



TERRELL COUNTY APPRAISAL DISTRICT

PLAN FOR PERIODIC REAPPRAISAL

TAX YEARS 2015 & 2016

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ATTACHMENTS:

- A. Summary Revaluation Program Report – Industrial Property (TYP)
- B. Summary Revaluation Program Report – Oil and Gas Reserves (TYP)
- C. Thos. Y. Pickett Reappraisal Timeline
- D. 2014-15 Terrell CAD Budget

EXECUTIVE SUMMARY

TAX CODE REQUIREMENT:

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

- (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 sixty (60) days of the approval date.

Plan for Periodic Reappraisal Requirement:

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

- (a) Each appraisal office shall implement the Plan for Periodic Reappraisal of property approved by the board of directors under Section 6.05(i).
- (b) The plan shall provide for the following reappraisal activities for all real and personal property in the district at least once every three years:
 - 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;
 - 4. identifying property characteristics that affect property value in each market area, including:
 - a. the location and market area of property;
 - b. physical attributes of property, such as size, age, and condition;
 - c. legal and economic attributes; and
 - d. easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;
 - 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):

The TERRELL CAD, by policy adopted by the Board of Directors and the Chief Appraiser, reappraises all property in the district at least every three (3) years. The reappraisal may consist of field inspections, CAMA (Computer Assisted Mass Appraisal), or both. The reappraisal year is a complete appraisal of all properties in the district and complete reappraisal was completed for the 2014 Tax Year. Tax year 2015 is a partial reappraisal year and tax year 2016 is a partial reappraisal year. Due the large geographic size of Terrell County, limited resources and the implementation of a recommendation of the 2013 MAP onsite reviewer the next three (3) year reappraisal cycle will begin with the 2015 Tax Year as to all classes of rural properties. Rural properties in the county will be divided into 2 areas (A & B) and properties lying in Area A will be reappraised in 2015 and Area B will be reappraised in 2016 and all property classes within the Towns of Sanderson and Dryden will remain on the current three (3) year cycle. Each year, Notices of Appraised Value are mailed to all property owners in the District regardless of any changes that may or may not have occurred or which year the property was reappraised.

Additionally, every tax year the District inspects and appraises new construction and adds those properties to the appraisal roll. The district also inspects and reappraises properties that have been remodeled or demolished, properties with additions, properties with fire damage, or properties with any change or damage. These changes are found by visual inspections and 'word of mouth' since there are no building permits required in Terrell County. However, since there are no building permits required, District staff does attempt to maintain a file of newspaper clippings that pertain to changes in property and all District staff remains alert to visual changes in properties. Throughout the year, notes are made on those visual changes and all information is provided to the field appraiser. The field appraiser will also conduct detailed field inspections of properties if requested by the owner and reappraise these properties as necessary.

Appraisal District staff compiles all sales by school district (countywide). If problematic areas are identified further research is done and may finally indicate the use of market modifiers or changes in schedule values. The use of these modifiers is the predominant method of adjusting sales for location and time. Values throughout the county may be adjusted by use of market modifiers or changes in schedule values during any appraisal year.

PERFORMANCE ANALYSIS:

Performance Analysis – the equalized values from the previous tax year are analyzed with ratio studies to determine the appraisal accuracy and appraisal uniformity overall and by market area within property re-reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* of the International Association of Assessing Officers. Mean, median, and weighted ratios are calculated for properties in reporting categories to measure the level of appraisal accuracy. The mean ratio is calculated in each reappraised category to indicate the level of appraisal accuracy by property reporting category. In 2015, a partial reappraisal year, this analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance. In 2016, also a partial 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.

Sales ratio studies are used to evaluate the District's mass appraisal performance. These studies not only provide a measure of performance, but also are an excellent means of improving mass appraisal performance. The District uses ratio studies not only to aid in the reappraisal of properties, but also to test the State Comptroller's Property Tax Division Annual Property Value Study results.

Field appraisal staff usually begins ratio studies in early February, with all sales reports being compiled by school district (countywide). Within the boundaries of the district (countywide), the ratios are analyzed to identify comparable neighborhoods. Outliers and questions that were not identified in the field are reviewed and analyzed. Field cards indicating the results of field inspections of the sold properties are available for each individual sale to further aid in making decisions regarding outliers.

Outliers are characterized as having low or high ratios. They can result from an erroneous or unrepresentative sale price, an error in the appraisal, or a mismatch between the property sold and the property appraised.

Remaining sales are then correlated to indicate comparable neighborhoods within the school district. The sales from each comparable neighborhood are grouped (stratified) according to classification. The median ratio indicated by the sales is then compared to the desired ratio. The coefficient of dispersion is also studied to indicate how tight the ratios are in relation to the measures of central tendency. The median and coefficient of dispersion are good indicators of the types of changes to be made if any are necessary. The use of market modifiers is the preferred method of adjusting sales for location and time to indicate market values. Market modifiers are methods of adjusting property to equal the market

without changing the schedules.
changes/adjustments are often necessary.

However, complete schedule

ANALYSIS OF AVAILABLE RESOURCES:

Staffing and budget requirements for tax year 2015 are detailed in the 2014 / 2015 budget, as adopted by the Board of Directors of the Terrell County Appraisal District, and attached to the written biennial plan by reference. This reappraisal plan is adjusted to reflect the available staffing in tax year 2014 and anticipated staffing for tax year 2015 or tax year 2016. Budget restraints can and will likely impact the cycle of real property re-inspection and personal property on-site review that can be accomplished in the 2015-2016 time period.

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

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

All contract appraisal companies may face similar arbitration or lawsuits in any appraisal year.

Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current are specified. Current cost schedules for residential and commercial real properties are derived and updated from *Marshall and Swift Valuation Service*. *Marshall and Swift Valuation Service* is a national based cost manual and is generally accepted throughout the nation by the real estate appraisal industry. In a reappraisal year, real property appraisal depreciation tables and cost new tables are tested against verified sales data to ensure they represent current market data. Personal property density schedules are tested and analyzed based on rendition and prior year protest hearing documentation.

Changes in legislation involving appraisal districts may occur in 2015 when the legislature is called into session. These new laws may require adjustments to the budget, staffing, and programming.

PLANNING AND ORGANIZATION:

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

Appraisal district field appraisers and staff will begin the field inspections in November/December of 2014 and will complete all inspections and schedules by April 15, 2015 for the 2015 tax year.

Appraisal district field appraisers and staff will begin the field inspections in November/December of 2015 and will complete all inspections and schedules by April 15, 2016 for the 2016 tax year.

MASS APPRAISAL SYSTEM:

Computer Assisted Mass Appraisal (CAMA) system revisions are completed by the Information Systems Software Provider. System revisions and procedures are performed by the Provider. Terrell County Appraisal District contracts with the firm of Harris/True Automation for these services.

Appraisal information for each area of work, maps for each area of work, and appraisal cards showing sketches and pictures of the properties included in the area of work will be provided by the District to the field appraisers.

The District anticipates devoting some programming time to allow for the development of new reports to help manage and edit the information provided by the field appraisers.

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 Valuation Service*.

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

Personal Property Valuation

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

Noticing Process

25.19 appraisal notice forms are provided by the IS Provider. The Provider reviews and edits 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.

District staff attempts to conduct an informal hearing with all protesting property owners. Many of the informal hearings are conducted via telephone or email communication with the property owner. If valuation issues are not agreed upon at the informal level, the protesting property owner may elect to proceed to a formal hearing.

Evidence in compliance with HB 201 may be requested by the property owner or the property owner's agent and will be made available at least 14 days prior to the scheduled protest hearing.

DATA COLLECTION REQUIREMENTS:

Terrell County Appraisal District cost and value schedules include land, residential improved, commercial improved, and personal property. Data sources currently used by the District include cost information from *Marshall and Swift Valuation Service*, cost data obtained from local contractors, and renditions provided by the property owners. *Marshall and Swift Valuation Service* is a national based cost manual and is generally accepted throughout the nation by the real estate appraisal industry. This cost manual is based on cost per unit or square foot and also uses the unit in place method. The unit in place method involves the estimated cost by using actual building components. This national based cost information service provides the base price of buildings by classification with modifications for equipment and additional items. The District's schedule is then modified for time and location.

