

AMENDMENT OF 2-2003



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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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SEC FILE NUMBER
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DIVISION OF MARKET REGULATION

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 07/01/2001 AND ENDING 06/30/2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Black Oak Securities, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

205 S Walnut, Box 770

(No. and Street)

Rochester, IL 62563

(City)

(State)

(Zip Code)

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

Eric R Stark

217-498-7876

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Holzworth, Jeffrey S

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

522 W Adams, P.O. Box 117

Taylorville

IL

62568

(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 25 2003

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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).

OATH OR AFFIRMATION

I, Eric R Stark, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Black Oak Securities, INC. as of June 30, 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:



Eric R. Stark
Signature

President

Title

Gail A. Maxheimer
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 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).

BLACK OAK SECURITIES, INC
Rochester, Illinois

Audited Financial Statements
For The Year Ended June 30, 2002

Black Oak Securities, Inc.
Rochester, Illinois

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Sanders & Sanders, LLC

Certified Public Accountants

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Independent Auditor's Report

NOV 26 2002

DIVISION OF MARKET REGULATION

To Eric R. Stark, President
Black Oak Securities, Inc.

In our opinion, the accompanying statement of financial position and the related statements of income, changes in stockholders' equity and cash flows present fairly, in all material respects, the financial position of *Black Oak Securities, Inc.* at June 30, 2002, and the results of its operations and its cash flows for the period ended June 30, 2002, in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Sanders + Sanders, LLC

Chatham, Illinois
August 9, 2002

BLACK OAK SECURITIES, INC.
Rochester, Illinois

Statement of Financial Position
June 30, 2002

Assets

Cash	\$ 28,927
Investments	53,870
Income Tax Recoverable	1,593
Accounts Receivable	1,000
Prepaid Expenses	<u>105</u>
Total Assets	\$ <u>85,495</u>

Liabilities and Stockholders Equity

Accrued Expenses	2,200
Common Stock (\$1 Par Value, 3,000 Shares Authorized and Issued)	3,000
Additional Paid In Capital	3,000
Retained Earnings	<u>77,295</u>
Total Liabilities and Shareholders Equity	\$ <u>85,495</u>

BLACK OAK SECURITIES, INC.
Rochester, Illinois

Statement of Income
For the Year Ended June 30, 2002

Revenues:

Securities Commissions	\$ 147,177
Unrealized Change in Market Valuation - Investments	(12,059)
Investment Income	<u>225</u>

Total Revenues \$ 135,343

Expenses:

Administration Fees	\$ 100,000
Commissions	51,119
NASD Membership Fees	1,060
Other Operating Expenses	<u>1,734</u>

Total Expenses \$ 153,913

Income Before Income Taxes \$ (18,570)

Income Tax Expense (Benefit) \$ (1,365)

Net Income \$ (17,205)

BLACK OAK SECURITIES, INC.
Rochester, Illinois

Statement of Changes in Stockholders Equity
For the Year Ended June 30, 2002

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders Equity</u>
Balance at June 30, 2001	\$ 3,000	\$ 3,000	\$ 94,500	\$ 100,500
Net Loss	_____	_____	\$ (17,205)	\$ (17,205)
Balance at June 30, 2002	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 77,295</u>	<u>\$ 83,295</u>

BLACK OAK SECURITIES, INC.
Rochester, Illinois

Statement of Cash Flows
For the Year Ended June 30, 2002

Cash Flows From Operating Activities:

Net Loss	\$ (17,205)
Decrease in Unrealized Change in Investments	12,059
Increase in Prepaid Expenses	(45)
Increase in Income Tax Receivable	<u>(1,365)</u>

Cash Flows from Operating Activities \$ (6,556)

Cash Flows From Investing Activities:

Purchase of Mutual Fund Shares	\$ <u>(181)</u>
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Cash Flows From Investing Activities \$ (181)

Net Change in Cash \$ (6,737)

Cash – June 30, 2001 35,664

Cash – June 30, 2002 \$ 28,927

Black Oak Securities, Inc.
Rochester, Illinois

Notes to the Financial Statements
For the Year Ended June 30, 2002

Note A. Summary of Significant Accounting Policies

1. Business Activity - Black Oak Securities, Inc. (Company) began operations September 28, 1992 as a broker/dealer in securities. The Company does not receive directly or indirectly, or hold funds or securities for, or owe funds or securities to, customers and does not carry any accounts of, or for, customers. The Company is exempt from the provisions of Rule 15c3-3 of the Securities and Exchange Commission on the basis that it carries no margin accounts and does not otherwise hold funds or securities for customers.
2. Method of Accounting - The financial statements have been prepared on the accrual basis in conformity with principles generally accepted in the United States of America.
3. Income Taxes - The Company uses the liability method for calculating deferred federal income taxes. As a consequence, the accompanying financial statements reflect temporary differences in reporting results of operations for income tax and financial accounting purposes.

