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

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| SEC FILE NUMBER |
| 8-44319 |

**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 01/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
DAUTRICH SEILER FINANCIAL SERVICES INC.

| |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM ID. NO. |

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

397 DOGWOOD LANE

(No. and Street)

NAZARETH

PA

18064

(City)

(State)

(Zip Code)

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

LYNN DAUTRICH

610-837-4656

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BEARD MILLER COMPANY LLP

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

1685 CROWN AVENUE

LANCASTER

PA

17601

(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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FINANCIAL

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*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, LYNN DAUTRICH, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DAUTRICH SELER FINANCIAL SERVICES INC, as of DECEMBER 31, 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:

Lynn Dautrich
Signature

PRESIDENT
Title

John R. Hartman
Notary Public
01-29-03

Notarial Seal
John R. Hartman, Notary Public
Lower Nazareth Twp., Northampton County
My Commission Expires June 12, 2003
Member, Pennsylvania Association of Notaries

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.
- (o) Independent Auditor's Report on Internal Control Structure

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Beard Miller Company LLP

Certified Public Accountants and Consultants

DAUTRICH SEILER FINANCIAL SERVICES, INC.

FINANCIAL REPORT

DECEMBER 31, 2002

DAUTRICH SEILER FINANCIAL SERVICES, INC.
FINANCIAL REPORT
DECEMBER 31, 2002

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Board of Directors
Dautrich Seiler Financial Services, Inc.
Nazareth, Pennsylvania

Independent Auditor's Report

We have audited the accompanying balance sheets of Dautrich Seiler Financial Services, Inc. (a Corporation) as of December 31, 2002 and 2001, and the related statements of operations and comprehensive income, changes in stockholder's equity, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 Dautrich Seiler Financial Services, Inc. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II 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 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits 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.

Beard Miller Company LLP

Dautrich Seiler Financial Services, Inc.

BALANCE SHEETS

December 31, 2002 and 2001

| | <u>2002</u> | <u>2001</u> |
|---|-----------------|-----------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$15,447 | \$ 9,268 |
| Accounts receivable | 3,474 | 2,953 |
| Prepaid expenses | <u>817</u> | <u>987</u> |
| Total current assets | \$19,738 | \$13,208 |
| Investments | 3,300 | 3,300 |
| Deferred income taxes | 1,766 | 2,867 |
| Equipment, at cost, less accumulated depreciation of \$11,150 in 2002 and 2001 | <u>0</u> | <u>0</u> |
| Total Assets | <u>\$24,804</u> | <u>\$19,375</u> |
| LIABILITIES AND STOCKHOLDER'S EQUITY | | |
| Current Liabilities: | | |
| Commissions payable | \$ 2,103 | \$ 2,067 |
| Accrued expenses | <u>1,109</u> | <u>1,421</u> |
| Total liabilities | <u>\$ 3,212</u> | <u>\$ 3,488</u> |
| Stockholder's Equity: | | |
| Common stock, \$10 par value - 10,000 shares authorized - 100 shares issued and outstanding | \$ 1,000 | \$ 1,000 |
| Paid-in capital | 13,539 | 11,139 |
| Retained earnings | <u>7,053</u> | <u>3,748</u> |
| Total stockholder's equity | <u>\$21,592</u> | <u>\$15,887</u> |
| Total Liabilities and Stockholder's Equity | <u>\$24,804</u> | <u>\$19,375</u> |

Dautrich Seiler Financial Services, Inc.

STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME

For the Years Ended December 31, 2002 and 2001

| | <u>2002</u> | <u>2001</u> |
|---|------------------|-------------------|
| Operating revenue: | | |
| Commissions and fees | \$ 65,935 | \$ 77,411 |
| Miscellaneous income | <u>200</u> | <u>0</u> |
| Total operating revenue | <u>\$ 66,135</u> | <u>\$ 77,411</u> |
| Operating expenses: | | |
| Commissions | \$ 40,436 | \$ 56,640 |
| Office | 371 | 5,296 |
| Officer's salary | 6,776 | 6,776 |
| Payroll taxes | 1,287 | 1,479 |
| Printing | 85 | 0 |
| Professional fees | 6,583 | 6,530 |
| Retirement plan | 378 | 330 |
| Salaries and wages | <u>5,813</u> | <u>5,654</u> |
| Total operating expenses | <u>\$ 61,729</u> | <u>\$ 82,705</u> |
| Income (loss) from operations before income taxes | \$ 4,406 | (\$ 5,294) |
| Income tax benefit (expense) | <u>(1,101)</u> | <u>2,867</u> |
| Net income (loss) | \$ 3,305 | (\$ 2,427) |
| Other comprehensive loss - | | |
| Unrealized loss on investments | <u>0</u> | <u>(900)</u> |
| Comprehensive income (loss) | <u>\$ 3,305</u> | <u>(\$ 3,327)</u> |

Dautrich Seiler Financial Services, Inc.

