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SECURITY 04015261 MISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8-49964

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 01-01-2003 AND ENDING 12-31-2003  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Dulaney Securities, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

9690 Deereco Road, Suite 440

(No. and Street)

Timonium, Maryland 21093

(City)

(State)

(Zip Code)

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

Lisa A. Nassner

410-561-9690

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Bob Black

Black Reilly & Associates

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

The Riderwood Bldg, #304, 1107 Kenilworth Avenue, Towson, Maryland 21204

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED  
APR 02 2004  
THOMSON  
FINANCIAL

SEC MAIL RECEIVED  
PROCESSING  
MAR 22 2004  
WASH DC 187 SEC

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)

SP/5

OATH OR AFFIRMATION

I, Dorothy M. Schmitt, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Dulaney Securities, Inc.

, as of December 31, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dorothy M. Schmitt  
Signature  
President  
Title

Joel A. Naesmer  
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 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).

# Dulaney Securities, Inc.

Member NASD

9690 Deereco Road, Suite 440  
Timonium, MD 21093  
(410) 561-9692  
(410) 560-9999 FAX

**Dorothy M. Schmitt**  
General Securities Principal  
Registered Representative

March 19, 2004

Mr. Justin B. Ettelson  
Supervisor of Examiners  
NASD  
Philadelphia District Office  
1835 Market Street  
Suite 1900  
Philadelphia, PA 19103-2929

Dear Mr. Ettelson:

Pursuant to your letter dated March 9, 2004 requesting a supplemental report to accompany our 2003 audit, I respectfully submit the attached letter which was to accompany our annual audit. It may have been misplaced at the time of its mailing and omitted, we apologize for any inconvenience this may have caused.

I have left several messages to discuss the matter with Eric Gray. Since the deadline of March 23, 2004 is fast approaching I thought it best to mail this as soon as possible in the event it is the document you are looking for. I have also copied the individuals listed on your letter to us.

If additional information is needed, please let me know as soon as possible.

Sincerely,



Dorothy M. Schmitt



KS

Mr. Justin B. Ettelson  
NASD  
March 19, 2004  
Page 2

Copied to:

Ms. Eleanor Sabalbaro  
NASD  
Member Regulation Programs/Systems Support  
9509 Key West Avenue  
Rockville, MD 20850

Mr. A. Laurence Ehrhart  
Regional Administrator  
Securities and Exchange Commission  
Mellon Independence Center  
701 Market Street  
Suite 2000  
Philadelphia, PA 19106

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, DC 20549

Mr. Bob Black  
Black Reilly & Associates  
Certified Public Accountant  
The Riderwood Bldg.  
#304, 1107 Kenilworth Avenue  
Towson, MD 21204



# **BLACK, REILLY & ASSOCIATES**

**CERTIFIED PUBLIC ACCOUNTANTS**

**Independent Auditor's Report on Internal  
Accounting Control Required by SEC Rule 17a-5**

Board of Directors  
Dulaney Securities, Inc.

We have audited the financial statements of Dulaney Securities, Inc. (the Company) for the year ended December 31, 2003, and have issued our report thereon dated January 23, 2004. As part of our audit, we made a study and evaluation of the Company's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation, was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under rule 17a3(a)(11) of the Securities and Exchange Commission (the Commission). We did not review the practices and procedures followed by the Company (i) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or (ii) in complying with the requirements for prompt payment for securities of Section 4(c) of regulation T of the Board of Governors of the Federal Reserve System or (iii) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities or (iv) for determining compliance with the exemptive provisions of rule 15c3-3, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining a system of internal accounting 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 control procedures 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 Commission's above-mentioned objectives. The objectives of a system 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.

Because of inherent limitations in any internal accounting control procedures or practices and procedures referred to above, errors or irregularities may nevertheless 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 degree of compliance with them may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Dulaney Securities, Inc. taken as a whole. However, our study and evaluation disclosed no condition that we believed a material weakness.

We understand that the practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities and 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 our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the Commission's objectives.

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

*Black, Reilly & Associates*

January 22, 2004