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

SEC FILE NUMBER
8-18027

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 January 1, 2004 AND ENDING December 31, 2004  
MM/DD/YY MM/DD/YY

### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:	Planners Financial Services, Inc.	OFFICIAL USE ONLY	
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)			
	7710 Computer Ave. Suite 100	FIRM I.D. NO.	
	(No. and Street)		
	Edina	Minnesota	55435
	(City)	(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT	
<del>Henry F. Montgomery</del> <u>Donald L. McCoy</u>	952 835-9000
	(Area Code - Telephone Number)

### B. ACCOUNTANT IDENTIFICATION

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

Robert H. Williams, LLC	(Name - if individual, state last, first, middle name)		
7400 Metro Blvd., Suite 100	Edina	MN	55439
(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 17 2005

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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Handwritten initials/signature

OATH OR AFFIRMATION

I, Henry I. Montgomery Donald L. McCoy, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Planners Financial Services, Inc., as of December 31,, 2004, 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:

Donald L. McCoy  
Signature

President  
Title

Lori A. Fugate  
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~~ Cash Flows.
- (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).

PLANNERS FINANCIAL SERVICES, INC.

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# Robert H. Williams, LLC

**Certified Public Accountant**  
**7400 Metro Boulevard, Suite 100**  
**Edina, Minnesota 55439**

**Telephone (952) 224-4199**

**Fax (952) 224-4198**

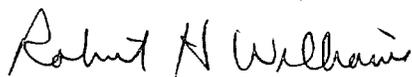
## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Planners Financial Services, Inc.  
Edina, Minnesota

We have audited the accompanying statements of financial condition of Planners Financial Services, Inc. as of December 31, 2004 and 2003, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. The financial statements of Planners Financial Services, Inc. as of December 31, 2003 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated January 20, 2004. The 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. 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 significant estimates made by management, as well as evaluating the overall financial 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 Planners Financial Services, Inc. at December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.



ROBERT H. WILLIAMS, LLC

January 25, 2005

PLANNERS FINANCIAL SERVICES, INC.  
STATEMENTS OF FINANCIAL CONDITION

December 31, 2004 and 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Cash	\$ 17,782	\$ 50
Money market funds	<u>91,285</u>	<u>116,445</u>
<u>Total cash and cash equivalents</u>	109,067	116,495
Commissions and accounts receivable	12,757	7,724
Prepaid expenses	13,141	12,502
Accounts receivable - employees	7,656	7,100
Furniture and equipment at cost, less accumulated depreciation of \$ 71,954 and \$69,405	13,021	957
Securities owned:		
Not readily marketable, at estimated fair value	<u>3,300</u>	<u>3,300</u>
 <u>Total assets</u>	 <u>\$ 158,942</u>	 <u>\$ 148,078</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

Commissions payable	\$ 10,336	\$ 5,407
Accounts payable	4,555	16,082
Accrued retirement plan	1,447	1,425
Accrued income taxes	300	300
Accrued payroll taxes	<u>3,735</u>	<u>3,503</u>
 <u>Total liabilities</u>	 <u>20,373</u>	 <u>26,717</u>

Stockholders' equity:

Common stock, \$1 par value, authorized 25,000 Shares, issued 10,281 shares	10,281	10,281
Retained earnings	<u>128,288</u>	<u>111,080</u>
 <u>Total stockholders' equity</u>	 <u>138,569</u>	 <u>121,361</u>

<u>Total liabilities and stockholders' equity</u>	<u>\$ 158,942</u>	<u>\$ 148,078</u>
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The accompanying notes are an integral part of these financial statements.

PLANNERS FINANCIAL SERVICES, INC.  
STATEMENTS OF INCOME

For The Years Ended  
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Revenues</u>		
Commissions	\$ 257,526	\$ 238,355
Advisory fees and miscellaneous	569,225	478,450
Interest	865	928
	<hr/>	<hr/>
<u>Total revenues</u>	<u>827,616</u>	<u>717,733</u>
<u>Expenses</u>		
Commissions	511,691	443,612
Salaries	140,439	133,034
Employee health insurance	15,144	13,715
Retirement plan	5,261	4,685
Payroll taxes	10,619	9,970
Training	4,580	4,029
Rent	29,000	32,512
Insurance	2,594	2,315
Professional fees	10,055	4,159
Advertising	4,164	4,010
Telephone	6,669	7,332
Postage and delivery	4,404	4,044
Books, subscriptions and periodicals	8,207	8,261
Office supplies	18,043	18,194
Licenses, regulatory fees, dues and memberships	4,510	4,027
Office expense	7,942	12,323
Depreciation	2,549	707
Travel and auto expenses	21,827	13,618
Directors fees	300	600
Interest	61	-
Other expenses	2,049	3,557
	<hr/>	<hr/>
<u>Total expenses</u>	<u>810,108</u>	<u>724,704</u>
<u>Income (loss) before income taxes</u>	17,508	(6,971)
<u>Provision for income taxes</u>		
Current year	300	300
	<hr/>	<hr/>
<u>Net income (loss)</u>	<u>\$ 17,208</u>	<u>\$ (7,271)</u>

The accompanying notes are an integral part of these financial statements.

