

**KENT COUNTY
APPRAISAL DISTRICT
BIENNIAL REAPPRAISAL
PLAN**

TAX YEARS 2015-2016

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EXECUTIVE SUMMARY

TAX CODE REQUIREMENT:

Passage of Senate Bill 1652 amended Section 6.05 of the Texas Property Tax code by adding Subsection (i) to read as follows:

To ensure adherence with generally accepted appraisal practices, the board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10th day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place of the hearing. Not later than September 15 of each even-numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the Comptroller within 60 days of the approval date.

Plan for Periodic Reappraisal Requirement:

Senate Bill 1652 amends Section 25.18, Subsections (a) and (b) to read as follows:

- (a) Each appraisal office shall implement the Plan for Periodic Reappraisal of property approved by the board of directors under Section 6.05(i).
- (b) The plan shall provide for the following reappraisal activities for all real and personal property in the district at least once every three years:
 - L identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps, and property sketches;
 - Z identifying and updating relevant characteristics of each property in the appraisal records;
 - 3. defining market areas in the district;
 - 4. identifying property characteristics that affect property value in each market area, including:
 - a. the location and market area of property;
 - b. physical attributes of property, such as size, age, and condition;
 - c. legal and economic attributes; and

d. easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions; developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics; applying the conclusions reflected in the model to the characteristics of the properties being appraised; and reviewing the appraisal results to determine value.

REVALUATION (REAPPRAISAL CYCLE)

The Kent CAD reappraises all property in the district every year. The reappraisal year is a partial appraisal of properties in the district Tax year 2015 is reappraisal year and tax year 2016 is a reappraisal year.

PERFORMANCE ANALYSIS:

Performance Analysis - the equalized values from the previous tax year are analyzed with ratio studies to determine the appraisal accuracy and appraisal uniformity overall and by market area within property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* of the International Association of Assessing Officers. Mean, median and weighted ratios are calculated for properties in reporting categories to measure the level of appraisal accuracy. The mean ratio is calculated in each reappraisal category to indicate the level of appraisal accuracy by property reporting category. In 2015 the reappraisal year, this analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance. In 2016 the reappraisal year, this analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance. In 2015 and 2016 any reporting category that may have been excluded from reappraisal due to lack of data to support reappraisal will be tested and analyzed to arrive at an indication of uniformity or equity of existing appraisals.

ANALYSKOF AVAILABLE RESOURCES:

Staffing and budget requirements for tax year 2015 are detailed in the 2015 budget, as adopted by the Board of Directors of the Kent County Appraisal District, and attached *to* the written biennial plan by reference. This reappraisal plan is adjusted *to* reflect the available staffing in tax year 2015 and anticipated staffing for tax year 2016. Budget restraints can impact the cycle of real property re-inspection and personal property on-site review that can be accomplished in the 2015/2016 time period.

Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current. In the reappraisal year, real property appraisal depreciation tables are tested against verified sales data to ensure they represent current market data. Personal property- density schedules are tested and analyzed based on renditions and prior year documentation. Due to lack of sales of personal property in the district, the Comptroller's Guide is utilized *to* appraise personal property and for testing and analysis purposes.

Information Systems (IS) support is detailed and system upgrades are scheduled. Existing maps and data requirements are continually updated and kept current.

PIJV3SNINGANDORGA3SIZATION:

A calendar of key events with critical completion dates is prepared for each area of work. This calendar identifies key events for appraisal, clerical, customer service, and information systems. A calendar is prepared for tax years 2015 and 2016. Production standards for field activities are calculated and incorporated in the planning and scheduling process.

MASS APPRAISAL SYSTEM:

Computer Assisted Mass Appraisal (CAMA) system revisions are completed by the Information Systems Software Provider. The Provider performs system revisions and procedures.

Real Property Valuation

Revisions *to* cost models, income models, and market models are specified, updated, and tested each tax year.

Cost schedules are tested with market data (sales) to insure that the appraisal district is in compliance with Texas Property Tax Code, Section 23.011. Replacement cost new tables as well as depreciation tables are tested for accuracy and uniformity using ratio study tools and compared with cost data from recognized industry leaders, such as Marshall & Swift.

Land schedules are updated using current market data (sales) and then tested with ratio study tools. Value schedules are developed and tested on a pilot basis with ratio study tools.

Mineral Property Valuation

Mineral appraisal data is gathered each year from various sources. The production data is obtained from a service, which purchases the data from the Railroad Commission of Texas. The price data is derived from raw data provided by the Property Tax Division of the Comptrollers office. The escalation used in the mineral appraisal is limited and governed by the Comptrollers office. Mineral appraisals in Texas are performed on a cash flow basis as prescribed by the Texas property tax code.

Personal Property Valuation.

Density schedules are tested using data received during the previous tax year from renditions and hearing documentation. Valuation procedures are reviewed, modified as needed, and tested. The latest edition of the Comptroller's Guide is utilized heavily in the appraisal of personal property.

Noticing Process

Sec 25.19 Appraisal notice forms are printed by the District The Chief Appraiser reviews the Comptroller's website for updates and changes required by legislative mandates. The district publishes, in the local newspaper, information about the notices and how *to* protest. The district makes available the latest copy of the Comptroller's pamphlet *Taxpayer's Rights, Remedies, and Responsibilities*.

Hearing Process

Protest hearing scheduling for informal and formal Appraisal Review Board hearings is reviewed and updated as required. Standards of documentation are reviewed and amended as required. The appraisal district hearing documentation is reviewed and updated to reflect the current valuation process and requirements. Compliance with House Bill 201 is insured.

PATACOLLECTIONI^OtJIREMEKrS:

Field and office procedures are reviewed and revised as required for data collection. Activities for each tax year include new construction, demolition, remodeling, re-inspection of problematic market areas, re-inspection of the universe of properties on a specific cycle, and field or office verification of sales data and property characteristics.

New Construction/Demolition

New construction field and office review procedures are identified and revised as required. Sources of building permits are confirmed. The City of Jayton does not issue permits. The City secretary is a valuable source of information regarding new construction and demolition in the Jayton area. Additionally, the Texas Spur Newspaper articles are kept throughout the year for reference purposes.

Remodeling

Properties with extensive improvement remodeling are identified and field inspections are scheduled to update property characteristic data.

Re-inspection of Problematic Market Areas

Real property market areas, by property classification, are tested for low or high ratio sales and/or high coefficients of dispersion. Market areas that fail any or all of these tests are determined to be problematic. Field inspections are scheduled to verify and/or correct property characteristic data. Additional sales data is researched and verified.

Re-inspection of the Universe of Properties

The International Association of Assessing Officers¹ *Standard on Mass Appraisal of Real Property* specifies that the universe of properties should be re-inspected on a cycle of 3 years. The re-inspection includes physically viewing the property, photographing, and verifying the accuracy of the existing data*. The field appraiser has an appraisal card of each property to be inspected and makes notes of changes, depreciation changes, remodeling,

additions, etc. The annual re-inspection requirements for tax years 2015 and 2016 are identified and scheduled in the written reappraisal plan.

Field or Office Verification of Sales Data and Property Characteristics

Sales information must be verified and property characteristic data contemporaneous with the date of sale captured. The sales ratio tools require that the property that sold must equal the property appraised in order that statistical analysis results will be valid.

PILOT STUDY BY TAX YEAR

New and/or revised mass appraisal models are tested each tax year. Ratio studies, by market area, are conducted on proposed values each tax year. Proposed values on each category are *tested* for accuracy and reliability. Actual test results are compared with anticipated results and those models not performing satisfactorily are refined and retested. The procedures used for model specification and calibration are in compliance with USPAP, STANDARD RULE 6.

VALUATION BY TAX YEAR!

Using market analysis of comparable sales and locally tested cost data, valuation models (Cost Per Square Foot Schedules) are specified and calibrated in compliance with supplemental standards from the International Association of Assessing Officers and the Uniform Standards of Professional Appraisal Practice. The calculated values are tested for accuracy and uniformity using ratio studies. Performance standards are those as established by the *IAAO Standard on Ratio Studies*. Property values in all market areas are updated each reappraisal year.

MARKET AND COST RECONCILIATION AND VALUATION

Neighborhood analysis of market sales to achieve an acceptable sale ratio or level of appraisal is also the reconciliation of the market and cost approaches to valuation. Market factors will be developed from appraisal statistics provided from market analyses and ratio studies and will be used to assure that estimated values are consistent with the market and are also used to reconcile cost indicators. The district's primary approach to the valuation of residential properties uses a hybrid cost-sales comparison approach. This type of approach accounts for neighborhood market influences not particularly specified in a purely cost model.

The following equation denotes the basic hybrid model used:

$$MV=LV+(RCN-AD)$$

Whereas in accordance with cost approach, the estimated market value (M V) of the property equals the land value (LV) plus the replacement cost new of the property improvements (RCN) less accrued depreciation (AD). As the cost approach separately estimates both land and building contributory values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values may be needed to bring the level of appraisal to an acceptable standard as indicated by market sales. Thus, demand side economic factors and influences may be observed and considered. These market, or location adjustments may be abstracted and applied uniformly within neighborhoods to account for locational variances between market areas or across a Jurisdiction. This analysis for the hybrid model is based on both the cost and market approaches as a correlation of Indications of property valuation.

When the appraiser reviews a neighborhood, the appraiser will review and evaluate a ratio study that compares current sales prices of properties with the value of the properties based on the estimated depreciated replacement cost of improvements plus land value. Other sales appropriately adjusted for the effects of time may also be considered with a delineated neighborhood. The measures of central tendency are reviewed with emphasis placed on the median to indicate the neighborhood level of appraisal based on sold properties. This ratio will be compared to an acceptable appraisal ratio indicating market value to determine appropriate adjustments for each neighborhood. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood will be made.

The following equation denotes the expanded hybrid model:

$$MV = (IUNIT \times ISIZE) + FEATURES \times \%GOOD + LV \times NADJ$$

MV=Market Value IUNIT= Replacement Cost New Per Square Foot
 ISIZE=Improvement Square Feet of Living Area FEATURES=
 Improvement Amenities Contributory Value %GOOD= Percent Good
 from Normal Depreciation Table LV= Land Value NADJ=
 Neighborhood (Market Value) Adjustment

If reappraisal of the neighborhood is indicated, the appraiser will analyze market sales, appropriately adjusted for the apparent effects of time, using a ratio study. These studies will develop the adjustments needed to bring the weighted mean within the acceptable range. Therefore, based on analysis of recent sales located within a given neighborhood, estimated property values will reflect the market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values. The estimated property values calculated for each updated neighborhood will be based on market indicated factors applied uniformly to all properties within a neighborhood. Finally, with all the market-trend factors applied, a final ratio study will be generated comparing recent sale prices with the proposed appraised values for these sold properties. From this set of ratio studies, the appraiser will judge the appraisal level and uniformity in both updated and non-updated neighborhood and will verify appraised values against overall trends as exhibited by the local market and finally for the school district as a whole.

THE MASS APPRAISAL REPORT:

Each tax year, the required Mass Appraisal Report is prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar (on or about May 15th). The Mass Appraisal Report is completed in compliance with STANDARD RULE 6 - 8 of the *Uniform Standards of Professional Appraisal Practice*. The signed certification by the Chief Appraiser is compliant with STANDARD RULE 6 - 9 of *USPAP*. This written reappraisal plan is attached to the report by reference.

VALUEPEFBNSE;

Evidence to be used by the appraisal district to meet its burden of proof for market value and equity in both informal and formal appraisal review board hearings is specified and tested.

THE WRITTEN REAPPRAISAL PLAN FOR KENT COUNTY APPRAISAL DISTRICT

PLANNING A REAPPRAISAL

Variation in reappraisal requirements requires Kent County Appraisal District to carefully plan its work before beginning any reappraisal. Although the planning process may vary in specifics, it should involve five (5) basic steps: 1 Assess current performance.

2. Set reappraisal goals.
3. Assess available resources and determine needs.
4. Re-evaluate goals and adjust as necessary.
5. Develop a work plan.

STEPS IN A REAPPRAISAL

The International Association of Assessing Officers (IAAO) textbook, Property Appraisal and Assessment Administration, lists ten steps in a reappraisal. These steps outline those activities performed by Kent County Appraisal District for the completion of periodic reappraisals. Activities are listed below in the order in which they occur: 1 Performance Analysis:

- ratio study
 - equity of existing values
 - consistency of values with market activity
2. Revaluation Decision:
 - statutory - at least once every three years U
- administrative policy
3. Analysis of Available Resources:
 - staffing
 - budget
 - existing practices
 - information system support
 - existing data and maps

4. Planning and Organization
 - target completion dates identify performance objectives specific action plans and schedules
 - identify critical activities with completion dates set production standards for field activities
5. Mass Appraisal System:
 - forms and procedures revised as necessary
 - CAMA (computer assisted mass appraisal) system revisions as required
6. Conduct Pilot Study
 - test new/revised appraisal methods as applicable
 - conduct ratio studies
 - determine if values are accurate and reliable
7. Data Collection
 - building permits and other sources of new construction check properties that have undergone remodeling reinspection of problematic properties reinspection of universe of properties on a cyclic basis
8. Valuation:
 - market analysis (based on ratio studies)
 - schedules development application of revised schedules calculation of preliminary values tests of values for accuracy and uniformity
9. The Mass Appraisal Report
 - establish scope of work
 - compliance with Standards Rule 6-7 of USPAP signed certification by the chief appraiser as required by Standards Rule 6-8 of USPAP
10. Value Defense:
 - prepare and deliver notices of value to property owners
 - hold informal hearings schedule and hold formal appeal hearings
 - ♦Note—the burden of proof (evidence) of market values and equity Ms on the appraisal district. **

Kent County Appraisal District Residential, Commercial, Rural, and Personal Property 2015/2016 Reappraisal Plan

Pursuant to Section 25.18 of the Texas Property Tax Code, the Kent County Appraisal District has established the following reappraisal plan to provide for the reappraisal of all property within the district at least once every three (3) years. The plan establishes a two-fold approach:

1. **Three-Year Cycle:** The CAD is divided into three areas. Each year, all real residential and commercial property within areas will be reappraised, regardless of any ratio study/report findings. These areas are identified as follows:
 - a. Area One: All of the City of Jayton To be completed in 2012
 - b. Area Two: All Abstracts (Rural land) felling within the Kent County Lines. To be completed in 2013
 - c. Area Three: All of the Community of Clairemont and Girard or any other area that may be identified as not being included in area one or two. Completed in 2014.
 - d. A modifier is used on rural homes if sale ratios indicate the homes are different from the homes in the City of Jayton and the small communities of Clairemont and Girard.

*Note: all income producing personal property wito the CAD is appraised on an annual basis, regardless of its location.

