

# **ANNUAL REPORT**



**YEAR ENDED AUGUST 31, 2002**



UNAUDITED

ANNUAL REPORT

TEXAS REAL ESTATE COMMISSION  
Austin, Texas

Year Ended August 31, 2002

WAYNE THORBURN  
ADMINISTRATOR



UNAUDITED

TEXAS REAL ESTATE COMMISSION (329)

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# TEXAS REAL ESTATE COMMISSION

Mailing Address: P.O. BOX 12188 • AUSTIN, TEXAS • 78711-2188

November 20, 2002

Honorable Rick Perry, Governor  
Honorable Carol Keeton Rylander, State Comptroller  
John Keel, Director, Legislative Budget Board  
Lawrence F. Alwin, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas Real Estate Commission for the year ended August 31, 2002, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the significant changes related to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with GAAP. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Alan R. Waters, Staff Services Division, at 512.465.3921.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne Thorburn".

Wayne Thorburn  
Administrator

---

Street Address: 1101 CAMINO LA COSTA • AUSTIN, TEXAS • 78752-3930

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**Texas Real Estate Commission (329)**

**Exhibit I - Combined Balance Sheet/Statement of Net Assets – Governmental Funds**

August 31, 2002

	Governmental Fund Type			
	General Funds Exh A-1	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	\$ 500.00	\$	\$	\$ 500.00
Cash in State Treasury	815,385.26			815,385.26
Legislative Appropriations	486,610.19			486,610.19
Consumable Inventories	25,503.39			25,503.39
Total Current Assets	1,327,998.84	0.00	0.00	1,327,998.84
Non-Current Assets:				
Furniture and Equipment		519,046.43		519,046.43
Accumulated Depreciation		(299,973.16)		(299,973.16)
Total Non-Current Assets	0.00	219,073.27	0.00	219,073.27
Total Assets	\$ 1,327,998.84	\$ 219,073.27	\$ 0.00	\$ 1,547,072.11
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Current Liabilities:				
Payables From:				
Accounts Payable	\$ 97,406.43	\$	\$	\$ 97,406.43
Payroll Payable	311,279.02			311,279.02
Due To Other Agencies	625,280.93			625,280.93
Deferred Revenues	191,172.76			191,172.76
Employees Compensable Leave			142,591.24	142,591.24
Total Current Liabilities	1,225,139.14	0.00	142,591.24	1,367,730.38
Non-Current Liabilities:				
Employees Compensable Leave			89,019.81	89,019.81
Total Non-Current Liabilities	0.00	0.00	89,019.81	89,019.81
Total Liabilities	1,225,139.14	0.00	231,611.05	1,456,750.19

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**Discrete Governmental Component Unit**

<b>Discrete Governmental Component Unit (0001) U/F 0001</b>	<b>Capital Assets Adjustments</b>	<b>Long-Term Liabilities Adjustments</b>	<b>Statement of Net Assets</b>
\$	\$	\$	\$
			0.00
			0.00
54,398.83			54,398.83
405.00			405.00
<u>54,803.83</u>	<u>0.00</u>	<u>0.00</u>	<u>54,803.83</u>
	8,635.60		8,635.60
	(7,915.60)		(7,915.60)
<u>0.00</u>	<u>720.00</u>	<u>0.00</u>	<u>720.00</u>
<u>\$ 54,803.83</u>	<u>\$ 720.00</u>	<u>\$ 0.00</u>	<u>\$ 55,523.83</u>
\$ 8,513.44	\$	\$	\$ 8,513.44
28,158.07			28,158.07
			0.00
			0.00
		13,478.36	13,478.36
<u>36,671.51</u>	<u>0.00</u>	<u>13,478.36</u>	<u>50,149.87</u>
		6,732.35	6,732.35
<u>0.00</u>	<u>0.00</u>	<u>6,732.35</u>	<u>6,732.35</u>
<u>36,671.51</u>	<u>0.00</u>	<u>20,210.71</u>	<u>56,882.22</u>

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Texas Real Estate Commission (329)

Exhibit I - Combined Balance Sheet/Statement of Net Assets – Governmental Funds

August 31, 2002

	Governmental Fund Type			
	General Funds Exh A-1	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
<b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>				
Fund Balances (Deficits):				
Reserved for:				
Encumbrances	53,702.82			53,702.82
Inventories	25,503.39			25,503.39
Imprest	500.00			500.00
Undesignated	23,153.49			23,153.49
Total Fund Balances	102,859.70	0.00	0.00	102,859.70
Total Liabilities and Fund Balances	\$ 1,327,998.84	\$ 0.00	\$ 231,611.05	\$ 1,559,609.89
 <b>GOVERNMENT-WIDE STATEMENT-NET ASSETS</b>				
Net Assets:				
Invested in Capital Assets, Net of Related Debt		\$ 219,073.27		\$ 219,073.27
Restricted for:				
Debt Retirement			(231,611.05)	(231,611.05)
Total Net Assets		\$ 219,073.27	\$ (231,611.05)	\$ (12,537.78)

The accompanying Notes to the Financial Statements are an integral part of this financial statement

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Discrete Governmental Component Unit			
Discrete Governmental Component Unit (0001) U/F 0001	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
13,397.56			13,397.56
405.00			405.00
			0.00
4,329.76			4,329.76
18,132.32	0.00	0.00	18,132.32
\$ 54,803.83	\$ 0.00	\$ 20,210.71	\$ 75,014.54
\$	\$ 720.00	\$	\$ 720.00
\$ 0.00	\$ 720.00	\$ (20,210.71) \$ (20,210.71)	\$ (20,210.71) \$ (19,490.71)

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**Texas Real Estate Commission (329)**

**Exhibit II - Combined Statement of Revenues, Expenditures, and  
Changes in Fund Balances/Statement of Activities – Governmental Funds**

For the Fiscal Year Ended August 31, 2002

	<b>Governmental Fund Type</b>			
	<b>General Funds Exh A-2</b>	<b>Capital Assets Adjustments</b>	<b>Long-Term Liabilities Adjustments</b>	<b>Statement of Activities</b>
<b>REVENUES</b>				
Legislative Appropriations:				
Original Appropriations (GR)	\$ 3,968,281.00	\$	\$	\$ 3,968,281.00
Additional Appropriations (GR)	1,066,873.54			1,066,873.54
Licenses, Fees & Permits (PR-C/S)	2,339,194.28			2,339,194.28
Sales of Goods and Services (PR-C/S)	182,234.76			182,234.76
Other (PR-C/S)	128.25			128.25
Total Revenues	<u>7,556,711.83</u>	<u>0.00</u>	<u>0.00</u>	<u>7,556,711.83</u>
<b>EXPENDITURES</b>				
Salaries and Wages	3,102,387.60		(573.08)	3,101,814.52
Payroll Related Costs	884,183.40			884,183.40
Professional Fees and Services	46,312.25			46,312.25
Travel	73,662.64			73,662.64
Materials and Supplies	330,419.81	377.65		330,797.46
Communication and Utilities	76,215.91			76,215.91
Repairs and Maintenance	69,617.75			69,617.75
Rentals & Leases	424,592.55			424,592.55
Printing and Reproduction	59,262.35			59,262.35
Other Expenditures	216,085.03			216,085.03
Capital Outlay	7,867.48	(7,867.48)		0.00
Depreciation Expense		82,059.54		82,059.54
Total Expenditures/Expenses	<u>5,290,606.77</u>	<u>74,569.71</u>	<u>(573.08)</u>	<u>5,364,603.40</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,266,105.06</u>	<u>(74,569.71)</u>	<u>573.08</u>	<u>2,192,108.43</u>

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Discrete Governmental Component Unit			
Discrete Governmental Component Unit (0001) U/F (0001)	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
\$ 368,716.00	\$	\$	\$ 368,716.00
82,537.73			82,537.73
			0.00
7,841.02			7,841.02
459,094.75	0.00	0.00	459,094.75
271,963.84		(269.16)	271,694.68
70,340.19			70,340.19
2,352.83			2,352.83
15,920.22			15,920.22
23,220.32	2,007.00		25,227.32
5,182.53			5,182.53
4,015.57			4,015.57
37,439.57			37,439.57
826.59			826.59
18,603.17			18,603.17
			0.00
	863.52		863.52
449,864.83	2,870.52	(269.16)	452,466.19
9,229.92	(2,870.52)	269.16	6,628.56

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**Texas Real Estate Commission (329)**  
**Exhibit II - Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances/Statement of Activities – Governmental Funds**

For the Fiscal Year Ended August 31, 2002

	<u>Governmental Fund Type</u>			
	<u>General Funds Exh A-2</u>	<u>Capital Assets Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Statement of Activities</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Net Change in Reserve for Inventories	(377.65)	377.65		0.00
Transfers Out	(2,266,682.50)			(2,266,682.50)
Legislative Transfers In	59,724.27			59,724.27
Legislative Transfers Out	(834.12)			(834.12)
Total Other Financing Sources and Uses	<u>(2,208,170.00)</u>	<u>377.65</u>	<u>0.00</u>	<u>(2,207,792.35)</u>
Net Change in Fund Balances/Net Assets	57,935.06	(74,192.06)	573.08	(15,683.92)
<b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>				
Fund Balances, September 1, 2001	55,300.33			55,300.33
Appropriations Lapsed	(10,375.69)			(10,375.69)
Fund Balances--August 31, 2002	<u>\$ 102,859.70</u>			<u>\$ 29,240.72</u>
<b>GOVERNMENT-WIDE STATEMENT-NET ASSETS</b>				
Change in Net Assets		<u>(74,192.06)</u>	<u>573.08</u>	<u>(73,618.98)</u>
Net Assets-Beginning				
Adjustments to Beginning Net Assets				
Convert from Fund Balances to Net Assets (CPA)				
FY01 Capital Assets Balances in GFAAG		970,558.03		970,558.03
Assets Not Previously Reported, Infra./CIP, Other		(89,900.65)		(89,900.65)
Reduce for Threshold Increase of Capital Assets		(344,924.93)		(344,924.93)
Accumulated Depreciation from Prior Years		(242,467.12)		(242,467.12)
FY01 Compensable Leave Balance in GLTDAG			(232,184.13)	(232,184.13)
Net Assets, September 1, 2001, as Restated and Adjusted		<u>293,265.33</u>	<u>(232,184.13)</u>	<u>61,081.20</u>
Net Assets-August 31, 2002		<u>\$ 219,073.27</u>	<u>\$ (231,611.05)</u>	<u>\$ (12,537.78)</u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

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<b>Discrete Governmental Component Unit</b>			
<b>Discrete Governmental Component Unit (0001) U/F (0001)</b>	<b>Capital Assets Adjustments</b>	<b>Long-Term Liabilities Adjustments</b>	<b>Statement of Activities</b>
(2,007.00)	2,007.00		0.00
			0.00
9,673.89			9,673.89
			0.00
<u>7,666.89</u>	<u>2,007.00</u>	<u>0.00</u>	<u>9,673.89</u>
16,896.81	(863.52)	269.16	16,302.45
1,235.51			1,235.51
0.00			0.00
<u>\$ 18,132.32</u>			<u>\$ 17,537.96</u>
	<u>(863.52)</u>	<u>269.16</u>	<u>(594.36)</u>
	0.00		0.00
	60,064.32		60,064.32
	(51,428.72)		(51,428.72)
	(7,052.08)		(7,052.08)
		(20,479.87)	(20,479.87)
<u>0.00</u>	<u>1,583.52</u>	<u>(20,479.87)</u>	<u>(18,896.35)</u>
<u>\$ 0.00</u>	<u>\$ 720.00</u>	<u>\$ (20,210.71)</u>	<u>\$ (19,490.71)</u>



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**Texas Real Estate Commission (329)**  
**Exhibit VI - Combined Statement of Fiduciary Net Assets**  
**Fiduciary Funds**

August 31, 2002

	<b>Private- Purpose Trust Funds (Exhibit I-1)</b>	<b>Agency Funds (Exhibit J-1)</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 815,119.09	\$ 24,075.00	\$ 839,194.09
Receivables:			
Interest and Dividends	<u>13,246.42</u>		<u>13,246.42</u>
Total Current Assets	828,365.51	24,075.00	852,440.51
Non-Current Assets:			
Investments	<u>2,122,156.25</u>		<u>2,122,156.25</u>
Total Non-Current Assets	2,122,156.25	0.00	2,122,156.25
Total Assets	<u>\$ 2,950,521.76</u>	<u>\$ 24,075.00</u>	<u>\$ 2,974,596.76</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Funds Held for Others	\$ <u>          </u>	\$ 24,075.00	\$ 24,075.00
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 24,075.00</u>	<u>\$ 24,075.00</u>
<b>NET ASSETS</b>			
Held in trust for:			
Individuals, Organizations, and Other Governments:			
Expendable	<u>2,950,521.76</u>		<u>2,950,521.76</u>
Total Net Assets	<u>\$ 2,950,521.76</u>	<u>\$ 0.00</u>	<u>\$ 2,950,521.76</u>

The accompanying Notes to the Financial Statement are an integral part of this statement.



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**Texas Real Estate Commission (329)**

**Exhibit VII - Combined Statement of Changes in Fiduciary Net Assets**

**Fiduciary Funds**

August 31, 2002

	<b>Private Purpose Trust Funds (Exhibit I-2)</b>	<b>Totals</b>
<b>ADDITIONS</b>		
Contributions:		
Settlement of Claims	\$ 29,039.95	\$ 29,039.95
Total Contributions	29,039.95	29,039.95
Investment Income:		
From Investing Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	23,125.00	23,125.00
Interest and Investment Income	139,344.22	139,344.22
Total Investing Income	162,469.22	162,469.22
Less Investing Activities Expense	0.00	0.00
Net Income from Investing Activities	162,469.22	162,469.22
Other Additions		
Other Revenue	269,654.00	269,654.00
Transfers-In	5,450.00	5,450.00
Total Other Additions	275,104.00	275,104.00
Total Additions	466,613.17	466,613.17
<b>DEDUCTIONS</b>		
Travel	147.22	147.22
Settlement of Claims	576,110.81	576,110.81
Other Expense	190.00	190.00
Transfers Out	58,401.87	58,401.87
Total Deductions	634,849.90	634,849.90
<b>NET INCREASE (DECREASE)</b>	(168,236.73)	(168,236.73)
Net Assets- Beginning of the Year	3,118,758.49	3,118,758.49
Restatements	0.00	0.00
Beginning of Year, As Restated	3,118,758.49	3,118,758.49
Net Assets - End of the Year	\$ 2,950,521.76	\$ 2,950,521.76

The accompanying Notes to the Financial Statement are an integral part of this statement.



TEXAS REAL ESTATE COMMISSION (329)

# Notes to the Financial Statements

For the Fiscal Year Ended August 31, 2002

## **NOTE 1: Summary of Significant Accounting Policies**

### **Entity**

The Texas Real Estate Commission is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

The Texas Real Estate Commission was created in 1939 under the Texas Real Estate Dealer's License Act. Since 1949, policy direction is provided by the Texas Real Estate Commission, and an Administrator, appointed by the Commission, directs the administration of the agency. Policy direction for the Texas Appraiser Licensing and Certification Board, an independent subdivision of the Texas Real Estate Commission, is provided by the Board, and a Commissioner, appointed by the Board, directs the administration of the subdivision. The functions and responsibilities of the Texas Real Estate Commission and the Texas Appraiser Licensing and Certification Board are described in the Addenda of this report. See Note 18.

The Texas Real Estate Commission includes within this report all components as determined by an analysis of their relationship to the Texas Appraiser Licensing and Certification Board (TALCB) as listed below.

Discrete Component Unit: The Texas Appraiser Licensing and Certification Board (TALCB), an independent subdivision of the Texas Real Estate Commission, has been determined to be a component unit as defined by GASB Statement No. 14. The financial statements of TALCB are presented in discrete columns on Exhibits I and II.

