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

SEC FILE NUMBER
8-47547

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

AB  
2/27/06

REPORT FOR THE PERIOD BEGINNING 01/01/2005 AND ENDING 12/31/2005  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Northern Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

3003 Hamel Road P.O. Box 275  
(No. and Street)  
Medina MN 55340-0275  
(City) (State) (Zip Code)

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

952-475-0633  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Copeland Buhl & Company P.L.L.P.  
(Name - if individual, state last, first, middle name)  
800 East Wayzata Blvd. Wayzata MN 55391-1766  
(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 21 2006  
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)

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.

Handwritten initials

OATH OR AFFIRMATION

I, DOUGLAS F. OTTEN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Northern Securities, Inc., as of 12/31, 20 05, 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:

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

State of MD County of Harford  
Subscribed and sworn before me on Jan 24 2006  
(Date)  
Adrienne Sloan  
(Notary Signature)

D F Otten  
Signature  
President  
Title

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).

**Financial Statements and Report of  
Independent Certified Public Accountants**

**NORTHERN SECURITIES, INC.**

**December 31, 2005 and 2004**

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**CONTENTS**

Report of Independent Certified Public Accountants .....1

Financial Statements:

    Statements of Financial Condition .....2

    Statements of Operations .....3

    Statement of Stockholder's Equity.....4

    Statements of Cash Flows .....5

    Notes to Financial Statements..... 6-7

Supplemental Information:

    Computation of Net Capital .....8

    Independent Auditors' Report on Internal Control .....9



Report of Independent Certified Public Accountants

Board of Directors and Stockholder  
**Northern Securities, Inc.**  
Medina, Minnesota

We have audited the accompanying statements of financial condition of Northern Securities, Inc. as of December 31, 2005 and 2004, and the related statements of operations, 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 Northern Securities, Inc. as of December 31, 2005 and 2004, 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 the computation of net capital is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

*Copeland Buhl & Company P.L.L.P.*  
COPELAND BUHL & COMPANY P.L.L.P.

January 24, 2006

**NORTHERN SECURITIES, INC.**  
**STATEMENTS OF FINANCIAL CONDITION**  
**DECEMBER 31**

<b><u>ASSETS</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Current Assets:		
Cash and equivalents	\$ 11,414	\$ 12,129
Concessions receivable	2,431	3,486
Total Current Assets	13,845	15,615
Office Equipment, at Cost	11,928	11,928
Less: accumulated depreciation	11,928	11,314
Net Office Equipment	614	614
<b>TOTAL ASSETS</b>	<b>\$ 13,845</b>	<b>\$ 16,229</b>
<b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>		
Current Liabilities:		
Commissions payable		\$ 2,745
Stockholder's Equity:		
Common stock - no par value; 100 shares authorized, issued and outstanding	\$ 1,000	1,000
Paid in capital	17,983	17,983
Accumulated deficit	(5,138)	(5,499)
Total Stockholder's Equity	13,845	13,484
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ 13,845</b>	<b>\$ 16,229</b>

See notes to financial statements.

**NORTHERN SECURITIES, INC.**  
**STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31**

	2005	2004
Revenues	\$ 31,684	\$ 36,134
Operating Expenses:		
Officer salary	1,700	9,350
Payroll taxes	186	1,242
Employee benefits	5,058	3,184
Auto lease	5,211	6,300
Telephone	3,472	4,404
Advertising	3,028	467
Auto expenses	2,889	3,529
Professional services	2,259	2,158
Office expense	2,149	1,457
Regulatory fees	1,330	
Meals and entertainment	1,147	1,256
Supplies	1,067	985
Depreciation	614	783
Bonding fees	369	369
Dues and subscriptions	319	299
Postage	200	214
Miscellaneous expense	325	952
	31,323	36,949
Total Operating Expenses		
Net Income (Loss)	\$ 361	\$ (815)

See notes to financial statements.