- 2 **Annual Ratio Reports:** In addition to the three year cycle stated above, ratio studies shall be performed annually to determine areas or categories of **properties within the CAD which need to be reappraised within the current year based on sales ratios. Any areas or categories whose ratios are above or below** statutory requirements shall be reappraised in the current year regardless of the area in which they are located.

This two-fold approach will insure not only that all residential and commercial property within the CAD is reappraised at least once every three years, but also mat all other categories within the CAD are reviewed annually so that the appraisal district stays current with respect to market value in those areas where residential and/or commercial property values appear to be changing rapidly.

Organization

Field inspections are carried out by the field appraiser as directed by the chief appraiser. The field appraiser physically inspects areas required by the reappraisal cycle, checks all existing data, works building permits, takes photographs of improvements, draws plans of new improvements for entry into computer, rechecks any property on which a question or problem has arisen. Other duties may be required and will be executed upon direction of the chief appraiser.

Data entry of field work notes and sketches is performed by appraisal district staff.

The chief appraiser performs market analysts. Sales data is gathered throughout the year from deed records, sales confirmation letters from property owners, and other sources. The market data is analyzed, sales data is confirmed, outliers are identified, existing classification system is reviewed, market schedules are reviewed and updated as necessary, and final market schedules are applied to the universe of properties.

2014 Reappraisal Schedule

Mid December 2014	Begin planning sales ratio studies for all areas within the CAD. Gather current sales data from sales confirmation letters, deed records, and other sources.
January to March:	Mail homestead applications, special-use valuation applications, personal property renditions, exemption applications, and any other required forms. Complete field inspections as provided by the reappraisal plan area. Begin running sales ratio reports. Compare with CAD values and sales information. Identify necessary schedule adjustments.
through April:	Continue running sales ratio reports. March Refine sales analysis and mass appraisal schedules. Statistically test schedules. Complete data entry of all reappraisal and maintenance changes. Finalize all field work and data collection activities. Execute mass appraisal/maintenance activities as required. Prepare for mailing 2014 Notices of Value.
May through June:	Hold informal hearings. Respond to property owners* inquiries, protests, and questions from notice mailings. Provide certified estimated values to taxing units. Hold ARB hearings.
July:	Process and mail ARB orders. Enter into computer all changes as ordered by ARB.

ARB approval of appraisal records by July 20th.
Certification of appraisal records and values to taxing units
by July 25.

As needed throughout
the year:

Handle any outstanding protests by scheduling ARB
hearings.

2014 Reappraisal Schedule

The same timetable and duties apply in each year. The field appraiser shall physically inspect all property in as described in Area Two (2). The chief appraiser and CAD staff shall continue to complete the same duties and reappraisal steps as outlined for 2014

CERTIFICATION STATEMENT

KB I certify that, to the best of my knowledge and belief:

KB the statements of fact contained in this report are true and correct
KB the reported analyses, opinions, and conclusions are limited only by the reported assumptions and conclusions.

KB I have no present or prospective interest in the properties that are the subject of this report, and I have no personal interest with respect to the parties involved.

KB I have no bias with respect to any property that is the subject of misreport or the parties involved with this assignment

KB my compensation is not contingent upon the reporting of a predetermined value or direction in value

that favors the cause of the taxing jurisdiction, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

KB my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, the Texas Department of Licensing and Regulation, and the International Association of Assessing Officers

KB I have made, or caused to be made, a personal inspection of the properties that are the subject of this report.

KB no one provided significant mass appraisal assistance to the person signing this certification; or to significant professional assistance was provided to me, Chief Appraiser of KentCAD, by various representatives of Pritchard & Abbott, Inc

Kay Byrd
KAY BYR

CHIEF APPRAISER

KENT COUNTY APPRAISAL DISTRICT

THIS DOCUMENT IS ATTACHED. BY REFERENCE. TO THE KENT COUNTY APPRAISAL DISTRICT WRITTEN PLAN FOR REAPPRAISAL



PRITCHARD & ABBOTT, INC.
VALUATION CONSULTANTS

4900 OVERTON COMMONS COURT / FT. WORTH, TEXAS 76132-3687 / PHONE: (817) 926-7861 / FAX: (817) 927-5314

July 1, 2014

To: Appraisal Services Clients

Re: Reappraisal Plan For Tax Years 2015 and 2016

Enclosed is a copy of the Reappraisal Plan for Tax Years 2015 and 2016; and, this is required by S.B. 1652 passed in May 2005. This Senate Bill enacted by the Legislature of the State of Texas requires the Board of Directors of an Appraisal District to develop, biennially, a written plan for periodic reappraisal of all property within the District bound areas according to requirements of the Tax Code Section 25.18.

Since our firm provides appraisal services to you for certain property types, we are providing you with a copy of information that addresses all of the complex property services we provide. The enclosed Reappraisal Plan includes these services: mineral interest, industrial, utility and personal property appraisal and appraisal-related materials for your plan. Appraisal services for some of these property types may not be applicable to your Appraisal District.

Should you want to discuss the content of this report, please call Engineering Services at our Fort Worth Office toll-free number which is 1.800.880.7861.

Very truly yours,

Victor W. Henderson, P.E.
Manager/Engineering Services

VWH/jh

Enclosure



PRITCHARD & ABBOTT, INC.
VALUATION CONSULTANTS

S.B. 1652* BIENNIAL REAPPRAISAL PLAN

**FOR THE ANNUAL APPRAISAL FOR
AD VALOREM TAX PURPOSES OF
MINERAL, INDUSTRIAL, UTILITY AND
RELATED PERSONAL PROPERTY**

For Tax Years:

2015 and 2016

Originally Printed: July 1, 2014

***Senate Bill 1652 passed by the Texas Legislature, 79th Regular Session in 2005, amending Section 6.05 of the Texas Property Tax Code, by adding Subsection (i).**



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POLICY STATEMENT OF PRITCHARD & ABBOTT, INC., ON THE
REAPPRAISAL OF MINERAL, INDUSTRIAL, UTILITY AND RELATED PERSONAL PROPERTY

In 2005, the Texas Legislature, in 79th Regular Session, authorized in S.B. 1652 the amending of section 6.05 of the Texas Property Tax Code by adding Subsection (i), as follows:

"Requires the board of directors of an appraisal district (board), to ensure adherence with generally accepted appraisal practices, to develop biennially a written plan for the periodic appraisal of all property within the boundaries of the district according to the requirements of 25.18 (Periodic Reappraisals) and requires the board to hold a public hearing to consider the proposed plan. Requires the secretary of the board, not later than the 10th day before the date of the hearing, to deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place for the hearing. Requires the board, not later than September 15 of each even-numbered year, to complete its hearings, make amendments, and by resolution finally approve the plan. Requires copies of the approved plan to be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date." (Bill Analysis per Senate Research Center)

Pritchard & Abbott, Inc., (P&A), a privately held company engaged primarily, but not wholly, in the ad valorem tax valuation industry endorses Uniform Standards of Professional Appraisal Practice (USPAP) as the basis for the production of sound appraisals. Insofar as the statutory requirement to appraise groups (or a "universe") of real and personal property within an established period of time using standardized procedures--and subjecting the resulting appraisals to statistical measures--is the definition of mass appraisal, P&A subscribes to USPAP Standard 6 (Mass Appraisal, Development and Reporting) whenever applicable in the development and defense of values. When circumstances clearly dictate the use of single property appraisal procedures, P&A adheres to the spirit and intent of the remaining USPAP Standards within all appropriate, practical, and/or contractual limitations or specifications.

The USPAP definition of "appraiser" is one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective. USPAP Advisory Opinion 21 states that this expectation (by clients and intended users of appraisal reports) is the basis that creates an ethical obligation to comply with USPAP, even if not legally required.

The majority of property types that P&A typically appraises for ad valorem tax purposes are categorized as unique, complex, and/or "special purpose" properties (mineral interests, industrial, utility, and related personal property). These categories of properties do not normally provide sufficient market data of reliable quality and/or quantity to support the rigorous use of all USPAP-prescribed mass appraisal mandates (Standard 6), particularly with regards to some, but not all, of the model calibration and statistical performance testing confines. However, P&A does employ elements of mass appraisal techniques with regards to the definition and identification of property characteristics and model specification and application.

Residential real estate property appraisers most frequently apply mass appraisal methods within the sales comparison (market) approach to value. Through the use of standardized data collection (i.e., actual market sales), specification and calibration of mass appraisal models, tables, and schedules are possible. Through ratio study analysis and other performance measures, a cumulative summary of valuation accuracy can thus be produced in order to calibrate the appraisal model(s). Where sufficient data of reliable quality exists, mass appraisal is also used for other types of real estate property such as farms, vacant lots, and some commercial uses (e.g., apartments, offices, and small retail).

P&A will clearly state or otherwise make known all extraordinary assumptions, limiting conditions, hypothetical assumptions, and/or jurisdictional exceptions in its appraisals as they are conveyed to our clients. The client and all intended users should be aware the appraisals are by definition "limited" versus "complete." In addition, all appraisal reports, unless otherwise contracted for by the client, will be of a "summary" nature vs. "self-contained" whereas concise explanations of appraisal methods and results are emphasized for purpose of transparency, brevity and clarity. The use of limited appraisals in conjunction with summary reports in no way implies non-compliance with USPAP. P&A believes, with its vast experience and expertise in these areas of appraisal, that all values rendered are credible, competent, uniform and consistent; and most importantly for ad valorem tax purposes, achieved in a cost-efficient and timely manner.

Per previous ASB comments under Standard 6-2(b) *[scope of work... special limiting conditions]*:

"Although appraisers in ad valorem taxation should not be held accountable for limitations beyond their control, they are required by this specific requirement to identify cost constraints and to take appropriate steps to secure sufficient funding to produce appraisals that comply with these standards. Expenditure levels for assessment administration are a function of a number of factors. Fiscal constraints may impact data completeness and accuracy, valuation methods, and valuation accuracy. Although appraisers should seek adequate funding and disclose the impact of fiscal constraints on the mass appraisal process, they are not responsible for constraints beyond their control."

In any event, however, it is not P&A's intent to allow constraints, fiscal or otherwise, to limit the scope of work to such a degree that the mass appraisal results are not credible within the context of the intended use(s) of the appraisal.

PREAMBLE

The purpose of USPAP is to establish requirements and conditions for ethical, thorough, and transparent property valuation services. Valuation services pertain to all aspects of property value and include services performed by appraisers and other professionals including attorneys, accountants, insurance estimators, auctioneers, or brokers. Valuation services include appraisal, appraisal review, and appraisal consulting. The primary intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice.

It is essential that professional appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading. The importance of the role of the appraiser places ethical obligations upon those who serve in this capacity. These USPAP Standards reflect the current standards of the appraisal profession.

These Standards are for both appraisers and users of appraisal services. To maintain a high level of professional practice, appraisers observe these Standards. However, these Standards do not in themselves establish which individuals or assignments must comply. The Appraisal Foundation nor its Appraisal Standards Board is not a government entity with the power to make, judge, or enforce law. Compliance with USPAP is only required when either the service or the appraiser is obligated to comply by law or regulation, or by agreement with the client or intended users. When not obligated, individuals may still choose to comply.

USPAP addresses the ethical and performance obligations of appraisers through DEFINITIONS, Rules, Standards, Standards Rules, and Statements. USPAP Standards deal with the procedures to be followed in performing an appraisal or appraisal review and the manner in which each is communicated. A brief description of the USPAP Standards are as follows:

- **Standards Rules 1 and 2:** establish requirements for the development and communication of a real property appraisal.
- **Standards Rule 3:** establishes requirements for the development and communication of an appraisal review.
- **Standards Rules 4 and 5:** retired in 2014.
- **Standards Rule 6:** establishes requirements for the development and communication of a mass appraisal.
- **Standards Rules 7 and 8:** establish requirements for the development and communication of a personal property appraisal.
- **Standards Rules 9 and 10:** establish requirements for the development and communication of a business or intangible asset appraisal.

Section 23.01(b) [Appraisals Generally] of the Texas Property Tax Code states:

"The market value of property shall be determined by the application of generally accepted appraisal methods and techniques. If the Appraisal District determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the Uniform Standards of Professional Appraisal Practice...." (underline added for emphasis)

Consequently, USPAP Standards Rule 6 is assumed to be the applicable standard for ad valorem tax purposes in Texas, if mass appraisal practices are in fact being used to appraise the subject property. USPAP Advisory Opinion 32 suggests several USPAP standards other than Standard 6 can or should apply in ad valorem tax work. However, it appears that an appraiser engaged in ad valorem tax work in Texas is not specifically required by law to follow these USPAP standards if in fact mass appraisal practices have not been used to appraise the subject property. In this case it could be deemed appropriate to invoke the Jurisdictional Exception Rule which is applicable when there is a contradiction between the requirements of USPAP and the law or regulation of a jurisdiction. Please see the P&A Policy Statement on USPAP as provided elsewhere in this report for a more detailed discussion regarding this matter.

ETHICS RULE

Because of the fiduciary responsibilities inherent in professional appraisal practice, the appraiser must observe the highest standards of professional ethics. This Ethics Rule is divided into three sections:

- Conduct;
- Management;
- Confidentiality.

This Rule emphasizes the personal obligations and responsibilities of the individual appraiser. However, it should be noted that groups and organizations *which are comprised of individual appraisers engaged in appraisal practice* effectively share the same ethical obligations. To the extent the group or organization does not follow USPAP Standards when legally required, individual appraisers should take steps that are appropriate under the circumstances to ensure compliance with USPAP.

Compliance with these Standards is required when either the service or the appraiser is obligated by law or regulation, or by agreement with the client or intended users, to comply. Compliance is also required when an individual, by choice, represents that he or she is performing the service as an appraiser.

An appraiser must not misrepresent his or her role when providing valuation services that are outside of appraisal practice.

Honesty, impartiality, and professional competency are required of all appraisers under USPAP Standards. To document recognition and acceptance of his or her USPAP-related responsibilities in communicating an appraisal, appraisal review, or appraisal consulting assignment completed under USPAP, an appraiser is required to certify compliance with these Standards.

CONDUCT

An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.

An appraiser must perform ethically and competently in accordance with USPAP and not engage in conduct that is unlawful, unethical, or improper. An appraiser who could reasonably be perceived to act as a disinterested third party in rendering an unbiased appraisal, review, or consulting service must perform assignments with impartiality, objectivity, and independence and without accommodation of personal interests; in short, the appraiser must not perform an assignment with bias.

An appraiser must not advocate the cause or interest of any party or issue, or accept an assignment that includes the reporting of predetermined opinions and conclusions.

An appraiser must not misrepresent his or her role when providing valuation services that are outside of appraisal practice, must not engage in criminal conduct, and must not perform an appraisal assignment in a grossly negligent manner.

An appraiser is required to avoid any action that could be considered misleading or fraudulent. In particular, it is unethical for an appraiser to use or communicate a misleading or fraudulent report or to knowingly permit an employee or other person to communicate a misleading or fraudulent report.

