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LOUISIANA REAL ESTATE COMMISSION
Office of the Governor
State of Louisiana
Baton Rouge, Louisiana

Audited Financial Statements
As of and For the Year Ended June 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-8-04

LOUISIANA REAL ESTATE COMMISSION
Office of the Governor
State of Louisiana
Baton Rouge, Louisiana

Audited Financial Statements
As of and For the Year Ended June 30, 2004

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State of Louisiana
LOUISIANA REAL ESTATE COMMISSION

Kathleen Babineaux Blanco
GOVERNOR

MEMORANDUM

TO: Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

FROM: Albert Rowe, Account Adm. 1 *(AR)*

DATE: 8/24/2004

RE: Required Financial Report Submission

Please find attached the CAFR required reports for the LA Real Estate Commission for the fiscal year ending 6/30/04.

If you have any questions, please call me at (225) 765-0191 ext.-245.

Roy Chenevert

CERTIFIED PUBLIC ACCOUNTANT

12605 S. HARRELLS FERRY ROAD, SUITE 5
BATON ROUGE, LA 70816-2563

PHONE: (225) 292-1190
FAX: (225) 292-1195
EMAIL: ROYPC@BELLSOUTH.NET

MEMBER OF:

AMERICAN INSTITUTE OF CPAs
AICPA PRIVATE COMPANIES PRACTICE SECTION
SOCIETY OF LOUISIANA CPAs

INDEPENDENT AUDITOR'S REPORT

Louisiana Real Estate Commission
Office of the Governor
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Louisiana Real Estate Commission, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the management of the Louisiana Real Estate Commission. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Real Estate Commission as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2004, on our consideration of the Louisiana Real Estate Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the Louisiana Real Estate Commission's basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Louisiana Real Estate Commission. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Roy Chenevert, CPA

Baton Rouge, Louisiana
August 6, 2004

LOUISIANA REAL ESTATE COMMISSION
Office of the Governor
State of Louisiana
Management's Discussion and Analysis

The management's discussion and analysis of the Louisiana Real Estate Commission's financial performance presents a narrative overview and analysis of the commission's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the transmittal letter and the commission's financial statements.

FINANCIAL HIGHLIGHTS

The commission's assets exceeded its liabilities at the close of fiscal year 2004 by \$3,188,628. The net assets decreased by \$57,784 (or 1.8%).

The commission's revenue increased by \$113,898 (or 2.5%), while the expenses increased by \$13,724 (or 0.3%).

OVERVIEW OF THE FINANCIAL STATEMENTS

The Louisiana Real Estate Commission's financial statements are comprised of the basic financial statements and the notes to the financial statements. In addition to the basic financial statements and the accompanying notes, other information in this report presents certain supplementary information required by legislative resolution. The basic financial statements are designed to provide readers with a broad overview of the commission's finances in a manner similar to a private sector business.

Basic Financial Statements

Under the new reporting model, the basic financial statements of the Louisiana Real Estate Commission will be less complex and present financial information for the commission as a whole, in a format designed to make the statements easier for the reader to understand. The statements of this section include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The Statement of Net Assets (page 9) presents the current and long-term portion of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the commission is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 10) presents information showing how the commission's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 11) presents information showing how the commission's cash changed as a result of current year operations. The cash flow

statement is prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets as of June 30, 2004 and 2003

| | <u>2004</u> | <u>2003</u> |
|--------------------------|--------------------|--------------------|
| Current and other assets | \$3,100,157 | \$3,271,636 |
| Capital assets | 382,092 | 261,092 |
| Total assets | <u>3,482,249</u> | <u>3,532,728</u> |
| Current liabilities | 277,196 | 264,264 |
| Non-current liabilities | 16,425 | 22,052 |
| Total liabilities | <u>293,621</u> | <u>286,316</u> |
| Total net assets | <u>\$3,188,628</u> | <u>\$3,246,412</u> |

The commission's equity interest in its capital assets is reported within the investment in capital assets. Restricted net assets represents those assets that are not available for spending as a result of legislative requirements. The unrestricted net assets are those that do not have any limitations for what these amounts may be used.

Net assets of the commission decreased by \$57,784, or 1.8%, from June 30, 2003, to June 30, 2004. A major cause of this decrease is office rent expense and new licensing software expenses.

Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2004 and 2003

| | <u>2004</u> | <u>2003</u> |
|---------------------------------|-------------------|--------------------|
| Operating revenues | \$1,742,530 | \$1,733,838 |
| Operating expenses | (1,835,856) | (1,784,936) |
| Operating (loss) | <u>(93,326)</u> | <u>(51,098)</u> |
| Non-operating revenues/expenses | 35,542 | (106,860) |
| Decrease in net assets | <u>\$(57,784)</u> | <u>\$(157,958)</u> |

The commission's total revenues increased by \$113,898 or 2.5%. The total cost of all programs and services increased by \$13,724 or 0.3%.

CAPITAL ASSETS

At the end of 2004, the commission had \$382,092 invested in a broad range of capital assets, including land, building, and furniture and equipment.

**Capital Assets at Year-end
(Net of Depreciation)**

| | |
|--------------------------|------------------|
| Land | \$198,460 |
| Construction-in-progress | 136,899 |
| Furniture and equipment | 46,733 |
| Total | <u>\$382,092</u> |

This year's major additions included \$5,065 in furniture and equipment and \$136,899 in construction-in-progress.

BUDGET

The annual budget was approved by the commission at the December 12, 2002 meeting.

**CONTACTING THE LOUISIANA REAL ESTATE
COMMISSION'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Louisiana Real Estate Commission's finances and to show the commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Executive Director, Louisiana Real Estate Commission, Post Office Box 14785, Baton Rouge, Louisiana 70898-4785.

**Louisiana Real Estate Commission
Office of the Governor
State of Louisiana
Statement of Net Assets
June 30, 2004**

| | |
|---|--------------------|
| Assets | |
| Current assets | |
| Cash (note 2) | \$2,527,903 |
| Investments (note 3) | 558,801 |
| Receivables | 1,391 |
| Due from Louisiana Real Estate Appraisers Board | 12,062 |
| Total current assets | <u>3,100,157</u> |
| Non-current assets | |
| Capital assets, net of depreciation (note 4) | <u>382,092</u> |
| Total assets | <u>3,482,249</u> |
| Liabilities | |
| Current liabilities | |
| Accounts payable (note 8) | 117,419 |
| Deposits held for others | 96,827 |
| Current portion of long-term liability | |
| Accrued compensated absences (note 9) | <u>62,950</u> |
| Total current liabilities | 277,196 |
| Non-current liabilities: | |
| Accrued compensated absences (note 9) | <u>16,425</u> |
| Total liabilities | <u>293,621</u> |
| Net assets | |
| Invested in capital assets | 382,092 |
| Restricted net assets | 400,000 |
| Unrestricted net assets | 2,406,536 |
| Total net assets | <u>\$3,188,628</u> |

See accompanying notes to the financial statements.

**Louisiana Real Estate Commission
Office of the Governor
State of Louisiana
Statement of Revenues, Expenses,
and Changes in Net Assets
Year Ended June 30, 2004**

| | |
|---------------------------------------|---------------------------|
| Operating revenues | |
| Licenses, permits, and fees | <u>\$1,742,530</u> |
| Operating expenses | |
| Personal services | 1,025,828 |
| Travel | 74,560 |
| Operating services | 359,938 |
| Supplies | 95,042 |
| Professional services | 221,155 |
| Other charges | 25,106 |
| Capital outlay | 13,263 |
| Depreciation | 20,964 |
| Total operating expenses | <u>1,835,856</u> |
| Operating (loss) | <u>(93,326)</u> |
| Non-operating revenues/expense | |
| Use of money and property | 26,121 |
| Other revenues | 2,906,783 |
| Other expenses | <u>(2,897,362)</u> |
| Total non-operating revenues/expenses | 35,542 |
| Change in net assets | (57,784) |
| Net assets, beginning of year | <u>3,246,412</u> |
| Net assets, end of year | <u><u>\$3,188,628</u></u> |

See accompanying notes to the financial statements.

