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# ANNUAL AUDITED REPORT

Washington DC  
406  
**FORM X-17A-5  
PART III**

SEC FILE NUMBER
8-27779

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 01/01/2016 AND ENDING 12/31/2016  
MM/DD/YY MM/DD/YY

### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Capital Management Securities Inc

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

7900 Xerxes Ave S Suite 500

(No. and Street)

Minneapolis MN

(State)

55431

(Zip Code)

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

Melissa Glennie 952-746-1110

(Area Code - Telephone Number)

### B. ACCOUNTANT IDENTIFICATION

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

Boyer & Company

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

14500 Burnhaven Drive Suite 135 Burnsville, MN 55306

(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)

BS

OATH OR AFFIRMATION

I, Gregory A Stroh, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Capital Management Securities, Inc. of December 31, 2016, 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]
Notary Public

[Signature]
Signature
CEO
Title

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).

CAPITAL MANAGEMENT SECURITIES, INC.

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# BOYER & COMPANY

A Professional Association

*Certified Public Accountants*

14500 Burnhaven Drive-Suite 135  
Burnsville, MN 55306  
(952) 435-3437

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
Capital Management Securities, Inc.  
Minneapolis, MN

We have audited the accompanying statements of financial condition of Capital Management Securities, Inc. (a Minnesota corporation), as of December 31, 2016 and 2015, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of Capital Management Securities, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 Capital Management Securities, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The Schedule I, Computation of Net Capital Under Rule 15c3-1, Schedule II, Computation for Determination of Reserve Requirements Under Rule 15c3-3 (exemption), Schedule III, Information Relating to Possession or Control Requirements Under Rule 15c3-3 (exemption), and Schedule IV, Reconciliation of FOCUS Report (IIA) as of December 31, 2016 to Audited Financial Statements as of December 31, 2016 have been subjected to audit procedures performed in conjunction with the audit of Capital Management Securities, Inc.'s financial statements. The supplemental information is the responsibility of Capital Management Securities, Inc.'s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. Section 240.17a-5. In our opinion, the supplemental information listed above is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Boyer + Company*

Burnsville, MN

February 18, 2017

CAPITAL MANAGEMENT SECURITIES, INC.

STATEMENTS OF FINANCIAL CONDITION  
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 300,049	\$ 270,060
Accounts Receivable	16,512	21,000
Prepaid Expenses	20,071	18,379
Prepaid Income Taxes	4,599	12,616
Total Current Assets	<u>341,231</u>	<u>322,055</u>
PROPERTY AND EQUIPMENT		
Furniture and Equipment	65,485	65,485
Leasehold Improvements	11,763	13,061
Software	8,465	8,280
Total Property and Equipment	85,713	86,825
Less: Accumulated Depreciation and Amortization	<u>(51,047)</u>	<u>(40,515)</u>
Net Property and Equipment	<u>34,666</u>	<u>46,310</u>
TOTAL ASSETS	<u>\$ 375,897</u>	<u>\$ 368,365</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Commissions Payable	\$ (7,813)	\$ 6,683
Accounts Payable	14,060	10,591
401(k) Payable	11,407	12,623
Accrued Payroll Taxes	2,733	3,095
Accrued Income Taxes	-	-
Total Current Liabilities	<u>20,387</u>	<u>32,992</u>
DEFERRED INCOME TAXES	<u>14,800</u>	<u>16,600</u>
STOCKHOLDER'S EQUITY		
Common Stock, \$.01 Per Share, 50,000 Shares Authorized, 9,105 and 12,214 Shares Issued and Outstanding	91	91
Additional Paid in Capital	7,165	7,165
Retained Earnings	333,454	311,517
Total Stockholder's Equity	<u>340,710</u>	<u>318,773</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 375,897</u>	<u>\$ 368,365</u>

See notes to financial statements.

CAPITAL MANAGEMENT SECURITIES, INC.

