



**LLANO CENTRAL APPRAISAL DISTRICT**

**REAPPRAISAL PLAN FOR THE  
TAX YEARS 2015 & 2016**

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**AS ADOPTED BY THE BOARD OF  
DIRECTORS**

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**SEPTEMBER 8, 2014**

## **TABLE OF CONTENTS**

<b>ITEM</b>	<b>PAGE</b>
Introduction	5
Personnel Resources	8
Property Tax Code Requirement	9
The Seven Reappraisal Plan Details	10
Market and Cost Reconciliation & Valuation	19
Staff Education and Training	24
Shared Appraisal District Boundaries	25
Independent Performance Test	25
Revaluation Decision (Reappraisal Cycle) Tax Year 2015 Tax Year 2016	26
Reappraisal and Non Reappraisal Year Activities	27
Revaluation Decision	30
Performance Analysis	31
Analysis of Available Resources	32
Planning and Organization Tax Calendar	34
Mass Appraisal System Real Property Valuation Personal Property Valuation Notice Process	35

**TABLE OF CONTENTS cont.**

Hearing Process	
Data Collection Requirements	39
New Construction/Demolition	
Remodeling	
Re-inspection of problematic market areas	
Re-inspection of universe of properties	
Field or Office verification of sales data	
And property characteristics	
Pilot Study	45
Valuation By Tax Year	46
Residential Real Property	46
Sales Approach	
Cost Approach	
Income Approach	
Special Inventory Residential Real Property	49
Sales Approach	
Cost Approach	
Income Approach	
Multi Family Residential Property	50
Sales Approach	
Cost Approach	
Income Approach	
Commercial Real Property	52
Sales Approach	
Cost Approach	
Income Approach	
Vacant Real Property	53
Sales Approach	
Income Approach	

**TABLE OF CONTENTS cont.**

Industrial Real Property	54
Sales Approach	
Cost Approach	
Income Approach	
Mineral Interest	55
Special Valuation Properties	55
Ag Use or Wildlife Mgmt.	
Business Tangible Personal Property	56
The Mass Appraisal Report	56
Value Defense	57
ARB Appeal Procedures	59
Limiting Conditions	60
Treatment of Residence Homestead	60
Certification Statement	62
Exhibit "A" Work Plan	63
Exhibit "B"	74
Reappraisal Calendar 2015	
Reappraisal Calendar 2016	78
Exhibit "C"	
Map of Llano County	83
Exhibit "D"	
Pritchard & Abbot 2015-2016 Reappraisal Plan	84
Exhibit "E"	
Mass Appraisal Report	110

This Appraisal Plan is being submitted as a tool to organize the reappraisal for the Llano Central Appraisal District. This plan attempts to outline the necessary work to complete a reappraisal over the next two years. As we progress into the actual reappraisal process, we reserve the right to modify the plan as required in order to meet the requirements for this office as set forth in the Texas Property Tax Code.

## **INTRODUCTION**

### **Scope of Responsibility**

The Llano Central Appraisal District pursuant to Sec. 6.05 (I) and Section 25.18 of the Texas Property Tax Code has prepared and published this reappraisal plan to provide our Board of Directors, citizens and taxpayers with a better understanding of the district's responsibilities and activities. This plan has several parts: a general introduction and then, several sections describing the appraisal effort by the appraisal district.

The Llano Central Appraisal District (CAD) is a political subdivision of the State of Texas to appraise all of the taxable property within its jurisdiction at 100% of market value. The creation of appraisal districts was passed with the 66<sup>th</sup> Legislative Session in 1980, approved by the voters in the November 1980 general election. This legislation mandated counties to participate in an appraisal district. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. A Board of Directors, appointed by the taxing units within the boundaries of

Llano County, constitutes the district's governing body. The chief appraisers, appointed by the Board of Directors, are the chief administrators and chief executive officers of the appraisal district.

The appraisal district is responsible for local property tax appraisal and exemption administration for 16 jurisdictions or taxing units in the county. Each taxing unit sets its own tax rate to generate revenue to pay for such things as police and fire protection, public schools, road and street maintenance, courts, water and sewer systems, and other public services. Property appraisals and estimated values by the appraisal district allocate the year's tax burden on the basis of each taxable property's market value or special valuation. The District also determines eligibility for various types of property tax exemptions such as those for homeowners, the elderly and disabled, disabled veterans, charitable or religious organizations and agricultural productivity valuation.

Except, as otherwise provided by the Texas Property Tax Code, all taxable property is appraised at its "market value" as of January 1st. Under the tax code, "market value" means 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 buyer 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 buyer seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

Section 23.01 of the Texas Property Tax Code, Appraisals Generally (b) 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 of Professional Appraisal Practice (U.S.P.A.P.). The same similar appraisal methods and techniques shall be used in appraising 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.”

The Texas Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (§23.23) productivity (§23.41), real property inventory (§23.12), dealer inventory (§23.121, 23.124, 23.1241 and 23.127), nominal (§23.18) or restricted use properties (§23.83) and allocation of interstate property (§23.03). The owner of real property inventory may elect to have the inventory appraised at its market value as of September 1st of the year proceeding the tax year to which the appraisal applies by filing an application with the chief appraiser requesting that the inventory be appraised as of September 1st.

The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. The district’s current policy is to conduct a general reappraisal of taxable property every year. Appraised values are reviewed annually and are subject to change. Business personal properties, minerals and utility properties are appraised every year.

The appraised value of real estate is calculated using specific information about each property. Using computer-assisted mass appraisal programs, and recognized appraisal methods and techniques, we compare that information with the data for similar properties, and with recent cost and market data.

The district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures, and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable.

Any reference to a specific work plan contained herein is to be considered tentative for the Appraisal District. The work plan assumptions are made with the understanding that there are no natural disasters or new legislative requirements that will require the Appraisal District to reallocate resources necessary to complete the normal work plan to address these possible high needs areas. As well, these work plans are made under the assumption that there will be an ample supply of market data, and or verifiable market activity in the district for conducting a reappraisal process.

### **Personnel Resources**

The office of the Chief Appraiser is primarily responsible for overall planning, organizing, staffing, coordinating, and controlling of district operations. The administration department's function is to plan, organize, direct and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities and postal services. The appraisal department is responsible for the valuation of all real and personal property accounts. The property types appraised

include commercial, residential, business personal, utilities and industrial. The district's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulation. Support functions such as; records maintenance, information, assistance to property owners, and hearings are coordinated by personnel in support services.

### **PROPERTY TAX CODE REQUIREMENT**

Passage of Senate Bill 1652 during the 2005 Regular Legislative Session amended the Texas Property Tax Code to require a written biennial reappraisal plan. The following details the changes to the Property Tax Code:

Section 6.05, Tax Code, is amended by adding Subsection (I) to read as follows:

(I) 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.

### **Tax Code Requirements for Periodic Reappraisal**

Subsections (a) and (b), Section 25.18, Tax Code, are amended 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:

### **The Seven Reappraisal Plan Details**

- (1) 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;

The Central Appraisal District of Llano County receives listings of all deeds filed in Llano County through the Llano County Clerks office. Those deeds are read and abstracted by the deed analyst. Information is recorded in the computer assisted mass

appraisal (CAMA) software including grantor, grantee, date of recording, volume, and page, and the document number, in the county clerk's records. Property identification numbers are assigned to each parcel of property that will remain with the property for its life.

Business personal property is located by canvassing the county street-by-street, using data sources such as yellow pages, local area Chamber of Commerce, DBA listings from the Llano County Clerk and other business listing publications to ensure that all property owners are located. All businesses are mailed a rendition about January 1 of each year. Owners are required by state law to list all their business personal property. Failure to render will result in an immediate 10% penalty. A possible 50% penalty is assessed if fraud is involved in a false rendition. Renditions are also required of utility companies, railroads, and pipelines.

Maps have been developed for years that show ownership lines for almost all real estate. These maps are stored digitally using software from ESRI, the most popular geographic information system software in the nation. Aerial photographs are received from Capital Area Council of Governments and show excellent detail of land and improvements as of that date. All of the maps are available to the staff of the appraisal district on their computer desktops and maps are available to the general public through open record request.

The Llano Central Appraisal District has established   4   regions in the county being referred to as Regions 1, 2,3 & 4. Tax year 2015 is a reappraisal year for 1/3 of Regions   1   thru   4   and tax year 2016 will be a reappraisal year for 1/3 of Regions   1   thru   4  . Exhibit "A" defines each of the   4   regions projects the year each region will be reappraised.

(2) Identifying and updating relevant characteristics of each property in the appraisal records;

The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update relevant characteristics for each real property at least once every three years. Appraiser values are reviewed annually and are subject to change. Business personal properties and utility properties are appraised every year.

Most real estate is physically or in office reviewed every year. Appraisers drive to neighborhoods within the district and gather data about each home, commercial business, or vacant land tract. The appraisers go from property to property noting the condition of the property, observing, and noting any changes to the property since the previous year's inspection. Pictures of the property have been captured and are stored in the CAMA software and assist the appraiser in making value decisions when he or she returns to the office. Other data stored in the CAMA system includes but is not limited to an exterior sketch of the improvement, which allows the computer system to calculate square footage for the various areas of the building. Components within the building such as bathrooms, fireplaces, air conditioning, type of roof, type of exterior, etc. are listed in the CAMA system. Property characteristic data on new construction is updated through an annual field effort; existing property data is maintained through a field review. The rural areas of the county are worked under the same process.

The appraised value of real estate is calculated using specific information about each property. Using computer-assisted mass appraisal programs, and recognized appraisal methods and techniques, we compare that information with the data for similar properties, and with recent cost and market data. The district follows the standards of the International Association of Assessing Officer (IAAO) regarding its appraisal practices and procedures and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional *Appraisal Practice (USPAP)* to the extent they are applicable.

The district is responsible for establishing and maintaining approximately 37,391 real and person property accounts covering 966 square miles within Llano County.

Sales are routinely validated during a separate field inspection. However, numerous sales are validated as part of the new construction field inspections. General trends in employment, interest rates, new construction trends, cost and market data are acquired through various sources, including internally generated questionnaires to buyer and sellers.

The district has a geographic information system (GIS) that maintains maps and various layers of data and aerial photography.

The district's website makes a broad range of information available for public access, including property characteristics, value data, ownership records and district contact information.

The BPP staff as needed inspects business personal property. All new Businesses in the district are on-site filed inspected each year. They look at the quality of inventory, how dense the stocking is, and make general notes about equipment that they see. If their observation is different than the rendition made by the taxpayer, additional information is gathered and a higher value may be assigned than the rendered amount.

Pritchard & Abbott, Inc. Valuation Consultants, appraises the oil and gas properties, utilities, railroads, and pipeline.

### (3) Defining market areas in the district;

Pursuant to Sec. 25.18 of the Property Tax Code, the Appraisal District has established a reappraisal plan to provide for the reappraisal of all properties within the district at least once every three years (for more specific instruction, see Work Plan). These proposed reappraisals are subject to market conditions and unforeseen events.

Annually, appraisers combine similar types of property into “neighborhoods.”

Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effects of these forces are also used to identify, classify, and stratify comparable properties into smaller, manageable groups known as neighborhoods.

These neighborhoods have improvements that are of similar construction and type as well as similar years of construction. Analysis of comparable market sales forms the basis of estimating market activity and the level of supply and demand affecting market prices for any given market area, neighborhood or district. Market sales indicate the effects of these market forces and are interpreted by the appraiser into an indication of market price ranges and indications of property component change considering a given time period relative to the date of appraisal. Cost and Market Approaches to estimate value are the basic techniques utilized to interpret these sales. For multiple family properties the Income Approach to value is also utilized to estimate an opinion of value for investment level residential property.

Land is also put into neighborhoods with other parcels that have similar characteristics, school districts, and amenities. Using these neighborhoods, values are applied to all parcels. These values take into consideration location, size, topography, and other characteristics that the market recognizes as significant.

