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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
B- 53033

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 05/01/02 AND ENDING 04/30/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: KCPAG BROKERAGE LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

302 EAST WALNUT STREET

(No. and Street)

ROBINSON,

IL

62454

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
THOMAS A. MOORE (618) 544-4993

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

VIRCHOW, KRAUSE & COMPANY, LLP

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

7900 XERXES AVE. SOUTH, SUITE 2400

BLOOMINGTON, MN 55431

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

REC'D S.E.C.
JUL 2, 2003
1086

PROCESSED
JUL 11 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)

SEC 1410 (06-02)

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.

OATH OR AFFIRMATION

I, THOMAS A. MOORE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of KCPAG BROKERAGE LLC, as of APRIL 30,, 20 03, 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:



T. Moore
Signature

CHIEF EXECUTIVE OFFICER

Title

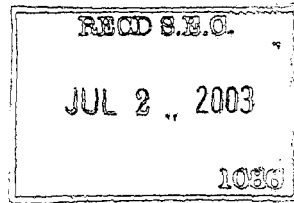
Judy Leigh Branson
Notary Public

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).

**KCPAG BROKERAGE LLC
FINANCIAL STATEMENTS
APRIL 30, 2003 AND 2002**



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**VirchowKrause
& company**

INDEPENDENT AUDITORS' REPORT

Board of Governors and Member
KCPAG Brokerage LLC
Robinson, Illinois

We have audited the accompanying statement of financial condition of KCPAG Brokerage LLC (a limited liability company) as of April 30, 2003 and the related statements of income, member's capital and cash flows for the year 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 audit. The financial statements of KCPAG Brokerage LLC as of April 30, 2002, were audited by other auditors whose report dated June 19, 2002, expressed an unqualified opinion on those statements.

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 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 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 KCPAG Brokerage LLC as of April 30, 2003, and the results of its operations and its cash flows for the year 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 information contained in the schedule presented on page 8 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.

Virchow, Krause & Company, LLP

Minneapolis, Minnesota
June 5, 2003

KCPAG BROKERAGE LLC
STATEMENTS OF FINANCIAL CONDITION
APRIL 30, 2003 AND 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Cash	\$ 10,777	\$ 10,353
Commissions receivable	<u>3,315</u>	<u>0</u>
	<u>\$ 14,092</u>	<u>\$ 10,353</u>

LIABILITIES AND MEMBER'S CAPITAL

Liabilities	\$ 0	\$ 0
Member's capital	<u>14,092</u>	<u>10,353</u>
	<u>\$ 14,092</u>	<u>\$ 10,353</u>

See accompanying notes to financial statements.

**KCPAG BROKERAGE LLC
STATEMENTS OF INCOME
YEARS ENDED APRIL 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
Revenues	\$ 60,336	\$ 39,592
Operating expenses	<u>6,655</u>	<u>1,777</u>
Net income	<u>\$ 53,681</u>	<u>\$ 37,815</u>

See accompanying notes to financial statements.

**KCPAG BROKERAGE LLC
STATEMENTS OF MEMBER'S CAPITAL
YEARS ENDED APRIL 30, 2003 AND 2002**

BALANCE - April 30, 2001	\$ 10,987
Distributions	(38,449)
Net income	<u>37,815</u>
BALANCE - April 30, 2002	10,353
Distributions	(49,942)
Net income	<u>53,681</u>
BALANCE - April 30, 2003	<u><u>\$ 14,092</u></u>

See accompanying notes to financial statements.

**KCPAG BROKERAGE LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2003 AND 2002**

	2003	2002
Cash flows from operating activities:		
Net income	\$ 53,681	\$ 37,815
Changes in operating assets and liabilities:		
Commissions receivable	(3,315)	0
Cash flows from operating activities	50,366	37,815
Cash flows from investing activities:		
Cash flows from investing activities	0	0
Cash flows from financing activities:		
Member distributions	(49,942)	(38,449)
Cash flows from financing activities	(49,942)	(38,449)
Increase (decrease) in cash	424	(634)
Cash, beginning of year	10,353	10,987
Cash, end of year	\$ 10,777	\$ 10,353

See accompanying notes to financial statements.

KCPAG BROKERAGE LLC
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2003 AND 2002

NOTE 1 – Nature of Business and Significant Accounting Policies

Nature of business

KCPAG Brokerage LLC (the Company) was organized as a limited liability company in Illinois on May 17, 2000. The Company became a registered broker dealer under the Securities Exchange Act of 1934 on May 4, 2001 and is a member of the National Association of Securities Dealers.

The Company is a limited liability company wholly-owned by Kemper Capital Management LLC (Kemper).

Income taxes

The Company is not a taxpaying entity for federal and state income tax purposes. The Company's taxable income or loss is included on the member's income tax returns. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements.

Management's 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.

NOTE 2 – Related Party Transactions

The Company has entered into an affiliate agreement with Kemper. Kemper pays all shared expenses for the Company. These costs will not be reimbursed and there is no accounting recognition on the financial statements of the Company.

NOTE 3 – Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital 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. Net capital and the related net capital ratio fluctuate on a daily basis. At April 30, 2003 and 2002, the Company had net capital of \$14,092 and \$10,353 which was \$9,092 and \$5,353 in excess of its required net capital of \$5,000. The Company's net capital ratio was 0 to 1 at April 30, 2003 and 2002.

No material differences existed between the net capital calculated above and the net capital computed and reported in the Company's April 30, 2003 FOCUS filing. Per Rule 15c3-3 of the Securities and Exchange Commission Uniform Net Capital Rule, the Company is exempt under the (k)(1) exemption.

KCPAG BROKERAGE LLC

COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS UNDER RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION As of April 30, 2003 and 2002

COMPUTATION OF NET CAPITAL

	<u>2003</u>	<u>2002</u>
Total member's equity	\$ 14,092	\$ 10,353
Non-allowable assets	<u>0</u>	<u>0</u>
Net capital before haircuts on securities positions	14,092	10,353
Haircuts on securities positions	<u>0</u>	<u>0</u>
Net capital	<u>\$ 14,092</u>	<u>\$ 10,353</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities from statement of financial condition	<u>\$ 0</u>	<u>\$ 0</u>
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COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Excess net capital at 1,500 percent	<u>\$ 9,092</u>	<u>\$ 5,353</u>
Excess net capital at 1,000 percent	<u>\$ 14,092</u>	<u>\$ 10,353</u>
Ratio: Aggregate indebtedness to net capital	<u>0 to 1</u>	<u>0 to 1</u>

RECONCILIATION WITH COMPANY'S COMPUTATION

Net capital, as reported in Company's Part II Focus report, Form X-17A-5 (unaudited):	\$ 14,092	\$ 10,353
Audit adjustments	<u>0</u>	<u>0</u>
Net capital per above	<u>\$ 14,092</u>	<u>\$ 10,353</u>



Virchow Krause & company

INDEPENDENT AUDITORS' SUPPLEMENTARY REPORT ON INTERNAL ACCOUNTING CONTROL

Board of Governors and Member
KCPAG Brokerage LLC
Robinson, Illinois

In planning and performing our audit of the financial statements and supplemental schedule of KCPAG Brokerage LLC (the Company) for the year ended April 30, 2003, 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 (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. Recordation 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 judgments by management are required to assess the expected benefits and related costs of internal 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 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 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 the 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 April 30, 2003, to meet the SEC's objectives.

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

Viechow, Krause & Company, LLP

Minneapolis, Minnesota
June 5, 2003