stockholders' 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 the significant estimates made by the 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 Michigan Securities, Inc. at December 31, 2001, and the results of its operations and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Groen, Kluka & Company, P.C.

February 22, 2002

MICHIGAN SECURITIES, INC.

BALANCE SHEET

December 31, 2001

ASSETS

ASSETS	
Cash	\$ 2,408
Cash deposits with clearing organizations	131,260
Receivable from brokers	6,708
Furniture, fixtures and equipment, less depreciation (Notes A2 and B)	2,637
Deposits and other	<u>2,654</u>
	<u>\$145,667</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES	
Accounts payable - clearing organizations	\$ -
Notes payable to stockholders and subordinated to claims of general creditors (Note E)	150,188
Accrued expenses	3,001
Income taxes payable	<u>-</u>
	153,189
COMMITMENTS (Note D)	
	-
STOCKHOLDERS' EQUITY (Note C)	
Common stock - authorized, 10,000 shares; issued and outstanding, 1,000 shares	5,000
Additional paid-in capital	-
Retained earnings	<u>(12,522)</u>
	<u>(7,522)</u>
	<u>\$145,667</u>

The accompanying notes are an integral part of this statement.

MICHIGAN SECURITIES, INC.

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2001

Revenues	
Commissions and fees	\$1,219,738
Interest	<u>29,463</u>
	1,249,201
Expenses	
Salaries, wages, commissions and benefits	1,094,994
Exchange fees and quotes	47,408
Occupancy and equipment	85,913
Interest.....	12,251
Professional services	13,172
Advertising and business promotion	-
Office supplies and expenses	5,142
Other operating expenses	<u>3,023</u>
	1,261,903
Loss before income taxes	(12,702)
Income tax expense	<u>-</u>
Net loss	<u>\$ (12,702)</u>

The accompanying notes are an integral part of this statement.

MICHIGAN SECURITIES, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

For the Year Ended December 31, 2001

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>
Balance December 31, 2000	\$ 5,000	\$ -	\$ 180
Net loss for year	<u>-</u>	<u>-</u>	<u>(12,702)</u>
Balance at December 31, 2001 .	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ (12,522)</u>

The accompanying notes are an integral part of this statement.

MICHIGAN SECURITIES, INC.

STATEMENT OF CHANGES IN NOTES PAYABLE
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

For the Year Ended December 31, 2001

Balance at December 31, 2000	\$150,188
Increases:	-
Decreases:	<u>-</u>
Balance at December 31, 2001	<u>\$150,188</u>

The accompanying notes are an integral part of this statement.

MICHIGAN SECURITIES, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2001

Cash flows from operating activities		
Net loss		\$(12,702)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	\$ 2,112	
Decrease in deposits and other	700	
Decrease in accounts payable	(5,977)	
Decrease in receivables	20,856	
Decrease in accrued liabilities	<u>(28,659)</u>	<u>(10,968)</u>
Net cash provided (used) by operating activities		(23,670)
Cash flows used by investing activities:		
Purchase of office equipment		-
Cash flows provided by financing activities		
Issuance of common stock	-	
Proceeds from note payable to shareholders	<u>-</u>	<u>-</u>
Net decrease in cash		(23,670)
Cash at beginning of year		<u>157,338</u>
Cash at December 31, 2001		<u>\$133,668</u>
Cash paid during the period for interest ...		\$ <u>11,351</u>
Cash paid during the period for income taxes		\$ <u>-</u>

The accompanying notes are an integral part of this statement.

MICHIGAN SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied, in the preparation of the accompanying financial statements follows:

1. General

The Company conducts a general securities business as a securities broker/dealer and as a registered investment advisor and must meet the requirements of the 1934 Securities Act and the 1940 Investment Advisors Act.

The client base of the Company is retail and institutional accounts located primarily in southeast Michigan. The Company introduces all of its customers' accounts to New York Stock Exchange, Inc. member firms on a fully disclosed basis. As such, the Company does not carry customer funds or customer securities and is exempt from certain provisions of SEC Rule 15c3-3.

2. Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are charged to operations as incurred. Depreciation and amortization is charged to operations over the useful lives of the assets, five years, using accelerated depreciation methods.

3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment consists of the following at December 31, 2001:

Office Furniture	\$5,542
Less: Accumulated depreciation	<u>2,905</u>
	<u>\$2,637</u>

MICHIGAN SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE C - NET CAPITAL REQUIREMENTS

The Company is subject to Securities and Exchange Commission Uniform Net Capital Rule (15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined shall not exceed 15 to 1. At December 31, 2001, the Company had net capital of \$133,933, which was \$33,933 in excess of its required net capital of \$100,000. The Company's ratio of aggregate indebtedness to net capital was 2.2%.

NOTE D - COMMITMENTS

The company leases office equipment and their facilities under operating leases. Rent expense under these leases for the period ended December 31, 2001 was \$67,352.

Future minimum lease payments required under operating leases with remaining terms in excess of one year as of December 31, 2001 are as follows:

2002	\$ 69,412
2003	31,880
2004	4,496
2005	<u>4,871</u>
	<u>\$110,659</u>

NOTE E - NOTES PAYABLE TO STOCKHOLDERS AND SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

Borrowings under subordination agreements at December 31, 2001 consist of subordinated notes payable to stockholders of the company at 8% per annum, due March 31, 2005. The notes are approved by the National Association of Securities Dealers, Inc. and are thus available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. To the extent such borrowings are required for the company's continued compliance with minimum net capital requirements, they may not be repaid (Note C).

SUPPLEMENTAL INFORMATION

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTAL INFORMATION

Board of Directors
Michigan Securities, Inc.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole of Michigan Securities, Inc., for the year ended December 31, 2001, which are presented in the preceding section of this report. The supplemental information presented hereinafter is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit 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.

Groen, Kluka & Company, P.C.

February 22, 2002

MICHIGAN SECURITIES, INC.

SCHEDULE OF COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION

December 31, 2001

NET CAPITAL

Total stockholders' equity		\$ (7,522)
Qualifying subordinated loans		<u>150,188</u>
Total capital and subordinated debt .		142,666

Non-allowable assets

Deposits and receivables	\$3,471	
Furniture, fixtures and equipment	2,637	
Haircut on Money Market investment	<u>2,625</u>	<u>8,733</u>

Net capital 133,933

Net capital requirement 100,000

Excess net capital \$ 33,933

AGGREGATE INDEBTEDNESS

Total liabilities		\$153,189
Less: liabilities excludable under SEC Rule 15c3-1		<u>150,188</u>

Aggregate indebtedness \$ 3,001

Net capital per above \$133,933

Ratio of aggregate indebtedness to net capital 2.2%

RECONCILIATION WITH COMPANY'S COMPUTATION

Net capital, as reported in Company's Part II Focus report		\$133,933
Net audit adjustments		<u>-</u>
Net capital per above		\$ <u>133,933</u>

There are no material differences between net capital as reported in the Company's Part II Focus Report and the computation of net capital above.

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MICHIGAN SECURITIES, INC.

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2001