Market areas within the district include the following:

- 1) The City of Horseshoe Bay
  - A) Improved Waterfront Properties
  - B) Improved Golf Course Properties
  - C) Improved Commercial Properties
  - D) Improved Off Waterfront and Off Golf Course Properties
  - E) Residential Condominiums
  - F) Vacant Waterfront Properties

- G) Vacant Golf Course Properties
- H) Vacant Commercial Properties
- I) Vacant Off Water and Off Golf Course Properties

2) The City of Sunrise Beach

- A) Improved Waterfront Properties
- B) Improved Off Waterfront Properties
- C) Improved Commercial Properties
- D) Vacant Waterfront Properties
- E) Vacant Off Waterfront Properties
- F) Vacant Commercial Properties

3) The City of Llano

- A) Improved Residential Properties on Bessemer, Llano, and Young Streets
- B) Improved Commercial Properties on Bessemer, Llano, and Young Streets
- C) Commercial Properties on the Court House Square
- D) Improved Residential Properties Not on Bessemer, Llano, and Young Streets or Adjacent to the Llano River.
- E) Improved Residential Properties Adjacent to the Llano River
- F) Improved Commercial Properties Adjacent to the Llano River
- G) Improved Commercial Properties in the Rail Yard District
- H) Vacant Residential Properties on Bessemer, Llano, and Young Streets
- I) Vacant Commercial Properties on Bessemer, Llano, and Young Streets
- J) Vacant Residential Properties Not on Bessemer, Llano, and Young Streets
- K) Vacant Residential Properties Adjacent to the Llano River

4) The Community of Kingsland

- A) Improved Waterfront Properties Colorado River Area of Lake LBJ
- B) Improved Waterfront Properties Llano River Down Stream Area of Lake LBJ
- C) Improved Waterfront Properties Llano River Up Stream Area of Lake LBJ

- D) Improved Golf Course Properties
  - E) Improved Commercial Waterfront Properties
  - F) Improved Commercial Properties on Highways 1431 and 2900
  - G) Improved Residential Properties on Highways 1431 and 2900
  - H) Improved Residential Properties Not Waterfront or on Highways 1431 and 2900
  - I) Vacant Waterfront Properties Colorado River Area of Lake LBJ
  - J) Vacant Waterfront Properties Llano River Down Stream Area of Lake LBJ
  - K) Vacant Waterfront Properties Llano River Up Stream Area of Lake LBJ
  - L) Vacant Golf Course Properties
  - M) Vacant Commercial Properties on Highways 1431 and 2900
  - N) Vacant Residential Properties Not Waterfront or on Highways 1431 and 2900
- 5) Buchanan Dam And Tow Areas
- A) Improved Waterfront Properties on Lake Buchanan
  - B) Improved Commercial Waterfront Properties on Lake Buchanan
  - C) Improved Waterfront Properties on Inks Lake
  - D) Improved Commercial Properties on Ink Lake
  - E) Improved Residential Properties Not on Inks Lake or Lake Buchanan
  - F) Improved Commercial Properties Not on Inks Lake or Lake Buchanan
  - G) Improved Commercial Properties on Highway 29
  - H) Vacant Waterfront Properties on Lake Buchanan
  - I) Vacant Commercial Waterfront Properties on Lake Buchanan
  - J) Vacant Waterfront Properties on Inks Lake
  - K) Vacant Commercial Properties on Ink Lake
  - L) Vacant Residential Properties Not on Inks Lake or Lake Buchanan
  - M) Vacant Commercial Properties Not on Inks Lake or Lake Buchanan
  - N) Vacant Commercial Properties on Highway 29

- 6) Blue Lake Subdivision
  - A) Improved Waterfront Properties
  - B) Vacant Waterfront Properties
  - C) Improved Off Waterfront Properties
  - D) Vacant Off Waterfront Properties
  
- 7) Deerhaven Subdivision
  - A) Improved Waterfront Properties
  - B) Vacant Waterfront Properties
  - C) Improved Off Waterfront Properties
  - D) Vacant Off Waterfront Properties
  
- 8) Oak Ridge Estates Subdivision
  - A) Improved Waterfront Properties
  - B) Vacant Waterfront Properties
  - C) Improved Off Waterfront Properties
  - D) Vacant Off Waterfront Properties
  
- 9) Sandy Harbor Subdivision
  - A) Improved Waterfront Properties
  - B) Vacant Waterfront Properties
  - C) Improved Off Waterfront Properties
  - D) Vacant Off Waterfront Properties
  
- 10) Rural Ranch Lands County Wide
  
- 11) Rural Subdivisions Located Adjacent to the Llano River including Rio Llano, Double O Ranchetts, Scott Acres, Diamond Cross, Leona Land, Delta Acres, Llano Crossing, Indian Bend, Castell River Ranch, the Community of Castell, or any other rural subdivision adjacent to the Llano River which may be developed during the 2015 and 2016 tax years

12) Rural Subdivision Located in Llano County including, Rio Llano, Rio Vista, Wild Oak Acres, Delta Acres, Valley Ranch, Vista Encantada, Enchanted Vistas, Hill View Estates, Threadgill, Indian Springs, Three Springs Ranch, French John Creek, Lehne Ranch, Sendera Ridge, the Valley Spring Community, or any other rural subdivision which may be developed during the 2016 and 2017 tax years

In addition to the cycle stated, ratio studies are performed annually to determine areas or categories of properties within the CAD that need to be reappraised within the current year, based on sales ratios. Any area or category whose ratios are below statutory requirements shall be reappraised in the current year, regardless of the area in which they are located.

- (4) Identifying property characteristics that affect property value in each market area, including:
  - (A) The location and market area of the 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;

Each parcel of property has detailed information recorded in the CAMA system. For land, the legal description, dimensions, zoning, size, available utilities, and special characteristics are noted in a form that can be used and compared with other land parcels.

Each improvement shows the sketch and dimensions, a picture of the improvement, the class which indicates original construction quality, the year of construction of each part of the improvement, the type of roof, the roof covering, the exterior covering of the

improvement, number of baths, fireplaces, air conditioning type, other attributes, and overall condition of the improvement.

- (5) 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;

### **Market and Cost Reconciliation and Valuation**

The replacement cost new of property improvements (RCN) less accrued depreciation (AD) plus land value (LV) equals market value (MV). As the cost approach separately estimates both the land and building value. Neighborhood analysis of market sales is used to achieve an acceptable sale ratio or level of appraisal. Market factors are developed from appraisal statistics provided from market analyses and ratio studies and are used to ensure that estimated values are consistent with the market and to reconcile cost indicators. The district's primary approach to the valuation of 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 hybrid model used:

$$\mathbf{MV=LV+(RCN-AD)}$$

Whereas, in accordance with the cost approach, the estimated market value (MV) of the property equals the land value (LV) plus contributory values and uses depreciated replacement cost, 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 location

variances between market areas or across a jurisdiction. Whereas, in accordance with the Market Approach, the estimated market value (MV) of the property equals the basic unit of property, under comparison, times the market price range per unit for sales of comparable property. For residential property, the unit of comparison is typically the price per square foot of living area or the price indicated for the improvement contribution. This analysis for the hybrid model is based on both the cost and market approaches as a correlation of indications of property valuation. A significant unknown for these two indications of value is determined to be the rate of change for the improvement contribution to total property value. The measure of change for this property component can best be reflected and based in the annualized accrued depreciation rate. This cost related factor is most appropriately measured by sales of similar property. The market approach, when improvements are abstracted from the sale price, indicated the depreciated value of the improvement component, in effect, measuring changes in accrued depreciation, and cost factor. The level of improvement contribution to the property is measured by abstraction of comparable market sales, which is the property sale price less land value. The primary unknown for the cost approach is to accurately measure accrued depreciation affecting the amount of loss attributed to the improvements as age increases and condition changes. This evaluation of cost results in the depreciated value of the improvement component based on age and condition. The evaluation of this market and cost information is the basis of reconciliation and indication of property valuation under this hybrid model.

When the appraiser reviews a neighborhood, the appraiser reviews and evaluates a ratio study that compares recent sales prices of properties, appropriately adjusted for the effects of time, within a delineated neighborhood, with the value of the properties' based on the estimated depreciated replacement cost of improvements plus land value. The calculated ratio derived from the sum of the sold properties' estimated value divided by the sum of the time adjusted sales process indicates the neighborhood level of appraisal based on sold properties. The ratio is compared to the acceptable appraisal ratio, 95% to 105%, to determine the level of appraisal for each neighborhood. If the level of appraisal

for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood are made.

If reappraisal of the neighborhood is indicated, the appraiser analyzes available market sales, appropriately adjusted for the apparent effects of time, by market abstraction of property components. This abstraction of property components allows the appraiser to focus on the rate of change for the improvements contribution to the property by providing a basis for calculating accrued depreciation attributed to the improvement component. This impact on value is usually the most significant factor affecting property value and the most important unknown to determine by market analysis. Abstraction of the improvement component from the adjusted sale price for a property indicated the effect of overall market suggested influences and factors on the price of improvements that were a part of this property, recently sold. Comparing this indicated price or value allocation for the improvement with the estimated replacement cost new of the improvement indicated any loss in value due to accrued forms of physical, functional, or economic obsolescence. This is a market driven measure of accrued depreciation and results in a true and relevant measure of improvements marketability, particularly when based on multiple sales that indicate the trending of the rate of change over certain classes of improvements within certain neighborhoods. Based on this market analysis, the appraiser estimated the annual rate of depreciation for given improvement descriptions considering age and observed condition. Once estimated, the appraiser recalculates the improvement value of all property within the sale sample to consider and review the effects on the neighborhood sale ratio. After an acceptable level of appraisal is achieved within the sale sample, the entire neighborhood of property is recalculated utilizing the indicated depreciation rates taken from market sales. This depreciation factor is the basis for trending all improvement values and when combined with any other site improvements and land value, brings the estimated property value through the cost approach closer to actual market prices as evidenced by recent sale process available within a given neighborhood. 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 are 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 is generated that compares recent sale prices with the proposed appraised values for these sold properties. From this set of ratio studies, the appraiser judges the appraisal level and uniformity in both updated and non-updated neighborhoods and verifies appraised values against overall trends as exhibited by the local market, and finally, for the school district as a whole.

The CAMA system begins with the cost approach to value to estimate original cost of each improvement. All residential parcels in the district are valued with a replacement cost estimated from identical cost schedules based on the improvement classification system using a comparative unit method. These cost estimates are compared with sales of new improvements and evaluated from year to year and indexed to reflect the local residential building and labor market. Costs may also be indexed for neighborhood factors and influences that affect the total replacement cost of the improvements in a smaller market area based on evidence taken from a sample of market sales. The cost schedules are reviewed regularly as a result of state legislation requiring that the appraisal district cost schedules be within a range of plus or minus 10% from nationally recognized cost schedules.

A review of the residential cost schedule is preformed annually. As part of this review and evaluation process of the estimated replacement cost, newly constructed sold properties representing various levels of quality of construction in the district are considered. By utilizing the cost system, properties are equalized as to their original costs. The property data characteristics of these properties are verified and photographs are taken of the samples. Components measured in the cost include the size of the structure, number of bathrooms, type of roof structure, roof covering, exterior covering, special features such as fireplaces, pools, and other special amenities. The market sales are studied for improvement contributions in each neighborhood and adjustments to cost are applied to each neighborhood in the form of all types of depreciation. Finally, each

structure is rated as to its current condition. Ratings range from poor to excellent. Sales are also categorized using the same condition rating system so that sales comparisons will be made to properties of like construction and condition.

This same concept is used in commercial properties:

Utilities, railroads, pipelines, oil and gas, values are set by Pritchard & Abbott, Inc.

(6) Applying the conclusions reflected in the model to the characteristics of the properties being appraised; and

By utilizing sales data for each neighborhood, the appraiser measures accrued depreciation of structures by condition rating. Similar properties with similar condition are assigned values per square foot based on the schedule for that neighborhood. By utilizing the age, quality, condition, construction components, and other variables, the model is developed and applied to all parcels within the neighborhood. Once field review is complete, the appraiser conducts a routine valuation review of all properties. Once the appraiser is satisfied with the level and uniformity of value for each neighborhood within his area of responsibility, models are developed and the CAMA system applies all the factors and assigns value to each parcel.

(7) Reviewing the appraisal results to determine value.

After completing the process of assigning values to all parcels within a neighborhood using the computer assisted mass appraisal programs, printouts are run to make comparisons of values per square foot within the neighborhood and comparison of those appraised values per square foot with current sales data from the neighborhood. The primary tool used by the appraisers to measure and improve performance is the ratio study. The district ensures that the appraised values that it produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each neighborhood to

allow the appraiser to review general market trends within their area of responsibility, and to provide an indication of market appreciation over a specified period of time. A sales ratio is run for each neighborhood to determine if the values that have been assigned are within required ratios of law (95%-105%). The PC-based ratio studies are designed to emulate the findings of the state comptroller's semi-annual property value study for each category of property.