Field and office procedures are reviewed and revised as required for data collection. Activities for each tax year include new construction, demolition, remodeling, re-inspection of problematic market areas, re-inspection of the universe of properties on a specific cycle, and field or office verification of sales data and property characteristics. On properties that have transferred ownership, the District will verify the sales price and individual property characteristics as of the date of the sale through field inspection and office research.

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

Data on individual properties is also collected from the field, compiled, and analyzed. Buildings and other improvements are inspected in the field, measured, and classified. The appraiser estimates the age and condition of the improvements. This data is used to compile depreciation tables. Any notes pertaining to the improvements are made during inspection.

New Construction/Demolition

The appraisers performing reappraisals in the field have field cards that contain specific information regarding the property being appraised. These cards contain brief legal descriptions, ownership interests, property use codes, property addresses, land size, and sketches of improvements as well as detailed information of any improvements.

Appraisal field inspections require the appraisers to check all information on the field cards and to update the information when necessary.

New construction field and office review procedures are identified and revised as required. Building permits are nonexistent in Terrell County. Therefore, visual

sightings and word of mouth are about the only sources to discover new construction. Additionally, to the extent possible local newspaper articles are retained throughout the year for reference purposes.

Local contractors and builders are another source of cost data utilized by the District. Local contractors can and often times do provide cost data on new structures that is compared to cost information obtained from *Marshall Swift Valuation Service*.

Remodeling

Properties with extensive improvement and/or remodeling are identified and field inspections are scheduled to update property characteristic data. Notes are made throughout the year as remodeling projects are observed and are made available to the field appraiser prior to field inspection.

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 is received from various sources. These sources include conversations with local real estate appraisers, agents, and brokers. Also, from deed transactions, the District mails out sales surveys to sellers and buyers in an effort to obtain additional sales information that may not be otherwise discovered.

These sales are compared to the existing data on the field cards and changes are made as indicated. These changes include age and condition as well as any improvements made to the property before the sale takes place. When sales information indicates a difference in the improvement's square footage, the buildings are remeasured.

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

PILOT STUDY BY TAX YEAR:

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

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

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

1. Quality of construction: Residential construction may vary greatly in quality of construction. The type of construction affects the quality and cost of the material used, the quality of the workmanship, as well as the attention paid to detail. The cost and value of residential property will vary greatly, depending on the quality of construction. The District's Appraisal Manual contains an expanded description of classifications used and is attached by reference.
2. Size of structure: The size of a building also has a direct impact on its cost as well as its value. The larger the building, the less the cost per square foot. The District's schedules are graduated in size increments, depending on market conditions. *Marshall and Swift Valuation Service* also supports this size factor. The District's Appraisal Manual contains an expanded description of size increments and square footage breakdowns and is attached by reference.
3. Condition of improvements: The District rates conditions as very poor, poor, fair, average, good, very good and excellent. Upon physical inspection appraisers, using their own judgment of age and condition of the structure, applies a depreciation factor. This factor is based generally on one (1) percent for each two years of age. Properties that, in the opinion of the appraisers, are unlivable are not appraised according to the schedule. Rather, they are appraised at salvage value or may be marked as no value at all.

4. **Age of Structure:** The District's field appraiser assigns an approximate effective age. This method is supported by conversations with local appraisers and builders who estimate the economic life of residential properties. Currently the district applies a 65 year depreciation schedule for All Class 'A' and Class 'B' masonry residences; a 60 year depreciation schedule for Class 'B' frame and all Class 'C' residences and a 50 year depreciation for all Class 'D' and Other (very poor) residences. These schedules are predominantly obtained and verified through *Marshall & Swift Valuation Service*. Properties that have reached the end of the economic life cycle are typically assigned the maximum amount of depreciation unless remodeling or very good upkeep has allowed the structure to maintain a longer life. The effective age and chronological age are rarely the same depending on the condition of the structure.
5. **Extra items:** Extra items are valued according to their contributory value to the whole. Examples of extra items include covered porches, patios, screened or enclosed porches, storage buildings, swimming pools, etc. The District's Appraisal Manual contains specific information regarding extra items.
6. **Land Value:** The District values land based on market transactions. Units of comparison depend on how the property is purchased and marketed. Large acreage tracts are usually purchased based on the price per acre. Commercial and residential property is typically purchased based on the price per square foot. Topography and location factors are often used to modify values according to market indicators. Land prices vary throughout the District. Therefore, their values are dependent upon homogenous areas. Land schedules for residential, commercial, agricultural, and industrial properties are available upon request from the District.

Inspections of property are made by exterior perspective, so the interior finish as well as interior components are assumed and are not adjusted. All financing for comparable sales is considered typical to the market. The final estimate of value is a correlation of the comparable sales after net adjustments have been deducted from the sales price to equal the subject property. The value by this method is estimated by the appraiser and is not a function of the computer.

VALUATION BY TAX YEAR:

Using market analysis of comparable sales and locally tested cost data, market area specific income and expense data, valuation models (Cost Per Square Foot Schedules) are specified and calibrated in compliance with supplemental standards from the International Association of Assessing Officers and the Uniform Standards of Professional Appraisal Practice. The calculated values are tested for accuracy and uniformity using ratio studies. Performance standards are those as established by the *IAAO Standard on Ratio Studies*. Property values in all market areas are updated each reappraisal year. Properties in selected market areas are updated in non-reappraisal years. Tax year 2015 is a partial reappraisal year. Tax year 2016 is a partial reappraisal year. *Note: The district will describe its valuation methods by property types.*

RESIDENTIAL REAL PROPERTY

- Sales Comparison Approach to Value
- Cost Approach to Value
- Income Approach to Value (if data is available)

SPECIAL INVENTORY RESIDENTIAL PROPERTY

- Sales Comparison Approach to Value
- Cost Approach to Value
- Income Approach to Value (if data is available)

MULTIFAMILY RESIDENTIAL PROPERTY

- Sales Comparison Approach to Value
- Cost Approach to Value
- Income Approach to Value (if data is available)

COMMERCIAL REAL PROPERTY

- Sales Comparison Approach to Value
- Cost Approach to Value
- Income Approach to Value (if data is available, typically only motels)

VACANT REAL PROPERTY

- Sales Comparison Approach to Value
- Cost Approach to Value
- Income Approach to Value (if data is available)

INDUSTRIAL REAL PROPERTY

- Sales Comparison Approach to Value
- Cost Approach to Value
- Income Approach to Value

UTILITIES

- Sales Comparison Approach to Value
- Cost Approach to Value
- Income Approach to Value

MINERAL INTEREST

- Sales Comparison Approach to Value
- Cost Approach to Value
- Income Approach to Value

SPECIAL VALUATION PROPERTIES

- Agricultural Use
- Wildlife Management

BUSINESS TANGIBLE PERSONAL PROPERTY

- Sales Comparison Approach to Value
- Cost Approach to Value
- Income Approach to Value (rarely used)

INDUSTRIAL TANGIBLE PERSONAL PROPERTY

- Sales Comparison Approach to Value
- Cost Approach to Value
- Income Approach to Value

Sales Comparison Approach to Value

The sales comparison approach to value is utilized by grouping or clustering sales within the specified neighborhoods and classification of properties. The sales are then tested against appraised values to indicate a ratio for the neighborhood. A neighborhood is a grouping of complementary land uses affected equally by the four forces that influence property value: social trends, economic circumstances, governmental contracts and regulations, and environmental conditions. These factors have an impact on the value of properties within this grouping and in turn on properties being appraised.