**Louisiana Real Estate Commission
Office of the Governor
State of Louisiana
Statement of Cash Flows
Year Ended June 30, 2004**

| | |
|---|---------------------------|
| Cash flows from operating activities | |
| Cash received from customers | \$1,748,730 |
| Cash paid to suppliers for goods and services | (784,767) |
| Cash paid to employees for services | (1,033,518) |
| Net cash (used) by operating activities | <u>(69,555)</u> |
| Cash flows from non-capital financing activities | |
| Other non-operating revenue | 2,906,783 |
| Other non-operating expenses | (2,897,362) |
| Net cash provided by non-capital financing activities | <u>9,421</u> |
| Cash flows from capital and related financing activities | |
| Acquisition of capital assets | (141,964) |
| Net cash (used) by capital and related financing activities | <u>(141,964)</u> |
| Cash flows from investing activities | |
| Purchases of investment securities | (726) |
| Interest earned | 26,643 |
| Net cash provided by investing activities | <u>25,917</u> |
| Net (decrease) in cash | (176,181) |
| Cash, beginning of year | <u>2,704,084</u> |
| Cash, end of year | <u><u>\$2,527,903</u></u> |
| Reconciliation of operating (loss) to net cash (used) by operating activities | |
| Operating (loss) | \$(93,326) |
| Adjustments to reconcile operating (loss) to net cash (used) by operating activities | |
| Depreciation | 20,964 |
| (Increase) in other assets | (4,498) |
| Increase in accounts payable | 8,795 |
| (Decrease) in accrued compensated absences | (7,690) |
| Increase in deposits held for others | 6,200 |
| Net cash (used) by operating activities | <u><u>\$(69,555)</u></u> |

See accompanying notes to the financial statements.

LOUISIANA REAL ESTATE COMMISSION
Office of the Governor
State of Louisiana
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Louisiana Real Estate Commission is a component unit of the State of Louisiana created under the provisions of Louisiana Revised Statute 36:109, within the Office of the Governor, and is domiciled in East Baton Rouge Parish. The commission consists of nine members appointed by the governor. The members may receive a per diem not to exceed \$50 per meeting or day spent on business of the commission, plus travel expenses. The commission is charged with the responsibility of regulating the issuance of real estate licenses and timesharing registrations. Operations of the commission are funded through self-generated revenues.

Basis of Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and financial reporting standards.

Reporting Entity

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The commission is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the commission members and public service is rendered within the state's boundaries. The accompanying financial statements present only transactions of the Louisiana Real Estate Commission. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements.

Fund Accounting

All activities of the commission are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The accounting and financial reporting treatment applied to the commission is determined by its measurement focus. The transactions of the commission are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets. Net Assets are segregated into invested in capital assets, restricted net assets, and unrestricted net assets.

LOUISIANA REAL ESTATE COMMISSION
Office of the Governor
State of Louisiana
Notes to the Financial Statements
June 30, 2004

Budget Practices

Annually, the commission adopts a budget as prescribed by Revised Statute 39:1331-1342. The budget for fiscal year ended June 30, 2004, was adopted on December 12, 2002, and is prepared on the modified accrual basis of accounting. Although budget amounts lapse at year-end, the commission retains its unexpended net assets to fund expenditures of the succeeding year.

Cash and Investments

Cash includes petty cash, demand deposits and certificates of deposit. Under state law, the commission may deposit funds in a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the commission may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the commission may invest in United States Treasury obligations, United States government agency obligations, and direct security repurchase agreements, or in eligible mutual funds that invest in these securities. Investments are stated at fair value.

Capital Assets

Capital assets are recorded at cost, if purchased or constructed. Assets acquired through contributions are capitalized at their estimated fair value, if available, or at estimated fair value or cost to construct at the date of the contribution. Furniture and equipment includes all items valued over \$5,000. Assets are depreciated using the straight-line method over the useful lives of the assets as follows:

| | <u>Years</u> |
|---------------------------|--------------|
| Automobiles | 5 |
| Data processing equipment | 5 |
| Furniture and equipment | 10 |
| Buildings | 40 |

Compensated Absences

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits. Compensated absences are computed in accordance with GASB Codification Section C60, and are recognized as an expense and liability in the financial statements when incurred.

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned. Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour

LOUISIANA REAL ESTATE COMMISSION
Office of the Governor
State of Louisiana
Notes to the Financial Statements
June 30, 2004

compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer. Compensatory leave is computed in accordance with GASB Codification Section C60.105, and is recognized as an expense and liability in the financial statements when incurred.

Net Assets

Net assets comprise the various net earnings from operation, non-operating revenues, expenses, and contributions of capital. Net assets are classified in the following three components:

Invested in capital assets – Consists of all capital assets, net of accumulated depreciation.

Restricted net assets – Consists of external constraints placed on net assets use imposed by law through enabling legislation.

Unrestricted net assets – Consists of all other net assets that are not included in the other categories previously mentioned.

NOTE 2 – CASH

At June 30, 2004, the commission has cash (book balances) totaling \$2,527,903.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by Federal deposit insurance or similar Federal security or the pledge of securities owned by the fiscal agent banks. The fair value of the pledged securities plus the Federal security must at all times equal the amount on deposit with the fiscal agents. At June 30, 2004, the commission has \$2,587,603 in deposits (collected bank balances) that were 100% insured or collateralized with securities held by the commission or its agent in the commission's name.

NOTE 3 – INVESTMENTS

The commission has investments totaling \$558,801 at June 30, 2004 which was invested in U. S. Treasury Bills. These investments are stated at fair value as required by GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*.

LOUISIANA REAL ESTATE COMMISSION
Office of the Governor
State of Louisiana
Notes to the Financial Statements
June 30, 2004

NOTE 4 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

| | Balance July 1, 2003 | Additions | Deletions | Balance June 30, 2004 |
|--------------------------------|-------------------------|------------|-------------|--------------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 198,460 | \$ - | \$ - | \$ 198,460 |
| Other capital assets | | | | |
| Buildings | \$ 409,632 | \$ - | \$(409,632) | \$ - |
| Construction-in-progress | - | 136,899 | - | 136,899 |
| Less accumulated depreciation | (409,632) | - | 409,632 | - |
| Total Buildings | - | 136,899 | - | 136,899 |
| Furniture & Equipment | \$ 237,986 | \$ 5,065 | \$ (14,276) | \$ 228,775 |
| Less accumulated depreciation | (175,354) | (20,964) | 14,276 | (182,042) |
| Total Furniture & Equipment | 62,632 | (15,899) | - | 46,733 |
| Total other capital assets | \$ 62,632 | \$ 121,000 | \$ - | \$ 183,632 |
| Capital Asset Summary: | | | | |
| Capital assets not depreciated | \$ 198,460 | \$ - | \$ - | \$ 198,460 |
| Other capital assets | 647,618 | 141,964 | (423,908) | 365,674 |
| Less accumulated depreciation | (584,986) | (20,964) | 423,908 | (182,042) |
| Capital Assets, net | \$ 261,092 | \$ 121,000 | \$ - | \$ 382,092 |

NOTE 5 – RETIREMENT SYSTEM

Substantially all employees of the commission belong to the Louisiana State Employees Retirement System, a single employer defined benefit pension plan. The System is a statewide public employee retirement system and is available to all eligible employees. The System publishes annual financial reports that include detailed historical, financial, and actuarial information.