### **Fund Structure**

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

### **Governmental Fund Types & Government-wide Adjustment Fund Types**

General Fund: The general fund is the principal operating fund used to account for most of the state's general activities. It accounts for all the financial resources except those accounted for in other funds.

Capital Asset Adjustment Fund Type: Capital Asset Adjustment fund type will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

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Long-Term Liabilities Adjustment Fund Type: Long-Term Liabilities Adjustment fund type will be used to convert governmental fund types' debt from modified accrual to full accrual.

Other Adjustments Fund Type: Other Adjustments fund type will be used to convert all other governmental fund types' activity from modified accrual to full accrual.

### ***Fiduciary Fund Types***

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Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used.

Agency Funds: Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private-Purpose Trust Funds: Private-Purpose Trust funds are used to account for all other trust agreements whose principal and interest benefit individuals, private organizations, or other governments. Expendable trust funds are used to account for trust funds whose principal and interest may be expended in the course of their designated operations. Principal and revenue of the Expendable Trust Fund, the Real Estate Recovery Fund, may be expended when recovery is ordered by a court of competent jurisdiction against a broker or salesperson or when authorized by appropriate rider to recover travel and related expenses incurred for collection of court judgments affecting the fund. Principal and revenue of the Expendable Trust Fund, the Real Estate Inspection Recovery Fund, may be expended when recovery is ordered by a court of competent jurisdiction against a licensed inspector or when authorized by appropriate rider to recover travel and related expenses incurred for collection of court judgments affecting the fund.

### ***Component Units***

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The fund types of the individual discrete component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 18.

Governmental Component Units: Governmental Component Units are used to account for discretely presented component units that follow governmental fund accounting principles.

## **Basis of Accounting**

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual

## TEXAS REAL ESTATE COMMISSION (329)

method basis of accounting. Under the modified accrual, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified basis of accrual. Expenditures and other uses of financial resources are recognized when their related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual method of accounting. This includes unpaid Employee Compensable leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, and long-term claims and judgments. The activity will be recognized in these new fund types.

Proprietary funds, pension trust funds, external investment trust funds and private-purpose trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with proprietary funds principal ongoing operations. Operating expenses for the enterprise and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

## Budgets and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

## Assets, Liabilities, and Fund Equity

### **ASSETS**

---

Cash & Cash Equivalents: Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Restricted Assets: Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

Inventories: Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost generally utilizing the last-in, first-out method. Inventories for governmental fund types are the purchase method accounting. The consumption method of accounting is used to account for inventories that appear in the proprietary fund types and the government-wide statements. The cost of these items is expensed when the items are consumed.

## TEXAS REAL ESTATE COMMISSION (329)

Capital Assets: Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all “exhaustible” assets. “Inexhaustible” assets such as works of art and historical treasures are not depreciated. Road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary fund or trust funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

Other Receivables: Other receivables include year-end revenue accruals not included in any other receivable category. This account can appear in governmental and proprietary fund types.

## ***LIABILITIES***

---

Accounts Payable: Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Other Payables: Other payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions. Other payables may be included in either the governmental or proprietary fund types.

Employees' Compensable Leave Balances: Employees' Compensable Leave Balances represent the liability that becomes “due” upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by the covered employee. Liability are reported separately as either current or non-current in the statement of net assets.

## ***Fund Balance / Net Assets***

---

The difference between fund assets and liabilities is ‘Net Assets’ on the government-wide, proprietary and fiduciary fund statements, and the ‘Fund Balance’ is the difference between fund assets and liabilities on the governmental fund statements.

Reservations of Fund Balance: Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

Reserved for Encumbrances: This represents commitments of the value of contracts awarded or assets ordered prior to year-end, but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

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Reserved for Consumable Inventories: This represents the amount of supplies, postage and prepaid assets to be used in the next fiscal year.

Unreserved / Undesignated: Other represents the unappropriated balance at year-end.

Invested in Capital Assets, Net of Related Debt: Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutionally provisions or enabling legislation.

Unrestricted Net Assets: Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

## ***INTERFUND TRANSACTIONS AND BALANCES***

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The agency has the following types of transactions among funds:

Transfers: Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfer Out' by the disbursing fund.

Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in financial statements.

Interfund Receivables and Payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as "Current", repayment for two (or more) years is classified as "Non-Current".

Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

**Texas Real Estate Commission - 329  
D23 Fund 1114, Fund Type 01**

**NOTE 2: Capital Assets**

A summary of changes in Capital Assets for the year ended August 31, 2002, is presented below.

	PRIMARY GOVERNMENT					Balance 08/31/02
	Balance 9/1/02	Adjustments	Reclassi- fication	Additions	Deletions	
<b>Governmental Activities:</b>						
Depreciable Assets						
Furniture and Equipment	\$ 963,379.62	\$ (427,647.17)		\$ 7,867.48	\$ (24,553.50)	\$ 519,046.43
Other Assets	7,178.41	(7,178.41)				0.00
Total depreciable assets at historical cost:	970,558.03	(434,825.58)		7,867.48	(24,553.50)	519,046.43
Less accumulated depreciation for:						
Furniture and Equipment		(242,467.12)		(82,059.54)	24,553.50	(299,973.16)
Other Assets						
Total accumulated depreciation		(242,467.12)		(82,059.54)	24,553.50	(299,973.16)
Depreciable assets, net	970,558.03	(677,292.70)		(74,192.06)	0.00	219,073.27
Governmental activities Capital assets,net:	\$ 970,558.03	\$ (677,292.70)		\$ (74,192.06)	\$ 0.00	\$ 219,073.27

**Adjustment Column Worksheet**

	GASB 34/35 Fund Type 9/1/02	Infra- Structure	Capitalization Threshold Changes	Accumu- lated Depre- ciation	Other Adjust- ments	Total Adjust- ments
<b>Governmental Activities:</b>						
Depreciable Assets						
Furniture and Equipment			\$ (337,746.52)		(89,900.65)	(427,647.17)
Other Assets			(7,178.41)			(7,178.41)
Total depreciable assets at historical cost:			(344,924.93)		(89,900.65)	(434,825.58)
Less accumulated depreciation for:						
Furniture and Equipment				(242,467.12)		(242,467.12)
Other Assets						
Total accumulated depreciation				(242,467.12)		(242,467.12)
Depreciable assets, net			(344,924.93)	(242,467.12)	(89,900.65)	(677,292.70)
Governmental activities Capital assets,net:			(344,924.93)	(242,467.12)	(89,900.65)	(677,292.70)

\* Adjustment column includes GASB 34 fund type changes, capitalization threshold changes, assets that were not previously reported and accumulated depreciation.

**Texas Real Estate Commission - 329**  
**D23 Fund 0001, Fund Type 14 (Discrete Component Unit)**

**NOTE 2: CAPITAL ASSETS**

A summary of changes in Capital Assets for the year ended August 31, 2002, is presented below.

	<b>DISCRETE COMPONENT UNIT</b>					
	<u>Balance 9/1/02</u>	<u>Adjustments</u>	<u>Reclassi- fication</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 08/31/02</u>
<b>Governmental Activities:</b>						
Depreciable Assets						
Furniture and Equipment	\$ 0.00	\$ 8,635.60	\$	\$ 0.00	\$ 0.00	\$ 8,635.60
Other Assets						0.00
Total depreciable assets at historical cost:	0.00	8,635.60		0.00	0.00	8,635.60
Less accumulated depreciation for:						
Furniture and Equipment		(7,052.08)		(863.52)		(7,915.60)
Other Assets						
Total accumulated depreciation		(7,052.08)		(863.52)	0.00	(7,915.60)
Depreciable assets, net	0.00	1,583.52		(863.52)	0.00	720.00
Governmental activities Capital assets, net:	\$ 0.00	\$ 1,583.52	\$	\$ (863.52)	\$ 0.00	\$ 720.00

**Adjustment Column Worksheet**

	<u>GASB 34/35 Fund Type 9/1/02</u>	<u>Infra- Structure</u>	<u>Capitalization Threshold Changes</u>	<u>Accum- lated Depre- ciation</u>	<u>Other Adjust- ments</u>	<u>Total Adjust- ments</u>
<b>Governmental Activities:</b>						
Depreciable Assets						
Furniture and Equipment			\$ (51,428.72)		60,064.32	\$ 8,635.60
Other Assets						0.00
Total depreciable assets at historical cost:			(51,428.72)		60,064.32	8,635.60
Less accumulated depreciation for:						
Furniture and Equipment				(7,052.08)		(7,052.08)
Other Assets						
Total accumulated depreciation				(7,052.08)		(7,052.08)
Depreciable assets, net			(51,428.72)	(7,052.08)	60,064.32	1,583.52
Governmental activities Capital assets, net:			(51,428.72)	(7,052.08)	60,064.32	\$ 1,583.52

\* Adjustment column includes GASB 34 fund type changes, capitalization threshold changes, assets that were not previously reported and accumulated depreciation.

<b>NOTE 3: Deposits, Investments &amp; Repurchase Agreements</b>
--

Effective May 19, 1975, the Real Estate Recovery Fund was established by an amendment to The Real Estate License Act (TRELA). The Commission was directed to use the fund for reimbursing aggrieved persons who suffer monetary damages by reason of certain acts committed by a duly licensed real estate broker or salesperson, or by an unlicensed employee or agent of a broker or salesperson.

A \$10.00 Recovery Fund fee is collected from each new applicant for a license in addition to the regular license filing fee. If on December 31 of any year the balance remaining in the Real Estate Recovery Fund is less than \$1 million, each broker and salesperson will be required to pay an additional fee of \$10.00 or a pro rata share of the amount necessary to bring the Recovery Fund to \$1.7 million dollars, whichever is less. An amendment to TRELA effective September 1, 2001 authorized the Commission to adopt rules to provide for collection of assessments whenever TREC determines assessments should be made to ensure availability of sufficient funds to pay claims.

As set forth in The Real Estate License Act, as amended, the deposits to the Recovery Fund may be invested and reinvested in the same manner as funds of the Employees Retirement System of Texas. There were no violations of legal provisions during the period. All investment transactions are conducted through the State Treasury Operations Division of the Comptroller of Public Accounts.

## Investments

The fair value of investments as of the balance sheet date are shown below. Investments are categorized to give an indication of the level of risk assumed by the agency at year end. The three categories are:

- Category 1: Investments that are insured or registered or for which the securities are held by the agency or its agent in the agency's name.
- Category 2: Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the agency's name.
- Category 3: Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the agency's name.

Type of Security	Category			Fair Value
	1	2	3	
U.S. Gov't Securities (U.S. Treasury Notes)	\$2,122,156.25			\$2,122,156.25
Totals	\$2,122,156.25			\$2,122,156.25

<b>NOTE 4: Summary of Long Term Liabilities</b>
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### Changes In General Long-Term Liabilities

During the year ended August 31, 2002, the following changes occurred in liabilities.

Government Activities D23 Fund 1114 Fund Type 01	Balance 09-01-01	Additions	Reductions	Balance 08-31-02	Amounts Due Within 1 Year
Compensable Leave	\$232,184.13	\$242,703.34	\$243,276.42	\$231,611.05	\$142,591.24
<b>Total</b>	<b>\$232,184.13</b>	<b>\$242,703.34</b>	<b>\$243,276.42</b>	<b>\$231,611.05</b>	<b>\$142,591.24</b>

Government Activities D23 Fund 0001 Fund Type 01	Balance 09-01-01	Additions	Reductions	Balance 08-31-02	Amounts Due Within 1 Year
Compensable Leave	\$20,479.87	\$16,791.21	\$17,060.37	\$20,210.71	\$13,478.37
<b>Total</b>	<b>\$20,479.87</b>	<b>\$16,791.21</b>	<b>\$17,060.37</b>	<b>\$20,210.71</b>	<b>\$13,478.37</b>

### Employee's Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

<b>NOTE 5: Capital Leases</b>
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Not applicable to the Texas Real Estate Commission.

<b>NOTE 6: Operating Lease Obligations</b>
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The Texas Real Estate Commission and the Texas Appraiser Licensing and Certification Board lease office space through the General Services Commission for offices at 1101 Camino La Costa, Austin, Texas. New lease space beginning September 1, 2001 was acquired through the Texas Building and Procurement Commission. Lease No. 329-10034-E7B AUSTIN provides for payments to be made to Gaston Manor

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Properties from September 1, 2001 through August 31, 2006 for offices at 1101 Camino La Costa, Austin, Texas.

Future minimum lease rental payments under noncancellable operating leases having an initial term in excess of one year are as follows:

Year Ended August 31,	TREC	TALCB	TOTAL
2003	\$421,935.36	\$32,303.04	\$454,238.40
2004	\$421,935.36	\$32,303.04	\$454,238.40
2005	\$421,935.36	\$32,303.04	\$454,238.40
2006	\$421,935.36	\$32,303.04	\$454,238.40
Total Minimum Future Lease Rental Payments	\$1,687,741.44	\$129,212.16	\$1,816,953.60

**NOTE 7: Interfund Balances / Activities**

As explained in Note 1 on Interfund Activities and Balances there are numerous transactions between funds and agencies. At year-end amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due To Other Agencies
- Due From Other Funds or Due To Other Funds
- Operating Transfers In or Operating Transfers Out
- Legislative Transfers In or Legislative Transfers Out

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

Individual balances and activity at August 31, 2002, were as follows:

	Due From Other Agencies	Due To Other Agencies
GENERAL REVENUE (01)		
Appd Fund 0001, D23 Fund 1114		
(Agency 320, D23 Fund 0165)		\$ 1,068.43

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FUND 0969, TEXAS A&M REAL ESTATE RESEARCH CENTER		
Appd Fund 0969, D23 Fund 0969		
(Agency 799, D23 Fund 7999)		624,212.50
<b>Total Due From/Due To Other Agencies (Exh I)</b>		<b>\$ 625,280.93</b>

	Transfers In	Transfers Out
GENERAL REVENUE (01)		
FUND 0969, TEXAS A&M REAL ESTATE RESEARCH CENTER		
Appd Fund 0969, D23 Fund 0969		
(Agency 799, D23 Fund 7999)		\$2,266,682.50
<b>Total Transfers General Revenue (Exh II)</b>		<b>\$2,266,682.50</b>
PRIVATE PURPOSE TRUST FUNDS (20)		
Appd Fund 0988, D23 Fund 0988		
(Agency 902, D23 Fund 0001)		\$52,951.87
Appd Fund 0988, D23 Fund 0988		
(Agency 329, D23 Fund 0971)	\$5,450.00	
<b>Total Transfers for Fund 0988 (Exh I-2)</b>	<b>\$5,450.00</b>	<b>\$52,951.87</b>
Appd Fund 0971, D23 Fund 0971		
(Agency 329, D23 Fund 0988)		\$5,450.00
<b>Total Transfers for Fund 0971 (Exh I-2)</b>		<b>\$5,450.00</b>
<b>Total Transfers Private Purpose Trust Funds (Exh VII)</b>	<b>\$5,450.00</b>	<b>\$58,401.87</b>

	Legislative Transfers In	Legislative Transfers Out
GENERAL REVENUE (01)		
Appd Fund 0001, D23 Fund 1114		
(Agency 479, D23 Fund 0001)	\$59,724.27	
Appd Fund 0001, D23 Fund 1114		

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(Agency 329, D23 Fund 0001)		\$834.12
Total Legislative Transfers for Fund 1114 (Exh II)	\$59,724.27	\$834.12

COMPONENT UNIT (14)		
Appd Fund 0001, D23 Fund 0001		
(Agency 479, D23 Fund 0001)	\$8,839.77	
Appd Fund 0001, D23 Fund 0001		
(Agency 479, D23 Fund 1114)	834.12	
Total Legislative Transfers for Fund 0001 (Exh II)	\$9,673.89	

**NOTE 8: Employees Retirement Plan**

The State has joint contributory retirement plans for substantially all its employees. The Agency participates in the plans administered by the Employees Retirement System of Texas. Future pension costs are the liabilities of the Retirement System. The System does not account for each State agency separately. Annual financial reports prepared by the System include audited financial statements and actuarial assumptions and conclusions.