An appraiser must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.

If known prior to accepting an assignment, and/or if discovered at any time during the assignment, an appraiser must disclose to the client, and in each subsequent report certification:

- any current or prospective interest in the subject property or parties involved; and
- any services regarding the subject property performed by the appraiser within the three year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.

The appraiser can agree with the client to keep the mere occurrence of a prior appraisal assignment confidential. If an appraiser has agreed with the client not to disclose that he or she has appraised a property, the appraiser must decline all subsequent assignment that fall within the three year period. In assignments in which there is no report, only the initial disclosure to the client is required.

Presumably all parties in an ad valorem tax appraisal will be aware of the ongoing yearly nature of the appraisal assignments performed by valuation consulting firms like Pritchard & Abbott, Inc.--i.e., it will not be confidential-- so that this particular conduct instruction is more or less a moot point (regarding the three year period discussed) if the prior service is in fact the ad valorem tax appraisals performed in previous tax years.

MANAGEMENT

The payment of a fee, commission, or a thing of value by the appraiser in connection with the procurement of an assignment must be disclosed. This disclosure must appear in the certification and in any transmittal letter in which conclusions of value are stated; however, the disclosure of the amount paid is not required. Intra-company payments to employees of groups or organizations involved in appraisal practice for business development do not require disclosure.

It is unethical for an appraiser to accept compensation for performing an assignment when it is contingent upon the reporting of a predetermined result, a direction in assignment results that favors the cause of the client, the amount of a value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.

Advertising for or soliciting assignments in a manner that is false, misleading, or exaggerated is unethical. Decisions regarding finder or referral fees, contingent compensation, and advertising may not be the responsibility of an individual appraiser, but for a particular assignment it is the responsibility of the individual appraiser to ascertain that there has been no breach of ethics, that the assignment consulting assignment has been prepared in accordance with USPAP Standards, and that the report can be properly certified when required by USPAP Standards Rules 2-3, 3-3, 5-3, 6-9, 8-3, or 10-3.

An appraiser must affix, or authorize the use of, his or her signature to certify recognition and acceptance of his or her USPAP responsibilities in an appraisal, appraisal review, or appraisal consulting assignment. An appraiser may authorize the use of his or her signature only on an assignment-by-assignment basis.

In addition, an appraiser must not affix the signature of another appraiser without his or her consent. An appraiser must exercise due care to prevent unauthorized use of his or her signature. However, an appraiser exercising such care is not responsible for unauthorized use of his or her signature.

CONFIDENTIALITY

An appraiser must protect the confidential nature of the appraiser-property owner relationship.

An appraiser must act in good faith with regard to the legitimate interests of the client in the use of confidential information and in the communication of assignment results.

An appraiser must be aware of, and comply with, all confidentiality and privacy laws and regulations applicable in an assignment.

An appraiser must not disclose confidential factual data obtained from a property owner to anyone other than:

1. The client;
2. Persons specifically authorized by the client;

3. State appraiser regulatory agencies;
4. Third parties as may be authorized by due process of law; or
5. A duly authorized professional peer review committee except when such disclosure to a committee would violate applicable law or regulation.

It is unethical for a member of a duly authorized professional peer review committee to disclose confidential information presented to the committee.

When all confidential elements of confidential information are removed through redaction or the process of aggregation, client authorization is not required for the disclosure of the remaining information, as modified.

RECORD KEEPING RULE

An appraiser must prepare a workfile for each appraisal, appraisal review, and consulting assignment. The workfile must include the identity, by name and type, of any intended users; true copies of any written reports, summaries of any oral reports or testimony, and all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with this rule and all other applicable USPAP Standards.

A workfile preserves evidence of the appraiser's consideration of all applicable data and statements required by USPAP and other information as may be required to support the findings and conclusions of the appraiser.

A photocopy or an electronic copy of the entire actual written appraisal, review, or consulting report sent or delivered to a property owner or review committee satisfies the requirements of a true copy. Care should be exercised in the selection of the form, style, and type of medium for written records, which may be handwritten and informal, to ensure they are retrievable by the appraiser throughout the applicable retention period.

A workfile must be in existence prior to and contemporaneous with the issuance of a written or oral report. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

A workfile must be made available by the appraiser when required by due process of law. An appraiser must have custody of his or her workfile, or make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile. An appraiser having custody of a workfile must allow other appraisers with workfile obligations related to an assignment appropriate access and retrieval for the purpose of:

- submission to state appraiser regulatory agencies;
- compliance with due process of law;
- submission to a duly authorized professional peer review committee; or
- compliance with retrieval arrangements.

An appraiser who willfully or knowingly fails to comply with the obligations of this Record Keeping Rule is in violation of the Ethics Rule.

SCOPE OF WORK RULE

For each appraisal, appraisal review, and appraisal consulting assignment, an appraiser must:

1. Identify the problem to be solved;
2. Determine and perform the scope of work necessary to develop credible assignment results; and
3. Disclose the scope of work in the report.

An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results.

Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal, appraisal review, and appraisal consulting assignment. Credible assignment results require support by relevant evidence and logic. The credibility of assignment results is always measured in the context of the intended use.

PROBLEM IDENTIFICATION

An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal, appraisal review or appraisal consulting problem to be solved. The assignment elements necessary for problem identification are addressed in the Standards Rule 6-2:

- client and any other intended users;
- intended use of the appraiser's opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics; and
- assignment conditions.

This information provides the appraiser with the basis for determining the type and extent of research and analyses to include in the development of an appraisal. Similar information is necessary for problem identification in appraisal review and appraisal consulting assignments. Assignment conditions include:

- assumptions;
- extraordinary assumptions;
- hypothetical conditions;
- laws and regulations;
- jurisdictional exceptions; and
- other conditions that affect the scope of work.

SCOPE OF WORK ACCEPTABILITY

The scope of work must include the research and analyses that are necessary to develop credible assignment results. The scope of work is acceptable when it meets or exceeds:

- the expectations of parties who are regularly intended users for similar assignments; and
- what an appraiser's peers' actions would be in performing the same or a similar assignment.

Determining the scope of work is an ongoing process in an assignment. Information or conditions discovered during the course of an assignment might cause the appraiser to reconsider the scope of work. An appraiser must be prepared to support the decision to exclude any investigation, information, method, or technique that would appear relevant to the client, another intended user, or the appraiser's peers.

An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use. In addition, the appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased.

DISCLOSURE OBLIGATIONS

The report must contain sufficient information to allow intended users to understand the scope of work performed. Proper disclosure is required because clients and other intended users may rely on the assignment results. Sufficient information includes disclosure of research and analyses performed or not performed.

JURISDICTIONAL EXCEPTION RULE

If any applicable law or regulation precludes compliance with any part of USPAP, only that part of USPAP becomes void for that assignment. When compliance with USPAP is required by federal law or regulation, no part of USPAP can be voided by a law or regulation of a state or local jurisdiction. *When an appraiser properly follows this Rule in disregarding a part of USPAP, there is no violation of USPAP.*

In an assignment involving a jurisdictional exception, an appraiser must:

- identify the law or regulation that precludes compliance with USPAP;
- comply with that law or regulation;
- clearly and conspicuously disclose in the report the part of USPAP that is voided by that law or regulation; and
- cite in the report the law or regulation requiring this exception to USPAP compliance.

The purpose of the Jurisdictional Exception Rule is strictly limited to providing a saving or severability clause intended to preserve the balance of USPAP if one or more of its parts are determined as contrary to law or public policy of a jurisdiction. By logical extension, there can be no violation of USPAP by an appraiser who disregards, with proper disclosure, only the part or parts of USPAP that are void and of no force and effect in a particular assignment by operation of legal authority.

It is misleading for an appraiser to disregard a part or parts of USPAP as void and of no force and effect in a particular assignment without identifying the part or parts disregarded and the legal authority justifying this action in the appraiser's report.

"Law" includes constitutions, legislative and court-made law, and administrative rules (such as from the Office of the Texas Comptroller of Public Accounts) and ordinances. "Regulations" include rules or orders having legal force, issued by an administrative agency. Instructions from a client or attorney do not establish a jurisdictional exception.

A jurisdictional exception prevalent in Texas is that appraisers are seeking to establish "fair market value" as defined by the Texas Property Tax Code instead of "market value" as found in the USPAP definitions section.

MASS APPRAISAL, DEVELOPMENT AND REPORTING (General Discussion)

In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce and communicate credible mass appraisals.

Standard 6 applies to all mass appraisals of real and personal property regardless of the purpose or use of such appraisals. It is directed toward the substantive aspects of developing and communicating competent analyses, opinions, and conclusions in the mass appraisal of properties, whether real property or personal property. Mass appraisals can be prepared with or without computer assistance. The Jurisdictional Exception Rule may apply to several sections of Standard 6 because ad valorem tax administration is subject to various state, county, and municipal laws. The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for purposes of ad valorem taxation do not apply to mass appraisals prepared for other purposes.

A mass appraisal includes:

- identifying properties to be appraised;
- defining market areas of consistent behavior that applies to properties;
- identifying characteristics (supply and demand) that affect the creation of value in that market area;
- developing a model structure that reflects the relationship among the characteristics affecting value in the market area;
- calibrating the model structure to determine the contribution of the individual characteristics affecting value;
- applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
- reviewing the mass appraisal results.

The Jurisdictional Exception Rule may apply to several sections of Standard 6 because ad valorem tax administration is subject to various state, county, and municipal laws.

As previously stated in the P&A Policy Statement (pages 2 and 3 of this report), it may not be possible or practicable for all the mass appraisal attributes listed above to be rigorously applied to the many types of complex and/or unique properties that P&A typically appraises. Often there are contractual limitations on the scope of work needed or required. More prevalently, these types of properties do not normally provide a reliable database of market transactions (or details of transactions) necessary for statistically supportable calibration of appraisal models and review of appraisal results. Generally these two functions are effectively accomplished through annual extended review meetings with taxpayers (and clients) who provide data, sometimes confidentially, that allows for appraisal models to be adjusted where necessary. Nevertheless, and not withstanding whether P&A implicitly or explicitly employs or reports all attributes listed above, in all cases P&A at the minimum employs tenants of “generally accepted appraisal methods” which are the genesis of USPAP Standards.

Per USPAP guidelines, P&A will make known all departures and jurisdictional exceptions when invoked (if an appraisal method or specific requirement is applicable but not necessary to attain credible results in a particular assignment).

The various sections of Standard 6 are briefly summarized below:

- **Standard 6-1:** Establishes the appraiser’s technical and ethical framework. Specifically, appraisers must recognize and use established principles, methods and techniques of appraisal in a careful manner while not committing substantial errors of fact or negligence that would materially affect the appraisal results and not give a credible estimate of fair market value. To this end appraisers must continuously improve his or her skills to maintain proficiency and keep abreast of any new developments in the real and personal property appraisal profession. This Standards Rule does not imply that competence requires perfection, as perfection is impossible to attain. Instead, it requires appraisers to employ every reasonable effort with regards to due diligence and due care.
- **Standard 6-2:** Defines the introductory framework requirements of developing a mass appraisal, focusing on the identification and/or definition of: client(s), intended users, effective date, scope of work, extraordinary assumptions,

hypothetical conditions, the type and definition of value being developed (typically “fair market value” for ad valorem tax purposes), characteristics of the property being appraised in relation to the type and definition of value and intended use, the characteristics of the property’s market, the property’s real or personal attributes, fractional interest applicability, highest and best use analysis along with other land-related considerations, and any other economic considerations relevant to the property.

- **Standard 6-3:** Defines requirements for developing and specifying appropriate mass appraisal data and elements applicable for real and personal property. For real property, the data and elements include: existing land use regulations, reasonably probable modification of such regulations, economic supply and demand, the physical adaptability of the real estate, neighborhood trends, and highest and best use analysis. For personal property, the relevant data and elements include: identification of industry trends, trade level, highest and best use, and recognition of the appropriate market consistent with the type and definition of value.
- **Standard 6-4:** Further defines requirements for developing mass appraisal models, focusing on development of standardized data collection forms, procedures, and training materials that are used uniformly on the universe of properties under consideration. This rule specifies that appraisers employ recognized techniques for specifying and calibrating mass appraisal models. Model specification is the formal development of a model in a statement or mathematical equation, including all due considerations for physical, functional, and external market factors as they may affect the appraisal. These models must accurately represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. Models may be specified incorporating the income, market, and/or cost approaches to value and may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics. Model calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model.
- **Standard 6-5:** Defines requirements for collection of sufficient factual data, in both qualitative and quantitative terms, necessary to produce credible appraisal results. The property characteristics collected must be contemporaneous with the effective date of the appraisal. The data collection program should incorporate a quality control procedure, including checks and audits of the data to ensure current and consistent records. This rule also calls for calls for an appraiser, in developing income and expense statement and cashflow projections, to weigh historical information and trends, current market factors affecting such trends, and reasonably anticipated events, such as competition from developments either planned or under construction. Terms and conditions of any leases should be analyzed, as well as the need for and extent of any physical inspection of the properties being appraised.
- **Standard 6-6:** Defines requirements for application of a calibrated model to the property being appraised. This rule calls for: the appraiser to recognize methods or techniques based on the cost, market, and income approaches for improved parcels; the appraiser the value sites by recognized methods or techniques such as allocation method, abstraction method, capitalization of ground rent, and land residual; the appraiser to develop value of leased fee or leasehold estates with consideration for terms and conditions of existing leases, and, when applicable by law, as if held in fee simple whereas market rents are substituted for actual contract rents; the appraiser to analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or component parts of a property; the appraiser to analyze anticipated public or private improvements located on or off the site, and analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.
- **Standard 6-7:** Defines the reconciliation process of a mass appraisal. Specifically, appraisers must analyze the results and/or applicability of the various approaches used while ensuring that, on an overall basis, standards of reasonableness and accuracy are maintained with the appraisal model selected (underline added for emphasis). It is implicit in mass appraisal that, even when properly specified and calibrated models are used, some individual value conclusions will not meet standards of reasonableness, consistency, and accuracy.
- **Standard 6-8:** Defines requirements of a mass appraisal written report (elements of which are further detailed in the next three sections of this report that discuss P&A appraisal procedures with regards to specific categories of property).
- **Standard 6-9:** Defines requirements for appraiser certification of the mass appraisal written report.

**REAPPRAISAL PLAN OF MINERAL, INDUSTRIAL, UTILITY AND RELATED PERSONAL PROPERTY
PRITCHARD & ABBOTT, INC.
TAX YEARS 2015 AND 2016**

The following sections of this report discuss in detail the various elements of the mass appraisal written report as required by USPAP Standard 6-8, with regards to P&A appraisal of Mineral Interests, Industrial-Utility-Personal Property, and Real Estate.

