

MENARD COUNTY APPRAISAL DISTRICT



REAPPRAISAL PLAN FOR TAX YEARS 2015 & 2016

AS ADOPTED BY THE
BOARD OF DIRECTORS:

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Foreword

The Menard County Appraisal District has prepared and published this reappraisal plan and appraisal report to provide our Board of Directors, citizens and taxpayers with a better understanding of the district's responsibilities and activities.

The Menard County Appraisal District (CAD) is a political subdivision of the State of Texas created effective January 1, 1980. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. A member Board of Directors, appointed by the taxing units within the boundaries of Menard County, constitutes the district's governing body. The chief appraiser, appointed by the Board of Directors, is the chief administrator and chief executive officer of the appraisal district.

The appraisal district is responsible for local property tax appraisal and exemption administration for 10 jurisdictions or taxing units in the county. Each taxing unit, such as the county, city, school district, water district, etc., sets its own tax rate to generate revenue to pay for such things as law enforcement, 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. We also determine eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, charitable or religious organizations and agricultural productivity valuation.

For purposes of this reappraisal plan, the term "neighborhood(s)" and "market area(s)" should be interpreted as being the same.

EXECUTIVE SUMMARY

The legal requirements for the reappraisal plan are being stated in the Executive Summary. Menard County Appraisal District (MCAD) responses are listed in bold italic immediately following the tax code requirement.

TAX CODE REQUIREMENT

Passage of S.B. 1652 amended the Tax Code to require a written biennial reappraisal plan. The following details the changes to the Tax Code:

The Written Plan

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.

Plan 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:
 - (1) Identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, Pictometry, land-based photographs, surveys, maps, and property sketches;

Menard County Appraisal District receives copies of all documents filed with the Menard County Clerk. All sales information is recorded in the computer assisted mass appraisal (CAMA) software. Items captured are grantor, grantee, deed date, date of recording, document number, volume number, page number, deed type, and value information if contained in the deed. All real property is assigned a parcel number that remains with the property for its life. Additional parcel numbers will be created as land parcels are divided. Likewise parcel numbers will be deleted when 2 or more parcels located in the same abstract have the exact same ownership.

Business personal property is located by periodically driving in the city and county. MCAD reviews The Menard News weekly to find ads or articles for new commercial ventures. Menard County is a small county and so personal knowledge and “word of mouth” are also very useful in finding new personal property accounts.

Oil, mineral and utility appraisal is contracted to Pritchard & Abbott, Inc. Their reappraisal plan is appended to the Menard County Appraisal District Reappraisal Plan.

Maps have been developed for years that show ownership. Currently MCAD is using ArcView and Pictometry to digitally store and manage ownership changes to the land. The software is a very good tool for making appraisal decisions concerning land valuation. Imagery from 2004 to late-2013 is used to find and measure real estate improvements.

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

Most real property accounts are physically reviewed on an every-other-year basis. Appraisers note changes on appraisal cards and then changes are updated in the CAMA system once the appraiser returns to the office. Pictures are taken of improvements at the time of physical re-inspection. The appraiser will note any changes that have taken place to the improvements since the last inspection. Depreciation is also determined at the time of inspection. Drawings are updated to match the current size and shape of the improvements.

Septic permits are received from Menard County, which allows the office to prepare a listing of properties that need to be rechecked to determine if improvements have been added. Driving in rural areas also is useful in finding new property.

MCAD staff visit commercial businesses to verify the accuracy of business personal property renditions. Staff will also visit businesses not completing renditions to determine an appropriate value for business personal property.

- (3) Defining market areas in the district;

Appraisers annually analyze all sales information to determine what areas can be grouped together. Residential building costs are updated to match market conditions observed from analyzing the sales date. Sales are evaluated based on location to develop schedule modifiers.

Land value schedules are adjusted or created to account for the following factors that contribute to market value; location, proximity to the San Saba River, values attributed to rural subdivisions, size of land tract, and other market variables that are observed through analysis.

- (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 has its legal description, acreage, larger tract size, dimensions for lots and subclasses for rural or agricultural land.

Each improvement is shown by a sketch. Heated living area is shown separately from covered porches, carports, and other improvements. Other items gathered for valuing improvements are the presence of central heat and cooling and fireplaces. Depreciation factors are maintained for each 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;

The CAMA system utilizes the cost approach to value to prepare an estimate of value for each property (Replacement Cost New-Depreciation). Analysis of available sales data allows the appraiser to develop economic modifiers to be used for different market areas.

The same concept is used for commercial appraisal. The appraiser uses the market, cost and income approaches to value to determine market value for these classes of property.

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

- (7) Reviewing the appraisal results to determine value.

REVALUATION DECISION (REAPPRAISAL CYCLE)

The Menard CAD by policy adopted by the Board of Directors and the Chief Appraiser is to conduct a general reappraisal of all property in the district every year. The reappraisal may consist of field inspections, updating schedules in the CAMA system, or both. New properties or properties with major remodeling are inspected each year regardless of their location in the district. Tax years 2015 and 2016 are reappraisal years.

REAPPRAISAL AND NON-REAPPRAISAL YEAR ACTIVITIES

- *Performance Analysis – the equalized values from the previous tax year are analyzed with ratio studies to determine the appraisal accuracy and appraisal uniformity overall and by market area within property reporting categories. Ratio studies are conducted in compliance with the current Standard on Ratio Studies of the International Association of Assessing Officers.*
- *Analysis of Available Resources – 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. 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.*
- *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.*
- *Mass Appraisal System – Computer Assisted Mass Appraisal (CAMA) system revisions required are specified and scheduled with Pritchard & Abbott, Inc, our information systems vendor. All computer forms and IS procedures are reviewed and revised as required.*
- *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 of*

problematic market areas, market area delineation, re-inspection of the universe of properties on a specific cycle (2 years), and field or office verification of sales data and property characteristics.

- *Pilot study by tax year – new and/or revised mass appraisal models are tested each tax year. Ratio studies, by market area, are conducted on proposed values each tax year. Proposed values on each category are tested for accuracy and reliability in randomly selected market areas.*
- *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.*
- *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 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.*

2015-2016 REAPPRAISAL PLAN DETAILS

INTRODUCTION

Scope of Responsibility

All taxable property is appraised at its “market value” as of January 1st, except as otherwise provided by the Property Tax Code. 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.

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 update schedules annually and do on-site reappraisals of all properties in two years. Appraised values are reviewed annually and are subject to change. Business personal properties, minerals and utility properties are appraised every year.

Texas Property Tax Code defines special appraisal provisions for the valuation of residential homesteads (Section 23.23), special appraisal for agricultural lands (Section 23.41), business personal property inventory (Section 23.12), dealer inventory (Sections 23.121, 23.124, 23.1241 and 23.127).

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.

Data

For 2015 the district is responsible for establishing and maintaining approximately 6335 real estate, personal property, mineral, utility, and industrial accounts covering 902 square miles within Menard County Appraisal District’s jurisdictional boundaries. The parcel count is not expected to make a large change. In fact, there may be a slight decrease in real estate parcels as a result of the district’s remapping efforts. The Eden Consolidated and Mason Independent School Districts overlap into Menard County.

The data includes property characteristics, ownership, and exemption information. Property characteristic data on new construction is updated through an annual field effort; existing property data is maintained through a field review. Sales data is acquired through internally generated questionnaires to buyer and sellers.

The district has implemented a mapping system that maintains cadastral maps and various layers of data and aerial photography. The district utilizes ArcView to manage its cadastral maps. The district has a website and clients accessing the website are able to view the GIS mapping. The web address for Menard County Appraisal District is www.menardcad.org.

Policy

The Menard County Appraisal District by policy adopted by the Board of Directors and the Chief Appraiser is to conduct a general reappraisal of all property in the district every year. The reappraisal may consist of field inspections, updating schedules in the CAMA system, or both. New properties or properties with major remodeling are inspected each year regardless of what area of the district it is located. All real property will be physically inspected on an every-other-year basis.

The dividing line for reappraisal is U.S. Highway 190 from the Schleicher County Line to its intersection with U.S. Highway 83, then the dividing line changes to U.S. Highway 83 through the City of Menard to its intersection with State Highway 29. The dividing line then follows Highway 29 to the Mason County Line. Parcels south and east of this line will be physically inspected in even numbered years. Parcels north and west of the line will be inspected in odd numbered years. Refer to the Reappraisal Map (Appendix D) and Description of Reappraisal Areas (Appendix C) for more detail on how reappraisal activities will be conducted on an annual basis. Typically re-inspection will begin in the western part of the county and move to the eastern part of the county. Reappraisal sub-areas have been created to coincide with highways and county roads. This subdividing makes it easier to prepare appraisal cards for the reappraisal and also facilitates better communication with the taxpayer. The appraisal district and contract appraisers may deviate from this approach based upon local conditions (weather, road conditions, oilfield activity, hunting season, and etc.). Business personal property is verified on an annual basis through various means.

Appraisal Frequency and Method Summary

Land Appraisal - Vacant rural land is valued using comparable sales. Lot values in subdivisions are computed by market sales, or if unavailable, as an allocated percentage or by abstraction.

Residential Appraisal - Residential new construction is physically examined. Appraisers determine size, class, effective age of improvements and other property characteristics and features that are used in the cost and sales comparison valuation methods. On an annual basis, appraisal district staff members perform statistical analysis to evaluate whether values are equitable and consistent with the market. Based on analysis of the

sales activity, market adjustment factors are developed and applied to adjust the appraised values in neighborhoods or specified geographic areas on comparable properties.

Commercial Appraisal- Commercial real estate is verified by attempting to field observe and photograph each property at least once every two years to confirm class, condition and other property data. The appraisers determine highest and best use. Economic units are delineated by improved and land market areas. On an annual basis, commercial market values are established using generally accepted appraisal methods and techniques. Land values are generally determined using comparable sales. For improved properties, appraisers consider the cost, sales comparison and income approaches and then reconcile the final value, based on the quality and availability of the most accurate and credible data for each valuation approach.

Business Personal Property - Business Personal Property is observed annually with appraisers going into businesses to verify the accuracy of renditions. A rendition is mailed to each business. Rendition laws provide additional information on which to base values of all business personal property accounts.

Performance Analysis

In each tax year 2015 and 2016 the previous tax year's 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 (appraisal accuracy). The mean ratio is calculated in each market area to indicate the level of appraisal (appraisal accuracy) by property reporting category. This analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance.