All full time commission employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months average salary multiplied by their years of credited service. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of services, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service.

The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

LOUISIANA REAL ESTATE COMMISSION
Office of the Governor
State of Louisiana
Notes to the Financial Statements
June 30, 2004

Members are required by state statute to contribute 7.5% of gross salary, and the commission is required to contribute at an actuarially determined rate as required by Revised Statute 11:102. The commission's contribution rate for fiscal years ended June 30, 2004, 2003, and 2002 were 15.8%, 14.1%, and 13%, respectively, of annual covered payroll. The commission's contributions to the System for the years ending June 30, 2004, 2003, and 2002 were \$101,356, \$94,218, and \$76,162, respectively, which are the required contributions for each year.

NOTE 6 – POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Louisiana Real Estate Commission provides certain continuing health care and life insurance benefits for its retired employees. Substantially all commission employees become eligible for those benefits if they reach normal retirement age while working for the commission. Those benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and by the commission. The commission recognizes the cost of providing those benefits (commission's portion of premiums) as an expense when paid during the year. For the year ended June 30, 2004, the cost of eight retirees benefits totaled \$52,634.

NOTE 7 – LEASE AND RENTAL COMMITMENTS

The Commission has continuing obligations for operating leases at June 30, 2004 as follows:

| <u>Fiscal Year Ending</u> | <u>Office Space</u> |
|---------------------------|---------------------|
| June 30, 2005 | \$150,150 |
| June 30, 2006 | \$150,150 |
| June 30, 2007 | \$39,585 |

Lease and rental expenses for the year ended June 30, 2004 totaled \$109,200. The Commission has no capital leases.

NOTE 8 – PAYABLES

At June 30, 2004, the Commission had payables totaling \$117,419 as follows:

| | |
|-----------------------|------------------|
| Accounts payable | \$83,695 |
| Accrued wages payable | 23,086 |
| Benefits payable | 5,381 |
| Refunds payable | 5,257 |
| Total payables | <u>\$117,419</u> |

LOUISIANA REAL ESTATE COMMISSION
Office of the Governor
State of Louisiana
Notes to the Financial Statements
June 30, 2004

NOTE 9 – COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the year ended June 30, 2004:

| | <u>July 1, 2003</u> | <u>Deductions</u> | <u>June 30, 2004</u> |
|----------------------|---------------------|-------------------|----------------------|
| Compensated Absences | \$87,065 | \$(7,690) | \$79,375 |

The deductions to compensated absences during the 2003-04 fiscal year represent the net change during the year because the additions and deductions could not readily be determined.

NOTE 10 – LITIGATION

The Louisiana Real Estate Commission intervenes in lawsuits filed against a licensee for the purpose of protecting the commission's exposure under the Louisiana Real Estate Recovery Fund. At June 30, 2004, the total exposure to the Recovery Fund is estimated to be \$178,400. Of this amount, it is reasonably possible that \$40,000 will result in payments to claimants.

NOTE 11 – RELATED PARTY TRANSACTIONS

The commission has no related party transactions at June 30, 2004.

NOTE 12 – OTHER REVENUES

Other revenues consist of \$2,885,588 of fees collected from licensees and disbursed as premiums for errors and omissions insurance and \$21,195 of miscellaneous revenue.

**Other Report Required By
Government Auditing Standards**

The following pages contain a report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.

Roy Chenevert

CERTIFIED PUBLIC ACCOUNTANT

12605 S. HARRELLS FERRY ROAD, SUITE 5
BATON ROUGE, LA 70816-2563

PHONE: (225) 292-1190
FAX: (225) 292-1195
EMAIL: ROYPC@BELLSOUTH.NET

MEMBER OF:

AMERICAN INSTITUTE OF CPAs
AICPA PRIVATE COMPANIES PRACTICE SECTION
SOCIETY OF LOUISIANA CPAs

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS

Louisiana Real Estate Commission
Office of the Governor
State of Louisiana
Baton Rouge, Louisiana

We have audited the basic financial statements of the Louisiana Real Estate Commission, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Louisiana Real Estate Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Louisiana Real Estate Commission's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the Louisiana Real Estate Commission in a separate letter dated August 6, 2004.

This report is intended solely for the information and use of the Commission and its management and is not intended to be, and should not be, used by anyone other than these specified parties.

Roy Chenevert, CPA

Baton Rouge, Louisiana
August 6, 2004

LOUISIANA REAL ESTATE COMMISSION
Office of the Governor
State of Louisiana
Schedule of Findings
For the Year Ended June 30, 2004

Type of auditor's report issued: Unqualified.

Internal control over financial reporting: No findings were identified.

Compliance: No instances of noncompliance were identified.

LOUISIANA REAL ESTATE COMMISSION
Office of the Governor
State of Louisiana
Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2003

There were no prior audit findings.

SUPPLEMENTAL INFORMATION SCHEDULES

PER DIEM PAID COMMISSION MEMBERS

The schedule of per diem paid to commission members was prepared in compliance with *House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature*. Per diem payments are authorized by Louisiana Revised Statute 37:1433. Commission members are paid \$50 per day for commission meetings and official business.

DIVISION OF ADMINISTRATION – OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY – REPORTING PACKAGE

The reporting package of the Division of Administration – Office of Statewide Reporting and Accounting Policy (OSRAP) was completed in order to provide information to OSRAP to be used in the preparation of the State of Louisiana's Comprehensive Annual Financial Report (CAFR).

**Louisiana Real Estate Commission
Office of the Governor
State of Louisiana
Schedule of Per Diem Paid Commission Members
For the Year Ended June 30, 2004**

| | <u>Number</u> | <u>Amount</u> |
|--------------------------------|---------------|----------------|
| William Bacque' | 20 | \$1,000 |
| William Boyd | 3 | 150 |
| Sandra G. Corrigan, Secretary | 16 | 800 |
| Ann B. Raines | 16 | 800 |
| David Reinauer | 18 | 900 |
| Bruce G. Roberts | 51 | 2,550 |
| Mark O. Rodi, Chairman | 50 | 2,500 |
| Arthur Sterbcow, Vice Chairman | - | - |
| William Tucker | 7 | 350 |
| Total | | <u>\$9,050</u> |

LOUISIANA REAL ESTATE COMMISSION
(Agency Name)
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2004

C O N T E N T S

TRANSMITTAL LETTER
AFFIDAVIT

Statements

MD&A

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Kathleen Babineaux Blanco
GOVERNOR

State of Louisiana
LOUISIANA REAL ESTATE COMMISSION

MEMORANDUM

TO: Office of Statewide Reporting and Accounting Policy
PO Box 94095
Baton Rouge, LA 70804-9095

FROM: Albert Rowe, Account Adm. 1 

DATE: 8/24/2004

RE: Required Financial Report Submission

Please find attached the CAFR required reports for the LA Real Estate Commission for the fiscal year ending 6/30/04.

If you have any questions, please call me at (225) 765-0191 ext.-245.

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 2004

Louisiana Real Estate Commission

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, Albert B. Rowe, Chief Financial Officer of the Louisiana Real Estate Commission who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Louisiana Real Estate Commission at June 30, 2004 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this twenty fourth day of August, 2004.