**NOTE 9: Deferred Compensation**

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., Sec 609.001. Two plans are available for employees' deferred compensation plan. The Employees Retirement System administers both plans.

The state also administers another plan; 'TexaSaver' created in accordance with Internal Revenue Code Sec. 401(k). The assets of this plan do not belong to the state. The state has no liability related to this plan.

**NOTE 10: Contingent Liabilities**

Not applicable to the Texas Real Estate Commission.

**NOTE 11: CONTINUANCE SUBJECT TO REVIEW**

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Under Section 5(n) of the Real Estate License Act (Article 6573a, Vernon's Texas Civil Statutes), the Agency will be abolished effective September 1, 2007, unless continued in existence by the 78th Legislature. If abolished, the agency may continue until September 1, 2008 to close out its operations.

Section 6(l) of the Texas Appraiser Licensing and Certification Act (Article 6573a.2, Vernon's Texas Civil Statutes), makes the Texas Appraiser Licensing and Certification Board (TALCB) subject to the Sunset Act in the legislative session following federal action removing the requirement for the preparation and use of an appraisal by federally-regulated institutions. Unless continued in existence by that legislature, the TALCB is abolished 90 days after the last day of the regular session of that legislature.

**NOTE 12: Risk Financing and Related Insurance**

Not applicable to the Texas Real Estate Commission.

**NOTE 13: Segment Information**

Not applicable to the Texas Real Estate Commission.

**NOTE 14: Bonded Indebtedness**

Not applicable to the Texas Real Estate Commission.

**NOTE 15: Subsequent Events**

Not applicable to the Texas Real Estate Commission.

**NOTE 16: Related Parties**

Not applicable to the Texas Real Estate Commission.

**NOTE 17: Stewardship, Compliance and Accountability**

On October 25, 2001, a legislative transfer in the amount of \$834.12 was made from the Texas Real Estate Commission (H.B. 1, 76<sup>th</sup> Legislature, Article VIII, Strategy A.1.1) to the Texas Appraiser Licensing and Certification Board (H.B. 1, 76<sup>th</sup> Legislature, Article VIII, Strategy D.2.1) to pay an outstanding invoice from the State Office of Administrative Hearings.

Prior to September 1, 2001, the Real Estate Fee Trust Fund (Fund 0969) was classified as fund type 09,



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agency fund. Effective September 1, 2001, the fund type was changed to a fund type 01, governmental fund.

Prior to September 1, 2001, the Real Estate Recovery Fund (Fund 0971) and the Real Estate Inspection Recovery Fund (Fund 0988) were classified as fund type 07, expendable trust fund. Effective September 1, 2001, the fund type on both funds was changed to a fund type 20, private purpose trust fund.

**NOTE 18: The Financial Reporting Entity and Joint Ventures**

The annual financial report of the Texas Real Estate Commission includes one component unit, the Texas Appraiser Licensing and Certification Board (TALCB). The TALCB was statutorily created as an independent subdivision of the Texas Real Estate Commission and is a legally separate entity from the primary government. The members of the TALCB are appointed by the Governor. The Texas Real Estate Commission provides administrative support to TALCB, through a memorandum of understanding, but has no authority to approve or modify the TALCB budget or to set their fees. Although TREC is not financially accountable for TALCB, the agency does feel that excluding them would result in presentation of incomplete financial statements. Discrete presentation of the TALCB financial statements is included in Exhibit I (Combined Balance Sheet) and Exhibit II (Combined Statement of Revenues, Expenditures and Changes in Fund Balances).

**NOTE 19: Restatement of Fund Balances / Retained Earnings**

Not applicable to the Texas Real Estate Commission.

**NOTE 20: Donor-Restricted Endowments**

Not applicable to the Texas Real Estate Commission.

**NOTE 21: Pledged / Non-Pledged Revenues-Discounts-  
Allowances**

Not applicable to the Texas Real Estate Commission.

**NOTE 22: Management Discussion & Analysis (Material Changes to AFR)**

Not applicable to the Texas Real Estate Commission.



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**Texas Real Estate Commission (329)**  
**Exhibit A-1 - Balance Sheet - All General Funds**

August 31, 2002

	<b>General Revenue</b>			
	<b>Fund 0001</b>	<b>Fund 1</b>	<b>Fund 2</b>	<b>Total</b>
	<b>(0001)</b>	<b>(0900)</b>	<b>(0969)</b>	<b>(Exh I)</b>
	<b>U/F (1114)</b>	<b>U/F (1900)</b>	<b>U/F (0969)</b>	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	\$ 500.00	\$	\$	\$ 500.00
Cash in State Treasury		191,172.76	624,212.50	815,385.26
Legislative Appropriations	486,610.19			486,610.19
Consumable Inventories	25,503.39			25,503.39
Total Current Assets	\$ 512,613.58	\$ 191,172.76	\$ 624,212.50	\$ 1,327,998.84
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Current Liabilities:				
Payables From:				
Accounts Payable	\$ 97,406.43	\$	\$	\$ 97,406.43
Payroll Payable	311,279.02			311,279.02
Due To Other Agencies	1,068.43		624,212.50	625,280.93
Deferred Revenues		191,172.76		191,172.76
Total Current Liabilities	409,753.88	191,172.76	624,212.50	1,225,139.14
 <b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>				
Fund Balances (Deficits):				
Reserved for:				
Encumbrances	53,702.82			53,702.82
Inventories	25,503.39			25,503.39
Imprest	500.00			500.00
Undesignated	23,153.49			23,153.49
Total Fund Balances	102,859.70	0.00	0.00	102,859.70
Total Liabilities and Fund Balances	\$ 512,613.58	\$ 191,172.76	\$ 624,212.50	\$ 1,327,998.84

The accompanying Notes to the Financial Statements are an integral part of this statement.



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**Texas Real Estate Commission (329)**  
**Exhibit A-2 - Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances – All General Funds**

For the Fiscal Year Ended August 31, 2002

	<u>General Funds</u>			
	<u>Fund 1</u>	<u>Fund 1</u>	<u>Fund 2</u>	<u>Total</u>
	<u>(0001)</u>	<u>(0900)</u>	<u>(0969)</u>	<u>(Exh II)</u>
	<u>U/F (1114)</u>	<u>U/F (0900)</u>	<u>U/F (0969)</u>	
<b>REVENUES</b>				
Legislative Appropriations:				
Original Appropriations (GR)	\$ 3,968,281.00	\$	\$	\$ 3,968,281.00
Additional Appropriations (GR)	1,066,873.54			1,066,873.54
Licenses, Fees & Permits (PR-C/S)	72,511.78		2,266,682.50	2,339,194.28
Sales of Goods and Services (PR-C/S)	182,234.76			182,234.76
Other (PR-C/S)	128.25			128.25
Total Revenues	<u>5,290,029.33</u>	<u>0.00</u>	<u>2,266,682.50</u>	<u>7,556,711.83</u>
<b>EXPENDITURES</b>				
Salaries and Wages	3,102,387.60			3,102,387.60
Payroll Related Costs	884,183.40			884,183.40
Professional Fees and Services	46,312.25			46,312.25
Travel	73,662.64			73,662.64
Materials and Supplies	330,419.81			330,419.81
Communication and Utilities	76,215.91			76,215.91
Repairs and Maintenance	69,617.75			69,617.75
Rentals & Leases	424,592.55			424,592.55
Printing and Reproduction	59,262.35			59,262.35
Federal Pass-Through Expenditures	216,085.03			216,085.03
Capital Outlay	7,867.48			7,867.48
Total Expenditures/Expenses	<u>5,290,606.77</u>	<u>0.00</u>	<u>0.00</u>	<u>5,290,606.77</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(577.44)</u>	<u>0.00</u>	<u>2,266,682.50</u>	<u>2,266,105.06</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Net Change in Reserve for Inventories	(377.65)			(377.65)
Transfers Out			(2,266,682.50)	(2,266,682.50)
Legislative Transfers In	59,724.27			59,724.27
Legislative Transfers Out	(834.12)			(834.12)
Total Other Financing Sources and Uses	<u>58,512.50</u>	<u>0.00</u>	<u>(2,266,682.50)</u>	<u>(2,208,170.00)</u>
Net Change in Fund Balances/Net Assets	<u>57,935.06</u>	<u>0.00</u>	<u>0.00</u>	<u>57,935.06</u>
<b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>				
Fund Balances, September 1, 2001	55,300.33			55,300.33
Appropriations Lapsed	(10,375.69)			(10,375.69)
Fund Balances--August 31, 2002	<u>\$ 102,859.70</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 102,859.70</u>

The Accompanying Notes to the Financial Statements are an integral part of this statement.



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**Texas Real Estate Commission (329)**  
**Exhibit I-1 - Combining Statement of Fiduciary Net Assets**  
**Private-Purpose Trust Funds**

August 31, 2002

	<b>Private Purpose Trust Fund 1 (0971) <u>U/F (0971)</u></b>	<b>Private Purpose Trust Fund 2 (0988) <u>U/F (0988)</u></b>	<b>Totals (Ex VI)</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 168,591.88	\$ 646,527.21	\$ 815,119.09
Receivables:			
Interest and Dividends	<u>11,739.58</u>	<u>1,506.84</u>	<u>13,246.42</u>
Total Current Assets	180,331.46	648,034.05	828,365.51
Non-Current Assets:			
Investments	<u>2,122,156.25</u>	<u>                    </u>	<u>2,122,156.25</u>
Total Non-Current Assets	2,122,156.25	0.00	2,122,156.25
Total Assets	<u>\$ 2,302,487.71</u>	<u>\$ 648,034.05</u>	<u>\$ 2,950,521.76</u>
<b>LIABILITIES</b>			
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b>NET ASSETS</b>			
Held in trust for:			
Individuals, Organizations, and Other Governments:			
Expendable	<u>2,302,487.71</u>	<u>648,034.05</u>	<u>2,950,521.76</u>
Total Net Assets	<u>\$ 2,302,487.71</u>	<u>\$ 648,034.05</u>	<u>\$ 2,950,521.76</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.



UNAUDITED

**Texas Real Estate Commission (329)**

**Exhibit I-2 - Combining Statement of Changes in Fiduciary Net Assets**

**Private Purpose Trust Funds**

August 31, 2002

	<b>Real Estate Recovery Fund (0971) U/F (0971)</b>	<b>Real Estate Inspection Recovery Fund (0988) U/F (0988)</b>	<b>Total (Ex VII)</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ADDITIONS</b>			
Contributions:			
Settlement of Claims	\$ 29,039.95	\$	\$ 29,039.95
Total Contributions	<u>29,039.95</u>		<u>29,039.95</u>
Investment Income:			
From Investing Activities			
Net Appreciation (Depreciation) in Fair Value of Investments	23,125.00		23,125.00
Interest and Investment Income	118,693.20	20,651.02	139,344.22
Total Investing Income	<u>141,818.20</u>	<u>20,651.02</u>	<u>162,469.22</u>
Less Investing Activities Expense	0.00		0.00
Net Income from Investing Activities	<u>141,818.20</u>	<u>20,651.02</u>	<u>162,469.22</u>
Other Additions			
Other Revenue	228,454.00	41,200.00	269,654.00
Transfers-In		5,450.00	5,450.00
Total Other Additions	<u>228,454.00</u>	<u>46,650.00</u>	<u>275,104.00</u>
Total Additions	<u>399,312.15</u>	<u>67,301.02</u>	<u>466,613.17</u>
<b>DEDUCTIONS</b>			
Travel	125.83	21.39	147.22
Settlement of Claims	561,110.81	15,000.00	576,110.81
Other Expense	181.00	9.00	190.00
Transfers Out	5,450.00	52,951.87	58,401.87
Total Deductions	<u>566,867.64</u>	<u>67,982.26</u>	<u>634,849.90</u>
<b>NET INCREASE (DECREASE)</b>	<u>(167,555.49)</u>	<u>(681.24)</u>	<u>(168,236.73)</u>
Net Assets- Beginning of the Year	2,470,043.20	648,715.29	3,118,758.49
Restatements			
Beginning of Year, As Restated	<u>2,470,043.20</u>	<u>648,715.29</u>	<u>3,118,758.49</u>
Net Assets - End of the Year	<u>\$ 2,302,487.71</u>	<u>\$ 648,034.05</u>	<u>\$ 2,950,521.76</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

UNAUDITED

**Texas Real Estate Commission (329)**

**Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities**

**Agency Funds**

August 31, 2002

	<b>Beginning Balance September 1, 2001</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance August 31, 2002</b>
<b>UNAPPROPRIATED RECEIPTS</b>				
<b><u>General Revenue Fund (0001) U/F (1000)</u></b>				
<b>ASSETS</b>				
Current				
Cash on Hand	\$ 153,362.55	\$ 0.00	\$ 153,362.55	\$ 0.00
A/R-Licenses, Fees and Permits	50,425.00	0.00	50,425.00	0.00
Due From Other Funds	13,295.00	0.00	13,295.00	0.00
<b>Total Assets</b>	<b>\$ 217,082.55</b>	<b>\$ 0.00</b>	<b>\$ 217,082.55</b>	<b>\$ 0.00</b>

<b>LIABILITIES</b>				
Current				
Due to Other funds	\$ 70.00	0.00	70.00	\$ 0.00
Funds Held for Others	217,012.55	\$ 13,781,057.83	\$ 13,998,070.38	0.00
<b>Total Liabilities</b>	<b>\$ 217,082.55</b>	<b>\$ 13,781,057.83</b>	<b>\$ 13,998,140.38</b>	<b>\$ 0.00</b>

**OTHER AGENCY FUNDS**

**Suspense Fund (0900) U/F (0900)**

<b>ASSETS</b>				
Current				
Cash on Hand	\$ 3,034.63	\$ 0.00	\$ 3,034.63	\$ 0.00
Cash in State Treasury	176,280.05	414,247.79	590,527.84	0.00
A/R-Licenses, Fees and Permits	324.00	0.00	324.00	0.00
Due From Other Funds	465.00	0.00	465.00	0.00
<b>Total Assets</b>	<b>\$ 180,103.68</b>	<b>\$ 414,247.79</b>	<b>\$ 594,351.47</b>	<b>\$ 0.00</b>

<b>LIABILITIES</b>				
Current				
Funds Held for Others	\$ 180,103.68	\$ 414,712.79	\$ 594,816.47	\$ 0.00
<b>Total Liabilities</b>	<b>\$ 180,103.68</b>	<b>\$ 414,712.79</b>	<b>\$ 594,816.47</b>	<b>\$ 0.00</b>

**Employees' Savings Bond Account (0901)**

**U/F (0901)**

<b>ASSETS</b>				
Current				
Cash in State Treasury	\$ 975.00	\$ 7,300.00	\$ 7,675.00	\$ 600.00
<b>Total Assets</b>	<b>\$ 975.00</b>	<b>\$ 7,300.00</b>	<b>\$ 7,675.00</b>	<b>\$ 600.00</b>

<b>LIABILITIES</b>				
Current				
Funds Held for Others	\$ 975.00	\$ 7,300.00	\$ 7,675.00	\$ 600.00
<b>Total Liabilities</b>	<b>\$ 975.00</b>	<b>\$ 7,300.00</b>	<b>\$ 7,675.00</b>	<b>\$ 600.00</b>

UNAUDITED

**Texas Real Estate Commission (329)**

**Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities**

**Agency Funds**

August 31, 2002

	<u>Beginning Balance September 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance August 31, 2002</u>
<b><u>Appraiser Registry Fee Account (0028)</u></b>				
<b><u>U/F (0028)</u></b>				
<b>ASSETS</b>				
Current				
Cash on Hand	\$ 450.00	\$ 0.00	\$ 450.00	\$ 0.00
Cash in State Treasury	12,525.00	100,650.00	89,700.00	23,475.00
Due From Other Funds	275.00	0.00	275.00	0.00
Total Assets	<u>\$ 13,250.00</u>	<u>\$ 100,650.00</u>	<u>\$ 90,425.00</u>	<u>\$ 23,475.00</u>
<b>LIABILITIES</b>				
Current				
Funds Held for Others	\$ 13,250.00	\$ 100,650.00	\$ 90,425.00	\$ 23,475.00
Total Liabilities	<u>\$ 13,250.00</u>	<u>\$ 100,650.00</u>	<u>\$ 90,425.00</u>	<u>\$ 23,475.00</u>

**Totals - All Agency Funds**

**ASSETS**

Current				
Cash on Hand	\$ 156,847.18	\$ 0.00	\$ 156,847.18	\$ 0.00
Cash in State Treasury	189,780.05	522,197.79	687,902.84	24,075.00
Accounts Receivable	50,749.00	0.00	50,749.00	0.00
Due From Other Funds	14,035.00	0.00	14,035.00	0.00
Total Assets	<u>\$ 411,411.23</u>	<u>\$ 522,197.79</u>	<u>\$ 909,534.02</u>	<u>\$ 24,075.00</u>

**LIABILITIES**

Current				
Due to Other Funds	\$ 70.00	\$ 0.00	\$ 70.00	\$ 0.00
Funds Held for Others	411,341.23	14,303,720.62	14,690,986.85	24,075.00
Total Liabilities	<u>\$ 411,411.23</u>	<u>\$ 14,303,720.62</u>	<u>\$ 14,691,056.85</u>	<u>\$ 24,075.00</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.