An independent performance analysis of value is conducted on an every other year basis by the State Comptroller's Office. The study is known as the **Property Value Study (PVS)**. Field appraisers from the Comptroller's Office Property Tax Assistance Division (PTAD) evaluate residential, agricultural, mineral, utility and industrial property values in the respective school districts in Menard County. The values derived by the PTAD appraisers are compared to the Menard CAD values. CAD values are listed on the PVS report as *Certified* if the CAD values are within plus-or-minus five-percent (5%) of the PTAD value.

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 2016. 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.

Existing appraisal practices, which are continued from year to year, are identified in the appraisal manual and district staff is trained on correct appraisal methods to utilize. 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.

Information Systems (IS) support is provided by Pritchard & Abbott, Inc (P&A). P&A is responsible to determine year specific functions and make certain system upgrades are scheduled and implemented. 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 continually updated and kept current.

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 (Appendix A). Production standards for field activities are calculated and incorporated in the planning and scheduling process.

Eagle Appraisal & Consulting will update schedules, appraise new properties, do rechecks, and assist in preparation of agricultural values by April 1, 2015 for the 2015 tax year. Eagle Appraisal & Consulting will begin the field inspections in September of 2014 and will complete all inspections and schedules by April 1, 2015 for the 2015 tax year.

Personnel Resources

The office of the Chief Appraiser is primarily responsible for overall planning, organizing, staffing, coordinating, and controlling of district operations. The Chief Appraiser is also responsible for the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets and facilities. The appraisal district is responsible for the valuation of all real, mineral and personal property accounts. The appraisal district also provides the assessing and collecting functions for 7 taxing entities. The property types appraised include commercial, residential, business personal, mineral, utilities, and industrial. The appraisal district contracts with Eagle Appraisal and Consulting for the appraisal of real property. The appraisal district contracts the appraisal of mineral, utilities and industrial to Pritchard & Abbott. The district's appraisers and contractors 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 (TDLR). The appraisal district staff consists of 3 employees:

- 1 – Chief Appraiser
- 1 - Appraiser/911 Addressing Coordinator

- 1 – Collections Clerk

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 (2) years. Failure to meet these minimum standards results in the termination of the employee.

Information Systems

The Systems Administrator manages and maintains the district's data processing facility and software applications. The district operates from a sequel server database. The user base is networked using Windows 2003 Server. Pritchard & Abbott provides software services for appraisal and collections applications.

MASS APPRAISAL SYSTEM PROCESSES

Computer Assisted Mass Appraisal (CAMA) system revisions are specified and scheduled with Pritchard & Abbott, Inc. All computer forms and IS procedures are reviewed and revised as required. The following details these procedures as it relates to the 2015 and 2016 tax years:

Real Property Valuation

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

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

Land tables are updated using current market data (sales) and then tested with ratio study tools. Value modifiers are developed for property categories by market area and tested on a pilot basis with ratio study tools.

Personal Property Valuation

Density schedules are not utilized due to the lack of personal property accounts with similar function and merchandise. We utilize the business personal property rendition as the starting point for determining value. Inspections and appraiser knowledge of the businesses are used to determine the accuracy of the rendition.

Noticing Process

25.19 - Appraisal notice forms are reviewed and edited for updates and changes checked by the Chief Appraiser. The district publishes, in the local newspaper, information about the notices and how to protest. The district mails a notice to every property owner in the district. A copy of the Comptroller's pamphlet *Property Taxpayer Remedies* and a protest form are included with each notice of value.

Hearing Process

Protest hearing scheduling for informal and 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 compliance with HB 201 is insured.

APPRAISAL ACTIVITIES

Introduction

Scope of Responsibilities

The goal of Menard County Appraisal District is to perform a physical re-inspection of all properties once every two (2) years. The appraiser is provided an appraisal card for each parcel. The card lists all physical improvements that are located on the parcel. The appraiser verifies the accuracy of the improvements. Changes are noted on the appraisal card and the CAMA system is updated accordingly. Appendix 1 and 2 contain additional information on re-inspection activities by year.

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 of problematic market areas, market area delineation, re-inspection of the universe of properties on a specific cycle (2 years), and field or office verification of sales data and property characteristic

New Construction & Demolition

New construction field and office review procedures are identified and revised as required. Source of septic permits is confirmed. 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.

Remodeling

Properties 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.

Re-Inspection of Problematic Market Areas

Real property market areas, by property 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 delineation is verified and neighborhood clusters are identified.

Market Area Delineation

Market areas are defined by the physical, economic, governmental and social forces that influence property values. The effects of these forces are used to identify, classify, and stratify or delineate similarly situated properties into smaller, more comparable and

manageable subsets for valuation purposes. Delineation can involve the physical drawing of the neighborhood boundary lines on a map or, it can also involve statistical separation or stratification based on attribute analysis. These homogeneous properties have been delineated into valuation neighborhoods for residential property or economic class for commercial property, but because there are discernible patterns of growth that characterize a neighborhood or market segment, staff will annually evaluate the neighborhood boundaries or market segments to ensure homogeneity of property characteristics.

The table that follows lists market areas in Menard County by property type of class.

Property Type	Menard CAD Market Area
Single-family Residential	There are 2 market areas for residential properties in Menard County. The first market area is the corporate city limits of the City of Menard. The second market area is the remainder of Menard County.
Multifamily Residential	The market area for Multifamily Residential is the entire county.
Vacant lots and tracts	The market area for vacant lots and tracts is the City of Menard
Real Property – Rural Land	Rural land has a number of market area delineations in Menard County. Most, if not all, rural subdivisions have their own market areas. A 2,000 foot buffer along each side of the San Saba River is another market area (STR). All rural land with a larger tract size less than 640 acres in size is valued countywide (STDR), with the exception of those tracts that are located in close proximity to the City of Menard, Hext, and Fort McKavett (STDU). Properties with a larger tract size of 640 acres or more are dividing into 2 market areas. One area covers land in the southeast quadrant of the county (RG_1). The area is bounded by Highway 83 on the west, Highway 190 from Menard to the McCulloch County Line on the north, and by the McCulloch, Mason, and Kimble County lines along the remainder of the north and all of the east and south sides of the area. The second area (RG_2) is comprised by the remainder of the county. An extensive review of rural land market areas is scheduled for the 2015 reappraisal.
Commercial Property	The market area for commercial properties is the County of Menard.
Oil, Gas, and Other Minerals	The market area of oil, gas, and other minerals is the County of Menard.
Industrial and Utilities	The market area for industrial and utilities is the County of Menard.

Mobile Homes	Mobile homes, that are personal property, are in a countywide market area. NADA values are used to value these properties. Once listed as real property they are valued in accordance with single-family residential properties.
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Re-Inspection of the Universe of Properties

The Tax Code 25.18b specifies that the universe of properties should be re-inspected on a cycle of 3 years. The re-inspection includes physically viewing the property, photographing, and verifying the accuracy of the existing data. The field appraiser has an appraisal card of each property to be inspected and makes notes of changes, depreciation changes, remodeling, additions, etc. The annual re-inspection requirements for tax year 2015 and 2016 are identified and scheduled on the key events calendar.

Verification of Sales Data and Property Characteristics

Sales information must be verified and property characteristic data documented as it existed on the date of sale. The sales ratio tools require that the property that sold must equal the property appraised in order that statistical analysis results will be valid. The appraisal district mails letters to the buyer and seller to obtain sales price and other factors involved in sales of property.

Pilot Study

New and/or revised mass appraisal models are tested. 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 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

Using market analysis of comparable sales and locally tested cost data, market area specific income and expense data, valuation models (cost per square foot schedules) 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.

RESIDENTIAL REAL PROPERTY

VALUATION APPROACH

Land Analysis

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 stores the land information required to consistently value individual parcels within neighborhoods given known land characteristics. 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.

Area Analysis

Data on regional economic forces such as demographic patterns, regional location factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources and provide the field appraiser a current economic outlook on the real estate market. Information is gleaned from real estate publications and sources such as continuing education in the form of IAAO and PTEC classes.

Neighborhood and Market Analysis

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 subsets of the universe of properties known as neighborhoods. 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.

The first step in neighborhood analysis is the identification of a group of properties that share certain common traits. A "neighborhood" for analysis purposes is defined as the largest geographic grouping of properties where the property's physical, economic, governmental and social forces are generally similar and uniform. Geographic stratification accommodates the local supply and demand factors that vary across a jurisdiction. Once a neighborhood with similar characteristics has been identified, the next step is to define its boundaries. This process is known as "delineation". Some factors used in neighborhood delineation include location, sales price range, lot size, age

of dwelling, quality of construction and condition of dwellings, square footage of living area, and story height. Delineation can involve the physical drawing of neighborhood boundary lines on a map, but it can also involve statistical separation or stratification based on attribute analysis. Part of neighborhood analysis is the consideration of discernible patterns of growth that influence a neighborhood's individual market. Few neighborhoods are fixed in character. Each neighborhood may be characterized as being in a stage of growth, stability or decline. The growth period is a time of development and construction. As new neighborhoods in a community are developed, they compete with existing neighborhoods. An added supply of new homes tends to induce population shift from older homes to newer homes. In the period of stability, or equilibrium, the forces of supply and demand are about equal. Generally, in the stage of equilibrium, older neighborhoods can be more desirable due to their stability of residential character and proximity to the workplace and other community facilities. The period of decline reflects diminishing demand or desirability. During decline, general property use may change from residential to a mix of residential and commercial uses. Declining neighborhoods may also experience renewal, reorganization, rebuilding, or restoration, which promotes increased demand and economic desirability.

