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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

SEC FILE NUMBER  
8- 40770

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: 01/01/2006 AND ENDING 12/31/06  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: OFG Financial Services, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY  
FIRM I.D. NO.

120 SE 6th Avenue, Suite 105

(No. and Street)

Topeka

(City)

KS

(State)

66603-3515

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Richard L. Jacobs 785-233-5746  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Berberich Trahan & Co., P.A.

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

3630 SW Burlingame Road

(Address)

Topeka

(City)

KS

(State)

66611-2050

(Zip Code)

CHECK ONE:

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

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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)

SEC 1410 (06-02)

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PA 3/22



# Berberich Trahan & Co.

Certified Public Accountants

3630 SW Burlingame Road  
Topeka, KS 66611-2050

Telephone 785 234 3427  
Toll Free 800 530 5526  
Facsimile 785 233 1768  
www.cpakansas.com

## INDEPENDENT ACCOUNTANTS' REPORT

The Board of Directors  
OFG Financial Services, Inc.

We have examined OFG Financial Services, Inc.'s (the Company) compliance with requirements set forth in the National Association of Securities Dealers (NASD) Manual, Rule 3011, Anti-Money Laundering Compliance Program during the year ended December 31, 2006. Management is responsible for the Company's compliance with those requirements. Our responsibility is to express an opinion on the Company's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, OFG Financial Services, Inc. complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2006.

*Berberich Trahan + Co., P.A.*

Topeka, Kansas  
February 22, 2007



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED**  
**BY SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING**  
**AN EXEMPTION FROM SEC RULE 15c3-3**

The Board of Directors  
OFG Financial Services, Inc.:

In planning and performing our audit of the financial statements and supplementary schedules of OFG Financial Services, Inc. (the Company) as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included 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 making the quarterly securities examinations, counts, verifications and comparisons, the recordation of differences required by rule 17a-13, or in 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 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.

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An Independently Owned Member

Because of inherent limitations in any 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the Securities and Exchange Commission, 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.

*Berluch Inahan + Co., P.A.*

Topeka, Kansas  
February 22, 2007

 Berberich Trahan & Co.

OFG FINANCIAL SERVICES, INC.

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FORM X-17A-5, PART III  
SECURITIES AND EXCHANGE COMMISSION  
YEARS ENDED DECEMBER 31, 2006 AND 2005

OFG FINANCIAL SERVICES, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Years Ended December 31, 2006 and 2005

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www.cpakansas.com

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
OFG Financial Services, Inc.:

We have audited the accompanying statements of financial condition of OFG Financial Services, Inc. (the Company) as of December 31, 2006 and 2005, and the related statements of income, changes in stockholder's 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. 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 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 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 OFG Financial Services, Inc. at December 31, 2006 and 2005 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in Schedules 1 through 5 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.

*Berberich Trahan + Co., P.A.*

Topeka, Kansas  
February 22, 2007

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An Independently Owned Member

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	<u>2006</u>	<u>2005</u>
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
Liabilities:		
Accounts payable	\$ 6,727	\$ 6,540
Accrued liabilities:		
Commissions	332,329	286,655
Bonuses	204,500	184,688
Other	402	2,607
Income tax	12,510	44,050
	<u>556,468</u>	<u>524,540</u>
Stockholder's equity:		
Common stock - \$ 10 par value; authorized 2,500 shares, issued and outstanding 325 shares	3,250	3,250
Additional paid-in capital	163,750	163,750
Retained earnings	876,354	741,977
	<u>1,043,354</u>	<u>908,977</u>
	<u>\$ 1,599,822</u>	<u>\$ 1,433,517</u>

OFG FINANCIAL SERVICES, INC.