Albert B. Rowe
Signature of Agency Official

Rachel Sattley
NOTARY PUBLIC

Prepared by: Albert B. Rowe

Title: Accountant 3

Telephone No.: (225) 765-0191

Date: August 24, 2004

**STATE OF LOUISIANA
LOUISIANA REAL ESTATE COMMISSION (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004**

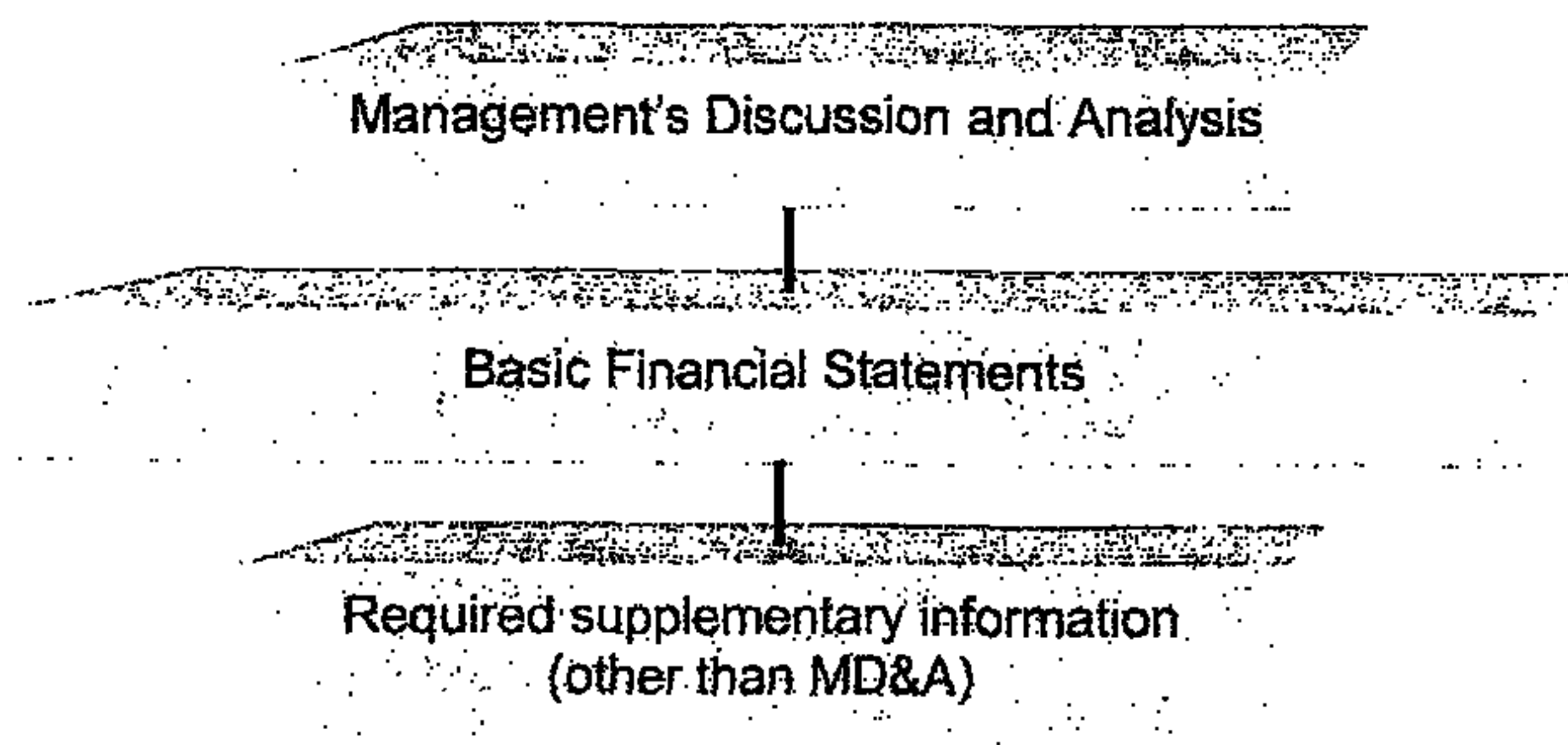
The Management's Discussion and Analysis of the Louisiana Real Estate Commission's (BTA) financial performance presents a narrative overview and analysis of the Commission's (BTA) financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the transmittal letter and the Commission's (BTA) financial statements.

FINANCIAL HIGHLIGHTS

- ★ The Commission's (BTA) assets exceeded its liabilities at the close of fiscal year 2004 by \$3,188,628 which represents a 1.8% decrease from last fiscal year. The net assets decreased by \$57,784 (or 1.8%).
- ★ The Commission's (BTA) revenue increased \$113,898 (or 2.5%) and the net results from activities decreased by \$42,228 (or 83%).
- ★
- ★

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

STATE OF LOUISIANA
 LOUISIANA REAL ESTATE COMMISSION (BTA)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AS OF JUNE 30, 2004

Basic Financial Statements

The basic financial statements present information for the Commission (BTA) as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance sheet; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows

The Balance Sheet presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Commission (BTA) is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how Commission's (BTA) assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement presents information showing how Commission's (BTA) cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income(loss) to net cash provided(used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
 as of June 30, 2004
 (in thousands)

| | Total | |
|---|----------------|----------------|
| | 2004 | 2003 |
| Current and other assets | \$ 3100 | \$ 3271 |
| Capital assets | 382 | 261 |
| Total assets | <u>3482</u> | <u>3532</u> |
| Other liabilities | 277 | 264 |
| Long-term debt outstanding | 16 | 22 |
| Total liabilities | <u>293</u> | <u>286</u> |
| Net assets: | | |
| Invested in capital assets, net of debt | 382 | 261 |
| Restricted | 400 | 400 |
| Unrestricted | 2407 | 2585 |
| Total net assets | <u>\$ 3189</u> | <u>\$ 3246</u> |

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

Net assets of the Commission (BTA) decreased by \$57,784, or 1.8%, from June 30, 2003 to June 30, 2004. Causes include expenses incurred in the current year for office rent and new licensing software.

STATE OF LOUISIANA
 LOUISIANA REAL ESTATE COMMISSION (BTA)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AS OF JUNE 30, 2004

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 for the years ended June 30, 2004
 (in thousands)

| | Total | |
|--------------------------------------|---------|---------|
| | 2004 | 2003 |
| Operating revenues | \$ 1743 | \$ 1734 |
| Operating expenses | -1836 | -1785 |
| Operating income(loss) | -93 | -51 |
| Non-operating revenues(expenses) | 36 | -107 |
| Income(loss) before transfers | -57 | -158 |
| Transfers in | 0 | 0 |
| Transfers out | 0 | 0 |
| Net increase(decrease) in net assets | \$ -57 | \$ -158 |

The Commission's (BTA) total revenues increased by \$113,898 or (2.5%). The total cost of all programs and services increased by \$13,724 or 0.3%.

STATEMENT OF CASH FLOWS

Another way to assess the financial health of BTA is to look at the Statement of Cash Flows. The Statement of Cash Flows assists readers of this statement to assess:

- The ability to generate future cash flows
- The ability to meet obligations as they come due
- A need for external financing

Statement of Cash Flows
 (in thousands)

| | 2004 | 2003 |
|---|------|------|
| Cash and cash equivalents provided used by: | | |
| Operating activities | -69 | -30 |
| Capital Financial Activities | -142 | -16 |
| Non-capital financing activities | 9 | 18 |
| Investing activities | 26 | 36 |
| Net increase in cash and cash equivalents | -176 | 8 |
| Cash and cash equivalents | | |
| Beginning of year | 2704 | 2696 |
| End of year | 2528 | 2704 |

**STATE OF LOUISIANA
LOUISIANA REAL ESTATE COMMISSION (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2004, the Commission (BTA) had \$245,193 invested in a broad range of capital assets, including land, furniture and equipment. (See Table below) This amount represents a net decrease (including additions and deductions) of \$15,899, or 6.1%, over last year.

| Capital Assets at Year-end (Net of Depreciation, in thousands) | | | |
|---|--------------|------|-----------|
| | | 2004 | 2003 |
| Land | \$ | 198 | \$ 198 |
| Buildings and improvements | | 0 | 0 |
| Equipment | | 47 | 63 |
| Construction-in-progress | | 137 | 0 |
| | Totals \$ \$ | 382 | \$ \$ 261 |

This year's major additions included (in thousands):

- \$5 in equipment and \$137 in construction-in-progress.