Neighborhood identification and delineation is the cornerstone of the residential valuation system at the district. All the residential analysis work done in association with the residential valuation process is neighborhood specific. Neighborhoods are field inspected and delineated based on observable aspects of homogeneity. Neighborhood delineation is periodically reviewed to determine if further neighborhood delineation is warranted. Whereas neighborhoods involve similar properties in the same location, a neighborhood group is simply defined as similar neighborhoods in similar locations. Each residential neighborhood is assigned to a neighborhood group based on observable aspects of homogeneity between neighborhoods. Neighborhood grouping is highly beneficial in cost-derived areas of limited or no sales, or use in direct sales comparison analysis. Neighborhood groups, or clustered neighborhoods, increase the available market data by linking comparable properties outside a given neighborhood. Sales ratio analysis, discussed below, is performed on a neighborhood basis, and in soft sale areas on a neighborhood group basis.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to its maximum. The highest and best use of residential property is normally its current use. This is due in part to the fact that residential development, in many areas, through use of deed restrictions and zoning, precludes other land uses. Residential valuation undertakes reassessment of highest and best use in transition areas and areas of mixed residential and commercial use. In transition areas with ongoing gentrification, the appraiser reviews the existing residential property use and makes a determination regarding highest and best use. Once the conclusion is made that the highest and best use remains residential, further highest and best use analysis is done to decide the type of residential use on a neighborhood basis. As an example, it may be determined in a transition area that older, non-remodeled homes are economic mis-improvements, and the highest and best use of such property is

the construction of new dwellings. In areas of mixed residential and commercial use, the appraiser reviews properties in these areas on a periodic basis to determine if changes in the real estate market require reassessment of the highest and best use of a select population of properties.

Homes that have been granted a residence homestead exemption will be valued as a residence, even though this may not be the highest and best use for the property.

VALUATION AND STATISTICAL ANALYSIS (Model Calibration)

Cost Schedules

All residential parcels in the district are valued with a replacement cost estimated from cost schedules based on the improvement classification system using a comparative unit method. The district's residential cost schedules are estimated from Marshall and Swift, a nationally recognized cost estimator service. 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 recent 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 performed annually by Eagle Appraisal and Consulting. CAD replacement costs are compared against Marshall & Swift, a nationally recognized cost estimator, and the indicated replacement cost abstracted from these market sales of comparably improved structures. The results of this comparison are analyzed using statistical measures, including stratification by quality and reviewing of estimated building costs plus land to sales prices. As a result of this analysis, a new regional multiplier or economic index factor and indications of neighborhood economic factors are developed for use in the district's cost process. The economic indexes are used to adjust the district's cost schedule to be in compliance with local building costs as reflected by the local market.

Sales Information

A sales file for the storage of "snapshot" sales data at the time of sale is maintained for real property. Residential vacant land sales, along with commercial improved and vacant land sales are maintained in a sales information system. Residential improved and vacant sales are collected from a variety of sources, including: district questionnaires sent to buyer and seller, field discovery, protest hearings, and realtors. 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. 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.

Time adjustments are estimated based on comparative analysis using paired comparison of sold property. Sales of the same property are considered and analyzed for any indication of price change attributed to a time change or influence. Property characteristics, financing, and conditions of sale were compared for each property sold in the pairing of property to isolate only the time factor as an influence on price.

Statistical Analysis

Appraisers perform statistical analysis annually to evaluate whether estimated values are equitable and consistent with the market. Ratio studies are conducted to judge the two primary aspects of mass appraisal accuracy--level and uniformity of value. Appraisal statistics of central tendency generated from sales ratios are evaluated and analyzed for each neighborhood. The level of appraised value is determined by the weighted mean ratio for sales of individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods.

The appraiser, through the sales ratio analysis process, reviews every neighborhood annually. The first phase involves neighborhood ratio studies that compare the recent sales prices of neighborhood properties to the appraised values of these sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level in a neighborhood needs to be updated or whether the level of market value in a neighborhood is at an acceptable level.

Market and Cost Reconciliation and Valuation

Analysis of market sales to achieve an acceptable sale ratio or level of appraisal is also the reconciliation of the market and cost approaches to valuation. Market factors 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 residential properties uses a hybrid cost-sales comparison approach. This type of approach accounts for neighborhood market influences not particularly specified in a purely cost model.

The following equation denotes the hybrid model used:

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

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

market areas or across a jurisdiction. 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, indicates the depreciated value of the improvement component, in effect, measuring changes in accrued depreciation, a 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 prices indicates the neighborhood level of appraisal based on sold properties. This ratio is compared to the acceptable appraisal ratio, 96% to 100%, 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 improvement 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 indicates 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 indicates 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, relevant measure of improvement marketability, particularly when based on multiple sales that indicate the trending of this rate of change over certain classes of improvements within certain neighborhoods. Based on this market analysis, the appraiser estimates 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 prices 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 update 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 update and non-update neighborhoods and verifies appraised values against overall trends as exhibited by the local market, and finally, for the school district as a whole.

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 that 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 1st 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.

In 2010, the Texas Property Tax Code was amended to require that properties declared as a "residence homestead" would be appraised as a residence and not at "highest and best use".

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The appraiser identifies individual properties in critical need of field review through sales ratio analysis. Sold properties are field reviewed on a periodic basis to check for accuracy of data characteristics.

Office Review

Once field review is completed, the appraiser conducts a routine valuation review of all properties as outlined in the discussion of ratio studies and market analysis. Valuation reports comparing previous values against proposed and final values are generated for all residential improved and vacant properties. The percentage of value difference are noted for each property within a delineated neighborhood allowing the appraiser to identify, research and resolve value anomalies before final appraised values are released. Previous values resulting from a hearing protest are individually reviewed to determine if the value remains appropriate for the current year.

Once the appraiser is satisfied with the level and uniformity of value for each neighborhood within his area of responsibility, the estimates of value go to noticing.

PERFORMANCE TESTS

Sales Ratio Studies

The primary analytical tool used 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 provide an indication of market appreciation over a specified period of time. The PC-based ratio studies are designed to emulate the findings of the state comptroller's annual property value study for category A property.

Management Review Process

Once the proposed value estimates are finalized, the appraiser reviews the sales ratios by neighborhood and presents pertinent valuation data, such as weighted sales ratio and pricing trends, to the Chief Appraiser for final review and approval. This review includes comparison of level of value between related neighborhoods within and across jurisdiction lines. The primary objective of this review is to ensure that the proposed values have met preset appraisal guidelines appropriate for the tax year in question.

COMMERCIAL REAL PROPERTY

INTRODUCTION

Scope of Responsibility

This mass appraisal assignment includes all of the commercially described real property which falls within the responsibility of the commercial valuation appraisers of the Menard County Central Appraisal District and located within the boundaries of this taxing jurisdiction. Commercial appraisers appraise the fee simple interest of properties according to statute and court decisions. However, the effect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisal of any non-exempt taxable fractional interests in real property (i.e. certain multi-family housing projects). Fractional interests or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their prorated interests.

Data

The data used includes verified sales of vacant land and improved properties and the pertinent data obtained from each (sales price levels, capitalization rates, income multipliers, equity dividend rates, marketing period, etc.). Other data used by the appraisers includes actual income and expense data (typically obtained through the hearings process), actual contract rental data, leasing information (commissions, tenant finish, length of terms, etc.), and actual construction cost data. In addition to the actual data obtained from specific properties, market data publications are also reviewed to provide additional support for market trends.

PRELIMINARY ANALYSIS

Market Study

Market studies are utilized to test new or existing procedures or valuation modifications in a limited sample of properties located in the district and are also considered and become the basis of updating whenever substantial changes in valuation are made. These studies target certain types of improved property to evaluate current market prices for rents and for sales of commercial and industrial real property. These comparable sale studies and ratio studies reveal whether the valuation system is producing accurate and reliable value estimates or whether procedural and economic modifications are required. The appraiser implements this methodology when developing cost approach, market approach, and income approach models.

Menard CAD administration, personnel, and appraisal contractors interact with other assessment officials through professional trade organizations including the International Association of Assessing Officers, Texas Association of Appraisal Districts, and the Texas Association of Assessing Officers. The district's staff strives to maintain appraisal skills and professionalism by continuing education in the form of courses that are offered by several professional associations such as International Association of Assessing Officers (IAAO), Texas Association of Assessing Officers (TAAO), and Texas Association of Appraisal Districts (TAAD).

VALUATION APPROACH (Model Specification)

Area Analysis

Area data on regional economic forces such as demographic patterns, regional location factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources.

Neighborhood Analysis

The neighborhood and market areas are comprised of the land area and commercially classed properties located within the boundaries of this appraisal jurisdiction. These areas consist of a wide variety of property types including multiple-family residential, commercial and industrial. Neighborhood and area analysis involves the examination of how physical, economic, governmental and social forces and other influences may affect property values within subgroups of property locations. The effects of these forces are also used to identify, classify, and organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. In the mass appraisal of commercial and industrial properties these subsets of a universe of properties are generally referred to as market areas, neighborhoods, or economic areas.

Economic areas are defined by each of the improved property use types (apartment, office, retail, warehouse and special use) based upon an analysis of similar economic or market forces. These include but are not limited to similarities of rental rates, classification of projects (known as building class by area commercial market experts), date of construction, overall market activity or other pertinent influences. Economic area identification and delineation by each major property use type is the benchmark of the commercial valuation system. All income model valuation (income approach to value estimates) is economic area specific. Economic areas are periodically reviewed to determine if delineation is required. The geographic boundaries as well as income, occupancy and expense levels and capitalization rates by age within each economic area for all commercial use types and its corresponding income model have been estimated for these properties.

Highest and Best Use Analysis

The highest and best use is the most reasonable and probable use that generates the highest net to land and present value of the real estate as of the date of valuation. The highest and best use of any given property must be physically possible, legally permissible, financially feasible, and maximally productive. For improved properties, highest and best use is evaluated as improved and as if the site were still vacant. This perspective assists in determining if the existing improvements have a transitional use, interim use, nonconforming use, multiple uses, speculative use, is excess land, or a different optimum use if the site were vacant. For vacant tracts of land within this jurisdiction, the highest and best use is considered speculative based on the surrounding land uses. Improved properties reflect a wide variety of highest and best uses which include, but are not limited to: office, retail, apartment, warehouse, light industrial, special purpose, or interim uses. In many instances, the property's current use is the same as its highest and best use. This analysis insures that an accurate estimate of market

value (sometimes referred to as value in exchange) is derived.

On the other hand, value in use represents the value of a property to a specific user for a specific purpose. This perspective for value may be significantly different than market value, which approximates market price under the following assumptions: (i) no coercion of undue influence over the buyer or seller in an attempt to force the purchase or sale, (ii) well-informed buyers and sellers acting in their own best interests, (iii) a reasonable time for the transaction to take place, and (iv) payment in cash or its equivalent.

