

UNAUDITED

ANNUAL REPORT

TEXAS REAL ESTATE COMMISSION
Austin, Texas

Year Ended August 31, 2004

WAYNE THORBURN
ADMINISTRATOR

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TEXAS REAL ESTATE COMMISSION

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

Phone: (512) 459-6544 Fax: (512) 465-3998

November 20, 2004

Honorable Rick Perry, Governor
Honorable Carol Keeton Strayhorn, State Comptroller
John O'Brien, Deputy 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, 2004, 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 statewide requirements embedded in 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 comply with all the requirements in this statement. 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

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Texas Real Estate Commission (329)

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

August 31, 2004

Governmental Fund Type

	General Funds Exh A-1	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	\$ 161,511.69	\$	\$	\$ 161,511.69
Cash in State Treasury	906,310.23			906,310.23
Legislative Appropriations	471,140.15			471,140.15
Accounts Receivables	71,598.00			71,598.00
Consumable Inventories	29,185.30			29,185.30
Total Current Assets	1,639,745.37	0.00	0.00	1,639,745.37
Non-Current Assets:				
Furniture and Equipment		475,444.69		475,444.69
Accumulated Depreciation		(379,727.60)		(379,727.60)
Total Non-Current Assets	0.00	95,717.09	0.00	95,717.09
Total Assets	\$ 1,639,745.37	\$ 95,717.09	\$ 0.00	\$ 1,735,462.46
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Current Liabilities:				
Payables From:				
Accounts Payable	\$ 124,762.65	\$	\$	\$ 124,762.65
Payroll Payable	314,920.79			314,920.79
Due To Other Agencies	921,728.40			921,728.40
Deferred Revenues	213,422.52			213,422.52
Employees Compensable Leave			179,227.04	179,227.04
Total Current Liabilities	1,574,834.36	0.00	179,227.04	1,754,061.40
Non-Current Liabilities:				
Employees Compensable Leave			92,676.71	92,676.71
Total Non-Current Liabilities	0.00	0.00	92,676.71	92,676.71
Total Liabilities	1,574,834.36	0.00	271,903.75	1,846,738.11

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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
\$ 120.00	\$	\$	\$ 120.00
			0.00
67,635.36			67,635.36
110.00			110.00
2,518.88			2,518.88
70,384.24	0.00	0.00	70,384.24
	8,635.60		8,635.60
	(8,635.60)		(8,635.60)
0.00	0.00	0.00	0.00
\$ 70,384.24	\$ 0.00	\$ 0.00	\$ 70,384.24
\$ 17,565.29	\$	\$	\$ 17,565.29
19,294.47			19,294.47
			0.00
			0.00
		10,833.39	10,833.39
36,859.76	0.00	10,833.39	47,693.15
		4,901.94	4,901.94
0.00	0.00	4,901.94	4,901.94
36,859.76	0.00	15,735.33	52,595.09

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Texas Real Estate Commission (329)

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

August 31, 2004

Governmental Fund Type

	General Funds Exh A-1	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
FUND FINANCIAL STATEMENT-FUND BALANCES				
Fund Balances (Deficits):				
Reserved for:				
Encumbrances	14,821.56			14,821.56
Inventories	29,185.30			29,185.30
Imprest	500.00			500.00
Undesignated	20,404.15			20,404.15
Total Fund Balances	64,911.01	0.00	0.00	64,911.01
Total Liabilities and Fund Balances	\$ 1,639,745.37	\$ 0.00	\$ 271,903.75	\$ 1,911,649.12

GOVERNMENT-WIDE STATEMENT-NET ASSETS

Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 95,717.09	\$	\$ 95,717.09	
Unrestricted		(271,903.75)	(271,903.75)	
Total Net Assets	\$ 95,717.09	\$ (271,903.75)	\$ (176,186.66)	

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
9,275.89			9,275.89
2,518.88			2,518.88
			0.00
21,729.71			21,729.71
33,524.48	0.00	0.00	33,524.48
\$ 70,384.24	\$ 0.00	\$ 15,735.33	\$ 86,119.57

\$ 0.00	\$	\$ 0.00
		(15,735.33)
\$ 0.00	\$	\$ (15,735.33)
\$ 0.00	\$	\$ (15,735.33)

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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, 2004

Governmental Fund Type

	General Funds Exh A-2	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES				
Legislative Appropriations:				
Original Appropriations (GR)	\$ 3,729,979.00	\$	\$	\$ 3,729,979.00
Additional Appropriations (GR)	899,177.46			899,177.46
Licenses, Fees & Permits (PR-C/S)	2,707,111.50			2,707,111.50
Sales of Goods and Services (PR-C/S)	187,000.46			187,000.46
Other (PR-C/S)	0.00			0.00
Total Revenues	7,523,268.42	0.00	0.00	7,523,268.42
EXPENDITURES				
Salaries and Wages	2,925,201.80		31,054.91	2,956,256.71
Payroll Related Costs	859,931.70			859,931.70
Professional Fees and Services	39,057.12			39,057.12
Travel	49,079.47			49,079.47
Materials and Supplies	263,055.65			263,055.65
Communication and Utilities	71,396.87			71,396.87
Repairs and Maintenance	50,994.10			50,994.10
Rentals & Leases	443,649.50			443,649.50
Printing and Reproduction	14,348.31			14,348.31
Other Expenditures	302,646.35			302,646.35
Capital Outlay	5,364.65	(5,364.65)		0.00
Depreciation Expense		72,946.59		72,946.59
Total Expenditures/Expenses	5,024,725.52	67,581.94	31,054.91	5,123,362.37
Excess (Deficiency) of Revenues Over Expenditures	2,498,542.90	(67,581.94)	(31,054.91)	2,399,906.05

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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
\$ 339,345.00	\$	\$	\$ 339,345.00
59,220.45			59,220.45
16,760.00			16,760.00
4,583.83			4,583.83
207.90			207.90
420,117.18	0.00	0.00	420,117.18
222,840.43		3,527.06	226,367.49
57,594.63			57,594.63
6,110.04			6,110.04
10,890.80			10,890.80
15,208.92			15,208.92
2,549.16			2,549.16
1,624.50			1,624.50
38,269.43			38,269.43
551.20			551.20
31,419.70			31,419.70
0.00			0.00
	0.00		0.00
387,058.81	0.00	3,527.06	390,585.87
33,058.37	0.00	(3,527.06)	29,531.31

