ROBERTS COUNTY CENTRAL APPRAISAL DISTRICT

2015-2016
PLAN FOR PERIODIC REAPPRAISAL

AS ADOPTED BY THE BOARD OF DIRECTORS ON

August 26, 2014

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TAX CODE REQUIREMENT

Passage of S.B. 1652 amended Section 6.05 of the Property Tax Code to require a written biennial reappraisal plan 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 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, land-based photographs, surveys, maps, and property sketches;

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

(3) Defining market areas in the district; Roberts CAD consists of only one town, and school district. Therefore the whole CAD is considered only one market area.

(4) Identifying property characteristics that affect property value in the 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;

(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;

(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)

Pursuant to Section 25.18 of the Texas Property Tax Code, the Roberts CAD by policy adopted by the Board of Directors reappraises all real property in the district every 3 years. The reappraisal year is a complete appraisal of all properties in the district. Tax year 2015 is not a reappraisal year and tax year 2016 is a reappraisal year.

PERFORMANCE ANALYSIS

The equalized values from the previous tax year are analyzed with ratio studies to determine the appraisal accuracy and appraisal uniformity overall and by market area within property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* of the International Association of Assessing Officers. Mean, median, and weighted mean ratios are calculated for properties in each reporting category to measure the level of appraisal accuracy. The mean ratio is calculated in each market area to indicate the level of appraisal accuracy property category. In 2014, the reappraisal year, this analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance. In 2015 and 2016, any reporting category that may have been excluded from reappraisal due to lack of data to support reappraisal will be tested and analyzed to arrive at an indication of uniformity or equity of existing appraisals.

ANALYSIS OF AVAILABLE RESOURCES

Staffing and budget requirements for tax year 2014-2015 are detailed in the 2014-2015 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. In the reappraisal year, real property appraisal depreciation tables are tested against verified sales data to ensure they represent current market data. Personal property density schedules are tested and analyzed based on renditions and prior year documentation. Due to lack of sales of personal property in the district, the Comptroller's Guide along with Marshall and Swift and the PTAD Depreciation Schedules are utilized to appraise personal property and for testing and analysis purposes.

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

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 completed by the Information Systems Software Provider. Roberts County Appraisal District has contracted with the firm of Morgan Ad Valorem Services, Inc. for these services.

Real Property Valuation

Revisions to cost models, income models, and market models are specified, updated, and tested each tax year. Cost schedules are tested with market data (sales) to insure that the appraisal district is in compliance with Texas Property Tax Code, Section 23.011. Replacement cost new tables as well as depreciation tables are tested for accuracy and uniformity using ratio study tools and compared with cost data from recognized industry leaders, such as Marshall & Swift. Land schedules are updated using current market data (sales) and then tested with ratio study tools. Value schedules are developed and tested on a pilot basis with ration study tools.

Mineral Property Valuation

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

Personal Property Valuation

Commercial personal property is appraised by the CAD. Density schedules are tested using data received during the previous tax year from renditions and hearing documentation. Valuation procedures are reviewed, modified as needed, and tested. The latest edition of the Comptroller's Guide, along with Marshall & Swift and the PTAD Depreciation Schedules are utilized in the appraisal of personal property with in the district. Industrial personal property is appraised by Morgan Ad Valorem Services, Inc. through contract.

Noticing Process

Section 25.19 – appraisal notice forms are printed by the District. The Chief Appraiser reviews the Comptroller's website for updates and changes required by legislative

mandates. The district publishes, in the local newspaper, information about the notices and how to protest. The district makes available the latest copy of the Comptroller's pamphlet *Taxpayer's Rights, Remedies, and Responsibilities.*

Hearing Process

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

DATA COLLECTIONS 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, re-inspection of the universe of properties on a specific cycle, and field or office verification of sales data and property characteristics.

New Construction/Demolition

New construction field and office review procedures are identified and revised as required. The City Secretary is a valuable source of information regarding new construction and demolition.

Remodeling

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

Re-inspection of Problematic Market Areas

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

Re-inspection of the Universe of Properties

The International Association of Assessing Officers' *Standard on Mass Appraisal of Real Property* specifies that the universe of properties should be re-inspected on a cycle of 3 years. The re-inspection includes physically viewing the property, photographing, and verifying the accuracy of the existing data. The field appraiser has an appraisal card of each property to be inspected and makes notes of changes, depreciation changes, remodeling, additions, etc. The annual re-inspection requirements for tax years 2015 and 2016 are identified and scheduled in the written reappraisal plan.

Field or Office Verification of Sales Data and Property Characteristics

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

PILOT STUDY BY TAX YEAR

New and/or revised mass appraisal models are tested each tax year. Ratio studies, by market area, are conducted on proposed values each tax year. Proposed values on each category are tested for accuracy and reliability. The procedures used for model specification and calibrations are in compliance with USPAP, STANDARD RULE 6.

VALUATION BY TAX YEAR

Using market analysis of comparable sales and locally tested cost data, valuation models (Cost Per Square Foot Schedules) are specified and calibrated in compliance with supplemental standards from the International Association of Assessing Officers and the Uniform Standards of Professional Appraisal Practice. The calculated values are tested for accuracy and uniformity using ratio studies.

THE MASS APPRAISAL REPORT

Each tax year, the required Mass Appraisal Report is prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar (on or about May 15th). The Mass Appraisal Report is completed in compliance with STANDARD RULE 6-7 of the *Uniform Standards of Professional Appraisal Practice.* The signed certification by the Chief Appraiser is compliant with STANDARD RULE 6-8 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.

THE WRITTEN REAPPRAISAL PLAN
FOR

ROBERTS COUNTY CENTRAL
APPRAISAL DISTRICT

PLANNING A REAPPRAISAL

Variation in reappraisal requirements requires Roberts County Appraisal District to plan its work before beginning any reappraisal. The planning process may vary in specifics, but should involve five (5) basic steps:

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

STEPS IN A REAPPRAISAL

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

1. Performance Analysis
   * ratio study
   * equity of existing values
   * consistency of values with market activity
2. Revaluation Decision
   * statutory - at least once every three years
   * administrative policy
3. Analysis of Available Resources
   * staffing
   * budget
   * existing practices
   * information system support
   * existing data and maps
4. Planning and Organization
   * target completion dates
   * identify performance objectives
   * specific action plans and schedules
   * identify critical activities with completion dates
   * set production standards for field activities
5. Mass Appraisal System
   * forms and procedures revised as necessary
   * CAMA (computer assisted mass appraisal) system revision required
6. Conduct Pilot Study
   * text new/revised appraisal methods as applicable
   * conduct ration studies
   * determine if values are accurate and reliable
7. Data Collection
   * check properties that have undergone remodeling or for new construction
   * reinspection of problematic properties
   * reinspection of universe of properties on a cyclic basis
8. Valuation
   * market analysis (bases on ratio studies)
   * schedules development
   * application of revised schedules
   * calculation of preliminary values
   * test of values for accuracy and uniformity
9. The Mass Appraisal Report
   * establish scope of work