REAPPRAISAL OF MINERAL INTERESTS

Note: This section, in conjunction with any attached or separately provided P&A-generated appraisal reports specific to the subject property or properties, constitutes the "mass appraisal written report" as required by USPAP Standards Rule 6-8. USPAP Standards Rule 6-9 (certification) can be found at the end of this report. USPAP Standards Rules 6-1 through 6-7 (instructions and explanations regarding the development, application, and reconciliation of mass appraisal values), as they apply to P&A mass appraisal procedures, are discussed below. USPAP DOES NOT DICTATE THE FORM, FORMAT, OR STYLE OF APPRAISAL REPORTS, WHICH ARE FUNCTIONS OF THE NEEDS OF USERS AND PROVIDERS OF APPRAISAL SERVICES. USPAP ALSO DOES NOT MANDATE THAT EACH APPRAISAL REPORT BE LENGTHY AND FULL OF DISCLAIMERS. Readers should note that all P&A reports, unless stated otherwise, are of a "summary" nature versus "self-contained," whereas additional documentation and detail may be available per certain Texas Property Tax Code provisions.

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Mineral Valuation Department of Pritchard & Abbott, Inc. ("P&A" hereinafter), is responsible for developing credible values for mineral interests (full or fractional percentage ownership of oil and gas leasehold interest, the amount and type of which are legally and/or contractually created and specified through deeds and leases, et al.) associated with producing (or capable of producing) leases. Mineral interests are typically considered real property because of their derivation from the bundle of rights associated with original fee simple ownership of land. Typically all the mineral interests that apply to a single producing lease are consolidated by type (working vs. royalty) with each type then appraised for full value which is then distributed to the various fractional decimal interest owners prorata to their individual type and percentage amount.

P&A's typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A's core ad valorem tax work.

Intended users of our reports are typically the client(s) for which we are under direct contract and taxpayers or their agents who own and/or represent the subject property being appraised. Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

This section of P&A's Biennial Reappraisal Plan is not applicable to any mineral or mineral interest property that an appraisal district appraises outside of P&A's appraisal services, in which case the appraisal district's overall Biennial Reappraisal Plan should be referenced.

P&A makes the **Extraordinary Assumption** that all properties appraised for ad valorem tax purposes are marketable whereas ownership and title to property are free of encumbrances and other restrictions that would affect fair market value to an extent not obvious to the general marketplace. If and/or when we are made aware of any encumbrances, etc., these would be taken into account in our appraisal in which case the extraordinary assumption stated above would be revoked.

P&A is typically under contract to determine current market value or "fair market value" of said mineral interests. Fair market value is typically described as the price at which a property would sell for if:

- exposed in the open market with a reasonable time for the seller to find a purchaser;
- both the buyer and seller know of all the uses and purposes to which the property is, or can be, adapted and of the enforceable restrictions on its use; and

- both the buyer and seller seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. [Exigencies are pressing or urgent conditions that leave one party at a disadvantage to the other.]

For ad valorem tax purposes the effective date is usually legislatively specified by the particular State in which we are working - for example, in Texas the lien date is January 1 per the Texas Property Tax Code. For ad valorem tax purposes, the date of the appraisals and reports are typically several months past the effective date, thereby leaving open the possibility that a retrospective approach is appropriate under limited and prescribed circumstances (information after the effective date being applicable only if it confirms a trend or other appraisal condition that existed and was generally known as of the effective date).

P&A believes this section of this report, in conjunction with any attached or separately provided P&A-generated report(s), meets the USPAP definition of "typical practice"; i.e., it satisfies a level of work that is consistent with:

- the expectations of participants in the market for the same or similar appraisal services; and
- what P&A's peers' actions would be in performing the same or similar appraisal services in compliance with USPAP.

Legal and Statutory Requirements: In Texas, the provisions of the Texas Property Tax Code and other relevant legislative measures involving appraisal administration and procedures control the work of P&A as an extension of the Appraisal District. Other states in which P&A is employed will have similar controlling legislation, regulatory agencies, and governmental entities. P&A is responsible for appraising property on the basis of its fair market value as of the stated effective date (January 1 in Texas) for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. All mineral properties (interests) are reappraised annually. The definition of Fair Market Value is provided and promulgated for use in ad valorem tax work in Texas by the Texas Property Tax Code, and therefore as a **Jurisdictional Exception** supercedes the definition of "market value" as found in USPAP definitions.

NOTE: IN TEXAS, P&A BELIEVES THE PROPERTY BEING APPRAISED AND PLACED ON THE TAX ROLL IS THE INTEREST AND NOT THE OIL OR GAS MINERAL ITSELF, PER PROPERTY TAX CODE SECTION 1.04(2)(F). WHILE OIL AND GAS RESERVES CERTAINLY HAVE VALUE, THE FACT IS THAT IT IS THE INTERESTS IN THESE MINERALS THAT ARE BOUGHT AND SOLD, NOT THE MINERALS THEMSELVES. THE SALE OF MINERALS AS THEY ARE EXTRACTED FROM THE SUBSURFACE OF THE LAND WHERE THEY RESIDE AS MINERALS IN PLACE "MONETIZES" THE INTEREST AND THUS GIVES THE INTEREST ITS VALUE. WHENEVER P&A REFERS TO "MINERAL PROPERTIES" IN THIS REPORT OR IN ANY OTHER SETTING, IT IS THE MINERAL INTEREST, AND NOT THE MINERAL ITSELF, THAT IS THE SUBJECT OF THE REFERENCE.

Administrative Requirements: P&A endorses the principals of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A also endorses, and follows when possible, the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). In all cases where IAAO and/or USPAP requirements cannot be satisfied for reasons of practicality or irrelevancy, P&A subscribes to "generally accepted appraisal methods and techniques" so that its value conclusions are credible and defensible. P&A submits annual or biannual contract bids to the Appraisal District Board of Directors or the Office of the Chief Appraiser and is bound to produce appraisal estimates on mineral properties within the cost constraints of said bid. Any appraisal practices and procedures followed by P&A not explicitly defined or allowed through IAAO or USPAP requirements are specified by the Texas Property Tax Code or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

Personnel: The Mineral Valuation Division staff consists of competent Petroleum Engineers, Geologists, and Appraisers. All personnel are Registered Professional Appraisers with the State of Texas, or are progressing towards this designation within the allowable time frames prescribed by the Texas Department of Licensing and Regulation (TDLR) and/or other licensing and regulatory agencies as applicable.

Data: For each mineral property a common set of data characteristics (i.e. historical production, price and expense data) is collected from various sources and entered into P&A's mainframe computer system. Historical production data and price data is available through state agencies (Texas Railroad Commission, Texas Comptroller, et al.) or private firms who gather, format and repackage such data for sale commercially. Each property's characteristic data drives the computer-assisted mass appraisal approach to valuation.

Information Systems: The mainframe systems are augmented by the databases that serve the various in-house and 3rd-party applications on desktop personal computers. In addition, communication and dissemination of appraisals and other information is available to the taxpayer and client through electronic means including internet and other phone-line connectivity. The appraiser supervising any given contract fields many of the public's questions or redirects them to the proper department personnel.

VALUATION APPROACH (MODEL SPECIFICATION)

Concepts of Value: The valuation of oil and gas properties is not an exact science, and exact accuracy is not attainable due to many factors. Nevertheless, standards of reasonable performance do exist, and there are usually reliable means of measuring and applying these standards.

Petroleum properties are subject to depletion, and capital investment must be returned before economic exhaustion of the resource (mineral reserves). The examination of petroleum properties involves understanding the geology of the resource (producing and non-producing), type of reservoir energy, the methods of secondary and enhanced recovery (if applicable), and the surface treatment and marketability of the produced petroleum product(s).

Evaluation of mineral properties is a continuous process; the value as of the lien date merely represents a "snapshot" in time. The potential value of mineral interests derived from sale of minerals to be extracted from the ground change with mineral price fluctuation in the open market, changes in extraction technology, costs of extraction, and other variables such as the value of money.

Approaches to Value for Petroleum Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. The cost approach typically derives value by a model that begins with replacement cost new (RCN) and then applies depreciation in all its forms (physical depreciation, functional and economic obsolescence). This method is difficult to apply to oil and gas properties since lease acquisition and development may bear no relation to present worth. Though very useful in the appraisal of many other types of properties, the cost approach is not readily applicable to mineral properties. [Keep in mind that the property actually being appraised is the mineral interest and not the oil and gas reserves themselves. Trying to apply the cost approach to evaluation of mineral interests is like trying to apply the cost approach to land; it is a moot point because both are real properties that are inherently non-replaceable.] **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., does not employ the cost approach in the appraisal of mineral interests.**

Market Approach: This approach may be defined as one which uses data available from actual transactions recorded in the market place itself; i.e., sales of comparable properties from which a comparison to the subject property can be made. Ideally, this approach's main advantage involves not only an opinion but an opinion supported by the actual spending of money. Although at first glance this approach seems to more closely incorporate the aspects of fair market value per its classical definition, there are two factors that severely limit the usefulness of the market approach for appraising oil and gas properties. First, oil and gas property sales data is seldom disclosed (in non-disclosure states such as Texas); consequently there is usually a severe lack of market data sufficient for meaningful statistical analysis. Second, all conditions of each sale must be known and carefully investigated to be sure one does have a comparative indicator of value per fair market value perquisites.

Many times when these properties do change hands, it is generally through company mergers and acquisitions where other assets in addition to oil and gas reserves are involved; this further complicates the analysis whereby a total purchase price must be allocated to the individual components - a speculative and somewhat arbitrary task at best. In the case of oil and gas

properties, a scarcity of sales requires that every evidence of market data be investigated and analyzed. Factors relative to the sale of oil and gas properties are:

- current production and estimated declines forecast by the buyer;
- estimated probable and potential reserves;
- general lease and legal information which defines privileges or limitation of the equity sold;
- undeveloped potential such as secondary recovery prospects;
- proximity to other production already operated by the purchaser;
- contingencies and other cash equivalents; and
- other factors such as size of property, gravity of oil, etc.

In the event that all these factors are available for analysis, the consensus effort would be tantamount to performing an income approach to value (or trying to duplicate the buyer's income approach to value), thereby making the market approach somewhat moot in its applicability. **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., rarely employs a rigorous application of the market approach in the appraisal of mineral interests.**

Income Approach: This approach to value most readily yields itself to the appraisal of mineral interests. Data is readily available whereby a model can be created that reasonably estimates a future income stream to the property. This future income may then be converted (discounted) into an estimate of current value. Many refer to this as a capitalization method, because capitalization is the process of converting an income stream into a capital sum (value). As with any method, the final value is no better than the reliability of the input data. The underlying assumption is that people purchase the property for the future income the property will yield. If the land or improvements are of any residual value after the cessation of oil and gas production, that value should also be included (if those components are also being appraised).

The relevant income that should be used is the expected future net income. Assumptions of this method are:

- Past income and expenses are not a consideration, except insofar as they may be a guide to estimating future net income.
- That the producing life as well as the reserves (quantity of the minerals) are estimated for the property.
- Future income is less valuable than current income, and so future net income must be discounted to make it equivalent to the present income. This discount factor reflects the premium of present money over future money, i.e., interest rate, liquidity, investment management, and risk.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the income approach to value in the appraisal of mineral interests.

DATA COLLECTION/VALIDATION

Sources of Data: The main source of P&A's property data is data from the Railroad Commission of Texas as reported by operators. As a monthly activity, the data processing department receives data tapes or electronic files which have updated and new well and production data. Other discovery tools are fieldwork by appraisers, financial data from operators, information from chief appraisers, tax assessors, trade publications and city and local newspapers. Other members of the public often provide P&A information regarding new wells and other useful facts related to property valuation.

Another crucial set of data to obtain is the ownership of these mineral interests. Typically a mineral lease is fractionated and executed with several if not many owners. This information is typically requested (under a promise of confidentiality concerning owners' personal information) from pipeline purchasers and/or other entities (such as operators) who have the responsibility of disbursing the income to the mineral interest owners. Another source of ownership information is through the taxpayers themselves who file deeds of ownership transfer and/or correspond with P&A or the appraisal district directly.

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures for mineral properties are generally accomplished globally by the company; i.e., production and price data for the entire state is downloaded at one time into the computer system. Appraisers also

individually gather and record specific and particular information to the appraisal file records, which serves as the basis for the valuation of mineral properties. P&A is divided into four district offices covering different geographic areas. Each office has a district manager, appraisal and ownership maintenance staff, and clerical staff as appropriate. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser.

VALUATION ANALYSIS (MODEL CALIBRATION)

Appropriate revisions and/or enhancements of schedules or discounted cash flow software are annually made and then tested prior to the appraisals being performed. Calibration typically involves performing multiple discounted cash flow tests for leases with varying parameter input to check the correlation and relationship of such indicators as: Dollars of Value Per Barrel of Reserves; Dollars of Value Per Daily Average Barrel Produced; Dollars of Expense Per Daily Average Barrel Produced; Years Payout of Purchase Price (Fair Market Value). In a more classical calibration procedure, the validity of values by P&A's income approach to value is tested against actual market transactions, if and when these transactions and verifiable details of these transactions are disclosed to P&A. Of course these transactions must be analyzed for meeting all requisites of fair market value definition. Any conclusions of this analysis are then compared to industry benchmarks for reasonableness before being incorporated into the calibration procedure.

INDIVIDUAL VALUE REVIEW PROCEDURES

Individual property values are reviewed several times in the appraisal process. P&A's discounted cashflow software dynamically generates various benchmark indicators that the appraiser reviews concurrent with the value being generated. These benchmarks often prompt the appraiser to reevaluate some or all of the parameters of data entry so as to arrive at a value more indicative of industry standards. Examples of indicators are dollars of value per barrel of oil reserve, years payout, etc. In addition to appraiser review, taxpayers are afforded the opportunity to review the appraised values, either before or after Notices of Appraised Value are prepared. Operators routinely meet with P&A's appraisers to review parameters and to provide data not readily available to P&A through public or commercial sources, such as individual lease operating expense and reserve figures. And of course, all property values are subject to review through normal protest and Appraisal Review Board procedures, with P&A acting as an extension of the Office of the Chief Appraiser.

PERFORMANCE TESTS

An independent test of the appraisal performance of properties appraised by P&A is conducted by the State of Texas Comptroller's Office through the annual Property Value Study for school funding purposes. This study determines the degree of uniformity and the median level of appraisal for mineral properties. School jurisdictions are given an opportunity to appeal any preliminary findings. After the appeal process is resolved, the Comptroller publishes a report of the findings of the study, including in the report the median level of appraisal, the coefficient of dispersion around the median level of appraisal and any other standard statistical measures that the Comptroller considers appropriate.