Debt – NOT APPLICABLE.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Revenues were approximately \$29,000 under budget and expenditures were less than budget due in part to only partial payment of new licensing software paid from the current year budget.

**STATE OF LOUISIANA
LOUISIANA REAL ESTATE COMMISSION (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004**

CONTACTING THE COMMISSION'S (BTA) MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Commission's (BTA) finances and to show the Commission's (BTA) accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Louisiana Real Estate Commission, Post Office Box 14785, Baton Rouge, LA 70898-4785.

**STATE OF LOUISIANA
LOUISIANA REAL ESTATE COMMISSION (BTA)
BALANCE SHEET
AS OF JUNE 30, 2004**

ASSETS

CURRENT ASSETS:

| | | |
|--|----|-----------|
| Cash and cash equivalents (Note C1) | \$ | 2,527,903 |
| Investments (Note C2) | | 558,801 |
| Receivables (net of allowance for doubtful accounts)(Note U) | | 1,391 |
| Due from other funds (Note Y) | | 12,062 |
| Due from federal government | | |
| Inventories | | |
| Prepayments | | |
| Notes receivable | | |
| Other current assets | | |
| Total current assets | | 3,100,157 |
| NONCURRENT ASSETS: | | |
| Restricted assets (Note F): | | |
| Cash | | |
| Investments | | |
| Receivables | | |
| Notes receivable | | |
| Capital assets (net of depreciation)(Note D) | | |
| Land | | 198,460 |
| Buildings and improvements | | |
| Machinery and equipment | | 46,733 |
| Infrastructure | | |
| Construction in progress | | 136,899 |
| Other noncurrent assets | | |
| Total noncurrent assets | | 382,092 |
| Total assets | \$ | 3,482,249 |
| LIABILITIES | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accruals (Note V) | \$ | 117,419 |
| Due to other funds (Note Y) | | |
| Due to federal government | | |
| Deferred revenues | | |
| Amounts held in custody for others | | 96,827 |
| Other current liabilities | | |
| Current portion of long-term liabilities: | | |
| Contracts payable | | |
| Reimbursement contracts payable | | |
| Compensated absences payable (Note K) | | 62,950 |
| Capital lease obligations - (Note J) | | |
| Notes payable | | |
| Liabilities payable from restricted assets (Note Z) | | |
| Bonds payable | | |
| Other long-term liabilities | | |
| Total current liabilities | | 277,196 |
| NON-CURRENT LIABILITIES: | | |
| Contracts payable | | |
| Reimbursement contracts payable | | |
| Compensated absences payable (Note K) | | 16,425 |
| Capital lease obligations (Note J) | | |
| Notes payable | | |
| Liabilities payable from restricted assets (Note Z) | | |
| Bonds payable | | |
| Other long-term liabilities | | |
| Total long-term liabilities | | 16,425 |
| Total liabilities | | 293,621 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | | 382,092 |
| Restricted for: | | |
| Capital projects | | |
| Debt service | | |
| Unemployment compensation | | 400,000 |
| Other specific purposes | | 2,406,536 |
| Unrestricted | | 3,188,628 |
| Total net assets | | 3,188,628 |
| Total liabilities and net assets | \$ | 3,482,249 |

The accompanying notes are an integral part of this financial statement.

Statement A

**STATE OF LOUISIANA
 LOUISIANA REAL ESTATE COMMISSION (BTA)
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2004**

| | Expenses | Charges for Services | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|--|--------------|----------------------|------------------------------------|----------------------------------|---|
| | | | Operating Grants and Contributions | Capital Grants and Contributions | |
| Entity | \$ 1,835,856 | \$ 1,742,530 | \$ | \$ | \$ (93,326) |
| General revenues: | | | | | |
| Taxes | | | | | |
| State appropriations | | | | | |
| Grants and contributions not restricted to specific programs | | | | | |
| Interest | | | | | 26,121 |
| Miscellaneous | | | | | 9,421 |
| Special items | | | | | |
| Transfers | | | | | |
| Total general revenues, special items, and transfers | | | | | 35,542 |
| Change in net assets | | | | | (57,784) |
| Net assets - beginning | | | | | 3,246,412 |
| Net assets - ending | | | | \$ | 3,188,628 |

**STATE OF LOUISIANA
LOUISIANA REAL ESTATE COMMISSION (BTA)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

| | | | |
|---|----|-------------|------------------|
| Cash flows from operating activities | | | |
| Cash received from customers | \$ | 1,748,730 | |
| Cash payments to suppliers for goods and services | | (784,767) | |
| Cash payments to employees for services | | (1,033,518) | |
| Payments in lieu of taxes | | | |
| Internal activity-payments to other funds | | | |
| Claims paid to outsiders | | | |
| Other operating revenues(expenses) | | | |
| Net cash provided(used) by operating activities | | | (69,555) |
| Cash flows from non-capital financing activities | | | |
| State appropriations | | | |
| Proceeds from sale of bonds | | | |
| Principal paid on bonds | | | |
| Interest paid on bond maturities | | | |
| Proceeds from issuance of notes payable | | | |
| Principal paid on notes payable | | | |
| Interest paid on notes payable | | | |
| Operating grants received | | | |
| Other | | 9,421 | |
| Transfers In | | | |
| Transfers Out | | | |
| Net cash provided(used) by non-capital financing activities | | | 9,421 |
| Cash flows from capital and related financing | | | |
| Proceeds from sale of bonds | | | |
| Principal paid on bonds | | | |
| Interest paid on bond maturities | | | |
| Proceeds from issuance of notes payable | | | |
| Principal paid on notes payable | | | |
| Interest paid on notes payable | | | |
| Acquisition/construction of capital assets | | (141,964) | |
| Proceeds from sale of capital assets | | | |
| Capital contributions | | | |
| Other | | | |
| Net cash provided(used) by capital and related financing activities | | | (141,964) |
| Cash flows from investing activities | | | |
| Purchases of investment securities | | (726) | |
| Proceeds from sale of investment securities | | | |
| Interest and dividends earned on investment securities | | 26,643 | |
| Net cash provided(used) by investing activities | | | 25,917 |
| Net increase(decrease) in cash and cash equivalents | | | (176,181) |
| Cash and cash equivalents at beginning of year | | | 2,704,084 |
| Cash and cash equivalents at end of year | \$ | | <u>2,527,903</u> |

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
 LOUISIANA REAL ESTATE COMMISSION (BTA)
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2004**

| Reconciliation of operating income(loss) to net cash provided(used) by operating activities: | | | |
|---|---------|----|-----------------|
| Operating income(loss) | | \$ | (93,326) |
| Adjustments to reconcile operating income(loss) to net cash | | | |
| Depreciation/amortization | 20,964 | | |
| Provision for uncollectible accounts | | | |
| Changes in assets and liabilities: | | | |
| (Increase)decrease in accounts receivable, net | | | |
| (Increase)decrease in due from other funds | | | |
| (Increase)decrease in prepayments | | | |
| (Increase)decrease in inventories | | | |
| (Increase)decrease in other assets | (4,498) | | |
| Increase(decrease) in accounts payable and accruals | 8,795 | | |
| Increase(decrease) in accrued payroll and related benefits | | | |
| Increase(decrease) in compensated absences payable | (7,690) | | |
| Increase(decrease) in due to other funds | | | |
| Increase(decrease) in deferred revenues | | | |
| Increase(decrease) in other liabilities | 6,200 | | |
| Net cash provided(used) by operating activities | | \$ | (69,555) |

Schedule of noncash investing, capital, and financing activities:

| | |
|--|--------------|
| Borrowing under capital lease | _____ |
| Contributions of fixed assets | _____ |
| Purchases of equipment on account | _____ |
| Asset trade-ins | _____ |
| Other (specify) | _____ |
| _____ | _____ |
| _____ | _____ |
| Total noncash investing, capital, and financing activities: | _____ |

(Concluded)

The accompanying notes are an integral part of this statement.