* compliance with Standards Rule 6 - 7 of USPAP
* signed certification by the chief appraiser as required by Standards Rule 6 - 8 of USPAP

10. Value Defense
    * prepare and deliver notices of value to property owners
    * hold informal hearings
    * schedule and hold formal appeal hearings

        Note -- the burden of proof (evidence) of market values and equity falls on the appraisal district

ROBERTS COUNTY APPRAISAL DISTRICT
Residential, Commercial, Rural, Industrial, Mineral and Personal Property
2015/2016 Reappraisal Plan

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

1. **Three-Year Cycle:** The CAD consists of only one market area which is divided into two reappraisal areas. All real residential and commercial real property within one area will be reappraised, regardless of any ratio study/report findings. These areas are as follows:

    a. Area One: The City of Miami (complete in 2015)
    b. Area Two: All rural (land and improvements)properties (completed in 2013)

    Note: All mobile homes & business personal property within the CAD are appraised on an annual basis, regardless of their location.

    c. Mineral, Industrial & Personal Property: All property classified as Mineral, Industrial or Business Personal is reappraised annually under contract by a professional appraisal firm, which specializes in valuing such properties. The firm currently under contract to provide this service is Morgan Ad Valorem Services, Inc. of Amarillo. The contract in force with this firm is on file in the CAD office.

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

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

ORGANIZATION

Field inspections are carried out by the field appraisers as directed by the chief appraiser. The field appraisers physically inspect areas required by the reappraisal cycle, checks all existing data,

takes photographs of improvements, draws plans of new improvements for entry into computer, rechecks any property on which a question or problem has arisen. Other duties may be required and will be executed upon direction of the chief appraiser.

Appraisal district staff and the field appraisers perform data entry of fieldwork notes and sketches.

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

2015 Reappraisal Schedule

Mid December:	Begin planning sales ratio studies for all areas within the CAD. Gather current sales data from sales confirmation letters, deed records, and other sources.
January to March:	Mail homestead applications, special-use valuation applications, personal property renditions, exemption applications, and any other required forms. Complete field inspections as provided by the reappraisal plan area. Begin running sales ratio reports. Compare with CAD values and sales information. Identify necessary schedule adjustments.
March through April:	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.
May:	Execute mass appraisal/maintenance activities as required. Prepare for mailing Notices of Value.
June:	Hold informal hearings. Respond to property owners' inquiries, protests, and questions from notice mailings. Provide certifies estimated values to taxing units.
July:	Hold ARB hearings. Process and mail 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 July25th.
As needed throughout the year:	Handle any outstanding protests by scheduling ARB hearings.

2016 Reappraisal Schedule

The same timetable and duties apply in each year. The field appraiser shall reappraise all property in 2015 as directed by the chief appraiser. The chief appraiser and CAD staff shall continue to complete the same duties and reappraisal steps as outlined for 2015.

RESOLUTION

REAPPRAISAL PLAN
FOR 2015 & 2016

WHEREAS, authorized by Section 6.05 (i) of the Texas Property Tax Code, Senate Bill 1652 as passed in the regular session of the 79th Legislature. The Governing Board of the Appraisal District shall develop biennially a written plan for the periodic reappraisal of all properties 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.

WHEREAS, no later than September 15 of each even-numbered year, the board shall complete it's hearing, make any amendments, and by resolution finally approve the plan.

WHEREAS, each appraisal office shall implement the Plan for Periodic Reappraisal of property approved by the board of directors under Section 6.05 (i).

The plan shall provide for the reappraisal activities for all real and personal property in the district at least once every three years.

WHEREAS, it is hereby officially found and determined that the hearing at which this resolution was considered open to the public as required and that public notice of the time, place, and purpose of said hearing was given as required.

THEREFORE, the Roberts County Central Appraisal District Board of Directors assembled in regularly scheduled open meeting do hereby vote to adopt by Resolution the Reappraisal Plan for 2015 and 2016. Tax year 2015 - a non re-appraisal year for all rural properties-land and improvements. Tax year 2015 - the re-appraisal year for all city property.

This resolution shall be effective immediately upon it adoption.

This 26th day of August, 2014.

Chairman: Charles A. Byrum

Secretary: _____

Member: Clare Wheeler

Member: _____

Member: _____

Chief Appraiser: DeAnn Williams

ROBERTS COUNTY
CENTRAL APPRAISAL DISTRICT

MASS APPRAISAL
REPORT

INTRODUCTION

Scope of Responsibility

The Roberts County Central Appraisal district has prepared and published this report to provide our citizens and taxpayers with a better understanding of the district's responsibilities and activities. This report has several parts: a general introduction and then several sections describing the appraisal effort by the appraisal district.

The Roberts County Central 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 Roberts County, constitutes the district's governing body. Effective January 1, 1992, the Roberts County CAD contracted with Roberts County through an Inter-local Agreement for Roberts County to perform the duties of the appraisal district as set out in the Property Tax Code of Texas, Sections 6.01 through 6.13. Also, the County Tax Assessor-Collector shall serve as the Chief Appraiser, Administrator, and Executive Officer of the Appraisal District.

The appraisal district is responsible for local property tax appraisal and exemption administration for 7 jurisdictions or taxing units in the county. Each taxing unit, such as the county, city, school district, municipal utility district, etc., sets its own tax rate to generate maintenance, courts, water and sewer systems, and other public services. Appraisals established by the appraisal district allocate the year's tax burden on the basis of each taxable property's January 1st market value. We also determine eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, and charitable and religious organizations.

Except as otherwise provided by the Property Tax Code, all taxable property is appraised at its "market value" as of January 1st. Under the tax code, "Market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

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

The Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec. 23.23), productivity (Sec. 23.41, and real property inventory (Sec. 23.12, dealer inventory (Sec. 23.121, 23.124, 23.1241 and 23.127), and nominal (Sec. 23.18) or restricted use properties (Sec. 23.83). The owner of real property inventory may elect to have the inventory appraised at its market value as of September 1st of the year preceding the

tax year to which the appraisal applies by filing an application with the Chief Appraiser requesting that the inventory be appraised as of September 1st.

