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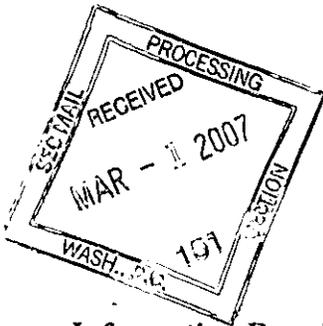


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OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden hours per response.....	12.00



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

SEC FILE NUMBER
8-53604

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: Integrity Brokerage Services, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

5067 Palmeta Drive

(No. and Street)

Oceanside

(City)

CA

(State)

92056

(Zip Code)

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

Joshua Helmle

800-863-7511

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

John Patrick Driscoll

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

43521 Ridge Park Drive, Ste. 101 Temecula

(Address)

(City)

CA

(State)

92590

(Zip Code)

CHECK ONE:

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

PROCESSED
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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)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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OATH OR AFFIRMATION

I, _____, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of _____, as of _____, 20____, 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:



Angela F. Helmle
Notary Public

Justin Helm
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).

Integrity Brokerage Services, Inc.
Financial Statements and
Supplemental Information
December 31, 2006

Integrity Brokerage Services, Inc.
December 31, 2006

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Joshua Helmle
President
Integrity Brokerage Services, Inc.
Oceanside, CA

Independent Auditor's Report

We have audited the accompanying balance sheet of Integrity Brokerage Services, Inc. (the Company) as of December 31, 2006, and the related statements of earnings and comprehensive income, changes in equity, 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Integrity Brokerage Services, Inc. at December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the related schedules 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.


John P. Driscoll
Certified Public Accountant
Temecula, California
February 15, 2007

Integrity Brokerage Services, Inc.

Balance Sheet

December 31, 2006

Assets

Current assets

Cash and cash equivalents	\$ 11,712	
Deposits with clearing organizations (cash and cash equivalents)	63,308	
Short-term investments	13,096	
Receivable from clearing organizations	<u>59,324</u>	
Total current assets		\$ 147,440

Fixed assets

Furniture, computers & office construction, at cost, less accumulated depreciation of \$21,505		39,583
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Other Assets

Security deposits		456
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Total assets		<u>\$ 187,479</u>
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Liabilities and Stockholders' Equity

Current liabilities

Accounts payable	\$ 2,347	
Accrued expenses	118	
Commissions payable	<u>34,242</u>	
Total current liabilities		\$ 36,707

Stockholders' equity

Common stock - 100,000 shares authorized, issued and outstanding	79,854	
Additional paid-in capital	5,000	
Retained earnings	<u>65,918</u>	
Total stockholders' equity		<u>150,772</u>

Total liabilities and stockholders' equity		<u>\$ 187,479</u>
--	--	-------------------

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

Integrity Brokerage Services, Inc.
Statement of Earnings and Comprehensive Income
For the Year Ended December 31, 2006

Revenue - Schedule 1	\$ 996,819
General and administrative expenses - Schedule 2	<u>982,815</u>
Operating earnings	<u>14,004</u>
Other income (expenses)	
Gain on sale of investments	<u>1,712</u>
Total other income (expenses)	<u>1,712</u>
Earnings before taxes	15,716
Provision for taxes on earnings	<u>800</u>
Net earnings	14,916
Comprehensive income, net of tax:	
Unrealized (losses) gains on marketable securities	<u>4,121</u>
Comprehensive income	\$ <u><u>19,037</u></u>

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

Integrity Brokerage Services, Inc.
Statement of Changes in Equity
For the Year Ended December 31, 2006

	Common Stock	Additional	Retained	
	Shares	Amount	Paid-In Capital	Earnings
Balance at January 1, 2006	100,000	\$ 79,854	\$ 0	\$ 46,881
Net Income for the year				19,037
Capital Contributed			5,000	
Distributions to stockholders				
Balance at December 31, 2006	100,000	\$ 79,854	\$ 5,000	\$ 65,918

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

Integrity Brokerage Services, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2006

Cash flows from operating activities:	
Comprehensive income	\$ <u>19,037</u>
Adjustments to reconcile comprehensive income to net cash provided by operating activities:	
Depreciation	3,538
Gain on sale of investments	(1,712)
Unrealized gains on investments	(4,121)
(Increase) Decrease in receivable from clearing organization	(4,521)
(Increase) Decrease in prepaid expenses	1,532
(Increase) Decrease in security deposits	1,255
Increase (Decrease) in accounts payable	396
Increase (Decrease) in commissions payable	(134)
Increase (Decrease) in accrued expenses	<u>(5,108)</u>
Total adjustments	<u>(8,875)</u>
Net cash provided (used) by operating activities	<u>10,162</u>
Cash flows from investing activities:	
Purchases of fixed assets	(36,255)
Purchases of short-term investments	(257,978)
Proceeds from sales of short-term investments	<u>257,675</u>
Net cash provided (used) by investing activities	<u>(36,558)</u>
Cash flows from financing activities:	
Proceeds of additional capital contributed by shareholders	<u>5,000</u>
Net cash provided (used) by financing activities	<u>5,000</u>
Net change in cash and cash equivalents	(21,396)
Cash and cash equivalents, beginning	<u>96,416</u>
Cash and cash equivalents, ending	\$ <u><u>75,020</u></u>

Supplemental disclosure of cash flow information:

Interest paid	\$ 135
State tax paid	\$ 800

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

Integrity Brokerage Services, Inc.
Notes to Financial Statements
December 31, 2006

NOTE 1: Summary of Significant Accounting Policies

Business Activity

Integrity Brokerage Services, Inc. (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD.) The Company is a California Corporation.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect 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.

