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

SEC FILE NUMBER
8- 8403

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 01/01/06 AND ENDING 12/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Investment Services, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

200 Main Street

(No. and Street)

PROCESSED

Lewiston ID 83501
(City) (State) (Zip Code)

MAR 08 2007
THOMSON FINANCIAL

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Linda D. Rule 208-743-6583
(Area Code - Telephone Number)

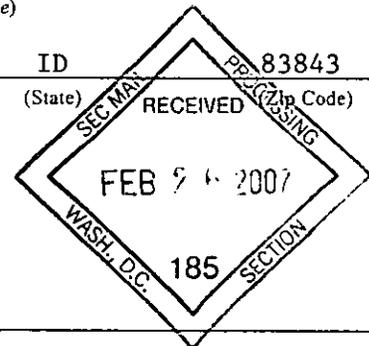
B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Hayden & Ross, P.A.

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

315 S. Almon Moscow ID 83843
(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

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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)

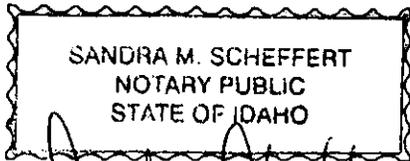
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Linda D. Rule, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Investment Services, Inc., as of December 31, 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:



Notary Public

Linda D. Rule
Signature

President
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.
- (o) Report of Independent Certified Public Accountant on Internal Control

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

INVESTMENT SERVICES, INC.
Lewiston, Idaho

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Condition	2
Statements of Income	3
Statements of Changes in Stockholder's Equity	4
Statements of Cash Flows	5
Notes to the Financial Statements	6
SUPPLEMENTARY INFORMATION	
Schedule I – Computation of Net Capital Under Rule 15c3-1	9
Schedule II – Computation for Determination of Reserve Requirements Under Rule 15c3-3	10
Schedule III – Information Relating to Possession or Control Requirements Under Rule 15c3-3	11
Schedule IV – Reconciliation of the Computation of Aggregate Indebtedness & Net Capital with that of Respondent as Filed in Part II of Form X-17A-5	12
Report on Internal Control Required by SEC Rule 17a-5 for a Broker Dealer Claiming an Exemption From SEC Rule 15c3-3	13

HAYDEN & ROSS, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

SINCE 1938

Jim Pilcher, CPA/PFS • Dave Jones, CPA/PFS • Brad Lewis, CPA/PFS • Cade Konen, CPA/PFS • Nathan Strong, CPA/PFS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Investment Services, Inc.
Lewiston, Idaho 83501

We have audited the accompanying statements of financial condition of Investment Services, Inc. (the Company) as of December 31, 2006 and 2005 and the related statements of income, changes in stockholder's equity, and cash flows for the years 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 managements. 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 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 Investment Services, Inc. at December 31, 2006 and 2005, 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 Schedules I, II, III, and IV 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 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.

Hayden & Ross, P.A.

Moscow, Idaho
February 16, 2007

INVESTMENT SERVICES, INC.
Lewiston, Idaho

STATEMENTS OF FINANCIAL CONDITION
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash	106,484	111,192
Segregated cash	1,000	1,000
Receivable from clearing broker	3,678	8,787
Commissions receivable	358	365
Income tax deposits and refunds receivable	100	100
Deferred tax asset	1,786	600
Furniture, fixtures and equipment, at cost, net of accumulated depreciation of \$28,068 (\$26,044 in 2005)	5,555	6,586
Prepaid expenses	2,256	2,195
TOTAL ASSETS	<u>\$ 121,217</u>	<u>130,825</u>
LIABILITIES		
Accounts payable	7,339	8,323
Accrued expenses	20	
Total liabilities	<u>7,359</u>	<u>8,323</u>
STOCKHOLDER'S EQUITY		
Common stock - \$1.00 par value, 25,000 shares authorized 11,964 shares issued and outstanding	11,964	11,964
Additional paid-in capital	11,386	11,386
Retained earnings	90,508	99,152
Total stockholder's equity	<u>113,858</u>	<u>122,502</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 121,217</u>	<u>130,825</u>

The accompanying notes are an integral part of these financial statements.