The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real and personal property at least once every three years. The district's current policy is to conduct an on site inspection of real estate on a three year cycle. However, appraised values are reviewed annually and are subject to change for purposes of equalization. Personal property, business personal property, industrial property, complex commercial property, and utility property values are reviewed or reappraised every year. (See Reappraisal Plan.)

The appraisal value of real estate is calculated using specific information about each property. Using computer-assisted appraisal programs, and recognized appraisal methods and techniques, we compare that information with the data for similar properties and with recent 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. In cases where the appraisal district contracts for professional valuations services, the contract that is entered into by each appraisal firm requires adherence to similar professional standards.

Personnel Resources

The office of the chief appraiser is primarily responsible for overall planning, organizing, staffing, coordinating, and controlling of district operations. The business support functions related to human resources, budget, and finance are handled by the County Treasurer's office per the Inter-local Agreement between the District and the County implemented 1-1-92. The Appraisal Department is responsible for the valuation of all real and personal property accounts. The property types appraised include commercial, residential, business personal and industrial. The Appraisal Department is also responsible for the following support groups: review appraisal, productivity valuation, and special audit. The district's appraisers are subject to the provision of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulation (TDLR). Support functions including records maintenance, information and assistance to property owners, and hearings support are coordinated in the District office by the Chief Appraiser.

The appraisal district staff consists of two (2) full-time employees with the following classification:

- One - Official/Administrator (Executive level administration)
- One - Administrative Support (customer service, clerical & other)

Data

The district is responsible for establishing and maintaining approximately 32,850 real and personal property accounts with Roberts County. This data includes property characteristic and 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 that is prioritized by last field inspection.

Sales are routinely validated during a separate field effort; however, numerous sales are validated as part of the new construction and data review field activities.

Information Systems

The information systems are maintained by the district's data processing facility and software applications on in house PC's. The mainframe hardware system is an IBM Server x 2600 512MB P4 3.0 hard drive, software of Morgan Ad Valorem Services, Inc. and Windows XP.

Shared Appraisal District Boundaries

The district established procedures whereby ownership and property data information are routinely exchanged. Appraisers from adjacent appraisal districts discuss data collection and valuation issues to minimize the possibility of differences in property characteristics, legal descriptions, and other administrative data.

Independent Performance Test

According to Chapter 5 of the TPTC and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Division (PTD) conducts an annual property value study (PVS) of each Texas school district and each appraisal district. As a part of this annual study, the code also requires the Comptroller to: use sales and recognized auditing and sampling techniques; review each appraisal district's appraisal methods, standards and procedures to determine whether the district used recognized standards and practices (MAP Review); test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are correct when values are valid; and, determine the level and uniformity of property tax appraisal in each appraisal district.

The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical analysis of sold properties (sale ratio studies) and appraisals of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting. For appraisal districts, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties with 25% of the median, and price-related differential (PD) for properties overall and by state category (i.e., categories A, B, C, D and F1 are directly applicable to real property).

There is one (1) independent school district in Roberts CAD for which appraisal rolls are annually developed. The preliminary results of the study are released in January in the year following the year of appraisement.

The final results of this study are certified to the Education Commissioner of the Texas Education Agency (TEA) in the following July of each year for the year of appraisement. This outside (third party) ratio study provides additional assistance to the CAD in determining areas of market activity or changing market conditions.

APPRAISAL ACTIVITIES

Appraisal Responsibilities

The field appraisal staff, is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes. Accurate valuation of real and personal property by any method requires physical description of personal property, land and building characteristics. This appraisal activity is responsible for administering, planning, and coordinating all activities involving data collection and maintenance of all commercial, residential and personal property types, which are located within the boundaries of Roberts County. The data collection effort involves the field inspection of real and personal property accounts, as well as data entry of all data collected into the existing information system. The goal is to periodically field inspect residential properties in Roberts County every 3 years and commercial properties every 3 years. Business personal, minerals and industrial properties are inspected every year. Meeting this goal is dependent on budgetary constraints.

Appraisal Resources

- **Personnel** - The appraisal activities consists of one chief appraiser, and one deputy appraiser who also serves as deed clerk

- **Data** - The data used by field appraisers includes the existing property characteristic information contained in CAMA (Computer Assisted Mass Appraisal) system from the district's computer system. The data is printed on a property record card (PRD), or personal property data sheets. Other data used includes maps, sales data, photos, and actual cost information.

PRELIMINARY ANALYSIS

Data Collection/Validation

Data collection of real property involves maintaining data characteristics of the property on a CAMA system. The information contained in CAMA includes site characteristics, such as land size and topography, and improvement data, such as square foot of living area, year built, quality of construction, and condition. Field appraisers use listing manuals that

establish uniform procedures for the correct listing of real property. All properties are coded according to these manuals and the approaches to value are structured and calibrated based on this coding system. The field appraisers use these manuals during their initial training and as a guide in the field inspection of properties. Data collection for personal property, primarily mobile homes, is discovery.

The listing procedure manuals that are utilized by the field appraisers are located in the district offices.

Sources of Data

The sources of data collection are through the new construction field effort, data review/relist field effort, sales validation field effort, commercial sales verification, and property owner correspondence.

Data review of entire neighborhoods is generally a good source for data collection. Appraisers will drive neighborhoods to review the accuracy of our data and identify properties that have to be relisted. The sales validation effort in real property pertains to the collection of data of properties that have sold. In residential and commercial, the sales validation effort involves on-site inspection by field appraisers to verify the accuracy of our data and to get confirmation of the sales price.

One of the sources that will generate a field check in both real and personal property is from a property owner. A property owner has access to part of our data and will notify us whenever they find inconsistencies. Other property owners will usually send in a letter notifying us of incorrect data, which will generate a field check.

Data Collection Procedures

Field data collection requires organization, planning and supervision of the field effort. Data Collection procedures have been established for residential, commercial and personal property, (meaning mobile homes).

Appraisers conduct field inspections and record information on a property record card (PRD). The quality of the data used is extremely important in establishing accurate values of taxable property. While production standards are established and upheld for the various field activities, quality of data is emphasized as the goal and responsibility of each appraiser. New appraisers are trained in the specifics of data collection set forth in the listing manual as "rules" to follow. Experienced appraisers are routinely retrained in listing procedures prior to major field projects such as new construction, sales validation or data review. A quality assurance process exists through supervision to review the work being performed by all the field appraisers.

The quality assurance supervision is charged with the responsibility of ensuring that appraisers follow listing procedures, identify training issues and provide uniform training throughout the field appraisal staff.