Individual neighborhood boundaries within the District vary according to market indications and the type of property being appraised. The boundaries of these neighborhoods may be physical, geographical, or political in nature. Generally, residential neighborhoods consist of individual subdivisions or clusters of subdivisions that contain similar properties located within the school district. Commercial neighborhoods may be smaller areas within a town, an entire town, or rural area. Industrial neighborhoods may include the entire District. Defining neighborhood boundaries depends on the subject of the appraisal assignment.

If sufficient sales are not found, then sales from competing neighborhoods are found and appropriate adjustments are made in the form of market modifiers.

These modifiers are applied to cost schedules to indicate mass appraisal values for a given neighborhood. Therefore, the sales comparison approach is actually blended with the cost approach to create a hybrid of these two approaches to value.

Cost Approach to Value:

The District uses a hybrid cost model developed from *Marshall and Swift Valuation Service*. The cost model categorizes and values property by class, age, condition, and extra items. Depreciation is derived by age/condition and any additional depreciation that may be necessary. Land value is added to indicate a preliminary market value for like properties within the subject neighborhoods. After cost schedules, depreciation, and land values are applied, then a market modifier may be necessary to adjust the values to actual market conditions. These modifiers apply to improvements only and do not adjust land values. Therefore, the cost approach to value is actually a hybrid of the sales comparison and cost approaches to value.

Income Approach to Value:

The income approach to value or rent multipliers are currently not a reliable indicator of value for residential mass appraisal reports unless rents are specified. Databases or data sources for income producing residential properties are not available in the Terrell County area. Therefore, the income approach to value is not used in the **residential** mass appraisal report but is sometimes used for other types of properties.

Additional information concerning approaches to value for specific types of properties, such as minerals, utilities, industrial, railroads, pipelines, industrial personal property, etc. may be found in the Plan provided by the Appraisal Company that performs those appraisals and is attached to this plan by reference.

Special Valuation Process:

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

The District also values agricultural property by the income approach as set forth in the Texas Property Tax Code. This is a special valuation process as there are parameters set forth in the Code regarding capitalization rates. Income and expenses for each different category of agricultural use is estimated from surveys, actual rental data obtained by property owners as well as conversations with local governmental agencies. The formula used is set out by the Texas Property Tax Code and is as follows: $\text{net-to-land (all ag related income streams - all ag related expenses) / cap rate} = \text{ag value}$.

THE MASS APPRAISAL REPORT:

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

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. *Note: The appraisal district identifies the evidence to be used in informal and formal hearings by property type and the steps to be taken to insure compliance with House Bill 201.*

**RESIDENTIAL PROPERTY
SPECIAL INVENTORY RESIDENTIAL PROPERTY
MULTIFAMILY RESIDENTIAL PROPERTY
COMMERCIAL REAL PROPERTY
VACANT REAL PROPERTY
INDUSTRIAL REAL PROPERTY
UTILITIES
MINERAL INTEREST
SPECIAL VALUATION PROPERTIES
BUSINESS TANGIBLE PERSONAL PROPERTY
INDUSTRIAL TANGIBLE PERSONAL PROPERTY**

Informal hearings are conducted by phone, mail, or in person by District appraisers. Appraisers may present sales data or data specific to the property in defense of the district values. If the taxpayer wishes to pursue a dispute further, the appraiser or district staff will guide them through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings, they receive an ARB procedures pamphlet and a copy of the *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's office. If protest hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing to make its evidence regarding value disputes available. Information provided, as appropriate, may include but is not limited to: comparable sales and applicable schedules, depreciation tables, a copy of the discount cash flow model developed to calculate the current inventory value, income and expense information derived from the market that has been accumulated and developed into charts containing general data, applicable appraisal reports and research data applicable to the property, etc. **At no time, except as provided by the Texas Property Code, will any confidential income, expense, sales, or other information received from taxpayers on specific accounts be released.**

COMPUTER ASSISTED MASS APPRAISAL SYSTEM

Terrell County Appraisal District field appraisers return field appraisal cards reflecting changes and notes made during the field inspection and usually each field appraiser performs his/her own data entry. Pictures taken by the field appraiser are uploaded to the district's database at the same time as appraisal changes are entered.

Appraisal district staff (typically the field appraiser) will be responsible for entering all name and address changes received by phone, letter, or from the front counter. Staff will also be responsible for entering any exemption changes, as well as any supplemental changes. Staff is responsible for backing up computer files and maintaining changes to the maps.

The software providers are responsible for providing training and assisting appraisal district staff concerning use of existing and new programs.

ARB APPEAL PROCEDURES:

After the Appraisal Review Board hears and determines all timely filed protests, the District mails, by certified mail with return receipt, the ARB orders containing the Board's decision on the protest to the property owners. Property owners have 45 days after receiving a Board Order to either file suit in District Court or to file a request for arbitration. Information on procedures for appealing an ARB order is included in the order along with a Request for Binding Arbitration form.

PLANNING A REAPPRAISAL

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

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

STEPS IN A REAPPRAISAL

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

1. Performance Analysis:
 - A. ratio study
 - B. equity of existing values
 - C. consistency of values with market activity
2. Revaluation Decision:
 - A. statutory – at least once every three years
 - B. administrative policy
3. Analysis of Available Resources:
 - A. staffing
 - B. budget
 - C. existing practices
 - D. information system support
 - E. existing data and maps
4. Planning and Organization
 - A. target completion dates
 - B. identify performance objectives
 - C. specific action plans and schedules
 - D. identify critical activities with completion dates
 - E. set production standards for field activities
5. Mass Appraisal System:
 - A. forms and procedures revised as necessary
 - B. CAMA (computer assisted mass appraisal) system revisions as required
6. Conduct Pilot Study
 - A. test new/revised appraisal methods as applicable
 - B. conduct ratio studies
 - C. determine if values are accurate and reliable
7. Data Collection
 - A. available sources of new construction

- B. check properties that have undergone remodeling
 - C. re-inspection of problematic properties
 - D. re-inspection of universe of properties on a cyclic basis
8. Valuation:
- A. market analysis (based on ratio studies)
 - B. schedules development
 - C. application of revised schedules
 - D. calculation of preliminary values
 - E. tests of values for accuracy and uniformity
9. The Mass Appraisal Report
- A. establish scope of work
 - B. compliance with Standards Rule 6 - 7 of USPAP
 - C. signed certification by the chief appraiser as required by Standards Rule 6-8 of USPAP
10. Value Defense:
- A. prepare and deliver notices of value to property owners
 - B. hold informal hearings
 - C. schedule and hold formal appeal hearings
- **Note—the burden of proof (evidence) of market values and equity falls on the appraisal district.**

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

This plan for reappraisal was written by Terrell County Appraisal District and the methodology is in compliance with USPAP requirements.

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

1. **Three-Year Cycle:** The CAD is divided into three specific areas. Every three (3) years all property within the district will be reappraised and physically inspected, data updated and photographed, regardless of any ratio study/report findings.

These areas are identified as follows:

- a. **Area One:** All property categories in the towns of Sanderson and Dryden. (reappraisal year = 2017)
- b. **Area Two:** All property categories in the rural areas of the county consisting of the area West of US Highway 349 and North of US Highway 90 (reappraisal year = 2015)
- c. **Area Three:** All property categories in rural areas of the county East of US Highway 349 and South of US Highway 90 (reappraisal year = 2016)

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

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

This three-fold approach will insure not only that all residential and commercial property within the CAD is reappraised at least once every three years, but also 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 appraiser as directed by the chief appraiser. The field appraiser physically inspects areas required by the reappraisal cycle, checks all existing data, takes photographs of improvements, makes sketches of new improvements for entry into computer, rechecks any property on which questions or problems have arisen. Other duties may be required and will be executed upon direction of the chief appraiser.

Data entry of field work notes and sketches is performed by appraisal district staff (normally the field appraiser who performs the inspections).

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

Note: Many of the activities itemized herein may or may not be performed every month or exactly in the month specified but are included as reminders to the chief appraiser and staff that these are activities that could or should be done and in some instances are reminders of legal requirements and/or deadlines

November, 2014:

Begin on-site inspections in Area 2 and any other area or classification of property identified as needing attention.