## **STAFF EDUCATION AND TRAINING**

All personnel that are performing appraisal work are registered with the Texas Department Of Licensing and Regulation and are required to take appraisal courses to achieve the status of Registered Professional Appraiser within five years of employment as an appraiser. After they are awarded their license, they must receive additional training of a minimum of 30 hours of continuing education units every two years.

Additionally, all appraisal personnel receive extensive training in data gathering processes including fieldwork and statistical analyses of all types of property to ensure equality and uniformity of appraisal of all types of property. Department managers for new appraisers deliver on-the-job training, and managers meet with staff to introduce new procedures and monitor appraisal activity to ensure that all personnel are following standardized appraisal procedures.

## **SHARED APPRAISAL DISTRICT BOUNDARIES**

Section 6.02 of the Property Tax Code amended during the 2007 Legislative Session states the Appraisal District's boundaries are the same as the County's boundaries effective January 1, 2008.

Due to HB1010, effective 2008 this section no longer applies. However, we continue to share information with adjacent counties. The district established procedures whereby ownership and property data information are routinely exchanged with over-lapping jurisdictional boundaries. These over-lapping jurisdictions enter into Burnet and Blanco counties.

## **INDEPENDENT PERFORMANCE TEST**

According to Chapter 5 of the Texas Property Tax Code and Section § 403.302 of the Texas Government Code, the State Comptroller's Property Tax Division (PTD) conducts an annual property value study (PVS) of each Texas school district and each appraisal district. Beginning in 2010, the PTD will conduct annual property value studies on approximately half of the school districts/appraisal districts in the state and will conduct a Methods and Assistance Program (MAP) on the appraisal districts that a property value study was not conducted. For 2015, LCAD will have a MAP conducted. For the future, in odd number years the district will have a MAP and in even number years will have a PVS. As part of this annual study, the code requires the Comptroller to: use sales and recognized auditing and sampling techniques; review each appraisal district's appraisal methods, standards and procedures to determine whether the district used recognized

standards and practices; test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are correct when values are valid; and determine the level and uniformity of property tax appraisal in each appraisal district. The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical analyses of sold properties (sale ratio studies) and appraisal of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting. For appraisal districts, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties within 25% of the median and price-related differential (PRD) for properties overall and by state category.

There are 3 independent school districts within the Llano Central Appraisal District for which appraisal rolls are annually developed. The preliminary results of the PVS are released February 1st in the year following the year of assessment. The final results of this study are certified to the Education Commissioner of the Texas Education Agency (TEA) the following July of each year. This outside (third party) ratio study provides additional assistance to the CAD in determining areas of market activity or changing market conditions. The final MAP report is released in December. Any recommendations will be addressed immediately.

### **REVALUATION DECISION (REAPPRAISAL CYCLE)**

The Llano Central Appraisal District, by policy adopted by the Board of Directors, reappraises all property in the district every year. The reappraisal

year is a complete appraisal of all properties in the district. Tax year 2015 is a reappraisal year and tax year 2016 is a reappraisal year.

## **REAPPRAISAL AND NON-REAPPRAISAL YEAR**

### **ACTIVITIES**

#### **1. 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 the State Comptroller's property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* of the International Association of Assessing Officers.

#### **2. Analysis of Available Resources**

The staffing and budget requirements for tax year 2015 are detailed in the 2015 budget, as adopted by the board of directors, and attached to the written biennial plan by reference. The existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current are specified. Information Systems (IS) support is detailed with year specific functions identified and system upgrades scheduled. Existing maps and data requirements are specified and updates scheduled.

The Board of Directors of the Llano CAD has contracted with Pritchard & Abbott, Inc., to provide the personnel and expertise towards the appraising of the utility companies and taxpayer protest portions of the appraisal of the utility companies.

### **3. Planning and Organization**

A calendar of key events with critical completion dates is prepared for each major work area. This calendar identifies all 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, based on location of current assignments. The projected dates incorporated into the calendar may be adjusted within the overall plan due to unforeseen changes in staffing, budgetary constraints, weather, and/ or reevaluation of the priorities of the projects within the plan. Production standards vary for field appraisers based on location of current assignments.

### **4. Mass Appraisal System**

Computer Assisted Mass Appraisal (CAMA) system revisions required are specified, scheduled, and completed by the Information Systems provider. All computer forms and IS procedures are reviewed and revised as required.

## **5. Data Collection Requirements**

Data sources used by the District are continually reviewed and researched. Field and office procedures are reviewed and revised as required for data collection. Activities scheduled for each tax year include, permits, new construction, demolition, remodeling, re-inspection of problematic market areas, and re-inspection of the universe of properties on a specific cycle, (3 years). On properties that have transferred ownership, the District will verify the sales price and individual property characteristics as of the date of sale through field inspection and office research.

## **6. 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 in each category are tested for accuracy and reliability in randomly selected market areas.

## **7. Valuation by tax year**

Using market analysis of comparable sales and locally tested cost data, valuation models 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.

## **8. The Mass Appraisal Report**

Each tax year the Property Tax Code 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. 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 Appraisers is compliant with STANDARD RULE 6 – 9 of *USPAP*. This written reappraisal plan is attached to the report by reference.

## **9. Value Defense**

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

## **REVALUATION DECISION**

The Llano CAD, by policy adopted by the Board of Directors, reappraises all property in the district every year. The reappraisal year is a complete appraisal of all properties in the district. Therefore, tax year 2015 is a reappraisal year and tax year 2016 is a reappraisal year. Due to budget constraints and the number of properties in the District, a physical inspection on all properties is not possible. Every tax year the District must inspect and appraise new construction and add the property to the appraisal roll. The District will also physically inspect properties coded for an inspection.

Properties are coded for an inspection because of some of the following reasons; but not limited to, remodeled or demolished properties, properties with additions, building permits, request of the Appraisal Review Board, sales information, and properties with fire or flood damage. Appraisers will also conduct detailed field inspections of properties if requested by the owner, and reappraise these properties as necessary. The District will physically inspect as many properties as time and resources will permit. Our goal is to physically inspect all real property at least once every three years, with appraisers noting condition of the improvement and looking for changes that might have occurred to the property since the last on-site check. Exterior pictures are taken of improvements.

Problematic areas are further researched and may indicate the use of market modifiers. The use of these modifiers is the predominant method of adjusting sales for location and time. Values throughout the county may be adjusted by use of market modifiers during reappraisal years.

## **PERFORMANCE ANALYSIS**

In each tax year 2015 and 2016 the previous tax years equalized values are analyzed with ratio studies to determine appraisal accuracy and appraisal uniformity overall and by market area, within state property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* from the International Association of Assessing Officers. Mean, median, and weighted mean ratios are calculated for properties in each reporting category to measure the level of appraisal accuracy. The mean ratio is calculated in each market area to indicate the level of appraisal accuracy by property reporting category. 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. Outliers and questions that were not identified in the field are reviewed and analyzed. Field cards indicating the results of field inspections of the sold properties are available for each individual sale to further aid in making the decisions regarding outliers.

Neighborhood or market adjustment factors are developed from statistics provided from ratio studies and are used to ensure that estimated values are consistent with the market. Analysis of comparable market sales data forms the basis of estimation market activity and the level of supply and demand affecting market prices for any given market area, neighborhood or district. Market sales reflect the effects of these market forces and are interpreted to indicate market value ranges for a given neighborhood.

Outliers are characterized as having low or high ratios. They can result from an erroneous or unrepresentative sale price, or an error in the appraisal.

## **ANALYSIS OF AVAILABLE RESOURCES**

Staffing and budget requirements for tax year 2015 are detailed in the 2015 appraisal district budget, as adopted by the board of directors and attached to the written biennial plan by reference. This reappraisal plan is adjusted to reflect the available staffing in tax year 2015 and the anticipated staffing for tax year 2015. Staffing will impact the cycle of real property re-inspection and personal property on-site review that can be accomplished in the 2015–2016 time period.

The data used by field appraisers includes the existing property characteristic information contained in CAMA (Computer Assisted Mass Appraisal System) from the district's computer system. The data is printed on a property record card. Other data used includes maps, sales data, hearings, newspapers, publications, building permits, photos, property owner correspondence, and actual cost and market information. Sources of information are gathered using excellent relationships with other participants in the real estate market place.

The Texas Legislature amended the appraisal review board appeal process by allowing arbitration in addition to filing suit in District Court with certain limitations. It is anticipated that the number of arbitration requests will increase as the public becomes more informed of this option. Time and effort expended on arbitration cases is a good indicator that additional resources and staffing time will become necessary as the arbitration process evolves.

Existing appraisal practices will be continually reviewed from year to year to keep these practices current. In the reappraisal year, real property appraisal depreciation tables and cost new tables are tested against verified sales data to ensure they represent current market data. The capitalization rate study by commercial real property type is updated from current market data and market rents are reviewed and updated from local published data.

Personal property is analyzed based on renditions, prior year documentation, and inspections. Renditions are mailed out to current and new business each year. Appraisers will utilize SIC codes to determine

consistency for appraisal of similar business. Rendition laws provide additional information in which to base taxability of business personal properties. Pritchard & Abbott, Inc., is the firm responsible for conducting appraisals on industrial and utility properties.

Information Systems (IS) through True Automation support is detailed with year specific functions identified and system upgrades scheduled. Computer generated forms are reviewed for revisions based on year and reappraisal status. Legislative changes are scheduled for completion and testing. Existing maps and data requirements are specified and updates scheduled. The district shall appraise all properties within Llano County.

Changes in legislation involving appraisal districts may occur when the legislature is called into session. These new laws may require adjustments to the budget, staffing, and programming or procedures.

## **PLANNING AND ORGANIZATION**

A calendar of key events with critical completion dates is prepared for each major work area. This calendar identifies all key events for appraisal, clerical, customer service, and information systems. Production standards for field activities are calculated and incorporated in the planning and scheduling process. The projected dates incorporated into the calendar may be adjusted within the overall plan due to unforeseen changes in staffing, budgetary constraints, weather, and or reevaluation of the priorities of the projects within the plan.

Meeting the target dates for 2015 and 2016 is very important. Mailing appraisal notices in early May and completing the protest period by the end of July or first of August permits the appraisal process for the next year to begin earlier. This goal has been accomplished in the past and has produced a greater quantity and accuracy of work for the appraisal year. It should be remembered that all goals are contingent on a full experienced and educated staff.

## EXHIBIT "B"

### **2015 CALENDAR OF KEY EVENTS**

The Tax calendar as provided by the Comptrollers office will be used to complete key events for the 2015 calendar.

### **2016 CALENDAR OF KEY EVENTS**

The Tax calendar as provided by the Comptrollers office will be used to complete key events for the 2016 calendar.

### **MASS APPRAISAL SYSTEM**

The district has been utilizing the True Automation PACS appraisal software since November 2007. PACS is more functional and is continually helping the appraisal district become more efficient.

Computer Assisted Mass Appraisal (CAMA) system revisions are specified and scheduled with Information Systems. All computer forms and IS

procedures are reviewed and revised as required. The following details these procedures as it relates the 2015 and 2016 tax years:

The Data entry personnel will be responsible for entering all address changes received by the district in the acceptable form. Data entry personnel will also be responsible for entering any exemption changes as well as adding new exemptions. The deed analysts will be responsible for entering all name and address changes received through deed transfers. The Mapping Department will be responsible for entering all changes in property lines due to deed transfers.

### **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 a recognized industry leader, such as Marshall & Swift.

Land tables are updated using current market data (sales) and then tested with ratio study tools. Value modifiers such as neighborhood codes are developed for property categories by market area and tested on a pilot basis with ratio study tools. A comparison and analysis of comparable land sales is conducted based on a comparison of land characteristics found to influence

the market price of land located in the neighborhood. A computerized land table file stores the land information required to consistently value individual parcels within neighborhoods given known land characteristics. Specific land influences are considered, where necessary, and depending on neighborhood and individual lot or tract characteristics, to adjust parcels outside the neighborhood norm for such factors as access, view, shape, size, and topography. The appraisers use abstraction and allocation methods to insure that estimated land values best reflect the contributory market value of the land to the overall property value. Current land tables will be modified and refined to more reflect consistency by area and refined as the market changes.

Income, expense, and occupancy data is updated in the income models for each market area and cap rate studies are completed using current sales data. The resulting models are tested using ratio study tools.

Ag evaluation is calculated from information obtained from Ag Advisory board surveys.