CALENDAR OF EVENTS/DELIVERABLES TO CLIENT

As an appraisal contractor, the calendar of events and/or deliverables is largely dependent upon the client's needs and requirements. That said, P&A generally follows the property tax calendar as promulgated by the Property Tax Assistance Division (PTAD) whereas certain work activities must be accomplished by certain deadlines as specified by the Property Tax Code. P&A's contracts typically involve compensation being received from the client only after completion of certain events or deliverables. For example, the CAD may make quarterly payments per the following schedule:

- February, after completion of personal property field inspections;
- May, after completion and mailing of Notices of Appraised Value;
- August, after completion of Appraisal Review Board hearings; and

- November, after Certification of values.

The timetable regarding the sections described above is generally as follows:

- **Data Collection/Validation** occurs beginning in the Fall (October) prior to a tax year and continues into the Spring of that same tax year;
- **Valuation Analysis (Model Calibration)** occurs in the Spring (March - May) of a tax year and continues into the Summer (June - August) of that same tax year;
- **Individual Value Review Procedures** occurs concurrent, more or less, with Valuation Analysis; and
- **Performance Tests** occurs later in the tax year after certification of values.

REAPPRAISAL OF INDUSTRIAL, UTILITY, AND RELATED PERSONAL PROPERTY

Note: This section, in conjunction with any attached or separately provided P&A-generated appraisal reports specific to the subject property or properties, constitutes the "mass appraisal written report" as required by USPAP Standards Rule 6-8. USPAP Standards Rule 6-9 (certification) can be found at the end of this report. USPAP Standards Rules 6-1 through 6-7 (instructions and explanations regarding the development, application, and reconciliation of mass appraisal values), as they apply to P&A mass appraisal procedures, are discussed below. USPAP DOES NOT DICTATE THE FORM, FORMAT, OR STYLE OF APPRAISAL REPORTS, WHICH ARE FUNCTIONS OF THE NEEDS OF USERS AND PROVIDERS OF APPRAISAL SERVICES. USPAP ALSO DOES NOT MANDATE THAT EACH APPRAISAL REPORT BE LENGTHY AND FULL OF DISCLAIMERS. Readers should note that all P&A reports, unless stated otherwise, are of a "summary" nature versus "self-contained," whereas additional documentation and detail may be available per certain Texas Property Tax Code provisions.

INTRODUCTION

Definition of Appraisal Responsibility: The Engineering Services Department of Pritchard & Abbott, Inc. (P&A) is responsible for developing fair and uniform market values for industrial, utility and personal properties.

P&A's typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A's core ad valorem tax work.

Intended users of our reports are typically the client(s) for which we are under direct contract and taxpayers or their agents who own and/or represent the subject property being appraised. Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

P&A believes this section of this report, in conjunction with any attached or separately provided P&A-generated report(s), meets the USPAP definition of "typical practice"; i.e., it satisfies a level of work that is consistent with:

- the expectations of participants in the market for the same or similar appraisal services; and
- what P&A's peers' actions would be in performing the same or similar appraisal services in compliance with USPAP.

This section of P&A's Biennial Reappraisal Plan is not applicable to any Industrial, Utility, or related Personal Property that an appraisal district appraises outside of P&A's appraisal services, in which case the appraisal district's overall Biennial Reappraisal Plan should be referenced.

P&A makes the **Extraordinary Assumption** that all properties appraised for ad valorem tax purposes are marketable whereas ownership and title to property are free of encumbrances and other restrictions that would affect fair market value to an extent not obvious to the general marketplace. If and/or when we are made aware of any encumbrances, etc., these would be taken into account in our appraisal in which case the extraordinary assumption stated above would be revoked.

Legal and Statutory Requirements: The provisions of the Texas Property Tax Code and relevant legislative measures involving appraisal administration and procedures control the work of P&A as a subcontractor to the Appraisal District. P&A is responsible for appraising property on the basis of its market value as of January 1 for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. All industrial, utility and personal

properties are reappraised annually. The definition of Fair Market Value is provided and promulgated for use in ad valorem tax work in Texas by the Texas Property Tax Code, and therefore as a **Jurisdictional Exception** supercedes the definition of "market value" as found in USPAP definitions.

Administrative Requirements: P&A follows generally accepted and/or recognized appraisal practices and when applicable, the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A, when applicable, also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). P&A submits annual or biannual contract bids to the Office of the Chief Appraiser and is bound to produce appraisal estimates on industrial, utility and personal properties within the cost constraints of said bid. Any appraisal practices and procedures followed by P&A not explicitly defined through IAAO or USPAP requirements are specified by the Texas Property Tax Code and/or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

Personnel: The Engineering Services Department and P&A's appraisal staff consists of appraisers with degrees in engineering, business and accounting. All personnel are Registered Professional Appraisers with the State of Texas, or are progressing towards this designation as prescribed by the Texas Department of Licensing and Regulation (TDLR).

Data: A set of data characteristics (i.e. original cost, year of acquisition, quantities, capacities, net operating income, property description, etc.) for each industrial, utility and personal property is collected from various sources. This data is maintained in either hard copy or computer files. Each property's characteristic data drives the appropriate computer-assisted appraisal approach to valuation.

Information Systems: P&A's mainframe computer system is composed of in-house custom software augmented by schedules and databases that reside as various applications on personal computers (PC). P&A offers a variety of systems for providing property owners and public entities with information services.

VALUATION APPROACH (MODEL SPECIFICATION)

Concepts of Value: The valuation of industrial, utility and personal properties is not an exact science, and exact accuracy is not attainable due to many factors. These are considered complex properties and some are considered Special Purpose properties. Nevertheless, standards of reasonable performance do exist, and there are reliable means of measuring and applying these standards.

The evaluation and appraisal of industrial, utility and personal property relies heavily on the discovery of the property followed by the application of recognized appraisal techniques. The property is subject to inflation and depreciation in all forms. The appraisal of industrial and personal property involves understanding petroleum, chemical, steel, electrical power, lumber and paper industry processes along with a myriad of other industrial processes. Economic potential for this property usually follows either the specific industry or the general business economy. The appraisal of utility properties involves understanding telecommunications, electrical transmission and distribution, petroleum pipelines and the railroad industry. Utility properties are subject to regulation and economic obsolescence. The examination of utility property involves the understanding of the present value of future income in a regulated environment.

The goal for valuation of industrial, utility and personal properties is to appraise all taxable property at "fair market value". The Texas Property Tax Code defines Fair Market value as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and

- both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

Approaches to Value for Industrial, Utility, and Personal Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. This method is most readily applicable to the appraisal of industrial and personal property and some utility property. Under this method, the market value of property equals the value of the land plus the current cost of improvements less accrued depreciation. An inventory of the plant improvements and machinery and equipment is maintained by personally inspecting each facility every year. As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the cost approach to value in the appraisal of industrial, utility, and personal property.

Market Approach: This approach is characterized as one that uses sales data available from actual transactions in the market place. There are two factors that severely limit the usefulness of the market approach for appraising industrial, utility and personal properties. First, the property sales data is seldom disclosed; consequently there is insufficient market data for these properties available for meaningful statistical analysis. Second, all conditions of sale must be known and carefully investigated to be sure one does have a comparative indicator of value. Many times when these properties do change hands, it is generally through company mergers and acquisitions where other assets and intangibles in addition to the industrial, utility and personal property are involved. The complexity of these sales presents unique challenges and hindrances to the process of allocation of value to the individual components of the transaction.

In the case of industrial, utility and personal properties, a scarcity of sales requires that all evidence of market data be investigated and analyzed. Factors relative to the sale of these properties are:

- plant capacity and current production; terms of sale, cash or equivalent;
- complexity of property;
- age of property;
- proximity to other industry already operated by the purchaser; and
- other factors such as capital investment in the property.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., rarely employs a rigorous application of the market approach in the appraisal of industrial, utility, and personal property.

Income Approach: This approach to value most readily yields itself to all income generating assets, especially utility properties. Data for utility properties is available from annual reports submitted to regulatory agencies whereby future income may be estimated, and then this future income may be converted into an estimate of value. The valuation of an entire company by this method is sometimes referred to as a Unit Value. Many refer to this as a capitalization method, because capitalization is the process of converting an income stream into a capital sum (value). As with any method, the final value estimate is no better than the reliability of the input data. The underlying assumption is that people purchase the property for the future income the property will yield.

The relevant income that should be used in the valuation model is the expected future net operating income after depreciation but before interest expense (adjustments for Federal Income Taxes may or may not be required). Assumptions of this method are:

- Past income and expenses are a consideration, insofar as they may be a guide to future income, subject to regulation and competition.
- The economic life of the property can be estimated.
- The future production, revenues and expenses can be accurately forecasted. Future income is less valuable than current income, and so future net income must be discounted to make it equivalent to the present income. This discount factor reflects the premium of present money over future money, i.e., interest rate, liquidity, investment management, and risk.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., employs the income approach in the appraisal of industrial and utility property only when quantifiable levels of income are able to be reliably determined and/or projected for the subject property. P&A does not employ the income approach in the appraisal of personal property.

DATA COLLECTION/VALIDATION

Sources of Data: The main source of P&A's property data for industrial and personal property is through fieldwork by the appraisers and commercially/publicly available schedules developed on current costs. Data for performing utility appraisals is typically provided by the taxpayer or is otherwise available at various regulatory agencies (Texas Railroad Commission, Public Utilities Commission, FERC, et al.). Other discovery tools are financial data from annual reports, information from chief appraisers, renditions, tax assessors, trade publications and city and local newspapers. Other members of the public often provide P&A information regarding new industry and other useful facts related to property valuation.

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures have been established for industrial and personal properties. Appraisers gather and record information in the mainframe system, where customized programs serve as the basis for the valuation of industrial, utility and personal properties. P&A is divided into multiple district offices covering different geographic zones. Each office has a district manager and field staff. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser. Additionally, P&A's Engineering Services Department provides supervision and guidance to all district offices to assist in maintaining uniform and consistent appraisal practices throughout the company.

VALUATION ANALYSIS (MODEL CALIBRATION)

The validity of the values by P&A's income and cost approaches to value is tested against actual market transactions, if and when these transactions and verifiable details of the transactions are disclosed to P&A. These transactions are checked for meeting all requisites of fair market value definition. Any conclusions from this analysis are also compared to industry benchmarks before being incorporated in the calibration procedure. Appropriate revisions of cost schedules and appraisal software are annually made and then tested for reasonableness prior to the appraisals being performed.

INDIVIDUAL VALUE REVIEW PROCEDURES

Individual property values are reviewed several times in the appraisal process. P&A's industrial, utility, personal property programs and appraisal spreadsheets afford the appraiser the opportunity to review the value being generated. Often the appraiser is prompted to reevaluate some or all of the parameters of data entry so as to arrive at a value more indicative of industry standards. Examples of indicators are original cost, replacement cost, service life, age, net operating income, capitalization rate, etc. In addition to appraiser review, taxpayers are afforded the opportunity to review the appraised values either before or after Notices of Appraised Value are prepared. Taxpayers, agents and representatives routinely meet with P&A's appraisers to review parameters and to provide data not readily available to P&A through public or commercial sources, such as investment costs and capitalization rate studies. And of course, all property values are subject to review through normal protest and Appraisal Review Board procedures, with P&A acting as a representative of the Office of the Chief Appraiser.

PERFORMANCE TESTS

An independent test of the appraisal performance of properties appraised by P&A is conducted by the State of Texas Comptroller's Office through the annual Property Value Study for school funding purposes. This study determines the degree of uniformity and the median level of appraisal for utility properties. School jurisdictions are given an opportunity to appeal

any preliminary findings. After the appeal process is resolved, the Comptroller publishes a report of the findings of the study, including in the report the median level of appraisal, the coefficient of dispersion around the median level of appraisal and any other standard statistical measures that the Comptroller considers appropriate.

CALENDAR OF EVENTS/DELIVERABLES TO CLIENT

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- **Performance Tests** occurs later in the tax year after certification of values.

KENT COUNTY APPRAISAL DISTRICT

Robert Graham, Chairman
Kathy Owen, Secretary
Paul Martinez, Director
Albert Brown, Director
Lance Spray, Director

BOARD OF DIRECTORS PUBLIC INFORMATION DUTIES AND PUBLIC ACCESS

Board of Directors

The governing body of the Appraisal District is the Appraisal District's Board of Directors. Individuals serving on the Board of Directors bring to the Board knowledge, judgment, and expertise in establishing policies and procedures for the District's organization and operation.

Kent County District Board of Directors consists of five (5) appointed voting members with the County Tax Assessor-Collector serving as a non-voting member on the board.

To be eligible to serve on the Board of Directors, a person must have resided in the Appraisal District for at least two years immediately preceding the date of taking office. Members serve two-year terms, beginning on January 1 of even-numbered years. The voting entities appoint the members of the board. These same entities appoint individuals to fill a vacancy on the Board. A taxing entity may ask for the recall of any director the entity appointed at any time by majority vote of a quorum of that entity. Board members serve without compensation, but are entitled to reimbursement for actual and necessary expenses.

The Board's authority over appraisal of property is limited. The Board does not appraise property or review values on individual properties. The law assigns those tasks to the Chief Appraiser and the Appraisal Review Board, respectively. The Board has no authority to review Appraisal Review Board decision. The Board shall not review exemptions, qualification for special appraisal, or taxability determinations.

The Board of Directors shall establish general policies in keeping with the requirements of state law. Members of the board shall have authority only when acting as a board legally in session. The board shall not be bound in any way by any statement or action on the part of any individual member except when such statement or action is in pursuance of specific instructions of the board.

The statutory responsibilities of the Board of Directors include:

- Establishment of the Appraisal District's office;
- Employ and annually evaluate the Chief Appraiser,
- Appoint Appraisal Review Board Members and select chairman and secretary from among members of Appraisal Review Board;
- Adopt the Appraisal District's annual operating budget;
- Appoint a Taxpayer Liaison office (districts in counties having a population of over 125,000);
- Contract for necessary services, including annual financial audit;
- Designate depository for Appraisal District funds;
- Approve contract with appraisal firms selected by the Chief Appraiser to perform appraisal services for the district;
- Provide advice to the Chief Appraiser concerning Agricultural Advisory Board;
- Make general policy on the appraisal district's operation.
- Biennially develop a written plan for the periodic reappraisal of all property within the District's boundaries.

Policy for Public to Speak at Scheduled Board Meetings

In compliance with Section 6.04(d) of the Property Tax Code, all agendas posted for scheduled board meetings shall include an item specifically designated for public comments on any issue within the authority of the Board of Directors. Persons wishing to speak to the Board of Directors at a scheduled meeting shall complete the sign-in sheet, listing their name and identifying the issue they wish to communicate. The Board will allow five (5) minutes time for citizen communications.

Interpreters

The District will provide an interpreter at a meeting if a person who does not speak English or communicates by sign language notifies the Appraisal Board at least three (3) business days before the meeting. The person must indicate that he or she desires to address the Board and is unable to provide an interpreter.