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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, 2004

Governmental Fund Type

	General Funds Exh A-2	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
OTHER FINANCING SOURCES (USES)				
Transfers Out	(2,489,152.50)			(2,489,152.50)
Legislative Transfers In				0.00
Legislative Transfers Out	209.89			209.89
(Dec) in Net Assets Due to Interagency Transfer				0.00
Total Other Financing Sources and Uses	<u>(2,488,942.61)</u>	<u>0.00</u>	<u>0.00</u>	<u>(2,488,942.61)</u>
Net Change in Fund Balances/Net Assets	9,600.29	(67,581.94)	(31,054.91)	(89,036.56)
FUND FINANCIAL STATEMENT-FUND BALANCES				
Fund Balances, September 1, 2003	68,229.55			68,229.55
Appropriations Lapsed	(12,918.83)			(12,918.83)
Fund Balances--August 31, 2004	<u>\$ 64,911.01</u>			<u>\$ (33,725.84)</u>
GOVERNMENT-WIDE STATEMENT-NET ASSETS				
Change in Net Assets		<u>(67,581.94)</u>	<u>(31,054.91)</u>	<u>(98,636.85)</u>
Net Assets-Beginning		163,299.03	(240,848.84)	(77,549.81)
Restatements				
Net Assets, September 1, 2003, as Restated		<u>163,299.03</u>	<u>(240,848.84)</u>	<u>(77,549.81)</u>
Net Assets-August 31, 2004		<u>\$ 95,717.09</u>	<u>\$ (271,903.75)</u>	<u>\$ (176,186.66)</u>

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

UNAUDITED

Discrete Governmental Component Unit

Discrete Governmental Component Unit (0001) U/F (0001)	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
			0.00
(209.89)			(209.89)
			0.00
<u>(209.89)</u>	<u>0.00</u>	<u>0.00</u>	<u>(209.89)</u>
32,848.48	0.00	(3,527.06)	29,321.42
676.00			676.00
0.00			0.00
<u>\$ 33,524.48</u>			<u>\$ 29,997.42</u>
	<u>0.00</u>	<u>(3,527.06)</u>	<u>(3,527.06)</u>
	0.00	(12,208.27)	(12,208.27)
	<u>0.00</u>	<u>(12,208.27)</u>	<u>(12,208.27)</u>
	<u>\$ 0.00</u>	<u>\$ (15,735.33)</u>	<u>\$ (15,735.33)</u>

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

August 31, 2004

	Private- Purpose Trust Funds (Exhibit I-1)	Agency Funds (Exhibit J-1)	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Cash on Hand	\$ 1,940.00	\$ 1,500.00	\$ 3,440.00
Cash in State Treasury	981,347.90	26,525.00	1,007,872.90
Short Term Investments	100,093.75		100,093.75
Receivables:			
Interest and Dividends	15,173.08		15,173.08
Accounts Receivable	5,840.00	562.00	6,402.00
Total Current Assets	<u>1,104,394.73</u>	<u>28,587.00</u>	<u>1,132,981.73</u>
Non-Current Assets:			
Investments	<u>2,057,393.75</u>		<u>2,057,393.75</u>
Total Non-Current Assets	<u>2,057,393.75</u>	<u>0.00</u>	<u>2,057,393.75</u>
 Total Assets	 <u>3,161,788.48</u>	 <u>28,587.00</u>	 <u>3,190,375.48</u>
 LIABILITIES			
Current Liabilities:			
Payables from:			
Accounts			0.00
Funds Held for Others		28,587.00	28,587.00
Total Liabilities	<u>0.00</u>	<u>28,587.00</u>	<u>28,587.00</u>
 NET ASSETS			
Held in trust for:			
Individuals, Organizations, and Other Governments:			
Expendable	<u>3,161,788.48</u>	<u>0.00</u>	<u>3,161,788.48</u>
Total Net Assets	<u>\$ 3,161,788.48</u>	<u>\$ 0.00</u>	<u>\$ 3,161,788.48</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, 2004

	Private Purpose Trust Funds (Exhibit I-2)	Totals
ADDITIONS		
Contributions:		
Settlement of Claims	\$ 33,042.54	\$ 33,042.54
Total Contributions	33,042.54	33,042.54
Investment Income:		
From Investing Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	(42,987.50)	(42,987.50)
Interest and Investment Income	111,285.08	111,285.08
Total Investing Income	68,297.58	68,297.58
Less Investing Activities Expense	0.00	0.00
Net Income from Investing Activities	68,297.58	68,297.58
Other Additions		
Other Revenue	334,584.71	334,584.71
Total Other Additions	334,584.71	334,584.71
Total Additions	435,924.83	435,924.83
DEDUCTIONS		
Travel	252.48	252.48
Materials & Supplies	4.42	4.42
Settlement of Claims	260,318.71	260,318.71
Other Expense	93.00	93.00
Transfers Out	55,296.26	55,296.26
Total Deductions	315,964.87	315,964.87
NET INCREASE (DECREASE)	119,959.96	119,959.96
Net Assets- Beginning of the Year	3,041,828.52	3,041,828.52
Restatements	0.00	0.00
Beginning of Year, As Restated	3,041,828.52	3,041,828.52
Net Assets - End of the Year	\$ 3,161,788.48	\$ 3,161,788.48

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, 2004

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 (TREC) 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 activities of the agency. Policy direction for the Texas Appraiser Licensing and Certification Board (TALCB), 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. Additional information can be found in Notes 16 and 17.

The function of TREC 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. Additionally, TREC protects the public by registering entities which offer timesharing interests in Texas.

Beginning in 1939, those who appraise real property for a fee in Texas were 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.

Due to the statewide requirements embedded in 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 comply with all the requirements in this statement. 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.

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.

Discretely Presented 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 financial resources except those accounted for in other funds.