INVESTMENT SERVICES, INC.

Lewiston, Idaho

STATEMENTS OF INCOME**For the Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
REVENUES:		
Commissions	119,766	247,311
Interest	3,006	2,464
Other income	880	1,542
Total revenues	<u>123,652</u>	<u>251,317</u>
EXPENSES:		
Officer's salary	20,069	28,000
Other employee compensation	14,915	18,407
Salesmen's commissions	4,722	57,195
Payroll taxes	2,955	3,884
Clearing costs	26,994	24,489
Communications	10,642	12,663
Equipment rent	1,020	13,715
Insurance	2,457	2,375
Business development	1,520	3,111
Publications	1,346	2,491
Regulatory fees	4,274	8,834
Occupancy	7,160	37,125
Professional fees	5,840	5,775
Office supplies and expenses	7,924	9,505
Maintenance and repairs	5,000	3,773
Temporary labor	14,427	16,633
Other operating expenses	153	1,184
Depreciation	2,024	1,981
Total operating expenses	<u>133,443</u>	<u>251,140</u>
INCOME (LOSS) BEFORE INCOME TAXES	<u>(9,790)</u>	<u>177</u>
INCOME TAX (EXPENSE) BENEFIT		
Current	(40)	
Deferred	1,186	
Total income tax (expense) benefit	<u>1,146</u>	<u>0</u>
NET INCOME (LOSS)	<u>\$ (8,644)</u>	<u>177</u>

The accompanying notes are an integral part of these financial statements.

INVESTMENT SERVICES, INC.

Lewiston, Idaho

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
COMMON STOCK	11,964	11,964
ADDITIONAL PAID-IN CAPITAL	11,386	11,386
RETAINED EARNINGS, beginning of year	99,152	98,975
Net income (loss)	(8,644)	177
RETAINED EARNINGS, end of year	90,508	99,152
TOTAL STOCKHOLDER'S EQUITY	\$ <u>113,858</u>	<u>122,502</u>

The accompanying notes are an integral part of these financial statements.

INVESTMENT SERVICES, INC.
Lewiston, Idaho

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	(8,644)	177
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	2,024	1,981
Deferred taxes	(1,186)	
(Increase) decrease in operating assets:		
Receivables	5,115	5,075
Income tax receivables		100
Prepaid expense	(61)	(400)
Increase (decrease) in operating liabilities:		
Accounts payable	(983)	232
Income taxes payable	20	(20)
Net cash provided by (used in) operating activities	<u>(3,716)</u>	<u>7,145</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Furniture, fixtures, and equipment purchased	(993)	(3,831)
Net cash used in investing activities	<u>(993)</u>	<u>(3,831)</u>
NET INCREASE (DECREASE) IN CASH	(4,709)	3,314
CASH - BEGINNING OF YEAR	<u>112,192</u>	<u>108,878</u>
CASH - END OF YEAR	<u>\$ 107,484</u>	<u>112,192</u>
Cash paid for income taxes	\$ 20	20
Cash paid for interest	\$ 16	0

The accompanying notes are an integral part of these financial statements.

INVESTMENT SERVICES, INC.
Lewiston, Idaho

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2006 and 2005

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Investment Services, Inc. was incorporated on January 1, 1960, under the laws of the State of Idaho. The Company acts primarily as a broker and/or dealer in the securities market. The Company maintains its corporate and business office in Lewiston, Idaho.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition - Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

Cash equivalents - For purposes of the statement of cash flows, the Company considers all short-term investments purchased with a maturity of three months or less to be cash equivalents.

Accounts receivable - No allowance for doubtful accounts is recorded due to the Company's belief that all receivables are collectible.

