

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

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

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**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 10/01/01 AND ENDING 09/30/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: First Liberty Securities, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
2424 Vista Way, Suite 202

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)
Oceanside CA 92056
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Hensel, Donald D. (760) 722-2991
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Jamieson, James R.
(Name - if individual, state last, first, middle name)

2424 Vista Way, Suite 201 Oceanside CA 92054-6171
(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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**THOMSON
FINANCIAL**

FOR OFFICIAL USE ONLY

*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, Donald D. Hensel, 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 Liberty Securities, Inc. of September 30, 20 02, 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:

STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

Signature: Donald D. Hensel, 12-02-02

President
Title

Notary Public signature



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 Proprietors' 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 15c3-3 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).

First Liberty Securities, Inc.
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September 30, 2002

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The Jamieson Company

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT ACCOUNTANT'S AUDIT REPORT

The Board of Directors
First Liberty Securities, Inc.
PO Box 1793
Carlsbad, CA92018

I have audited the accompanying balance sheet of First Liberty Securities, Inc. as of September 30, 2002, and the related statement of operations, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Liberty Securities, Inc. at September 30, 2002, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information shown on Pages 8 to 14 is presented as required by the Securities and Exchange Commission and the National Association of Securities Dealers, Inc, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



The Jamieson Company

December 2, 2002

First Liberty Securities, Inc.
Balance Sheet

September 30, 2002

ASSETS

Current assets

Cash \$ 11,853

Total current assets 11,853

Total assets \$ 11,853

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities

\$ -

Total liabilities -

Stockholders' equity

Capital stock - 75,000 shares authorized, 10,000 issued and outstanding \$ 10,000

Paid in capital 8,970

Accumulated deficit (7,117)

Total stockholders' equity 11,853

Total liabilities and stockholders' equity \$ 11,853

See accompanying auditor's report and notes

First Liberty Securities, Inc.
Statement of Operations

For the Year Ended September 30, 2002

Revenues	
Commissions	\$ 1,259
Consulting fees	1,000
Total revenues	<u>2,259</u>
Operating expenses	
General and administrative	<u>2,149</u>
Total operating expenses	<u>2,149</u>
Income from operations	110
Other income	
Interest income	<u>128</u>
Income before taxes	238
Income taxes	<u>800</u>
Net (loss)	<u><u>\$ (562)</u></u>

See accompanying auditor's report and notes

First Liberty Securities, Inc.
Statement of Changes in Stockholders' Equity

For the Year Ended September 30, 2002

Common stock	
Balance, beginning	\$ 10,000
Balance, ending	\$ 10,000
Paid in capital	
Balance, beginning	\$ 8,970
Balance, ending	\$ 8,970
Accumulated deficit	
Balance, beginning	\$ (6,555)
Net loss	(562)
Balance, ending	\$ (7,117)

See accompanying auditor's report and notes

First Liberty Securities, Inc.
Statement of Cash Flows

For the Year Ended September 30, 2002

Cash flows from operating activities	
Net loss	\$ (562)
	<u> </u>
Net cash (used) by operating activities	(562)
Cash flows from investing activities	None
Cash flows from financing activities	<u>None</u>
Net (decrease) in cash and equivalents	(562)
Cash and equivalents, beginning	<u>12,415</u>
Cash and equivalents, ending	<u><u>\$ 11,853</u></u>
 Supplemental disclosure of cash flow information:	
Cash payments were made during the period for:	
Income taxes	<u><u>\$ 800</u></u>

See accompanying auditor's report and notes

First Liberty Securities, Inc.

Notes to the Financial Statements September 30, 2002

1. Description of The Company:

First Liberty Securities, Inc., is a broker-dealer for the sale of interests in direct participating limited partnerships. The Company operates from the office of an affiliate. A number of administrative and personnel services are shared with the affiliate without compensation.

2. Summary of Significant Accounting Policies:

Cash And Cash Equivalents: Cash represents available funds on deposit with banking institutions and the clearing broker-dealer, Round Hill Securities.

Fixed Assets: Fixed assets are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, primarily five years. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

Income Taxes: Income taxes are provided for the expense related to the current taxable income of the company. Deferred tax expense, or benefit, is provided for the future cost or benefit related to the difference in tax and accounting basis of assets or liabilities. A benefit, less an appropriate valuation allowance, is also recognized for the future tax benefit of operating loss carry forwards available to offset future taxable income.