Data Maintenance

The field appraiser is responsible for the data entry of his/her field work directly into the computer file. This responsibility includes not only data entry, but also quality assurance.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection, extent of that inspection, and the CAD appraiser responsible are listed on the CAMA record. If a property owner or jurisdiction dispute CAD's records concerning this data during a hearing, via a telephone call or correspondence received, CAMA may be altered based on the evidence provided. Typically, a field inspection is requested to verify this evidence for the current year's valuation or for the next year's valuation. Every year a field review of certain areas or neighborhoods in the jurisdiction is done during the data review/re-list field effort.

Office Review

Office reviews are completed on properties where information has been received from the property owner. Data mailers or requests from the property owner, frequently verify the property characteristics or current condition of the property. When the property data is verifies in this manner, field inspections are not required.

PERFORMANCE TEST

The chief appraiser is responsible for conducting ratio studies and comparative analysis. (Refer to the individual valuation process summary reports.)

Field appraisers, in many cases may conduct field inspections to insure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics.

RESIDENTIAL VALUATION PROCESS

Scope of Responsibility

The Roberts County Appraisal District staff are responsible for developing equal uniform market values for residential, improved and vacant property.

Appraisal Resources

- **Personnel** - The Roberts County Appraisal District staff perform the residential appraisals

- **Data** - A common set of data characteristics for each residential dwelling in Roberts County is collected in the field and data entered into the computer. The property characteristic data drives the computer-assisted mass appraisal (CAMA) approach to valuation.

VALUATION APPROACH

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 rates trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources. Information is gleaned from real estate publications and sources such as continuing education through the Texas Department of Licensing and Regulation. These provide the appraisers a current economic outlook on the real estate market.

Neighborhood and Market Analysis

Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values.

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. In Roberts County, there is only one town with a population of approximately 600 people. There are no specific neighborhoods because of the size and age of the town. Therefore, the whole town is appraised as one neighborhood.

Neighborhood identification and delineation is the cornerstone of the residential valuation system at the district. The neighborhood (town of Miami) is field inspected and delineated based on observable aspects of homogeneity. Neighborhood delineation is periodically reviewed to determine if further neighborhood delineation is warranted. A neighborhood group in Roberts County is usually defined as classification of the residences.

Neighborhood grouping is highly beneficial in cost-derived areas of limited or no sales, or use in direct sales comparison analysis.

Sales ratio analysis, discussed below, is performed on a neighborhood basis, and in soft sale areas on a 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.

DATA COLLECTION/VALIDATON

Sources of Data

The district's property characteristic data was originally received from the county and school records in 1980 and where absent, collected through a massive field data collection effort coordinated by the district over a period of time. Tax assessors, city and local newspapers, and the public often provide the district information regarding new construction, market patterns, and other useful facts related to property valuation.

VALUATION AND STATISTICAL ANALYSIS (Model Calibration)

Cost Schedules

All residential parcels in the district are valued from identical cost schedules using a comparative unit method.

The district's residential cost schedules, originally adopted from a private mass appraisal firm, have been customized to fit Roberts County's local residential building and labor market. The cost schedules are reviewed regularly and 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.

Sales Information

A sales file for the storage of sales data at the time of sale is maintained. Residential vacant land sales, along with commercial improved and vacant land sales are maintained in a separate sales information system. Residential improved and vacant sales are collected from a variety of sources including: district questionnaires sent to the buyer, field discovery, protest hearings, and realtors. A system of type, source, validity and verification codes was established to define salient facts related to a property's purchase or transfer.

Land Analysis

Residential land analysis is conducted by each of the residential appraisers. Schedules are figured on a front footage basis. A computerized land table file stores the land information

required to consistently value individual parcels. Specific land influences are used, where necessary, to adjust parcels outside the neighborhood norm for such factors as view, shape, size, and topography, among others. The appraisers use abstraction and allocation methods to insure that the land values created best reflect the contributory market value of the land to the overall property value.

Statistical Analysis

Ratio studies are conducted annually in the district to judge the two primary aspects of appraisal accuracy--level and uniformity of value. Appraisal statistics of central tendency and dispersion generated from sales ratios are available for each stratified neighborhood within an ISD and summarized by year. These summary statistics including, but not limited to, the weighted mean, median, standard deviation, coefficient of variation, and coefficient of dispersion provide the appraisers a tool by which to determine both the level and uniformity of appraised value on a stratified neighborhood basis. The level of appraised values can be determined by the weighted mean for individual properties within a neighborhood, and a comparison of neighborhood-weighted means can reflect the general level of appraised value between comparable neighborhoods. Review of the standard deviation, coefficient of variation, and coefficient of dispersion can discern appraisal uniformity within and between stratified neighborhoods.

Every neighborhood is reviewed annually by the appraiser 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 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 needs to be updated in an upcoming reappraisal, or whether the level of market value is at an acceptable level.

Market Adjustment or Trending Factors

Neighborhood, or market adjustment, factors are developed from appraisal statistics provided from ratio studies and are used to ensure that estimated values are consistent with the market. 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 specified in the cost mode.

The following equation denotes the hybrid model used:

$$MV = MA\ [LV + (RCN - D)]$$

Whereas, the market value equals the market adjustment factor times the land value plus the replacement cost new less depreciation.

As the cost approach separately estimates both land and building values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values are needed to bring the level of appraisal to an acceptable standard. Market, or location adjustments are applied uniformly within neighborhoods to account for location variances between market areas or across a jurisdiction.

If a neighborhood is to be updated, the appraiser uses a cost ratio study that compares recent sales prices of properties appropriately adjusted for the effects of time within a delineated neighborhood with the properties' actual cost value. The calculated ratio derived from the sum of the sold properties' cost value divided by the sum of the sales prices indicates the neighborhood level of value based on the unadjusted cost value for the sold properties. This cost-to-sale ratio is compared to the appraisal-to-sale ratio to determine the market adjustment factor for each neighborhood. This market adjustment factor is needed to trend the values obtained through the cost approach closer to the actual market evidenced by recent sales prices within a given neighborhood. The sales used to determine the market adjustment factor will reflect the market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values. The market adjustment factor calculated for each updated neighborhood is applied uniformly to all properties within a neighborhood. Once the market-trend factors are applied, a second set of ratio studies is generated that compares recent sales 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 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 the new law, beginning in the second year a property receives a homestead exemption; increases in the value of that property are "capped." The value for tax purposes (appraised 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.