STATEMENTS OF INCOME

Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues:		
Commissions and concessions	\$ 7,410,894	\$ 6,688,760
Interest	67,721	29,315
	<u>7,478,615</u>	<u>6,718,075</u>
Expenses:		
Employee compensation and benefits	1,476,282	1,360,571
Commissions and clearing charges	5,260,668	4,718,143
Rent	71,715	68,943
Communications	63,215	52,579
Promotional costs	119,955	103,923
Supplies	46,211	45,844
Taxes, other than income taxes	53,368	50,325
Other operating expenses	161,594	124,827
	<u>7,253,008</u>	<u>6,525,155</u>
Income before income taxes	225,607	192,920
Provision for income taxes	<u>91,230</u>	<u>78,690</u>
Net income	<u>\$ 134,377</u>	<u>\$ 114,230</u>

See accompanying notes to financial statements.

OFG FINANCIAL SERVICES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

Years Ended December 31, 2006 and 2005

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance at January 1, 2005	\$ 3,250	\$ 163,750	\$ 627,747	\$ 794,747
Net income			114,230	114,230
Balance at December 31, 2005	3,250	163,750	741,977	908,977
Net income			134,377	134,377
Balance at December 31, 2006	<u>\$ 3,250</u>	<u>\$ 163,750</u>	<u>\$ 876,354</u>	<u>\$ 1,043,354</u>

See accompanying notes to financial statements.

OFG FINANCIAL SERVICES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Net income	\$ 134,377	\$ 114,230
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,435	16,732
Changes in assets and liabilities:		
Receivables	(62,756)	(59,467)
Prepaid expenses	36	1,142
Accounts payable	187	(5,130)
Accrued liabilities	31,741	28,523
	<u>121,020</u>	<u>96,030</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	(16,220)	-
Purchase of customer list	(15,000)	-
	<u>(31,220)</u>	<u>-</u>
Net cash used by investing activities		
	89,800	96,030
Net increase in cash and cash equivalents		
Cash and cash equivalents, beginning of year	909,996	813,966
Cash and cash equivalents, end of year	<u>\$ 999,796</u>	<u>\$ 909,996</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	<u>\$ 122,770</u>	<u>\$ 41,339</u>

See accompanying notes to financial statements.

OFG FINANCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

1 - Organization and Summary of Significant Accounting Policies

Organization

OFG Financial Services, Inc. (the Company) is a broker-dealer registered with the Securities and Exchange Commission and the National Association of Securities Dealers (NASD). The Company concentrates in the marketing of mutual funds and annuities covering an area which includes seventeen states. A substantial part of commission income is generated through one carrier.

Statements of Cash Flows

For purposes of the statement of cash flows, the Company considers all cash and investments with an original maturity of three months or less to be cash equivalents.

Premium Customer List

Premium customer list is recorded at cost. Amortization is provided on the straight-line method over the estimated useful lives of assets, which are generally five years.

Furniture and Equipment

Furniture and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of assets, which are generally five years. Capital leases are capitalized and amortized over a period not in excess of applicable lease terms. Expenditures for major renewals and improvements are capitalized. Expenditures for maintenance and repair are charged to expense as incurred. When equipment is retired or otherwise disposed of, the related costs and accumulated depreciation or amortization are removed from the accounts, and any gain or loss is reflected in income.

Commissions and Concessions Revenue

Commissions and concessions are recorded as revenue once the carrier or mutual fund company confirms that payment has been received and the commission or concession earned.

OFG FINANCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (cont.)

Promotional Costs

Promotional costs including advertising are expensed as incurred.

Use of Estimates

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2 - Deposits

The Company routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations and various investment grade corporate obligations. Investments in money market funds are not insured or guaranteed by the U.S. government or by the underlying corporation; however, management believes that credit risk related to these investments is minimal.

At December 31, 2006, the bank balance of the Company's deposits was \$ 590,654. Of this, \$ 100,000 was covered by FDIC insurance, and \$ 490,654 was uninsured.

3 - Premium Customer List

The company purchased a premium customer list in 2006 for \$ 15,000. Current year amortization is \$ 750. Amortization expense is \$ 3,000 per year for the next four years and \$ 2,250 in the fifth year. There is no additional amortization past the fifth year.