Revenue Recognition: The Company maintains its accounting books and records under the accrual basis of accounting and generally accepted accounting principles. Revenues are recognized when earned or when the amount is determined. Expenses are recorded when incurred.

3. Fixed Assets

Fixed assets consist of the following as of September 30, 2002:

Computer, office equipment.....	10,314
Less: Accumulated Depreciation.....	<u>10,314</u>
	<u>\$ 0</u>

4. Income Taxes:

The provision for income taxes at September 30, all paid currently, is as follows:

Federal	\$ -
California	<u>800</u>
	<u>\$ 800</u>

First Liberty Securities, Inc.

Notes to the Financial Statements (Continued) September 30, 2002

4. Income Taxes (continued):

The Company has net operating loss carry forwards which expire as follows:

2008	\$2,612
2009	1,337
2010	78
2013	1,008
2019	460
2021	1,820
2022	<u>562</u>
	<u>\$ 7,877</u>

The benefit associated with these loss carry forwards, less the valuation allowance of \$1,181, has been recorded as \$-0-. Management feels that the probability of income being earned to take advantage of the losses is less than reasonably assured.

5. Net Capital

The net capital of First Liberty Securities, Inc. as of September 30, 2002 is \$11,852. The required net capital, as computed in accordance with SEC Rule 15c3-1, at the same date is \$5,000.

6. Restrictions on Cash

The cash deposit at Round Hill Securities is restricted according to the contract such that it may be withdrawn only after termination of the contract, and is returnable to the company within 30 days.

7. Common Stock

During the current year, the company did not sell or repurchase any shares of common stock.

SUPPLEMENTARY INFORMATION

First Liberty Securities, Inc.
Statement of Availability for Examination

September 30, 2002

The Statements of Financial Condition and the Annual Audited Report (Form X-17A-5, Part III) pursuant to rule 17a-5 are available for examination at the principal office of First Liberty Securities, Inc. and at the regional office of the Securities and Exchange Commission.

First Liberty Securities, Inc.
Computation of Net Capital

September 30, 2002

The following computation is made pursuant to Rule 15c3-1.

Total assets	<u>\$ 11,852</u>
Net worth	11,852
Subordinated indebtedness	<u>-</u>
Adjusted net worth	11,852
Non-liquid assets	<u>-</u>
Tentative net capital	11,852
Reserves in inventory	<u>-</u>
Net capital	<u><u>\$ 11,852</u></u>

First Liberty Securities, Inc.
Computation of Reserve Requirement

September 30, 2002

Pursuant to Rule 15c3-3, the Company normally holds neither customer securities nor customer funds and consequently qualifies for exemption under the provisions of the rule.

The conditions of the exemption were being compiled as of the examination date and no facts indicate that the exemption had not been complied with during the audited period.

First Liberty Securities, Inc.
Information Relating to Possession or Control Requirements Under
Rule 15c3-3

September 30, 2002

The Company normally holds neither customer securities nor customer funds and consequently qualifies for exemption under the provisions of the rule.

First Liberty Securities, Inc.
Reconciliation of the Computation of Net Capital
in the Audit Report to the Broker's Report

September 30, 2002

This reconciliation is pursuant to SEC Rule 17a-5(d) (4), and in accordance with generally accepted accounting principles.

Net Capital, per audited Statements	\$ 11,852
Accountant's Adjustments	<u>-</u>
Net Capital in Broker's Report	<u>\$ 11,852</u>

First Liberty Securities, Inc.
Reconciliation of the Computation for Determination
of Reserve Requirements

September 30, 2002

Supplemental report pursuant to SEC Rule 17a-5(d) (4).

Pursuant to Rule 15c3-3, the Company normally holds neither customer securities nor customer funds and consequently qualifies for exemption under the provisions of the rule.

First Liberty Securities, Inc.
Information on Material Inadequacies
Under Rule 17-A-5(j)

September 30, 2002

Pursuant to Rule 17-A-5(j), my examination did not disclose any material inadequacies during the period covered by the audited financial statements.

First Liberty Securities, Inc.
Financial Statements
And
Independent Auditor's Report

September 30, 2002