Market Analysis

A market analysis relates directly to examining market forces affecting supply and demand. This study involves the relationships between social, economic, environmental, governmental, and site conditions. Current market activity including sales of commercial properties, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses (inclusive of replacement reserves), expense ratio trends, capitalization rate studies are analyzed to determine market ranges in price, operating costs and investment return expectations.

DATA COLLECTION / VALIDATION

Sources of Data

In terms of commercial sales data, Menard CAD receives a copy of the deeds recorded in Menard County that convey commercially classed properties. These deeds involving a change in commercial ownership are entered into the sales information system and researched in an attempt to obtain the pertinent sale information. Other sources of sale data include the protest hearings process and local, regional and national real estate and financial publications.

For those properties involved in a transfer of commercial ownership, a sale file is produced which begins the research and verification process. The initial step in sales verification involves a computer-generated questionnaire, which is mailed to both parties in the transaction (Grantor and Grantee). If a questionnaire is answered and returned, the documented responses are recorded into the computerized sales database system. If no information is provided, verification of many transactions is then attempted via phone calls to parties thought to be knowledgeable of the specifics of the sale. Other sources contacted are the brokers involved in the sale, property managers or commercial vendors. In other instances, sales verification is obtained from local appraisers or others that may have the desired information. Finally, closing statements are often provided during the hearings process. The actual closing statement is the most reliable and preferred method of sales verification.

VALUATION ANALYSIS

Model Calibration

Model calibration involves the process of periodically adjusting the mass appraisal formulae, tables and schedules to reflect current local market conditions. Once the models have undergone the specification process, adjustments can be made to reflect new

construction procedures, materials and/or costs, which can vary from year to year. The basic structure of a mass appraisal model can be valid over an extended period of time, with trending factors utilized for updating the data to the current market conditions. However, at some point, if the adjustment process becomes too involved, the model calibration technique can mandate new model specifications or a revised model structure.

Cost Schedules

The cost approach to value is applied to improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on local comparable properties whenever possible. Cost models are typically developed based on the Marshall Valuation Service which provides estimated hard or direct costs of various improvement types. Cost models include the derivation of replacement cost new (RCN) of all improvements represented within the district. These include comparative base rates, per unit adjustments and lump sum adjustments for variations in property description, design, and types of improvement construction. This approach and analysis also employs the sales comparison approach in the evaluation of soft or indirect costs of construction. Evaluating market sales of newly developed improved property is an important part of understanding total replacement cost of improvements. What total costs may be involved in the development of the property, as well as any portion of cost attributed to entrepreneurial profit can only be revealed by market analysis of pricing acceptance levels. In addition, market related land valuation for the underlying land value is important in understanding and analyzing improved sales for all development costs and for the abstraction of improvement costs for construction and development. Time and location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs over a period of time. Because a national cost service is used as a basis for the cost models, location modifiers and estimates of soft cost factors are necessary to adjust these base costs specifically for various types of improvements located in Menard County. Local modifiers are applied to replacement cost estimated by the national cost service. Estimated replacement cost new will reflect all costs of construction and development for various improvements located in Menard CAD as of the date of appraisal.

Accrued depreciation is the sum of all forms of loss affecting the contributory value of the improvements. It is the measured loss against replacement cost new taken from all forms of physical deterioration, functional and economic obsolescence. Accrued depreciation is estimated and developed based on losses typical for each property type at that specific age. Depreciation estimates have been implemented for what is typical of each major class of commercial property by economic life categories. Estimates of accrued depreciation have been calculated for improvements with a range of variable years expected life based on observed condition considering actual age. These estimates are continually tested to ensure they are reflective of current market conditions. The actual and effective ages of improvements are noted in CAMA. Effective age estimates are based on the utility of the improvements relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace. Effective age estimates are considered and reflected based on five levels or rankings of observed condition, given actual age.

Additional forms of depreciation such as external and/or functional obsolescence can be applied if observed. A depreciation calculation override can be used if the condition or effective age of a property varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. These adjustments are typically applied to a specific condition adequacy or deficiency, property type or location and can be developed via ratio studies or other market analyses.

The result of estimating accrued depreciation and deducting that from the estimated replacement cost new of improvements indicates the estimated contributory value of the improvements. Adding the estimated land value, as if vacant, to the contributory value of the improvements indicates a property value by the cost approach. Given relevant cost estimates and market related measures of accrued depreciation, the indicated value of the property by the cost approach becomes a very reliable valuation technique.

Income Models

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. The first step in the income approach pertains to the estimation of market rent on a per unit basis. This is derived primarily from actual rent data furnished by property owners and from local market surveys conducted by the district and by information from area rent study reviews. This per unit rental rate multiplied by the number of units results in the estimate of potential gross rent.

A vacancy and collection loss allowance is the next item to consider in the income approach. The projected vacancy and collection loss allowance is established from actual data furnished by property owners and local market survey trends. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. This feature may also provide for a reasonable lease-up period for multi-tenant properties, where applicable. The market derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to yield an indication of estimated annual effective gross rent to the property.

Next, a secondary income or service income is considered and, if applicable, calculated as a percentage of stabilized effective gross rent. Secondary income represents parking income, escalations, reimbursements, and other miscellaneous income generated by the operations of real property. The secondary income estimate is derived from actual data collected and available market information. The secondary income estimate is then added to effective gross rent to arrive at an effective gross income, when applicable.

Allowable expenses and expense ratio estimates are based on a study of the local market, with the assumption of prudent management. An allowance for non-recoverable expenses such as leasing costs and tenant improvements may be included in the expenses. A non-recoverable expense represents costs that the owner pays to lease rental space. Relevant expense ratios are developed for different types of commercial property based on use and market experience. For instance, retail properties are most frequently leased on a triple-net basis, whereby the tenant is responsible for all operating expenses, such as ad valorem taxes, insurance, and common area and property maintenance. In comparison, a general office building is most often leased on a base year expense stop.

This lease type stipulates that the owner is responsible for all expenses incurred during the first year of the lease. As a result, expense ratios are implemented and estimated based on observed market experience in operating various types of commercial property.

Another form of allowable expense is the replacement of short-lived items (such as roof or floor coverings, air conditioning or major mechanical equipment or appliances) requiring expenditures of lump sum costs. When these capital expenditures are analyzed for consistency and adjusted, they may be applied on an annualized basis as stabilized expenses. When performed according to local market practices by commercial property type, these expenses when annualized are known as replacement reserves. For some types of property, typical management does not reflect expensing reserves and is dependent on local and industry practices.

Subtracting the allowable expenses (inclusive of non-recoverable expenses and replacement reserves when applicable) from the annual effective gross income yields an estimate of annual net operating income to the property.

Return rates and income multipliers are used to convert operating income expectations into an estimate of market value for the property under the income approach. These include income multipliers, overall capitalization rates, and discount rates. Each of these multipliers or return rates are considered and used in specific applications. Rates and multipliers may vary between property types, as well as by location, quality, condition, design, age, and other factors. Therefore, application of the various rates and multipliers must be based on a thorough analysis of the market for individual income property types and uses. These procedures are supported and documented based on analysis of market sales for these property types.

Capitalization analysis is used in the income approach models to form an indication of value. This methodology involves the direct capitalization of net operating income as an indication of market value for a specific property. Capitalization rates applicable for direct capitalization method and yield rates for estimating terminal cap rates for discounted cash flow analysis are derived from the market. Sales of improved properties from which actual income and expense data are obtained provide a very good indication of property return expectations a specific market participant is requiring from an investment at a specific point in time. In addition, overall capitalization rates can be derived and estimated from the built-up method (band-of-investment). This method relates to satisfying estimated market return requirements of both the debt and equity positions in a real estate investment. This information is obtained from available sales of property, local lending sources, and from real estate and financial publications.

Rent loss concessions are estimated for specific properties with vacancy problems. A rent loss concession accounts for the impact of lost rental income while the building is moving toward stabilized occupancy. The rent loss is calculated by multiplying the rental rate by the percent difference of the property's stabilized occupancy and its actual occupancy. Build out allowances (for first generation space or retrofit/second generation space as appropriate) and leasing expenses are added to the rent loss estimate. The total adjusted loss from these real property operations is discounted using an acceptable risk rate. The discounted value (inclusive of rent loss due to extraordinary vacancy, build out allowances and leasing commissions) becomes the rent loss concession and is deducted

from the value indication of the property at stabilized occupancy. A variation of this technique allows a rent loss deduction to be estimated for every year that the property's actual occupancy is less than stabilized occupancy.

Sales Comparison (Market) Approach

Although all three of the approaches to value are based on market data, the Sales Comparison Approach is most frequently referred to as the Market Approach. 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. As previously discussed in the Data Collection / Validation section of this report, pertinent 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.

Final Valuation Schedules

Based on the market data analysis and review discussed previously in the cost, income and sales approaches, the cost and income models are calibrated and finalized. The calibration results are keyed to the schedules and models in the CAMA system for utilization on all commercial properties in the district. Market factors reflected within the cost and income approaches are evaluated and confirmed based on market sales of commercial and industrial properties. The appraisers review the cost, income, and sales comparison approaches to value for each of the types of properties with available sales information. The final valuation of a property is estimated based on reconciling these indications of value considering the weight of the market information available for evaluation and analysis in these approaches to value.

Statistical and Capitalization Analysis

Statistical analysis of final values is an essential component of quality control. This methodology represents a comparison of the final value against the standard and provides a concise measurement of the appraisal performance. Statistical comparisons of many different standards are used including sales of similar properties, the previous year's appraised value, audit trails, value change analysis and sales ratio analysis.

Appraisal statistics of central tendency and dispersion generated from sales ratios are calculated for each property type with available sales data. These summary statistics including, but not limited to, the weighted mean, provide the appraisers an analytical tool by which to determine both the level and uniformity of appraised value of a particular property type. The level of appraised values can be determined by the weighted mean for individual properties within a specific type, and a comparison of weighted means can reflect the general level of appraised value.

The appraisers review every commercial property type annually through the sales ratio analysis process. The first phase involves ratio studies that compare the recent sales prices of properties to the appraised values of the sold properties. This set of ratio studies

affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the appraised values. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level of a particular property type needs to be updated in an upcoming reappraisal, or whether the level of market value is at an acceptable level.

