

SECURIT

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SECURITIES AND EXCHANGE COMMISSION
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ANNUAL

REPORT

FEB 20 2009

FORM X-17A-5 PART III

SEC FILE NUMBER
8-34202

BRANCH OF REGISTRATIONS

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 January 1, 2008 AND ENDING December 31, 2008
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Client Name: Schlitt Investor Services, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1717 Indian River Boulevard, Suite 300

(No. and Street)

Vero Beach

(City)

FL

(State)

32960

(Zip Code)

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

Robert W. Schlitt, Jr.

772-567-1188

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

McGladrey & Pullen, LLP

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

800 North Magnolia Avenue, Suite 1700, Orlando FL

(Address)

(City)

(State)

32803

(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)

20 3/16

OATH OR AFFIRMATION

I, Robert W. Schlitt, Jr. swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Schlitt Investor Services, Inc., as of December 31, 2008, 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.

[Signature]
Signature

President
Title

[Signature]
Notary Public


This report ** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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) Independent Auditor's Report on Internal Control

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

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Schlitt Investor Services, Inc.
Vero Beach, Florida

We have audited the accompanying statement of financial condition of Schlitt Investor Services, Inc. as of December 31, 2008 and 2007, and the related statements of income (loss), changes in stockholders' 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 management. 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 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 Schlitt Investor Services, Inc. as of December 31, 2008 and 2007, 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 supplementary information 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.

McGladrey & Pullen, LLP

Orlando, Florida
January 27, 2009

Schlitt Investor Services, Inc.

Statements of Financial Condition
December 31, 2008 and 2007

Assets	2008	2007
Cash and cash equivalents	\$ 21,146	\$ 32,807
Loan receivable – affiliate	11,400	11,400
Commissions receivable	2,134	16,045
Prepaid fees	832	-
Total assets	\$ 35,512	\$ 60,252
Liabilities and Stockholders' Equity		
Commissions payable and accrued liabilities	\$ 13,330	\$ 28,693
Total liabilities	13,330	28,693
Stockholders' Equity		
Common stock, \$1 par value, 10,000 shares authorized, 200 shares issued and outstanding	200	200
Additional paid-in capital	22,143	22,143
Retained earnings (deficit)	(161)	9,216
Total stockholders' equity	22,182	31,559
Total liabilities and stockholders' equity	\$ 35,512	\$ 60,252

See Notes to Financial Statements.

Schlitt Investor Services, Inc.

2008-2009 Annual Report

Statements of Income (loss)
Years Ended December 31, 2008 and 2007

2008-2009 Annual Report
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	2008	2007
Revenues:		
Commission income	\$ 259,311	\$ 447,933
Miscellaneous income	122	35,198
Total revenues	259,433	483,131
Expenses:		
Management fees	144,039	232,151
Commissions expense	107,922	195,125
Professional fees	11,650	11,600
Other	2,514	2,870
Licenses and taxes	1,693	1,375
Travel	867	2,566
Advertising	125	100
Total expenses	268,810	445,787
Net income (loss)	\$ (9,377)	\$ 37,344

See Notes to Financial Statements.

Schlitt Investor Services, Inc.

Statements of Change in Stockholders' Equity
Years Ended December 31, 2008 and 2007

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Stockholders' Equity
Balances at December 31, 2006	\$ 200	\$ 22,143	\$ 6,872	\$ 29,215
Stockholder distributions	-	-	(35,000)	(35,000)
Net income	-	-	37,344	37,344
Balances at December 31, 2007	200	22,143	9,216	31,559
Net loss	-	-	(9,377)	(9,377)
Balances at December 31, 2008	<u>\$ 200</u>	<u>\$ 22,143</u>	<u>\$ (161)</u>	<u>\$ 22,182</u>

See Notes to Financial Statements.

Schlitt Investor Services, Inc.

Statements of Cash Flows
Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Net income (loss)	\$ (9,377)	\$ 37,344
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Increase (decrease) in operating assets and liabilities:		
Decrease (increase) in commissions receivable	13,911	(3,577)
(Increase) in prepaid expenses	(832)	-
(Decrease) in commissions payable and accrued liabilities	(15,363)	(4,397)
Net cash provided by (used in) operating activities	(11,661)	29,370
Cash Flows From Financing Activities		
Shareholder distributions	-	(35,000)
Net cash provided by (used in) financing activities	-	(35,000)
Net decrease in cash and cash equivalents	(11,661)	(5,630)
Cash and cash equivalents:		
Beginning	32,807	38,437
Ending	\$ 21,146	\$ 32,807

See Notes to Financial Statements.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Schlitt Investor Services, Inc. (the Company) was incorporated September 27, 1984 under the laws of the State of Florida. The Company is a securities broker-dealer registered under the provision of the Financial Industry Regulatory Authority (FINRA) and operates under a restrictive agreement with FINRA. The Company operates within the exemptive provision of SEC rule 15c3-3(k)(2)(ii) in that it clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, promptly transmits all customer funds and securities to the clearing broker or dealer and preserves books and records pursuant to rules 17a-3 and 17a-4, as are customarily made and kept by a clearing broker dealer. The Company serves as a broker-dealer primarily for the sale of stocks, bonds, mutual funds, and variable annuities.