Mid December, 2014:

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

January to March, 2015:

1. Mail homestead applications, special-use valuation applications, personal property renditions, exemption applications, and any other required forms.
2. Mail Productivity Questionnaires.
2. Continue field inspections as provided by the reappraisal plan area.

3. Begin running sales ratio reports. Compare with CAD values and sales information.
4. Continue working with the Comptroller's Office regarding the 2014 ratio study, if necessary.
5. Begin identifying necessary schedule adjustments.
6. Begin update of the USPAP report (Mass Appraisal Report).
7. Begin working renditions.

March through April, 2015:

1. Complete field inspections as required by the reappraisal plan.
2. Continue running sales ratio reports.
3. Refine sales analysis and mass appraisal schedules.
4. Statistically test schedules.
5. Complete data entry of all reappraisal and maintenance changes.
6. Assist field appraiser with reappraisal functions as needed.
7. Finalize all field work and data collection activities.
8. Execute mass appraisal/maintenance activities as required.
9. Prepare for mailing 2015 Notices of Value.
10. Mail appropriate letters concerning homesteads, special-use appraisals, etc.
11. Continue working renditions.
12. Provide certified estimated values to taxing units by April 30th.

May through Mid-July, 2015:

1. Mail notices of value. (all property owners regardless of reappraisal status or change in value)
2. Conduct informal hearings.
3. Respond to property owners' inquiries, protests, and questions from notice mailings.
4. Mail notices of ARB hearing appointment letter.
5. Mail protest hearing reminder letters.
6. Hold ARB hearings. (all ARB Hearings are usually held in early July)
7. Mail appropriate penalty letters on non-rendered personal property.

July, 2015:

1. Complete the process of mailing certified ARB orders.
2. Enter into computer all changes as ordered by ARB.
3. ARB approval of appraisal records by July 20th.
4. Certification of appraisal records and values to taxing units by July 25th.

As needed throughout the year 2015:

1. Handle any outstanding protests by scheduling ARB hearings.

Additionally, work outside of the appraisal process must be completed on a timely basis. Terrell County Appraisal District is a small district with limited staff and

resources, therefore departments are not designated. District staff must complete, in a timely manner, the work assigned by the chief appraiser, deputy chief appraiser, or office staff. The work schedule, in addition to the above scheduled calendar, is outlined as follows:

Daily:

1. Back up daily data entries.
2. Tax master maintenance (name, address, legal, value, etc.) data entry.
3. Drawing maintenance data entry.
4. Maintain prorated accounts.
5. Maintain exempt frozen accounts.
6. Mobile home changes data entry.
7. Residential, commercial, personal property, industrial, mineral changes data entry.
8. Agricultural changes data entry..

Weekly:

1. System backup.
2. PC servers backup.

As Needed:

1. Make changes for supplemental accounts and update tax master.
2. Update previous years' tax masters.
3. Programming changes.
4. Create new reports.
5. Mail letters on properties receiving over-65 exemption where the property owner is now deceased.
6. Homestead letters.
7. Notices of change.
8. Maintain records retention (scan, store, etc.)

While the scope of work is not limited to the scheduled tasks, the District has endeavored to identify the **main** yearly tasks.

To further pinpoint scheduled tasks, the following calendar has been implemented for district staff, but the work is not limited to the tasks contained in this calendar.

Many of the tasks and activities itemized below may or may not be performed every month or exactly in the month specified but are included as reminders to the chief appraiser and staff that these are activities that could or should be done and in some instances are included as a reminder of legal requirements and/or deadlines.

January, 2015 and 2016:

1. All personal property renditions are mailed.
2. Continue data entry of completed field work cards.
3. Prepare and key in data on all splits and combines.

4. Prepare monthly reports.
5. Maintain records management program.
6. Mail various applications.
7. Prepare and make available for inspection by the BOD and the ARB the 25.25(b) change reports.
8. Publish the quarter-page ad on availability of exemptions, rendition requirements, special appraisals, and tax deferrals.
9. Publicize the uniform procedure to appraise inventory.
10. Enter data on new abatements (if any).
11. Schedule BOD meeting(s)
12. Obtain "cap rate" to be used in 2015 appraisals.
13. Request license information from Texas DPS to obtain birth date information to automatically grant over-65 homestead exemptions.
14. Submit updated current year appraisal roll to each tax unit.
15. Continue data entry of name/address changes, splits and combines, subdivision information, and personal property into the current file.
16. Complete "end-of-year clean-up" in the computer and prepare the computer to accept current year information.
17. Train District staff on the use of any changes to computer programs.
18. Develop new reports as needed.
19. Continue to obtain deed changes and key in ownership changes and parcel boundary changes and create new accounts as needed.
20. Continue to provide assistance to property owners and the general public by answering phone calls and assisting with walk-in customers, real estate agents, landmen, etc.
21. Update and maintain maps.
22. Process and sell digital parcel data as requested.
23. Provide information to Harris/True Automation for maintenance of website.
24. Send sales information and deed transfer information to State Comptroller's Office by February 1 (EPTS).
25. Attempt to Schedule Ag Advisory Committee meeting and/or meet with members individually to obtain information for productivity value calculations.

February, 2013 and 2014:

1. Continue data entry from field appraisal.
2. Continue uploading pictures from filed work.
3. Proof changes keyed in.
4. Continue data entry of sketches/drawings.
5. Set up new business accounts.
6. Research returned mail.
7. Maintain records management program.
8. Prepare all changes for the March ARB meeting.
9. Start ordering process for appraisal notices and other forms.
10. Prepare for possible appeal of Comptroller's ratio study. Begin accumulating sales information to prepare appeal..
11. Maintain website and update it with any new forms, schedules, deadlines, etc.

12. Set up ARB meeting to approve all changes, approve supplemental accounts, and hold hearings on substantial error motions.
13. Ensure that all lawsuits have complied with Section 42.08 payment requirements.
14. Review revisions needed for ARB programs and documents and order necessary supplies.
15. Present preliminary ratio study results to the BOD from prior year when applicable.
16. Submit updated current year appraisal roll to each taxing unit.
17. Continue data entry of changes and updates.
18. Prepare for annual mailouts.
19. Continue to obtain deed records and make changes to appropriate parcels.
20. Continue with customer service (phone calls, walk-ins, etc.).
21. Continue to maintain maps.

March, 2015 and 2016:

1. Continue work on any appeals of Comptroller's ratio study, if necessary.
2. Continue updating USPAP (Mass Appraisal Report).
3. Prepare recap of values for supplemental accounts for the ARB and prepare supplemental logs for the ARB.
4. Hold an ARB meeting to receive the supplemental records, complete the Statement of Officer form, administer Oaths of Office, elect officers, etc.
5. Continue field work data entry.
6. Continue uploading pictures from fieldwork.
7. Continue to research returned mail.
8. Prepare and key-in new tax agent codes and update changes to existing agent codes.
9. Prepare and mail reminders to those who failed to return homestead applications and/or agricultural applications.
10. Order envelopes for bulk mail-outs.
11. Ensure that new and continuing ARB Members are registered for the proper mandatory training course.
12. Process rendition extension requests and print and mail letters granting or denying those requests.
13. Submit updated appraisal roll to each taxing unit.
14. Update all schedules and enter into the CAMA.
15. Continue to obtain and process deed records.
16. Continue to provide customer service assistance.
17. Continue to maintain maps.

April, 2015 and 2016:

1. Complete data entry of changes.
2. Begin preparation of Notices of Value.
3. Mail Notices of Value by May 15.
4. Begin compiling information for evidence packets for property owners filing protests and requesting evidence.
6. Continue data entry processes.