OFG FINANCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

4 - Leases

The Company has a residential property lease for the purpose of providing a Topeka residence for the President of the Company. Annual lease payments for 2006 and 2005 were \$ 12,000. The lease can be terminated by either party upon 30 days notice.

The Company has a 60-month lease agreement for office space which is scheduled to terminate June 30, 2007. Annual lease expense for 2006 and 2005 was \$ 66,693 and \$ 64,570, respectively.

Minimum future lease payments are as follows:

2007	<u>\$ 33,450</u>
------	------------------

5 - Pension Plan

The Company has a 401(k) plan. Full-time employees must complete one year of service and be at least 21 years of age in order to participate in the plan. Employees can contribute up to 10% of their salary subject to Internal Revenue Service limitations. The Company provided a discretionary contribution of 10% in 2006 and 2005. Both employee and employer contributions are 100% vested upon payment into the plan. For the years ended December 31, 2006 and 2005, the Company contributed \$ 71,379 and \$ 66,116, respectively, into the plan. These contributions are included in employee compensation and benefits on the statements of income.

6 - Income Taxes

Provision for income taxes reflected on the statements of income represents current taxes. The tax rate is lower than the Federal statutory rate of 34% primarily due to the use of lower rates attributable to the first \$ 50,000 of income of the graduated income tax brackets.

OFG FINANCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

7 - Related Party Transactions

For 2006 and 2005, the Company received \$ 1,500 per month from an affiliated corporation for use of office facilities and other administrative costs. These receipts are netted against certain operating expenses, including rent, communications, and promotional costs.

8 - Net Capital

Pursuant to the net capital provisions of rule 15c3-1 of the Securities and Exchange Commission, 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. Net capital requirements, aggregate indebtedness, and net capital ratio as of December 31, 2006 were:

Net capital	\$ 858,635
Net capital requirements	100,000
Aggregate indebtedness	556,468
Aggregate indebtedness to net capital ratio	.65 to 1



SUPPLEMENTARY SCHEDULES

OFG FINANCIAL SERVICES, INC.

CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS

December 31, 2006

No such liabilities exist at December 31, 2006.

See independent auditors' report.

## OFG FINANCIAL SERVICES, INC.

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION

December 31, 2006

Aggregate indebtedness - total liabilities	<u>\$ 556,468</u>
Net capital:	
Credit items:	
Common stock	\$ 3,250
Additional paid-in capital	163,750
Retained earnings	<u>876,354</u>
	<u>1,043,354</u>
Debit items:	
Nonallowable assets:	
Advances to salesmen	1,359
Other receivables	5,546
Premium customer list	14,250
Furniture and equipment, net	34,341
Prepaid expenses	69,689
Haircut on money market account	<u>59,534</u>
	<u>184,719</u>
Net capital	858,635
Capital requirements	<u>100,000</u>
Capital in excess of requirements	<u>\$ 758,635</u>

Ratio of aggregate indebtedness to net capital is .65 to 1.

See independent auditors' report.

OFG FINANCIAL SERVICES, INC.

INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION

December 31, 2006

The Company is operating under the exemptive provisions of the Securities and Exchange Commission Rule 15c3-3 since they do not carry securities accounts for customers or perform custodial functions relating to customer securities.

See independent auditors' report.

OFG FINANCIAL SERVICES, INC.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER  
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION

December 31, 2006

The Company is operating under the exemptive provisions of the Securities and Exchange Commission Rule 15c3-3 since they do not carry securities accounts for customers or perform custodial functions relating to customer securities.

See independent auditors' report.

OFG FINANCIAL SERVICES, INC.

RECONCILIATIONS

December 31, 2006

COMPUTATION OF NET CAPITAL

Net capital shown in FOCUS II report for December 31, 2006, as previously filed	\$ 930,679
Reconciling items:	
Adjustment to income taxes	(12,510)
Haircuts not included on FOCUS II report	<u>(59,534)</u>
Net capital as shown on this report	<u>\$ 858,635</u>

RESERVE REQUIREMENTS

Not applicable.

END

See independent auditors' report.