### **PERSONAL PROPERTY VALUATION**

Renditions are sent out in January of each year. The deadline to return the completed rendition is April 15<sup>th</sup> unless a request for extension is filed. The appraiser works the renditions as they arrive. The appraiser decides whether to accept the rendered value or use our depreciation schedule based on cost new. The appraiser will research any notations and previous year renditions to determine the accuracy of the rendition. Appraisals and schedules are

updated using data received from renditions, discovery, and hearing documentation. Physical inspections as provided by the Tax Code are performed on a random and as needed basis. The districts data is collected over recent past and current property owner renditions. Tax assessors, city and local newspapers, and the public often provide the district information regarding new personal property and other useful facts related to personal property valuation. Valuation procedures are reviewed modified as needed and tested.

### **NOTICING PROCESS**

Notices of Appraised Value- Texas Property Tax Code Section (25.19) appraisal notice forms are reviewed and edited for updates and changes required by legislation. Appraisal district management will sign off on them when everything is correct. Updates include the latest copy of Comptrollers *Property Taxpayer Remedies*, which are available to the public at the appraisal district. The district will publish in the local newspaper, information about the notices and how and when to protest.

### **HEARING PROCESS**

Llano CAD currently conducts formal and informal hearings. Protest hearing scheduling for formal Appraisal Review Board hearings are 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. Production of documentation is tested and in compliance with HB 201 information and is

provided to the taxpayer at least fifteen (15) days prior to the scheduled hearing date.

Informal hearings are actually meetings between the taxpayers and/or their agent and the appraisal staff. Informal meetings are not scheduled unless requested by the property owner. The appraisal staff will have informal meetings on a first come or call basis. If valuation issues are not agreed upon then, the taxpayer will fill out a formal protest form and they will be set for a formal hearing.

## **DATA COLLECTION REQUIREMENTS**

Field and office procedures are reviewed and revised as required for data collection. Activities scheduled for each tax year include new construction, demolition, remodeling, re-inspection for problematic market areas, and re-inspection and/or revaluation of the universe of properties.

Data collection of real property involves maintaining data characteristics of the property on CAMA (Computer Assisted Mass Appraisal). The information contained in CAMA includes but is not limited too, site characteristics, such as land size and topography, and improvement data, such as square foot of living area, year built, quality of construction, and condition.

Exterior pictures are taken of all new homes with new photos taken of previous existing homes whenever a change in physical appearance has occurred.

Field appraisers are required to use a property classification system that establishes uniform procedures for the correct listing of real property. All properties are coded according to a classification system. The approaches to value are structured and calibrated based on this coding system and property description and characteristics. The field appraisers use property classification references during their initial training and as a guide in the field inspection of properties.

The appraisers are assigned specific areas throughout the district to conduct field inspections. The geographic areas of assignment are maintained for several years to enable the appraiser assigned to that area to become knowledgeable of all the factors that drive values for that specific area. The quality of the data is extremely important in estimating market values of taxable property. While work performance standards are established and upheld for the various field activities, quality of data is emphasized as the goal and responsibility of each appraiser.

New appraisers are trained in the specifics of data collection and the classification system set forth and recognized as “rules” to follow. Experienced appraisers are routinely re-trained in listing procedures prior to major field projects such as new construction, sales validation, or data review.

A quality assurance process exists through supervisory review of the work being performed by the field appraisers. Quality assurance supervision is charged with the responsibility of ensuring that appraisers follow listing procedures, identify training issues, and provide uniform training throughout the field appraisal staff.

Data collection for personal property involves maintaining information on software designed to record and appraise business personal property. The type of information contained in the BPP file includes personal property such as business inventory, furniture and fixtures, machinery and equipment, with details such as cost and location. The field appraiser uses a personal property classification system during their initial training and as a guide to correctly list all personal property that is taxable.

The sources of data collection on individual properties is collected through property field inspection, new construction, field effort of data review, building and other improvements are measured, and classified.

The appraiser estimates the age and condition of all improvements; this data is used to compile depreciation (loss of value) tables. Any notes pertaining to the improvements and /or land are made during the inspection.

Additional sources of data include data mailer questionnaires, hearings, sales, newspapers and publications, and property owner correspondence. A principal source of data comes from building permits received from taxing jurisdictions that require property owners to take out a building permit. The Multiple Listing Service of the Highland Lakes Board of Realtors is a reliable source of data for both property description and market sales data.

Data surveys of property owners requesting market information and property description information is also valuable data. Agricultural surveys of farming and ranching property owners are helpful for productivity value calibration. Property owners are also a good source of information. As the district has increased the amount of information available on the Internet, property owners have the opportunity to review information on their property and notify the district of any changes needed.

Accuracy and validity in property descriptions and characteristics data is the highest goal and is stressed through the appraisal process from year to year. Appraisal opinion quality and validity relies on data accuracy as its foundation.

Local contractors and builders are a source of cost data utilized by the District.

Renditions are confidential sources and cannot be used for specific information, however, data from renditions may be compared with data obtained and used to test schedules for their accuracy.

Activities scheduled for each tax year include inspection of new construction, demolition, remodeling, re-inspection of problematic market areas, and re-inspection of the universe of properties on a specific cycle (3 years). This includes office or field verification of sales data.

## **NEW CONSTRUCTION /DEMOLITION**

New construction field and office review procedures are identified and revised as required. Field production standards are established and procedures for monitoring tested. Source of building permits is confirmed and system input procedures are identified. Process of verifying demolition of improvements is specified. This critical annual activity is projected and entered on the key events calendar for each tax year.

The Appraiser performing reappraisals in the field has field cards that contain specific information regarding the property being appraised. These cards contain brief legal descriptions, ownership interests, property use codes, property addresses, and land size. Sketches of the new improvements as well as detailed information will be added to the PRC, and a photo will be taken.

## **REMODELING**

Market areas with extensive improvement remodeling are identified, verified and field activities scheduled to update property characteristic data. Updates to valuation procedures are tested with ratio studies before finalized in the valuation modeling. This field activity when entered in the key events calendar must be monitored carefully. Appraisers will perform detailed field inspections of properties and update the information when necessary.

## **RE-INSPECTION OF PROBLEMATIC MARKET AREAS**

Real property market areas (neighborhoods), by property category and classification, are tested for low or high protest volumes; low or high sales ratios; or high coefficient of dispersion. Market areas that fail any or all of these tests are determined to be problematic. Field reviews are scheduled to verify and/or correct property characteristic data. Additional sales data is researched and verified. In the absence of adequate market data, neighborhood comparisons are made to find comparable areas that have sufficient data to conduct these tests. Market areas with extensive improvement remodeling are identified, verified and field activities scheduled to update property characteristics data. Properties considered as “locked gates” or inaccessible to appraisers due to locked gates or no entry gates are identified and mailers sent for on-site appointments.

## **RE-INSPECTION OF THE UNIVERSE OF PROPERTIES**

The International Association of Assessing Officers, *Standard on Mass Appraisal of Real Property* and Section 25.18 of the Texas Property Tax Code requires a revaluation of the universe of properties on a cycle of every three years. The re-inspection includes the re-measurement of at least two sides of each improved property, verifying the accuracy of the existing data. The field appraiser has an appraisal card for each property to be inspected and makes notes of changes, included but not limited to depreciation, remodeling, and additions. The annual re-inspection requirements for tax year’s 2015 and 2016 are identified by property type and property

classification and scheduled on the key events calendar designed to meet the requirements of Section 25.18.

### **FIELD OR OFFICE VERIFICATION OF SALES DATA AND PROPERTY CHARACTERISTICS**

Sales information is received from various sources. Sales information must be verified and property characteristic data contemporaneous (same time) with the date of sale captured. The sales ratio formula is equal to the appraisal of the property / (divided by) the sales price. The sales ratio tool requires that the property that sold must equal the property appraised in order that statistical analysis results will be valid.

### **PILOT STUDY**

New and/or revised mass appraisal models are tested on randomly selected market areas. These modeling tests (sales ratio studies) are conducted each tax year. Actual test results are compared with anticipated results and those models not performing satisfactorily are refined and retested. The sales comparison model is a PACS computer-generated adjustment grid with access to the District's sales file. This program has the capability of selecting comparable sales according to the property use, quality of construction, location size, condition, and age. The comparable sales may be selected by the computer or manually selected by the appraisers. Adjustments are made in dollar increments and may be made for tract size, quality of construction, age of the improvements, functional adequacy, size of the improvements, and for additional items. Inspections of property are

made by exterior perspective therefore interior finish, as well as interior components are assumed and are not adjusted. All financing for comparable sales is considered typical to the market. The final estimate of value is a correlation of the comparable sales after net adjustments have been deducted from the sales price to equal the subject property. The value by this method is estimated by the appraiser and is not a function of the computer. The procedures used for model specification and model calibration are in compliance with *Uniform Standards of Professional Appraisal Practice*, STANDARD RULE 6.

### **VALUATION BY TAX YEAR**

Valuation by tax year – using market analysis of comparable sales and locally tested cost data, market area specific income and expense data, valuation models are specified and calibrated in compliance with the 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. Tax year 2015 is a reappraisal year. Tax year 2016 is a reappraisal year.

# **RESIDENTIAL REAL PROPERTY**

## **SALES COMPARISON APPROACH TO VALUE**

Residential improved and vacant sales are collected from a variety of sources and are kept in a sales file that is maintained in the CAMA. Grouping or clustering sales within the specified neighborhoods and classification of properties utilizes the sales comparison approach to value. The sales are then tested against the appraised values to indicate a ratio for the neighborhood. A neighborhood is a grouping of complementary land uses affected equally by the four forces that influence property value: social trends, economic circumstances, governmental contracts and regulations, and environmental conditions. These factors have an impact on the value of properties within this grouping and in turn on properties being appraised. Individual neighborhood boundaries within the district vary according to market indications and the type of property being appraised. The boundaries of these neighborhoods may vary for reasons such as geographical, physical, or political in nature. Residential neighborhoods usually consist of individual subdivisions or groups of subdivisions that contain similar properties located within the same entities. The effect of time as an influence on price is considered by paired comparison and applied in the ratio study to the sales as indicated within each neighborhood area. Sales of the same property were considered and analyzed for any indication of price change attributed to a time change or influence. Neighborhood sales reports are generated as an analysis tool for the appraiser in the development and estimation of market price ranges and property component value estimates. Abstraction and allocation of property components based on sales of similar

property is an important analysis tool to interpret market sales under the cost and market approaches to value. These analysis tools help determine and estimate the effects of change, with regard to price, as indicated by sale prices for similar property within the current market.

If there are not sufficient sales found in an area, then sales from like neighborhoods are found and necessary adjustments are made in the form of market modifiers. These modifiers are applied to schedules to indicate mass appraisal values for a given neighborhood.

The GIS Department of the Llano Central Appraisal District will help in determining the boundaries of neighborhoods for all types of real property.

### **COST APPROACH TO VALUE**

All residential parcels in the district are valued with a replacement cost estimated from identical cost schedules based on the improvement classification system using a comparative unit method. The cost model categorizes and values property by class (quality of construction), age, and condition. These cost estimates are compared with sales of new improvements and evaluated from year to year and indexed to reflect the local residential building and labor market. A review of the residential cost schedule is performed annually. As part of this review and evaluation process of the estimated replacement cost, newly constructed sold properties representing various levels of quality of construction in the district are considered. Depreciation is derived by age/condition and any additional depreciation that may be necessary. The cost schedules are reviewed

regularly as a result of recent state legislation requiring that the appraisal district cost schedules be within a range of plus or minus 10% from nationally recognized cost schedules. The land value is then added to indicate a preliminary market value for like properties. After cost schedules, depreciation, and land values are applied; market modifiers may be necessary to adjust the values to actual market conditions. These modifiers apply to improvements only and do not adjust land values.

### **INCOME APPROACH TO VALUE**

The income approach to value is currently not a reliable indicator of value for residential mass appraisal. Data sources for income producing residential properties are not available in the Llano County area. For this reason the income approach to value is not used for residential appraisal.

### **SPECIAL INVENTORY RESIDENTIAL PROPERTY**

#### **SALES COMPARISON APPROACH TO VALUE**

The sales comparison approach to value for residential special inventory properties is not currently used by the district in a mass appraisal basis, due to inadequate sales data of these type properties. Sales of developer lots and /or buildings do occur occasionally, these sales are not consistent, and the sales comparison approach is not a reliable indicator of value in the mass appraisal report.

