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SECURITIES AND EXCHANGE COMMISSION
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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549



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

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 1/1/09 AND ENDING 12/31/09
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: MICHIGAN SECURITIES, INC.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

21415 CIVIC CENTER DRIVE, SUITE 200

(No. and Street)

SOUTHFIELD

MI

48076

(City)

(State)

(Zip Code)

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

LEEANNA S. KAVANAGH

(248) 358-4393

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

GROEN, KLUKA & COMPANY, P.C.

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

888 WEST BIG BEAVER, SUITE 790

TROY

MI

48084

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

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)

BB/3/4

OATH OR AFFIRMATION

I, LEEANNA S. KAVANAGH, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MICHIGAN SECURITIES, INC., as of DECEMBER 31, 20 09, 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:

Signature of Leeanna S. Kavanagh

CHIEF FINANCIAL OFFICER

Title

Signature of Sandra J. Rayda

SANDRA J. RAYDA, Notary Public, State of Michigan, County of Hillsdale, My Commission Expires Dec. 9, 2010, Acting in the County of Oakland

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 15c3-1 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).



Groen, Kluka & Company, P.C.
Certified Public Accountants and Management Consultants



888 West Big Beaver Road, Suite 790
Troy, Michigan 48084
(248) 362-5000, Facsimile (248) 362-0999
Website: www.groenkluka.com

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Michigan Securities, Inc.

We have audited the accompanying statement of financial condition of Michigan Securities, Inc. as of December 31, 2009, and the related statements of operations, stockholders' equity, changes in notes payable subordinated to claims of general creditors, 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.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the 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 Michigan Securities, Inc. at December 31, 2009, and the results of its operations and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Groen, Kluka & Company, P.C.

February 19, 2010

MICHIGAN SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

December 31, 2009

ASSETS

ASSETS

Cash	\$	62,773
Cash deposits with clearing organizations		118,858
Receivable from brokers		129,994
Furniture, fixtures and equipment, less depreciation (Notes A2 and B)		8,720
	\$	<u>320,345</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Accounts payable	\$	15,068
Notes payable to stockholders and subordinated to claims of general creditors (Note E)		100,188
Accrued expenses		158,816
Income taxes payable		1,912
		<u>275,984</u>

COMMITMENTS (Note D)

-

STOCKHOLDERS' EQUITY (Note C)

Common stock - authorized, 10,000 shares; issued and outstanding, 1,000 shares		5,000
Retained earnings		<u>39,361</u>
		<u>44,361</u>
	\$	<u>320,345</u>

The accompanying notes are an integral part of this statement.

MICHIGAN SECURITIES, INC.

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2009

Revenues	
Commissions and fees	\$ 2,720,955
Interest	420
	<u>2,721,375</u>
Expenses (Note E)	
Salaries, wages, commissions and benefits	2,419,090
Exchange fees and quotes	37,181
Occupancy and equipment	80,792
Interest	8,008
Professional services	59,170
Advertising and business promotion	1,003
Office supplies and expenses	17,541
Other operating expenses	16,674
Trade clearing costs	66,168
	<u>2,705,627</u>
Income (loss) before income taxes	15,748
Income tax expense (Note F)	<u>1,956</u>
Net income (loss)	<u><u>\$ 13,792</u></u>

The accompanying notes are an integral part of this statement.

MICHIGAN SECURITIES, INC.

STATEMENT OF STOCKHOLDER'S EQUITY

For the Year Ended December 31, 2009

	<u>Common Stock</u>	<u>Retained Earnings</u>
Balance December 31, 2008	\$ 5,000	\$ 25,569
Net income for year	<u>-</u>	<u>13,792</u>
Balance at December 31, 2009	<u><u>\$ 5,000</u></u>	<u><u>\$ 39,361</u></u>

The accompanying notes are an integral part of this statement.

MICHIGAN SECURITIES, INC.

STATEMENT OF CHANGES IN NOTES PAYABLE SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

For the Year Ended December 31, 2009

Balance December 31, 2008	\$ 100,188
Net income for year	-
Balance at December 31, 2009	<u>\$ 100,188</u>

The accompanying notes are an integral part of this statement.

MICHIGAN SECURITIES, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2009

Cash flows from operating activities	
Net income (loss)	\$ 13,792
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,858
Decrease in deposits and other	-
Increase in accounts payable	8,289
Increase in receivables	(66,661)
Decrease in accrued expenses	26,661
Increase in income taxes payable	<u>1,556</u>
Net cash provided (used) by operating activities	(13,505)
Cash flows (used) by investing activities:	
Purchase of equipment	(4,336)
Cash flows used by financing activities:	
Issuance of common stock	-
Payments on note payable to shareholders	<u>-</u>
Net cash provided (used) by financing activities	<u>-</u>
Net increase (decrease) in cash	(17,841)
Cash and cash deposits at beginning of year	<u>199,472</u>
Cash and cash deposits at December 31, 2009	<u>\$ 181,631</u>
Cash paid during the year for interest	<u>\$ 8,008</u>
Cash paid during the year for income taxes	<u>\$ 400</u>

The accompanying notes are an integral part of this statement.