Potential gross rent estimates, occupancy levels, secondary income, allowable expenses (inclusive of replacement reserves), net operating income and capitalization rate and multipliers are continuously reviewed. Income model estimates and conclusions are compared to actual information obtained on individual commercial and industrial income properties during the protest hearings process, as well as with information from published sources and area property managers and owners.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection, extent of that inspection, and the appraiser responsible are listed in the CAMA system. If a property owner disputes the District's records concerning this data in a protest hearing, CAMA may be altered based on the credibility of the evidence provided. Normally, a new field check is then requested to verify this information for the current year's valuation or for the next year's valuation. In addition, if a building permit is filed for a particular property indicating a change in characteristics, that property is added to a work file for review

Office Review

Office reviews are completed on properties subject to field inspections and are performed in compliance with the guidelines required by the existing classification system. Office reviews are typically limited by the available market data presented for final value analysis. These reviews summarize the pertinent data of each property as well as comparing the previous value to the proposed value conclusions of the various approaches to value. These evaluations and reviews show proposed value changes, income model attributes or overrides, economic factor (cost overrides) and special factors affecting the property valuation such as new construction status, and a three years sales history (USPAP property history requirement for non-residential property). The appraiser may review methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory and district policies. This review is performed after preliminary ratio statistics have been applied. If the ratio statistics are generally acceptable overall the review process is focused primarily on locating skewed results on an individual basis. Previous values resulting from protest hearings are individually reviewed to determine if the value remains appropriate for the current year based on market conditions. Once the appraiser is satisfied with the level and uniformity of value for each commercial property within their area of responsibility, the estimates of value go to noticing. Each parcel is subjected to the value parameters appropriate for its use type.

PERFORMANCE TESTS

Sales Ratio Studies

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market prices. In a ratio study, market values (value in exchange) are typically represented with the range of sale prices, i.e. a sales ratio study. Independent, expert appraisals may also be used to represent market values in a ratio study, i.e. an appraisal ratio study. If there are not enough examples of market price to provide necessary representation, independent appraisals can be used as indicators for market value. This can be particularly useful for commercial or industrial real property for which sales are limited. In addition, appraisal ratio studies can be used for properties statutorily not appraised at market value, but reflect the use-value requirement. An example of this are multi-family housing projects subject to subsidized rent provisions or other governmental guarantees as provided by legislative statutes (affordable housing) or agricultural lands to be appraised on the basis of productivity or use value.

Menard CAD has adopted the policies of the IAAO STANDARD ON RATIO STUDIES, circa July 1999 regarding its ratio study standards and practices. Ratio studies generally have six basic steps: (1) determination of the purpose and objectives, (2) data collection and preparation, (3) comparing appraisal and market data, (4) stratification, (5) statistical analysis, and (6) evaluation and application of the results.

Sales ratio studies are an integral part of estimating equitable and accurate market values, and ultimately property assessments for these taxing jurisdictions. The primary uses of sale ratio studies include the determination of a need for general reappraisal; prioritizing selected groups of property types for reappraisal; identification of potential problems with appraisal procedures; assist in market analyses; and, to calibrate models used to estimate appraised values during valuation or reappraisal cycles. However, these studies cannot be used to judge the accuracy of an individual property appraised value. The Menard County Appraisal Review Board may make individual value adjustments based on unequal appraisal (ratio) protest evidence submitted on a case-by-case basis during the hearing process.

Overall sales ratios are generated by use type semi-annually (or more often in specific areas) to allow appraisers to review general market trends in their area of responsibility and for the Property Study from the Property Tax Division of the Comptroller's Office. The appraisers utilize desktop applications such as Excel to evaluate subsets of data by economic area or a specific and unique data item. On the desktop, this may be customized and performed by building class and age basis. In many cases, field checks may be conducted to insure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics. These ratio studies aid the appraisers by providing an indication of market activity by economic area or changing market conditions (appreciation or depreciation).

Comparative Appraisal Analysis

The commercial appraiser performs an average unit value comparison in addition to a traditional ratio study. These studies are performed on commercially classed properties

by property use type (such as apartment, office, retail and warehouse usage or special use). The objective to this evaluation is to determine appraisal performance of sold and unsold properties. Appraisers average unit prices of sales and average unit appraised values of the same parcels and the comparison of average value changes of sold and unsold properties. These studies are conducted on substrata such as building class and on properties located within various economic areas. In this way, overall appraisal performance is evaluated geographically, by specific property type to discern whether sold parcels have been selectively appraised. When sold parcels and unsold parcels are appraised equally, the average unit values are similar. These sales and equity studies are performed prior to final appraisal and to annual noticing.

UTILITIES

Refer to Reappraisal Plan from Pritchard & Abbott, Inc. for information on appraisal of utilities.

MINERAL INTEREST

Refer to Reappraisal Plan from Pritchard & Abbott, Inc. for information on appraisal of minerals.

SPECIAL VALUATION PROPERTIES

Property devoted to the production of agricultural products or managed to sustain a breeding, migrating, or wintering population of indigenous wildlife through implementation of a wildlife management plan is appraised using an income based appraisal methodology contained in the Texas Property Tax Code. Income and expense information is gathered annually by the use of a survey. A five year income and expense history is prepared in accordance with the tax code. A five-year average gross income value is calculated. This value is divided by a capitalization value provided annually by the State Comptroller.

Agricultural land in Menard County is subdivided by land use and is further subdivided into one of four land classifications. Income and expense information is developed for the subclass with the most acres by land use. The remaining subclasses for each land use are value by multiplying the gross income for the predominant subclass by the production coefficient for the other subclasses.

BUSINESS PERSONAL PROPERTY

Scope of Responsibility

The personal property types appraised by the district are inventory; furniture, fixtures, and equipment; leased vehicles and equipment; and owned vehicles.

DATA COLLECTION/VALIDATION

Data Collection Procedures

Business personal property renditions are mailed to all commercial accounts annually to collect information from the business owner on current assets and their estimated value. The staff reviews the renditions to determine completeness of the rendition. Staff will conduct on-site reviews to validate accuracy.

Sources of Data

- **Business Personal Property** - From year to year, reevaluation activities permit district appraisers to collect new data via an annual field inspection. This project results in the discovery of new businesses, changes in ownership, relocation of businesses, and closures of businesses not revealed through other sources. Tax assessors, city and local newspapers, and the public often provide the district information regarding new personal property and other useful facts related to property valuation.
- **Vehicles** - An outside vendor provides Menard CAD with a listing of vehicles within the jurisdiction. The vendor develops this listing from the Texas Department of Transportation (TxDOT) Title and Registration Division records. Other sources of data include property owner renditions and field inspections.

Depreciation Schedule and Trending Factors:

- **Business Personal Property** - Menard CAD's primary approach to the valuation of business personal property is the cost approach. The replacement cost new (RCN) is either developed from property owner reported historical cost or from CAD developed valuation models. The trending factors used by the CAD to develop RCN are based on published valuation guides. The percent good depreciation factors used by Menard CAD are also based on published valuation guides. The index factors and percent good depreciation factors are used to develop present value factors (PVF), by year of acquisition, as follows:

$$\text{PVF} = \text{INDEX FACTOR} \times \text{PERCENT GOOD FACTOR}$$

The PVF is used as an "express" calculation in the cost approach. The PVF is applied to reported historical cost as follows:

$$\text{MARKET VALUE ESTIMATE} = \text{PVF} \times \text{HISTORICAL COST}$$

This mass appraisal PVF schedule is used to ensure that estimated values are uniform and consistent within the market and reflect current economic pressures of supply and demand.

- **Vehicles** - Value estimates for vehicles are provided by an outside vendor and are based on Red Book published book values, there are considerations available for high mileage. Vehicles that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

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

INTRODUCTION

Scope of Responsibility

Only Menard County Appraisal District employees or contractors registered with TDLR will communicate with the owner, property manager, or other duly authorized party in a good faith effort to resolve any conflicts regarding valuation of the property, exemption, or special use valuation. Communication methods to be used should be; but are not limited to; visits in person, telephone conversations, mail, and email. Formal hearings will include all required notices, forms, affidavits, and appearances in front of the Menard County Appraisal Review Board.

Informal Hearings

Menard County Appraisal District employees or contractors registered with TDLR will meet with the owner and review the property in an attempt to resolve a value, exemption, or special use valuation. The appraiser can meet informally without a protest being filed provided that the tax records have not been turned over to the Menard County Appraisal Review Board (ARB). Once the appraisal records are turned over to the ARB, a protest is required before the appraiser can meet informally with a property owner and/or agent.

The appraiser assigned to the informal hearing should review all the property information with the owner to ensure its accuracy as well as review any evidence brought in by the property owner. Informal review should not be limited to data verification, but also should include sales analysis and review of market adjustments if necessary. The appraiser will explain to the property owner and/or agent the reasons for the change from the previous year. The appraiser will use district ratios and reports as well as available sales data to assist in market value analysis. If necessary or if the owner requests, the appraiser will physically inspect the property. All interviews with the property owner and/or agent will be documented in the protest section of the CAMA system. Written notes shall also be included in the property owner's folder. Documentation is required even if a decision was not reached.

If an agreement is reached between the appraiser and the owner and/or agent, the appraiser will print out a Settlement and Waiver of Protest which shall be signed by the

appraiser and the property owner or agent. Once signed, the new value can be assigned to the property. The form will be filed in the property owners ARB folder.

If an agreement of value cannot be reached then the owner or agent will be notified that their only option to resolve the issue is for them to appear before the ARB. The owner or agent will be told they need to file a protest if the informal hearing occurred prior to the records being turned over to the ARB.

Formal Hearing Procedures

Authorized appraisal district staff or contractors will present all formal protests filed to the Menard County Appraisal Review Board. The ARB operates by the Texas Property Tax Code and their hearing procedures. The appraiser shall be knowledgeable of the tax code and ARB Hearing Procedures.

At least 14 days before a hearing on a protest, the appraisal district will provide the taxpayer a copy of the ARB hearing procedures, a statement affirming the taxpayer may request an evidence packet from the appraisal district pertaining to the property in dispute, a copy of the hearing time and place of the hearing, and any other pertinent or required information by law. The taxpayer is required to appear before the ARB in person, through their authorized agent who has an authorization in writing filed with the appraisal district prior to the meeting, or by sworn affidavit with supporting evidence.