7. Continue to research returned mail.
8. Continue to maintain records management.
9. Prepare change logs for the ARB and BOD.
10. Purchase sufficient postage for mailing Notices of Value.
11. Continue to obtain sales information.
12. Update website to include new information and current year protest forms.
13. Prepare and submit 25.25b reports to the BOD and ARB.
14. Continue to receive and process rendition extension requests and prepare and mail letters granting or denying the requests.
15. Submit updated appraisal roll information to each tax unit.
16. Print Notices of Value.
17. By April 30th, submit preliminary estimates of value to taxing units.
18. Continue to develop reports as needed.
19. Continue to obtain deed records and make changes as indicated.
20. Continue to provide customer service to the general public.
21. Continue to maintain maps.

May, 2015 and 2016:

1. Mail Notices of Value.
2. Continue to work renditions and new personal property accounts.
3. Begin working with property owners regarding proposed values and protests filed.
4. Conduct informal hearings with protesting property owners.
5. Provide evidence to property owners submitting evidence requests for protest hearings.
6. Prepare monthly reports.
7. Continue to research returned mail.
8. Continue to maintain records management.
9. Process and determine requests for additional 15 days to file renditions (May 30th deadline) and mail determinations.
10. By May 15th, submit appraisal records to ARB.
11. Ensure that all new ARB members have attended mandatory training courses and that each certificate of completion is on file.
12. Publicize protest procedures and deadlines in ¼ page ad in local newspaper.
13. Begin scheduling protest hearings and mail Notice of Protest letters and reminder letters as necessary.
14. Provide updated appraisal roll information to each taxing unit.
15. Mail, as necessary, preliminary ARB change letters, no change letters, unable to contact letters, and homestead letters.
16. Prepare new reports as needed.
17. Obtain deed records and process changes.
18. Update maps to reflect changes of ownership, splits, combines, etc.
19. Continue to provide customer service to general public.

June, 2015 and 2016:

1. Mail penalty letters on non-rendered personal property accounts.

2. Continue working with property owners regarding proposed values and continue to conduct informal hearings.
3. Continue to provide evidence to property owners submitting evidence requests for protest hearings.
4. Prepare monthly reports.
5. Continue to research returned mail.
6. Continue to maintain records management.
7. ARB hearings to begin as needed (late June or early July).
8. Mail ARB certified orders on change, no change determinations.
9. Ensure that school districts have a certified estimate of value and that all units have an estimate of value.
10. Prepare proposed AD Budget for the following year and submit to BOD.
11. Continue to schedule protest hearings and mail letters and reminder letters as necessary.
12. Begin preparation of folders for ARB hearings (late June).
13. Post hearing agendas as necessary (late June or early July).
14. Submit appraisal roll changes to each taxing unit.
15. Obtain deed records and process ownership changes, splits, combines, etc. and ensure that maps are updated to reflect these changes.
16. Continue to provide customer service to the general public.

July, 2015 and 2016:

1. Mail all approvals/denials on rendition penalty waiver requests, ARB certified orders and any other necessary and/or legally required correspondence.
2. Continue ARB hearings as necessary until all protests have been heard and resolved.
3. Prepare monthly reports.
4. Continue to research returned mail.
5. Continue to maintain records management.
6. Ensure that all ARB changes have been keyed into computer.
7. By July 20th, ARB approves the appraisal records for the current year.
8. Check appraisal roll and values for substantial errors.
9. Provide certified values and recaps to all taxing units by July 25th and print certified appraisal rolls to entities if requested.
10. Prepare and submit 25.25(b) quarterly reports to BOD and ARB.
11. Begin working on the reappraisal calendar for the following year.
12. Obtain deed records and make ownership changes, splits and combines, and update parcels and maps to reflect the changes.
13. Continue to provide customer service to the general public.

August, 2015 and 2016:

1. Complete tax rate calculations, publish effective rates, and assist taxing units in adopting tax rates.
2. Prepare reports for the State Comptroller's Office.
3. Prepare monthly reports.
4. Continue to maintain records management.

5. Re-check appraisal roll for substantial errors.
6. Generate report of sales information on sales that occurred January 1 through the end of July (EPTS).
7. Submit completed Reports of Property Value to the State Comptroller's office.
8. Begin examining sales and making a determination of areas of concern for the upcoming appraisal year outside of the scheduled reappraisal area to facilitate field work to begin in November.
9. Field examinations/inspections continue through April of the following year.
10. Meet with BOD schedule the budget hearing and finalize the current fiscal year.
11. Publicize the budget and budget hearing date.
12. Submit updated appraisal roll to each taxing unit.
13. Obtain deed records and make ownership changes, splits and combines and update parcels and maps to reflect changes.
14. Continue to provide customer service to the general public.

September, 2015 and 2016:

1. Ensure that sufficient envelopes, forms, paper, postage, etc. are on hand for printing and mailing tax statements.
2. Begin working on any arbitration cases, if necessary.
3. Prepare monthly reports.
4. Continue to maintain records management.
5. Run listing of all Category A property where mailing address and physical address are the same, but no homestead exemption is granted in order to mail property owners a homestead application in the following year.
6. Notify each taxing units' tax assessor/collector of changes to the appraisal roll that require a refund.
7. BOD must adopt the following year's budget by September 15.
8. Obtain deed records and make ownership changes, splits and combines, and ensure that parcels and maps are updated to reflect the changes.
9. Continue to provide customer service to the general public.

October, 2015 and 2016:

1. Print tax rolls and tax statements (early October)
2. Mail tax statements (immediately after printing)
3. Begin printing field appraisal cards for the appropriate reappraisal area(s) for the field appraisers and attach any recheck notes accumulated during the year.
4. Begin working with the Comptroller's office regarding the ratio study in applicable years.
5. Prepare monthly reports.
6. Continue to maintain records management.
7. Prepare and submit 25.25(b) change report to BOD and ARB.
8. Notify appropriate taxing units of any current year lawsuits.
9. Obtain deed records and make ownership changes, splits and combines and update parcels and maps to reflect those changes.
10. Continue to provide customer service to the general public.

November, 2015 and 2016:

1. 2016 field inspections begin.
2. Continue working with the Comptroller's office regarding the ratio study, if necessary.
3. Begin data entry of field appraisal work and uploading pictures.
4. Prepare monthly reports.
5. Continue to maintain records management.
6. Prepare new homestead exemption applications for mail-out during the first part of January.
7. Prepare renditions for mail-out before the end of January.
8. BOD appoints the following year's Ag Advisory Council at a regular meeting.
9. BOD appoints ARB members for the following year at a regular meeting.
10. Submit updated appraisal roll information to each taxing unit.
11. Obtain deed records and make ownership changes, splits and combines, and update parcels and maps to reflect those changes.
12. Continue to provide customer service to the general public.

December, 2015 and 2016:

1. Field inspections continue.
Data entry of field work continues.
2. Continue to work on arbitration cases and lawsuits, if necessary.
3. Continue working with the Comptroller's office regarding the ratio study.
4. Prepare monthly reports.
5. Prepare all homestead exemption applications for surviving spouse of deceased owners for mail out on January 1st.
6. Submit updated appraisal roll information to the taxing units.
7. Obtain deed records and make ownership changes, splits and combines and update parcels and maps to reflect those changes.
8. Continue to provide customer service to the general public.
9. Continue to maintain records management.

2016 Reappraisal Schedule

The same timetable and duties apply in each year. The field appraiser shall physically inspect all property as described in Area 3 along with any other property or category of property identified needing attention. The chief appraiser and CAD staff shall continue to complete the same duties and reappraisal steps as outlined for 2015 unless modifications become necessary due to legislation enacted in 2015.

On this the 11th day of September, 2014 at a Called Meeting of the Board of Directors of Terrell County Appraisal District there came on for consideration a resolution to adopt a biennial re-appraisal plan for the tax years 2015 and 2016. After conducting a public hearing on September 11, 2014, Motion was made by Santiago Flores, seconded by Ada Lee Robbins to authorize the adoption of said plan.

