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ANNUAL AUDITED REPORT
FORM 17A-5
PART III

SEC FILE NUMBER
8-16538

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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 5/01/05 AND ENDING 4/30/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
WADSWORTH INVESTMENT CO., INC.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
879 CHURCH STREET

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)
WALLINGFORD CT 06492
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
DALE R. ALDIERI (203) 269-9730
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

DAVIS, MASCOLA & PHILLIPS, LLC
(Name - if individual, state last, first, middle name)
1062 BARNES ROAD; SUITE 203 WALLINGFORD CT 06492
(Address) (City) (State) (Zip Code)

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

PROCESSED
DEC 07 2006
THOMSON FINANCIAL

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*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)

Handwritten signature/initials

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.

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

DAVIS, MASCOLA & PHILLIPS, LLC

70

ADDRESS

1062 BARNES RD; STE 203

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WALLINGFORD

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CT

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06492

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Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

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Public Accountant

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Accountant not resident in United States
or any of its possessions

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WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER	WADSWORTH INVESTMENT CO., INC.	N3						100
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STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) 4/30/06 99

SEC FILE NO. _____ 98

	Consolidated	<input checked="" type="checkbox"/>	198
	Unconsolidated	<input type="checkbox"/>	199

	Allowable	Non-Allowable	Total
1. Cash	\$ 3,592 200		\$ 3,592 750
2. Receivables from brokers or dealers:			
A. Clearance account	295		
B. Other	300	550	810
3. Receivable from non-customers	355	600	830
4. Securities and spot commodities owned at market value:			
A. Exempted securities	418		
B. Debt securities	419		
C. Options	420		
D. Other securities	402,635 424		
E. Spot commodities	430		402,635 850
5. Securities and/or other investments not readily marketable:			
A. At cost \$ _____	130		
B. At estimated fair value	440	610	860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities \$ _____	150		
B. Other securities \$ _____	160		
7. Secured demand notes:	470	640	890
Market value of collateral:			
A. Exempted securities \$ _____	170		
B. Other securities \$ _____	180		
8. Memberships in exchanges:			
A. Owned, at market \$ _____	190		
B. Owned, at cost		650	
C. Contributed for use of the company, at market value		660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships	480	670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	0 490	0 680	0 920
11. Other assets	0 535	3,300 735	3,300 930
12. TOTAL ASSETS	\$ 406,227 540	\$ 3,300 740	\$ 409,527 940

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

WADSWORTH INVESTMENT CO., INC.

as of 4/30/06

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

LIABILITIES AND OWNERSHIP EQUITY

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13. Bank loans payable	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account	1114	1315	1560
B. Other	1115	1305	1540
15. Payable to non-customers	1155	1355	1610
16. Securities sold not yet purchased, at market value		1360	1620
17. Accounts payable, accrued liabilities, expenses and other	22,657	1385	22,657
18. Notes and mortgages payable:			
A. Unsecured	1210		1690
B. Secured	1211	1390	1700
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		1400	1710
1. from outsiders, \$	970		
2. includes equity subordination (15c3-1(d)) of ... \$	980		
B. Securities borrowings, at market value from outsiders \$	990	1410	1720
C. Pursuant to secured demand note collateral agreements		1420	1730
1. from outsiders \$	1000		
2. includes equity subordination (15c3-1(d)) of ... \$	1010		
D. Exchange memberships contributed for use of company, at market value		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes	1220	1440	1750
20. TOTAL LIABILITIES	\$ 22,657	\$ 1450	\$ 22,657
Ownership Equity			
21. Sole Proprietorship			1770
22. Partnership (limited partners)	1020		1780
23. Corporation:			
A. Preferred stock			1791
B. Common stock		11,000	1792
C. Additional paid-in capital			1793
D. Retained earnings		375,870	1794
E. Total		386,870	1795
F. Less capital stock in treasury		(1796)	1796
24. TOTAL OWNERSHIP EQUITY			\$ 386,870
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY			\$ 409,527

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FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER

WADSWORTH INVESTMENT CO., INC.