TEXAS REAL ESTATE COMMISSION (329)

**ADDENDUM I - ORGANIZATION AND FUNCTIONS**

For the Fiscal Year Ended August 31, 2002

In 1939, the Forty-sixth Legislature enacted The Real Estate Dealer's License Act (called The Real Estate License Act since 1955) requiring that those who would act as real estate agents in Texas must first obtain licensure.

The Act was administered by the Secretary of State until 1949 when it was amended to provide for a six-member Real Estate Commission charged with the administration thereof.

The purpose of Articles 6573a and b is the protection of the public through regulation of licensed real estate brokerage practitioners, real estate inspectors, easement or right-of-way agents and residential service companies in Texas. The purpose of Chapter 221, Texas Property Code, is the protection of the public by registering entities which offer timesharing interests in Texas. The main objectives of the Commission are:

maintaining procedures to ensure that the public is served by competent and honest real estate practitioners, residential service companies, inspectors and easement or right-of-way agents;

registering timeshare interests which have met statutory requirements;

maintaining procedures for withdrawing licensure and registration privileges when warranted;

establishing rules and procedures to implement Mandatory Continuing Education;

maintaining liaison with other state licensing jurisdictions for the purpose of learning administrative and enforcement procedures employed in the various states and for developing information concerning real estate operations in other jurisdictions;

maintaining standards for schools--other than accredited institutions of higher learning--which offer real estate and inspection courses for credit;

serving the licensed clientele by making sure that the application and licensing processes are practical and expedient. Such is attainable by data processing procedures and systems;

serving as a deterrent to violations of the statutes by the dissemination of information and advice. Such is accomplished in writings and public appearances.

Please see Addendum III for information concerning the Residential Service Company Act, Addendum IV for Texas Timeshare Act information, and Addendum VI for information concerning Real Estate Appraisers. The Commission currently provides administrative support through a memorandum of understanding to the Texas Appraiser Licensing and Certification Board, an independent subdivision of the Commission.

TEXAS REAL ESTATE COMMISSION (329)

**ADDENDUM I - ORGANIZATION AND FUNCTIONS** (continued)

For the Fiscal Year Ended August 31, 2002

The number of Commissioners was increased from six to nine in 1979. Commission members are appointed by the Governor and confirmed by the Senate to overlapping six-year terms, or until successors are appointed and qualified. The Act states that each Commission member must be a Texas citizen and a qualified voter. Six members must have been engaged in the real estate brokerage business as licensed real estate brokers as their major occupations for at least five years preceding their appointments. Three members must be representatives of the general public who are not licensed under The Real Estate License Act and do not have, other than as consumers, a financial interest in the practice of a real estate broker and real estate salesperson. Commission members receive a per diem allowance of \$75.00. Members are also reimbursed for their expenses incurred up to \$110.00 per day for meals and lodging while attending Commission meetings. The Chairman of the Commission is appointed by the Governor and the Vice Chairperson and Secretary are elected annually by the membership. Members serving as of August 31, 2002 were:

<u>Name</u>	<u>Residence (Texas)</u>	<u>Term Expires</u>	<u>Type</u>
Charles Michael Brodie, Chairman	Dallas	01/31/03	Broker
Lawrence D. Jokl, Vice Chairman	Brownsville	01/31/05	Broker
John Walton, Secretary	Lubbock	01/31/07	Broker
James N. Austin	Fort Worth	01/31/05	Broker
Ramon N. Cantu	Houston	01/31/05	Public
Maria Gonzalez-Gil	San Antonio	01/31/03	Public
Louise Hull	Victoria	01/31/07	Broker
Paul Jordan	Georgetown	01/31/07	Public
Kay Sutton	Midland	01/31/03	Broker

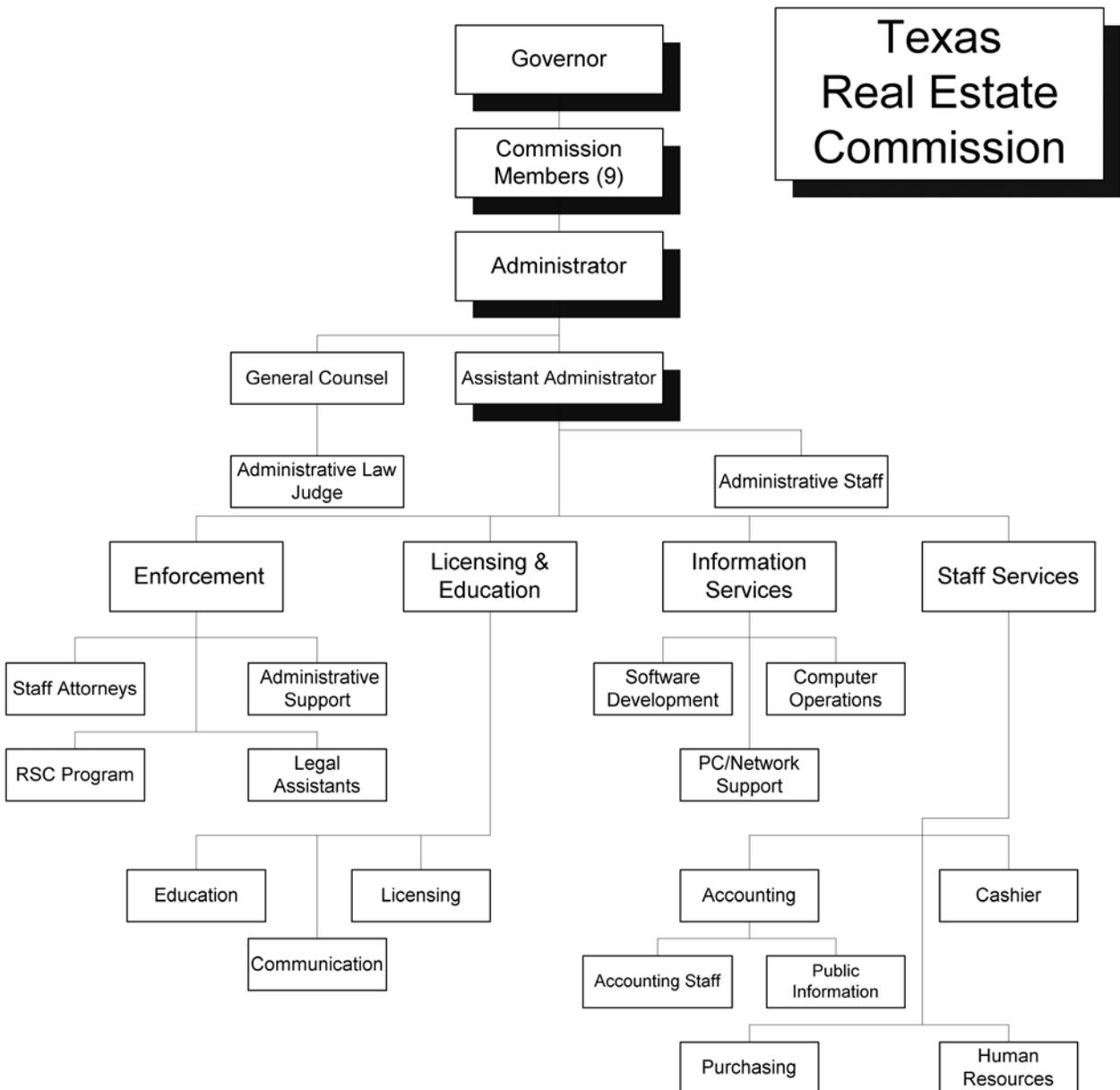
The Commission had 81.6 full-time equivalent employees for fiscal year 2002. The Texas Appraiser Licensing and Certification Board had 6.9 full-time equivalent employees for fiscal year 2002.

TEXAS REAL ESTATE COMMISSION (329)

**ADDENDUM I - ORGANIZATION AND FUNCTIONS** (concluded)

For the Fiscal Year Ended August 31, 2002

The organizational chart of the Commission is presented below:



TEXAS REAL ESTATE COMMISSION (329)

**ADDENDUM II - COMMENTS ON OPERATIONS**

For the Fiscal Year Ended August 31, 2002

The appropriations request submitted to the 77th Legislature by the Texas Real Estate Commission (TREC) sought funding for four additional employees. Two additional employees were requested for the Communication section to address the large volume of callers that are unable to reach the commission using the 1-800 lines and the associated increase in the number of calls received. The other two additional positions were requested for the Enforcement division to help alleviate the increased workload associated with complaints and to assist with the review of financial information as part of examinations of various licensed entities. TREC also requested additional funding to retain qualified and experienced staff. Some of the additional funding was granted through a rider associated with House Bill 695.

TREC submitted lease specifications for its Austin headquarters lease on May 31, 2000 to the General Services Commission that incorporated the legislatively mandated 153 square feet per employee. TREC requested additional funding for moving expenses and increased lease costs in the appropriations request submitted for the 2002-2003 biennium. Funding for increased lease costs was granted and the new lease was awarded effective September 1, 2001 for a five year period with options to renew for two additional five year periods.

TREC began collecting a subscription fee dedicated to Texas On-line for all two year broker and salesperson renewals. The subscription fee pays for the opportunity to submit renewals at TREC's website via the world wide web. The first group of renewals affected by the new convenience fee were for renewals expiring at the end of September, 2002 and amounted to an additional fee of \$7.00 for brokers and \$3.00 for salespersons.

Fees in effect during FY 2002 were:

Type of Fee

Original Application Filing Fee for Broker License*	\$295.00 A
Annual Renewal Fee for Broker License*	250.00 B
Original Application Filing Fee for Salesperson License	67.50 A
Annual Renewal Fee for Salesperson License	47.50 C
License for Additional Place of Business (Branch Office)	20.00
License for Change of Sponsoring Broker	20.00
License for Change of Address	20.00
Replacement of License Lost or Destroyed (Duplicate License)	20.00
License Examination Fee	35.00 D
Transcript Evaluation Fee	15.00
Moral Character Determination Fee	25.00
Original Application Filing Fee for Professional Real Estate Inspector	60.00
Renewal Application Fee for Professional Real Estate Inspector	27.00
Original Application Filing Fee for Real Estate Inspector	45.00
Renewal Application Fee for Real Estate Inspector	27.00
Original Application Filing Fee for Apprentice Real Estate Inspector	35.00
Renewal Application Fee for Apprentice Real Estate Inspector	22.00
Change Fee for Real Estate Inspector	10.00
License Examination Fee for Real Estate Inspector	35.00 D
Mandatory Continuing Education Provider Fee	400.00
Mandatory Continuing Education Course Fee (2 year)	100.00
Mandatory Continuing Education Course Fee (1 year)	50.00
Original Application Fee for Proprietary School	400.00
Renewal Fee for Proprietary School	200.00
Easement or Right-of-Way Agent	150.00 A

Note A: The Real Estate Research Center at Texas A&M University receives the amount of \$20.00 for brokers or Easement or Right-of-Way Agents and \$17.50 for salespersons.

Note B: The Real Estate Research Center at Texas A&M University receives \$20.00 of this fee or \$40.00 for the two year renewal.

Note C: The Real Estate Research Center at Texas A&M University receives \$17.50 of this fee or \$35.00 for the two year renewal.

Note D: This fee is collected by the examination testing service through a contract with the commission effective July 1, 1996. Effective November, 1999 the fee was increased from \$25 to \$35 with \$5 going to TREC. A new examination testing service contract became effective September 1, 2002.

\* This fee includes the House Bill 11 (First Called Session, Seventy-second Legislature) increase of \$200.00 effective September 1, 1991.

UNAUDITED

TEXAS REAL ESTATE COMMISSION (329)

**ADDENDUM II - COMMENTS ON OPERATIONS** (concluded)

For the Fiscal Year Ended August 31, 2002

Article 6573a, V.A.C.S., the Real Estate License Act, Section 5.(m) provides "The commission shall charge and collect as a condition of issuance and for renewal of a real estate broker license the fee under Section 11(a)(14) of this Act. The commission shall charge and collect as a condition for issuance and for renewal of a real estate salesperson license the fee under Section 11(a)(15) of this Act. The commission shall transmit the fees under this subsection quarterly to Texas A&M University for deposit in a separate banking account. The money in the separate account shall be expended for the support and maintenance of the Texas Real Estate Research Center and for carrying out the purposes, objectives, and duties of the center. However, all money expended from the separate account shall be determined by legislative appropriation."

Article 6573a, V.A.C.S., the Real Estate License Act, Section (a)(14) provides "an annual fee of \$20 from each real estate broker and each registrant under Section 9A of this Act to be transmitted to Texas A&M University for the Texas Real Estate Research Center as provided by Section 5(m) of this Act."

Article 6573a, V.A.C.S., the Real Estate License Act, Section (a)(15) provides "an annual fee of \$17.50 from each real estate salesperson to be transmitted to Texas A&M University for the Texas Real Estate Research Center as provided by Section 5(m) of this Act."

House Bill No. 1 (General Appropriations Act), 76th Legislature, Regular Session, Article VIII, page 67, Rider 3 states: " **Reporting Requirement.** In its annual report, the Real Estate Commission shall provide a schedule showing a breakdown of the number of broker and salesman license renewals and the amount of funds transferred to the Real Estate Research Center." The following schedules are provided in response to that requirement:

Fee Type	Number	Amount
Broker Renewals	18,760	\$ 750,400.00
Broker Applications/Late Renewals	2,684	53,680.00
Total Broker Fees	21,444	804,080.00
Salesperson Renewals	38,650	1,112,860.00
Salesperson Applications/Late Renewals	18,959	331,782.50
Total Salesperson Fees	57,609	1,444,642.50
Easement or Right-of-Way Registrations	898	17,960.00
Total Easement or Right-of-Way Registrations	898	17,960.00
Total	71,370	\$ 2,266,682.50

The commission made the following transfers to the Real Estate Research Center for fiscal year 2002:

Period	Date of Transfer	Amount of Transfer
September 1, 2001 - November 30, 2001	01/08/02	\$ 546,180.00
December 1, 2001 - February 29, 2002	03/09/02	493,567.50
March 1, 2002 - May 31, 2002	06/26/02	602,722.50
June 1, 2002 - August 31, 2002	10/04/02	624,212.50
Total		\$ 2,266,682.50

TEXAS REAL ESTATE COMMISSION (329)

**ADDENDUM III - RESIDENTIAL SERVICE COMPANY ACT**

For the Fiscal Year Ended August 31, 2002

The Residential Service Company Act (Article 6573b of Vernon's Texas Civil Statutes) was originally passed by the Sixty-sixth Legislature and became effective August 27, 1979. The Act provides for the licensing, regulation and financial examination of companies who offer to repair or replace (for a specified fee and for a specified period of time) all or any part of the electrical, plumbing, heating or air conditioning systems, appliances or structural components within a residential property that become inoperable due to normal wear and tear.