STATEMENTS OF CHANGES IN
STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2002 and 2001

| | <u>Retained</u> <u>Earnings</u> | <u>Common</u> <u>Stock</u> | <u>Paid-in</u> <u>Capital</u> | <u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Income</u> | <u>Total</u> |
|-----------------------------------|------------------------------------|-------------------------------|----------------------------------|---|------------------|
| Balance - December 31, 2000 | \$ 6,175 | \$ 1,000 | \$ 8,176 | \$ 900 | \$ 16,251 |
| Comprehensive income: | | | | | |
| Net loss | (2,427) | 0 | 0 | 0 | (2,427) |
| Unrealized loss on investments | 0 | 0 | 0 | (900) | (900) |
| Contributed Capital | <u>0</u> | <u>0</u> | <u>2,963</u> | <u>0</u> | <u>2,963</u> |
| Balance - December 31, 2001 | \$ 3,748 | \$ 1,000 | \$ 11,139 | \$ 0 | \$ 15,887 |
| Comprehensive income - net income | 3,305 | 0 | 0 | 0 | 3,305 |
| Contributed capital | <u>0</u> | <u>0</u> | <u>2,400</u> | <u>0</u> | <u>2,400</u> |
| Balance - December 31, 2002 | <u>\$ 7,053</u> | <u>\$ 1,000</u> | <u>\$ 13,539</u> | <u>\$ 0</u> | <u>\$ 21,592</u> |

See notes to financial statements

Dautrich Seiler Financial Services, Inc.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2002 and 2001

| | <u>2002</u> | <u>2001</u> |
|--|------------------|-------------------|
| Operating Activities: | | |
| Net income (loss) | \$ 3,305 | (\$ 2,427) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Provision for deferred income taxes | 1,101 | (2,867) |
| Decrease (increase) in accounts receivable | (521) | 6,615 |
| Decrease (increase) in prepaid expenses | 170 | (274) |
| Decrease in stockholder loan | 0 | 37 |
| Increase (decrease) in commissions payable | 36 | (4,631) |
| Increase (decrease) in accrued expenses | (312) | 198 |
| Net cash provided by (used in) operating activities | <u>\$ 3,779</u> | <u>(\$ 3,349)</u> |
| Financing Activity - | | |
| Contributed capital | <u>2,400</u> | <u>2,963</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 6,179 | (\$ 386) |
| Cash and cash equivalents - beginning of year | <u>9,268</u> | <u>9,654</u> |
| Cash and cash equivalents - end of year | <u>\$ 15,447</u> | <u>\$ 9,268</u> |

Dautrich Seiler Financial Services, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002 and 2001

NOTE 1: Nature of Business and Summary of Significant Accounting PoliciesNature of Business

Dautrich Seiler Financial Services, Inc. is a broker/dealer with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers, Inc. The Company offers services to retail customers through commissioned agents.

Summary of Significant Accounting PoliciesBasis of Accounting

The Company operates under the exemptive provisions of Paragraph (k)(1) of Rule 15c3-3 of the Securities and Exchange Commission, which provide that the provisions of this section shall not be applicable to a broker or dealer meeting all of the following conditions:

- I. His dealer transactions are limited to the purchase, sale, and redemption of redeemable securities of registered investment companies or of interests or participations in an insurance company separate account.
- II. His transactions as broker (agent) are limited to:
 - a. The sale and redemption of redeemable securities of registered investment companies or an insurance company separate account, whether or not registered as an investment company;
 - b. the solicitation of share accounts for savings and loan associations insured by an instrumentality of the United States; and
 - c. the sale of securities for the account of a customer to obtain funds for immediate reinvestment in redeemable securities of registered investment companies.
- III. He promptly transmits all funds and delivers all securities received in connection with his activities as a broker or dealer, and does not otherwise hold funds or securities for, or owe money or securities to, customers.
- IV. Notwithstanding the foregoing, this section shall not apply to any insurance company which is a registered broker-dealer, and which otherwise meets all the conditions in paragraphs (k)(1), (I), (II) and (III) of this section.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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 period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Dautrich Seiler Financial Services, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2002 and 2001

NOTE 1: Nature of Business and Summary of Significant Accounting Policies - ContinuedEquipment

Purchased assets are recorded at cost. Depreciation is provided using the straight-line method over the assets' estimated useful lives. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations.

NOTE 2: Investments

Investments held at December 31, 2002 and 2001 are summarized as follows:

| | <u>2002</u> | | <u>2001</u> | |
|-----------------|-----------------|---------------------|-----------------|---------------------|
| | <u>Cost</u> | <u>Market Value</u> | <u>Cost</u> | <u>Market Value</u> |
| NASDAQ Warrants | <u>\$ 3,300</u> | <u>\$ 3,300</u> | <u>\$ 3,300</u> | <u>\$ 3,300</u> |

Unrealized losses are included in other comprehensive income and consist of the following:

| | | |
|-----------------|-------------|-----------------|
| NASDAQ Warrants | <u>\$ 0</u> | <u>(\$ 900)</u> |
|-----------------|-------------|-----------------|

NOTE 3: Equipment

Equipment consists of the following at December 31:

| | <u>2002</u> | <u>2001</u> |
|--------------------------------|---------------|---------------|
| Computers and furniture | \$ 11,150 | \$ 11,150 |
| Less: Accumulated depreciation | <u>11,150</u> | <u>11,150</u> |
| | <u>\$ 0</u> | <u>\$ 0</u> |

There was no depreciation expense in 2002 or 2001.