PLANNERS FINANCIAL SERVICES, INC.  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For The Years Ended  
December 31, 2004 and 2003

	<u>Total</u>	<u>Common</u> <u>Stock</u>	<u>Retained</u> <u>Earnings</u>
<u>Balance, December 31, 2002</u>	\$ 128,632	\$ 10,281	\$ 118,351
Net income (loss)	<u>(7,271)</u>		<u>(7,271)</u>
<u>Balance, December 31, 2003</u>	121,361	10,281	111,080
Net income	<u>17,208</u>		<u>17,208</u>
<u>Balance, December 31, 2004</u>	<u>\$ 138,569</u>	<u>\$ 10,281</u>	<u>\$ 128,288</u>

The accompanying notes are an integral part of these financial statements.

PLANNERS FINANCIAL SERVICES, INC.  
STATEMENTS OF CASH FLOWS

For The Years Ended  
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Cash flows from operating activities:</u>		
Fees and commissions received	\$ 821,718	\$ 709,935
Cash paid to suppliers and employees	(815,037)	(722,029)
Interest received	865	928
Interest paid	(61)	-
Income tax paid	(300)	(300)
	7,185	(11,466)
<u>Net cash provided (used) by operating activities</u>		
<u>Cash flows used by investing activities:</u>		
Purchase of equipment	(14,613)	-
	(7,428)	(11,466)
<u>Net decrease in cash</u>		
<u>Cash and cash equivalents at beginning of year</u>	116,495	127,961
<u>Cash and cash equivalents at end of year</u>	\$ 109,067	\$ 116,495
<u>Reconciliation of net income (loss) to net cash provided (used) by operating activities</u>		
Net income (loss)	\$ 17,208	\$ (7,271)
Adjustments:		
Depreciation	2,549	707
Increase in commissions receivable	(5,033)	(1,770)
Increase (decrease) in commissions payable	4,929	(15,593)
Decrease (increase) in prepaid expenses	(639)	1,084
Increase in accrued taxes payable	232	78
Increase (decrease) in accounts payable	(11,527)	16,082
Increase in accounts receivable - employees	(556)	(5,100)
Increase in accrued retirement plan	22	317
<u>Total adjustments</u>	(10,023)	(4,195)
<u>Net cash provided (used) by operating activities</u>	\$ 7,185	\$ (11,466)

The accompanying notes are an integral part of these financial statements.

PLANNERS FINANCIAL SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

For The Years Ended  
December 31, 2004 and 2003

1. Organization and Nature of Business

The Company is a securities broker/dealer and registered investment adviser. The Company's main sources of revenue are commissions from sales of investment company shares (mutual funds) and fees charged for investment advisory services. The Company is registered with the United States Securities and Exchange Commission as a securities broker/dealer and as an investment adviser. The Company is registered as an investment adviser in the states of Minnesota, Wisconsin, California and Florida and is licensed as a broker/dealer in the states of Minnesota, Iowa, Wisconsin, California, Florida, Colorado, and Arizona. The Company is a member of the National Association of Securities Dealers, Inc. (NASD) and the Securities Investor Protection Corporation (SIPC).

2. Significant Accounting Policies

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

Depreciation – The Company's furniture and equipment is depreciated using primarily a straight line method using estimated useful lives of three to ten years for book purposes and an accelerated method for income taxes.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Company considers all short term debt securities purchased with a maturity of three months or less to be cash equivalents.

3. Net Capital Requirement

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Securities Exchange Act Rule 15c3-1), which requires the maintenance of minimum net capital as defined in the Rule. Net capital and the related net capital ratio fluctuate on a daily basis. As of December 31, 2004 and 2003, the Company had a net capital of \$ \$96,089 and \$95,141 and required net capital of \$25,000.

4. Exemption – SEC Rule 15c3-3

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission as all customer transactions are cleared through another broker/dealer on a fully disclosed basis. The Company, therefore, is not required to make the periodic computation of reserve requirements for the benefit of customers.