For the 1982-1983 biennium, a rider attached to the Commission's appropriation bill expressly prohibited use of funds from the Real Estate License Fund for the administration of the Residential Service Company Act. Only fees and amounts collected pursuant to the Residential Service Company Act could be appropriated to administer the Act. The following amendment to The Real Estate License Act [Tex. Rev. Civ. Stat. Ann. Art. 6573a, Sec. 5.(i)] effective August 29, 1983 states:

"In the event that fees collected under the Residential Service Company Act (Article 6573b, Vernon's Texas Civil Statutes), are insufficient to fund the legislative appropriation for that activity, funds from the real estate license fund are hereby authorized to be used for the administration of that Act. In no event, however, will the total expenditures for that activity exceed the legislative appropriation therefor."

A rider attached to the Commission's appropriation bill for the 1998-1999 biennium allows the appropriation of Residential Service Company examination fees. "All monies collected pursuant to Section 24(c), Article 6573b, V.T.C.S., are hereby appropriated to the Texas Real Estate Commission for the purposes of conducting examinations and related activities included within Strategy A.1.1., Real Estate Licensing and Strategy C.1.1., Real Estate Public Education."

During fiscal year 2002 the residential service company program reviewed 91 evidences of coverage and schedules of charges, and performed three comprehensive field examinations to determine the financial condition and statutory compliance of these licensees.

Current licensees and fees in effect for fiscal year ended August 31, 2002 are:

A. Licensed Companies:

A.B. Warranty Company American Home Shield of Texas, Inc. AON Home Warranty Services, Inc. Best Home Warranty Company Broward Factory Service, Inc. Dimension Service Corp. d/b/a Westchester Residential Service Co. First American Home Buyers Protection Corp. General Electric Company Home Buyers Resale Warranty Corp.	HomeSure of America, Inc. Home Security of America, Inc. Home Warranty of America Nations Preferred Home Warranty Company d/b/a Nations Residential Service Co. Old Republic Home Protection Co. Southwest Warranty Corp. Texas Farmers Insurance Company Zurich Warranty Solutions, Inc.
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B. Type of Fee:

	<u>Amount</u>
Original Application or Renewal	\$3,500.00
Review of an Evidence of Coverage	250.00*
Review of a Schedule of Charges	250.00*
Expense of Examinations (Audits)	Actual Expense

\*TREC lowered the amount from \$500.00 by amendment to Section 539.231 of the Rules, effective 5-15-01.

TEXAS REAL ESTATE COMMISSION (329)

**ADDENDUM IV - THE TEXAS TIMESHARE ACT**

For the Fiscal Year Ended August 31, 2002

Regulation of the timeshare industry was begun in Texas by the Sixty-ninth Legislature with the adoption of the Texas Timeshare Act, Article 6573c, Texas Civil Statutes, effective August 26, 1985. During the Seventieth legislative session (1987), the Act was codified in Title 11 of the Texas Property Code. The Texas Timeshare Act was recodified in Title 12, Section 221.001, et seq., Texas Property Code, by the Seventy-first Legislature in 1989. The Seventy-first session (1989) provided, for the first time, all purchasers with an automatic 5-day right to rescind a timeshare transaction. Previously a purchaser's right to rescind was limited to transactions where the purchaser had not visited the property or seen a condominium unit. A nondisturbance clause from the lender was also added to the registration requirements in 1989.

Two changes were made by the Seventy-third legislature in 1993: 1) The 5-day right to rescind does not begin until the purchaser receives a copy of the purchase contract; and 2) a managing entity for each timeshare project must prepare a yearly Timeshare Fee and Expense Statement that will be available to any owner upon written request.

The Texas Timeshare Act includes the following provisions:

- 1) The definition of real property was expanded to include right to use interests such as leases, rental agreements and licenses.
- 2) A sales agent must be licensed as a real estate salesperson or broker unless otherwise exempt from licensure under the provisions of the Real Estate License Act.
- 3) A timeshare project must be registered with the Commission if timeshare interests are sold or offered for sale to Texas residents.
- 4) Developers wishing to sell timeshare interests must make application to the Commission to register the project. Documents submitted include copies of contract forms, disclosure statements and timeshare instruments.
- 5) A developer is responsible for all the activities of its sales and marketing personnel.
- 6) Timeshare solicitations and advertisements must contain certain disclosures.
- 7) A purchaser must receive a Timeshare Disclosure Statement containing information on a timeshare project prior to signing a contract.
- 8) An unconditional 5-day rescission period for a purchaser of a timeshare interest that begins when the purchaser receives a copy of the contract.
- 9) Fifty percent of the deposit received from a purchaser must be escrowed by the developer.
- 10) A developer must obtain property and liability insurance on a project before any timeshare interest can be sold.
- 11) The Commission is authorized to suspend or revoke a timeshare registration for violations of the Texas Timeshare Act, the Deceptive Trade Practices Act and the Contest and Gift Giveaway Act.

The fees in effect during fiscal year 2002 are:	Original Application	\$500.00 - \$2,500.00
	Application to Amend	\$100.00 - \$1,000.00

TEXAS REAL ESTATE COMMISSION (329)

**ADDENDUM V - HISTORY OF THE REAL ESTATE LICENSE ACT**

For the Fiscal Year Ending August 31, 2002

The Legislature's continuing desire to provide protection for the public in its dealings with real estate agents is evidenced by amendments to The Real Estate License Act in 1955, 1963, 1967, 1971, 1975, 1979, 1981, 1983, 1985, 1987, 1989, 1991, 1993, 1995, 1997, 1999 and 2001 providing the following:

The 1955 amendments required applicants for original licensure to pass a written examination as one step in qualifying for licensure and required each licensee to post a bond for the protection of the public.

The 1963 amendments required applicants for broker licensure either to have been a licensed salesman for one year or to have successfully completed 30 classroom hours of study in basic real estate courses approved by the Commission.

The 1967 amendments increased the prerequisites for applying for broker licensure to one year of licensure and 90 classroom hours of study in courses approved by the Commission or certified by accredited institutions of higher education. It also provided that after one has been licensed as a salesman for one full year, as a prerequisite to that licensure renewal, he must have completed 30 classroom hours of study in courses as aforesaid.

The 1971 amendments provided for the establishment of a Real Estate Research Center in the Department of Agriculture at Texas A&M University.

The 1975 amendments rearranged the License Act to aid in its administration. In addition, the following substantive changes were made:

- 1.) The definition of "real estate broker" was expanded to include salesmen for subdividers and "advance fee" operators.
- 2.) The broad "regular employee" exemption was removed.
- 3.) Commissioners' per diem was increased.
- 4.) Residency requirements to establish eligibility to apply for licensure were increased to six months.
- 5.) The prerequisites for applying for broker licensure were increased to two years of licensure and 180 class hours of study in courses approved by the Commission or certified by accredited institutions of higher education. Also, as a prerequisite to applying for salesman licensure, the applicant must have completed 30 classroom hours of study in courses accepted by the Commission and on the second and third certification of salesman licensure privileges the applicant/licensee must show evidence of completion of an additional 30 classroom hours of study in connection with each certification. Beginning January 1, 1977, an applicant for salesman licensure must have completed 90 classroom hours of study or six semester hours.
- 6.) Real Estate Recovery Fund provisions were put into the Act to replace surety bond requirements. The monies have been invested as reflected in Note 3.
- 7.) Changes were made in the section of the Act concerning violations with a view to raising the level of responsibility required of the licensee when dealing with the public.

Effective September 1, 1979, amendments to the Act made the following changes:

- 1.) The number of Commissioners was increased to nine; the additional three members must be representatives of the general public who are not licensed as brokers or salesmen and have no financial interest in a real estate practice.

TEXAS REAL ESTATE COMMISSION (329)

- 2.) Terms of appointees named to replace incumbents will expire on January 31 of odd-numbered years; officers will be elected in February of each year.
- 3.) Commission Rules opposed by standing committees in both houses of the legislature will not take effect or be repealed on receipt of opposing statements.
- 4.) Persons required by law to register as lobbyists are prohibited from serving as the Commission's general counsel and Commission members.
- 5.) The Commission is expressly subject to the Open Meeting Law and the Administrative Procedure and Texas Register Act.
- 6.) Lawfully admitted aliens may apply for licensure; the residency requirement was reduced to 60 days.
- 7.) Nonresidents licensed as brokers by other states and Texas residents may apply for broker licensure if they:
  - a.) Meet the requirements of Section 7(c); or
  - b.) Satisfy requirements effective on or after January 1, 1985; or
  - c.) Satisfy current educational requirements and furnish proof of broker licensure in another state with not less than two years active experience in the other state as a salesman or broker during the 36-month period preceding the filing of the application; or
  - d.) Have been licensed within the previous year as a broker by the Commission.
- 8.) Salesman applicants who have been licensed within the preceding year are not held to current educational requirements although continuing educational requirements must be met.
- 9.) The Commission is obligated to provide examination results within 30 days of the completion of an examination.
- 10.) Applicants for original licensure must complete at least three classroom hours of course work on federal, state, and local laws governing housing discrimination, housing credit discrimination, and community reinvestment or at least three semester hours of course work on constitutional law.
- 11.) Procedures for obtaining payment from the Real Estate Recovery Fund were streamlined, and the limit for a single transaction was increased to \$20,000.00; the aggregate limit per licensee was increased to \$50,000.00.
- 12.) Sponsoring brokers are no longer indispensable parties to an appeal from a disapproved salesman application.
- 13.) The Commission was given the authority to charge and collect fees not to exceed certain amounts.
- 14.) Rehearings of license revocations, suspensions, or denials may be heard by the Commission members.
- 15.) The Commission is prohibited from issuing another license for one year following the revocation of a license previously held.

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- 16.) Complaint procedures were set out.
- 17.) Discrimination was made an express cause for suspension or revocation of licensure.
- 18.) Persons requesting a determination of their moral character may obtain such prior to filing an application.

In addition, the Residential Service Company Act vested authority in the Commission, effective August 27, 1979, to license and regulate persons providing services of a residential service company as defined in the Act.

Effective April 23, 1981, August 31, 1981 and September 1, 1981, amendments to the Act made the following changes:

- 1.) The delegation of authority to the Administrator and his agents was replaced by a requirement of specific assignment of duties by the Commission to its employees.
- 2.) Moneys annually transmitted to Texas A&M University for the support and maintenance of the Texas Real Estate Research Center were made subject to legislative appropriation.
- 3.) The content of real estate courses required for licensure applicants was made specific in nine courses of study, called "core" real estate courses.
- 4.) The number of semester hours of required coursework for salesman applicants was set at twelve, six hours of which must be in core real estate courses. Annual certification of salesman licensure for the first three years for persons applying and licensed on or after April 23, 1981, was made conditional upon specific annual educational requirements being satisfied.
- 5.) The provision permitting an applicant for broker licensure to qualify without two years' experience as a salesman was removed.
- 6.) The provision requiring the Commission to accept only applications for broker licensure after January 1, 1985 was removed.
- 7.) The Commission was authorized to issue licenses valid for periods not to exceed twenty-four months.
- 8.) Requirements for investigations of complaints against licensees were clarified; the Commission was authorized to probate orders revoking or suspending a license.
- 9.) The Commission was required to register real estate inspectors upon the inspector's providing the Commission with basic information about the inspector, payment of a fee not to exceed \$100, and filing of a \$25,000 surety bond.

Effective August 29, 1983, amendments to the Act made the following changes:

- 1.) Real estate salesmen were permitted to be paid by a former sponsoring broker for work done while under that broker's sponsorship.
- 2.) The Act was declared substantive in nature.
- 3.) The provisions of the Act prohibiting public members of the Commission from serving because of a relationship by consanguinity or affinity to a licensee were removed.

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- 4.) The amount of per diem for Commission members was increased to \$75.00.
- 5.) The Commission was authorized to expend funds from the real estate license fund to administer the Residential Service Company Act, dependent upon the existence of certain conditions.
- 6.) Salesmen subject to annual education requirements must complete the annual education requirements before applying for broker licensure.
- 7.) The effective date of the 1975 amendments was specified in those revisions of the Act effective on that date.
- 8.) Language concerning prior requirements for licensure was removed.
- 9.) Claimants against the Recovery Fund must now give notice to the licensee debtor.
- 10.) Use of the Recovery Fund to pay a commission is prohibited.
- 11.) The Commission, rather than the courts, is charged with the duty of revoking a license for a payment from the Fund.
- 12.) The fees authorized by the Act were amended.
- 13.) The Commission is no longer required to issue a new license for each salesman associated with a broker when the broker changes his place of business.
- 14.) Inactive salesman licenses may be activated if a request and fee is received at any time before the license expires.
- 15.) The Commission was given jurisdiction over licensees buying property when the licensees engage in misrepresentation or dishonest or fraudulent action.
- 16.) The Commission is authorized to discipline a licensee who fails to replace a check returned to the Commission.
- 17.) Section 15 of the Act was recodified.
- 18.) The definition of unauthorized practice of law by a licensee was clarified and the Texas Real Estate Broker-Lawyer Committee was recreated in Section 16 of the Act. The Commission was authorized to require the use of approved contract forms.

Effective September 1, 1985, amendments to the Act made the following changes:

- 1.) The Commission was required to collect a fee of \$15 for a transcript evaluation.
- 2.) The registration of real estate inspectors was replaced with a licensing process calling for the following:
  - a.) Successful completion of not less than ninety classroom hours of core real estate inspection courses;
  - b.) Payment of fees not to exceed amounts set forth in the Act;
  - c.) Passing of an appropriate licensing examination.
- 3.) The Commission was authorized to take disciplinary action against inspector licensees and to administer a real estate inspection recovery fund.

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- 4.) Persons registered under the previous inspector law were given until January 1, 1986 to comply with the new Act.

Effective September 1, 1987, amendments to the Act made the following changes:

- 1.) The fees for filing an original application for real estate broker licensure and for annual certification of real estate broker licensure status were increased by \$110 on a temporary basis, ending August 31, 1989.
- 2.) The Commission was required to deposit \$27.50 of the temporary fee increase to the credit of the Foundation School Fund (193) and \$82.50 to the credit of the General Revenue Fund (001).