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

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.

Fiduciary Fund Types

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 arrangements 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 Funds, the Real Estate Recovery Trust Account and the Real Estate Inspection 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.

Component Units

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 Notes 16 and 17. The financial statements of the component unit are presented in discrete columns on Exhibits I and II.

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

TEXAS REAL ESTATE COMMISSION (329)

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 basis of accounting. Under the modified accrual basis, 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 accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

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

Budget 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 Balances/Net Assets***ASSETS***

Cash and 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.

TEXAS REAL ESTATE COMMISSION (329)

Inventories and Prepaid Items

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. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

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 any 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 funds 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.

Current Receivables - Other

Other receivables include year-end revenue accruals. 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.

Current Payables - Other

Payables are the accrual at year-end of expenditure transactions. 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 covered employees. Liabilities are reported separately as either current or noncurrent 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.

TEXAS REAL ESTATE COMMISSION (329)

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.

Unreserved / Undesignated

This 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 constitutional 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 ACTIVITIES AND BALANCES

The agency has the following types of transactions between funds:

- (1) Transfers: Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfers Out' by the disbursing fund.
- (2) 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 the financial statements.
- (3) 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".
- (4) 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.

The composition of the agency's Interfund activities and balances are presented in Note 8.

TEXAS REAL ESTATE COMMISSION (329)

NOTE 2: Capital Assets

A Summary of changes in Capital Assets for the year ended August 31, 2004, is presented below:

D23 Fund 1114, Fund Type 01	PRIMARY GOVERNMENT					Balance 08/31/04
	Balance 09/01/03	Adjust- ments	Reclassi- fications	Additions	Deletions	
Governmental Activities:						
Depreciable Assets						
Furniture and Equipment	\$ 482,144.80	\$	\$	\$ 5,364.65	\$ (12,064.46)	\$ 475,444.69
Total Depreciable assets at historical cost	482,144.80	0.00	0.00	21,139.00	(12,064.46)	475,444.69
Less accumulated depreciation for Furniture and Equipment	(318,845.77)		0.00	(72,946.59)	12,064.46	(379,727.60)
Total accumulated depreciation	(318,845.77)	0.00	0.00	(72,946.59)	12,064.46	(379,727.60)
Depreciable Assets, net	163,299.03	0.00	0.00	(67,581.94)	0.00	95,717.09
Governmental activities Capital Assets, net	<u>\$ 163,299.03</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (67,581.94)</u>	<u>\$ 0.00</u>	<u>\$ 95,717.09</u>

D23 Fund 0001, Fund Type 14	DISCRETE COMPONENT UNIT					Balance 08/31/04
	Balance 09/01/03	Adjust- ments	Reclassi- fications	Additions	Deletions	
Governmental Activities:						
Depreciable Assets						
Furniture and Equipment	\$ 8,635.60	\$	\$	\$	\$	\$ 8,635.60
Total Depreciable assets at historical cost	8,635.60					8,635.60
Less accumulated depreciation for Furniture and Equipment	(8,635.60)					(8,635.60)
Total accumulated depreciation	(8,635.60)	0.00	0.00	0.00	0.00	(8,635.60)
Depreciable Assets, net	0.00	0.00	0.00	0.00	0.00	0.00
Governmental activities Capital Assets, net	<u>\$ 720.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

NOTE 3: Deposits, Investments & Repurchase Agreements

Effective May 19, 1975, the Real Estate Recovery Fund (Real Estate Recovery Trust Account effective September 1, 2003) 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 values 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)	\$2,157,487.50			\$2,157,487.50
Totals	\$2,157,487.50			\$2,157,487.50

Consisting of the following:

Short Term Investments	\$ 100,093.75
Long Term Investments	2,057,393.75
Total Investments	<u>\$2,157,487.50</u>

TEXAS REAL ESTATE COMMISSION (329)

NOTE 4: Short-Term Debt

Not applicable to the Texas Real Estate Commission.

NOTE 5: Summary of Long-Term Liabilities**Changes In Long-Term Liabilities**

During the year ended August 31, 2004, the following changes occurred in liabilities.

Governmental Activities D23 Fund 1114 Fund Type 01	Balance 09-01-03	Additions	Reductions	Balance 08-31-04	Amounts Due Within One Year
Compensable Leave	\$240,848.84	\$260,884.26	\$229,829.35	\$271,903.75	\$179,227.04
Total	\$240,848.84	\$260,884.26	\$229,829.35	\$271,903.75	\$179,227.04

Governmental Activities D23 Fund 0001 Fund Type 14	Balance 09-01-03	Additions	Reductions	Balance 08-31-04	Amounts Due Within One Year
Compensable Leave	\$12,208.27	\$16,642.74	\$13,115.68	\$15,735.33	\$10,833.39
Total	\$12,208.27	\$16,642.74	\$13,115.68	\$15,735.33	\$10,833.39

Employees' 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.

NOTE 6: Capital Leases

Not applicable to the Texas Real Estate Commission.

TEXAS REAL ESTATE COMMISSION (329)

NOTE 7: Operating Lease Obligations

The Texas Real Estate Commission (TREC) and the Texas Appraiser Licensing and Certification Board (TALCB) lease office space through the Texas Building and Procurement 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 through Lease No. 329-10034-E7B AUSTIN which provides for payments to be made to Gaston Manor 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 (Fund Type 01)	TALCB (Fund Type 14)	TOTAL
2005	\$421,935.36	\$32,303.04	\$454,238.40
2006	\$421,935.36	\$32,303.04	\$454,238.40
2007 & beyond	0	0	0
Total Minimum Future Lease Rental Payments	\$843,870.72	\$64,606.08	\$908,476.80

The Texas Real Estate Commission and the Texas Appraiser Licensing and Certification Board lease copiers through a State of Texas contract through the Texas Building and Procurement Commission (TBPC). Purchase Order No. 124105* provides for payments to be made to Danka Office Imaging Corporation (payments currently made to Canon Financial Services, Inc. per written directive from TBPC) from November 15, 2002 through November 14, 2006 for the Texas Real Estate Commission and from February 1, 2003 through January 31, 2008 for the Texas Appraiser Licensing and Certification Board (Purchase Order No. 141858).