Values of capped properties must be recomputed annually. If a capped property sells, the cap automatically expires as of January 1st of the following year. In that following year, that home is reappraised at its market value to bring its appraisal into uniformity with other properties. An analogous provision applies to new homes. While a developer owns them, unoccupied residences are appraised as part of an inventory using the district's land value and the developer's construction costs as of the valuation date. However, in the year following sale, they are reappraised at market value.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The appraiser identifies individual properties in critical need of field review through sales ratio analysis. Sold properties with a high variance in sales ratios are field reviewed to check for accuracy of data characteristics.

The appraiser frequently field reviews subjective data items such as quality of construction, condition, and physical, functional and economic obsolescence, factors contributing significantly to the market value of the property. After preliminary estimates of value have been determined, the appraiser takes valuation documents to the field to test the computer-assisted values against his own appraisal judgment. During this review, the appraiser is able to physically inspect both sold properties and unsold properties for comparability and consistency of values.

Office Review

Given the ample resources and time required to conduct a routine field review of all properties, homogeneous properties and other properties having a recent field inspection date are value reviewed in the office. Valuation reports comparing previous values against proposed and final values are generated for all residential improved and vacant properties. The dollar amount and percentage of value difference are noted for each property within the town allowing the appraiser to identify, research and resolve value anomalies before final appraised values are released.

PERFORMANCE TESTS

Sales Ratio Studies

The primary analytical tool used by the appraisers to measure and improve performance is the ratio study. The district ensures that the appraised values that it produces meet the standards of accuracy in several ways. Overall sales ratios are generated to allow the appraiser to review general market trends 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 chief appraiser reviews the sales ratios . The primary objective of this review is to ensure that the proposed values have met reset appraisal standards.

An independent test of the appraisal performance of the district is conducted by the State of Texas Comptroller's Office through the annual property value study. The study determines the degree of uniformity and the median level of appraisals by the appraisal district within

each major kind of property. The comptroller publishes a report of the findings of the study for each category of property, including the median appraisal levels, the coefficient of dispersion, and any other standard statistical measures that the comptroller considers appropriate.

COMMERCIAL VALUATION PROCESS

Appraisal Responsibility

This mass appraisal assignment includes all of the commercially classed real property which falls within the responsibility of the Roberts County Appraisal District and located within the boundaries of this taxing jurisdiction. CAD appraisers appraise the fee simple interest of properties according to statute. However, the effect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisement of any non-exempt taxable fractional interest in real property. 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.

Appraisal Resources

The improved real property appraisal responsibilities are categorized according to major property types of multi family or apartment, office, retail, warehouse and special use.

- **Data** - the data used by the real estate appraiser 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 appraiser 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

Pilot Study

Pilot studies are utilized to test new or existing procedures or valuation modifications in the district and are also considered whenever substantial changes are made. These studies, which are inclusive of ratio studies, reveal whether a new system is producing accurate and reliable values or whether procedural modifications are required. The appraiser implements this methodology when developing both the cost approach and income approach models.

Survey of Similar Jurisdictions: Roberts CAD coordinates its discovery and valuation activities with adjoining appraisal districts. Numerous field trips, interviews and data exchanges with adjacent appraisal districts have been conducted to ensure compliance with

state statues. In addition, Roberts CAD administration and personnel 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.

VALUATION APPROACH

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.

Neighborhood Analysis

The neighborhood is comprised of the land area and commercially classed properties located within the boundaries of a taxing jurisdiction. This area consists of a wide variety of property types including residential, commercial and industrial. 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 organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. In the mass appraisal of commercial properties, these subsets of a universe of properties are generally referred to as market areas 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 re-delineation is required.

Highest and Best Use Analysis

The highest and best use is the most reasonable and probable use that generates the highest 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 assists in determining if the existing improvements have a transitional use, interim use, nonconforming use, multiple uses, speculative use, excess land, or a different optimum use if the site were vacant. For vacant tracts of land within the 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. The analysis insures that an accurate estimate of market value is derived.

On the other hand, value in use represents the value in property to a specific user for a specific purpose. This is significantly different than market value, which approximates market price under the following assumptions: (1) no coercion of undue influence over the buyer or seller in an attempt to force the purchase or sale, (2) well-informed buyers and sellers acting in their own best interests, (3) a reasonable time for the transaction to take place, and (4) payment in cash or its equivalent.

Market Analysis

A market analysis relates directly to 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, expense ratio trends, capitalization rate studies are analyzed.

DATA COLLECTION/VALIDATION

Sources of Data

With respect to the property characteristic data inventory system, every property subject to taxation by a jurisdiction within Roberts County CAD's area of responsibility is incorporated into a computer assisted mass appraisal (CAMA) system. Appraisers perform maintenance of special purpose properties. If any discrepancies are discovered during the hearings process or at any other time, field appraisers are sent for a field check prior to the next tax season and in some cases during the current tax season. Each appraiser reviews this data during periodic field inspections

In terms of commercial sales data, Roberts CAD obtains a copy of the deeds recorded in Roberts County that convey commercially classed properties. The 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 hearings process and local, regional and national real estate and financial publications.

Data Collection Procedures

Data collection procedures have been established for residential, commercial, industrial and personal property. Appraisers conduct field inspections and record information on either a property record data card (PRD), or personal property data sheets. This information is entered into the computer system and serves as the basis for the valuation of property.

The quality of data used is of paramount importance to accurate valuation of taxable property. While production standards are established and upheld for the various field activities, quality of data is emphasized as the goal and responsibility of each appraiser. New appraisers are trained in the specifics of data collection. Experienced appraisers are routinely re-trained in listing procedures prior to major field projects such as new construction, sales validation or data review.

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). 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 involves the process of periodically adjusting the mass appraisal formulas, 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 other 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 all 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 comparable properties whenever possible. Cost models are typically developed based on the Marshall Swift Valuation Service. Cost models include the derivation of replacement cost new (RCN) of all improvements. These include comparative base rates, per unit adjustments and lump sum adjustments. This approach also employs the sales comparison approach in the valuation of the underlying land value. 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 are necessary to adjust these base cost specifically for Roberts County. These modifiers are provided by the national cost services.

Depreciation schedules are developed based on what is typical for each property type at that specific age. Depreciation schedules have been implemented for what is typical of each major class of commercial property by economic life categories. Schedules have been developed for improvements with 15, 20, 30, 40, 50, and 60 year expected life. These schedules are then 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.

Market adjustment factors such as external and/or functional obsolescence can be applied if warranted. 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 property type or location and can be developed via ratio studies or other market analyses. Accuracy in the development of the cost schedule, conditions ratings and depreciation schedules will usually minimize the necessity of this type of an adjustment factor.

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 each parcel 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.

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 years appraised value, audit trails, value change analysis and sales ratio analysis.