Effective September 1, 1989, amendments to the Act made the following changes:

- 1.) A licensed auctioneer need not have a real estate license for the purpose of auctioning real property.
- 2.) An expired licensed salesman may now apply for late renewal without a broker.
- 3.) The examination and all licensing requirements must be satisfied within six (6) months from the date the application is filed (previously was one year).
- 4.) Brokers and salesmen must provide evidence of at least 15 hours of approved continuing education courses during the term of the current license. Applies to licenses expiring after 8/31/91.
- 5.) Attorneys are still exempt from the Act. However, licensees can no longer share their compensation with an attorney. Attorneys may receive compensation directly from the seller or buyer.
- 6.) Section 15(1)(B) allowing the Commission to institute disciplinary action in the case where a licensee failed to satisfy a final money judgment for contractual obligations incurred in the pursuit of his real estate business was repealed.
- 7.) A licensee does not incur civil or criminal liability for failing to inquire about, make disclosure related to, or release information to whether a previous owner or occupant had, may have had, has or may have AIDS or HIV. However, a licensee who has actual knowledge that a previous occupant had or has AIDS or HIV shall provide that information to a prospect upon receiving a specific request for such information.
- 8.) Explicit language is now in the Act stating that the Act does not prohibit a licensee from acting as agent for more than one party if the representation is disclosed to the parties and the parties consent.
- 9.) A licensee may disclose information about sales prices or terms for the purpose of facilitating the listing, selling, leasing, financing, or appraising of real property without liability unless such a disclosure is otherwise specifically prohibited by statute or written contract.
- 10.) The \$110 temporary fee increase adopted by the legislature in 1987 was not renewed.
- 11.) The Commission will begin a program of voluntary certification of appraisers. Brokers and salesmen may still perform appraisals, but certain licensees may seek to be certified in the field of appraising.

Effective July 1, 1991, the authority to certify real estate appraisers was transferred from the Commission to the Texas Appraiser Licensing and Certification Board, an independent subdivision of the Commission. Section 22 of the Act was repealed. The Commission provides administrative support and assistance to the

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new board which has sole responsibility for the licensing and certification of appraisers for federally-related transactions.

Effective September 1, 1991, amendments to the Act made the following changes:

- 1.) An exemption for licensed auctioneers was modified to make it clearer that the exemption does not permit the auctioneer to provide brokerage services other than the calling of the auction.
- 2.) Provisions of Section 5 relating to the composition and qualifications of Commission members were rewritten in current language recommended by the Sunset Advisory Commission, and the Commission's existence was continued to September 1, 2003.
- 3.) The Administrator is required to prepare and maintain a written policy statement regarding equal employment opportunity, including personnel policies, an analysis of the Commission work force and methods to address areas of significant underutilization.
- 4.) The Commission is obligated to inform its members and employees of necessary information concerning qualifications for office or employment and standards of conduct.
- 5.) The Commission is required to prepare a written plan to provide access to its programs to the disabled or persons who do not speak English.
- 6.) The Commission is prohibited from adopting rules restricting competitive bidding or advertising by its licensees.
- 7.) A provision creating a legislative veto over the Commission's rulemaking was deleted.
- 8.) Section 7(a) was amended to clarify that applicants are not required to have completed all nine core real estate courses.
- 9.) Section 7 was reorganized, and a provision was added to provide for notification of examination results if the examination is graded or reviewed by a national testing service.
- 10.) Section 7A was amended to permit the Commission to accept relevant educational experience or supervised video instruction for mandatory continuing education (MCE) requirements and to approve core real estate courses for MCE credit. The Commission is required to approve real estate related courses approved by the State Bar of Texas for minimum continuing legal education.
- 11.) An exemption from MCE requirements was provided for certain brokers who had been licensed for at least 10 years and who requested the exemption and paid a fee prior to October 31, 1991, pursuant to a notice sent by the Commission.
- 12.) Section 8 was amended to increase the minimum amount in the Real Estate Recovery Fund to \$1 million and to transfer any excess over \$3.5 million, or over the total amount paid from the Fund during the previous four fiscal years, whichever is greater, to the general revenue fund. The limit on a single claim was increased from \$20,000 to \$50,000, and the aggregate claim limit was increased from \$50,000 to \$100,000. Brokers are required to give consumers information about the availability of the Fund.
- 13.) Broker annual renewal and original application fees were increased by \$200; \$50 shall be deposited to the credit of the Foundation School Fund; \$150 shall be deposited to the credit of the general revenue fund.
- 14.) A inactive broker status was provided in new Section 13A, subject to mandatory continuing education (MCE) for return to active status within 36 months. Return to active status after 36

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months requires satisfaction of current education for original licensing and successful completion of an examination.

- 15.) The requirement for complaints to be under oath (verified) was removed.
- 16.) The provision in Section 15(c) requiring disclosure of certain information related to AIDS or HIV-related illnesses was removed.
- 17.) The Commission is prohibited from investigating complaints filed more than four years after the date of the incident.
- 18.) Provisions of Sections 17 and 18 relating to hearings were deleted, and hearings are made subject to the Administrative Procedure and Texas Register Act, Article 6252-13a, Texas Civil Statutes.
- 19.) The licensing of real estate inspectors provided in Section 18C was replaced with a three-level licensing program in new Section 23. A nine-member advisory committee of inspectors known as the Texas Real Estate Inspector Committee is created to recommend rules relating to applications, experience, education, examinations, standards and other issues involving the registration and licensing of inspectors. Existing inspectors are required to provide proof of completion of 75 inspections and an additional 38 hours of core real estate inspection courses in order to obtain a license under the new law. The new advisory committee is required to conduct hearings and recommend the entry of final orders in contested cases involving inspectors. Any excess above \$600,000 in the Real Estate Inspection Recovery Fund shall be transferred to the real estate inspector regulation account for use by the Commission in regulation of real estate inspectors.
- 20.) The Commission is authorized to assess administrative penalties not to exceed \$1,000 for each violation under procedures set out in new Section 19A.

Effective August 30, 1993, an amendment to the Act limited the \$200 fee increase for applying for or renewing a real estate broker license to individuals only.

Effective September 1, 1993, amendments to the Act made the following changes:

- 1.) The definition of the term "real estate" was narrowed to exclude an interest given as security for the performance of an obligation.
- 2.) The Commission was authorized to employ a general counsel, attorneys, investigators and support staff.
- 3.) Limited liability companies became subject to licensing requirements if the companies provide real estate brokerage services.
- 4.) A new core real estate course , Law of Agency, was established; the course becomes mandatory for new salesman applicants beginning September 1, 1994.
- 5.) The Commission was authorized to accredit courses of study in real estate inspection.
- 6.) The Commission was authorized to collect a fee for filing a request for a license due to a change of name or return to active status, or for a license history.
- 7.) Requirements for an inactive broker to return to active status were reduced to 15 hours of MCE courses.
- 8.) A 60-day residency requirement for applicants was deleted, and nonresidents who were previously licensed as a Texas real estate salesman or broker are eligible to apply if the

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application is filed within one year of the expiration of the previous license.

- 9.) The Commission was authorized to issue investigative subpoenas.
- 10.) Specific guidelines were provided for licensees representing more than one party in the same transaction.
- 11.) A provision was added excusing licensees from inquiring about or disclosing death occurring on a property by natural causes, suicide, or accident unrelated to the condition of the property.
- 12.) Section 23 of the Act relating to real estate inspectors was largely rewritten to establish a new three-level licensing program, to provide guidelines for the relative roles of the Commission and the Texas Real Estate Inspector Committee, and to permit previously licensed inspectors to be relicensed without meeting current requirements.

Effective September 1, 1995, an amendment to the Act increased the fees collected by the Commission for the Texas Real Estate Research Center from \$15 to \$20 for broker renewals and original applications and from \$7.50 to \$17.50 for salesman renewals and original applications. The amendment separated these fees from the filing fees collected by the Commission and required the Commission to transmit the fees to the Research Center quarterly.

Effective January 1, 1996, amendments to the Act made the following changes:

- 1.) Mandatory continuing education (MCE) requirements for renewal of an active real estate license will be standardized at 15 hours, eliminating an 8 hour requirement for licenses issued for one year.
- 2.) Additional legal topics will be added to the statutory list of acceptable MCE course topics, and the Commission will be authorized to require a final examination for MCE courses conducted by alternative delivery systems such as computers.
- 3.) A definite termination date will be required in all contracts in which real estate licensees agree to perform services for which a license is required.
- 4.) Negotiating with a buyer or tenant represented on an exclusive basis by another broker will be prohibited.
- 5.) Real estate licensees will be required to disclose their representation of a party to another party or a licensee representing another party at the first contact regarding a transaction. The disclosure may be made orally or in writing. Licensees will be required to provide a party a copy of statutory information concerning the duties of a broker and agency relationships. Brokers may act as intermediaries and appoint licensees associated with the broker to work with the parties with the written consent of the parties. Intermediaries are required to act so as not to favor one party over the other.
- 6.) Residential rental locators will be required to be licensed as a real estate broker or salesman, and the Commission will be required to adopt regulations and establish standards relating to permissible forms of advertising by residential rental locators.
- 7.) The Commission will be authorized by rule to provide a waiver of some or all of the requirements for obtaining a real estate license if the applicant was previously licensed in this state within the five-year period prior to the filing of the application.

Effective September 1, 1997, amendments to the Act made the following changes:

- 1.) The definition of "person" was broadened to include individuals and any other entity.

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- 2.) Exemptions were provided for partnerships or limited liability partnerships acting through a partner who is a real estate broker or for persons registered under new Section 9A.
- 3.) A new core real estate course, Law of Contracts, will be required for salesperson applications filed on or after January 1, 1998.
- 4.) The minimum length of a MCE course was shorted from three hours to one hour.
- 5.) Persons acting as agents selling, buying, leasing or transferring an easement or right-of-way for use in connection with telecommunication, utility, railroad, or pipeline service are required to be registered with the Commission after January 1, 1998. Registrants will pay annual fees totaling \$150 ( filing fee of \$80, \$20 to the Research Center, and \$50 to the Real Estate Recovery Fund).
- 6.) The Commission was authorized to adopt rules, conduct investigations and take disciplinary action regarding easement or right-of-way agents.
- 7.) The Act was clarified to permit any person to file a complaint.
- 8.) The Commission was permitted to authorize staff to file complaints and conduct investigations concerning judgments paid from a recovery fund, conviction of a criminal offense or failure to make good a check issued to the Commission.
- 9.) The Commission was required to adopt prior to October 1, 1997, rules requiring licensed inspectors to use standard inspection report forms.
- 10.) Three members of the Inspector Committee may be licensed real estate brokers as well as licensed professional inspectors.
- 11.) The Commission was required to adopt rules permitting inspector applicants to substitute additional education or experience in lieu of statutory requirements of having held a license under sponsorship and performing inspections under supervision of another inspector.
- 12.) The term "salesman" was replaced by the term "salesperson" and the Commission was required to use the term "salesperson" in documents and rules no later than January 1, 1999.
- 13.) A definite termination date is no longer required for property management agreements.
- 14.) Written memorandums will not be required to enforce agreements between real estate licensees for payment of a commission.
- 15.) The Commission was authorized to extend education, experience and examination waivers for prior real estate licensees from five years to six years.

Effective June 19, 1999, amendments to the Act made the following changes:

- 1.) The legislature increased the penalty for violating the Act or an order of the Commission to a Class A misdemeanor, punishable by a fine of up to \$4,000 and up to one year of confinement in the county jail.
- 2.) The Commission's exclusive authority to enforce the Residential Service Company Act, Article 6573b, by bringing an injunctive action was also clarified.

Effective September 1, 2001, amendments to the Act made the following changes:

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- 1.) A person desiring a salesperson license must apply for an inactive license without a sponsoring broker but cannot practice until sponsored by a broker who has notified the Texas Real Estate Commission (TREC) of the sponsorship and paid the fee for issuance of an active license.
- 2.) TREC is authorized to prescribe the content of core real estate courses. For applications filed on or after January 1, 2002, an applicant for a broker license will be required to complete 18 semester (270 classroom) hours of core real estate courses, an increase of 90 classroom hours over current law. The total number of classroom hours for a broker license (900) will be unaffected. An applicant for a salesperson license will be required to complete 8 semester (120 classroom) hours of core courses, 60 classroom hours of which must be in Principles of Real Estate, an increase of 30 hours over current law. The total number of classroom hours for the salesperson license (180) will be unaffected.
- 3.) TREC is authorized to prescribe the title, content, and duration of continuing education (MCE) courses required of real estate licensees.
- 4.) A specific date for determining whether the balance of the real estate recovery fund has fallen below \$1 million is deleted, and TREC is authorized to adopt rules to provide for collection of assessments whenever TREC determines assessments should be made to ensure availability of sufficient funds to pay claims. A requirement that claimants show the judgment is not subject to a stay or discharge in bankruptcy has been removed.
- 5.) The maximum fee TREC may charge for requesting a real estate examination is increased from \$50 to \$100. The fee for a transcript evaluation was increased from \$15 to \$20.
- 6.) Language that appears to restrict who may file a complaint has been deleted, and reprimands and administrative penalties also may be imposed for violations listed in Section 15(a). Agreements for services to be performed by licensees have been excluded from the provisions of Chapter 39 of the Business & Commerce Code relating to notice and cancellation. The Internet is added to the kinds of advertising subject to the requirements of Section 15(a)(6)(P) of the Act.
- 7.) The members of the commission are permitted to authorize staff to file complaints and act against licensees who fail to complete continuing education courses under the TREC rule relating to license renewal or who fail to provide information in connection with a renewal application.
- 8.) The criminal offense for acting as a real estate broker, salesperson, or easement or right-of-way agent without a license or registration was upgraded from a Class B to a Class A misdemeanor, consistent with the amendment to Article 6573a.1 adopted in 1999.
- 9.) TREC is authorized to assess administrative penalties not to exceed \$1000 against any person who violates the Act or a rule or order adopted by the Commission. If the person charged with the violation was engaged in unlicensed activity and was not licensed as a broker or salesperson in the four year period preceding the date of the violation, TREC is authorized to consider each day the violation continued or occurred a separate violation for the purposes of penalty assessment. The section permits delegation of authority by the administrator to another employee and corrects a citation to the Administrative Procedure Act. The section also permits delegation of authority to the staff hearings officer to conduct hearings and assess penalties. Administrative penalties paid by unlicensed persons would be deposited into either the real estate recovery fund or the real estate inspection recovery fund.
- 10.) A late license renewal provision for inspectors was deleted, eliminating an additional fee for certain late renewal applications. Persons whose licenses expire will be required to file another application for a license with no additional education or examination required for a two-year period.

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- 11.) TREC is authorized to charge a fee not to exceed \$20 for the filing of a request to issue an inspector license relating to a change of name, return to active status, or change in sponsoring professional inspector.
- 12.) Inspector continuing education is increased from 4 to 8 hours per year for real estate inspectors and from 8 to 16 hours per year for professional inspectors, beginning with licenses expiring on or after December 31, 2001.
- 13.) The criminal offense for acting as an inspector without a license was upgraded from a Class B to a Class A misdemeanor, consistent with the amendment to Article 6573a.1 adopted in 1999.
- 14.) A specific date for determining whether the balance of the real estate inspection recovery fund has fallen below \$300,000 was deleted. TREC is authorized to adopt rules to provide for collection of assessments whenever TREC determines assessments should be made to ensure availability of sufficient funds to pay claims. A requirement that claimants show the judgment is not subject to a stay or discharge in bankruptcy has been removed. The maximum payments has been increased from \$7,500 to \$12,500 per transaction and from \$15,000 to \$30,000 per inspector, for causes of action arising on or after September 1, 2001.
- 15.) The criminal offense for acting as a residential rental locator without a license was upgraded from a Class B to a Class A misdemeanor, consistent with the amendment to Article 6573a.1 adopted in 1999.
- 16.) The commission is authorized to delegate authority to a staff hearings officer to conduct hearings and enter final decisions in contested cases involving residential service companies. A final decision of a hearing examiner is appealable to the commission as provided by commission rule. A residential service contract is excluded from the provisions of Chapter 39 of the Business & Commerce Code relating to notice and cancellation.

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**ADDENDUM VI - TEXAS APPRAISER LICENSING AND CERTIFICATION BOARD**

For the Fiscal Year Ended August 31, 2002

Since 1939, those who appraise real property for a fee in Texas have been required to have a real estate license from the Texas Real Estate Commission (TREC) or be otherwise exempted by law. Since July 1, 1991, a person holding an appraiser certification or license issued by the Texas Appraiser Licensing and Certification Board (TALCB) is not required to be licensed by TREC to perform real property appraisals. Texas is considered a "mandatory" state.