Said motion being put to vote, it carried by a vote of 3 to 0

Those voting "Aye" were:

Rolando Rodriguez

Santiago Flores

Ada Lee Robbins

Those voting "No" were:

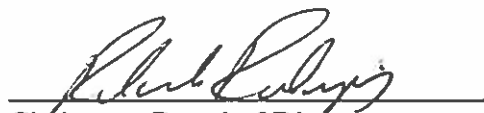
NONE

Those absent were:

Kenn Norris

David Marquez

It is therefore ordered that said resolution be adopted, and recorded in the minutes of this Board of Directors.



Chairman, Board of Directors
Terrell County Appraisal District

STATE OF TEXAS §
COUNTY OF TERRELL §

I, the undersigned, Secretary of the Board of Directors of Terrell County Appraisal District, do hereby certify that the above and foregoing is a true and correct copy of a certain Resolution of the Board of Directors, of record in the minutes of said Board.

Witness my official hand this 11th day of September 2014.



Secretary, Board of Directors
Terrell County Appraisal District

SUMMARY REVALUATION PROGRAM REPORT

INDUSTRIAL PROPERTY

Overview

Industrial property consists of processing facilities and related personal property. Thos. Y. Pickett & Co., Inc. ("Thos Y. Pickett" or "Pickett") is contracted to reappraise this type of property annually for the appraisal district. The completed appraisals are all retrospective in nature. The purpose of the appraisals is to estimate market value as of January 1 in accordance with the definition of market value established in the Texas Property Tax Code (Sec. 1.04). "Market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

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

The effective date of the appraisals is January 1 of the year for which this report is submitted unless the property owner or agent has applied for and been granted September 1 inventory valuation as allowed by Section 23.12(f) of the Texas Property Tax Code. The date of this report is approximately April 20th of the tax year for which it is submitted.

The appraisal results will be used as the tax base upon which a property tax will be levied. The properties are appraised in fee simple in conformance with the Texas Property Tax Code Sec. 25.06. This is a jurisdictional exception to the Standards Rule 6-5 (c) Comment of the Uniform Standards of Professional Appraisal Practice 2004. A listing of the industrial properties appraised by Pickett for the appraisal district is available at the appraisal district office. Industrial properties are normally re-inspected annually.

Documents relevant to an understanding of these appraisals include the confidential rendition, if any, filed with the appraisal district by the owner or agent of the property; other reports described in the Texas Property Tax Code; asset lists and other confidential data supplied by the owner or agent; the General Appraisal Manual adopted by the Texas Comptroller of Public Accounts; Property Assessment Valuation published by the International Association of Assessing Officers and adopted by the Texas Comptroller of Public Accounts; and Engineering Valuation and Depreciation by Marston, Winfrey and Hempstead; and the Texas Property Tax Code.

Pickett's industrial appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. Industrial appraisal staff stays abreast of current trends affecting industrial properties through review of published materials, attendance at conferences, course work and continuing education. All industrial appraisers are registered with the Texas Board of Tax Professional Examiners.

Assumptions and Limiting Conditions

All appraisals are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. The appraisers developing these appraisals are not required to give testimony or attendance in court by reason of the appraisals, unless directed by, employed by, and provided legal counsel by the Appraisal District.
4. The appraisers do not necessarily inspect every property every year.
5. All sketches on the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
6. All information in the appraisal documents have been obtained by members of Thos. Y. Pickett's staff or by other reliable sources.
7. The appraisals were prepared exclusively for ad valorem tax purposes.
8. The appraisers have inspected as far as possible, by observation, the improvements being appraised; however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore, no representations are made as to these matters unless specifically considered in an individual appraisal.

Data Collection and Valuation

Data is collected as part of the inspection process and through later submissions by the property owner. Submitted data may be on a rendition form or in other modes that require confidentiality. Subject property data is verified through previously existing records and through published reports. Additional data are obtained and verified through published sources, regulatory reports and through analysis of comparable properties, if any. Due to the unique nature of many industrial properties there is no standard data collection form or manual.

Valuation Approach and Analysis

The three generally accepted approaches used in determining the Market Value of assets are the cost, income, and market approaches. The following is a brief description of the three general approaches to value.

Cost Approach

The cost approach considers the replacement cost of an asset as an indicator of value. The cost approach is based on the assumption that a prudent investor would pay no more for an asset than the amount for which he could replace or recreate the asset. The cost approach is sometimes performed by estimating the replacement cost of an asset functionally similar to the subject. Often, historical cost data can be used to indicate the current cost of reproduction or replacement. Adjustments are made for physical deterioration and the functional and economic obsolescence of the appraised asset.

Income Approach

The income approach measures the present worth of anticipated future net cash flows generated by the subject assets. The net cash flows are forecast for an appropriate period, or capitalized in the case of a single period model, and then discounted to present value using an appropriate discount rate.

Market Approach

The market approach is performed by observing the price at assets comparable to the subject asset are bought and sold. Adjustments are made to the data to account for capacity differences and other relevant differences between the subject asset and the comparable assets.

Depending on the facts and circumstances of a particular appraisal, applying the three approaches independently of one another can yield conclusions that are substantially different. As the appraisal is performed, the strengths of the individual approaches are considered and the influence of each approach in the appraisal process is weighed according to its likely accuracy.

Industrial properties are generally appraised using replacement/reproduction cost new less depreciation models. Replacement costs are estimated from published sources, other publicly available information and comparable properties. Reproduction costs are based on actual investment in the subject or comparable properties adjusted for typical changes in cost over time. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence and the experience of knowledgeable appraisers. Adjustments for functional and economic obsolescence may be made if utilization and income data for the subject property justify such. Income Approach models (direct capitalization and discounted cash flow) are also used when economic and/or subject property income information is available. Capitalization and discount rates are based on published capital costs for the industry of

the subject property. A market data model based on typical selling prices per unit of capacity is also used when appropriate market sales information is available.

Because cost information is the most readily available type of data, the cost approach model is almost always considered and used. If sufficient data is available, either or both of the other two models are considered and may be used. The market data and income approach models must be reduced by the value of the land in order to arrive at a value of improvements and personal property.

Model calibration in the cost approach involves the selection of the appropriate service life for each type or class of property. Further calibration can occur through the use of utilization or through-put data provided by the owner or agent. Income approach calibration involves the selection of the cost of capital or discount rate appropriate to the type of property being appraised as well as adjusting the projected income stream to reflect the individual characteristics of the subject property. Model calibration in the market data approach involves adjusting sales prices of comparable properties to reflect the individual characteristics of the subject property.

In reconciling multiple model results for a property, the appraiser considers the model results that best address the individual characteristics of the subject property while maintaining equalization among like properties. Final results for each property may be found on the appraisal district's appraisal roll.

Land valuation for industrial properties is the responsibility of appraisal district staff as is the highest and best use analysis of the site. Sites are analyzed for highest and best use as though they were vacant. Highest and best use analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

Review, Testing, and Value Defense

Field review of appraisals is performed through the regular inspection of subject properties. The periodic reassignment of properties among appraisers or the review of appraisals by an experienced appraiser also contributes to the review process. A statistical review of property value changes is also conducted.

Appraisal-to-sales ratios are the preferred method for measuring performance, however sales are very infrequent. Furthermore, market transactions normally occur for multiple sites and include both real and personal property, tangible and intangible, making analysis difficult and subjective. Performance is also measured through comparison with valid single-property appraisals submitted for staff review. Finally, Pickett's industrial appraisal methods and procedures are subject to review by the Property Tax Division of the Texas Comptroller's office. The Comptroller's review, as well as comparisons with

single-property appraisals, indicates the validity of the models and the calibration techniques employed.

Once appraisals have been reviewed and tested for accuracy, they can then be submitted to the taxpayer as value defense for informal protests. Cost, income and market data parameters will be shared with the taxpayer to check for accuracy to insure all cost, economic, and market data are current and allow for any discrepancies the property may have which does not follow the normal trends set forth in the approaches used to value property of that particular type. Any differences in appraisal parameters will be discussed with the taxpayer and adjustments will be made for any incorrect data; if deemed necessary by the appraisal staff.