Year Ended August 31,	TREC (Fund Type 01)	TALCB (Fund Type 14)	TOTAL
2005	\$16,256.52	\$5,954.04	\$22,210.56
2006	\$16,256.52	\$5,954.04	\$22,210.56
2007	\$3,342.07	\$5,954.04	\$9,296.11
2008 & beyond	0	\$2,480.85	\$2,480.85
Total Minimum Future Copier Lease Payments	\$35,855.11	\$20,342.97	\$56,198.08

The Texas Real Estate Commission leases a three station inserter through a State of Texas contract through the Texas Building and Procurement Commission (TBPC). Purchase Order No. 154956* provides for payments to be made to Mailing & Packaging Systems, Inc., from June 13, 2003 through June 12, 2008.

Year Ended August 31,	TREC (Fund Type 01)	TALCB (Fund Type 14)	TOTAL
2005	\$3,648.00	0	\$3,648.00
2006	\$3,648.00	0	\$3,648.00
2007	\$3,648.00	0	\$3,648.00

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2008 & beyond	\$2,857.60	0	\$2,857.60
Total Minimum Future Inserter Lease Payments	\$13,801.60	0	\$13,801.60

*Should an ordering entity experience a change in circumstances due to downsizing, consolidation of ordering entities, elimination of a program, or some other reason that will negate the need for the equipment, the State reserves the right to cancel the lease of the equipment. If this type of cancellation becomes necessary, the State shall provide a minimum of 60-day advance written notice to the vendor.

NOTE 8: Interfund Balances / Activity

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
- Transfers In or 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, 2004, were as follows:

	Due From Other Agencies	Due To Other Agencies	Source
GENERAL(01)			
Appd Fund 0001, D23 Fund 1114			
(Agency 320, D23 Fund 0165)		\$ 0	Unemploy Compen
FUND 0969, REAL ESTATE FEE TRUST ACCOUNT			
Appd Fund 0969, D23 Fund 0969			
(Agency 799, D23 Fund 7999)		697,302.50	Statutory Transfer
FUND 1100, GENERAL REVENUE-UNAPPR-FUND TYPE 01			
Appd Fund 0001, D23 Fund 1100			
(Agency 902, D23 Fund 0001)		224,425.90	Cash on Hand/AR for GR Unapprop
Total Due From/Due To Other Agencies (Exh I)		\$921,728.40	

TEXAS REAL ESTATE COMMISSION (329)

	Transfers In	Transfers Out	Purpose
GENERAL (01)			
FUND 0969, REAL ESTATE FEE TRUST ACCOUNT			
Appd Fund 0969, D23 Fund 0969			
(Agency 711, D23 Fund 7999)		\$2,489,152.50	Statutory Transfer
Total Transfers for Fund 0969 (Exh II & Exh. A-2)		\$2,489,152.50	

	Transfers In	Transfers Out	Purpose
PRIVATE PURPOSE TRUST FUNDS (20)			
Appd Fund 0988, D23 Fund 0988			
(Agency 902, D23 Fund 0001)		\$55,296.26	Statutory Transfer
Total Transfers for Fund 0988 (Exh VII & I-2)		\$55,296.26	

	Legislative Transfers In	Legislative Transfers Out	Purpose
GENERAL REVENUE (01)			
Appd Fund 0001, D23 Fund 1114			
(Agency 329, D23 Fund 0001)		(209.89)	Return Excess Transfer for AY03 Deficiency
Total Legislative Transfers for Fund 1114 (Exh II & Exh A-2)		(\$209.89)	

	Legislative Transfers In	Legislative Transfers Out	Purpose
COMPONENT UNIT (14)			
Appd Fund 0001, D23 Fund 0001			
(Agency 329, D23 Fund 1114)	(209.89)		Return Excess Transfer for AY03 Deficiency
Total Legislative Transfers for Fund 0001 (Exh II)	(\$209.89)		

NOTE 9: Contingent Liabilities

Not applicable to the Texas Real Estate Commission.

TEXAS REAL ESTATE COMMISSION (329)

NOTE 10: Continuance Subject to Review

Under Section 1101.006 of the Real Estate License Act (Chapter 1101, Texas Occupations Code), the Agency will be abolished effective September 1, 2007, unless continued in existence by the 80th Legislature. If abolished, the agency may continue until September 1, 2008 to close out its operations.

Section 1103.006 of the Texas Appraiser Licensing and Certification Act (Chapter 1103, Texas Occupations Code), 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 11: Risk Financing and Related Insurance

Not applicable to the Texas Real Estate Commission.

NOTE 12: Segment Information

Not applicable to the Texas Real Estate Commission.

NOTE 13: Bonded Indebtedness

Not applicable to the Texas Real Estate Commission.

NOTE 14: Subsequent Events

Not applicable to the Texas Real Estate Commission.

NOTE 15: Related Parties

Not applicable to the Texas Real Estate Commission.

NOTE 16: Stewardship, Compliance and Accountability

On September 30, 2003, a legislative transfer in the amount of \$6,941.77 was made from the Texas Real Estate Commission (H.B. 1, 77th Legislature, Article VIII, Strategy C.1.1) to the Texas Appraiser Licensing and Certification Board (H.B. 1, 77th Legislature, Article VIII, Strategy D.1.1 and Strategy D.2.1) to pay for a funding deficiency. Subsequently, \$209.89 of this amount was returned to the Texas Real Estate Commission.

TEXAS REAL ESTATE COMMISSION (329)

NOTE 17: 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 Administrator assumed the duties of TALCB Commissioner effective December 1, 2003 at the direction of the Governor's Office. TREC 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 18: Restatement of Fund Balances / Net Assets

Not applicable to the Texas Real Estate Commission.

NOTE 19: Employees Retirement Plans

Not applicable to the Texas Real Estate Commission.

NOTE 20: Deferred Compensation

Not applicable to the Texas Real Estate Commission.

NOTE 21: Donor Restricted Endowments

Not applicable to the Texas Real Estate Commission.