## **COST APPROACH TO VALUE**

The cost approach to value is not used in the district's mass appraisal report for a large variety of reasons. Cost of development for residential subdivisions and houses range greatly due to types of streets, utilities, subdivision restrictions, quality of construction and material cost. Inventory of lots and houses may also be located in numerous different subdivisions with varying cost and qualities of construction.

## **INCOME APPROACH TO VALUE**

The income approach to value seems to be the most appropriate valuation method to use in the mass appraisal of residential inventory.

## **MULTIFAMILY RESIDENTIAL PROPERTY**

### **SALES COMPARISON APPROACH TO VALUE**

Grouping or clustering sales within the specified neighborhoods and classification of properties utilizes the sales comparison approach to value. The sales are then tested against the appraised values to indicate a ratio for the neighborhood. If there are not sufficient sales found in an area, then sales from like neighborhoods are found and necessary adjustments are made in the form of market modifiers. These modifiers are applied to schedules to indicate mass appraisal values for a given neighborhood.

## **COST APPROACH TO VALUE**

All multi-family residential parcels in the district are valued with a replacement cost estimated from identical cost schedules based on the improvement classification system using a comparative unit method. The cost model categorizes and values property by class (quality of construction), age, and condition. These cost estimates are compared with sales of new improvements and evaluated from year to year and indexed to reflect the local residential building and labor market. A review of the residential cost schedule is performed annually. As part of this review and evaluation process of the estimated replacement cost, newly constructed sold properties representing various levels of quality of construction in the district are considered. Depreciation is derived by age/condition and any additional depreciation that may be necessary. The cost schedules are reviewed regularly as a result of recent state legislation requiring that the appraisal district cost schedules be within a range of plus or minus 10% from nationally recognized cost schedules. The land value is then added to indicate a preliminary market value for like properties. After cost schedules, depreciation, and land values are applied; market modifiers may be necessary to adjust the values to actual market conditions. These modifiers apply to improvements only and do not adjust land values.

## **INCOME APPROACH TO VALUE**

The income approach to value is currently not a reliable indicator of value for multi-family residential mass appraisal. Data sources for income producing multi-family residential properties are not available in the Llano County area. For this reason the income approach to value is not used for multi-family residential appraisal.

## **COMMERCIAL REAL PROPERTY**

### **SALES COMPARISON APPROACH TO VALUE**

This approach is utilized not only for estimating land value but also in comparing sales of similarly improved properties to parcels on the appraisal roll. Data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information, which can be used in all aspects of valuation. Sales of similarly improved properties can provide a basis for the depreciation schedules in the Cost Approach, rates, and multipliers used in the Income Approach, and as a direct comparison in the Sales Comparison Approach. Improved sales are also used in ratio studies, which afford the appraiser an excellent means of judging the present level and uniformity of the appraised values.

### **COST APPROACH TO VALUE**

The cost approach to value is applied to improved real property utilizing the comparative unit method. The cost model categorizes and values property by class (quality of construction), age, and condition. Depreciation is derived by age/condition and any additional depreciation that may be

necessary. The land value is then added to indicate a preliminary market value for like properties. After cost schedules, depreciation, and land values are applied, market modifiers may be necessary to adjust the values to actual market conditions. These modifiers apply to improvements only and do not adjust land values.

### **INCOME APPROACH TO VALUE**

The income approach to value is applied to those real properties, which are typically viewed by market participants as “income producing”, and for which the income methodology is considered a leading value indicator.

### **VACANT REAL PROPERTY**

### **SALES COMPARISON APPROACH TO VALUE**

Residential land valuation analysis is conducted prior to neighborhood sales analysis. The value of the land component to the property is estimated based on available market sales for comparable and competing land under similar usage. A comparison and analysis of comparable land sales is conducted based on a comparison of land characteristics found to influence the market price of land located in the neighborhood. A computerized land table files stores the land information required to consistently value individual parcels within neighborhoods given known land characteristics. Specific land influences are considered, where necessary, and depending on neighborhood and individual lot or tract characteristics, to adjust parcels outside the neighborhood norm for such factors as access, view, shape, size, and

topography. The appraisers use abstraction and allocation methods to ensure that estimated land values best reflect the contributory market value of the land to the overall property value. It should be noted that all land is valued as vacant and ready for development as to its highest and best use. This process considers physical possible uses, legally permissible uses, as well as financially feasible uses.

### **INCOME APPROACH TO VALUE**

The income approach to value for unimproved land is not currently used by the District on a mass appraisal basis.

### **INDUSTRIAL REAL PROPERTY**

### **SALES COMPARISON APPROACH TO VALUE**

### **COST APPROACH TO VALUE**

### **INCOME APPROACH TO VALUE**

### **UTILITIES**

The plan provides for annual reappraisal of all utility, railroad and pipeline property appraised by the CAD. The CAD has a professional services contract with Pritchard & Abbott, Inc. to appraise these properties for the CAD.

## **MINERAL INTEREST**

The plan provides for annual reappraisal of all utility, railroad and pipeline property appraised by the CAD. The CAD has a professional services contract with Pritchard & Abbott, Inc to appraise these properties for the CAD.

## **SPECIAL VALUATION PROPERTIES**

### **AGRICULTURAL USE AND OR WILDLIFE MANAGEMENT**

Market value for agricultural property is established by acceptable appraisal methodology.

The District also values agricultural property by the income approach as set forth in the Texas Property Tax Code. This is a special valuation process as there are parameters set forth in the Code regarding capitalization rates.

Income and expense for each different category of agricultural use is estimated from surveys, actual data obtained by property owners.

Capitalization rates derived from data reviewed are established. When the capitalization rates are within the parameters set forth by the Property Tax Code, these rates are used to estimate value by direct capitalization method.

If the indicated cap rates do not fall within the limits set forth for certain types of properties, then the maximum rate mandated is applied to the net operating income.

## **BUSINESS TANGIBLE PERSONAL PROPERTY**

Business personal property is classified and utilizes a four digit numeric code, called Standard Industrial Classification (SIC) codes that were developed by the federal government to describe property. These classifications are used by Llano CAD to classify personal property by business type.

SIC code identification is the cornerstone of the personal property valuation system at the district. All of the personal property analysis work done in association with the personal property valuation process is SIC code specific. SIC codes are based on observable aspects of homogeneity and business use. The district uses annual renditions received from property owners less depreciation.

## **THE MASS APPRAISAL REPORT**

Each tax year the tax code 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 Mass Appraisal Report by reference.

## VALUE DEFENSE

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. Each appraisal district identifies the evidence to be used in informal and formal hearings by property type and the steps to be taken to insure compliance with HB 201.

Evidence provided at informal hearings with the staff as it relates to specific categories of properties consists of, but not limited to, comparable sales, subdivision or area maps providing various property characteristics such as quality, size and value of surrounding properties, data specific to the property in defense of our values. Generally, at the informal hearing, the property owner is provided the specific information concerning his/her property and any additional information they may request. Taxpayers have the option to present their concerns informally to the district, by phone, mail, e-mail, or in person. If the taxpayer wished to pursue a dispute further, the appraiser guides them through the initial phase of the formal protest procedures. All informal hearings are noted in the computer system.

When the taxpayer is scheduled for formal hearing, they receive a certified letter containing the date and time and location of the hearing along with the Appraisal Review Board policies and procedures pamphlet, and a copy of the Property Taxpayer remedies published by the State Comptroller's Office.

If protest-hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing date to make its evidence regarding value disputes available.

Equity evidence is generated through a PACS program that presents property types comparable and adjusted to the subject property. Comparable sales and applicable schedules along with depreciation tables are also included in this packet. The chief appraiser and/or members of the district staff have the burden of proof for the value of real and personal property. The taxpayer should present evidence for further consideration by the CAD or the ARB.

Evidence provided at formal appraisal review board hearings consists of comparable sales of property or other analysis supporting the district's values. Locator maps that include the property owner's property as well as other information are displayed for review by the ARB and the property owner/agent. This permits the property owner to readily view the information provided at the hearing and enhances the Appraisal Review Board's ability to render a decision.

No confidential income, expense, or other information received from property owners/agents on specific accounts will be released.

Renditions other than that of the subject property will not be released. No confidential renditions of competing properties will be provided as evidence.

The firm of Pritchard & Abbott, Inc. defends the value of the industrial, utility and related personal property located in the district before the ARB.

RESIDENTIAL PROPERTY

SPECIAL INVENTORY RESIDENTIAL PROPERTY

MULTI FAMILY RESIDENTIAL PROPERTY

COMMERCIAL REAL PROPERTY

VACANT REAL PROPERTY

INDUSTRIAL REAL PROPERTY

UTILITIES

MINERAL INTEREST

SPECIAL VALUATION PROPERTIES

BUSINESS TANGIBLE PERSONAL PROPERTY

THE MOST ACCURATE OF THE THREE ACCEPTED APPROACHES TO VALUES FOR ALL THE ABOVE TYPES OF PROPERTIES WILL BE USED AS EVIDENCE IN INFORMAL AND FORMAL APPRAISAL REVIEW BOARD HEARINGS.

### **ARB APPEAL PROCEDURES**

After the Appraisal Review Board hears and determines all timely filed protests, the district mails out the Appraisal Review Board orders containing the Board's decision. All decision letters will be mailed out by certified mail. The property owner has 60 days after receiving a Board Order to either file suit in District Court or 45 days to file a request for arbitration.

Information on procedures for appealing an Appraisal Review Board order is included in the order along with a form for Request for Binding Arbitration.

### **LIMITING CONDITIONS**

The appraised value estimates provided by the district are subject to the following conditions:

The appraisals were prepared exclusively for Ad-valorem tax purposes. The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised were performed as staff, resources, and time allowed. Some interior inspections of property appraised were performed at the request of the property owner and required by the district for clarification purposes and to correct property descriptions. Validation of sales transactions were attempted through questionnaires to buyer and seller, telephone survey and field review. In absence of such confirmation, residential sales data obtained from vendors was considered reliable.

### **TREATMENT OF RESIDENCE HOMESTEADS**

Beginning in 1998, the State of Texas implemented a constitutional classification scheme concerning the appraisal of residential property that receives a residence homestead exemption. Under the law, beginning in the second year a property receives a homestead exemption; increases in the

assessed value of that property are “capped.” The value for tax purposes (assessed value) of a qualified residence homestead will be the LESSER of:

- The market value; or
- The preceding year’s appraised value;

PLUS 10 percent for each year since the property was re-appraised;

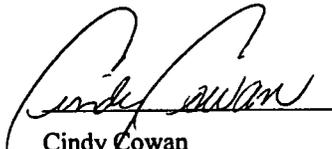
PLUS the value of any improvements added since the last re-appraisal.

Assessed values of capped properties must be recomputed annually. If a capped property sells, the cap automatically expires as of January 1<sup>st</sup> of the year following sale of the property and the property is appraised at its market value. An analogous provision applies to new homes. While a developer owns them, unoccupied residences may be partially complete and appraised as part of an inventory. This valuation is estimated using the district’s land value and the percentage of completion for the improvement contribution that usually is similar to the developer’s construction costs as a basis of completion on the valuation date. However, in the year following changes in completion, occupancy, or sale, they are appraised at market value.

|

**Certification Statement:**

“We, Cindy Cowan and Clarence McDaniel Jr., Chief Appraiser’s for the Llano Central Appraisal District, solemnly swear that we have made or caused to be made a diligent inquiry to ascertain all property in the district subject to appraisal by us, and that we have included in the records all property that we are aware of at an appraised value which, to the best of our knowledge and belief was determined as required by law.”