Should the opinion of value still remain an issue with the taxpayer, a formal protest with the Appraisal Review Board will be recommended. Value defense for the said property will be the same information as provided during the informal discussions. At that time, Thos. Y. Pickett & Co., Inc. will follow all procedures for formal appraisal review board hearings as specified by the Terrell County Appraisal District, its Appraisal Review Board, and current Texas Property Tax Code laws, specifically Chapter 41. Local Review, which insures compliance with HB 201.

SUMMARY REVALUATION PROGRAM REPORT

OIL AND GAS RESERVES

Overview

Oil and gas reserves consists of interests in subsurface mineral rights. Thos. Y. Pickett & Co., Inc. ("Thos. Y. Pickett" or "Pickett") is contracted to reappraise this type of property annually for the appraisal district. The completed appraisals are all retrospective in nature. The purpose of the appraisals is to estimate market value as of January 1 in accordance with the definition of market value established in the Texas Property Tax Code (Sec. 1.04). "Market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

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

The effective date of the appraisals is January 1 of the year for which this report is submitted. The date of this report is approximately April 20 of the tax year for which it is submitted.

The appraisal results will be used as the tax base upon which a property tax will be levied. Each mineral interest is listed on the appraisal roll separately from other interests in the mineral in place in conformance with the Texas Property tax Code Sec. 25.15. A listing of the oil and gas properties appraised by Pickett for the appraisal district is available at the appraisal district office. Subsurface mineral rights are not susceptible to physical inspection. This condition creates the need to invoke the Departure Provision as required by the Standards Rule 6-7 (f) comment of the Uniform Standards of Professional Practice 2004 Edition. However, the inability to physically examine the property does not affect the appraisal process nor the quality of the results. The appraisal district is aware of this limiting condition and agrees that it is appropriate.

Documents relevant to an understanding of these appraisals include the confidential rendition, if any, filed with the appraisal district by the owner or agent of the property; other reports described in the Texas Property Tax Code; and other confidential data supplied by the owner or agent; the General Appraisal Manual adopted by the Texas Comptroller of Public Accounts; Property Assessment Valuation published by the International Association of Assessing Officers and adopted by the Texas Comptroller of Public Accounts and the Texas Property Tax Code.

Pickett's oil and gas appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. Oil and gas appraisal staff stays abreast of current trends affecting oil and gas properties through review of published materials, attendance at conferences, course work and continuing education. All oil and gas appraisers are registered with the Texas Board of Tax Professional Examiners.

Assumptions and Limiting Conditions

All appraisals are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. The appraisers developing these appraisals are not required to give testimony or attendance in court by reason of the appraisals, unless directed by, employed by, and provided legal counsel by the Appraisal District.
4. The appraisers do not inspect every property every year.
5. All sketches on the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
6. All information in the appraisal documents have been obtained by members of Thos. Y. Pickett's staff or by other reliable sources.
7. The appraisals were prepared exclusively for ad valorem tax purposes.

Data Collection and Valuation

Data on the subject properties is collected from required regulatory reports from the Texas Railroad Commission and the Texas Comptroller of Public Accounts and by the property owner. Submitted data may be on a rendition form or in other modes that require confidentiality. Subject property data is verified through previously existing records and through published reports. Additional data are obtained and verified through published sources, regulatory reports and through analysis of comparable properties, if any. Due to the unique nature of many oil and gas properties there is no standard data collection form or manual.

Valuation Approach and Analysis

The three generally accepted approaches used in determining the Market Value of assets are the cost, income, and market approaches. The following is a brief description of the three general approaches to value.

Cost Approach

The cost approach considers the replacement cost of an asset as an indicator of value. The cost approach is based on the assumption that a prudent investor would pay no more

for an asset than the amount for which he could replace or recreate the asset. The cost approach is sometimes performed by estimating the replacement cost of an asset functionally similar to the subject. Often, historical cost data can be used to indicate the current cost of reproduction or replacement. Adjustments are made for physical deterioration and the functional and economic obsolescence of the appraised asset.

Income Approach

The income approach measures the present worth of anticipated future net cash flows generated by the subject assets. The net cash flows are forecast for an appropriate period, or capitalized in the case of a single period model, and then discounted to present value using an appropriate discount rate.

Market Approach

The market approach is performed by observing the price at assets comparable to the subject asset are bought and sold. Adjustments are made to the data to account for capacity differences and other relevant differences between the subject asset and the comparable assets.

Depending on the facts and circumstances of a particular appraisal, applying the three approaches independently of one another can yield conclusions that are substantially different. As the appraisal is performed, the strengths of the individual approaches are considered and the influence of each approach in the appraisal process is weighed according to its likely accuracy.

All oil and gas interest values are arrived at through an appraisal of the whole property. Each fractional interest is then assigned a value on the basis of its relative share of expenses and income. Multiple producing zones in the same well may be treated as separate properties.

Oil and gas properties are principally appraised through the income approach to value. Specifically, the discounted cash flow (DCF) technique is used almost exclusively. The almost exclusive reliance on income approach methods, adjusted for risk and market conditions, is typical of the oil and gas industry in dealings between buyers and sellers as well as in single-property appraisals. A mineral property's intrinsic value is derived from its ability to generate income by producing oil and/or gas reserves.

Income approach calibration involves the selection of the cost of capital or discount rate appropriate to the type of property being appraised as well as adjusting the projected revenue stream to reflect the individual characteristics of the subject property. The DCF model is also calibrated through the use of lease operating expenses that reflect the individual characteristics of the subject property.

A jurisdictional exception to the DCF model, as this process is described in the Statement on Appraisal Standards No. 2 of the Uniform Standards of Professional Appraisal Practice 2004 Edition, must be taken. Section 23.175 (a) of the Texas Property Code specifies that the price of oil and gas used for the first year of the DCF analysis must be

the average price of the oil and gas received from the interest for the preceding year. Furthermore, the prices used for succeeding years may not increase at a rate greater than the rate of increase projected by the Texas Comptroller's office for revenue estimating purposes nor may the price used in any succeeding year exceed 150 percent of the price used in the first year of the DCF analysis. Additionally, Section 23.175 of the Texas Property Code restricts appraisal districts to the discounting methods and procedures specified by the Texas Comptroller's Office for oil and gas properties. The final results for each property may be found on the appraisal district's appraisal roll.

Highest and best use analysis of the oil and gas reserves is based on the likelihood of the continued use of the reserves in their current use. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

Review, Testing and Value Defense

Review of appraisals is performed through a comparison of income indicators and compliance with Section 23.175 of the Texas Property Tax Code. A review of property values with respect to year-to-year changes and with respect to industry-accepted income indicators is conducted annually. The periodic reassignment of properties among appraisers or the review of appraisals by an experienced appraiser also contributes to the review process.

Appraisal-to-sales ratios are the preferred method for measuring performance, however sales are very infrequent. Furthermore, market transactions normally occur for multiple sites and include both real and personal property, tangible and intangible, making analysis difficult and subjective. Performance is also measured through comparison with valid single-property appraisals submitted for staff review. Finally, Pickett's mineral appraisal methods and procedures are subject to review by the Property Tax Division of the Texas Comptroller's office. The Comptroller's review, as well as comparisons with single-property appraisals, indicates the validity of the models and the calibration techniques employed.

Once appraisals have been reviewed and tested for accuracy, they can then be submitted to the taxpayer as value defense for informal protests. Cost, income and market data parameters will be shared with the taxpayer to check for accuracy to insure all cost, economic, and market data are current and allow for any discrepancies the property may have which does not follow the normal trends set forth in the approaches used to value property of that particular type. Any differences in appraisal parameters will be discussed with the taxpayer and adjustments will be made for any incorrect data; if deemed necessary by the appraisal staff.

Should the opinion of value still remain an issue with the taxpayer, a formal protest with the Appraisal Review Board will be recommended. Value defense for the said property will be the same information as provided during the informal discussions. At that time,

Thos. Y. Pickett & Co., Inc. will follow all procedures for formal appraisal review board hearings as specified by the Terrell County Appraisal District, its Appraisal Review Board, and current Texas Property Tax Code laws, specifically Chapter 41. Local Review, which insures compliance with HB 201.