Access by Disabled Persons

Kent County Appraisal Districts headquarter building is located at 155 South Main Street, Jayton Texas Kent County, Texas, and has van accessible parking spaces for the handicapped.

The Board meeting room is also wheelchair accessible. A person who needs additional assistance for entry or access should notify the Appraisal District in writing at least three business days before the meeting.

Policies for Resolving Complaints

The Board will consider written complaints about the policies and procedures of the Appraisal District, Appraisal Review Board, the Board of Directors, and any other matter within its jurisdiction. The Board will not consider complaints addressing any matter that could be grounds for a challenge, protest, or correction motion before the Appraisal Review Board as set out in the Property Tax Code. The Board of Directors has no authority to overrule the Chief Appraiser or Appraisal Review Board's decision on a value, a correction, or a protest. The Board of Directors has no responsibility for setting tax rates, appraising property, adjusting appraisal, granting or denying exemptions or any other matter directly affecting the value of property. Any complaint shall be first brought to the Chief Appraiser in writing for his or her initial investigation and determination. A complaint shall be filed with the Chief Appraiser not later than the 10th business day following the date the complainant knew, or with reasonable diligence should have known, about the circumstances serving as the basis for the complaint. Any complaint filed following such time shall be returned to the complainant by the Chief Appraiser as untimely. A complainant may appeal a dismissal of a complaint due to untimeliness to the Board; however, the Board's review of the matter shall be limited solely to the issue of whether the complaint was properly dismissed as untimely and shall not be made on the merits of the complaint.

Any written complaint must contain at a minimum the following information: (1) the name and contact information of the complainant; (2) a statement describing the nature of the complaint; (3) a statement of the facts underlying the complaint; and (4) the specific relief requested. Any complaint that does not contain all four requirements shall be returned to the complainant for amending. The Chief Appraiser shall conduct a conference with the complainant and respond in writing to the complaint not later than the tenth (10th) business day following his or her receipt of the complaint. The complainant may appeal the Chief Appraiser's response to the Board by filing a written appeal not later than the fifth (5th) business day following receipt of the Chief Appraiser's response or upon expiration of the Chief Appraiser's deadline for issuing a response if one has not been issued. Such appeal shall be heard by the Board at a future Board meeting as determined by the Chairman.

Complaints may be delivered to the Kent County Appraisal Office as shown below:

Physical Address: Kent County Appraisal District
155 South Main Street

Mailing Address PO Box 68
Jayton, Texas 79528

Hearing impaired persons who have a TDD telephone machine may call (940)553-1857 to have a complaint delivered to the Board.

Board deliberations concerning complaints will comply with provision of the Texas Open Meetings Act Chapter 551, Government Code.

The information provided in this pamphlet is derived from the Kent County Appraisal Board of Directors' Policies and Procedures and Appraisal District Personnel Policy.

For more detailed information, please feel free to contact the Kent County Appraisal District for a complete copy of any policies associated with the district.

Phone: 806-237-3066
Fax: 806-623-3067

KENT COUNTY APPRAISAL DISTRICT

Policies for Resolving Complaints

The board will consider written complaints about the policies and procedures of the appraisal district, appraisal review board, the board of directors, and any other matter within its jurisdiction. The board will not consider complaints addressing any matter that could be grounds for a challenge, protest, or correction motion before the appraisal review board as set out in the Tax Code. The board of directors has no authority to overrule the chief appraiser or appraisal review board's decision on a value, a correction, or a protest. The board of Directors has no responsibility for setting tax rates, appraising property, adjusting appraisal, granting or denying exemptions, or any other matter directly affecting the value of property. Any complaint shall be first brought to the Chief Appraiser in writing for his or her initial investigation and determination. A complaint shall be filed with the Chief Appraiser not later than the 15th business days following the date the complainant knew, or with reasonable diligence should have known, about the circumstances serving as the basis for the complaint. Any complaint filed following such time shall be returned to the complainant by the Chief Appraiser as untimely. A complainant may appeal a dismissal of a complaint due to untimeliness to the board; however, the board's review of the matter shall be limited solely to the issue of whether the complaint was properly dismissed as untimely and shall not be made on the merits of the complaint.

Any written complaint must contain at a minimum the following information: (1) the name and contact information of the complainant; (2) a statement describing the nature of the complaint; (3) a statement of the facts underlying the complaint; and (4) the specific relief requested. Any complaint that does not contain all four requirements shall be returned to the complainant for amending. The Chief Appraiser shall conduct a conference with the complainant and respond in writing to the complaint not later than the 10th business day following his or her receipt of the complaint. The complainant may appeal the Chief Appraiser's response to the board by filing a written appeal not later than the 5th business day following receipt of the Chief Appraiser's response or upon expiration of the Chief Appraiser's deadline for issuing a response if one has not been issued. Such appeal shall be heard by the board at a future board meeting as determined by the Chairman.

Complaints may be delivered to the appraisal office or mailed to: Kent

County Appraisal District PO Box 68, Jayton, Texas 79528

BOARD OF DIRECTORS

Robert Graham-Chairman

Paul Morales – Vice Chairman

Kathy Owen –Secretary

Albert Brown

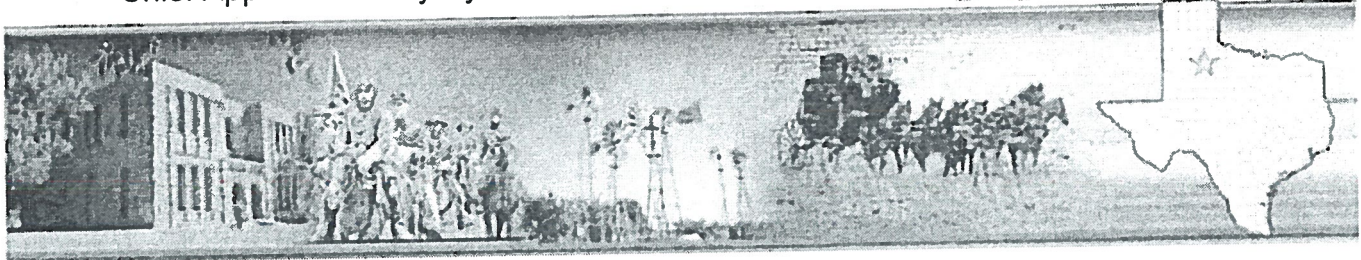
Lance Spray

KENT COUNTY APPRAISAL DISTRICT

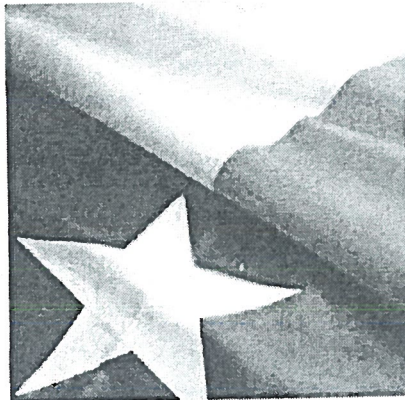
Chief Appraiser – Kay Byrd



Official Website
Hosted by Pritchett & Abbott, Inc.



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[Search Our Data](#)
[Complaint Procedures](#)
[Board Information](#)
[Forms](#)
[Adopted Budgets](#)
[Certified Values](#)
[Board of Directors](#)
[Public Information](#)
[The Appraisal Process](#)
[Protest Hearing Procedures](#)
[2013-2014 Reappraisal Plan](#)
[01/31/2014 Local Report](#)
[Reappraisal Plan Summary](#)



Exemption Forms

[Homestead Exemption Form](#)

[Agricultural Exemption Form - 1d1](#)

[Business Personal Property Rendition Form](#)

[Wildlife Management Plan](#)

[Wildlife Annual Report](#)

[Other Texas Property Tax Forms available Here](#)

You will need Adobe Acrobat Reader to view these forms. [Reader-Click the icon for a — free install.](#)

Exemptions

Model forms, exemption applications, and special-use applications are made available here as a public courtesy.

Please mail completed forms to:

Kent County Appraisal District PO Box
68 Jayton, Texas 79528

* All homestead applications must be accompanied by a copy of applicant's driver's license or other information as required by the Texas Property Tax Code. Applicant may also be required to complete an affidavit to qualify for an exemption under certain situations.



[Useful Links](#)

[Texas Association of Counties](#)

[Appraisal District Offices](#)

Kent County Appraisal District Certified Taxable Values

Certified	2013 Values	2014 Values
<u>KENT COUNTY</u> Real & Mineral	\$912,618,900	\$887,114,040
<u>ROAD & BRIDGE</u> Real & Mineral	\$912,618,900	\$887,114,040
<u>LATERAL ROAD</u>	\$912,268,090	\$886,753,320
<u>CITY OF JAYTON</u> Real & Mineral	\$9,628,600	\$10,302,740
<u>JAYTON-GIRARD I.S.D.</u> Real & Mineral M&O	\$819,656,460	\$804,064,060

THE APPRAISAL PROCESS

Market Value

DCAD is required to appraise all property at Market Value as of January 1 of every tax year

Texas Property Tax Code Section 1.04 defines Market Value

Market Value means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- a. exposed for sale in open market place with a reasonable time for seller to find a purchaser
- b. both the seller and purchaser know all the uses and purposes to which the property is adapted and for which it is capable of being used and the enforceable restrictions on its use; and
- c. both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

The Process

The valuation process performed by the Dickens County Appraisal District typically falls into the following categories.

- Miscellaneous Inspections
- Reappraisal

Miscellaneous Inspections can be done throughout the field cycle time frame and most often conducted after Renditions have been submitted by property owners. March-April

Reappraisals are typically done from November 1 - February 1

An important factor in appraising property is to have accurate property descriptions. This is achieved through actual field inspections performed by the Chief Appraiser and Pritchard & Abbott, Inc.

Reappraisal

- Mass appraisal is the systematic appraisal of groups of properties as of a given date using standardized procedures and statistical testing.
- Texas Property Tax Code requires appraisal districts assign a January 1 value to all property.
- Mass appraisal provides the ability to accomplish such a large task.
- Annual reappraisal effort is where the mass appraisal process occurs.

Business Personal Property Valuation Processes

It is the responsibility of the Chief Appraiser and those contracted to discover, list, and value all Business Personal Property in Kent County for property tax purposes.

Business Personal Property (BPP) consists of moveable items used in the course of business not permanently affixed to, or part of, the real estate.

Examples of Business Personal Property are:

- Furniture
- Machinery and equipment
- Computers
- Vehicles
- Inventory
- Supplies

Discovery

To insure that all business personal property that should legally be on the roll is properly listed and valued, it must first be located and identified.

To accomplish this task the appraiser starts with the previous year's appraisal roll. Appraisal cards are printed. Renditions are mailed to each business owner. It is the responsibility of the owner to complete and return renditions before April 15th.

The appraiser can physically inspect businesses to verify that existing businesses are still operating at the same location as the previous year. If a business has moved or ceased operations the information is noted and the account is corrected. If the appraiser identifies a new business a new account is created.

Industrial Business Personal Property is contracted to Pritchard & Abbott, Inc. Pritchard & Abbott also appraises our Mineral, Real Estate, and Ag Use. Kent County has few BPP accounts. KCAD visits with the County Tax Assessor Collector in regards to trucking companies that have registered their vehicles in Kent County. KCAD reviews yellow pages and various governmental agencies' databases to locate businesses (ex: TABC licenses, FAA, Texas Comptroller).

Listing

Property records will contain:

- Current Legal Owner
- The Business DBA
- Property Address of Business
- The KCAD account number
- Property Characteristics - After locating the property, the appraiser must accurately record and list all of the property's characteristics to properly value the business personal

property. This requires that the appraiser tour the business, determine the business type, and estimate the square footage of the facility. Once that is complete the appraiser makes general notes regarding the type and condition of the fixed assets at the location, and the inventory, if applicable.

Rendition

- Renditions contain information provided by the property owner and per the Texas Property Tax Code, business owners are legally required to file a BPP rendition annually by April 15th. The deadline may be extended by written request.
- Renditions are mailed to business owners in January of each year. Not filing a rendition (or request for extension) by the annual April 15th deadline will result in a ten percent penalty being applied to the business personal property tax bill.
- The rendition request basic information about a business including cost and year acquired of assets, inventory values, consigned goods, leased equipment and the property owner's opinion of value.

Valuation

Typically the cost approach is used to value business personal property, although all approaches are considered, the cost approach offers the most equitable and consistent method for mass appraisal of business personal property.

The appraiser will estimate the market value by comparing the subject business being appraised against similar types of businesses.

With the appraiser's information gathered in the field and a properly filed Business Personal Property Rendition form from the owner, the BPP appraiser has enough information to make an accurate and equitable business personal property market value appraisal for property tax purposes.

Commercial Appraisal Processes

Kent County has a very limited number of commercial building accounts. Commercial accounts would include office buildings, multi-family properties, retail property, and industrial warehouse properties.

Commercial Reappraisal

The reappraisal is undertaken from November 1- February 1 and inspections are conducted during the Residential Reappraisal.

Commercial Approaches to Value

- Cost Approach
- Sales Approach
- Income Approach

Kent CAD has such few commercial properties that building income models and applying the income approach is not feasible. The Sales Approach is considered, but is not preferred unless there is an active sales market. The Commercial Cost Approach is the preferred method for special use properties, new construction, limited sales data, or limited income data. Therefore, the Cost Approach is most commonly used by Dickens CAD.

Cost Approach

- Calculates Replacement Cost New
- Deducts Depreciation
- Uses Age-Life Tables
- Uses National Publication Services
- Market Data
- Cost tables generate price per square foot
- Land value added to improvement value

KENT COUNTY APPRAISAL DISTRICT APPRAISAL REVIEW BOARD

Bill Williams, Chairman
Jody Ashley, Secretary
Dan Dibrell Member

PROTEST HEARING PROCEDURES

NOTIFICATION AND HOW TO PROTEST: In accordance with Texas Law, a property owner may protest to the Appraisal Review Board (ARB) if a property owner disagrees with any of the Appraisal District's actions concerning their property. The written protest must be filed on or before May 31" or not later than the 30th day after the date a notice was delivered to the property owner. The notice may take any form, but must be in writing and show at least the following three elements:

- the property owner's identification,
- the property's identification; and
- an indication of the owner's dissatisfaction with some determination by the Appraisal District

NOTICE OF HEARING: If you file a protest, the ARB will notify you by written notice at least fifteen (15) days, based on the notices postmarked date, in advance of the date, time, and place of your hearing. At the request of a property owner; the board may meet any night or weekend depending on the number of request and feasibility. A property owner may waive in writing his/her right to the hearing notice and be scheduled for an earlier hearing if time is available. Many protests can be resolved in an informal hearing with the Dickens County Appraisal District, provided the owner supplies documentation to support his/her claims. For an informal hearing, the property owner may visit with the Appraiser about their property. If you and the Appraiser reach an agreement on the informal hearing, you will both sign a consent form and the value agreed upon will be the final value. If resolution of the protest cannot be reached at the informal hearing you will then need to appear before the ARB at your scheduled hearing time. **NOTICE TO PROPERTY OWNERS:** The property owner or the agent of the owner may inspect and may obtain a copy of the data, schedules, formulas, and all other information the district plans to introduce at the hearing to establish any matter at issue. **THE APPRAISAL REVIEW BOARD (ARB):** Beyond informal hearings, protests will be heard by the ARB. Members of the ARB are not employees or officers of any political subdivision that assesses or collects property taxes, nor are they employees or officers of the Appraisal District. There are three (3) ARB members appointed and the ARB is a body of local citizens who have been appointed to impartially resolve protests filed by property owners within the Appraisal District. The ARB reviews property value protests, total and partial exemption applications, applications for productivity valuation, ownership and situs questions. The ARB cannot hear matters concerning tax rates, the amount of taxes due, the ability to pay taxes, or the manner in which tax monies are spent. ARB members have no responsibility for, or control over, Appraisal District operations or its budget. For that reason, these topics may not be included in your protest hearings. **SCHEDULING OF HEARINGS:** The ARB will assign a case number to each protest to assist in tracking records and evidence. The ARB places the appeals on a hearing schedule, stating the date and time of each hearing as well as the nature of the protest. The ARB may not schedule a hearing on a particular property value before a property owner has filed a protest. The ARB relies on Appraisal District staff for clerical assistance that are responsible for scheduling and posting hearings, mailing notices, and other duties to assist in operation of the protest.