NOTE 22: Management Discussion and Analysis

Not applicable to the Texas Real Estate Commission.

NOTE 23: Post Employment Health Care and Life Insurance Benefits

Not applicable to the Texas Real Estate Commission.

NOTE 24: Special or Extraordinary Items

Not applicable to the Texas Real Estate Commission.

NOTE 25: Disaggregation of Receivable and Payable Balances

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, 2004

	GR Consolidated (0001) U/F (1114)	Suspense for AFR (0900) U/F (1900)	Real Estate Fee Trust Acct. (0969) U/F (0969)	GR Unappr. for AFR (0001) U/F (1100)	Total (Exh I)
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash on Hand	\$ 2,968.00	\$ 3,442.79	\$	\$ 155,100.90	\$ 161,511.69
Cash in State Treasury		209,007.73	697,302.50		906,310.23
Legislative Appropriations	471,140.15				471,140.15
Accounts Receivable	1,301.00	972.00		69,325.00	71,598.00
Consumable Inventories	29,185.30				29,185.30
Total Current Assets	\$ 504,594.45	\$ 213,422.52	\$ 697,302.50	\$ 224,425.90	\$ 1,639,745.37
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities:					
Payables From:					
Accounts Payable	\$ 124,762.65	\$	\$	\$	\$ 124,762.65
Payroll Payable	314,920.79				314,920.79
Due To Other Agencies			697,302.50	224,425.90	921,728.40
Deferred Revenues		213,422.52			213,422.52
Total Current Liabilities	439,683.44	213,422.52	697,302.50	224,425.90	1,574,834.36
FUND FINANCIAL STATEMENT-FUND BALANCES					
Fund Balances (Deficits):					
Reserved for:					
Encumbrances	14,821.56				14,821.56
Inventories	29,185.30				29,185.30
Imprest	500.00				500.00
Undesignated	20,404.15				20,404.15
Total Fund Balances	64,911.01	0.00	0.00	0.00	64,911.01
Total Liabilities and Fund Balances	\$ 504,594.45	\$ 213,422.52	\$ 697,302.50	\$ 224,425.90	\$ 1,639,745.37

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, 2004

	GR Consolidated (0001) <u>U/F (1114)</u>	Suspense for AFR (0900) <u>U/F (1900)</u>	Real Estate Fee Trust Acct. (0969) <u>U/F (0969)</u>	GR Unappr. for AFR (0001) <u>U/F (1100)</u>	Total (Exh II)
REVENUES					
Legislative Appropriations:					
Original Appropriations (GR)	\$ 3,729,979.00	\$	\$	\$	\$ 3,729,979.00
Additional Appropriations (GR)	899,177.46				899,177.46
Licenses, Fees & Permits (PR-C/S)	217,959.00		2,489,152.50		2,707,111.50
Sales of Goods and Services (PR-C/S)	187,000.46				187,000.46
Other (PR-C/S)					0.00
Total Revenues	<u>5,034,115.92</u>	<u>0.00</u>	<u>2,489,152.50</u>	<u>0.00</u>	<u>7,523,268.42</u>
EXPENDITURES					
Salaries and Wages	2,925,201.80				2,925,201.80
Payroll Related Costs	859,931.70				859,931.70
Professional Fees and Services	39,057.12				39,057.12
Travel	49,079.47				49,079.47
Materials and Supplies	263,055.65				263,055.65
Communication and Utilities	71,396.87				71,396.87
Repairs and Maintenance	50,994.10				50,994.10
Rentals & Leases	443,649.50				443,649.50
Printing and Reproduction	14,348.31				14,348.31
Other Expenditures	302,646.35				302,646.35
Capital Outlay	5,364.65				5,364.65
Total Expenditures/Expenses	<u>5,024,725.52</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>5,024,725.52</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,390.40</u>	<u>0.00</u>	<u>2,489,152.50</u>	<u>0.00</u>	<u>2,498,542.90</u>
OTHER FINANCING SOURCES (USES)					
Transfers Out			(2,489,152.50)		(2,489,152.50)
Legislative Transfers In					0.00
Legislative Transfers Out	209.89				209.89
Total Other Financing Sources and Uses	<u>209.89</u>	<u>0.00</u>	<u>(2,489,152.50)</u>	<u>0.00</u>	<u>(2,488,942.61)</u>
Net Change in Fund Balances/Net Assets	<u>9,600.29</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>9,600.29</u>
FUND FINANCIAL STATEMENT-FUND BALANCES					
Fund Balances, September 1, 2003	68,229.55				68,229.55
Appropriations Lapsed	(12,918.83)				(12,918.83)
Fund Balances--August 31, 2004	<u>\$ 64,911.01</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 64,911.01</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, 2004

	Real Estate Recovery Fund (0971) U/F (0971)	Real Estate Inspection Recovery Fund (0988) U/F (0988)	Totals (Exh VI)
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Cash on Hand	\$ 1,240.00	\$ 700.00	\$ 1,940.00
Cash in State Treasury	333,220.85	648,127.05	981,347.90
Short Term Investments	100,093.75		100,093.75
Receivables:			
Interest and Dividends	14,386.46	786.62	15,173.08
Accounts Receivable	5,840.00	0.00	5,840.00
Total Current Assets	<u>454,781.06</u>	<u>649,613.67</u>	<u>1,104,394.73</u>
Non-Current Assets:			
Investments	<u>2,057,393.75</u>	<u>0.00</u>	<u>2,057,393.75</u>
Total Non-Current Assets	<u>2,057,393.75</u>	<u>0.00</u>	<u>2,057,393.75</u>
Total Assets	<u>2,512,174.81</u>	<u>649,613.67</u>	<u>3,161,788.48</u>
LIABILITIES			
Payables from:			
Accounts			0.00
Total Liabilities	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
NET ASSETS			
Held in trust for:			
Individuals, Organizations, and Other Governments:			
Expendable	<u>2,512,174.81</u>	<u>649,613.67</u>	<u>3,161,788.48</u>
Total Net Assets	<u>\$ 2,512,174.81</u>	<u>\$ 649,613.67</u>	<u>\$ 3,161,788.48</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-2 - Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds

August 31, 2004

	Real Estate Recovery Fund (0971) U/F (0971)	Real Estate Inspection Recovery Fund (0988) U/F (0988)	Total (Ex VII)
ADDITIONS			
Contributions:			
Settlement of Claims	\$ 17,042.29	\$ 16,000.25	\$ 33,042.54
Total Contributions	<u>17,042.29</u>	<u>16,000.25</u>	<u>33,042.54</u>
Investment Income:			
From Investing Activities			
Net Appreciation (Depreciation) in Fair Value of Investments	(42,987.50)		(42,987.50)
Interest and Investment Income	102,185.84	9,099.24	111,285.08
Total Investing Income	<u>59,198.34</u>	<u>9,099.24</u>	<u>68,297.58</u>
Less Investing Activities Expense	0.00	0.00	0.00
Net Income from Investing Activities	<u>59,198.34</u>	<u>9,099.24</u>	<u>68,297.58</u>
Other Additions			
Other Revenue	262,864.38	71,720.33	334,584.71
Total Other Additions	<u>262,864.38</u>	<u>71,720.33</u>	<u>334,584.71</u>
Total Additions	<u>339,105.01</u>	<u>96,819.82</u>	<u>435,924.83</u>
DEDUCTIONS			
Travel	144.19	108.29	252.48
Materials & Supplies		4.42	4.42
Settlement of Claims	227,794.75	32,523.96	260,318.71
Other Expense	55.00	38.00	93.00
Transfers Out	0.00	55,296.26	55,296.26
Total Deductions	<u>227,993.94</u>	<u>87,970.93</u>	<u>315,964.87</u>
NET INCREASE (DECREASE)	<u>111,111.07</u>	<u>8,848.89</u>	<u>119,959.96</u>
Net Assets- Beginning of the Year	2,401,063.74	640,764.78	3,041,828.52
Restatements			
Beginning of Year, As Restated	<u>2,401,063.74</u>	<u>640,764.78</u>	<u>3,041,828.52</u>
Net Assets - End of the Year	<u>\$ 2,512,174.81</u>	<u>\$ 649,613.67</u>	<u>\$ 3,161,788.48</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 J-1 - Combining Statement of Changes in Assets and Liabilities

Agency Funds

August 31, 2004

	Beginning Balance		Additions		Deductions		Ending Balance
	September 1, 2003						August 31, 2004
<u>Appraiser Registry Fee Account (0028)</u>							
<u>U/F (0028)</u>							
ASSETS							
Current							
Cash on Hand	\$ 650.00	\$ 1,500.00	\$ 650.00	\$ 1,500.00			\$ 1,500.00
Cash in State Treasury	17,525.00	123,160.00	114,560.00	26,125.00			26,125.00
Accounts Receivable	300.00	562.00	300.00	562.00			562.00
Total Assets	\$ 18,475.00	\$ 125,222.00	\$ 115,510.00	\$ 28,187.00			\$ 28,187.00
LIABILITIES							
Current							
Funds Held for Others	\$ 18,475.00	\$ 125,222.00	\$ 115,510.00	\$ 28,187.00			\$ 28,187.00
Total Liabilities	\$ 18,475.00	\$ 125,222.00	\$ 115,510.00	\$ 28,187.00			\$ 28,187.00
 <u>Employees' Savings Bond Account (0901)</u>							
<u>U/F (0901)</u>							
ASSETS							
Current							
Cash in State Treasury	\$ 500.00	\$ 4,700.00	\$ 4,800.00	\$ 400.00			\$ 400.00
Total Assets	\$ 500.00	\$ 4,700.00	\$ 4,800.00	\$ 400.00			\$ 400.00
LIABILITIES							
Current							
Funds Held for Others	\$ 500.00	\$ 4,700.00	\$ 4,800.00	\$ 400.00			\$ 400.00
Total Liabilities	\$ 500.00	\$ 4,700.00	\$ 4,800.00	\$ 400.00			\$ 400.00
 Totals - All Agency Funds							
ASSETS							
Current							
Cash on Hand	\$ 650.00	\$ 1,500.00	\$ 650.00	\$ 1,500.00			\$ 1,500.00
Cash in State Treasury	18,025.00	127,860.00	119,360.00	26,525.00			26,525.00
Accounts Receivable	300.00	562.00	300.00	562.00			562.00
Total Assets	\$ 18,975.00	\$ 129,922.00	\$ 120,310.00	\$ 28,587.00			\$ 28,587.00
LIABILITIES							
Current							
Funds Held for Others	\$ 18,975.00	\$ 129,922.00	\$ 120,310.00	\$ 28,587.00			\$ 28,587.00
Total Liabilities	\$ 18,975.00	\$ 129,922.00	\$ 120,310.00	\$ 28,587.00			\$ 28,587.00

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

UNAUDITED

ANNUAL REPORT
OF NONFINANCIAL DATA

TEXAS REAL ESTATE COMMISSION
Austin, Texas

Year Ended August 31, 2004

WAYNE THORBURN
ADMINISTRATOR



TEXAS REAL ESTATE COMMISSION

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

December 31, 2004

Honorable Rick Perry, Governor
John O'Brien, Deputy Director, Legislative Budget Board
Lawrence F. Alwin, CPA, State Auditor
Legislative Reference Library

Gentlemen:

We are pleased to submit the Texas Real Estate Commission's *Annual Report of Nonfinancial Data* for the year ended August 31, 2004, in compliance with the TEX. GOV'T CODE ANN, Section 54, §2101.0115 (a) and (b).