THOS. Y. PICKETT & COMPANY, INC.
REAPPRAISAL TIMELINE - TERRELL COUNTY APPRAISAL DISTRICT 2015-2016

EVENT	DEC 14	JAN 15	FEB 15	MAR 15	APR 15	MAY 15	JUN 15	JUL 15	AUG 15	SEP 15	OCT 15	NOV 15	DEC 15
Industrial Property Inspections													
Personal Property Inspections													
New Discovery Property Inspections													
New Mineral Property Discovery													
Mineral Property Valuations													
Industrial/Personal Valuations													
Copy of Renditions to "TYP/Review All"													
Late/Extended Renditions to "TYP/Review All"													
Notices Generated by Thos. Y. Pickett & Co., Inc.													
Informal Meetings With Owners/Agents													
Appraisal Review Board Hearings on "TCAD Selected Date"													
Certified Values to TCAD On or Before													
Address Any "25.25 Correction Protest As Required"													
Submit Data For Property Value Study													
Review Initial Category G Ratios/ Informal Hearing If Necessary													
Review Utility Category J Ratios/Informal Hearing If Necessary													
File Formal Protest as Required													
Category J and G Ratios/Hearing Before "Adm. Law Judge"													

NOTE: Same timeline for 2016 unless revisions required by change in statutes or TCAD policy.

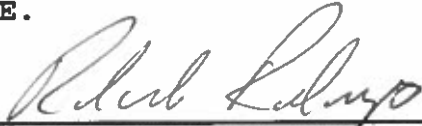
- * "TYP" will mean Thos. Y. Pickett & Co., Inc.
- * "TCAD" will mean Terrell County Appraisal District
- * "Category G" will mean Oil and Gas Mineral Reserves as described by the Property Tax Division of the State of Texas Comptroller's Office
- * "Category J" will mean Utility property as described by the Property Tax Division of the State of Texas Comptroller's Office
- * "25.25 Corrections" will mean Section 25.25 Correction of Appraisal Roll as described in the Texas Property Tax Code
- * "Adm." will mean Administrative

BUDGET

TERRELL COUNTY APPRAISAL DISTRICT

FISCAL 2015

**WE, THE UNDERSIGNED, CERTIFY THAT THE ATTACHED BUDGET OF THE ABOVE NAMED
WAS APPROVED AT A CALLED MEETING OF THE BOARD OF DIRECTORS ON SEPTEMBER 11,
2014 FOLLOWING A PUBLIC HEARING AS REQUIRED BY \$6.062 TEXAS PROPERTY TAX
CODE.**



CHAIRMAN-BOARD OF DIRECTORS



SECRETARY-BOARD OF DIRECTORS

TERRELL COUNTY APPRAISAL DISTRICT
FISCAL 2015 BUDGET

FUND 890	REVENUES:		
00 5749 00 000 000000		REVENUE FROM COUNTY	\$ 74,390.00
00 5749 01 000 0000000		REVENUE FROM SCHOOL	\$110,280.00
00 5749 03 000 0000000		REVENUE FROM TCGWCD	\$ 1,490.00
00 5749 02 000 000000		MISC REVENUE-LOCAL SOURCES	\$ -0-
FUND 890		REVENUE TOTAL	\$186,160.00

FUND 890

EXPENDITURES:

FUNCTION 41-GENERAL ADMINISTRATION

PAYROLL COSTS

41-6119-21-703-599	SALARY/CHIEF APPRAISER (L)	\$ 37,850.00
41-6129-21-703-599	SALARY/DEPUTY CHIEF APPRAISER (L)	\$ 19,320.00
41-6129-22-703-599	SALARY/CLERK (L)	\$ 16,570.00 (C)
41-6141-21-703-599	MEDICARE/CHIEF APPRAISER & DEPUTY (L)	\$ 830.00
41-6141-22-703-599	MEDICARE/CLERK (L)	\$ 240.00 (C)
41-6142-21-703-599	HOSP INS/CHIEF APPRAISER & DEPUTY (L)	\$ 7,160.00
41-6142-22-703-599	HOSP INS/CLERK (L)	\$ 3,580.00 (C)
41-6143-21-703-599	WORKMAN'S COMPENSATION (L)	\$ 210.00
41-6143-22-703-599	WORKMAN'S COMPENSATION/CLERK (L)	\$ 70.00 (C)
41-6146-21-703-599	EMPLOYER'S TRS CONTRIBUTION (L)	\$ 320.00
41-6146-22-703-599	EMPLOYER'S TRS CONTRIBUTION (L)	\$ 100.00 (C)
TOTAL 61XX		<u>\$ 86,250.00</u>

PURCHASED AND CONTRACTED SERVICES

41-6211-00-703-599	LEGAL SERVICES (L)	\$ 500.00
41-6211-01-703-599	LEGAL SERVICES ARB (L)	\$ 500.00
41-6212-00-703-599	AUDIT SERVICES (L)	\$ 3,500.00
41-6213-00-703-599	TAX EVALUATION/PICKETT (50/50)	\$ 45,250.00
41-6219-00-703-599	CONTRACTED SERVICES/GENERAL (L)	\$ 1,900.00
41-6219-01-703-599	APRAISAL SUPPORT & MAINT (55/45)	\$ 18,150.00
41-6219-02-703-599	COLLECTIONS SUPPORT & MAINT (55/45)	\$ 8,040.00 (C)
41-6219-04-703-599	XEROX COPIER RENTAL (L)	\$ 2,680.00
41-6219-06-703-599	GIS MAINTENANCE & SUPPORT (55/45)	\$ 4,300.00
TOTAL 62XX		<u>\$ 84,820.00</u>

SUPPLIES AND MATERIALS

41-6399-00-703-599	COMPUTER/OFFICE SUPPLIES (L)	\$ 3,000.00
41-6399-01-703-599	SUPPLIES/EQUIP REPLACEMENT (55/45)	\$ 1,000.00
TOTAL 63XX		<u>\$ 4,000.00</u>

OTHER OPERATING EXPENSES

41-6411-00-703-599	TRAVEL/CHIEF APPRAISER (50/50)	\$ 1,000.00
41-6411-01-703-599	TRAVEL/DEPUTY & CLERK (50/50)	\$ 1,200.00
41-6419-00-703-599	TRAVEL & TRAINING/ARB (50/50)	\$ 700.00
41-6599-00-703-599	FEES & DUES (50/50)	\$ 1,500.00
TOTAL 64XX		<u>\$ 4,400.00</u>

TOTAL FUNCTION 41

\$179,470.00

FUNCTION 51-PLANT MAINTENANCE & OPERATION

PAYROLL COSTS

51-6129-00-703-599	SALARY/CUSTODIAN (L)	\$ 1,390.00
51-6141-00-703-599	MEDICARE/CUSTODIAN (L)	\$ 20.00
51-6143-00-703-599	WORKMAN'S COMPENSATION/CUSTODIAN (L)	\$ 70.00
51-6146-00-703-599	EMPLOYER'S TRS CONTRIBUTION (L)	\$ 10.00
TOTAL 61XX		<u>\$ 1,490.00</u>

PURCHASED AND CONTRACTED SERVICES

51-6259-01-703-599	WATER & SANITATION (L)	\$ 400.00
51-6259-02-703-599	TELEPHONE (L)	\$ 700.00
51-6259-03-703-599	ELECTRICITY (L)	\$ 2,000.00
TOTAL 62XX		<u>\$ 3,100.00</u>

OTHER OPERATING EXPENSES

51-6429-00-703-599	PROPERTY INSURANCE (L)	\$ 2,100.00
TOTAL 64XX		<u>\$ 2,100.00</u>

TOTAL FUNCTION 51

6,690.00

TOTAL EXPENDITURES

\$186,160.00