Note B. Investments

At June 30, 2002, investment in the amount of \$53,870 consisted of a certificate of deposit in the amount of \$4,455 and mutual fund shares in the amount of \$49,415. These investments are valued at market and are restricted in use to meet the net capital requirements as set forth in Rule 15c3-1 of the *Securities Exchange Act of 1934*

Note C. Income Taxes

The components of the income provision are as follows:

Federal income tax benefit	\$ 977
State income tax benefit	<u>388</u>
Total income tax benefit	\$ <u>1,365</u>

This benefit will be recognized in future years to offset income tax expense when the operating loss is applied. Certain items of income and expense are recognized different years for financial reporting and income tax purposes. Deferred income taxes provided in recognition of these temporary differences are included on the balance sheet as deferred tax assets or liabilities. There were no temporary differences as of June 30, 2002.

Note D. *Net Capital Requirement*

As a broker-dealer, the Company is subject to the net capital requirements of the *Securities and Exchange Commission*. Those requirements prohibit a broker-dealer from engaging in any securities transaction at a time when

- a. its *aggregate indebtedness* exceeds 15 times its *net capital* as those terms are defined in Rule 15c3-1, or
- b. its net capital is less than the minimum required.

At June 30, 2002, the Company's net capital and required net capital were \$69,109 and \$5,000 respectively, and its ratio of aggregate indebtedness to net capital was 0.031 : 1.

BLACK OAK SECURITIES, INC.
Rochester, Illinois
Schedule 1 – Net Capital Computation
June 30, 2002

Total Assets	\$ 85,495
Total Liabilities	<u>2,200</u>
Ownership Equity	\$ 83,295
Less:	
Securities Haircut	8,081
Non Liquid Assets	1,000
Prepaid Asset	<u>105</u>
Adjusted Net Capital	<u>\$ 74,109</u>

Computation of Aggregate Indebtedness

Other Liabilities	\$ <u>2,200</u>
Aggregate indebtedness	<u>\$ 2,200</u>

Computation of Net Capital Requirement:

A - Net Capital Requirement (6 2/3% of Aggregate Indebtedness)	\$ 147
B - Minimum Net Capital Requirement	\$ 5,000
Net Capital Requirement (Greater of A or B)	<u>\$ 5,000</u>
Excess Net Capital	<u>\$ 69,109</u>
Excess Net Capital at 1000%	<u>\$ 73,889</u>
Ratio of Aggregate Indebtedness to Net Capital	<u>0.031 : 1</u>

Note to Schedule: There are no material differences between the computation presented above and the computation of net capital under Rule 15c3-1 as of June 30, 2002, filed by Black Oak Securities, Inc. in its Focus Report on July 1, 2002.



Sanders & Sanders SECURITIES AND EXCHANGE COMMISSION
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Certified Public Accountants
NOV 26 2002

**Independent Auditors' Supplementary Report on
Internal Accounting Control** DIVISION OF MARKET REGULATION

To Eric R. Stark, President
Black Oak Securities, Inc.

In planning and performing our audit of the financial statements of Black Oak Securities, Inc. for the year ended June 30, 2002, we considered the Company's internal control structure 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 internal control structure.

Also, as required by Rules 17a-5(g)(1) of the *Securities and Exchange Commission*, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company 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)
2. 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*, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of Black Oak Securities, Inc. is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the second paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures referred to in the preceding paragraphs and to assess whether those practices and procedures can be expected to achieve the *Securities and Exchange Commission's* above mentioned objectives.

The objectives of an internal control structure and 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 preparation of financial statements in conformity with principles generally accepted in the United States of America. Rule 17a-15(g) lists additional objectives of the practices and procedures listed in the previous paragraphs.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors and irregularities 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 operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure element does not reduce to a relatively low level the risk that errors or irregularities 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 the internal control structure 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 and third paragraphs 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 objective 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 June 30, 2002 to meet the Commission's objectives.

This report is intended solely for the information and use of management and the *Securities and Exchange Commission* and should not be used for any other purpose.

Sanders + Sanders, LLC

Chatham, Illinois
August 9, 2002