Cindy Cowan  
Chief Appraiser  
Administration



Clarence McDaniel Jr.  
Chief Appraiser  
Appraisal

**EXHIBIT "A"**  
**Work Plan**  
**Reappraisal Calendar:**

**REGION 1:     Appraiser 1 (Darren)**

SUBDIVISION LIST	MAP ID	2013	2014	2015	2016	2017
A & D ACRES	J5		X			X
BARLER	LCSE	X			X	
BARNETT HEIRS	K3	X			X	
BEACHCOMBER	J3	X			X	
BLACK ROCK ESTATES	J4	X			X	
BLUEBONNET COVE (rhodes end)	J3	X			X	
BLUFFTON #1	K3	X			X	
BLUFFTON #2	K3	X			X	
BLUFFTON #3	K3	X			X	
BROOKLYNN VILLAGE	J5		X			X
BROWN	LCSW		X			X
BUCHANAN LAKE VILLAGE	J2			X		
BUSINESS CENTER SUBDIVISION	LCSE	X			X	
CARLSON ADDN	J5		X			X
CENTRAL PARK	LCSW		X			X
CHEROKEE TERRACE	J4	X			X	
DAVIS	LCSW		X			X
DEERHAVEN	K9			X		
DEER HILLS	J5		X			X
DIAMOND S RANCH	J5		X			X
EDGEWATER MH PARK	J5		X			X
ELLISON	J4,J5	X	X		X	X
ENCION COVE	K3	X			X	
ESCONDIDO	K9	X			X	
F C PORTER	J4	X			X	
FAIR VIEW ADDN	LC29,LCSW		X			X
FLOYD ACRES	J4	X			X	
FRENCH JOHN CREEK	J5		X			X
GAUMAN FAMILY DIVISION	J2			X		

GEOLA ESTATES	J3	X			X	
GILBERT ACRES	K5		X			X
GOLDEN BEACH	J4	X			X	
GRAN SABANA	K5		X			X
GRANITE	K5		X			X
GREENWOOD ACRES	J4	X			X	
HALLMARK ISLAND	K3	X			X	
HI LINE POINT	K2			X		
HOLDEN	LCN			X		
IKE MURCHISON	K5		X			X
INDIAN HILLS	J5		X			X
INKS LAKE VILLAGE	J5,L5		X			X
ISLAND LODGES	K5		X			X
ISLAND VILLAGE	K3	X			X	
ISLAND VILLAGE WEST	K3	X			X	
J A GABBART	J2			X		
JECKERS COVE	J4	X			X	
JOHN MILLER	J2			X		
L I & F	LCN			X		
LAGO ESCONDIDO		4.1	X			X
LAKESHORE CENTER	J4	X			X	
LAKESHORE RANCH	J3	X			X	
LAKEVIEW ACRES	K2			X		
LEHNE RANCH	J5		X			X
LETCHER	LCSW		X			X
LTLLE MIDLAND	J2			X		
LLANO OAKS	LCLO,LCSW		X			X
LONG MOUNTAIN ESTATES	L5		X			X
LONG MOUNTAIN TRL PARK	K5		X			X
M A MURCHISON	K5		X			X
MARLYN POINT	K3	X			X	
MARSCHALL	LCMS,LCSE	X			X	
MC LEAN	LC31,LCSW		X			X
MILLER	LCSW		X			X
MITCHELL POINT @ SKYWATER	K9	X			X	
MOORE	LCSW		X			X
MOUNTAIN VIEW ESTATES	LCMV, LCN			X		
MURCHISON	L5		X			X
MURCHISON HILL	K5		X			X

MURCHISON RESUB	L5		X			X
NORTH ADDN	LCN			X		
OAK POINT	J2			X		
OAK RIDGE ESTATES	L9	X			X	
OATMAN	LCSE	X			X	
OZBURN	LCSW		X			X
PARADISE POINT	K2			X		
PEBBLE BEACH	J4	X			X	
PIONEER	K5		X			X
POINT TELLA	J5		X			X
QUARRY	K5		X			X
RHODES END (bluebonnet cove)	J3	X			X	
RIVERLAKE	F5		X			X
ROCKY HILLS	I2			X		
ROCKY MOUNTAIN RANCH	I2,I3	X		X	X	
SANDY HARBOR	K9		X			X
SENDERA RIDGE	K5		X			X
SHOOTING STAR	J5		X			X
SOUTH ADDN	LCSE,LCSW	X	X		X	X
SOUTH COVE	J4	X			X	
STITH ADDN	LC31,LCSW		X			X
STRIPER POINT	J5		X			X
SUMMIT ROCK	K9	X			X	
SUMMIT ROCK GOLF COURSE	K9	X			X	
SUMMIT ROCK PRO SHOP/VILLAS	K9	X			X	
TERRACE PARK	J5		X			X
THE CLIFFS @WATER RIDGE	K5		X			X
THE RESERVE @ SUMMIT ROCK	K9	X			X	
THE TRAILS OF LAKE LBJ	K9		X			X
THE- VILLAGE-WOOTAN	LCSE	X			X	
THREE SPRINGS RANCH	J5		X			X
TOW	J2			X		
TOW VILLAGE	J1			X		
TRAILS END	K9		X			X
VAN ACRES	J2			X		
W C TREADWILL	J5		X			X
WADE GARDEN	J2			X		

WATER RIDGE	K5		X			X
WIND DANCER	LCSW		X			X
WOOLEY	LCSE	X			X	
WOOTAN	LCSW		X			X

See Exhibit "C"

**REGION 2: Appraiser 2 (Scott)**

SUBDIVISION LIST	MAP ID	2013	2014	2015	2016	201
ARROWHEAD ESTATES	J6			X		
BLUE LAKE ESTATES	K8			X		
CARAWAY#1	K9	X		X		
CASTELL	A6	X			X	
CASTELL RIVER RANCH	C5		X			X
CHANAS RANCH	MULTI			X		
DEER COUNTRY	D4	X			X	
DELTA ACRES UNIT 1	D5			X		
DELTA ACRES UNIT 2	D5	X			X	
DELTA ACRES UNIT 3	F8		X			X
DELTA ACRES UNIT 5	E1		X			X
DIAMOND CROSS RIVER ACRES	B5			X		
ENCHANTED VISTA	C1, C10			X		
FLAG CREEK OAKS UNIT 1-5	F5		X			X
FLAG CREEK RANCH	F5		X			X
FLATROCK NORTHEAST	I4					
GOLF VIEW SUBDIVISION	K9			X		
HICKORY CREEK RANCH	B7			X		
HILLTOP AT BLUELAKE	K8			X		
HILLVIEW ESTATES	E4	X			X	
HOUSE MOUNTAIN RANCH	A10	X		X		
INDIAN BEND	H4		X			X
INDIAN SPRINGS	G4	X			X	
LEGEND HILLS	LCLH		X			X
LEONALAND	D6		X			X
LLANO CROSSING	D5			X		
MARBLE SPRINGS RANCH	G6		X			X
NORTH RIDGE ACRES	G3, G4		X			X

OO' RANCHETTES	C6, C7			X		
OVERSTREET RIVER ACRES	G5		X			X
PARKVIEW ACRES	LCPV, LCSW		X			X
QUAIL HOLLOW	H3		X			X
QUAIL RIDGE	K9		X	X		
RIO LLANO	E4	X			X	
RIO VISTA	F5		X			X
ROUGH HOLLOW RANCH	F5		X			X
SCHEERBAUM PLATZ SUBD	A4			X		
SCHUCHARDT TRACT	B5		X			X
SCOTT ACRES UNIT 1	D5	X			X	
SCOTT ACRES UNIT 2			X			X
THE HILLS	K9	X		X		
THREADGILL	A3		X			
VALLEY RANCH	E1		X			X
VALLEY SPRINGS	D2		X			X
VISTA ENCANTADA	E8	X			X	
WILD OAK ACRES	D4			X		
RURAL LAND	A-D, 1 THRU 10	X			X	
RURAL LAND	E-G, 1 THRU 10		X			X
RURAL LAND	I, 7 THRU 10			X		
RURAL LAND	PART OF K			X		
RURAL LAND	L-10			X		

Look at all sales thru out all of the rural subdivisions and ranch land in the county each year.

### REGION 3: Appraiser 4 (Jesse)

SUBDIVISION LIST	MAP ID	2013	2014	2015	2016	2017	2018
A FLORES ABST #214			X				X
AIRVIEW SUBDIVISION	K8			X			X
ANGELINA COVE	K7			X			X
BEACH POINT	K8			X			X
BIG OAKS	J7	X			X		
BILLY MCGEE	J7	X			X		
BLUEBONNET HILL	J7	X			X		
BONNY COVE	J6	X			X		
BOXWOOD SUBDIVISION	K7			X			X
BRIDGEPOINT	K7			X			X
CHAPARRAL ESTATES	K7			X			X
COMANCHE RANCHERIAS	J7	X			X		
COMANCHE RANCHETTES	K7			X			X
CRESTWOOD	K6		X			X	
DRACE	K7			X			X
E V MITCHELL	K6		X			X	
ELM LODGE	K6		X			X	
EVERETT ACRES	K6		X			X	
FAIRVIEW-KINGSLAND	K7			X			X
FISHERMAN'S HAVEN	K7			X			X
FREDWOOD UNITS 1-5	K6		X			X	
GLENN COVE POINT	J6	X			X		
GRANITE COVE	K6		X			X	
GRANITE LAKE DEVELOPMENT	K6		X			X	
GRANITE RIDGE @ PACKSADDLE	J7	X			X		
GRANITE ROCK RV	K7			X			X
GRANITE SHOALS CABIN SITES	K6		X			X	

GRANITE SHOALS LAKE ESTATES	J7,K8			X			X
GRANITE SHOALS LAKE SHORES	J7,K6	X			X		
H DEDECKE ABST #184			X			X	
HIGHLAND PARK SUBD	K7			X			X
HIGHLAND TERRACE SUBD	J7	X			X		
HILL ACRES	K7			X			X
HILL COUNTRY COVE	K6		X			X	
HILLDALE RANCHETTES	J7,K8	X			X		
HOFFMAN	J7	X			X		
I P PULLUM ABST #580			X			X	
J B LONG ABST #1257			X			X	
J G PFEUFFER ABST #594			X			X	
JODY'S LANDING	K8			X			X
KINGDOM ESTATES	J6	X			X		
KINGFREE	K7			X			X
KINGSLAND	K7			X			X
KINGSLAND ESTATES	J7	X			X		
KINGSLAND FAIRVIEW	K7			X			X
KINGSLAND INDUSTRIAL	J6	X			X		
KINGSLAND TERRACE CONDO	K7			X			X
KINGSLAND WEST ESTATES	J7	X			X		
KINGSRIDGE	K7			X			X
KINGSWAY	K7			X			X
LAKESIDE HEIGHTS	K6		X			X	
<b>SUBDIVISION LIST</b>	<b>MAP ID</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
LAKESIDE HEIGHTS	K6		X			X	
LAZY OAKS	K6		X			X	
LIGHTHOUSE COUNTRY CLUB	J7	X			X		
LOMA LINDA	K7			X			X
LONE OAK CONDOS	K7			X			X
LONE OAK MH PARK	K7			X			X

LULA HAYWOOD	K7			X			X
MARSH MANOR MH PARK	K6		X			X	
MATT'S PLACE	K6		X			X	
MOUNTAIN VIEW RANCHETTES	J6	X			X		
MURRAY NORED	K6		X			X	
NANOAN TRACT	K7			X			X
NOB HILL	J7	X			X		
OAK RIDGE ADDITION	K7			X			X
OTTS ADDITION	K7			X			X
P BUSTAMENTE ABST #38			X			X	
PACKSADDLE GREEN	J7	X			X		
PACKSADDLE VIEW	J7	X			X		
PIERCE POINT	K6		X			X	
POINT BREEZE	K6		X			X	
POINTVIEW LAKE HOMES	K7			X			X
POST OAK PARK	J6	X			X		
QUAIL CREEK	J6	X			X		
REVEN ACRES	K6		X			X	
RIO VISTA MH PARK	K7			X			X
RIVER BEND	K7			X			X
RIVER COTTAGE	K6		X			X	
RIVER HILLS	J6	X			X		
RIVER VALLEY RANCH	K6		X			X	
RIVER VIEW	J7	X			X		
RIVERSIDE	K7			X			X
ROSE HILL	J6	X			X		
ROYAL OAKS COUNTRY CLUB	J7	X			X		
ROYAL OAKS ESTATES UNITS 1 thru 11	J7	X			X		
ROYAL OAKS RANCHETTES	J7	X			X		
ROY'S LANDING	J6	X			X		
S PERALIS ABST #583			X			X	

SANDY MOUNTAIN ESTATES	K8			X			X
SHIRLEY WILLIAMS	K6		X			X	
SHIRWOOD ACRES	K6		X			X	
SKYLINE DRIVE	J6	X			X		
SUMMERPLACE	K6		X			X	
SUNRISE BEACH	K8			X			X
SUNRISE BEACH AG	K8			X			X
SUNRISE BEACH BONHAM TRL	K8			X			X
SUNRISE BEACH MOUNTAIN TOP	K8			X			X
T FLRES ABST #213				X		X	
THE COMMONS @ LAKESHORE	K6		X			X	
THUNDERBIRD AIR PARK	K6		X			X	
<b>SUBDIVISION LIST</b>	<b>MAP ID</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
TIMBER LAKE	J6,K6	X			X		
TIMBERCOVE	K8			X			X
TUMLINSON	K7			X			X
TWIN RIVERS MH PARK	J7	X			X		
WARWICK ESTATES	J6	X			X		
WATER EDGE @ SRB VILLAGE	K8			X			X
W ECKELS ABST #190			X				X
WINDCHIME	K7			X			X
WOOD FOREST RANCHETTES	J7	X			X		
WOOD EDGE	J7	X			X		

**REGION 4: Appraiser 5 (Glynn)**

**CITY OF HORSESHOE BAY**

**2015**

Improved Commercial property

Vacant Commercial property

Residential Condominiums

Review all properties with last appraisal date 2012

Review office and retail properties for rental and occupancy rates

Review sales and listings on vacant commercial property for potential sales based adjustments. Review values for view lots on west golf course for potential sales based adjustments.