STATEMENTS OF OPERATIONS  
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
REVENUE		
Commissions	\$ 1,400,069	\$ 1,635,574
Office Rent	22,113	59,873
Management Fee	-	-
Interest	9	8
Other	49,111	46,152
Total Revenue	<u>1,471,303</u>	<u>1,741,607</u>
OPERATING EXPENSES		
Commissions	1,106,645	1,295,464
Salaries and Wages	133,080	159,933
Payroll Taxes	10,179	11,662
Employee Benefits	5,858	9,640
Advertising	197	616
Depreciation and Amortization	11,829	11,342
Dues and Subscriptions	15,954	19,732
Equipment Supplies and Rental	15,075	17,330
Insurance	19,903	26,172
Miscellaneous	4,248	3,624
Office Supplies and Printing	4,133	5,674
Postage	4,689	5,973
Professional Services	13,953	26,319
Regulatory Expense	14,708	27,554
Rent	56,578	66,037
Repairs and Maintenance	17,308	15,548
Sales and Use Tax	1,314	1,779
Telephone	4,699	6,078
Travel and Entertainment	2,800	2,853
Total Operating Expenses	<u>1,443,149</u>	<u>1,713,330</u>
Income from Operations		
Loss on Asset Dispositions	<u>-</u>	<u>-</u>
Income Before Income Taxes	28,154	28,277
Income Tax Expense	<u>6,217</u>	<u>9,021</u>
NET INCOME	<u>\$ 21,937</u>	<u>\$ 19,256</u>

See notes to financial statements.

CAPITAL MANAGEMENT SECURITIES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY  
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Common Stock</u>		<u>Paid In</u>	<u>Retained</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Earnings</u>	<u>Total</u>
BALANCE, December 31, 2014	9,105	\$ 91	\$ 7,165	\$ 292,261	\$ 299,517
Repurchase of Stock	-	-	-	-	-
Net Income	-	-	-	19,256	19,256
BALANCE, December 31, 2015	<u>9,105</u>	<u>91</u>	<u>7,165</u>	<u>311,517</u>	<u>318,773</u>
Repurchase of Stock	-	-	-	-	-
Net Income	-	-	-	21,937	21,937
BALANCE, December 31, 2016	<u>9,105</u>	<u>\$ 91</u>	<u>\$ 7,165</u>	<u>\$ 333,454</u>	<u>\$ 340,710</u>

See notes to financial statements.

CAPITAL MANAGEMENT SECURITIES, INC.

STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Net Income	\$ 21,937	\$ 19,256
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	11,829	11,342
Loss on Asset Dispositions	(185)	-
(Increase) Decrease in Assets:		
Accounts Receivable	4,488	11,293
Prepaid Expenses	(1,692)	(2,548)
Prepaid Income Taxes	8,017	(10,316)
Increase (Decrease) in Liabilities:		
Accounts Payable	3,469	1,073
Commissions Payable	(14,496)	(32,371)
401(k) Payable	(1,216)	(770)
Accrued Payroll Taxes	(363)	3,095
Accrued Income Taxes	-	-
Deferred Income Taxes	(1,800)	5,000
Net Cash Provided by Operating Activities	<u>29,988</u>	<u>5,055</u>
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	-	(7,784)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(7,784)</u>
Cash Flows from Financing Activities:		
Repurchase of Stock	-	-
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	29,988	(2,729)
Cash, Beginning of Year	<u>270,061</u>	<u>272,790</u>
Cash, End of Year	<u>\$ 300,049</u>	<u>\$ 270,061</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Income Taxes	<u>\$ -</u>	<u>\$ 12,936</u>

See notes to financial statements.