Revenue Recognition

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

Short-term Investments

The Company's short-term investments consist of equity securities classified as available-for-sale, which are stated at estimated fair value. Unrealized marketable securities gains and losses are reflected as a net amount under the caption of comprehensive income, net of tax within the statement of earnings and comprehensive income. Realized gains and losses are recorded within the statement of earnings and comprehensive income under the caption other income (expenses.) For the purpose of computing realized gains and losses, cost is identified on a specific identification basis.

Fixed Assets

Property and equipment are stated at cost. Depreciation on furniture and computers is computed using the double declining balance method and useful lives ranging from three to seven years. Depreciation on office construction is computed using the straightline method and a useful life of 39 years.

Depreciation expense for the year ended December 31, 2006, is \$3,538.

Integrity Brokerage Services, Inc.
Notes to Financial Statements
December 31, 2006

Income Taxes

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of federal corporate income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore no provision for federal income taxes has been included in the financial statements.

Income taxes – state only – are provided for the tax effects of transactions reported in the financial statements. These consist of taxes currently due plus deferred taxes.

Cash and Cash Equivalents

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

Cash and cash equivalents in clearing accounts totaling \$63,308 is included in cash in the accompanying financial statements. The Company has an agreement with Penson Financial Services, inc. (Penson) to clear and maintain customer accounts for the Company. At December 31, 2006, Penson required the amount of \$50,000 to be on deposit.

NOTE 2: Disclosures About the Fair Value of Financial Instruments

The carrying amounts of cash and deposits with clearing organizations approximate fair value because of the short maturity of the instruments.

NOTE 3: Employee Benefit Plan

The Company has a defined contribution plan covering substantially all employees who work 1,000 hours or more in a year and have been employed for at least one year. The Company's annual contribution to the plan is calculated as 3% of employee eligible earnings. The employer's annual contribution for 2006 was \$2,732.

Concentrations of Credit Risk

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Integrity Brokerage Services, Inc.
Supplemental Schedules
For the Year Ended December 31, 2006

Schedule 1: Revenue

Commissions	\$ 938,844
Rebates	27,461
Other fee income	28,333
Interest	2,181
Total revenue	<u>\$ 996,819</u>

Schedule 2: General and administrative expenses

Commissions	\$ 546,645
Utilities and telephone	9,915
Office expenses	7,634
Bank charges	260
Rent	4,323
Insurance	1,558
Interest	135
Marketing	3,144
Officer salary	33,000
Other salaries & wages	18,916
Payroll taxes	4,421
Pension expense	2,732
Professional education	525
Clearing charges	203,230
Professional fees	8,596
Registration fees	8,237
Soft dollar costs	120,530
Research	170
Depreciation	3,538
Travel, meals and entertainment	5,195
Taxes and licenses	111
Total general and administrative expenses	<u>\$ 982,815</u>

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

Integrity Brokerage Services, Inc.
Supplemental Schedules
December 31, 2006

Schedule 3: Computation of Net Capital

Total stockholders' equity	\$	150,772
Deduct stockholders' equity not allowable for net capital		
Total stockholders' equity qualified for net capital		<u>150,772</u>
Nonallowable assets		
Furniture, computers & office construction, at cost, net of accumulated depreciation		39,583
Security deposit		456
		<u>40,039</u>
Net capital before haircuts on securities positions		110,733
Haircuts on securities		
Penson Clearing Deposit		353
Money market account		194
Investment account cash		29
Investment account stock		1,964
		<u>2,540</u>
Net capital	\$	<u>108,193</u>
Aggregate indebtedness	\$	<u>36,707</u>
Computation of basic net capital requirement		
Minimum net capital required		2,447
Minimum dollar net capital requirement		50,000
Net capital requirement	\$	<u>50,000</u>
Excess net capital	\$	<u>58,193</u>
Excess net capital at 1,000 percent	\$	<u>104,522</u>
Ratio: Aggregate indebtedness to net capital		<u>0.34 to 1</u>
Reconciliation with company's computation (included in Part II of For X-17A-5 as of December 31, 2006)		
Net capital, as reported in Company's Part II (unaudited) FOCUS report	\$	<u>108,193</u>
Net capital per above	\$	<u>108,193</u>

Statement Pursuant to SEC Rule 17a-5(d)(4)

At December 31, 2006, no material differences exist between the Computation of Net Capital under Rule 15c3-1 and the corresponding unaudited Part IIA filing of Integrity Brokerage Services, Inc. for the period then ended.

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

Driscoll & Associates

CERTIFIED PUBLIC ACCOUNTANTS

43521 Ridge Park Dr., Ste 101 • Temecula, California 92590

(951) 695-4732 Office • (951) 695-4737 Fax

Joshua Helmle
President
Integrity Brokerage Services, Inc.
Oceanside, CA

In planning and performing our audit of the financial statements and supplemental schedules of Integrity Brokerage 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
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3

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 or 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 brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



John P. Driscoll
Certified Public Accountant
Temecula, California
February 15, 2007

END