Complete all current re-checks prior to March 31<sup>st</sup>.

Review land adjustments for potential equity issues.

Review commercial properties for potential equity issues.

Prepare court presentations for Horseshoe Bay Lawsuits.

**2016**

Review all properties with last appraisal date 2013

Review office and retail properties for rental and occupancy rates

Review channel water, proper and Applehead Island for potential sales based adjustments. Review FF adjustments water front properties.

**2017**

Review all properties with last appraisal date 2014

Review office and retail properties for rental and occupancy rates.

## **EXHIBIT “B”**

### **2015 REAPPRAISAL CALENDAR**

It should be noted that some activities presented in January actually began in the prior year, presented as “continuing”. Additionally, some calendar events may be adjusted due to any unscheduled or unknown event.

January/	Formal date of property value for the tax year (Sec. 23.01)
February	Send out Mobile Home Park Letters
	Mail out Annual Renewal Exemptions
	Mail out BPP Renditions (Sec. 22.23)
	Sales Submission (EPTS)
	Mail out Wildlife Management Updates
	Mail Agricultural Application – New Owners
	1 <sup>st</sup> - Last day for motor vehicle, vessel and outboard motors, heavy equipment and manufactured housing dealers to file dealer’s inventory declarations
	Continue to send sales letters-this is done through out the year
	Continue to do reappraisal field- work,
	New Construction
	Receive and enter building permits
	Enter filed work
	Work all properties with a recheck code
	Send out and monitor lock gate letters. (This is an on going process)

Enter sales data as received  
Continue to update GIS and Mapping  
Receive Property Value Study and analyze specific property categories for the current year  
Mail out real property inventory applications  
Review and start working all renditions and applications returned from mail outs  
Work re-plats of new subdivision through April 15<sup>th</sup>  
Ratio Studies

March      Continue to send sales letters-this is done through out the year  
Continue to do reappraisal field- work,  
New Construction  
Work all properties with a recheck code  
Receive and enter building permits  
Enter filed work  
Enter sales data as received  
Continue to update GIS and Mapping  
End of year processing  
Continue to process business personal property, agriculture and wildlife applications, and process all other exemptions  
Work on improvement and land tables adjusting to current sales and market data  
Agricultural Advisory Board meeting- Review and consider  
Conclusions and recommendations  
Ratio Studies

- April
- Finalize all re-plats by the 15<sup>th</sup>
  - Process all real property inventory applications
  - Continue to send sales letters
  - Enter sales data as received
  - Continue to update GIS and Mapping
  - Finalize all business personal property renditions
  - Code BPP with late penalty for those that have not returned their rendition or requested an extension
  - Mail out late BPP penalty letter.
  - Mail out late Real Property Inventory penalty letter.
  - Finalize all Ag and wildlife (5 year average)
  - Finalize all value related tables
  - Finalize all field- work and data entry
  - Finalize all homestead and other types of exemptions
  - Ratio Studies
  - Prepare for appraisal notices
  - Notice Processing
  - Clear Property Group Codes
  - April 1 or as soon thereafter as possible; mail written appraisal Notices in compliance with Section 25.19 (a) of Tax Code
- May/July
- Mail Notices
  - Submit appraisal records to the Appraisal Review Board
  - Begin protest reviews informally and formally with the Appraisal Review Board
  - Ears Submission-Test Tape
  - ARB Approve records by July 20,2015

Certification by July 25,2015 to taxing entities

- August      Continue remaining protest reviews with the Appraisal Review Board  
Ears Submission-Certified  
Sales Submission  
Begin organizing new appraisal year  
Continue to update GIS and Mapping
- September/   Collect and enter building permits
- December    Enter next inspection date- this is done through out the year  
Print recheck list  
Reappraisal field- work  
Data entry  
Send out sales letters- this is done through out the year  
Continue to update GIS and Mapping  
Inspect and measure all new construction  
Enter sales data  
Review improvement and land tables  
Send letters to new owners of all properties transferred in current year that had an agriculture valuation where an annual application is required.  
Ratio Studies  
Prepare Personal Property Renditions to be mailed out by Jan. 1<sup>st</sup>  
Late ARB Hearing for 2015

## 2016 REAPPRAISAL CALENDAR

It should be noted that some activities presented in January actually began in the prior year, presented as “continuing”. Additionally, some calendar events may be adjusted due to any unscheduled or unknown event.

January/	Formal date of property value for the tax year (Sec. 23.01)
February	Send out Mobile Home Park Letters Mail out Annual Renewal Exemptions Mail out BPP Renditions (Sec. 22.23) Sales Submission (ETPS) Mail out Wildlife Management Updates Mail Agricultural Application – New Owners 1 <sup>st</sup> - Last day for motor vehicle, vessel and outboard motors, heavy equipment and manufactured housing dealers to file dealer’s inventory declarations Continue to send sales letters-this is done through out the year Continue to do reappraisal field- work, New Construction Receive and enter building permits Enter filed work Work all properties with a recheck code Send out and monitor lock gate letters. (This is an on going process) Enter sales data as received Continue to update GIS and Mapping

Receive Property Value Study and analyze specific property categories for the current year

Mail out real property inventory applications

Review and start working all renditions and applications returned from mail outs

Work re-plats of new subdivision through April 15<sup>th</sup>

Ratio Studies

March

Continue to send sales letters-this is done through out the year

Continue to do reappraisal field- work,  
New Construction

Work all properties with a recheck code

Receive and enter building permits

Enter filed work

Enter sales data as received

Continue to update GIS and Mapping

End of year processing

Continue to process business personal property, agriculture and wildlife applications, and process all other exemptions

Work on improvement and land tables adjusting to current sales and market data

Agricultural Advisory Board meeting- Review and consider Conclusions and recommendations

Ratio Studies

April

Finalize all re-plats by the 15<sup>th</sup>

Process all real property inventory applications

Continue to send sales letters  
Enter sales data as received  
Continue to update GIS and Mapping  
Finalize all business personal property renditions  
Code BPP with late penalty for those that have not returned  
their rendition or requested an extension  
Mail out late BPP penalty letter.  
Mail out late Real Property Inventory penalty letter.  
Finalize all Ag and wildlife (five year average)  
Finalize all value related tables  
Finalize all field- work and data entry  
Finalize all homestead and other types of exemptions  
Ratio Studies  
Prepare for appraisal notices  
Notice Processing  
Clear Property Group Codes  
April 1 or as soon thereafter as possible; mail written appraisal  
Notices in compliance with Section 25.19(a) of Tax code

May/July Mail Notices  
Submit appraisal records to the Appraisal Review Board  
Begin protest reviews informally and formally with the  
Appraisal Review Board  
Ears Submission-Test Tape  
ARB Approve records by July 20,2016  
Certification by July 25,2016 to taxing entities

August      Continue remaining protest reviews with the Appraisal Review Board  
                  Ears Submission-Certified  
                  Sales Submission  
                  Begin organizing new appraisal year  
                  Continue to update GIS and Mapping

September/ Collect and enter building permits

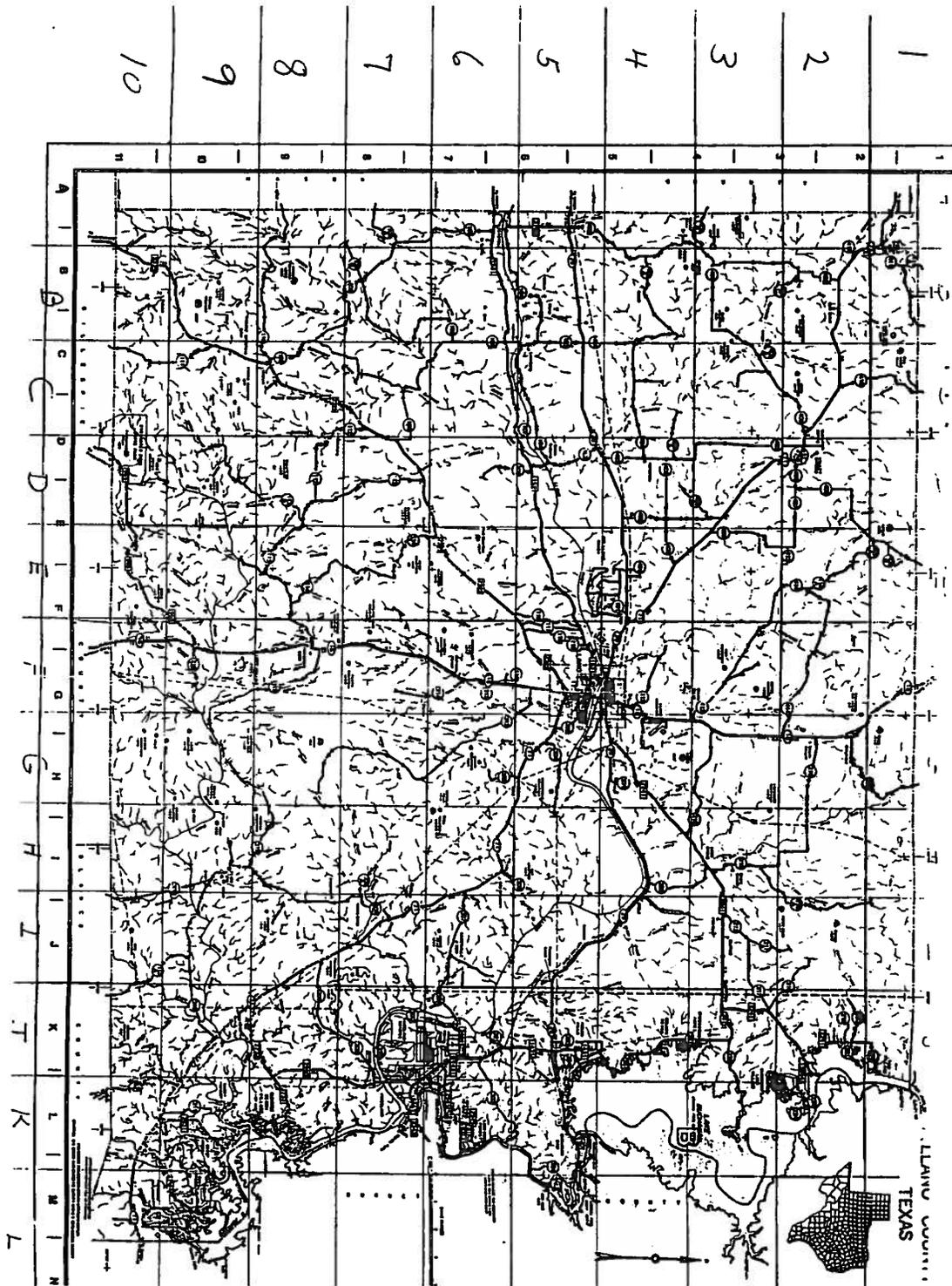
December    Enter next inspection date- this is done through out the year  
                  Print recheck list  
                  Reappraisal field- work  
                  Data entry  
                  Send out sales letters- this is done through out the year  
                  Continue to update GIS and Mapping  
                  Inspect and measure all new construction  
                  Enter sales data  
                  Review improvement and land tables  
                  Send letters to new owners of all properties transferred in current year that had an agriculture valuation where an annual application is required.  
                  Ratio Studies  
                  Prepare Personal Property Renditions to be mailed out by Jan. 1<sup>st</sup>  
                  Late ARB Hearing for 2016

Meeting the target dates for 2015 and 2016 is very important. Mailing appraisal notices in early May and completing the protest period by the end

of July or first of August permits the appraisal process for the next year to begin earlier. This goal has been accomplished and has produced a greater quantity and accuracy of work for the appraisal year.