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

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 1 - APPROPRIATION ITEM TRANSFERS*

For the Fiscal Year Ended August 31, 2004

ITEM OF APPROPRIATION

		<u>Transfers-In</u>	<u>Transfers-Out</u>	<u>Net Transfers</u>
A. Goal:	Ensure Standards			
Strategies:				
A.1.1 13001	Real Estate Licensing	\$ 0.00	\$ 150,000.00	\$ (150,000.00)
	Total Goal A: Ensure Standards	<u>0.00</u>	<u>150,000.00</u>	<u>(150,000.00)</u>
B. Goal:	Enforce Regulations			
Strategies:				
B.1.1 13002	Real Estate Investigation	<u>60,000.00</u>	<u>0.00</u>	<u>60,000.00</u>
	Total Goal B: Enforce Regulations	<u>60,000.00</u>	<u>0.00</u>	<u>60,000.00</u>
C. Goal:	Provide Education			
Strategies:				
C.1.1 13004	Licensee/Consumer Education	<u>80,000.00</u>	<u>0.00</u>	<u>80,000.00</u>
	Total Goal C: Provide Education	<u>80,000.00</u>	<u>0.00</u>	<u>80,000.00</u>
D. Goal:	Licensing Appraisers			
Strategies:				
D.1.1 13005	Appraiser Licensing	0.00	0.00	0.00
D.2.1 13006	Appraiser Adjudication	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	Total Goal D: Licensing Appraisers	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
E. Goal:	Real Estate Indirect Adm. & Supp. Costs			
Strategies:				
E.1.1 13800	Indirect Administration	<u>10,000.00</u>	<u>0.00</u>	<u>10,000.00</u>
	Total Goal E: Real Estate Indirect Adm. & Supp. Costs	<u>10,000.00</u>	<u>0.00</u>	<u>10,000.00</u>
	NET APPROPRIATION ITEM TRANSFERS	<u>\$ 150,000.00</u>	<u>\$ 150,000.00</u>	<u>\$ 0.00</u>

* This schedule does not include Benefit Replacement Pay Transfers, Salary Increase Transfers, or Rider Reduction Transfers.

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 2 - HUB STRATEGIC PLAN PROGRESS REPORT

For the Fiscal Year Ended August 31, 2004

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

Goal = Strategic Plan HUB Goal Actual = % Spent with HUBs from HUB Report	TREC Actual for FY '03	TREC Actual for FY '04	State Goal for FY '05
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	N/A	N/A	57.2%
Professional services contracts	0%	96.6%	20.0%
Other services contracts	27.1%	9.4%	33.0%
Commodities contracts	72.9%	59.8%	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

UNAUDITED

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 3 - INDIRECT COSTS

For the Fiscal Year Ended August 31, 2004

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

a. Payroll Related Costs

FICA Employer Matching Contribution	\$	216,214.84	
Group Health Insurance		478,887.12	
Retirement		162,897.31	
Unemployment (50% paid from appropriated funds)		1,932.43	
Total Payroll Related Costs	\$		859,931.70

Workers' Compensation (paid from appropriated funds)		27,449.52	
Benefit Replacement Pay (BRP)		40,211.98	
Total Workers' Compensation and BRP	\$		67,661.50

b. Indirect Costs

Bond Debt Service Payments		0.00	
TBPC		0.00	
TPFA		0.00	
Other		0.00	
Total Indirect Costs	\$		0.00

c. Indirect Costs - Statewide Full Cost Allocation Plan*

Comptroller		60,915.37	
DIR		1,917.40	
TBPC Purchasing		3,404.43	
TBPC Interagency Services		4,338.41	
TBPC Facilities Construction & Space Management		596.10	
GOBP		277.45	
SORM		3,170.02	
State Senate		234.41	
House of Representatives		275.61	
Legislative Council		234.41	
Legislative Budget Board		1,161.06	
Reference Library		243.57	
Sunset Advisory Commission		264.63	
Total Indirect Costs - Statewide Full Cost Allocation Plan	\$		77,032.87

TOTAL INDIRECT COSTS \$ **1,004,626.07**

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

	FTE's	%
TREC	76	91.57%
TALCB	7	8.43%
	83	100.00%

UNAUDITED

TEXAS REAL ESTATE COMMISSION (329)

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

a. Payroll Related Costs

FICA Employer Matching Contribution	\$	15,770.47	
Group Health Insurance		31,057.60	
Retirement		10,766.56	
Unemployment		0.00	
Total Payroll Related Costs	\$		57,594.63

Workers' Compensation (paid from appropriated funds)		1,396.00	
Benefit Replacement Pay (BRP)		1,625.82	
Total Workers' Compensation and BRP	\$		3,021.82

b. Indirect Costs

Bond Debt Service Payments		0.00	
TBPC		0.00	
TPFA		0.00	
Other		0.00	
Total Indirect Costs	\$		0.00

c. Indirect Costs - Statewide Full Cost Allocation Plan

Comptroller		5,610.63	
DIR		176.60	
TBPC Purchasing		313.57	
TBPC Interagency Services		399.59	
TBPC Facilities Construction & Space Management		54.90	
GOBP		25.55	
SORM		291.98	
State Senate		21.59	
House of Representatives		25.39	
Legislative Council		21.59	
Legislative Budget Board		106.94	
Reference Library		22.43	
Sunset Advisory Commission		24.37	
Total Indirect Costs - Statewide Full Cost Allocation Pla	\$		7,095.13

TOTAL INDIRECT COSTS	\$		67,711.58
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UNAUDITED

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 4 - PROFESSIONAL/CONSULTING FEES AND LEGAL SERVICE FEES

For the Fiscal Year Ended August 31, 2004

Expenditures by the Texas Real Estate Commission (Fund 1114, Fund Type 01) during fiscal year 2004 for professional/consulting fees and legal service fees included the following:

<u>Name</u>	<u>Type of Service Rendered</u>	<u>Amount</u>
Professional/Consulting Fees		
Garza Gonzalez & Associates	Internal Audit and RSC Audits	\$ 24,925.00
Rupert & Penhall PC	Review of AFR	592.50
Texas Workers' Compensation Commission	Training	136.37
University of Texas LBJ School	Training	10,000.00
University of Texas School of Social Work	Survey of Organizational Excellence	550.00
Unisys	Computer Consulting	1,700.00
Workers' Assistance Program	Employee Assistance Program	1,153.25
Total Professional/Consulting Fees		\$ <u>39,057.12</u>
Legal Service Fees		
(none)		\$ <u>0.00</u>
Total Professional/Consulting Fees and Legal Service Fees, Fund 1114, Fund Type 01		\$ <u><u>39,057.12</u></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 2004 for professional/consulting fees and legal service fees included the following:

<u>Name</u>	<u>Type of Service Rendered</u>	<u>Amount</u>
Professional/Consulting Fees		
The Appraisal Foundation	Training	\$ 1,025.04
Garza Gonzalez	Risk Assessment	2,580.00
Pearson Appraisal Company, Inc.	Expert Witness Fees	2,400.00
Workers' Assistance Program	Employee Assistance Program	105.00
Total Professional/Consulting Fees		\$ <u>6,110.04</u>
Legal Service Fees		
(none)		\$ <u>0.00</u>
Total Professional/Consulting Fees and Legal Service Fees, Fund 0001, Fund Type 14		\$ <u><u>6,110.04</u></u>

UNAUDITED

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 5 - SCHEDULE OF SPACE OCCUPIED

For the Fiscal Year Ended August 31, 2004

<u>Location</u>	<u>Address</u>	<u>Lessor</u>	<u>Lease No.</u>	<u>Type</u>
State-Owned Buildings:		N/A		
Free Space:				
Irving	Investigator's Residence			
Sherman	Investigator's Residence			
* Dallas	Investigator's Residence			
* Rowlett	Investigator's Residence			
Kingwood	Investigator's Residence			
Humble	Investigator's Residence			
Killeen	Investigator's Residence			
** San Antonio	Investigator's Residence			
Magnolia	Investigator's Residence			
*** Three Rivers	Investigator's Residence			
*** Rockport	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

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 fourteen 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 position in Dallas relocated to Rowlett as of 10/1/03.
- ** Investigator position in Austin headquarters relocated to San Antonio as of 3/1/04.
- *** Investigator position in Three Rivers relocated to Rockport as of 10/1/03.

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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	1.0				
100	0.1				
100	0.9				
100	1.0				
100	1.0				
100	1.0				
100	0.5				
100	1.0				
100	0.1				
100	0.9				
<u>1,100</u>	<u>8.5</u>				
22,832	67.5	1.540000	\$ 35,161.28	\$ 421,935.36	Lease renewed 9/1/01
1,748	7.0	1.540000	\$ 2,691.92	\$ 32,303.04	Lease renewed 9/1/01
<u>24,580</u>	<u>83.0</u>		<u>\$ 37,853.20</u>	<u>\$ 454,238.40</u>	

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TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 6 - SCHEDULE OF BONDED EMPLOYEES

For the Fiscal Year Ended August 31, 2004

Each employee of the Commission is bonded to the extent of \$10,000 by public employee dishonesty policy number 68672521 written by the Western Surety Company, South Dakota. The commission will review the necessity of renewing this policy that will expire in May 2005 and will require approval of the State Office of Risk Management to renew it.

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 and Oath	06/01/01-04	State Farm	35.00	\$10,000
Official Bond and Oath	06/01/01-04	Merchants Bonding Company	45.00	\$10,000
Official Bond and Oath	06/05/01-04	State Farm	35.00	\$10,000

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

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 7 - RECYCLED, REMANUFACTURED AND ENVIRONMENTALLY SENSITIVE PURCHASES

For the Fiscal Year Ended August 31, 2004

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		
		Non-Delegated	Delegated	Total
Total E1				
Including 1st Choice	Recycled	\$28,645.94	\$4,478.06	\$33,124.00
Total E2				
Including 1st Choice	Remanufactured	0.00	346.59	346.59
Total E3				
Including 1st Choice	Environmentally Sensitive	17,747.80	0.00	17,747.80
Total of E1, E2, and E3 includes Recycled 1st Choice Targeted Totals		\$46,393.74	\$4,824.65	\$51,218.39

FY2003 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, Toilet Seat Covers & Paper Towels	441.48	0.00	441.48	100%
Printing Paper, Copier Paper, & Computer Paper	10,706.50	3,428.60	14,135.10	76.0%
Business Envelopes	5,631.75	0.00	5,631.75	100.0%
Plastic Trash Bags	0.00	0.00	0.00	0.0%
Plastic Covered Binders	3.72	0.00	3.72	0.0%
Recycling Containers	0.00	0.00	0.00	0.0%
Photocopiers	17,677.80	0.00	17,677.80	100%
Total 1st Choice Targeted Commodities	\$34,461.25	\$3,428.60	\$37,889.85	91.0%

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	0	0
Business Envelopes	0	0	0	0
Plastic Trash Bags	0	0	0	0
Plastic Covered Binders	0	0	0	0
Recycling Containers	0	0	0	0
Photocopiers	0	0	0	0
Total Number(s)	0	0	0	0

UNAUDITED

TEXAS REAL ESTATE COMMISSION (329)

SCHEDULE 8 - PROPRIETARY PURCHASES

For the Fiscal Year Ended August 31, 2004

Proprietary purchases by the Texas Real Estate Commission (Fund 1114, fund type 01) during fiscal year 2004 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.	\$ 28,230.89
CTC Bridge software support	Core Technology Corp.	CTC Bridge terminal emulation is only supported by Core Technology Corporation.	4,760.00
Registration fees to ARELLO conference	ARELLO	ARELLO is a proprietary association and is the only provider for its own conference	3,600.00
Annual membership dues to ARELLO	ARELLO	ARELLO is a proprietary association and is the only provider	2,165.00
Annual membership dues to State Bar of Texas for staff attorneys	State Bar of Texas	State Bar of Texas is only entity that can renew attorney licenses	2,145.00
Total Proprietary Purchases, Texas Real Estate Commission			\$ <u><u>40,900.89</u></u>

ARELLO is the Association of Real Estate License Law Officials

UNAUDITED

TEXAS REAL ESTATE COMMISSION (329)

Proprietary purchases by the Texas Appraiser Licensing Certification Board (Fund 0001, fund type 14) during fiscal year 2004 included the following:

<u>Product</u>	<u>Vendor</u>	<u>Justification</u>	<u>Amount</u>
None			\$

Total Proprietary Purchases, Texas Appraiser Licensing Certification Board \$ 0.00