The district will prepare evidence to defend each property that is to go before the ARB to be presented at the hearing in accordance with the rules and guidelines established in the Texas Property Tax Code. The Chief Appraiser, authorized staff, or contractor will present the case before the ARB during the hearing following the guidelines set forth in the ARB Manual, answer questions posed during the hearing pertaining to the property, and (but not limited to) reply to any cross examination as needed. Once the ARB rules concerning a protest, it will send a written order by certified mail. The hearing will be sound recorded and recordings will be stored with the ARB files.

The taxpayer has the right to appeal the ARB's decision by following guidelines set forth in the Texas Property Tax Code. The taxpayer may be able to appeal by binding arbitration. The property owner has 45 days to file for binding arbitration or 60 days to file with the District Court. The date the written order is received starts the 45 day and 60 day windows to file an appeal.

**Menard County Appraisal District
Residential, Commercial, Rural, and Personal Property
2015-2016 Reappraisal Plan**

This plan for reappraisal was written by Menard County Appraisal District in conjunction with Eagle Appraisal and Consulting and utilizes Eagle Appraisal and Consulting methodology and is in compliance with USPAP requirements.

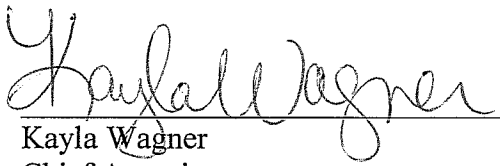
LIMITING CONDITIONS

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

1. The appraisals were prepared exclusively for ad valorem tax purposes.
2. 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.
3. Validation of sales transactions was attempted through questionnaires to buyer and seller, telephone survey and field review. In the absence of such confirmation, residential sales data obtained from vendors was considered reliable.
4. I have attached a list of staff providing significant mass appraisal assistance to the person signing this certification (Appendix B).

Certification Statement

“I, Kayla Wagner, Chief Appraiser for the Menard County Appraisal District, solemnly swear that I will make or caused to be made a diligent inquiry to ascertain all property that I am aware of at an appraised value which, to the best of my knowledge and belief, is determined as required by law.


Kayla Wagner
Chief Appraiser

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2015 Reappraisal Schedule

September, 2014:

- Begin on-site inspections

Mid December, 2014:

- Begin planning sales ratio studies for all areas within the CAD.
- Gather current sales data from sales confirmation letters deed records, and other sources.

January to March, 2015:

- Mail homestead applications, special-use valuation applications, personal property renditions, exemption applications, and any other required forms.
- Complete field inspections as provided by the reappraisal plan area.
- Begin running sales ratio reports. Compare with CAD values and sales information.
- Continue working with the Comptroller's Office regarding the ratio study.
- Identify necessary schedule adjustments.
- Begin update of the USPAP report (Mass Appraisal Report).
- Begin working renditions.

March through April, 2015:

- Continue running sales ratio reports.
- Refine sales analysis and mass appraisal schedules.
- Statistically test schedules.
- Complete data entry of all reappraisal and maintenance changes.
- Assist field appraiser with reappraisal functions as needed.
- Finalize all field work and data collection activities.
- Execute mass appraisal/maintenance activities as required.
- Prepare for mailing 2013 Notices of Value.
- Mail appropriate letters concerning homesteads, special-use appraisals, etc.
- Continue working renditions.

May through June, 2015:

- Mail notices of value.
- Hold informal hearings.
- Respond to property owners' inquiries, protests, and questions from notice mailings.
- Mail notices of ARB hearing appointment letter.
- Mail protest hearing reminder letters.
- Provide certified estimated values to taxing units.
- Hold ARB hearings.
- Mail ARB certified change/no change orders.
- Mail appropriate ARB pending decision letters.
- Mail appropriate penalty letters on non-rendered personal property.

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July, 2015:

- Complete the process of mailing certified ARB orders.
- Enter into computer all changes as ordered by ARB and notify other CADs if the ordered change falls into an over-lapping area.
- ARB approval of appraisal records by July 20th.
- Certification of appraisal records and values to taxing units by July 25th.

As needed throughout the year 2015:

- Handle any outstanding protests by scheduling ARB hearings.

Additionally, work outside of the appraisal process must be completed on a timely basis. Menard County Appraisal District is a small district with limited staff, therefore departments are not designated. District staff must complete, in a timely manner, the work assigned by the chief appraiser, deputy chief appraiser, or office/business manager. The work schedule, in addition to the above scheduled calendar, is as follows:

Daily:

- Back up daily data entries.
- Tax master maintenance (name, address, legal, value, etc.) data entry.
- Drawing maintenance data entry.
- Maintain prorated accounts.
- Maintain exempt frozen accounts.
- Mobile home changes data entry.
- Residential, commercial, personal property, industrial, mineral changes data entry.
- Agricultural changes data entry.
- Send appraisal roll changes/tax roll changes to appropriate taxing units, if the changes affect the current tax roll.
- Download pictures provided by the field appraiser.

Weekly:

- System backup.
- PC servers backup.

As Needed:

- Make changes for supplemental accounts and update tax master.
- Update previous years' tax masters.
- Programming changes.
- Create new reports.
- Mail letters on properties receiving over-65 exemption where the property owner is now deceased.
- Homestead letters.

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- Notices of change.
- Maintain records retention (scan, store, etc.)

While the scope of work is not limited to the scheduled tasks, the District has endeavored to identify the **main** yearly tasks. To further pinpoint scheduled tasks, the following calendar has been implemented for District staff, but the work is not limited to the tasks contained in this calendar:

January, 2015 and 2016:

- All personal property renditions are mailed.
- Continue with data entry of completed field work cards.
- Prepare and key in data on all splits and combines.
- Prepare monthly reports.
- Prepare renditions to be mailed.
- Maintain records management program.
- Mail various applications.
- Mail new special-use (agricultural) applications due to change of ownership.
- Notify the tax assessor/collector of each taxing unit of any changes which require a refund.
- Hold an ARB meeting to receive the supplemental records, complete the Statement of Officer form, administer Oaths of Office, elect officers, etc.
- Prepare and have available for inspection by the BOD and the ARB the 25.25b change reports.
- Publish the quarter-page ad on availability of exemptions, rendition requirements, special appraisals, and tax deferrals.
- Publicize the uniform procedure to appraise inventory.
- Approve or ratify contracts with vendors.
- Enter data on new abatements.
- Schedule BOD meeting and include executive session if necessary.
- Notify appropriate tax units and other persons of any completed abatements and provide preliminary estimates of value in order for them to determine abatement percentages.
- Obtain “cap rate” to be used in 2015 appraisals.
- Request license information from Texas DPS to obtain birth date information to automatically grant over-65 homestead exemptions.
- Submit updated current year appraisal roll to each tax unit.
- Continue data entry of name/address changes, splits and combines, subdivision information, and personal property into the current file.
- Complete “end-of-year clean-up” in the computer and set the computer to accept current year information.
- Train District staff on the use of any changes to computer programs.
- Develop new reports as needed.
- Continue to obtain deed changes and key in ownership changes and parcel boundary changes and create new accounts as needed.

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- Continue to provide assistance to property owners and the general public by answering phone calls and assisting with walk-in customers, real estate agents, landmen, etc.
- Update and maintain maps.
- Process and sell digital parcel data as requested.
- Maintain website.
- Send sales information and deed transfer information to State Comptroller's Office by February 1.
- Work with Eagle Appraisal and Consulting Services, Inc. to determine possible dates for Ag Advisory Council meetings and set those meetings up.

February, 2015 and 2016:

- Continue keying in recheck notes.
- Continue downloading pictures provided by field appraiser.
- Proof changes keyed in.
- Continue data entry of sketches/drawings.
- Set up new business accounts.
- Research returned mail.
- Maintain records management program.
- Prepare all changes for the ARB meeting.
- Start ordering process for appraisal notices and other forms.
- Prepare for possible appeal of Comptroller's ratio study. Begin accumulating sales information to prepare appeal.
- Notify tax assessors/collectors of any changes which require refunds.
- Maintain website and update it with any new forms, schedules, deadlines, etc.
- Require the BOD, ARB, and chief appraiser to sign affidavits regarding delinquent taxes.
- Set up ARB meeting to approve all changes, approve supplemental accounts, and hold hearings on substantial error motions.
- Ensure that all lawsuits have complied with Section 42.08 payment requirements.
- Review revisions needed for ARB programs and documents and order necessary supplies.
- Present preliminary ratio study results to the BOD.
- Submit updated current year appraisal roll to each taxing unit.
- Continue data entry of changes and updates.
- Prepare for annual mail outs.
- Continue to obtain deed records and make changes to appropriate parcels.
- Continue with customer service (phone calls, walk-ins, etc.).
- Continue to maintain maps.

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March, 2015 and 2016:

- Continue work on appeal of Comptroller's ratio study, if necessary.
- Continue updating USPAP (Mass Appraisal Report).
- Continue data entry of field work.
- Continue downloading pictures provided by field appraiser.
- Continue to research returned mail.
- Maintain records management.
- Prepare recap of values for supplemental accounts for the ARB and prepare supplemental logs for the ARB.
- Prepare and key-in new tax agent codes and update changes to existing agent codes.
- Prepare and mail reminders to those who failed to return homestead applications and/or agricultural applications.
- Order envelopes for bulk mail-outs.
- Notify tax assessors/collectors of changes that require refunds.
- Prepare and mail-out letter to agents requiring them to update the accounts they represent and inform them of fiduciary requirements to protest.
- Be sure that new ARB members are signed up for the mandatory training course.
- Process rendition extension requests and print and mail letters granting or denying those requests.
- Submit updated appraisal roll to each tax unit.
- Update all schedules provided by Eagle Appraisal & Consulting Services, Inc.
- Continue to obtain and process deed records.
- Continue to provide customer service assistance.
- Continue to maintain maps.

April, 2015 and 2016:

- Complete data entry of changes.
- Begin preparation of Notices of Value.
- Mail Notices of Value by May 1.
- Begin compiling information for evidence packets for property owners filing protests and requesting evidence.
- Continue data entry processes.
- Continue to research returned mail.
- Continue to maintain records management.
- Prepare change logs for the ARB and BOD.
- Purchase sufficient postage for mailing Notices of Value.
- Continue to obtain sales information.
- Notify each tax assessor/collector of changes that require a refund.
- Update website to include new information and current year protest forms.
- Prepare and submit 25.25b reports to the BOD and ARB.
- Continue to receive and process rendition extension requests and prepare and mail letters granting or denying the requests.