The planned completion dates, as provided in the 2015 calendar, are attainable objectives/goals. Many factors are considered when goals and calendar events are provided.

EXHIBIT "C"



# EXHIBIT "D"



## 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).

TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
P&A POLICY STATEMENT .....	2
PREAMBLE .....	4
ETHICS RULE .....	5
RECORD KEEPING RULE .....	8
SCOPE OF WORK RULE .....	9
JURISDICTIONAL EXCEPTION RULE .....	11
MASS APPRAISAL (USPAP STANDARD 6) .....	12
REAPPRAISAL OF MINERAL PROPERTY .....	15
REAPPRAISAL OF INDUSTRIAL, UTILITY AND RELATED PERSONAL PROPERTY .....	21

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

In 2005, the Texas Legislature, in 79<sup>th</sup> 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.

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

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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:

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

---

- 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 with 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 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;

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

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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 work file 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.

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

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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 notwithstanding 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-B. 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

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

---

- 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.

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

---

**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 3<sup>rd</sup>-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-replacable.] 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

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

---

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

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

---

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

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

---

- 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

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

---

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 supersedes 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

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

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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.

**EXHIBIT "E"**

**LLANO CENTRAL APPRAISAL DISTRICT  
2014 Mass Appraisal Report**

**RESTRICTED USE APPRAISAL-MASS APPRAISAL REPORT TAX  
YEAR 2014**

**Client and Users:** All of the ad valorem taxing units with jurisdiction in Llano County, Texas

**Llano County Llano County Road and Bridge Llano ISD City of Llano  
Kingsland MUD Burnet ISD City of Horseshoe Bay Llano County MUD#1  
Llano County Road #1 Emergency Services Districts #1, #2, #3 #4 Johnson City  
ISD City of Sunrise Beach Deer Haven Water Control & Imp District**

**IDENTIFICATION OF THE APPRAISAL**

**INTENDED USE OF THE APPRAISAL:** The intended use of the Appraisal is for ad valorem tax purposes by the above-specified clients. This is restricted use appraisal. The appraiser's opinions and conclusions, set forth may not be understood properly without the additional information in the appraiser's work file. Llano Central Appraisal District is a political subdivision of the State of Texas, required to conduct the annual reappraisal of all taxable property located within Llano County, Texas. There shall be no other uses for this appraisal. It is understood that the taxing units have an advanced knowledge of the Texas Property Tax System.

**IDENTIFICATION OF THE PROPERTIES INVOLVED IN THE APPRAISAL:** The properties involved within this appraisal are all taxable property found on the 2014 Appraisal Roll prepared by the Llano Central Appraisal District. This includes all taxable real and personal property located within Llano County, Texas.

**PROPERTY INTERESTS APPRAISED:** Unlike some states taxing authorities, the Texas Property Tax Code does not specify a particular property interest to be appraised (ex. Fee simple). The Texas Property Tax Code does however specify in Section 23.01 that "each property shall be appraised based upon the individual characteristics that affect the property's market value." Therefore, each individual property interest was taken into consideration in conducting the 2014 appraisal.

**DEFINITION OF VALUE:** The Texas Property Tax Code defines three types of value, Market Value, Appraised Value and Assessed Value in Section 1.04.

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

- (a) Exposed for sale in the open market with a reasonable time for the 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 of the enforceable restriction 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.

**APPRAISED VALUE:** Appraised Value means the value determined as provided by Chapter 23 of this code (the Property Tax Code).

**ASSESSED VALUE:** Assessed Value means, for the purpose of assessment of property for taxation, the amount determined by multiplying the appraiser value by the applicable assessment ratio, but, for the purposes of determining the debt limitation imposed by Article III, Section 52 of the Texas Constitution, shall mean the market value of the property recorded by the chief appraiser.

**ASSESSMENT RATIO:** Section 26.02 of the Texas Property Tax Code specifies, "The assessment of property for taxation on the basis of a percentage of its appraised value is prohibited. All property shall be assessed on the basis of 100 percent of its appraised value."

**EFFECTIVE DATE OF THE APPRAISAL:** Except as provided in Chapter 23 of the Texas Property Tax Code, the effective date of valuation is January 1, 2014.

**DATE OF THE REPORT:** The date of the report is JULY 25, 2014

**EXTRAORDINARY ASSUMPTIONS:** None

**HYPOTHETICAL CONDITIONS:** None

**GENERAL ASSUMPTIONS:**

This appraisal report has been made with the following general assumptions:

- No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- The property is appraised free and clears of any or all liens or encumbrances unless otherwise stated.
- Responsible ownership and competent property management are assumed.
- The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
- It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
- It is assumed that the property conforms to all applicable zoning and use regulation and restrictions unless a non-conformity has been identified, described and considered in the appraisal.
- It is assumed that all required licenses, certificates of occupancy, consents, and

other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contain in this report is based.

- It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- Unless otherwise stated in this report, the appraiser did not observe the existence of hazardous materials, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser however is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this filed, if desired.

**GENERAL LIMITING CONDITIONS:**

This appraisal report has been made with the following general limiting conditions:

- Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- Possession of this report, or a copy thereof, does not carry with it the right of publication.
- The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
- Neither all not any part of the contents of this report (especially and conclusions as to value, the identity of the appraiser, or the Llano Central Appraisal District) shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent and approval of the appraiser.
- No legal descriptions or surveys were furnished, so the appraiser used the records and maps of Llano Central Appraisal District to ascertain the physical dimensions and acreage of the properties. Should a survey prove this information to be inaccurate, it may be necessary for this appraisal to be adjusted.
- The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

**SCOPE OF WORK**

**THE EXTENT TO WHICH THE PROPERTY WAS IDENTIFIED:**

For 2014, the Llano Central Appraisal District identified 37,391 taxable properties located in Llano County. These properties were identified through prior year appraisal

records, the official deed records of Llano County, contract for deeds, the Texas Department of Housing and Community Affairs manufactured housing records, property renditions, GIS data and both field and office work.

Each of these properties is identified on a property level by the Owner's name, address, situs address, legal description, property description and a unique property identification number. This information is maintained in the PACS appraisal software, property record cards and the appraisal roll.

**THE EXTENT TO WHICH THE PROPERTY WAS INSPECTED:**

Between 5/1/2013 and 5/30/ 2014 the field appraisers physically inspected 18,620 properties. The remainder of the district properties were appraised in the office by statistical testing and ratio studies.

**THE TYPE AND EXTENT OF DATA RESEARCHED:**

The official records of the Llano County Clerk were extensively researched for all property transfers. The Llano Central Appraisal District is charged with appraising all property at its market value and also to maintain equity and equality among properties. The district gathered sales information from every available source.

It is the district policy to send sales verification letters to every grantor and grantee involved in every arm's-length transaction. An arm's-length transaction is one between uninvolved parties that complies with the Tax Code definition of market value. Historically the district has received about a 25 % response rate when analyzes by individual sale.

The district is a member of the Highland Lakes Association of Realtors Board. This information is invaluable and typically includes a large portion of the residential and vacant lot sales that occur. Although is includes some farm and ranch and commercial sales information, many of these sales are handled by independent real estate salespersons that are not members of the MLS.

It is a valuable source of information to trade sales with other real estate professionals, such as brokers, salespersons and real estate appraisers. Historically this was the method that the special use, high quality ranch properties and commercial sales were verified by the district. The legislature has effectively killed this method with legislation making most all-sales information confidential. These professional will not give the district sales information without something in return. This has greatly hampered the district's ability to do its duties.

All confirmed sales information is included in the appraisal district sales file. If the property has multiple sources of sales information, they will be compared for accuracy. Even "bad" sales information will be included but will be coded as "bad" and removed form calculation in internal sales ratio studies.

The district analyzed 754 confirmed sales that occurred between April 1, 2013 and March 31, 2014. These sales were first analyzed by the type of sale as follows:

- Sale Type A- Single Family Residential 432 confirmed sales
- Sale Type C- Vacant lots 155 confirmed sales
- Sale Type D- Farm and Ranch Vacant 40 confirmed sales
- Sale Type E- Farm and Ranch Improved 16 confirmed sales
- Sale Type B-Multi Family Residential 27 confirmed sales
- Sale Type F- Commercial 14 confirmed sales
- Sale Type M- Mobile Homes (improvement only) 0 confirmed sales
- Sale Type Bad- Sales considered not to be arm's length 70 confirmed sales

**THE TYPE AND EXTENT OF ANALYSES APPLIED:**

These sales were analyzed according to location, quality, size, conditions, age and then individual functional, economic and physical factors, as well as property rights. This information was then reconciled with unsold properties and analyzed using internal ratio studies to compare to existing appraisal schedules depending on location, property type and quality category.

**INCLUSION OR EXCLUSION OF APPROACHES:**

Regarding improved property the Llano Central Appraisal District typically utilizes a modified cost approach to value improvements. This approach begins with local and nationally recognized cost guides. This cost information is then modified with a sale generated local modifier.

Land is typically valued utilizing the market data approach. Sales information is analyzed by property use, restrictions, location, size and attributes, such as water, view, access, etc. The existing land schedules are then modified to reflect current sales activity.

Commercial properties are appraised using the cost, income and market data comparison approach.

**APPRAISAL ASSISTANCE EXPLAINED:**

The Llano CAD field appraisers do the physical inspection and other fieldwork. The field appraisers and the Chief Appraiser conduct sales analysis, appraisal schedules and ratio studies.

**SCHEDULES**

**SEE ADDENDUM FOR SCHEDULES**

**2014 APPRAISAL TOTALS**

Total Land	\$3,372,252,457
Total Improvements	\$2,115,403,831
Total Non Real	\$ 91,928,543
Total Market Value	\$5,579,584,831

## CERTIFICATION

### I CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the clients, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of professional Appraisal Practice.
- I have not made a personal inspection of all of the property that is the subject of this report.
- Jessie Blackmon, RPA, Glynn Vandenburg, RPA, Scott Dudley, RPA, Darren Sullivent, RPA and Wynona Low, RPA, provided significant real and personal property appraisal assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.



Clarence McDaniel Jr. RPA  
Registered Professional Appraiser, TDLR # 70080

Date: July 25, 2014



Cindy E Cowan RPA  
Registered Professional Appraiser, TDLR # 63721

# 2014/2015 FINAL LLANO CENTRAL APPRAISAL DISTRICT BUDGET

LINE ITEM  
FISCAL YEAR  
2014/2015  
PROPOSED  
BUDGET

ADVERTISING \$2,000  
ARB \$7,500  
ARB COUNSEL \$2,500  
BUILDING CLEANING \$4,800  
BUILDING INSURANCE \$850  
BUILDING MAINTENANCE \$3,000  
BUILDING UTILITIES \$10,000  
COMPUTER HARDWARE/SOFTWARE \$36,000  
CONTINGENCY \$5,000  
EQUIPMENT LEASES \$9,000  
EQUIPMENT MAINTENANCE \$1,500  
HEALTH/DENTAL/LIFE INS/LT DISABILITY/VISION \$55,160  
INS/ERRORS & OMISSIONS/GENERAL LIABILITY \$1,600  
LEGAL/PROFESSIONAL/APPRaisal SERVICES \$41,000  
LICENSE, DUES & SUBSCRIPTIONS \$5,000  
MAPPING \$1,000  
MISC. BOARD EXPENSE \$200  
NOTICES AND POSTAGE \$8,000  
OFFICE EQUIPMENT \$500  
OFFICE FURNITURE \$1,000  
OFFICE SUPPLIES \$7,000  
PAYROLL TAXES \$8,500  
POSTAGE \$9,000  
RECORDS RETENTION \$250  
RETIREMENT \$54,770  
SALARIES \$426,156  
TWC UNEMPLOYMENT TAX SERVICES \$1,500  
SEVERANCE PAYMENTS \$26,000  
SCHOOL/CONT. EDUCATION \$6,000  
SOFTWARE SUPPORT \$35,000  
TELEPHONE/INTERNET \$8,000  
TRAVEL/LODGING/MEALS \$10,000  
VEHICLE FUEL/MAINTENANCE \$9,000  
VEHICLE INSURANCE \$1,800  
WORKMAN'S COMPENSATION \$2,500  
TOTALS \$801,086  
**Capital Expenditures**  
COMPUTERS \$36,000