S.B. 1256, 71st Legislature, 1989

In 1989, the Seventy-first Legislature enacted S.B. 1256, which became Section 22 of the Real Estate License Act (TRELA), Article 6573a, V.T.C.S., and provided for the certification of real estate appraisers in Texas in anticipation of the federal Title XI, Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). FIRREA is also known as "the savings and loan bailout bill," and requires the use of state certified or licensed appraisers in "federally related transactions" after July 1, 1991, later extended to December 31, 1992.

Section 22 provided for the Texas Real Estate Appraiser Certification Committee (TREACC) appointed by the Texas Real Estate Commission (TREC). All nine members of TREACC were real estate appraisers. TREACC held its first meeting in November 1989. The requirements for appraiser certification included education, experience and passing a competency examination. Title XI specifically prohibits "grandfathering."

In August 1990, the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (FFIEC), the federal agency charged with overseeing the various states' appraiser certification programs, provided a written review of the Texas program and noted a number of concerns, including requiring a real estate license for certification, the selection and composition of TREACC, etc. The Texas program, however, was not disapproved by the Appraisal Subcommittee.

Rules (22 TAC § 544.1-544.9) were adopted in September 1990. The TREACC contracted to have an examination question bank developed, and TREACC staff prepared and administered the competency examinations. In January 1991, Texas was the first state or entity to have its examination and question bank approved by the Appraiser Qualifications Board (AQB) of the Appraisal Foundation as required by Title XI. The first examinations were administered in February 1991. In April 1991, the Appraisal Subcommittee extended the deadline for the use of the state certified or licensed appraisers in "federally related transactions" until December 31, 1991. Later they extended the deadline until December 31, 1992.

Under the auspices of TREACC and prior to July 1, 1991, a total of 1,421 persons became state certified appraisers.

H.B. 270, 72nd Legislature, 1991.

Because of the concerns of the Appraisal Subcommittee and of the appraiser and financial industries, the Seventy-second Legislature enacted the Texas Appraiser Licensing and Certification Act (Art. 6573a.2, V.T.C.S.) with an effective date of July 1, 1991. The act was intended to bring Texas into full compliance with Title XI. The act provided for the Texas Appraiser Licensing and Certification Board (TALCB) as an "independent subdivision" of the Texas Real Estate Commission, and repealed Section 22, TRELA. The nine-person Board is composed of four appraisers and four public members appointed by the governor for staggered two-year terms, and the Executive Secretary of the Texas Veterans Land Board.

The new TALCB first met on July 30, 1991, after a quorum had been appointed. At the August 27-28, 1991, meeting the TALCB adopted emergency rules (22 TAC §151, §153, and §155) which became effective September 4, 1991, and the first examinations under TALCB were administered on September 30, 1991. Permanent rules were adopted in January 1992.

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H.B. 2644, 73rd Legislature, 1993.

During the Seventy-third Legislature, 1993, amendments were made to the Act by H.B. 2644. The amendments provided for licensure or certification by reciprocity, allowed experience to be claimed by affidavit, provided for multiple sponsors of Appraiser Trainees, limited those sponsors to certified appraisers, allowed a contracted testing service to collect exam fees directly from an applicant, and allowed the Board to set other necessary fees.

S.B. 634, 74th Legislature, 1995.

The Texas Appraiser Licensing and Certification Act was again amended during the Seventy-fourth Legislature. Amendments were necessary to meet the federal Appraisal Subcommittee's concerns as addressed in a letter to the TALCB dated August 11, 1994. The definition of "appraiser" was amended to remove the words "federally related transaction" thereby allowing certified and licensed appraisers to perform real property appraisals for both federally related and non-federally related transactions. This also allows the Board to regulate its certified and licensed appraisers in all their real estate appraisal activities. Amendments also allowed the Board to verify appraisal experience claimed by applicants, provide for an alternate method of licensing (Provisional License), allows and defines "evaluations," and specifically incorporates the *Uniform Standards of Professional Appraisal Practice* (USPAP) as the appraisal standard.

There were no amendments to the Texas Appraiser Licensing and Certification Act during the 75th (1997), 76th (1999), or 77th (2001) Legislatures.

The Appraisal Subcommittee (ASC) of the FFIEC, the federal agency charged with oversight and monitoring the various States' appraiser regulatory agencies under Title XI, FIRREA, reviewed the TALCB program in April 1997. The ASC focused particularly on the enforcement functions, practices, procedures and results. Their findings were reported by letter on May 23, 1997. One of their findings was that the TALCB lacked a trained professional investigator. By rider to HB-1, General Appropriations Act, 75<sup>th</sup> Legislature, the TALCB was allotted one additional FTE for an enforcement investigator position for the 1998-99 biennium.

Because of travel reductions beginning in FY-98, the TALCB now meets quarterly. The processing of new applications and renewals, conforming to Texas law, TALCB rules, and federal guidelines, continues to consume a significant portion of the clerical time. Board emphasis, however, is continuing to shift from initial and renewal licensing and certification of appraisers to the regulatory and enforcement functions.

The last regular three-year review of the Texas Appraiser Licensing and Certification Board was conducted by the Appraisal Subcommittee in April 2000. Overall the report was very positive particularly in the area of enforcement and complaint resolution. None of their suggestions or concerns required amendments to the Act during the 2001 legislative session. The next review is scheduled for November 2002, prior to the 78th legislative session.

As of the end of FY 2002, a total of 4,336 individuals were active TALCB certified and licensed real estate appraisers. Approximately 50% of those are General Certified, 41% are Residential Certified, eight percent are state Licensed, and less than one percent are Provisionally licensed. Additionally, a total of 1,311 individuals have been approved as Appraiser Trainees, a record high, under the sponsorship and "active, diligent and personal" supervision of a state certified appraiser. Two hundred eight individuals registered for non-resident temporary practice during FY 2002.

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Members of the Texas Appraiser Licensing and Certification Board:

L. W. (Wayne) Mayo, Chair, appraiser member, Richardson	<i>(term expires 1/31/2003)</i>
James M. Synatzske, Vice Chair, appraiser member, Stephenville	<i>(term expires 1/31/2003)</i>
Dona S. Scurry, Secretary, public member, El Paso	<i>(term expires 1/31/2004)</i>
Elroy Carson, public member, Lubbock	<i>(term expires 1/31/2004)</i>
Patrick H. Cordero, Jr. public member, Midland	<i>(term expires 1/31/2003)</i>
William A. (Rusty) Faulk, Jr., public member, Brownsville	<i>(term expires 1/31/2003)</i>
Douglas E. Oldmixon, ex officio member, Executive Secretary, Texas Veterans Land Board	
Shirley Ward, appraiser member, Alpine	<i>(term expires 1/31/2004)</i>
Ted Whitmer, appraiser member, College Station	<i>(term expires 1/31/2004)</i>

Fees for the TALCB in effect during FY 2002:

General Certification original application	\$200.00	*
Residential Certification original application	\$150.00	*
State License original application	\$125.00	*
Provisional License original application	\$125.00	*
Appraiser Trainee original application	\$ 75.00	
Renewal of General Certification (2 years)	\$200.00	*
Renewal of Residential Certification (2 years)	\$150.00	*
Renewal of State License (2 years)	\$125.00	*
Renewal of Provisional License (2 years)	\$125.00	*
Renewal of Trainee Approval (1 year)	\$ 75.00	
Non-Resident Temporary Registration (60 days)	\$150.00	
Extension of Non-Res. Temp. Practice Registration (150 days, FRT)	(none)	
Appraiser Change of Address Fee	(none)	
Licensure History	\$ 10.00	
Addition or Termination of Sponsorship	\$ 20.00	
Replacing License or Certificate	\$ 15.00	

\* Additionally, an annual \$25.00 national registry fee is collected for each certified or licensed appraiser and forwarded to the Appraisal Subcommittee of the Federal Financial Institutions Examination Council as specified and required by the federal Title XI, Financial Institution Reform, Recovery and Enforcement Act of 1989 (12 U.S.C. Section 3331 et seq.). The pass-through national registry fee is collected with the original application (\$50 for two years) and with each renewal (\$50 for two years). Appraiser trainees do not pay a national registry fee. The dedicated national registry fees are placed in General Revenue Dedicated Fund 0028 until forwarded to the Appraisal Subcommittee.



UNAUDITED

ANNUAL REPORT  
OF NONFINANCIAL DATA

TEXAS REAL ESTATE COMMISSION  
Austin, Texas

Year Ended August 31, 2002

WAYNE THORBURN  
ADMINISTRATOR





# TEXAS REAL ESTATE COMMISSION

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Mailing Address: P.O. BOX 12188 • AUSTIN, TEXAS • 78711-2188

December 31, 2002

Honorable Rick Perry, Governor  
Honorable Carol Keeton Rylander, Texas Comptroller  
John Keel, Director, Legislative Budget Board  
Lawrence F. Alwin, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Texas Real Estate Commission's *Annual Report of Nonfinancial Data* for the year ended August 31, 2002, in compliance with the TEX. GOV'T CODE ANN §2101.0115 and in accordance with the requirements established by the Comptroller of Public Accounts.

The accompanying report has not been audited and is considered to be independent of the agency's *Annual Financial Report*.

If you have any questions, please contact Alan R. Waters, Staff Services Division, at 512.465.3921.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne Thorburn".

Wayne Thorburn  
Administrator

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Street Address: 1101 CAMINO LA COSTA • AUSTIN, TEXAS • 78752-3930



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TEXAS REAL ESTATE COMMISSION (329)

**SCHEDULE 1 - APPROPRIATION ITEM TRANSFERS\***

For the Fiscal Year Ended August 31, 2002

**ITEM OF APPROPRIATION**

			<u>Transfers-In</u>	<u>Transfers-Out</u>	<u>Net Transfers</u>
<b>A. Goal:</b>	<b>Ensure Standards</b>				
Strategies:					
A.1.1	13001 Real Estate Licensing	\$	<u>2,500</u>	\$	<u>95,000</u>
				\$	<u>(92,500)</u>
	Total Goal A: Ensure Standards		<u>2,500</u>	<u>95,000</u>	<u>(92,500)</u>
<b>B. Goal:</b>	<b>Enforce Regulations</b>				
Strategies:					
B.1.1	13002 Real Estate Investigation		65,000		65,000
	Total Goal B: Enforce Regulations		<u>65,000</u>		<u>65,000</u>
<b>C. Goal:</b>	<b>Provide Education</b>				
Strategies:					
C.1.1	13004 Licensee/Consumer Education			90,500	(90,500)
	Total Goal C: Provide Education			<u>90,500</u>	<u>(90,500)</u>
<b>D. Goal:</b>	<b>Licensing Appraisers</b>				
Strategies:					
D.1.1	13005 Appraiser Licensing		15,000		15,000
D.2.1	13006 Appraiser Adjudication			15,000	(15,000)
	Total Goal D: Licensing Appraisers		<u>15,000</u>	<u>15,000</u>	<u>0</u>
<b>E. Goal:</b>	<b>Real Estate Indirect Adm. &amp; Supp. Costs</b>				
Strategies:					
E.1.1	13800 Indirect Administration		118,000		118,000
	Total Goal E: Real Estate Indirect Adm. & Supp. Costs		<u>118,000</u>		<u>118,000</u>
	NET APPROPRIATION ITEM TRANSFER:\$		<u>200,500</u>	\$	<u>200,500</u>
				\$	<u>0</u>

\* This schedule does not include Benefit Replacement Pay Transfers or Rider Reduction Transfers.



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TEXAS REAL ESTATE COMMISSION (329)

**SCHEDULE 2 - HUB STRATEGIC PLAN PROGRESS REPORT**

For the Fiscal Year Ended August 31, 2002

(Source: Texas Government Code, Title 10, Subtitle D, Section 2161.124)

Goal = Strategic Plan HUB Goal Actual = % Spent with HUBs from HUB Report	Actual for FY '01	Actual for FY '02	Goal for FY '03
Heavy Construction other than building contracts	N/A	N/A	11.9%
Building construction, including general contractors and operative building contracts	N/A	N/A	26.1%
Special trade construction contracts	0%	0% <sup>1</sup>	57.2%
Professional services contracts	0%	0% <sup>2</sup>	20.0%
Other services contracts	21.6%	29.2%	33.0%
Commodities contracts	84.8%	25.1%	12.6%

Prepared by: *Sandy Jones*

Approved: *Alan R. Waters*  
(Signature Approval)

Printed Name: Sandy Jones

Printed Name: Alan R. Waters

Phone Number: 512-465-3922

Phone Number: 512-465-3921

1. There was one expenditure made in the amount of \$1,587.00 for remodeling of existing leased office space. The lessor requires that their vendor be used for construction.

2. No expenditures for this category.

TEXAS REAL ESTATE COMMISSION (329)

**SCHEDULE 3 - INDIRECT COSTS**

For the Fiscal Year Ended August 31, 2002

Texas Real Estate Commission (D23 Fund 1114, Fund Type 01)

**a. Payroll Related Costs**

FICA Employer Matching Contribution	\$ 229,560.36	
Group Health Insurance	468,891.26	
Retirement	178,057.80	
Unemployment	7,673.98	
<b>Total Payroll Related Costs</b>		\$ <u>884,183.40</u>

Workers' Compensation	65,397.34	
Benefit Replacement Pay (BRP)	53,773.42	
<b>Total Workers' Compensation and BRP</b>		\$ <u>119,170.76</u>

**b. Indirect Costs**

Bond Debt Service Payments	0.00	
GSC	0.00	
TPFA	0.00	
Other	0.00	
<b>Total Indirect Costs</b>		\$ <u>0.00</u>

**c. Indirect Costs - Statewide Full Cost Allocation Plan\***

USAS Deprec.	12,835.74	
Comptroller	58,993.27	
Information Resources	3,234.64	
Budget & Planning	144.50	
GSC Purchasing	1,579.34	
GSC Interagency Services	5,069.64	
GSC Design, Construction & Leasing	931.86	
State Senate	145.43	
House of Representatives	177.85	
Legislative Council	127.83	
Legislative Budget Board	688.24	
Reference Library	138.95	
Sunset Advisory Commission	141.72	
<b>Total Indirect Costs - Statewide Full Cost Allocation Plan</b>		\$ <u>84,209.01</u>

**TOTAL INDIRECT COSTS** \$ 1,087,563.17

\* Allocated between TREC & TALCB on the basis of budgeted FTE's:

	FTE's	%
TREC	88	92.63%
TALCB	7	7.37%
	<u>95</u>	<u>100.00%</u>

TEXAS REAL ESTATE COMMISSION (329)

Texas Appraisal Licensing & Certification Board (D23 Fund 0001, Fund Type 14)

<b>a. Payroll Related Costs</b>		
FICA Employer Matching Contribution	\$ 19,851.07	
Group Health Insurance	32,942.84	
Retirement	17,546.28	
Unemployment	0.00	
<b>Total Payroll Related Costs</b>	<u>70,340.19</u>	\$ <u>70,340.19</u>
Workers' Compensation	9,119.63	
Benefit Replacement Pay (BRP)	3,337.22	
<b>Total Workers' Compensation and BRP</b>	<u>12,456.85</u>	\$ <u>12,456.85</u>
<b>b. Indirect Costs</b>		
Bond Debt Service Payments	0.00	
GSC	0.00	
TPFA	0.00	
Other	0.00	
<b>Total Indirect Costs</b>	<u>0.00</u>	\$ <u>0.00</u>
<b>c. Indirect Costs - Statewide Full Cost Allocation Plan</b>		
USAS Deprec.	1,021.26	
Comptroller	4,693.73	
Information Resources	257.36	
Budget & Planning	11.50	
GSC Purchasing	125.66	
GSC Interagency Services	403.36	
GSC Design, Construction & Leasing	74.14	
State Senate	11.57	
House of Representatives	14.15	
Legislative Council	10.17	
Legislative Budget Board	54.76	
Reference Library	11.06	
Sunset Advisory Commission	11.28	
<b>Total Indirect Costs - Statewide Full Cost Allocation Plan</b>	<u>6,699.99</u>	\$ <u>6,699.99</u>
<b>TOTAL INDIRECT COSTS</b>		<b>\$ 89,497.03</b>