as of 4/30/06

COMPUTATION OF NET CAPITAL

1.	Total ownership equity from Statement of Financial Condition	\$	386,870	3480
2.	Deduct ownership equity not allowable for Net Capital			3490
3.	Total ownership equity qualified for Net Capital		386,870	3500
4.	Add:			
A.	Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B.	Other (deductions) or allowable credits (List)			3525
5.	Total capital and allowable subordinated liabilities	\$		3530
6.	Deductions and/or charges:			
A.	Total non-allowable assets from			
	Statement of Financial Condition (Notes B and C)	\$	3,300	3540
B.	Secured demand note delinquency			3590
C.	Commodity futures contracts and spot commodities -			
	proprietary capital charges			3600
D.	Other deductions and/or charges			3610
			(3,300)	3620
7.	Other additions and/or allowable credits (List)			3630
8.	Net capital before haircuts on securities positions	\$	383,570	3640
9.	Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):			
A.	Contractual securities commitments	\$		3660
B.	Subordinated securities borrowings			3670
C.	Trading and investment securities:			
1.	Exempted securities			3735
2.	Debt securities			3733
3.	Options			3730
4.	Other securities		37,597	3734
D.	Undue Concentration			3650
E.	Other (List)			3736
			(37,597)	3740
10.	Net Capital	\$	345,973	3750

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FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER **WADSWORTH INVESTMENT CO, INC.**

as of 4/30/06

COMPUTATION OF NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19)	\$	1,511	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	5,000	3760
14. Excess net capital (line 10 less 13)	\$	340,973	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	343,707	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	22,657	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	3830
18. Total aggregate indebtedness	\$	22,657	3840
19. Percentage of aggregate indebtedness to net capital (line 18 + by line 10)	%	6.55	3850
20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%		3860

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$	NOT APPLICABLE	3970
22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$		3880
23. Net capital requirement (greater of line 21 or 22)	\$		3760
24. Excess capital (line 10 less 23)	\$		3910
25. Net capital in excess of the greater of:			
A. 5% of combined aggregate debit items or \$120,000	\$		3920

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
 1. Minimum dollar net capital requirement, or
 2. 6 $\frac{2}{3}$ % of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

WADSWORTH INVESTMENT CO., INC.

For the period (MMDDYY) from 5/1/06 to 4/30/06
 Number of months included in this statement 12

STATEMENT OF INCOME (LOSS)

REVENUE

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$ 11,583		
b. Commissions on listed option transactions	25		
c. All other securities commissions			
d. Total securities commissions	11,583		
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange			
b. From all other trading			
c. Total gain (loss)	(220)		
3. Gains or losses on firm securities investment accounts			
4. Profit (loss) from underwriting and selling groups	26		
5. Revenue from sale of investment company shares	439,846		
6. Commodities revenue			
7. Fees for account supervision, investment advisory and administrative services			
8. Other revenue	24,369		
9. Total revenue	\$ 475,578		

EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers			
11. Other employee compensation and benefits	51,003		
12. Commissions paid to other broker-dealers	4,536		
13. Interest expense			
a. Includes interest on accounts subject to subordination agreements	4070		
14. Regulatory fees and expenses	3,357		
15. Other expenses	415,790		
16. Total expenses	\$ 474,686		

NET INCOME

17. Income (loss) before Federal income taxes and items below (Item 9 less Item 16)			
18. Provision for Federal income taxes (for parent only)	892		
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above			
a. After Federal income taxes of	4338		
20. Extraordinary gains (losses)			
a. After Federal income taxes of	4239		
21. Cumulative effect of changes in accounting principles			
22. Net income (loss) after Federal income taxes and extraordinary items	\$ 892		

MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items			

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

WADSWORTH INVESTMENT CO., INC.

For the period (MMDDYY) from 5/1/05 to 4/30/06

STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1. Balance, beginning of period	\$	385,978	4240
A. Net income (loss)		892	4250
B. Additions (Includes non-conforming capital of	\$	4262	4260
C. Deductions (Includes non-conforming capital of	\$	4272	4270
2. Balance, end of period (From item 1800)		\$	386,870 4290

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3. Balance, beginning of period	\$	NOT APPLICABLE	4300
A. Increases			4310
B. Decreases			4320
4. Balance, end of period (From item 3520)		\$	4330

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FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **WADSWORTH INVESTMENT CO., INC.**

as of 4/30/06

EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- | | |
|--|-----------|
| A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 | 4550 |
| B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained | 4560 |
| C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis.
Name of clearing firm ³⁰ <u>CANTELLA</u> 4335 | X
4570 |
| D. (k)(3) — Exempted by order of the Commission (include copy of letter) | 4580 |

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual (See below for code)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)	
31	4600	4601	4602	4603	4604	4605
32	4610	4611	4612	4613	4614	4615
33	4620	4621	4622	4623	4624	4625
34	4630	4631	4632	4633	4634	4635
35	4640	4641	4642	4643	4644	4645
Total \$ ³⁶				4699		

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Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals

WADSWORTH INVESTMENT COMPANY, INC.
STATEMENT OF CASH FLOWS
For the period ended April 30, 2006

OPERATING ACTIVITIES:

Net income/(loss)	\$ 892
Adjustments to reconcile net gain to net cash provided by operating activities:	
Loss on securities	220
Unrealized gain on securities	(7,985)
Decrease in accrued liabilities	(<u>137,222</u>)
Net cash used in operating activities	(<u>144,095</u>)

INVESTING ACTIVITIES:

Sale of securities	293,923
Purchase of securities	(<u>614,160</u>)
Net cash used in investing activities	(<u>320,237</u>)
Decrease in cash and cash equivalents	(464,332)
Cash and cash equivalents at beginning of year	<u>542,558</u>
Cash and cash equivalents at end of year	<u>\$ 78,226</u>

SUPPLEMENTAL DISCLOSURES:

Interest paid: None
Income taxes paid: Federal - \$0; State \$1301

See accompanying notes and auditor's report.

WADSWORTH INVESTMENT COMPANY, INC.
 RECONCILIATION OF COMPUTATION OF NET CAPITAL
 April 30, 2006

Net capital per audit report \$ 345,973

Net capital per 5th quarterly report \$ 344,108

Difference \$ 1,865

The differences were the result of the following corrections:

Line 1. Total ownership equity. \$ 1,846

Differences created by adjustment for:

Revenue	2,584
Other expense	(738)
	<u>\$ 1,846</u>

Line 9C4. Haircuts on securities 19

\$ 1,865

There were no material differences in net capital.

There were no material inadequacies found to exist, or found to have existed, since the date of the previous audit.

See accompanying notes and auditor's report.

WADSWORTH INVESTMENT COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Concentrations of Credit Risk

Cash accounts are maintained at a bank in Wallingford, Connecticut and a Mutual Fund Money Market account. At times, cash balances may be in excess of FDIC insurance limits, or in uninsured accounts.

g) Stockholder Equity

The stockholder equity consists of retained earnings and common stock outstanding. These are 100 shares no-par common stock authorized with 60 shares issued and outstanding at April 30, 2006.

2. RELATED PARTY TRANSACTIONS

The Company is solely owned by Wadsworth Family, LLC. Wadsworth Family, LLC also owns Wadsworth Financial Group, Inc., and is a partner in Portfolio Timing Services. The Company also leases office space from a member of the Wadsworth family. Rent expense for the year totaled \$60,000. The Company does not receive any income from or pay any expenses to Portfolio Timing Services. In 2006, the Company paid \$250,000 to Wadsworth Financial Group in management fees.

3. INCOME TAXES

No provision has been made for deferred taxes because the timing differences between book and tax depreciation are immaterial and the Company does not have any other timing differences.

Income taxes currently due are composed of the following:

Federal	\$	0
State	\$	1,301

See accompanying notes and auditor's report.

OATH OR AFFIRMATION

I, ~~DALE R. ALDIERI~~ WILLIAM F. WADSWORTH, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of WADSWORTH INVESTMENT CO., INC., as of APRIL 30, 20 06, 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:

WFW
Signature

President
Title

[Signature]
Notary Public

MY COMMISSION EXPIRES 9/30/2010



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).



DAVIS, MASCOLA & PHILLIPS, LLC.

Certified Public Accountants

1062 Barnes Rd., Ste. 203, Wallingford, CT 06492

Phone: (203) 265-0488 Fax: (203) 284-9486

1253 Berlin Turnpike, Berlin, CT 06037

Phone: (860) 828-8822 Fax: (860) 828-1095

William F. Wadsworth
Wadsworth Investment Company, Inc.
Wallingford, Connecticut

Independent Auditor's Report

We have audited the Financial and Operational Combined Uniform Single Report (FOCUS REPORT), Statement of Cash Flows, and Reconciliation of Computation of Net Capital of Wadsworth Investment Company, Inc. as of April 30, 2006. 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. 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.

As described in Note 1, the financial statements included in the FOCUS REPORT were prepared in conformity with the accounting practices prescribed by the Securities and Exchange Commission, which is the same as accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Financial Condition for Noncarrying, Nonclearing and Certain Other Brokers or Dealers of Wadsworth Investment Company, Inc. as of April 30, 2006, and the Computation of Net Capital, Computation of Net Capital Requirement, Statement of Income (Loss), Statement of Changes in Ownership Equity, Statement of Cash Flows, and the Reconciliation of Computation of Net Capital for the year then ended on the basis of accounting described in Note 1.

Davis, Mascola & Phillips, LLC

May 12, 2006