FORMAT OF HEARINGS: A hearing before the ARB is not as formal as a court of law hearing; however, certain procedures must be followed. The ARB uses Robert Rules of Order, Uniform Code of Parliamentary Procedures, when conducting its hearings. The hearing is open to the public and is held before the ARB members who will hear evidence from both the property owner and the Appraisal District and will arrive at a ruling. After introductions of ARB members and witnesses, and the identification of the property at issue, the chairperson of the ARB swears, or affirms, all witnesses. All ARB members participating in the hearing must sign an affidavit stating that they have not communicated with any other person regarding the hearing. You may designate, in writing, another person to represent you in the hearing by filing an "Appointment of Agent" form with the Appraisal District before the hearing. These forms are available at the Appraisal District office. You or your authorized agent may then offer your evidence and explanations. Anyone representing a property owner before the ARB must have written authorization from the property owner to do so.

RECORD OF PROCEEDINGS: Hearing of the ARB shall be conducted in compliance with the Open Meetings Act. Even if a property owner requests that his/her hearing be held in closed session, all hearing and all determinations on protest and challenge hearings must be held in open session. A written record of each protest hearing will be maintained, providing a summary of the testimony presented by both parties, a record of all evidence submitted, and all motions made by the ARB on the protest. In addition to the written record of the protest hearing, all hearings will be tape recorded. No video is allowed.

EVIDENCE CONSIDERED AT HEARINGS: The information and comments you bring must be strictly in keeping with only the matter stated in your Notice of Protest your property was appraised as of January 1, and facts and conditions must be given as of that date. If your property suffered some loss of value after that date, that fact will not be relevant. You may testify orally or by sworn affidavit all oral testimony must be given under oath. Both parties have the right to examine and/or cross-examine witnesses or other parties and present arguments regarding evidence presented on the matters subject to the protest hearings. The Property Tax Code states that either before or after the hearing begins, the protesting party and the district must provide each other with copies of any written materials that will be submitted to the ARB as evidence during the hearing. If you cannot attend the hearing at the scheduled date and time, you should consider presenting your evidence in the form of an affidavit by mail. It must identify you as the property owner, show your address, the account number and property description, as well as the date and time of the hearing. The affidavit must be executed before a Notary Public or other public official who is authorized to administer oaths. For an affidavit to be considered, it must arrive at the ARB office PRIOR TO THE DATE AND TIME OF THE HEARING. The ARB has the right to know relevant facts concerning a protested property and may subpoena information and records when deciding a protest. By law, a copy of all evidence submitted to the ARB must be retained. Therefore, the ARB will not accept evidence presented on DVD, CD-ROM, memory cards, PCs, PDAs, video recorders, projectors, digital cameras, cell phones or any other medium that cannot be retained and copied for permanent record.

The Appraisal District has the burden of proof regarding protests related to appraised or market value, as well as unequal appraisal. After hearing all evidence from the protesting owner the appraisal district must prove by a preponderance of the evidence that its value is correct. The law prohibits the ARB from considering any evidence supplied by the Appraisal District unless the evidence is presented at the protest hearing. Neither the Appraisal District nor the property owner may provide information to an ARB member about the property, except during the protest hearing. An ARB member who violates this rule cannot sign the required affidavit and must be removed from the hearing.

GUIDELINES FOR PROTESTS AND DOCUMENTATION: Prepare a simple, but well-organized, presentation by writing down key facts and figures in logical order. The ARB must make a decision on your protest based on the evidence presented at the hearing. Bring the original and one copy of each document you want the Board to consider to the hearing. The original copy will be retained by the ARB for its official records. If your protest is well supported by factual data, your chances for remedy are greater since the ARB can quickly and easily understand your arguments.

LENGTH OF HEARINGS: Hearings are scheduled on a specific date and time. It is most important to be on time for the hearing. All scheduled hearings will be held regardless of your presence. Failure to appear at your hearing in person, by mailing a sworn affidavit containing evidence to support your protest or by authorized agent or representative, could result in the denial of your protest each property owner is allowed approximately 10 minutes to meet with the ARB. If the property owner has more than two properties, additional time will be granted for the hearing at the discretion of the ARB. Every property owner will be granted sufficient time to properly present their protest.

NIGHTS/WEEKENDS: Depending on the number of request will determine if the board will meet any night or weekend. ARB **DECISION:** When the ARB has heard all testimony and examined all evidence presented on a protest it makes its recommendation to maintain, lower, or raise the value accordingly. The ARB will hear and make its recommendation on all protests scheduled before it. The final decision of the ARB, known as the Notice of Final Order, is issued in writing and provided to both the Appraisal District and the property owner or his/her authorized agent by certified mail. The written orders direct the Chief Appraiser to make the appropriate changes to the district's current appraisal records. A copy of the final Order from the formal hearings is signed by the ARB Chairman and specifies the ARB's disposition of the protest. Inquiries may be directed to the ARB Chairman. A property owner has the right to appeal the ARB decision to Binding Arbitration or to District Court.

RESCHEDULING HEARINGS: the Chairman of the ARB may postpone a hearing to a later date, if the property owner submits request to the ARB before the date of the hearing and the property owner has not designated an agent to represent him/her at the hearing. The property owner is entitled to one postponement of the hearing to a later date without showing cause. In addition and without limitation as to the number of postponements, the ARB shall postpone the hearing to a later date if the property owner or the property owner's agent at any time shows good cause of the postponement or if the Chief Appraiser consents to the postponement. A property owner who has not designated an agent to represent the owner at the hearing and who fails to appear at the hearing is entitled to a new hearing if the property owner files, not later than the fourth day after the date the hearing occurred, a written statement with the ARB showing good cause of the failure to appear and request a new hearing. "Good cause" means a reason that includes an error mistake that (1) was not intentional or the result of conscious indifference; and (2) will not cause undue delay or other injury to the person authorized to extend the deadline or grant a rescheduling.

ORDER OF PROTEST HEARING TAXING UNIT CHALLENGE: The hearing proceedings for a taxing unit challenge shall be followed in the same manner as a taxpayer protest, with the exception that the taxing unit must provide written notice as so the designated representative prior to the hearing.

KENT COUNTY APPRAISAL DISTRICT REAPPRAISAL PLAN

Except as otherwise provided by the TEXAS PROPERTY TAX CODE, all taxable property will be appraised at its market value as of January 1. The market value of property shall be determined by the application of generally accepted appraisal techniques, and the same or similar kinds of property. However, each property shall be appraised based upon the individual characteristics that affect the property's market value. (Section 23.01, TEXAS PROPERTY TAX CODE).

As mandated by Section 25.19, TPTC, reappraisal of all real property in the Kent County Appraisal District shall be done at least once every three years.

Each year, real property is reviewed to locate newly constructed improvements, review work in progress, and delete property that has been removed or damaged beyond repair.

Each year, sales information is compiled and evaluated on each class of real property. Ratio studies are made and schedules are adjusted when necessary.

Reappraisals begin in the month of October before January 1 at which time the market area to be reappraised is driven out any work in progress is noted and reviewed in early January. The completion target of the reappraisal by the last of March.

Personal property is reviewed each year. Renditions for the use of commercial property owners are mailed in January. All new businesses are visited by an Appraiser, sources, other than renditions, include the Appraisal on-Site guide furnished by the Property Tax Division (formerly the State Property Tax Board), and schedules developed from Honeycutt Personal Property Pricing Guide, Marshall & SwiA Valuation Service and personal interviews.

Producing properties (Oil & Gas) are appraised using the discount cash flow method. Utility and other income producing properties are appraised using the Unit Appraisal Method or Modified Unit Appraisal Method. The appraisal will be done by a firm specializing in that type of property.

SUMMARYREPORT
(To Accompany USPAP)

KENT COUNTY APPRAISAL DISTRICT

COMPILED BY
Kay Byrd
CHIEF APPRAISER

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INTRODUCTION

The purpose of this summary report is to aid the taxpaying public in better understanding the methods and techniques utilized by the Kent County Appraisal District (KCAD) in the valuation and revaluation of taxable property within Kent County. This report attempts to comply with Standard 6 of the Uniform Standards of Professional Appraisal Practice. KCAD maintains more detailed operations manual for appraisal use.

KCAD is a Central Appraisal District is a political subdivision of the State of Texas created pursuant to Subchapter A of the Property Tax Code and is charged with the appraisal of all taxable property within the taxing entities within the District boundaries. Currently these taxing entities are as follows:

Kent County
City of Jayton
Jayton-Girard I.S.D.

USPAP

The chief appraiser is the chief administrative and executive officer of the appraisal district the chief appraiser employs and directs the district's staff, oversees all aspects of the appraisal district's operations and performs either directly or through the district staff a variety of operations.

The chief appraiser's responsibilities are as follows:

1. Discover, list and appraise
2. Determine exemptions and special use requests
3. Organize periodic reappraisals
4. Notify taxpayers, taxing units and the public about matters that affect property values

Kent County Appraisal District is a small office consisting of the chief appraiser and Office Administrator.

The District employs the services of Pritchard & Abbott, an appraisal firm, to appraise all minerals, industrial plants, pipelines, industrial personal property, and utilities in addition Real Estate and Ag Use within the boundaries of the appraisal district. The District also uses computer software provided by Pritchard & Abbott for its data processing of all appraisal records, records management system, and maintenance of the digitized mapping system. Pritchard & Abbott appraisers may also assist the chief appraiser in conducting ratio studies and building schedules for residential property.

As of July 25, 2014, the 2014 appraisal roll for Kent County Appraisal District indicates a total of 11,358 parcels. The breakdown of these parcels is as follows:

A	Residence - Single Family	280
C	Vacant Lots, Platted	625
D	Qualified Open-Space Land & Improvements	2,351
E	Rural land not Qualified as Open-Space and Improvements	318
F	Real - Commercial & Industrial and Manufacturing	83
G	Oil, Gas and Minerals, Sub-Surface Interests	6,417
J	Tangible Personal Property Utilities	140
L	Tangible Personal Commercial & Industrial and Manufacturing	97
M	Mobile Homes	12
X	Exempt Properties	<u>1,035</u>
	TOTAL PARCEL COUNT	11,358

Major highways

The county's highway network include State highways 70 and 208 (North to South)

And U.S. Highway 380 (West to East)

Adjacent counties

Dickens County (north) Stonewall (east) Scurry County (south) Garza County West (west)

Demographics

As of the census¹⁸¹ of 2010, there were 808 people, 350 households, and 209 families residing in the county. The population density was 3 people per square mile (1/km³). There were 552 housing units at an average density of 2 per square mile (1/km³). The racial makeup of the county was 83.2% White, 1.0% Black or African American, 0.09% Native American, 14.99% of the population were Hispanic or Latino .

There were 350 households out of which 23.10% had children under the age of 18 living with them, 46.90% were married couples living together, 9.4% had a female householder with no husband present, and 40.30% were non-families. 37.10% of all households were made up of individuals and 16.8% had someone living alone who was 65 years of age or older. The average household size was 2.16 and the average family size was 2.89.

In the county, the population was spread out with 24.90% under the age of 18, 2.70% from 18 to 24, 29.17.90% from 25 to 28, 70.40% from 45 to 64, and 25.80 who were 65 years of age or older. The median age was 48 years.

The median income for a household in the county was \$38,750, and the median income for a family was \$22,949. Males had a median income of \$25,000 versus \$18,571 for females. The per capita income for the county was \$13,156. About 14.10% of families and 17.40% of the population were below the poverty line, including 21.30% of those under age 18 and 18.20% of those age 65 or over. About 6.3% of the population for Kent County was below the overtly line

CITIES

Jayton, Clairemont Girard

There are four major categories of property appraised by the Kent County Appraisal District these categories are:

- L** **Real Properties: Residential**
Commercial Vacant Lots Vacant rural land
and improvements on rural land
- 1** **Personal Properties: Income producing business personal property**
Industrial personal properties
- 3.** **Utilities: Telephone companies**
Cable companies Electrical
companies Fiber Optics
Miscellaneous Other Utilities
- 4.** **Minerals: Oil and Gas**

The Property Tax Assistance Division of the State Comptroller's Office requires properties to be identified by type using a standard identification code. The codes currently used by the Kent County Appraisal District are as follows:

- AI** **Residence - Single Family**
- CI** **Vacant Lots and Land Tracts**
- DI** **Qualified Open-Space Land**
- D2** **Farm and Ranch Improvements on Qualified Open-Space Land**
- EI** **Rural Land* not qualified for open-space and Improvements**
- FI** **Real •Commercial**
- F2** **Real • Industrial and Manufacturing**
- GI** **Oil, Gas and Minerals**
- J** **Tangible Personal Property Utilities**
- LI** **Tangible Personal Commercial**
- L2** **Tangible Personal Industrial and Manufacturing**
- MI** **Mobile Homes**
- X** **Totally Exempt Properties**

Highest and Best Use

The highest and best use of real estate is defined as the most reasonable and probable use of land that will generate the highest return to the property over a period of time. This use must be legal, physically possible, economically feasible and the most profitable of the potential uses. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

In order to complete the highest and best use analysis of a property, an appraiser must estimate the highest and best use as if the land were vacant. This estimate ignores the value of and the restrictions created by existing improvements. It is the highest value the land could have if it were available for any legal, physically possible and economically feasible kind of development.

In determining the highest and best use, preliminary judgments are made in the field by appraisers. The appraisers are normally aware of zoning regulations within physical boundaries of the city.