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- Mail letters to taxing units requesting new abatement contracts/TIF Zones for the current year. (This information is to be sent to the Comptroller's Office before July 1.)
- Submit updated appraisal roll information to each tax unit.
- Print Notices of Value.
- Print edits before notices are mailed.
- Continue to develop reports as needed.
- Continue to obtain deed records and make changes as indicated.
- Continue to provide customer service to the general public.
- Continue to maintain maps.

May, 2015 and 2016:

- Mail Notices of Value.
- Continue to work renditions and new personal property accounts.
- Begin working with property owners regarding proposed values and protests filed.
- Appraisers hold informal hearings with protesting property owners.
- Provide evidence to property owners submitting evidence requests for protest hearings.
- Prepare monthly reports.
- Continue to research returned mail.
- Continue to maintain records management.
- Notify taxing units' tax assessors/collectors of appraisal roll changes that require refunds.
- Process and determine requests for additional 15 days to file renditions (May 30th deadline) and mail determinations.
- By May 15th, submit preliminary estimates of value to taxing units.
- By May 15th, submit appraisal records to ARB.
- Ensure that all new ARB members have attended mandatory training course and that certificates of completion are on file.
- Publicize protest procedures and deadlines in ¼ page ad in local newspaper.
- Update parcel information on new improvement values due to expired abatements and percent changes.
- Begin scheduling protest hearings and mail Notice of Protest letters and reminder letters as necessary.
- Provide updated appraisal roll information to each taxing unit.
- Mail, as necessary, preliminary ARB change letters, no change letters, unable to contact letters, and homestead letters.
- Prepare new reports as needed.
- Obtain deed records and process changes.
- Update maps to reflect changes of ownership, splits, combines, etc.
- Continue to provide customer service to general public.

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June, 2015 and 2016:

- Mail penalty letters on non-rendered personal property accounts.
- Continue working with property owners regarding proposed values and appraisers continue to hold informal hearings.
- Continue to provide evidence to property owners submitting evidence requests for protest hearings.
- Prepare monthly reports.
- Continue to research returned mail.
- Continue to maintain records management.
- Notify taxing units' tax assessor/collectors of any appraisal roll changes that require refunds.
- ARB hearings to begin or continue as needed.
- Mail ARB certified orders on change, no change determinations.
- Ensure that school districts have a certified estimate of value and that all units have an estimate of value.
- Submit abatement contracts executed and reinvestment zones established by taxing units in prior year to the Property Tax Division (must be done by July 1st).
- Prepare proposed AD Budget for the following year and submit to BOD.
- Continue to schedule protest hearings and mail letters and reminder letters as necessary.
- Prepare folders for hearings.
- Post hearing agendas as necessary.
- Submit appraisal roll changes to each taxing unit.
- Submit sales information to State Comptroller's Officer by June 1.
- Obtain deed records and process ownership changes, splits, combines, etc. and ensure that maps are updated to reflect these changes.
- Continue to provide customer service to the general public.

July, 2015 and 2016:

- Mail all approvals/denials on rendition penalty waiver requests, ARB certified orders and any other necessary correspondence.
- Continue ARB hearings if necessary until all protests have been heard.
- Prepare monthly reports.
- Continue to research returned mail.
- Continue to maintain records management.
- Ensure that all ARB changes have been keyed into computer.
- By July 20th, ARB approves the appraisal records for the current year.
- Check appraisal roll and values for substantial errors.
- Provide certified values and recaps to all taxing units by July 25th and print certified rolls for each unit.
- Notify taxing units' tax assessor/collectors of appraisal roll changes that require refunds.
- Prepare and submit 25.25(b) quarterly reports to BOD and ARB.
- Begin working on the reappraisal calendar for the following year.

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- Obtain deed records and make ownership changes, splits and combines, and update parcels and maps to reflect the changes.
- Continue to provide customer service to the general public.

August, 2015 and 2016:

- Prepare appraisal cards for the appropriate reappraisal area for the field appraisers, attaching permits and recheck notes.
- Prepare reports for the State Comptroller's Office.
- Prepare monthly reports.
- Continue to maintain records management.
- Re-check appraisal roll for substantial errors.
- Generate report of sales information on sales that occurred January 1 through the end of July.
- Begin fieldwork to examine sales, or note these sales for Eagle Appraisal and Consulting, Inc. appraisers to examine when fieldwork begins in September.
- Field examinations continue through April of the following year.
- Notify taxing units' tax assessors/collectors of appraisal roll changes that require refunds.
- After certification of rolls, send to Texas Department of Economic Development a listing of all sites with values greater than or equal to \$100 million, in compliance with Section 23.23 of the Texas Property Tax code.
- Contact entities on primarily charitable organization exemptions to see if renewal of exemption is needed.
- Have BOD schedule the budget hearing.
- Publicize the budget and budget hearing date.
- Submit updated appraisal roll to each taxing unit.
- Compile all necessary information for the calculating of tax rates and begin calculation process.
- Obtain deed records and make ownership changes, splits and combines and update parcels and maps to reflect changes.
- Continue to provide customer service to the general public.

September, 2015 and 2016:

- Complete tax rate calculations, publish effective rates, and assist taxing units in adopting tax rates.
- Order or print tax rolls.
- Ensure that sufficient envelopes, forms, paper, postage, etc. are on hand for printing and mailing statements.
- Eagle Appraisal and Consulting Services, Inc. appraisers will begin field work.
- Begin working on any arbitration cases.
- Begin working on September 1 inventory parcels.
- Prepare Property Value Reports for State Comptroller's office.
- Begin data entry of changes made by field appraisers and download new pictures taken by field appraisers.
- Prepare monthly reports.

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- Continue to maintain records management.
- Run listing of all category A1s where mailing address and physical address are the same, but no homestead exemption is granted in order to mail property owners a homestead application in the following year.
- Notify each taxing units' tax assessor/collector of changes to the appraisal roll that require a refund.
- BOD must adopt the following year's budget by September 15.
- Send State Reports to the Property Tax Division.
- Obtain deed records and make ownership changes, splits and combines, and ensure that parcels and maps are updated to reflect the changes.
- Continue to provide customer service to the general public.
- Mail tax statements.

October, 2015 and 2016:

- Eagle Appraisal and Consulting Services, Inc. field appraisers will continue field inspections.
- Begin working with the Comptroller's office regarding the ratio study.
- Mail completed Reports of Property Value to the State Comptroller's office.
- Continue to key in changes made by field appraisers.
- Continue to download new pictures taken by the field appraisers.
- Prepare monthly reports.
- Continue to maintain records management.
- Notify each taxing units' tax assessor/collector of appraisal roll changes that requires a refund.
- Prepare and submit 25.25(b) change report to BOD and ARB.
- Notify appropriate taxing units of any current year lawsuits.
- Obtain deed records and make ownership changes, splits and combines and update parcels and maps to reflect those changes.
- Continue to provide customer service to the general public.

November, 2015 and 2016:

- Eagle Appraisal and Consulting Services, Inc. will continue field work.
- Continue working with the Comptroller's office regarding the ratio study.
- Continue keying in changes made by field appraisers and downloading pictures.
- Prepare monthly reports.
- Continue to maintain records management.
- Prepare new homestead exemption applications for mail-out during the first part of January.
- Prepare renditions for mail-out during the first part of January.
- Notify each taxing units' tax assess/collector of appraisal roll changes that require a refund.
- BOD appoints the following year's Ag Advisory Council at a regular meeting.
- BOD appoints ARB members for the following year at a regular meeting.
- Submit updated appraisal roll information to each taxing unit.

APPENDIX A

- Obtain deed records and make ownership changes, splits and combines, and update parcels and maps to reflect those changes.
- Continue to provide customer service to the general public.

December, 2015 and 2016:

- Eagle Appraisal and Consulting Services, Inc. field appraisers will continue field work.
- Continue to key in changes provided by the field appraisers and download new pictures.
- Continue to work on arbitration cases and lawsuits.
- Continue working with the Comptroller's office regarding the ratio study.
- Prepare monthly reports.
- Prepare all homestead exemption applications to surviving spouse of deceased for mail out on January 1st.
- Notify each taxing units' tax assessor/collectors about any changes to the appraisal roll that requires refunds.
- Submit updated appraisal roll information to the taxing units.
- Obtain deed records and make ownership changes, splits and combines and update parcels and maps to reflect those changes.
- Continue to provide customer service to the general public.
- Continue to maintain records management.

APPENDIX B

STAFF & CONTRACTORS PROVIDING SIGNIFICANT MASS APPRAISAL ASSISTANCE

Name	Title	Type of Assistance
Shannon Smith	Appraiser/911 Coordinator	Mobile Home Valuation Business Personal Property Provide Oversight for Data Entry
Gary Zeitler, RPA	Owner of Eagle Appraisal and Consulting	Development of Schedules Testing of Schedules Ratio Studies Development of Agricultural Values
Keith Toomire, RPA	Staff Appraiser for Eagle Appraisal and Consulting	Data Collection and Value Defense
Shane Shaffner, RPA	Staff Appraiser for Eagle Appraisal and Consulting	Data Collection and Value Defense

APPENDIX C
Reappraisal Plan Area Detail

Area	Description	Scheduled	Parcel Count
1A	This area is bounded by Highway 190 on the north, FM 864 on the south, and the Menard-Schleicher County Line on the west. The area is rural, but does include Ft. McKavett. Primarily category D properties.	Sept. 2015	64
1A1	The San Rio River Acres subdivision is located on Dunagan Road. The subdivision is residential.	Sept. 2015	39
1B	This area is all the properties that are accessed from FM 1674, with the exception of Menard County Ranch and County Line Ranches. The majority of the parcels are category D.	Sept. 2015	108
1B1	Menard County Ranches is a rural subdivision that encompasses approximately 8 sections of land. Category codes are D and E	Sept. 2015	85
1B2	County Line Ranches is a rural subdivision that is located in Menard and Kimble Counties. The primary category code is D.	Sept. 2015	25
1C	This area is bounded on the North by Dunagan Road. The property at one time comprised the Bevans Ranch. It has been subdivided and can only be accessed by using the Bevans Ranch Road (Private).	Oct. 2015	65
1D	This area is bounded on the north by US Highway 190 from the City of Menard to FM 864. The San Saba River is the south boundary of the area. It is mixed D and E properties. The vast majority of the land is classed as river property.	Oct. 2015	123
1E	This area is accessed by the Bois 'd Arc Road, Benson Road, Ellis Road, Rust Road, and FM 2291. The largest category code is D with some E category parcels.	Oct. 2015	174
1F	This area is also accessed by FM 2291 which is the main road for the area. County and private roads that intersect the road are used to access the parcels which are predominately Category D.	Oct. 2015	197
1G	This area is accessed by using Four Mile Road which heads west from the stop light in Menard. This area has a higher concentration of E properties. It also has a rural subdivision called Las Moras Acres.	Nov. 2015	89
1H	The City of Menard South of US Highway 190 and West of US Highway 83. This area contains all of the Dozier Addition, Newman Heights and a portion of the Original Town of Menard.	Nov. 2015	235
1I	This area uses US Highway 83 South of Menard to access properties on both sides of the highway from the City of Menard to the Menard-Kimble County Line. This area is predominately category D.	Jan. 2016	117