Statement D

**STATE OF LOUISIANA
LOUISIANA REAL ESTATE COMMISSION (BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

INTRODUCTION

The Louisiana Real Estate Commission (BTA) was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 36:109. The following is a brief description of the operations of the Commission (BTA) which includes the parish/parishes in which the (BTA) is located:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of the Commission present information only as to the transactions of the programs of the Commission as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Commission are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING

The appropriations made for the operations of the various programs of the Commission (BTA) are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements include the original appropriation plus subsequent amendments as follows:

**STATE OF LOUISIANA
LOUISIANA REAL ESTATE COMMISSION (BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

| | APPROPRIATIONS |
|--------------------------------|-----------------------|
| Original approved budget | \$ 3,459,621 |
| Amendments: | |
| To increase E&O insurance | 1,400,000 |
| To increase operating expenses | 40,676 |
| Final approved budget | \$ 4,900,297 |

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (If all agency cash and investments are deposited in the State Treasury, disregard Note C.)

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Commission (BTA) may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the (BTA) may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer.

Following the issuance of GASB Statement 3, deposits were classified into three categories of custodial credit risk depending on whether they were insured or collateralized, and who held the collateral and how it was held.

Category 1 – Deposits that are covered by insurance (FDIC) or collateralized with securities that are held by the entity in the entity's name or registered in the entity's name. **(separate disclosure no longer required)**

Category 2 – Deposits that are not insured but are collateralized with securities that are held by the financial institution's trust department or agent and are in the entity's name. **(separate disclosure no longer required)**

Category 3 – Deposits that are not covered by insurance and also are not collateralized. Not collateralized includes when the securities (collateral) are held by the financial institution's trust department or agent and they are not in the entity's name. **(separate disclosure still required)**

GASB Statement 40 only requires any category 3 deposits to be disclosed in the custodial credit risk section of Note C. If an entity has deposits exposed to custodial credit risk category 3, it should disclose the amount of those balances, the fact that they are uninsured, and whether the balances are either uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

**STATE OF LOUISIANA
LOUISIANA REAL ESTATE COMMISSION (BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

The deposits at June 30, 2004 consisted of the following:

| | Cash | Certificates of Deposit | Other (Describe) | Total |
|---|--------------|----------------------------|---------------------|--------------|
| Deposits in bank accounts per balance sheet | \$ 2,152,903 | \$ 375,000 | \$ | \$ 2,527,903 |
| Bank balances (category 3 only, if any) | | | | |
| Identify amounts reported as category 3 by the descriptions below: | | | | |
| a. Uninsured and uncollateralized | \$ | \$ | \$ | \$ - |
| b. Uninsured and collateralized with securities held by the pledging institution | | | | - |
| c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the entity's name | | | | - |
| Total category 3 bank balances | \$ - | \$ - | \$ - | \$ - |
| Total bank balances (All categories including category 3 reported above) | \$ 2,212,603 | \$ 375,000 | \$ | \$ 2,587,603 |

NOTE: The "Total Bank Balances" will not necessarily equal the "Deposits in Bank Account per Balance Sheet".

The following is a breakdown by banking institution, program, account number, and amount of the balances shown above:

| Banking institution | Program | Amount |
|---------------------------|---------|--------------|
| 1. Hibernia National Bank | BTA | \$ 1,995,074 |
| 2. Bank One | BTA | 12,350 |
| 3. Hancock Bank | BTA | 580,178 |
| 4. | | |
| Total | | \$ 2,587,603 |

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the balance sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included on the balance sheet.

| | | |
|------------------------|----|-------------|
| Cash in State Treasury | \$ | <u>None</u> |
| Petty cash | \$ | <u>300</u> |

2. INVESTMENTS

The Commission (BTA) does maintain investment accounts as authorized by R.S. 49:327(C) (Note legal provisions authorizing investments by (BTA)).

Investments can be classified according to the level of risk to the entity. Using the following categories, list each type of investment disclosing the carrying amount, market value, and applicable category of risk. **Beginning with fiscal year ending June 30, 2004, only risk category 3 has to be broken out**

**STATE OF LOUISIANA
LOUISIANA REAL ESTATE COMMISSION (BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

3. Other Disclosures Required for Investments NOT APPLICABLE

D. CAPITAL ASSETS – INCLUDING CAPITAL LEASES ASSETS

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity are charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

| | Year ended June 30, 2004 | | | | | | |
|--|--------------------------|----------------------|---------------------|-----------------|------------|------------------|----------------|
| | Balance | Prior | Adjusted | | | | Balance |
| | 6/30/2003 | Period Adjustment | Balance 7/1/2003 | Additions | Transfers* | Retirements | 6/30/2004 |
| Capital assets not being depreciated | | | | | | | |
| Land | 198,460 | -- | 198,460 | -- | -- | -- | 198,460 |
| Non-depreciable land improvements | -- | -- | -- | -- | -- | -- | -- |
| Capitalized collections | -- | -- | -- | -- | -- | -- | -- |
| Construction in progress | -- | -- | -- | -- | -- | -- | -- |
| Total capital assets not being depreciated | 198,460 | -- | 198,460 | -- | -- | -- | 198,460 |
| Other capital assets | | | | | | | |
| Furniture, fixtures, and equipment | 237,986 | -- | 237,986 | 5,065 | -- | (14,276) | 228,775 |
| Less accumulated depreciation | (175,354) | -- | (175,354) | (20,964) | -- | 14,276 | (182,042) |
| Total furniture, fixtures, and equipment | 62,632 | -- | 62,632 | (15,899) | -- | -- | 46,733 |
| Buildings and improvements | 409,632 | -- | 409,632 | -- | -- | (409,632) | -- |
| Less accumulated depreciation | (409,632) | -- | (409,632) | -- | -- | 409,632 | -- |
| Total buildings and improvements | -- | -- | -- | -- | -- | -- | -- |
| Depreciable land improvements | -- | -- | -- | 136,899 | -- | -- | 136,899 |
| Less accumulated depreciation | -- | -- | -- | -- | -- | -- | -- |
| Total depreciable land improvements | -- | -- | -- | 136,899 | -- | -- | 136,899 |
| Infrastructure | -- | -- | -- | -- | -- | -- | -- |
| Less accumulated depreciation | -- | -- | -- | -- | -- | -- | -- |
| Total infrastructure | -- | -- | -- | -- | -- | -- | -- |
| Total other capital assets | 62,632 | -- | 62,632 | 121,000 | -- | -- | 183,632 |
| Capital Asset Summary: | | | | | | | |
| Capital assets not being depreciated | 198,460 | -- | 198,460 | -- | -- | -- | 198,460 |
| Other capital assets, at cost | 647,618 | -- | 647,618 | 141,964 | -- | (423,908) | 365,674 |
| Total cost of capital assets | 846,078 | -- | 846,078 | 141,964 | -- | (423,908) | 564,134 |
| Less accumulated depreciation | (584,986) | -- | (584,986) | (20,964) | -- | 423,908 | (182,042) |
| Capital assets, net | 261,092 | -- | 261,092 | 121,000 | -- | -- | 382,092 |
| * Should be used only for those completed projects coming out of construction-in-progress to fixed assets; not associated with transfers reported elsew here in this packet. | | | | | | | |

**STATE OF LOUISIANA
LOUISIANA REAL ESTATE COMMISSION (BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

E. INVENTORIES – NOT APPLICABLE.

F. RESTRICTED ASSETS – NOT APPLICABLE.

G. LEAVE

1. COMPENSATED ABSENCES

The Commission (BTA) has the following policy on annual and sick leave: (Describe leave policy.)