Furniture, fixtures and equipment - Furniture, fixtures, and equipment are stated at cost. Depreciation is computed using the straight-line method for financial reporting purposes. For federal income tax purposes, depreciation is computed under the modified accelerated cost recovery system.

Use of estimates - Management used estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affected the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Advertising costs - Advertising costs, if any, are expensed as incurred.

NOTE 3 - CASH SEGREGATED UNDER FEDERAL REGULATIONS

At December 31, 2006 and 2005, Investment Services, Inc. was exempt from Rule 15c3-3 of the Securities and Exchange Commission due to exemption under Rule (K)(2)(ii) whereby all customer transactions are cleared through another Broker-Dealer on a fully disclosed basis.

NOTE 4 - NET CAPITAL REQUIREMENTS

The Company is subject to the SEC Uniform Net Capital Rule (SEC 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, 2006, the Company had net capital of \$103,803, which was \$53,803 in excess of its required net capital of \$50,000. The Company's net capital ratio was .07 to 1. At December 31, 2005, the Company had net capital of \$112,656, which was \$62,656 in excess of its required net capital of \$50,000 and the net capital ratio was .07 to 1.

NOTE 5 – RELATED PARTY RENTAL TRANSACTIONS

The Company rents its office space, an automobile, and certain office equipment from Linda Rule, who is the sole officer and stockholder of Investment Services, Inc. Such rents aggregated \$0 and \$41,495 for the years 2006 and 2005, respectively. The detail of related party transactions is as follows:

- a. The Company rents its office space from the stockholder on a month-to-month arrangement at \$2,400 per month or \$28,800 annually plus the payment of real property tax assessments. For the year ended December 31, 2006, the lease payments have been suspended.
- b. The Company has rented an automobile for 2006 and 2005 from the stockholder on a month-to-month arrangement for \$7,800 annually. For the year ended December 31, 2006, the lease payments have been suspended.
- c. The Company has rented certain office equipment from the stockholder on a month-to-month arrangement. The rent paid for this equipment amounted to \$0 and \$4,895 for 2006 and 2005, respectively. This equipment is being rented for \$407.88 per month. For the year ended December 31, 2006, the lease payments have been suspended.

NOTE 6 – INCOME TAXES

The provisions for income tax benefits (expense) were as follows at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Current		
Federal	(1,984)	
State	(1,381)	
Benefit of loss carryforward	<u>3,325</u>	
Total current (expense) benefit	<u>(40)</u>	<u>0</u>
Deferred		
Federal	906	
State	<u>280</u>	
Total deferred (expense) benefit	<u>1,186</u>	<u>0</u>
Total provision for income taxes	<u>\$ 1,146</u>	<u>\$ 0</u>

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's furniture, fixtures and equipment and net operating loss carryforwards.

Investment Services, Inc. has federal net operating loss carryforwards of \$13,229, which expire in 2023 and 2024 and state net operating loss carryforwards of \$18,168, which expire in 2022 and 2023.

NOTE 7 – PROFIT SHARING PLAN

The Company has a qualified noncontributory profit sharing plan covering substantially all employees. The annual employer contribution to the plan is at the discretion of the Board of Directors. No contributions were authorized for the years ended December 31, 2006 and 2005.

NOTE 8 – FINANCIAL INFORMATION

Part II of the Securities and Exchange Commission's Annual Focus Report on Form X-17a-5 as of December 31, 2006, is available for examination at the office of Investment Services, Inc., or the Commissioner's regional office in Seattle, Washington.