CAPITAL MANAGEMENT SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Organization – The Company was organized in April 1975 as a Corporation under the laws of Minnesota.
- B. Nature of Operations – Capital Management Securities, Inc. (the Company) is a licensed broker-dealer under the jurisdiction of the Financial Industry Regulatory Authority (FINRA). The Company buys and sells listed and unlisted securities; municipal, corporate and government bonds; mutual fund shares; and provides other financial services. The Company, as an introducing broker-dealer, clears all transactions with and for customers on a fully disclosed basis with a clearing broker-dealer and promptly transmits all customer funds and securities to the clearing broker-dealer which carries all the accounts of such customers.
- C. 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.
- D. Cash Equivalents – The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.
- E. Clearing Agreement – The Company uses a clearing agent in their business transactions. The agent requires the maintenance of a clearing account deposit. The amount of restricted cash in the clearing deposit account at December 31, 2016 and 2015 was \$15,088.74.
- F. Accounts Receivable and Allowance for Doubtful Accounts – An allowance for doubtful accounts has not been established as of December 31, 2016 and 2015. Based upon management's analysis of outstanding accounts receivable as of December 31, 2016 and 2015 and the Company's past collection experience, an allowance is not considered necessary by management.
- G. Property and Equipment – Property and equipment is carried at cost. Depreciation of property and equipment is computed by the straight-line method based on useful lives of three to ten years.

Depreciation and amortization expense was \$11,829 and \$11,342 for the years ended December 31, 2016 and 2015.

Maintenance and repairs of property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

The Company reviews its property and equipment for impairment whenever events indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recorded when the sum of the future cash flows is less than the carrying amount of the asset. The amount of the loss is determined by comparing the fair market values of the asset to the carrying amount of the asset.

- H. Recognition of Revenue – Commission income from sales of securities is recorded on the trade date.
- I. Income Taxes – Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in operations in the

CAPITAL MANAGEMENT SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities, which consist of book depreciation versus tax depreciation differences, and differences associated with cash basis reporting versus accrual basis reporting are individually classified as current and noncurrent based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The management is of the view that there are no significant tax positions that may be challenged.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods. The Company believes it is no longer subject to income tax examinations for the years prior to 2013.

- J. Concentrations of Risk – The Company maintains its cash in accounts with federally insured banks. At times, the balances in these accounts may be in excess of the federally insured limit of \$250,000. The Company believes that there is no significant risk with respect to these deposits.

The Company is engaged in various brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The Company feels the risk at this time is minimal and they review the credit standing of their counterparties on a regular basis.

- K. Date of Management – Management has evaluated subsequent events through February 18, 2017 which the financial statements were available to be issued.
- L. Advertising – The Company expenses advertising costs as they are incurred. Advertising and promotion expense for the years ended December 31, 2016 and 2015 was \$196.80 and \$616.17, respectively.
- M. Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2 – COMMITMENTS AND CONTINGENCIES

The Company has a lease agreement for office space expiring December 31, 2019. Monthly base rent ranges from \$0 to \$4,991 over the term of the lease. Terms of the lease also require the Company to pay its share of taxes and operating expenses. Facility rent expense for the years ended December 31, 2016 and 2015 was \$56,578 and \$66,037, respectively.

The Company has also entered into various operating leases for equipment that expire through 2018. Equipment rent expense for the years ended December 31, 2016 and 2015 was \$13,572 and \$16,754, respectively. The equipment lease commitment includes a lease that is reimbursed by sales representatives.

Minimum future lease payments as of December 31, 2016 under non-cancelable operating leases are:

<u>Years Ending December 31,</u>	<u>Office Facility</u>	<u>Equipment</u>	<u>Total</u>
2017	57,393	20,993	78,386
2018	58,328	19,243	77,571
2019	<u>59,264</u>	<u>-</u>	<u>59,264</u>
	<u>\$174,985</u>	<u>\$40,236</u>	<u>\$215,221</u>

CAPITAL MANAGEMENT SECURITIES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3 – RELATED PARTY TRANSACTIONS

The Company shares its facilities and expenses with a sister company. Expenses are allocated between the two entities based on gross revenues. During 2016 and 2015 approximately \$390,431 and \$287,390 or 54% and 43% of common expenses were allocated to the Company's sister company, respectively. The majority of the expenses are paid by the Company, and the sister company reimburses the Company for its share of the expenses monthly. Amounts due from related parties totaled \$0 as of December 31, 2016 and 2015.

NOTE 4 – INCOME TAXES

The Company files a consolidated income tax return as part of a controlled group with common ownership. Deferred income taxes and income tax expense are computed using the Company's proportionate share.