An example disclosure follows:

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the fund when leave is actually taken; it is recognized in the enterprise funds when the leave is earned. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in long-term obligations.

2. COMPENSATORY LEAVE

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employees' hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 2004 (fiscal close) computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be \$26. The leave payable is recorded in the accompanying financial statements.

H. RETIREMENT SYSTEM

Substantially all of the employees of the (BTA) are members of the Louisiana State Employees Retirement System, a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time (BTA) employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service.

Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the (BTA) is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2004, increased to 15.8% of annual covered payroll from the 14.1% and 13% required

**STATE OF LOUISIANA
LOUISIANA REAL ESTATE COMMISSION (BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

in fiscal years ended June 30, 2003 and 2002, respectively. The (BTA) contributions to the System for the years ending June 30, 2004, 2003, and 2002, were \$101,356, \$94,218, and \$76,162, respectively, equal to the required contributions for each year.

I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

GASB 12 requires the following disclosures about an employer's accounting for post retirement health care and life insurance benefits:

1. A description of the benefits provided and the employee group covered.
2. A description of the accounting and funding policies followed for those benefits.
3. The cost of those benefits recognized for the period, unless the costs are not readily determinable.**
4. The effect of significant matters affecting the comparability of the costs recognized for all periods presented.

**If the cost of any post retirement health care or life insurance benefits cannot readily be separated from the cost of providing such benefits for active employees or otherwise be reasonably approximated, the total cost of providing those benefits to active employees and retirees, as well as the number of active employees and the number of retirees covered by the plan must be disclosed.

Substantially all (BTA) employees become eligible for post employment health care, dental and life insurance benefits if they reach normal retirement age while working for the (BTA). These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the (BTA). For 2004, the cost of providing those benefits for the eight retirees totaled \$52,634.

J. LEASES

1. OPERATING LEASES

The total payments for operating leases during fiscal year 2004 amounted to \$109,200. A schedule of payments for operating leases follows:

| Nature of lease | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010-2014 | FY2015-2019 |
|-----------------|-------------------|-------------------|------------------|-------------|-------------|-------------|-------------|
| Office space | \$ 150,150 | \$ 150,150 | \$ 39,585 | \$ | \$ | \$ | \$ |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Total | \$ 150,150 | \$ 150,150 | \$ 39,585 | \$ - | \$ - | \$ - | \$ - |

2. CAPITAL LEASES – Not applicable.
3. LESSOR DIRECT FINANCING LEASES – Not applicable.
4. LESSOR – OPERATING LEASE – Not applicable.

K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2004:

**STATE OF LOUISIANA
LOUISIANA REAL ESTATE COMMISSION (BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

| | Balance June 30, 2003 | Year ended June 30, 2004 | | Balance June 30, 2004 | Amounts due within one year |
|--|-----------------------------|--------------------------|------------|-----------------------------|-----------------------------------|
| | | Additions | Reductions | | |
| | | | | | |
| Bonds and notes payable: | | | | | |
| Notes payable | \$ | \$ | \$ | \$ - | \$ |
| Reimbursement contracts payable | | | | - | |
| Bonds payable | | | | - | |
| Total notes and bonds | - | - | - | - | - |
| Other liabilities: | | | | | |
| Contracts payable | | | | - | |
| Compensated absences payable | 87,065 | | 7,690 | 79,375 | 62,950 |
| Capital lease obligations | | | | - | |
| Liabilities payable from restricted assets | | | | - | |
| Claims and litigation | | | | - | |
| Other long-term liabilities | | | | - | |
| Total other liabilities | 87,065 | - | 7,690 | 79,375 | 62,950 |
| Total long-term liabilities | 87,065 | - | 7,690 | 79,375 | 62,950 |

- L. LITIGATION – Not applicable.
- M. RELATED PARTY TRANSACTIONS – Not applicable.
- N. ACCOUNTING CHANGES- Not applicable.
- O. IN-KIND CONTRIBUTIONS – Not applicable.
- P. DEFEASED ISSUES – Not applicable.
- Q. COOPERATIVE ENDEAVORS – Not applicable.
- R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) – Not applicable.
- S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS – Not applicable.
- T. SHORT-TERM DEBT – Not applicable.
- U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2004 were as follows:

**STATE OF LOUISIANA
LOUISIANA REAL ESTATE COMMISSION (BTA)**

Notes to the Financial Statement

As of and for the year ended June 30, 2004

| Activity | Customer | Taxes | Receivables from other Governments | Other Receivables | Total Receivables |
|---|-------------|-------|--|----------------------|----------------------|
| | Receivables | | | | |
| Interest receivable | \$ - | \$ - | \$ - | \$ 1,391 | \$ 1,391 |
| | | | | | - |
| Gross receivables | \$ - | \$ - | \$ - | \$ 1,391 | \$ 1,391 |
| Less allowance for uncollectible accounts | - | - | - | - | - |
| Receivables, net | \$ - | \$ - | \$ - | \$ 1,391 | \$ 1,391 |
| Amounts not scheduled for collection during the subsequent year | \$ - | \$ - | \$ - | \$ - | \$ - |

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2004 were as follows:

| Activity | Vendors | Salaries and Benefits | Accrued Interest | Other Payables | Total Payables |
|----------------|-----------|-----------------------------|---------------------|-------------------|-------------------|
| | | \$ 94,333 | \$ 23,086 | \$ - | \$ - |
| Total payables | \$ 94,333 | \$ 23,086 | \$ - | \$ - | \$ 117,419 |

W. SUBSEQUENT EVENTS – Not applicable.

X. SEGMENT INFORMATION – Not applicable.

Y. DUE TO/DUE FROM AND TRANSFERS

1. List by fund type the amounts due from other funds detailed by individual fund at your fiscal year end:

| Type of Fund | Name of Fund | Amount |
|----------------------------|----------------------------------|----------|
| BTA | La. Real Estate Appraisers Board | \$12,062 |
| | | |
| Total due from other funds | | \$12,062 |

2. List by fund type the amounts due to other funds detailed by individual fund at fiscal year end:

| Type of Fund | Name of Fund | Amount |
|--------------------------|--------------|--------|
| | | \$ - |
| | | |
| Total due to other funds | | \$None |

**STATE OF LOUISIANA
 LOUISIANA REAL ESTATE COMMISSION (BTA)
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004**

3. List by fund type all transfers from other funds for the fiscal year:

| <u>Type of Fund</u> | <u>Name of Fund</u> | <u>Amount</u> |
|----------------------------------|---------------------|----------------------|
| _____ | _____ | \$ _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| Total transfers from other funds | | <u><u>\$None</u></u> |

4. List by fund type all transfers to other funds for the fiscal year:

| <u>Type of Fund</u> | <u>Name of Fund</u> | <u>Amount</u> |
|--------------------------------|---------------------|----------------------|
| _____ | _____ | \$ _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| Total transfers to other funds | | <u><u>\$None</u></u> |

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS – Not applicable.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS – Not applicable.