The Company is owned and operated by Robert W. Schlitt, Jr. and Jeffrey Schlitt.

A summary of the Company's significant accounting policies follows:

Revenue recognition: Commission income and related receivables and payables are recorded as revenue on the date the sale of the related financial product is made.

Receivable: Receivables from brokers, dealers and clearing organizations are recorded at net realizable value. An allowance for doubtful accounts is provided based on prior collection experiences and management's analysis of specific accounts. The allowance is reviewed periodically and adjusted for commissions deemed uncollectible by management. In the opinion of management, no such allowance is deemed necessary.

Cash and cash equivalents: For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Income taxes: The Company has elected to be treated as an "S" corporation for tax purposes and, accordingly, any liability for income taxes rests with the stockholders and not the Company.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 2. Broker – Dealer Regulation

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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, 2008 and 2007, the Company had net capital, as defined, of \$9,335 and \$11,923, respectively, which is \$4,335 and \$6,923, respectively, in excess of its required net capital of \$5,000. At December 31, 2008 and 2007, the ratio of aggregate indebtedness to net capital was 1.43 and 2.41 to 1, respectively.

Notes to Financial Statements

Note 2. Broker – Dealer Regulation (Continued)

The Company is exempt from making computations of amounts on deposit in the Special Reserve Bank Account for the Exclusive Benefit of Customers under the provision of paragraph (k) of rule 15c3-3 under the Securities Exchange Act of 1934 and complying with certain other provisions of this rule.

The Company has no liabilities which are subordinated to the claims of general creditors.

Note 3. Related Party Transactions

Robert W. Schlitt, Jr., a stockholder, is also the president and treasurer of the Company. The stockholders of the Company also own Schlitt Insurance Services, Inc. (Schlitt Insurance). Transactions with Schlitt Insurance were as follows in 2008 and 2007:

- All of the agents registered with the FINRA through the Company are employees of Schlitt Insurance. Schlitt Insurance receives commissions from the Company on behalf of the agents and then remits the commissions to the agents. Schlitt Insurance pays draws against commissions to the producers.
- Schlitt Insurance provides offices and management and pays overhead expenses including utility and telephone costs in exchange for a management fee. The fee is based on a written agreement which calls for a fixed monthly fee. Such fees amounted to \$144,039 and \$232,151 in 2008 and 2007, respectively. At December 31, 2008 and 2007, the Company owed Schlitt Insurance \$13,330 and \$28,693, respectively, for net commissions and management fees.
- The Company has a non-interest bearing loan receivable from Robert W. Schlitt, Jr. in the amount of \$11,400 that is payable upon demand.

Schlitt Investor Services, Inc.

Supplementary Information - Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2008

Net Capital	
Total stockholders' equity	\$ 22,182
Less non-allowable assets:	
Commissions receivable over 30 days old	615
Loans receivable - affiliates	11,400
Prepaid fees	832
Total net capital	<u>\$ 9,335</u>
 Aggregate Indebtedness	
Commissions payable and accrued liabilities	<u>\$ 13,330</u>
 Computation of Basic Net Capital Requirements	
Minimum net capital required of reporting broker or dealer	<u>\$ 5,000</u>
 Excess net capital	<u>\$ 4,335</u>
 Ratio: Aggregate indebtedness to net capital	<u>1.43</u>

There were no material differences between the above computation and the amounts reported in the Company's corresponding unaudited Form X-17A-5 Part IIA filing. Accordingly, no reconciliation is deemed necessary.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control

To the Stockholders
Schlitt Investor Services, Inc.
Vero Beach, Florida

In planning and performing our audit of the financial statements and supplemental schedule of Schlitt Investor Services, Inc. (the Company) as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g) (1) of the Securities and Exchange Commission (the SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with 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 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 conformity with management's authorization and recorded properly to permit the preparation of financial statements in accordance 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 any 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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 and 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, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the use of the stockholders, management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers - dealers, and is not intended and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Orlando, Florida
January 27, 2009

McGladrey & Pullen

Certified Public Accountants

Schlitt Investor Services, Inc.

Financial Report
December 31, 2008

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