SUPPLEMENTARY INFORMATION

INVESTMENT SERVICES, INC.
Lewiston, Idaho

SCHEDULE I - Computation of Net Capital Under Rule 15c3-1
December 31, 2006

AGGREGATE INDEBTEDNESS:

Accounts Payable:	
Brokers & dealers	0
Customers	0
Other	7,339
Profit sharing payable	0
Income taxes payable	20
Deduct amount required and on deposit in special reserve bank account for the exclusive benefit of customers	0 *
TOTAL AGGREGATE INDEBTEDNESS	\$ 7,359

MINIMUM NET CAPITAL REQUIRED **\$ 50,000**

NET CAPITAL:

Stockholder's equity:	
Common stock	11,964
Additional paid-in-capital	11,386
Retained earnings	90,508
Total stockholder's equity	<u>113,858</u>
Deductions for non-allowable assets:	
Furniture, fixtures and equipment, net of depreciation	(5,555)
Clearing firm trails	(358)
Income taxes receivable	(100)
Deferred tax asset	(1,786)
Prepaid expenses	(2,256)
Total deductions for non-allowable assets	<u>(10,055)</u>

NET CAPITAL BEFORE HAIRCUTS ON SECURITIES 103,803

HAIRCUTS:

 Certificate of Deposit - 30 Day 0

NET CAPITAL 103,803

REQUIRED NET CAPITAL 50,000

EXCESS NET CAPITAL \$ 53,803

RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL 0.07

* The Company is exempt from Rule 15c3-3 due to exemption under Rule (K)(2)(ii) whereby all customer transactions are cleared through another Broker-Dealer on a fully disclosed basis.

INVESTMENT SERVICES, INC.
Lewiston, Idaho

**Schedule II – Computation for Determination of Reserve Requirements Under Rule 15c3-3
December 31, 2006**

No computation required as of December 31, 2006, due to exemption from Rule 15c3-3 under Rule (K)(2)(ii) whereby all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

INVESTMENT SERVICES, INC.
Lewiston, Idaho

**Schedule III – Information Relating to Possession or Control Requirements Under Rule
15c3-3
December 31, 2006**

No computation required as of December 31, 2006, due to exemption from Rule 15c3-3 under Rule (K)(2)(ii) whereby all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

INVESTMENT SERVICES, INC.

Lewiston, Idaho

**SCHEDULE IV - Reconciliation of the Computation of Aggregate Indebtedness & Net Capital with that of Respondent as Filed in Part II of Form X-17A-5
December 31, 2006**

Aggregate Indebtedness, as reported in Company's Part II (unaudited)	
FOCUS Report (Report filed 01/25/2007)	7,359
Correction to accounts payable	0
Aggregate Indebtedness as computed in Schedule I	<u>\$ 7,359</u>
Net Capital, as reported in Company's Part II (unaudited) FOCUS report	103,803
Increase in total assets:	
Audit adjustments to record income tax deposits	0
Audit adjustments to decrease deferred income tax asset	0
Total increase to total assets	<u>103,803</u>
Increase in liabilities:	
Audit adjustment to increase accounts payable	0
Audit adjustment to increase income tax payable	0
Decrease in liabilities:	
Correction to accounts payable	<u>0</u>
Haircuts	
Increase in haircut on certificate of deposit	<u>0</u>
Increase in non-allowed assets:	
Increase to income tax deposits	0
Audit adjustments to decrease deferred income tax asset	0
Total increase in non-allowed assets	<u>0</u>
Net Capital as computed in Schedule I	<u>\$ 103,803</u>

HAYDEN & ROSS, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

SINCE 1938

Jim Pilcher, CPA/PFS • Dave Jones, CPA/PFS • Brad Lewis, CPA/PFS • Cade Konen, CPA/PFS • Nathan Strong, CPA/PFS

REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17A-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15C3-3

Board of Directors
Investment Services, Inc.
Lewiston, Idaho

In planning and performing our audit of the financial statements of Investment Services, Inc. (the Company), for the year ended December 31, 2006, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal 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 controls 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 SEC's above-mentioned objectives. Two of the objectives of internal control 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 conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may 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 effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities 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 on our study, we believe that the Company's practices and procedures were adequate at December 31, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Hayden & Koss, P.A.

Moscow, Idaho
February 16, 2007