SCHEDULE 1

STATE OF LOUISIANA

(BTA)

SCHEDULE OF STATE FUNDING
For the Year Ended _____
(Fiscal Close)

NOT APPLICABLE

| | <u>Description of Funding</u> | <u>Amount</u> |
|-----|-------------------------------|---------------|
| 1. | _____ | \$ _____ |
| 2. | _____ | _____ |
| 3. | _____ | _____ |
| 4. | _____ | _____ |
| 5. | _____ | _____ |
| 6. | _____ | _____ |
| 7. | _____ | _____ |
| 8. | _____ | _____ |
| 9. | _____ | _____ |
| 10. | _____ | _____ |
| | Total | \$ _____ |

STATE OF LOUISIANA
 _____ (BTA)
 SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
 For The Year Ended _____
 (Fiscal Close)

NOT APPLICABLE

| Fiscal Year Ending: | <u>Principal</u> | <u>Interest</u> |
|------------------------|------------------|-----------------|
| 2005 | \$ _____ | \$ _____ |
| 2006 | _____ | _____ |
| 2007 | _____ | _____ |
| 2008 | _____ | _____ |
| 2009 | _____ | _____ |
| 2010 | _____ | _____ |
| 2011 | _____ | _____ |
| 2012 | _____ | _____ |
| 2013 | _____ | _____ |
| 2014 | _____ | _____ |
| 2015 | _____ | _____ |
| 2016 | _____ | _____ |
| 2017 | _____ | _____ |
| 2018 | _____ | _____ |
| 2019 | _____ | _____ |
| 2020 | _____ | _____ |
| 2021 | _____ | _____ |
| 2022 | _____ | _____ |
| 2023 | _____ | _____ |
| 2024 | _____ | _____ |
| 2025 | _____ | _____ |
| 2026 | _____ | _____ |
| 2027 | _____ | _____ |
| 2028 | _____ | _____ |
| 2029 | _____ | _____ |
| Total | \$ _____ -- | \$ _____ -- |

STATE OF LOUISIANA
 _____ (BTA)
SCHEDULE OF CAPITAL LEASE AMORTIZATION
 For The Year Ended June 30, 20__

NOT APPLICABLE

| Fiscal Year Ending: | <u>Payment</u> | <u>Interest</u> | <u>Principal</u> | Balance |
|------------------------|--------------------|--------------------|------------------|-----------------|
| 2005 | \$ _____ | \$ _____ | \$ _____ | \$ _____ -- |
| 2006 | _____ | _____ | _____ | _____ -- |
| 2007 | _____ | _____ | _____ | _____ -- |
| 2008 | _____ | _____ | _____ | _____ -- |
| 2009 | _____ | _____ | _____ | _____ -- |
| 2010-2014 | _____ | _____ | _____ | _____ -- |
| 2015-2019 | _____ | _____ | _____ | _____ -- |
| 2020-2024 | _____ | _____ | _____ | _____ -- |
| 2025-2029 | _____ | _____ | _____ | _____ -- |
| Total | \$ _____ -- | \$ _____ -- | _____ -- | _____ -- |

STATE OF LOUISIANA
 _____ (BTA)
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 20__
NOT APPLICABLE

| Fiscal Year Ending: | <u>Principal</u> | <u>Interest</u> |
|------------------------|------------------|-----------------|
| 2005 | \$ _____ | \$ _____ |
| 2006 | _____ | _____ |
| 2007 | _____ | _____ |
| 2008 | _____ | _____ |
| 2009 | _____ | _____ |
| 2010 | _____ | _____ |
| 2011 | _____ | _____ |
| 2012 | _____ | _____ |
| 2013 | _____ | _____ |
| 2014 | _____ | _____ |
| 2015 | _____ | _____ |
| 2016 | _____ | _____ |
| 2017 | _____ | _____ |
| 2018 | _____ | _____ |
| 2019 | _____ | _____ |
| 2020 | _____ | _____ |
| 2021 | _____ | _____ |
| 2022 | _____ | _____ |
| 2023 | _____ | _____ |
| 2024 | _____ | _____ |
| 2025 | _____ | _____ |
| 2026 | _____ | _____ |
| 2027 | _____ | _____ |
| 2028 | _____ | _____ |
| 2029 | _____ | _____ |
| Total | \$ _____ -- | \$ _____ -- |

STATE OF LOUISIANA

LOUISIANA REAL ESTATE COMMISSION (BTA)

COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the state and reason for the changes in the budget, please complete the schedule below. If the change is greater than 10%, explain the reason for the change.

| | <u>2004</u> | <u>2003</u> | <u>Difference</u> | <u>Percentage Change</u> |
|-------------------|-------------|-------------|-------------------|--------------------------|
| 1) Revenues | \$ 4675434 | \$ 4561536 | \$ 113898 | \$ 2.5% |
| Expenses | 4733218 | 4719494 | 13724 | 0.3% |
| 2) Capital assets | 382092 | 261092 | 121000 | 46.3%* |
| Long-term debt | | | | |
| Net Assets | 3188628 | 3246412 | -57784 | -1.8% |

Explanation for change: * Additions to capital assets of \$141,964 less depreciation expense of \$20,964.

| 3) | <u>2004 Original Budget</u> | <u>2004 Final Budget</u> | <u>Difference</u> | <u>Percentage Change</u> |
|--------------|-----------------------------|--------------------------|-------------------|--------------------------|
| Revenues | \$ 3291575 | \$ 4704160 | \$ 1412585 | \$ 42.9% |
| Expenditures | 3459621 | 4900297 | 1440676 | 41.6% |

Explanation of change: Revised to increase E&O insurance collections and remittance of \$1,400,000 and increase operating expenses by \$40,676.

| | <u>2004 Final Budget</u> | <u>2004 Actual Budget</u> | <u>Difference</u> | <u>Percentage Change</u> |
|--------------|--------------------------|---------------------------|-------------------|--------------------------|
| Revenues | 4704160 | 4675434 | 28726 | 0.6% |
| Expenditures | 4900297 | 4733218 | 167079 | 3.4% |

Explanation of change:

Roy Chenevert

CERTIFIED PUBLIC ACCOUNTANT

12605 S. HARRELLS FERRY ROAD, SUITE 5
BATON ROUGE, LA 70816-2563

PHONE: (225) 292-1190
FAX: (225) 292-1195
EMAIL: ROYPC@BELLSOUTH.NET

MEMBER OF:

AMERICAN INSTITUTE OF CPAs
AICPA PRIVATE COMPANIES PRACTICE SECTION
SOCIETY OF LOUISIANA CPAs

To the Commission Members of
Louisiana Real Estate Commission

In planning and performing our audit of the financial statements of Louisiana Real Estate Commission for the year ended June 30, 2004, we considered the Commission's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, we became aware of the following matter that is an opportunity for strengthening internal controls and operating efficiency. This comment does not affect our report dated August 6, 2004, on the financial statements of the Commission.

Ethics Policy

We noted that the Commission has not adopted a formal ethics policy. We recommend that a formal ethics policy be adopted, and that all Commission members and employees review and certify annually their compliance with such policy. If Commission members and employees are aware of the policy and review it annually, then the risk of unknowingly violating the policy would be reduced.

This report is intended solely for the information and use of the Commission and management of Louisiana Real Estate Commission.

Roy Chenevert, CPA

Baton Rouge, Louisiana
August 6, 2004

**Management's Corrective Action Plan and
Response to the Finding and Recommendation**



State of Louisiana
LOUISIANA REAL ESTATE COMMISSION

Kathleen Babineaux Blanco
GOVERNOR

August 24, 2004

Mr. Roy Chenevert
Certified Public Accountant
12605 S. Harrells Ferry Road, Suite 5
Baton Rouge, LA 70816-2563

Dear Mr. Chenevert:

In connection with your recommendation, the Louisiana Real Estate Commission will develop and implement a formal ethics policy, and require all Commission members and employees to review and certify annually their compliance with such policy.

Sincerely,

Julius C. Willie, Executive Director
Louisiana Real Estate Commission

JCW/acm