MICHIGAN SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied, in the preparation of the accompanying financial statements follows:

General

The Company conducts a general securities business as a securities broker/dealer and as a registered investment advisor and must meet the requirements of the 1934 Securities Act and the 1940 Investment Advisors Act.

The client base of the Company is retail and institutional accounts located primarily in southeast Michigan. The Company introduces all of its customers' accounts to New York Stock Exchange, Inc. member firms on a fully disclosed basis. As such, the Company does not carry customer funds or customer securities and is exempt from certain provisions of SEC Rule 15c3-3.

Advertising

The Company expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are charged to operations as incurred. Depreciation and amortization is charged to operations over the useful lives of the assets, five years, using accelerated depreciation methods.

Commissions and Fees

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur. Investment advisory and on insurance products are recorded when income is reasonably determinable.

Use of Estimates

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

MICHIGAN SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE B. FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment consist of the following at December 31, 2009:

Office Equipment	\$27,625
Less: Accumulated Depreciation	<u>18,905</u>
	<u>\$ 8,720</u>

NOTE C. NET CAPITAL REQUIREMENTS

The Company is subject to 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. At December 31, 2009, the Company had net capital of \$117,157, which was \$67,157 in excess of its required net capital of \$50,000. The Company's ratio of aggregate indebtedness to net capital was 1.50 to 1.

NOTE D. COMMITMENTS

The company leases office equipment and their facilities under operating leases. Rent expense under these leases for the period ended December 31, 2009 was approximately \$58,800.

Future minimum lease payments required under operating leases as of December 31, 2009 are as follows:

2010	\$59,803
2011	26,906
2012	<u>1,479</u>
	<u>\$88,188</u>

NOTE E. NOTES PAYABLE TO STOCKHOLDERS AND SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

Borrowing under subordination agreements at December 31, 2009 consist of subordinated notes payable to stockholders of the company at 8% per annum, due March 31, 2011. The note is approved by the National Association of Securities Dealers, Inc. and is thus available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. To the extent such borrowings are required for the company's continued compliance with minimum net capital requirements, they may not be repaid (Note C).

MICHIGAN SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE F. INCOME TAXES

The income tax expense differs from expected income tax expense that would result from applying federal statutory rates to income before income taxes as a result of certain expenses included in income being non-deductible for tax reporting purposes.

NOTE G. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) Plan (the Plan) for substantially all employees meeting minimum age and service requirements. The Plan provides for elective contributions by employees up to the maximum limit allowed by tax regulations. Under the terms of the plan, the Company may make discretionary contributions. Company contributions to the Plan for the year ended December 31, 2009 totaled \$16,142.

NOTE H. RELATED PARTY TRANSACTIONS

The Company receives insurance product commissions and advisory fees from certain related parties. Income received from related parties amounted to approximately \$910,000 for the year ended December 31, 2009.

NOTE I. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments are cash and cash equivalents, receivables, accounts payable, accrued expenses and notes payable. The recorded values of cash and cash equivalents, receivables, accounts payable and accrued expenses approximate their fair value based on their short-term nature.

The recorded values of notes payable approximate their fair values as interest approximate market rates.

NOTE J. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 19, 2010, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION



Groen, Kluka & Company, P.C.
Certified Public Accountants and Management Consultants



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(248) 362-5000, Facsimile (248) 362-0999
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**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION REQUIRED BY
RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

**Board of Directors
Michigan Securities, Inc.**

We have audited the accompanying financial statements of Michigan Securities, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated February 19, 2010. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I 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 audit 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.

Groen, Kluka & Company, P.C.

February 19, 2010

MICHIGAN SECURITIES, INC.

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

December 31, 2009

NET CAPITAL

Total stockholders' equity	\$	44,361	
Qualifying subordinated loans		<u>100,188</u>	
Total capital and subordinated debt	\$	144,549	

Non-allowable assets

Deposits and receivables	\$	16,217	
Furniture, fixtures and equipment		8,720	
Haircuts on securities-stocks and mutual funds		2,377	
Unsecured debits		<u>78</u>	<u>27,392</u>

Net capital 117,157

Net capital requirement 50,000

Excess net capital \$ 67,157

AGGREGATE INDEBTEDNESS

Total liabilities		175,796	
Less: liabilities excludable under SEC Rule 15c3-1		<u>-</u>	
Aggregate indebtedness	\$	<u><u>175,796</u></u>	

Net capital per above \$ 117,157

Ratio of aggregate indebtedness to net capital 1.50

RECONCILIATION WITH COMPANY'S COMPUTATION

Net capital, as reported in Company's Part II			
Focus report	\$	117,157	
Net audit adjustments		<u>-</u>	
Net capital per above	\$	<u><u>117,157</u></u>	

MICHIGAN SECURITIES, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2009

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Washington, DC

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