NOTE 4: Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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.

Dautrich Seiler Financial Services, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2002 and 2001

NOTE 4: Net Capital Requirements - Continued

At December 31, 2002 and 2001, the Company had net capital of \$15,709 and \$8,733, respectively, which was \$10,709 and \$3,733, respectively, in excess of its required net capital of \$5,000. The Company's aggregate indebtedness to net capital ratio was .2045 to 1 and .3994 to 1 at December 31, 2002 and 2001, respectively.

NOTE 5: Statement of Changes in Liabilities Subordinated to Claims of General Creditors

The Company had no liabilities subordinated to the claims of general creditors for 2002 or 2001; consequently, the financial statements have not presented the Statement of Changes in Liabilities Subordinated to Claims of General Creditors.

NOTE 6: Income Taxes

Income tax expense for the years ended December 31, 2002 and 2001 consists of the following:

| | <u>2002</u> | <u>2001</u> |
|--|-----------------|-------------------|
| Deferred expense (benefit): | | |
| Federal | \$ 661 | (\$ 2,867) |
| State | 440 | 0 |
| | <u>\$ 1,101</u> | <u>(\$ 2,867)</u> |
| | <u>2002</u> | <u>2001</u> |
| Deferred income tax asset arising from net operating loss carryforwards: | | |
| Federal | \$ 1,060 | \$ 1,721 |
| State | 706 | 1,146 |
| | <u>\$ 1,766</u> | <u>\$ 2,867</u> |

The Company has available at December 31, 2001, unused net operating loss carryforwards that may be applied against future taxable income and that expire as follows:

| Year of Expiration | | Unused Net Operating Loss Carryforwards | |
|--------------------|---------------------|---|---------------------|
| <u>Federal</u> | <u>Pennsylvania</u> | <u>Federal</u> | <u>Pennsylvania</u> |
| 2019 | 2009 | \$ 2,470 | \$ 0 |
| 2020 | 2010 | 3,706 | 1,771 |
| 2021 | 2011 | 5,296 | 5,296 |
| | | <u>\$ 11,472</u> | <u>\$ 7,067</u> |

Dautrich Seiler Financial Services, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2002 and 2001

NOTE 7: Retirement Plan

The Company has a Savings Incentive Match Plan for Employees of Small Employers Individual Retirement Account (Simple IRA Plan). Contributions totaled \$378 and \$330 in 2002 and 2001, respectively.

NOTE 8: Risk

At times during the years ended December 31, 2002 and 2001, the Company's cash and cash equivalents balances may have exceeded the federally insured limit of \$100,000.

SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5 OF THE
SECURITIES AND EXCHANGE COMMISSION

Schedule I

Dautrich Seiler Financial Services, Inc.

COMPUTATION OF AGGREGATE INDEBTEDNESS AND
NET CAPITAL PURSUANT TO RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION

For the Year Ended December 31, 2002

| | |
|---|-------------------|
| Total stockholder's equity from balance sheet | \$ 21,592 |
| Less non-allowable assets: | |
| Prepaid expenses | 817 |
| Deferred income taxes | 1,766 |
| Investments | <u>3,300</u> |
| Net capital | <u>\$ 15,709</u> |
| Aggregate indebtedness - | |
| Total liabilities | <u>\$ 3,212</u> |
| Computation of basic net capital requirement - | |
| Minimum net capital required (greater of \$5,000 or 6 2/3% of aggregate indebtedness) | <u>\$ 5,000</u> |
| Net capital in excess of minimum requirement | <u>\$ 10,709</u> |
| Ratio of aggregate indebtedness to net capital | <u>.2045 to 1</u> |

Note: There were no material differences between the above computation included in the Company's corresponding unaudited Form X-17A-5 Part II filing.

Independent Auditor's Report on
Internal Control Schedule II Required by Rule 17a-5
of the Securities and Exchange Commission

Board of Directors
Dautrich Seiler Financial Services, Inc.
Lancaster, Pennsylvania

In planning and performing our audits of the financial statements of Dautrich Seiler Financial Services, Inc. (the Company), for the years ended December 31, 2002 and 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the 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 the Company, 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. Recording 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 judgements 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 generally accepted accounting principles. 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, errors 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 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 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, including control activities for safeguarding securities, 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, 2002 and 2001, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, The National Association of Securities Dealers, Inc. 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.

Beard Miller Company LLP

Lancaster, Pennsylvania
January 17, 2003