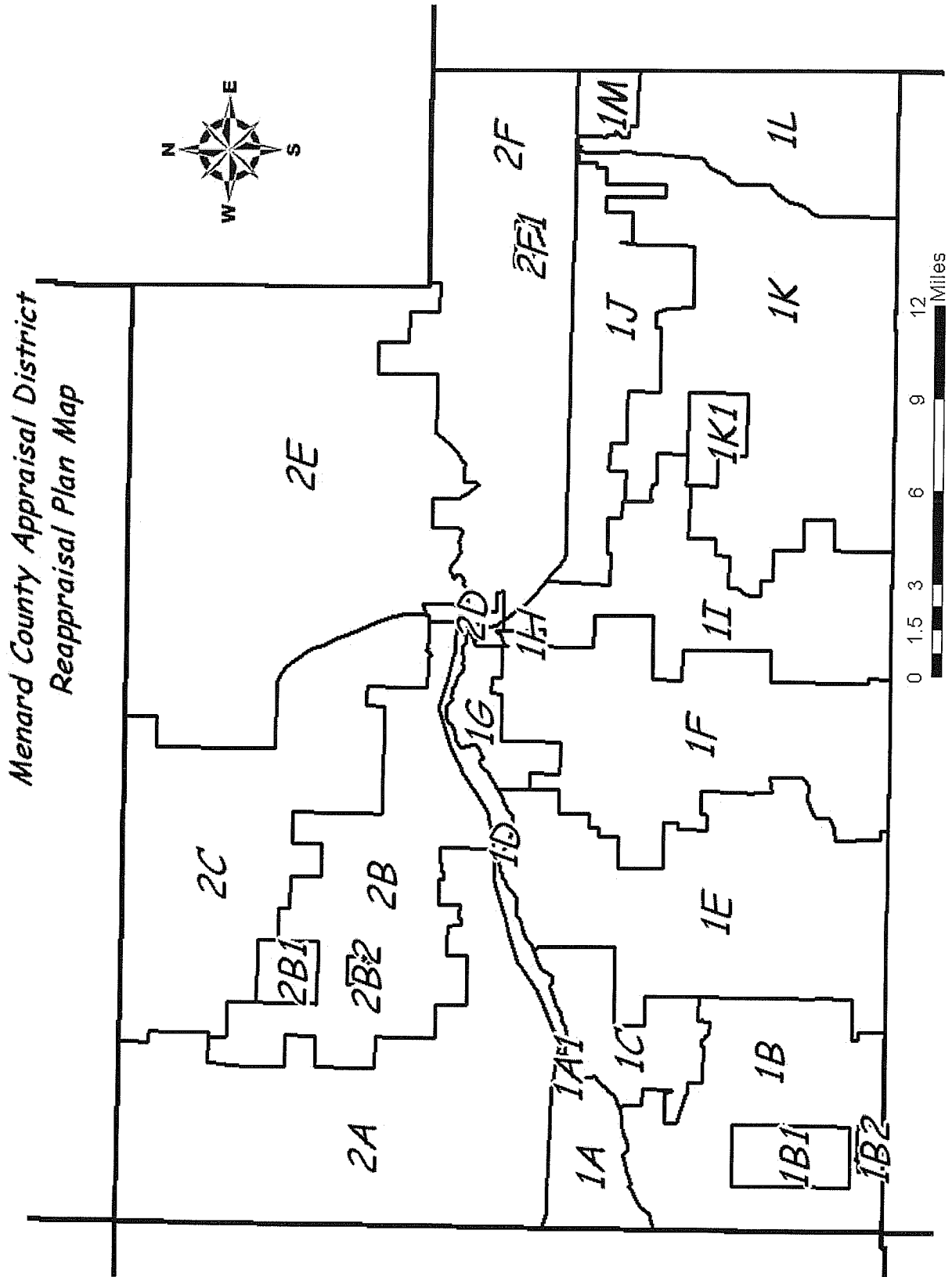
APPENDIX C
Reappraisal Plan Area Detail

1J	This area is bounded on the north by Highway 29 from its intersection with US Highway 83 to FM 1221 in Hext, Texas. The predominate category is D.	Jan. 2016	161
1K	Properties in this area are accessed by using FM 1773 and FM 1221, which is the east boundary for this area. Numerous county and private roads are used to gain access to the parcels. The area is predominately category D with some category E properties.	Feb. 2016	286
1K1	The RH Ranches 1 & 2 Subdivision is located on the FM 1773. It is a mix of category D and E.	Feb. 2016	34
1L	This area includes all properties that lie on the east side of FM 1221. Numerous county and private roads are used to access the properties that are predominately category D with some category E.	Mar. 2016	206
1M	This area includes the unincorporated area of Hext and those properties east of Hext which are accessed from Highway 29 or Blau Lane.	Mar. 2016	19
2A	This area is bounded on the west by the Menard-Schleicher County Line, on the South by US Highway 190, on the north by the Menard-Concho County Line and on the east by areas 2B and 2C. Properties are accessed from Highway 190, FM 2873 and Treadwell Lane, and numerous private roads. Category D is the predominant category.	Sept. 2014	259
2B	This area can only be accessed by using Waddell Lane. The area is predominately category D.	Oct. 2014	181
2B1	RH Ranches 4 is a rural subdivision that is a mix of category D and E parcels.	Oct. 2014	29
2B2	Frontier Acres is a smaller area that is accessed by Waddell Lane. The area is predominately category D.	Oct. 2014	18
2C	This area is comprised of those properties that lie west of Highway 83 from the City of Menard to Wilhelm Lane. It also includes all parcels that are located on Wilhelm Lane. The predominant category code is D.	Jan. 2014	194
2D	The City of Menard North of US 190 and East of Highway 83. This area includes all of the North Menard, Rust, Searles, Carson, Greer's First and Second, McCall & Anderson, and Liveoak Hills Additions. It also contains over 50% of the Original Town of Menard.	Nov. 2014 - Dec. 2014	1057

APPENDIX C
Reappraisal Plan Area Detail

2E	This area encompasses those properties that are on the east side of Highway 83 to the Menard-Concho County Line. Callan Lane and US Highway 190 from the City of Menard to the Menard-McCulloch County Line are major roads for accessing properties. The predominant category is D.	Jan. 2015	354
2F	This area is bounded on the south by Highway 29. FM 2092 is the primary road to access properties. This area contains approximately half of the river land in Menard County. Category D is the predominant category with a larger percentage of E.	Feb. 2015	420
2F1	The San Saba River Ranch subdivision is located north of the San Saba River. It is accessed by FM 2092 and Turkey Barn Lane. It is mixed D and E categories.	Mar. 2015	60

APPENDIX D



APPENDIX E

Pritchard & Abbott, Inc. Reappraisal Plan Added By Reference Only.



PRITCHARD & ABBOTT, INC.
VALUATION CONSULTANTS

S.B. 1652* BIENNIAL REAPPRAISAL PLAN

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

For Tax Years:

2015 and 2016

Originally Printed: July 1, 2014

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

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

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

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

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

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

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

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

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

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

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

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

PREAMBLE

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

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

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

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

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

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

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

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

ETHICS RULE

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

- Conduct;
- Management;
- Confidentiality.

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

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

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

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

CONDUCT

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

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

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

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

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

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

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

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

The appraiser can agree with the client to keep the mere occurrence of a prior appraisal assignment confidential. If an appraiser has agreed with the client not to disclose that he or she has appraised a property, the appraiser must decline all subsequent assignment that fall 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;

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

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

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

RECORD KEEPING RULE

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

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

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

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

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

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

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

SCOPE OF WORK RULE

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

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

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

Scope of work includes, but is not limited to:

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

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

PROBLEM IDENTIFICATION

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

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

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

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

SCOPE OF WORK ACCEPTABILITY

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

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

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

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

DISCLOSURE OBLIGATIONS

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

JURISDICTIONAL EXCEPTION RULE

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

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

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

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

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

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

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

MASS APPRAISAL, DEVELOPMENT AND REPORTING (General Discussion)

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

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

A mass appraisal includes:

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

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

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

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

The various sections of Standard 6 are briefly summarized below:

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

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

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

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

REAPPRAISAL OF MINERAL INTERESTS

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

INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appraisal Resources

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

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

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

VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

Approaches to Value for Petroleum Property

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

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

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

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

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

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

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

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

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

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

DATA COLLECTION/VALIDATION

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

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

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

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

VALUATION ANALYSIS (MODEL CALIBRATION)

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

INDIVIDUAL VALUE REVIEW PROCEDURES

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

PERFORMANCE TESTS

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

CALENDAR OF EVENTS/DELIVERABLES TO CLIENT

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

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

- November, after Certification of values.

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

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

REAPPRAISAL OF INDUSTRIAL, UTILITY, AND RELATED PERSONAL PROPERTY

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

INTRODUCTION

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

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

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

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

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

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

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

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

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

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

Appraisal Resources

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

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

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

VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

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

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

Approaches to Value for Industrial, Utility, and Personal Property

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

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

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

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

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

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

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

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

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

DATA COLLECTION/VALIDATION

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

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

VALUATION ANALYSIS (MODEL CALIBRATION)

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

INDIVIDUAL VALUE REVIEW PROCEDURES

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

PERFORMANCE TESTS

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

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

CALENDAR OF EVENTS/DELIVERABLES TO CLIENT

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.