**STATEMENT OF STOCKHOLDER'S EQUITY**  
**TWO YEARS ENDED DECEMBER 31, 2005**

	<u>Common Stock</u>	<u>Paid in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholder's Equity</u>
Balance, January 1, 2004	\$ 1,000	\$ 17,983	\$ (4,684)	\$ 14,299
Net Loss for the Year Ended December 31, 2004			<u>(815)</u>	<u>(815)</u>
Balance, December 31, 2004	1,000	17,983	(5,499)	13,484
Net Income for the Year Ended December 31, 2005			<u>361</u>	<u>361</u>
Balance, December 31, 2005	<u>\$ 1,000</u>	<u>\$ 17,983</u>	<u>\$ (5,138)</u>	<u>\$ 13,845</u>

See notes to financial statements.

NORTHERN SECURITIES, INC.  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31**

	<u>2005</u>	<u>2004</u>
Cash Flows from Operating Activities:		
Net income (loss)	\$ 361	\$ (815)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	614	783
Decrease in concessions receivable	1,055	4,221
(Decrease) in commissions payable	(2,745)	(3,205)
Net Cash Provided by (Used in) Operating Activities and Net Increase (Decrease) in Cash and Equivalents	(715)	984
Cash and Equivalents - Beginning of Year	12,129	11,145
Cash and Equivalents - End of Year	<u>\$ 11,414</u>	<u>\$ 12,129</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 AND 2004**

**Note A: Significant Accounting Policies**

**Nature of Operations**

The Company is a broker and dealer of securities. Its principal market is the Minneapolis/St. Paul metropolitan area.

**Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

**Cash and Equivalents**

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

**Office Equipment**

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. For financial reporting purposes, the straight-line method of depreciation is followed. For tax reporting purposes, accelerated methods of depreciation are followed for all assets.

Expenditures for maintenance and repairs are charged to operations when the expense is incurred. Expenditures determined to represent additions and betterments are capitalized.

**Income Taxes**

The Company provides for income taxes based on income reported for financial reporting purposes. Certain charges to earnings differ as to timing from those deducted for tax purposes; these relate primarily to accumulated depreciation. The tax effects of these differences are recorded as deferred income taxes.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

**Note B: Income Taxes**

At December 31, 2005, the Company's provision for income taxes and the deferred tax asset and liability balances were zero.

Cash payments for income taxes during the years ended December 31, 2005 and 2004 were zero.

**Note C: Pension Plan**

The Company sponsors a money purchase and profit sharing plan covering all employees. Company contributions are voluntary and at the discretion of the Board of Directors. The Company made no contributions to the plan in 2005 and 2004.

**SUPPLEMENTAL INFORMATION**

COMPUTATION OF NET CAPITAL  
DECEMBER 31

	<u>2005</u>	<u>2004</u>
Net Capital:		
Total Stockholder's Equity	\$ 13,845	\$ 13,484
Less:		
Haircuts on securities, \$10,572 x 2% and \$10,500 x 2%, respectively	(211)	(210)
Net office equipment		(614)
Net Capital	<u>\$ 13,634</u>	<u>\$ 12,660</u>
Aggregate Indebtedness		<u>\$ 2,745</u>
Ratio: Aggregate indebtedness to net capital		<u>.2</u>

No material differences exist from the Company's calculation computation of net capital.

NORTHERN SECURITIES, INC.  
Independent Auditors' Report on Internal Control

Board of Directors and Stockholder  
**Northern Securities, Inc.**  
Medina, Minnesota

In connection with our audit of the statement of financial condition of Northern Securities, Inc. as of December 31, 2005, and the related statements of operations, stockholder's equity, and cash flows for the year then ended, we reviewed certain internal control structure matters for reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention and relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Organization's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements.

We did not identify any reportable conditions or any other matters during our audit.

In accordance with professional standards, our consideration of the internal control structure was solely for the purpose of determining our audit procedures for the purpose of our report on the financial statements and not to provide assurance on the internal control structure and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected by such control structure.

This report is intended solely for the information and use of the Board of Directors, stockholder, management, and others within the organization.

*Copeland Buhl & Company P.L.L.P.*  
COPELAND BUHL & COMPANY P.L.L.P.

January 24, 2006