Kent County Appraisal District property appraisal cards contain information regarding lot size and frontage; therefore, appraisers normally make judgments on physical possible use of sites in the field. Economically feasible and most profitable uses are determined by observing surrounding property. However, changes in property use require a more detailed and technical highest and best use analysis. These studies are performed in the office.

Market Analysis

National, regional, and local trends affect the universe of properties appraised in Kent County. An awareness of social, economic, governmental and environmental conditions is essential in understanding, analyzing, and identifying local trends that affect the real estate market.

Market analysis is performed throughout the year. Both general and specific data is collected and analyzed. An in-house ratio study is conducted at least once a year.

Examples of sources of general data include "Trends" issued by The Real Estate Center at Texas A&M University, "The Statement" published by the State Comptroller's Office, "The Appraiser" published by The Texas Association of Appraisal Districts, and the "Texas Assessor's News" published by the Texas Association of Assessing Officers. When possible, sources in surrounding counties such as lending institutions, realtors, Chambers of Commerce, and articles published in the area newspapers are used to obtain financing information, market trends and information, demographics, and labor statistics.

Sales information is received from various sources. As Jayton prices can be gathered from the area paper and realtor listings. Information is also gathered from conversations real estate appraisers located in surrounding counties, agents and brokers. Sales confirmation letters are mailed to each new owner when a property changes hands.

Kent County Appraisal District employees retrieve records from the Kent County Clerk's Office located in the Courthouse on a regular basis to track all deed transactions. From this information, sales confirmation letters are mailed to the buyer to obtain information on the sale. This information is not mandatory in the State of Texas and only a small percentage of letters are returned with useful information. This is a serious problem in that there is usually inadequate sales data to perform as thorough an analysis of sales data as USPAP would require. However, every effort is made to use what data is available. The Property Tax Division also sends out sales letters and that data is made available to the appraisal district at least once a year.

Kent County Appraisal District currently does reappraisals on a three-year basis. The reappraisal includes the inspection of properties and the updating of all information on the properties. Sales and market analysis are performed each year on residential properties, as information is available. Each year new properties are inspected, measured and added to the roll. Individual properties are also reappraised with changes to the condition as the property warrants; for example, fire, remodeling, or an addition or demolition of a portion of the improvement. Appraisers will perform detailed field inspections of properties if requested by the owner, PLEASE REFER TO THE KENT COUNTY APPRAISAL DISTRICT "WRITTEN PLAN FOR

REAPPRAISAL" FOR MORE INFORMATION ON REAPPRAISAL, REQUIREMENTS FOR REAPPRAISAL, AND THE CYCLES OF REAPPRAISAL

The appraisers performing reappraisal in the field have property record cards that contain specific information regarding the property being appraised. These cards contain brief legal descriptions, ownership interests, property use codes, property addresses, land size, sketches of improvements as well as any available detailed information of the improvements. A copy of a property record card may be obtained at the appraisal office.

Field inspections require the appraisers to check all information on the property record cards and to update if necessary. If physical inspection of the property indicates changes to improvements, the appraiser notes these changes in the field. Examples of types of changes may be condition or effective age of the improvements as well as additions to the improvements. The classification of residential properties is also reviewed during the revaluation process. New improvements are also added at this time.

DATA COLLECTIONS AND VALIDATION

Data Collection and Sources

Kent County Appraisal District's cost and value schedules include land and residential improvements. Commercial schedules are comprised by using information from Marshall & Swift Valuation Services and local factor adjustments. Personal property schedules are obtained from the Property Tax Division appraisal manual, or "Field Appraiser's Guide", and this "Guide" is used in conjunction with personal property renditions and on-site inspections. (Marshall & Swift Valuation Service is a national based cost manual and is generally accepted throughout the nation by the real estate industry. The cost manual is based on cost per square foot and also the unit in place method. The unit in place method involves the estimated cost by using actual building components. This national based cost information service provides the base price of buildings as per classification with modifications for equipment and additional items. The schedule is then modified for time and location.) Renditions are confidential sources and cannot be used for specific information. However, data from renditions may be compared with data from cost manuals and used to test for accuracy.

Kent County Appraisal District schedules are then formulated from a combination of each of these sources. Schedules may also be modified by use of local market data (sales information) to further insure the accuracy of the cost and valuation schedules.

Data on individual properties is also collected from the field, compiled and analyzed. Buildings and other improvements are inspected in the field, measured and classified. The appraiser estimates the age of improvements and determines the condition of the improvements. This data is used to compile depreciation (loss of value) tables, and any notes pertaining to the improvements are made at this time.

Currently, single family dwellings are classified for quality and type of construction and whether frame or brick veneer. The classifications range from the most basic of structures using the poorest quality materials and lowest workmanship to structures of the highest possible quality using only the best of materials and the highest and best quality workmanship available. For any dwelling that exceeds the general description of the top-most classification, a special class may be assigned.

Age of building is used to estimate depreciation and based on effective age of the improvements. Effective age is the age the property appears to be due to maintenance and upkeep. Effective age for a house that is properly maintained may be its actual or chronological age. However, if a structure suffers from deferred maintenance due to neglect, its effective age may be older than the actual age. In contrast, if a house is an older structure and has been remodeled or updated, its effective age may be less than its actual age.

Depreciation is also estimated by condition of the improvements. Condition ranges from unsound to excellent. Appraisers in the field usually inspect structures from exterior perspectives. The interior condition is assumed to be similar to the exterior. However, if the taxpayer requests, an interior inspection may be made.

Foundation failure may occur in varying degrees and may also result in loss of value. The appraiser makes allowances for foundation problems on a case by case basis.

Additional depreciation may be estimated for a variety of reasons including functional obsolescence resulting from bad floor plans or out of date construction methods. Economic obsolescence results from a loss of value to a property due to adverse influences from outside the physical boundaries of the property.

Valuation Analysis

Kent County Appraisal District valuation schedules are divided into three main classifications: residential, commercial, and business personal property. These schedules are based on the most appropriate data available. Miscellaneous special categories such as mobile homes, special inventory, and agricultural land are appraised using different techniques, which are addressed later in this report. Depreciation tables/schedules are also included within these schedules. These tables are calibrated from costs as well as sales data and updated as needed. These tables and schedules are included in the "Appraisal Manual" compiled by the appraisal district.

Residential Schedules

Residential valuation schedules are cost based tables modified by actual sales data from the county. That is, the cost reflects actual replacement cost new of the subject property. Market research indicates that the common unit of comparison for new residential construction as well as sales of existing housing is the price paid per square foot. The value of extra items is based on their contributory value to the property. This value may be estimated by the price per square foot or a value of the item as a whole. This data is extracted from the market by paired sales analysis and conversations with local appraisers and brokers.

The residential schedule is based on the size, age, and condition of structure, quality of construction, contributory value of extra items and land value. Each of these variables has a direct impact on the cost as well as the property. The following is an example of each of the variables and how they affect market value:

1. **Quality of construction:** Residential construction may vary greatly in quality of construction. The type of construction affects the quality and cost of material used and the quality of the workmanship, as well as the attention paid to detail. The cost and value of residential property will vary greatly depending on the quality of the construction. As stated above, Kent County Appraisal District's residential schedules currently class houses based on quality of construction. This classification schedule is based on the Property Tax Division's definitions of residential classes of dwellings with modification for local market.
2. **Size of structure:** The size of a structure also has a direct impact on its cost as well as value. The larger the structure, the less the cost per square foot. Kent County Appraisal District's schedules are graduated in size increments from 100 to 200 square feet, depending on market conditions.
3. **Condition of improvements:** Kent County Appraisal District rates conditions from unsound or unusable to excellent. Properties that in the opinion of the appraiser are unlivable may be taken off the schedule and given a salvage value.
4. **Age of structure:** Kent County Appraisal District's residential depreciation schedule groups depreciation factors or percentages together in approximately five-year clusters, until the maximum amount of depreciation is reached. As stated above, effective age and chronological age may be the same or different depending on the condition of the structure.
5. **Extra items:** As stated above, extra items are valued according to their contributory value to the whole. Examples of extra items include storage buildings, swimming pools, fireplaces, additional baths, etc.

6. Land value: Kent County Appraisal District values land based on market transactions when possible. As there are not always market transactions available, other recognized methods of land valuation may be used. The two most common methods are the land residual method and the land ratio method. Land schedules are available at the appraisal district office.

A residential depreciation schedule may be obtained from the appraisal district office.

Commercial Schedules

Commercial properties are valued using valid market transactions in the area, along with Marshall and Swift Valuation schedules for commercial property. Replacement cost new is determined and then adjusted for location. Depreciation is then applied using physical observation of the property.

Business Personal Property Schedules

The business personal property schedules value business furniture, fixtures, and equipment as well as inventory that is taxable by law. Business vehicles located within the appraisal district boundaries are also appraised for ad valorem tax purposes.

Business personal property values are derived from several sources. Business owners are required by Texas Law to render their income producing personal property each year. It is the experience of the district that we receive approximately sixty percent (60%) of the business renditions each year. Rendered values are used on business personal property if the value is reasonable for the type of business and is within acceptable ranges when compared to the PTD personal property schedules for the type of business rendered. Should the rendered values not be acceptable, the PTD schedules are applied to establish values. Value on all business personal property not rendered is established using PTD schedules for the type of business being valued. Depreciation is determined by the age of the property and its expected life. Schedules are available in the appraisal district office.

Business vehicles are valued based on the NADA Used Car Guide trade-in value for the particular make, model, and age of the vehicle. The trade-in value may also be obtained from "Car-Point" or other web-sites available on the internet when adverse factors such as high mileage are known, and then the appropriate adjustments are made to the value. The Kent County Appraisal District uses values obtained from "Just Texas" for vehicles that are registered as commercial vehicles.

Statistical Analysis

Statistics are a way to analyze data and study characteristics of a collection of properties. In general, it is not feasible to study the entire population. Therefore, statistics are introduced into the process.

Kent County Appraisal District's statistical analysis for real estate is based on measures of central tendency and measures of dispersion. The measure of central tendency determines the center of a distribution. The measures of central tendency utilized with the aid of computer based programs are the mean, median, mode, and the weighted mean.

The measure of dispersion calculated is the coefficient of dispersion. This analysis is used to indicate the spread from the measure of central tendency. Statistical bias is measured by the price related differential (PRD). The PRD indicates how high price properties are appraised in relation to low price properties.

These statistics are included in the district's ratio study and may be obtained from the appraisal office.

Individual Value Review Procedures

In order for comparable sales data to be considered reliable it must contain a sales date, sales price, financing information, tract size and details of the improvements. Sales data is gathered by sending sales letters to the buyer of properties that the district knows changed ownership. Commercial sales are confirmed from the direct parties involved whenever possible. Confirmation of sales from local real estate appraisers is also considered a reliable source.

Sales data is compiled and the improved properties are physically inspected (and most are photographed). All data listed on the property record card is verified and updated as needed including building classification, building the, additions or new out buildings, condition of structures and any type of change in data or characteristics that would affect the value of the property.

Individual sales are analyzed to meet the test of market value. Only arms length transactions are considered. Examples of reasons why sales may be deleted or not considered are:

- L Properties are acquired through foreclosures or auction.
2. Properties are sold between relatives.
3. The buyer or the seller is under duress and may be compelled to sell or purchase.
4. Financing may be non-typical or below or above prevailing market rates.
5. Considerable improvements or remodeling have been done since the date of the sale and the appraiser is unable to make judgments on the property's condition at the time of the transaction.
6. Sales may be unusually high or low when compared with typical sales located in the market area. Some sales may be due to relocation or through divorce proceedings.
7. The property is purchased through an estate sale.
8. The sale involves personal property mat Is difficult to value.
9. There are value-related data problems associated with the sale. For example: incorrect land size or square footage of the living area.
10. Property use changes occur after the sale.

Due to the population size and nature of Kent County, It is very difficult to obtain sufficient sales data to meet USPAP standards for analysis of sales and exception is taken to USPAP Standard Six in this area.

Performance Tests

Sales ratio studies are used to evaluate the district's mass appraisal performance. These studies not only provide a measure of performance but also are an excellent means of Improving mass appraisal performance. Kent County Appraisal District uses ratio studies not only to aid in the revaluation of properties, but also to test the Comptroller's Property Tax Division value study results.

Sales ratio studies are usually performed in the spring of the year to test cost schedules. They may also be performed at any other time deemed appropriate by the chief appraiser. At this time, individual properties which have sold are reviewed for accuracy in their data. Property record cards indicating the results of the field inspections are used to further aid in the analysis and decision making.

Ratio studies are usually done on a countywide base of all residential sales in the county and then by residential classification. The median ratio within each classification is then compared to the desired ratio to determine if schedule adjustments should be made. The coefficient of dispersion is also studied to indicate how tight the ratios are in relation to measures of central tendency ("goodness of fit" statistic). The median and coefficient of dispersion are good indicators of the types of changes, if any, that need to be made. If properties that fall outside of the common parameters (referred to as outliers) are held out or not included in the study, these properties shall be identified and explanations given for their exclusion from the ratio study. It may be necessary to depart from USPAP Standard Six in this area.

CERTIFICATION STATEMENT

KB I certify that, to the best of my knowledge and belief:

KB the statements of fact contained in this report are true and correct
KB the reported analyses, opinions, and conclusions are limited only by the reported assumptions and conclusions.

KB I have no present or prospective interest in the properties that are the subject of this report, and I have no personal interest with respect to the parties involved.

KB I have no bias with respect to any property that is the subject of misreport or the parties involved with this assignment

KB my compensation is not contingent upon the reporting of a predetermined value or direction in value

KB that favors the cause of the taxing jurisdiction, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

KB my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, the Texas Department of Licensing and Regulation, and the International Association of Assessing Officers

KB I have made, or caused to be made, a personal inspection of the properties that are the subject of this report.

KB no one provided significant mass appraisal assistance to the person signing this certification; or to significant professional assistance was provided to me, Chief Appraiser of KentCAD, by various representatives of Pritchard & Abbott, Inc

Kay Byrd
KAY BYR

CHIEF APPRAISER

KENT COUNTY APPRAISAL DISTRICT

THIS DOCUMENT IS ATTACHED, BY REFERENCE, TO THE KENT COUNTY APPRAISAL DISTRICT WRITTEN PLAN FOR REAPPRAISAL

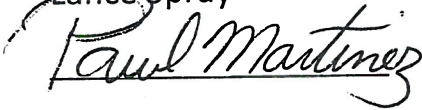
Public Hearing held and the Reappraisal Plan for 2014-2015 was adopted by the Board of Directors on September 9, 2014 as required by the Texas Property Tax Code Section 6.05 (i)



Robert Graham



Lance Spray



Paul Martinez



Kathy Owen

Albert Brown



Kay Byrd

Chief Appraiser