The Company's net deferred tax asset (liability) at December 31, 2016 and 2015 consisted of:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
December 31, 2016	\$(8,725)	\$(6,075)	\$(14,800)
December 31, 2015	\$(9,625)	\$(6,975)	\$(16,600)

The components for the provision for income taxes for the years ended December 31, 2016 and 2015 are as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Year Ended December 31, 2016:			
Deferred Income Tax	\$4,582	\$3,435	\$8,017
Current Income Tax			
Income Tax Expense	<u>\$4,582</u>	<u>\$3,435</u>	<u>\$8,017</u>
Year Ended December 31, 2015:			
Deferred Income Tax	\$5,000	\$ -	\$5,000
Current Income Tax	<u>2,952</u>	<u>1,069</u>	<u>4,021</u>
Income Tax Expense	<u>\$ 7,952</u>	<u>\$1,069</u>	<u>\$9,021</u>

The amount of federal income tax expense attributable to continuing operations differs from the amount of expense that would result from applying domestic federal statutory rates to pretax income from continuing operations primarily due to permanent differences of nondeductible expenses and the effect of state minimum fees.

SUPPLEMENTARY INFORMATION

CAPITAL MANAGEMENT SECURITIES, INC.

SCHEDULE I, COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
STOCKHOLDER'S EQUITY at End of Year	\$ 340,710	\$ 318,803
ADDITIONS	<u>-</u>	<u>-</u>
TOTAL CAPITAL AND ALLOWABLE SUBORDINATED LIABILITIES	<u>340,710</u>	<u>318,803</u>
DEDUCTIONS:		
Unallowable Assets:		
Property and Equipment - Net	34,666	46,310
Prepaid Expenses	20,071	18,379
Prepaid Income Taxes	4,599	12,616
Nonliquid Receivables	<u>-</u>	<u>1,621</u>
Total	<u>59,336</u>	<u>78,926</u>
NET CAPITAL BEFORE HAIRCUTS ON SECURITIES POSITIONS	281,374	239,876
HAIRCUTS ON SECURITIES	<u>-</u>	<u>-</u>
NET CAPITAL at End of Year	<u>\$ 281,374</u>	<u>\$ 239,876</u>
REQUIRED CAPITAL		
Basic Capital Requirement:		
Liabilities	32,992	32,992
Required Percent	6.67%	6.67%
Basic Capital Requirement	<u>2,201</u>	<u>2,201</u>
Minimum Capital Required	<u>25,000</u>	<u>25,000</u>
EXCESS CAPITAL	<u>\$ 256,374</u>	<u>\$ 214,876</u>
COMPUTATION OF AGGREGATE INDEBTEDNESS		
Indebtedness	\$ 32,992	\$ 32,992
Net Capital	<u>281,374</u>	<u>239,876</u>
Percent of Debt to Net Capital	<u>11.7%</u>	<u>13.8%</u>

See independent auditors' report

CAPITAL MANAGEMENT SECURITIES, INC.  
SCHEDULE II, COMPUTATION FOR DETERMINATION OF  
RESERVE REQUIREMENTS UNDER RULE 15c3-3 (EXEMPTION)

DECEMBER 31, 2016 AND 2015

The Company is exempt from Rule 15c3-3 under Subparagraph k(2)(ii) and does not possess, control or otherwise hold client or customer funds or securities.

See independent auditors' report.

CAPITAL MANAGEMENT SECURITIES, INC.

SCHEDULE III, INFORMATION FOR POSSESSION OR  
CONTROL REQUIREMENTS UNDER RULE 15c3-3 (EXEMPTION)

DECEMBER 31, 2016 AND 2015

The Company is exempt from Rule 15c3-3 under Subparagraph k(2)(ii) and does not possess, control or otherwise hold client or customer funds or securities.

See independent auditors' report.

CAPITAL MANAGEMENT SECURITIES, INC.