Appraisal statistics of central tendency and dispersion generated from sales ratios are available for each property type. These summary statistics including, but not limited to, the weighted mean, standard deviation and coefficient of variation, 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. Review of the standard deviation and the coefficient of deviation can discern appraisal uniformity within a specific property type.

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.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection, extent of that inspection, and the Roberts County CAD appraiser responsible are listed in the CAMA system. If a property owner disputes the District's record concerning this data in a protest hearing, CAMA may be altered based on the credibility of the evidence provided. Typically, a new field check is then requested to verify this evidence for the current year's valuation or for the next year's valuation.

A major effort is made by appraisers to field review as many properties as possible or economic area experiencing large numbers of remodels, renovations, or retrofits, changes in occupancy levels or rental rates, new leasing activity, new construction, or wide variations in sale prices. Additionally, the appraisers frequently field review subjective data items such as building class, quality of construction (known as cost modifiers), condition, and physical, functional an economic obsolescence factors contributing significantly to the market value of the property.

With preliminary estimates of value in these targeted areas, the appraisers test computer assisted values against their own appraisal judgment. While in the field, the appraisers physically inspect sold and unsold properties for comparability and consistency of values.

Office Review

Office reviews are completed on properties not subject to field inspections. These reviews are typically limited by the data presented in final value reports. These reports summarize the pertinent data of each property as well as comparing the previous values (two year value history) to the proposed value conclusions of the various approaches to value. These reports show proposed percentage value changes, income model attributes or overrides, economic factory (cost overrides) and special factors affecting the property valuation such as new construction status, prior year litigation and a three year 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.

PERFORMANCE TESTS

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market values. In a ratio study, market values (value in exchange) are typically represented by sales 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 sales to provide necessary representativeness, independent appraisals can be used as indicators for market value. This can be particularly useful for commercial, warehouse 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.

Sales Ratio Studies

Sales ratio studies are an integral part of establishing equitable and accurate market value estimates, and ultimately assessments for this taxing jurisdiction. 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 derive appraised values during valuation or reappraisal cycles. However, these studies cannot be used to judge the accuracy of an individual property's appraised value. The Roberts 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 CAMA semi-annually (or more often in specific areas) to allow appraisers to review general market trends. 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 appraiser by providing an indication of market activity by economic area or changing market conditions (appreciation or depreciation).

INDUSTRIAL VALUATION PROCESS

Appraisal Responsibility

The industrial appraisers and/or contract appraisers of the Roberts County Appraisal District are responsible for developing fair, uniform market values for improved industrial properties and industrial vacant land. The industrial appraiser is also responsible for the valuation of all tangible general industrial personal property in Roberts County.

Appraisal Resources

- **Personnel** - Industrial property under Roberts County CAD is contracted with Morgan Ad Valorem Services, Inc. to value properties for which the district does not have the available personnel or resources.

- **Data** - The industrial appraisers and contract appraisal staff inspects assigned properties to obtain information about buildings, site improvements, process and shop equipment, and various items of personal property. In addition, appraisal personnel use information provided by property owners concerning the cost to purchase, install, and construct items of real and personal property. The individual characteristics of the property being appraised are the primary factory that drive the appraised value.

VALUATION APPROACH (MODEL SPECIFICATION)

Area Analysis

The scope of market forces affecting industrial products and the capital goods used in the production process tends to extend beyond regional considerations. The effects of information and transportation technology are such that most industrial market forces are measured globally. One exception to this general concept is the market for industrial land. The pricing of land tends to be closely tied to possible alternatives used in the area. For this reason, appraisers assigned to land valuation analyze market forces for specific areas and adjust land value schedules appropriately.

Neighborhood Analysis

Neighborhood analysis of the type of properties valued by the industrial appraiser is not meaningful. Industrial properties do not have the type of generic "sameness" that is appropriate for neighborhood models.

Highest and Best Use Analysis

The highest and best use of real or personal property is the most reasonable and probable use of the property on the date of appraisal that is physically and financially feasible, legal , and that derives maximum production from the property. Usually, the current use of the property is the highest and best use of that property. Industrial facilities are most commonly located in areas that support industrial use. In areas where mixed use does occur, the highest and best use of the property is examined by the appraiser to estimate the effect of this factor.

Market Analysis

Market Analysis is the basis for finalizing value estimates on properties for which the industrial appraiser has responsibility. Even though many industrial properties are unique in

nature, the market for this type property is analyzed to see how market forces affect the values of similar or similar as possible properties. Industrial properties, such as machine shops, have many similar facilities that can be compared to the subject property in terms of type and size of equipment, type of property fabricated or serviced at the subject facility, and other factors. Those similarities help the appraiser estimate the value of the subject property. However, some facilities, such as specialty chemical plants, are so unique in nature that the appraiser must use the closest available plant in terms of output quantity, type of product manufactured, and other factors to estimate the value of the subject property. Many industrial properties use the same type of building and, depending on the type of business, may use the same type of manufacturing or service equipment. However, the manner in which the entire business operation is put together makes that particular facility unique. The district uses information from similar businesses to examine the real and personal property values at a particular business, but the individual characteristics of the business being reviewed determine the value estimation. Many of the buildings encountered at industrial facilities are generic in construction, such as pre-engineered metal buildings. The cost per square foot to construct these type structures can be used to estimate values at facilities that have similarly constructed buildings. However, the building as constructed will have differences that must be taken into account when estimating the final value of the property being reviewed.

A similar analysis is used for personal property. Many items of personal property, such as furniture and fixtures, computers, and even machinery and equipment are generic in construction, but individual characteristics that affect value, such as usage, environment where used, and level of care will have an effect on the final value estimation. When cost data for this type of property is available and considered reliable, it is used for value estimation purposes at other plant facilities. However, on-site inspection and information provided by the property owner will affect the final value.

DATA COLLECTION/VALIDATION

Data Collection

An extended range of variations may exist within the same class of industrial property, and there are a multitude of property types within the industrial category. For this reason, effective data collection procedures would be very difficult to organize in a single comprehensive manual.

Industrial personal property also consists of many different classes of assets with a wide range of variation within each class.

Sources of Data

The county and the schools supplied the original real and personal property data used by Roberts County CAD. Since that time, the district and contract appraisal personnel have updated that information based on field review. As new facilities are built, the appraisal

personnel collect all the real and personal property data necessary to value the property initially and there after update the information when the property is again visited.

Data Collection Procedures

The district and contract appraisal personnel annually or periodically visit assigned plants. The frequency of the visit is determined by the nature of the business conducted at each facility. For example, refineries and chemical plants are continually changing or adding to processes to extract greater efficiencies or make new products, but machine shops may not add or remove equipment over a period of two or more years.

