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Aug 9/3/2002

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

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

STAMP: AUG 9 2002 WASH. D.C. SEC. 17

SEC FILE NUMBER  
8-19318

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 July 1, 2001 AND ENDING June 30, 2002  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Fox Reusch & Co., Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

500 Tri-State Building

(No. and Street)

Cincinnati

OH

45202

(City)

(State)

(Zip Code)

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

Mr. George Meyers

(513) 721-1331

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Deloitte & Touche LLP

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

250 East Fifth Street,

Cincinnati,

OH

45202

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

SEP 19 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)

SEC 1410 (06-02)

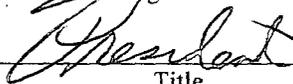
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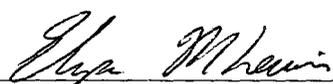
OATH OR AFFIRMATION

I, Mr. George W. Meyers, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Fox Reusch & Co., Inc., as of June 30th, 2002, 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:

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

  
\_\_\_\_\_  
Signature  
  
\_\_\_\_\_  
Title

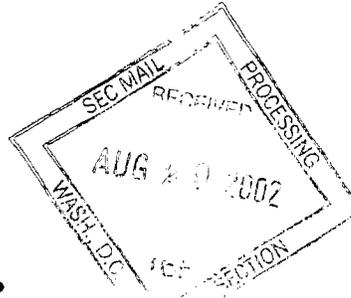
ELYSE M. LEWIS  
Notary Public - State of Ohio  
My Commission Expires Dec. 8, 2004

  
\_\_\_\_\_  
Notary Public

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).



# *Fox, Reusch & Co., Inc.*

*Statement of Financial Condition as of June 30,  
2002 and Independent Auditors' Report and  
Supplemental Report on Internal Control*

**Filed pursuant to Rule 17a-5(e)(3) as a PUBLIC DOCUMENT**

**SEC File Number 8-19318**

## INDEPENDENT AUDITORS' REPORT

Fox, Reusch & Co., Inc.:

We have audited the accompanying statement of financial condition of Fox, Reusch & Co., Inc. (the "Company") as of June 30, 2002, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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, such statement of financial condition presents fairly, in all material respects, the financial position of Fox, Reusch & Co., Inc. at June 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

August 9, 2002

# FOX, REUSCH & CO., INC.

## STATEMENT OF FINANCIAL CONDITION JUNE 30, 2002

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### ASSETS:

Cash and cash equivalents (Note 1)	\$ 349,283
Cash segregated for the exclusive benefit of customers	35,178
Securities owned - at market value	64,500
Equipment, net of accumulated depreciation of \$3,068	2,579
Other assets	<u>2,526</u>

TOTAL \$ 454,066

### LIABILITIES:

Accounts payable	\$ 6,624
Accrued expenses	<u>8,653</u>

Total liabilities 15,277

### Ownership equity:

Common stock - authorized, 250 shares without par value; issued, 52 shares	52,000
Additional paid-in capital	100,000
Retained earnings	<u>437,386</u>

Total 589,386  
Less common stock in treasury, 26.1 shares - at cost (150,597)

Total ownership equity 438,789

TOTAL \$ 454,066

See notes to statement of financial condition.

# FOX, REUSCH & CO., INC.

## NOTES TO STATEMENT OF FINANCIAL CONDITION JUNE 30, 2002

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fox, Reusch & Co., Inc. (the "Company"), an Ohio Corporation, provides brokerage services specializing in the trading of municipal securities.

Security transactions and related revenue and expense are recorded on a settlement date basis, generally the third business day following the transaction date. Recording such transactions on a trade date basis would not result in a material difference.

Cash equivalents consist of money market mutual funds invested in short-term investments.

Securities owned by the Company are stated at market value.

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. Actual results may differ from those estimates.

### 2. INCOME TAXES

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. At June 30, 2002, no deferred tax asset or liability exists.

### 3. LIABILITIES SUBORDINATED TO THE CLAIMS OF GENERAL CREDITORS

On September 9, 1999, the Company repaid a \$100,000, 6% subordinated note to the President of the Company. Accrued interest on this note totaling \$3,000 is included in accrued expenses in the accompanying statement of financial condition.

### 4. NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 under the Securities Exchange Act of 1934, the Company is 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 June 30, 2002, the Company's net capital of \$368,914 exceeded its required net capital of \$250,000 by \$118,914. The Company's net capital ratio at June 30, 2002 was .04 to 1 as compared to a maximum allowable ratio of 15 to 1.

### 5. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

As a securities broker/dealer, the Company is engaged in various brokerage activities servicing a diverse group of institutional and individual investors and other brokers and dealers. A substantial portion of the Company's transactions are collateralized and are executed with and on behalf of such clients. The Company's exposure to credit risk associated with nonperformance of these clients in fulfilling their

contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets, which may impair the clients' ability to satisfy their obligations to the Company.

The Company does not anticipate nonperformance by clients or counterparties in the above situations. The Company's policy is to monitor its market exposure and counterparty risk. In addition, the Company has a policy of reviewing, as considered necessary, the credit standing of each client and counterparty with which it conducts business.

**6. RELATED PARTY TRANSACTIONS**

A significant portion of the Company's business is transacted with individuals and such affiliated. In addition, certain common overhead expenses paid for by the Company are reimbursed by such affiliated entities. These costs totaled \$35,000 for the year ended June 30, 2002.

**7. LEASE AGREEMENT**

The Company leases office space under a lease agreement, which expires in October 2004. The lease is classified as an operating lease. Minimum future payments under the lease are as follows for the years ended June 30:

2003	\$ 36,768
2004	36,768
2005	12,256

\* \* \* \* \*

August 9, 2002

Fox, Reusch & Co., Inc.  
500 Tri-State Building  
Cincinnati, Ohio 45202

Dear Sirs:

In planning and performing our audit of the financial statements of Fox, Reusch & Co., Inc. (the "Company") for the year ended June 30, 2002 (on which we issued our report dated August 9, 2002), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures followed by the Company, (including tests of compliance with such practices and procedures) that we considered relevant to the objectives stated in Rule 17a-5(g): (1) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e); (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (3) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

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 internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") 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 acquisition, 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 conformity 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 any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to

the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's 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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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 the following condition involving the internal control and its operation that we consider to be a material weakness as defined above:

The size of the business and the resultant limited number of employees imposes practical limitations on the effectiveness of those internal accounting control procedures that depend on the segregation of duties. Since this condition is inherent in the size of the Company, the specific weaknesses are not described and no corrective action has been taken or proposed by the Company.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission 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, except for the effect, if any, of the condition indicated in the preceding paragraph, the Company's practices and procedures were adequate at June 30, 2002, to meet the Commission's objectives.

This report is intended solely for the information and use of management, the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory agencies which 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.

Yours truly,

*Deloitte & Touche LLP*