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TEXAS REAL ESTATE COMMISSION (329)

**SCHEDULE 4 - PROFESSIONAL/CONSULTING FEES AND LEGAL SERVICE FEES**

For the Fiscal Year Ended August 31, 2002

Expenditures by the Texas Real Estate Commission (Fund 1114, fund type 01) during fiscal year 2002 for professional/consulting fees and legal service fees included the following:

<u>Name</u>	<u>Type of Service Rendered</u>	<u>Amount</u>
<b>Professional/Consulting Fees</b>		
Sherry Prindle Communications	Training	\$ 4,800.00
Workers' Assistance Program	Employee Assistance Program	1,231.25
Garza Gonzalez & Associates	Internal Audit and RSC Audits	38,975.00
Rupert & Penhall PC	Review of AFR	630.00
University of Texas at Austin	Survey of Organizational Excellence	676.00
Total Professional/Consulting Fees		<u>\$ 46,312.25</u>
<b>Legal Service Fees</b>		
(none)		\$ <u>0.00</u>
Total Professional/Consulting Fees and Legal Service Fees, Fund 1114, Fund Type 01 (Exh II)		<u>\$ 46,312.25</u>

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TEXAS REAL ESTATE COMMISSION (329)

Expenditures by the Texas Appraiser Licensing Certification Board (Fund 0001, fund type 14) during fiscal year 2002 for professional/consulting fees and legal service fees included the following:

<u>Name</u>	<u>Type of Service Rendered</u>	<u>Amount</u>
<b>Professional/Consulting Fees</b>		
The Appraisal Foundation	Educational/Training Services	\$ 2,232.83
Workers' Assistance Program	Employee Assistance Program	120.00
Total Professional/Consulting Fees		<u>\$ 2,352.83</u>
<b>Legal Service Fees</b>		
(none)		<u>\$ 0.00</u>
Total Professional/Consulting Fees and Legal Service Fees, Fund 0001, Fund Type 14 (Exh II)		<u><u>\$ 2,352.83</u></u>

## TEXAS REAL ESTATE COMMISSION (329)

**SCHEDULE 5 - SCHEDULE OF SPACE OCCUPIED**

For the Fiscal Year Ended August 31, 2002

<u>Location</u>	<u>Address</u>	<u>Lessor</u>	<u>Lease No.</u>	<u>Type</u>
State-Owned Buildings:		N/A		
Free Space:				
Round Rock	Investigator's Residence			
* Denison	Investigator's Residence			
* Sherman	Investigator's Residence			
Kingwood	Investigator's Residence			
Spring	Investigator's Residence			
Irving	Investigator's Residence			
Killeen	Investigator's Residence			
Richardson	Investigator's Residence			
Magnolia	Investigator's Residence			
Rosanky	Investigator's Residence			
Three Rivers	Investigator's Residence			
Leased Space:				
Austin	Texas Real Estate Commission 1101 Camino La Costa	Camino La Costa Limited Partnership	329-10034-E7B- Austin	Office
Austin	Texas Appraiser Licensing & Certification Board 1101 Camino La Costa	Camino La Costa Limited Partnership	329-10034-E7B- Austin	Office
Austin	Texas Appraiser Licensing & Certification Board 1032 East 46th Street	Private Mini Storage	n/a - Req # 329-02-5020	Storage
Austin	Texas Appraiser Licensing & Certification Board 1032 East 46th Street	Private Mini Storage	n/a - Req # 329-02-5064	Storage

The Texas Real Estate Commission and the Texas Appraiser Licensing & Certification Board have been co-tenants in the the same office building for the past eleven years. The current lease expired on 8/31/01. The agency underwent the competitive bid process for securing leased office space. As a result, the agency stayed in the same building at 1101 Camino La Costa. However, square footage was reduced to comply with Section 2165.104.

\* Investigator in Denison relocated to Sherman as of 8/8/02.

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TEXAS REAL ESTATE COMMISSION (329)

Usable Square Feet	FTE's	Rental Per Month		Actual Annual Cost	Comments
		Cost Per Sq. Ft.	Monthly Rental		
100	1.0				
100	0.9				
100	0.1				
100	1.0				
100	1.0				
100	1.0				
100	1.0				
100	1.0				
100	1.0				
100	1.0				
100	1.0				
100	1.0				
<u>1,100</u>	<u>10.0</u>				
22,832	71.4	1.540000	\$ 35,161.28	\$ 421,935.36	Lease renewed 9/1/02
1,748	7.0	1.540000	\$ 2,691.92	\$ 32,303.04	Lease renewed 9/1/02
100	0.0	0.660000	\$ 66.00	\$ 792.00	Replaced with smaller unit
50	0.0	0.486550	\$ 24.33	\$ 291.93	Vacated 10/31/02
<u>24,730</u>	<u>88.4</u>		<u>\$ 37,943.53</u>	<u>\$ 455,322.33</u>	



## TEXAS REAL ESTATE COMMISSION (329)

**SCHEDULE 6 - TRANSFER TO THE REAL ESTATE RESEARCH CENTER**

For the Fiscal Year Ended August 31, 2002

Article 6573a, V.A.C.S., the Real Estate License Act, Section 5.(m) provides "The commission shall charge and collect as a condition of issuance and for renewal of a real estate broker license the fee under Section 11(a)(14) of this Act. The commission shall charge and collect as a condition for issuance and for renewal of a real estate salesperson license the fee under Section 11(a)(15) of this Act. The commission shall transmit the fees under this subsection quarterly to Texas A&M University for deposit in a separate banking account. The money in the separate account shall be expended for the support and maintenance of the Texas Real Estate Research Center and for carrying out the purposes, objectives, and duties of the center. However, all money expended from the separate account shall be determined by legislative appropriation."

Article 6573a, V.A.C.S., the Real Estate License Act, Section (a)(14) provides "an annual fee of \$20 from each real estate broker and each registrant under Section 9A of this Act to be transmitted to Texas A&M University for the Texas Real Estate Research Center as provided by Section 5(m) of this Act."

Article 6573a, V.A.C.S., the Real Estate License Act, Section (a)(15) provides "an annual fee of \$17.50 from each real estate salesperson to be transmitted to Texas A&M University for the Texas Real Estate Research Center as provided by Section 5(m) of this Act."

House Bill No. 1 (General Appropriations Act), 76th Legislature, Regular Session, Article VIII, page 67, Rider 3 states: " **Reporting Requirement.** In its annual report, the Real Estate Commission shall provide a schedule showing a breakdown of the number of broker and salesman license renewals and the amount of funds transferred to the Real Estate Research Center." The following schedules are provided in response to that requirement:

Fee Type	Number	Amount
Broker Renewals	18,760	\$ 750,400.00
Broker Applications/Late Renewals	2,684	53,680.00
<b>Total Broker Fees</b>	<b>21,444</b>	<b>804,080.00</b>
Salesperson Renewals	38,650	1,112,860.00
Salesperson Applications/Late Renewals	18,959	331,782.50
<b>Total Salesperson Fees</b>	<b>57,609</b>	<b>1,444,642.50</b>
Easement or Right-of-Way Registrations	898	17,960.00
<b>Total Easement or Right-of-Way Registrations</b>	<b>898</b>	<b>17,960.00</b>
<b>Total</b>	<b>71,370</b>	<b>\$ 2,266,682.50</b>

The commission made the following transfers to the Real Estate Research Center for fiscal year 2002:

Period	Date of Transfer	Amount of Transfer
September 1, 2001 - November 30, 2001	01/08/02	\$ 546,180.00
December 1, 2001 - February 29, 2002	03/09/02	493,567.50
March 1, 2002 - May 31, 2002	06/26/02	602,722.50
June 1, 2002 - August 31, 2002	10/04/02	624,212.50
<b>Total</b>		<b>\$ 2,266,682.50</b>



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TEXAS REAL ESTATE COMMISSION (329)

**SCHEDULE 7 - SCHEDULE OF BONDED EMPLOYEES**

For the Fiscal Year Ended August 31, 2002

Commission administrators regularly review and destroy records in accordance with their Records Retention Schedule which has been approved by the Texas State Library and the State Auditor's Office.

Each employee of the Commission is bonded to the extent of \$10,000.00 by public employee dishonesty policy number 68672521 written by the Western Surety Company, South Dakota. Information concerning the Commissioners' bonds and premiums is presented below:

Type of Policy	Policy Period	Name of the Insurance Company	Annual Premium	Coverage Limit
Official Bond	09/20/99-02	EMC Insurance Company	42.66	\$10,000
Official Bond and Oath	09/21/00-02	Western Surety Company	46.25	\$10,000
Official Bond and Oath	03/01/00-03	State Farm	35.00	\$10,000
Official Bond and Oath	02/07/00-03	RLI Surety Division	59.16	\$10,000
Official Bond and Oath	04/01/00-03	Western Surety Company	45.00	\$10,000
Public Official Bond	09/14/99-02	Old Republic Surety	45.00	\$10,000
Official Bond and Oath	06/01/01-04	State Farm	35.00	\$10,000
Official Bond and Oath	06/01/01-04	Merchants Bonding	45.00	\$10,000
Official Bond and Oath	06/05/01-04	State Farm	45.00	\$10,000

The bonds listed above will not be renewed when they expire due to a directive from the State Office of Risk Management received in September, 2002.



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TEXAS REAL ESTATE COMMISSION (329)

**SCHEDULE 8 - RECYCLED, REMANUFACTURED AND ENVIRONMENTALLY SENSITIVE PURCHASES**

For the Fiscal Year Ended August 31, 2002

Point of Contact:	Sandy Jones, Purchaser
Phone Number:	512/465-3922
E-Mail Address:	sandy.jones@trec.state.tx.us

E1, E2, or E3	Description	Total Expenditures
Total E1 Including 1st Choice	Recycled	\$80,286.14
Total E2 Including 1st Choice	Remanufactured	1,244.00
Total E3 Including 1st Choice	Environmentally Sensitive	0.00
<b>Total of E1, E2, and E3 includes Recycled 1st Choice Targeted Totals</b>		<b>\$81,530.14</b>

FY2002 1st Choice Targeted Commodities	Expenditures			% Spent on 1st Choice Products 100*[A/(A+B)]
	1st Choice Products (A)	Virgin Counterpart (B)	Total (A+B)	
Motor Oils & Lubricants	\$0.00	\$0.00	\$0.00	0%
Toilet Paper, Seat Covers & Paper Towels	340.40	0.00	340.40	100%
Printing Paper, Copier Paper, & Computer Paper	62,691.87	4,079.60	66,771.47	93.9%
Business Envelopes	1,348.69	0.00	1,348.69	100%
<b>Total 1st Choice Targeted Commodities</b>	<b>\$64,380.96</b>	<b>\$4,079.60</b>	<b>\$68,460.56</b>	<b>94.0%</b>

Summary of Total Number of Justification Letters	Total Cost	Total Quality	Total Not Available	Total Other
Motor Oils & Lubricants	0	0	0	0
Toilet Paper, Seat Covers & Paper Towels	0	0	0	0
Printing Paper, Copier Paper, & Computer Paper	0	0	5	0
Business Envelopes	0	0	0	0
<b>Total Number(s)</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>

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TEXAS REAL ESTATE COMMISSION (329)

**SCHEDULE 9 - PROPRIETARY PURCHASES**

For the Fiscal Year Ended August 31, 2002

Proprietary purchases by the Texas Real Estate Commission (Fund 1114, fund type 01) during fiscal year 2002 included the following:

<u>Product</u>	<u>Vendor</u>	<u>Justification</u>	<u>Amount</u>
Hardware & software maintenance-mainframe	Unisys Corporation	Unisys is the only vendor that can provide maintenance and support for Unisys computer hardware and software.	\$ 28,230.58
CTC Bridge software support	Core Technology Corp.	CTC Bridge terminal emulation is only supported by Core Technology Corporation.	4,752.00
Registration fees to ARELLO conference	ARELLO	ARELLO is a proprietary association and is the only provider for its own conference	2,145.00
Total Proprietary Purchases, Texas Real Estate Commission			\$ <u>35,127.58</u>

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TEXAS REAL ESTATE COMMISSION (329)

Proprietary purchases by the Texas Appraiser Licensing Certification Board (Fund 0001, fund type 14) during fiscal year 2002 included the following:

<u>Product</u>	<u>Vendor</u>	<u>Justification</u>	<u>Amount</u>
Relocating mobile file system	Acratod of Austin, Inc.	TAB Products mobile file system is proprietary and is only sold and serviced by one vendor in the State of Texas.	\$ 3,670.00
Total Proprietary Purchases, Texas Appraiser Licensing Certification Board			\$ <u>3,670.00</u>



## TEXAS REAL ESTATE COMMISSION (329)

**SCHEDULE 10 - REVENUE**

For the Fiscal Year Ended August 31, 2002

	<b>Texas Real Estate Commission</b>	<b>Texas Appraiser and Licensing Certification Board</b>	<b>Total</b>
<b>General Revenue</b>			
3103 Limited Sales & Use Tax	\$ 1,532	\$	\$ 1,532
3105 Discounts for Sales Tax-State	10		10
3171 Prof Fees-HB 11, GR Increase	7,153,200		7,153,200
3175 Professional Fees	6,014,088	511,496	6,525,584
3752 Sale of Publications/Advertising	28,000		28,000
3775 Returned Check Fees	7,200		7,200
3777 Voided Warrants	517		517
3795 Other Misc. Government Revenue	10,357		10,357
<b>Total Revenue</b>	<b>\$ 13,214,904</b>	<b>\$ 511,496</b>	<b>\$ 13,726,400</b>
<b>666 Appropriated Receipts</b>			
3175 Professional Fees	\$ 6,166	\$	\$ 6,166
3752 Sale of Publications/Advertising	182,183	7,481	189,664
3754 Other Surplus/Salvage Property	52		52
3802 Reimbursements - Third Party	128		128
<b>Total Revenue</b>	<b>\$ 188,529</b>	<b>\$ 7,481</b>	<b>\$ 196,010</b>
<b>Fund 0028, Appraiser Registry Acct</b>			
3175 Professional Fees		99,675	99,675
<b>Total Appraiser Registry Fees</b>	<b>\$ 0</b>	<b>\$ 99,675</b>	<b>\$ 99,675</b>
<b>Fund 0969, Real Estate Trust Account</b>			
3175 Professional Fees	\$ 2,266,683	\$	\$ 2,266,683
<b>Total Real Estate Trust Account Fees</b>	<b>\$ 2,266,683</b>	<b>\$ 0</b>	<b>\$ 2,266,683</b>
<b>Fund 0971, Real Estate Recovery Fund</b>			
3175 Professional Fees	\$ 204,890	\$	\$ 204,890
3714 Judgments	29,040		29,040
3802 Reimbursements - Third Party	25,794		25,794
3855 Interest on Invest/Obligtrn/Security	125,735		125,735
<b>Total Revenue</b>	<b>\$ 385,459</b>	<b>\$ 0</b>	<b>\$ 385,459</b>
<b>Fund 0988, Real Estate Inspection Fund</b>			
3175 Professional Fees	\$ 41,500	\$	\$ 41,500
3851 Interest on State Deposits & Treas Inv	21,731		21,731
<b>Total Revenue</b>	<b>\$ 63,231</b>	<b>\$ 0</b>	<b>\$ 63,231</b>