The appraisers take with them the historical data on the buildings and site improvements and the previous listing of personal property at the facility being visited. Changes to the existing structures and personal property are noted and that information is used for value estimation purposes. If cost information for the real or personal property is supplied later, the field data can be compared to that information to judge the accuracy of the information.

The district and contract firm appraisal staff members are not assigned any one geographical area of the county. The nature of the business and whether or not the district has the staff resources available determines which properties are valued by contract firms and which properties are valued by the district's appraisal staff.

Each district appraiser is responsible for the completeness and correctness of their valuation work, but a new appraiser is encouraged to seek the advice of experienced appraisal staff if that person is not sure of their value estimation results.

VALUATION ANALYSIS

Field Review

The district's personnel periodically review real and personal property accounts where there is evidence of change at a particular facility and when there is not, these accounts are revisited on a two to three-year cycle. Certain properties are reviewed annually because past experience shows that changes are occurring continually in the real or personal property at that facility. Properties assigned to contract appraisal firms are reviewed annually becase changes also occur regularly at these facilities.

Sometimes during hearings, issues are presented that cause a value adjustment. Those issues must be field checked to see if these influences will be on going and warrant permanent value adjustment or are transitory and permanent adjustment is not warranted. This information needs to be recorded so the appraiser will be better able to estimate the property value. Any new construction is noted and the information necessary to value the structure is recorded. Additionally, any structure demolition is noted so the improvement value can be adjusted accordingly.

Part of the field review includes noting any land characteristics that would affect the land value. The district values all land for the properties over which it has responsibility, including those properties assigned to contract appraisal firms. The contract appraisal firms must advise the district of any characteristics that would affect the value of the land associated with that assigned facility.

Office Review

All properties not subjected to field review are reviewed in the office by the district appraiser assigned to a particular real or personal property. The office review relies on historical information in the real or personal property file as the basis for deciding on the estimated value to be placed on the property for the current tax year.

When valuing real property, the characteristics of the property being reviewed are the driving force in value estimation. Experience in valuing other real property, such as a similar buildings elsewhere, helps the appraiser decide the estimated value to be placed on the subject improvements.

When valuing personal property, the type of furniture, equipment, computers, etc., will be used along with any cost data provided by the property owner to estimate the value. Experience in valuing similar property at other facilities will help the appraiser estimate the value of the subject facility. Individual characteristics of the property, such as usage and maintenance will have a bearing on the value calculated by use of district schedules.

PERFORMANCE TESTS

Sales Ratio Studies

Ratio studies are an important tool to examine how close appraised values are to market values. The ratio study may use available sales data or may use independent, expert appraisals. Typically, there are not enough sales of industrial properties to show representativeness of that class of property in a ratio study. Ratio studies of industrial properties usually have to rely on independent appraisals as an indicator of market values.

Comparative Appraisal Analysis

This type of analysis is usually not done on industrial properties due to the unique nature of the property and also because of time and budget constraints regarding available appraisal staff. Only in an instance where a jurisdiction would file a jurisdiction challenge with the Appraisal Review Board would the district perform such an analysis.

The real property values can be compared on an average value per square foot of structure basis, but the different facilities to another must be carefully compared because it is unlikely that two different facilities are going to build like improvements and use them in similar ways. In like manner, the personal property values can be compared per category, such as

furniture and fixtures, machinery and equipment, etc., but the same comparison of the type of and use of the property must be examined to ensure property comparison.

MINERAL VALUATION PROCESS

Appraisal Responsibility

This mass appraisal assignment includes all of the property classes as minerals which falls within the responsibility of the mineral valuation of the CAD and located within the boundaries of this taxing jurisdiction. These properties are under contract to be appraised by Morgan Ad Valorem Services, Inc. Mineral appraisers appraise the property according to the statute. However, the affect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as in the appraisement of any non exempt taxable fractional interests in real property. Fractional interest or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their prorated interests.

Appraisal Resources

- **Personnel** - The mineral properties are appraised by Morgan Ad Valorem Services, Inc.

- **Data** - The mineral properties are appraised by the contract appraisal staff using data collected from a variety of sources. Among these data sources are: gas prices from the Comptroller, production from the Rail Road Commission, average gas prices from industry, and data from the operators of the properties.

Area Analysis

The scope of market forces affecting mineral products tends to extend beyond regional considerations. The Global market effects the valuation of the property. Appraisers must study and analyze the current and future market in order to appraise the properties appropriately.

Neighborhood Analysis

Not applicable to mineral properties

Highest and Best Use

The highest and best use of a mineral property is for it to be produced. The properties are appraised based on their highest and best use.

Market Analysis

Market analysis is the basis for determining the future worth of the recoverable reserves of a mineral property. However, each property may have unique properties that are taken int consideration when estimating the final value of the property.

Data Collection

Data is collected yearly from the Comptroller of Public Accounts, the Rail Road Commission of Texas, and individual operators within the county. All of this information is pooled together to get an accurate picture of each mineral property.

Appraisal Method

All mineral properties are appraised as described by the property tax code and laws. Mineral properties are appraised using a discounted cash flow method as prescribed by the Texas Comptroller of Public Accounts.

Appraisal of an oil and gas property for ad valorem tax purposes in the state of Texas is based on the total value of the economically recoverable oil and gas reserves as of January 1st of each year. The value is not based on past or future income, nor is it based on production; but it is a value based on an estimate of the present value of the oil and gas in the reservoir, waiting to be produced.

There are no rule-of-thumb methods for determining the present value of the future net income from a mineral property. The value can only be determined by preparing an analytical appraisal of the property.

Reserve evaluation is not an exact science. At best, it is an estimate of the volumes recoverable by a particular method. Although oil and gas are depleting assets, the estimate of reserves can be understated initially. Also, different recovery methods, product prices and operating expenses, to name a few, can increase or decrease the estimated remaining recoverable reserves after the original estimate.

The basic elements necessary for the valuation of oil and gas reserves are:

- Rate they will be produced
- Rate of decline
- Price of the products
- Cost to produce the reserves
- Discount Rate

Remaining oil and gas reserves are generally estimated by extrapolation of production trends. This is normally called decline curve analysis. The basic assumption is that the condition that shaped the production curve in the past will continue to shape it in the future. Of course, this requires proper weight being given to the immediate past. The decline curve is projected to the point where the production rate will generate just enough income to meet operating

expenses. This is called the economic limit. The decline curve provides both the rate of production and the rate of decline.