SCHEDULE IV, RECONCILIATION OF FOCUS REPORT (IIA) AS OF DECEMBER 31, 2016  
TO AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

	Balance Per Focus Report on <u>December 31, 2016</u>	Adjustments		Balance Per Audited Financial Statements At <u>December 31, 2016</u>
		<u>Debit</u>	<u>Credit</u>	
Total Assets	\$ 400,884		\$ 9,817 (a)	375,897
			5,299 (b)	
Less: Total Liabilities	<u>50,326</u>		(a)	<u>35,187</u>
Net Worth	350,558	(a)	-	340,710
		(b)		
Less: Non-Allowable Assets	<u>80,212</u>			<u>75,872</u>
Tentative Net Capital	270,346			264,838
Less: Securities Haircuts	<u>-</u>			<u>-</u>
Net Capital	<u>\$ 270,346</u>			<u>\$ 264,838</u>

- (a) Deferred, Prepaid, and Accrued Income Taxes  
(b) Depreciation Correction

See independent auditors' report.

# BOYER & COMPANY

A Professional Association

*Certified Public Accountants*

14500 Burnhaven Drive-Suite 135  
Burnsville, MN 55306  
(952) 435-3437

## INDEPENDENT ACCOUNTANTS' AGREED-UPON PROCEDURES REPORT ON SCHEDULE OF ASSESSMENT AND PAYMENTS (FORM SIPC-7)

Board of Directors  
Capital Management Securities, Inc.  
Minneapolis, MN

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2016, which were agreed to by Capital Management Securities, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating Capital Management Securities, Inc.'s compliance with the applicable instructions of Form SIPC-7. Capital Management Securities, Inc.'s management is responsible for Capital Management Securities, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries, noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2016, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31 2016, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed, noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Boyer + Company*

Burnsville, MN

February 18, 2017

# BOYER & COMPANY

A Professional Association

*Certified Public Accountants*

14500 Burnhaven Drive-Suite 135  
Burnsville, MN 55306  
(952) 435-3437

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
Capital Management Securities, Inc.  
Minneapolis, MN

We have reviewed management's statements included in the Management Statement Regarding Compliance with Certain Provisions of SEC Rule 17A-5, in which (1) Capital Management Securities, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Capital Management Securities, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3: (2)(ii) (the "exemption provisions") and (2) Capital Management Securities, Inc. stated that Capital Management Securities, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Capital Management Securities, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Capital Management Securities, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Boyer + Company*

Burnsville, MN

February 18, 2017

Management Statement Regarding Compliance with  
Certain Provisions of SEC Rule 17a-5

February 27, 2017

Pursuant to certain provisions of SEC Rule 17a-5 as amended on July 30, 2013 and effective June 1, 2014, Capital Management Securities, Inc. (the "Company") is exempt from provisions of SEC Rule 15c3-3 under provisions of paragraph (k)(2)(ii).

The Company has met the exemption provisions of paragraph 15c3-3 (k)(2)(ii) throughout the period January 1, 2016 through December 31, 2016 without exception.

Capital Management Securities, Inc.

By:



Gregory A. Stroh  
President

CAPITAL MANAGEMENT SECURITIES, INC.

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016 AND 2015

**CAPITAL MANAGEMENT SECURITIES, INC.**

FINRA BROKER/DEALER, MEMBER SIPC

500 WELLS FARGO PLAZA • 7900 XERXES AVENUE SOUTH • MINNEAPOLIS, MINNESOTA 55431-1107 • 952.893.1200 • FAX 952.893.0133

VIA FEDEX

February 27th, 2017

Securities & Exchange Commission  
100 F Street NE  
Washington, D.C. 20549

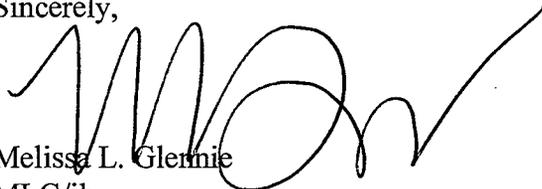
SEC  
Mail Processing  
Section  
FEB 27 2017  
Washington DC  
400

To whom it may concern:

Enclosed please find the Annual Audited Financial Statements for the year ending December 31, 2016 for Capital Management Securities, Inc.

If you have any questions or require further information, please do not hesitate to contact me at the number listed above.

Sincerely,



Melissa L. Glennie  
MLG/jh

Enclosure