PLANNERS FINANCIAL SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

For The Years Ended  
December 31, 2004 and 2003

As part of our examination we ascertained that the Company was in compliance with the exemptive provisions of SEC Rule 15c3-3 as of December 31, 2004 and 2003. No facts came to our attention indicating that the firm had not complied with the conditions of the exemption to Rule 15c3-3 since the last audit.

5. Computation of Net Capital Under Rule 15c3-1 of the SEC

There were no differences between the audited computation of net capital and the broker/dealer corresponding unaudited Focus IIA report at December 31, 2004.

6. SIPC Supplemental Report

The requirement for filing an SIPC Supplemental Report is not applicable, since SIPC has suspended assessments based on net operating revenue. The minimum fee of \$150 was paid in 2004 and 2003.

7. Lease Commitment

The Company occupies its office facilities pursuant to a one-year lease commencing August 1, 2004 with a base rent of \$1,419.00 per month plus operating and tax costs. Minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2005	\$9,933.00

8. Pension Plan

The Company has a salary reduction plan or SARSEP that covers all employees who are at least twenty-one years of age, have performed services in at least one year, and had at least \$400 in compensation. The employee can contribute a maximum of 15% of compensation not to exceed \$10,000. The Company contributes 50% of the employee's contribution up to a maximum of 4% of their annual salary. Company contributions for 2004 and 2003 were \$5,261 and \$4,685 respectively.

9. Income Taxes

The Company has a net operating loss carry forward to the year 2005. The federal and state net operating loss available to be carried forward to 2005 amounted to \$103,923 and \$139,202.

10. Concentration of Credit Risk

The company maintains a money market mutual fund that is S.I.P.C. insured to \$100,000. The Company had uninsured amounts at December 31, 2003 of \$14,991.

# **Robert H. Williams, LLC**

**Certified Public Accountant  
7400 Metro Boulevard, Suite 100  
Edina, Minnesota 55439**

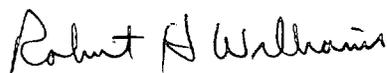
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Fax (952) 224-4198**

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

Board of Directors  
Planners Financial Services, Inc.  
Edina, Minnesota

We have audited the accompanying financial statements of Planners Financial Services, Inc. as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated January 25, 2005. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following information 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 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.



ROBERT H. WILLIAMS, LLC  
Edina, Minnesota

January 25, 2005

PLANNERS FINANCIAL SERVICES, INC.  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
December 31, 2004

<u>Net capital</u>		
Total stockholders' equity		\$ 138,569
<u>Deductions</u>		
Non-allowable assets:		
Prepaid expenses	\$ 13,141	
Furniture and equipment	13,021	
Accounts receivable and employees advances	11,221	
Securities not readily marketable	<u>3,300</u>	
<u>Total</u>	40,683	
<u>Haircuts on investments:</u>		
Money market mutual fund shares		
2% of \$89,825	<u>1,797</u>	
<u>Total deductions</u>		<u>42,480</u>
<u>Adjusted net capital</u>		<u>\$ 96,089</u>

COMPUTATION OF EXCESS NET CAPITAL

<u>Adjusted net capital</u>		\$ 96,089
<u>Minimum net capital required:</u>		
Dollar minimum	\$ 25,000	
6 2/3% of aggregate indebtedness \$20,373	<u>1,358</u>	
Greater of above		<u>25,000</u>
<u>Excess net capital</u>		<u>\$ 71,089</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Commissions payable		\$ 10,336
Accounts payable		4,555
Accrued retirement plan		1,447
Accrued taxes		<u>4,035</u>
<u>Total aggregate indebtedness</u>		<u>\$ 20,373</u>

Percentage of aggregate indebtedness to net capital 21.2%

# Robert H. Williams, LLC

**Certified Public Accountant**  
**7400 Metro Boulevard, Suite 100**  
**Edina, Minnesota 55439**

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## INDEPENDENT AUDITORS' REPORT ON

### INTERNAL CONTROL

Board of Directors  
Planners Financial Services, Inc.  
Edina, Minnesota

In planning and performing our audit of the financial statements and supplemental schedule of Planners Financial Services, Inc. for the year ended December 31, 2004, 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 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 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. Recordation of difference 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 judgments 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 conformity 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, error 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 internal control would not necessarily disclose all matters in 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 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, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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.



ROBERT H. WILLIAMS, LLC  
Edina, Minnesota

January 25, 2005