The price of the oil is based on the weighted average price paid for oil in the geographic area from which it is produced during the previous twelve months. The price of gas is generally available on a lease-by-lease basis from the State Comptroller's office for the same period of time. The cost to produce includes state taxes, local taxes and operating costs. Information on operating costs may be obtained from the operator and are always reviewed by the appraiser.

All of this data, plus other information is then entered into the computer. The estimated annual lease production is multiplied by the price of the product in order to obtain the annual gross income. The cost to produce is subtracted from the gross income, yielding the net income. This income stream is then discounted at a rate that reflects the time value of money. The resulting income stream is now a realistic basis for estimating the market value of the property.

The estimated present property value is the sum of the present worth net incomes for all the future years, plus the value of the equipment.

BUSINESS PERSONAL PROPERTY VALUATION PROCESS

Appraisal Responsibility

There are three different personal property types of personal property types appraised by the district's personal property section: business personal property accounts; leased assets, and vehicles.

Appraisal Resources

- **Personnel** - The Roberts County CAD staff is responsible for appraising local business personal property. Roberts County CAD is also under contract with Morgan Ad Valorem Services, Inc. to appraise certain commercial and industrial business personal property accounts.

- **Data** - A common set of data characteristics for each personal property account in Roberts County is collected in the field and data entered into the district's computer. The personal property appraisers collect the field data.

VALUATION APPROACH

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 personal property is normally its current use.

DATA COLLECTION/VALIDATION

Sources of Data

Business Personal Property

The district's property characteristic data was originally received from Roberts County and the school district records in 1980, and where absent, collected through a massive field data collection effort coordinated by the district over a period of time. When revaluation activities permit, district appraisers collect new data via an annual field drive-out. This project results in the discovery of new businesses not revealed through other sources. Various discovery publications such as the Court Reporter and state sales tax listings are also used to discover personal property. 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

Roberts County CAD does not value personal vehicles. However, they do value vehicles used in a business. Data is for these accounts is usually obtained from property owner renditions and field inspections.

Leased and Multi-location Assets

The primary source of data of leased and multi-location assets is property owner renditions of property. Other sources of data include field inspections.

VALUATION AND STATISTICAL ANALYSIS

Cost Schedules

Cost schedules are developed by the chief appraiser. The cost schedules are developed by analyzing cost data from property owner renditions, hearings, state schedules, and published cost guides. The cost schedules are reviewed as necessary to conform to changing market conditions. The schedules are typically in a price per unit format.

Statistical Analysis

Summary statistics including, but not limited to, the median, weighted mean, and standard deviation provide the appraisers an analytical tool by which to determine both the level and uniformity of appraised value.

Depreciation Schedule and Trending Factors

Business Personal Property

Roberts County 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 Roberts County CAD developed valuation models. The trending factors used by Roberts County CAD to develop RCN are 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:

PVF = INDEX FACTOR x 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:

MARKET VALUE ESTIMATE = PVF x HISTORICAL COST

This mass appraisal PVF schedule is used to ensure that estimated values are uniform and consistent within the market.

Computer Assisted Personal Property Appraisal (CAPPA)

The CAPPA valuation process has this main objective: develop new models for business classifications not previously integrated into CAPPA. The delineated sample is reviewed for accuracy of square footage, field data, and original cost information. Models are created and refined using actual original cost data to derive a typical replacement cost new (RCN) per square foot for a specific category of assets. The RCN per square foot is depreciated by the estimated age using the depreciation table adopted for the tax year.

Vehicles

Value estimates for vehicles are based on NADA published book values. Vehicles that are not valued by this method are valued by an appraiser using PVF schedules or published guides.

Leased and Multi-location Assets

The primary source of leased and multi-location assets is property owner renditions of property. Other sources of data include field inspections. If the asset to be valued in this category is a vehicle, then NADA published book values are used.

INDIVIDUAL VALUE REVIEW PROCEDURES

Office Review

Business Personal Property

A district valuation computer program exists in a mainframe environment that identifies accounts in need of review based on a variety of conditions. Property owner renditions, accounts with field or other date changes, accounts with prior hearing, and new accounts are considered. The accounts are processed by the valuation program and pass or fail present tolerance parameters by comparing appraised values to prior year and model values. The appraisers review accounts that fail the tolerance parameters.

Vehicles

Vehicles are valued by an appraiser using PVF schedules or published guides.

Leased and Multi-location Assets

Leasing and multi-location accounts that have a high volume of vehicles or other assets are loaded programmatically if reported by the property owner. Accounts that are rendered hard copy are either data entered by CAD staff.

PERFORMANCE TESTS

Ratio Studies

Each year the Property Tax Division of the State Comptroller's office conducts a property vale study (PVS). The PVS is a ratio study used to gauge appraisal district performance. Results from the PVS play a part in school funding. Rather than a sales ratio study, the personal property PVS is a ratio study using state cost and depreciation schedules to develop comparative personal property values. These values are then compared to Roberts County CAD's personal property values and ratios are formed.

LIMITING CONDITIONS

The appraised value estimated 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

3. Validation of sales transactions was attempted through questionnaires to the buyer, and field review. In the absence of such confirmation, residential sales data obtained from vendors was considered reliable.

4. Those providing significant mass appraisal assistance to the person signing this certification include the deputy appraiser and various representatives of Morgan Ad Valorem Services, Inc.

Certificate Statement:

"I, DeAnn Williams, Chief Appraiser for the Roberts County Central Appraisal District, do solemnly swear that I have made or caused to be made a diligent inquiry to ascertain all property in the district subject to appraisal by me, and that I have included in the records all property that I am aware of at an appraised value which, to the best of my knowledge and belief, was determined as required by law."

DeAnn Williams
DeAnn Williams, Chief Appraiser
Roberts County Central Appraisal District

8/26/14
Date

Certification Statement

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

- The statements of fact contained in this report are true and correct
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased, professional analyses, opinions and conclusions
- I have no present or prospective interest in the properties that are subject of this report, and I have no personal interest or bias with respect to the parties involved
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the taxing jurisdiction, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event
- My analyses, opinions, and conclusions were developed, and this report has been prepared inconformity with the Uniform Standards of Professional Appraisal Practice, The International Association of Assessing Officers, and Texas Department of Licensing and Regulation
- I have made, or caused to be made, a personal inspection of the properties that are the subject of this report
- Significant professional assistance was provided to me, chief appraiser of the appraisal district, by the deputy chief appraiser, and various representatives of Morgan Ad Valorem Services, Inc.

DeAnn Williams

DeAnn Williams, Chief Appraiser
Roberts County Central Appraisal District

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