

FOARD COUNTY APPRAISAL DISTRICT  
PLAN FOR PERIODIC REAPPRAISAL  
FOR TAX YEARS 2023 & 2024

AS ADOPTED BY THE BOARD OF DIRECTORS

*Michael Bowman*

Chairman or Vice Chairman

*8/25/22*

Date

*Bobby Milton*

Chief Appraiser

*8-25-22*

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<b>EXECUTIVE SUMMARY</b>	

#### **TAX CODE REQUIREMENT:**

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

To ensure adherence with generally accepted appraisal practices, the board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10<sup>th</sup> 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 Requirements:**

Senate Bill 1652 amends Section 25.18, Subsection (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. identify and updating relevant characteristic 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 restriction;
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.

## USPAP

The Tax Code, Section 23.01 , appraisals generally, subsection (b) states:

The market value of property shall be determined by the application of generally accepted appraisal methods and Techniques. If the appraisal district determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with The Uniform Standards of Professional Appraisal Practice, The same or similar appraisal methods and techniques shall be used in appraising the same or similar kinds of property. However, each property shall be appraised based upon the individual characteristics that affect the property's market value.

## \*SCOPE OF RESPONSIBILITY

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

The Foard County Appraisal District 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. The Board of Directors, elected by the taxing units within the boundaries of Foard County, constitutes the district's governing body. The chief appraiser, appointed by the Board of Director's, is the chief administrator and chief executive officer of the appraisal district.

The appraisal district is responsible for local property tax appraisal and administration for all taxing entities in the county. The taxing entities are as follows:

Foard County & Foard County Road  
Crowell ISD  
City of Crowell  
Foard County Hospital District  
Gateway Groundwater Conservation District  
Vernon ISD

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

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

- exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- both the seller and the 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 other.



The Texas Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec. 23.23), productivity (Sec. 23.41 real property inventory (Sec. 23.12), dealer inventory (Sec. 23.121, 23.124, 23.1241, nominal (sec. 23.18) or restricted use properties (Sec. 23.83) and allocation of interstate property (Sec. 23.03). The owner of real property inventory may elect to have the inventory appraised at its market value as of September 1<sup>st</sup> 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 1<sup>st</sup>.

The Texas Property Tax Code, under Section 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. The district's policy is to conduct a general reappraisal of taxable property every year. Appraised values are reviewed annually and are subject to change. All properties are appraised every year. Tax year 2023 and tax year 2024 are reappraisal years.

The appraised value of real estate is calculated using specific information about each property. Using computer-assisted mass appraisal programs and recognized appraisal methods and techniques, the appraisal district compares that information with the data for similar properties and with recent cost and market data. The district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices, 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.

## PERSONNEL RESOURCES

The office of the Chief Appraiser is primarily responsible for overall planning, organizing, staffing, coordinating, and controlling of the appraisal district operations.

The district's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulations.

The appraisal district staff consists of 1 employees with the following classifications:

- \* Holly Morton RPA Chief Appraiser

All personnel that are performing appraisal work are registered with the Texas Department of Licensing and Regulation and are required to take appraisal courses to achieve the status of Registered Professional Appraiser within five years of employment as an appraiser. After they are awarded their license, they must receive additional training as required to maintain certification. Failure to meet these minimum standards results in termination of employment.

Additionally, the chief appraiser ensures that personnel receives on-the-job training to ensure quality and uniformity of appraisals of all types of property and monitors appraisal activity to ensure that standardized appraisal procedures are being followed by all personnel.

## REVALUATION DECISION (REAPPRAISAL CYCLE):

The Foard CAD, by policy adopted by the Board of Directors and the Chief Appraiser, reappraises all property in the district every year. The reappraisal consist of field inspections, CAMA, or both. The reappraisal year is a complete appraisal of all properties in the district according to page 45 of the Foard County Appraisal Reappraisal Plan (pertaining to which areas to be physically inspected). Tax year 2023 is a reappraisal year and tax year 2024 is a reappraisal year. 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.

The Foard CAD. reappraises property on a three year cycle as indicated on page 45 number I (a) and (b) of the Reappraisal Plan. Tax year 2021 is a reappraisal year and tax year 2022 is a reappraisal year. 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.

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. The district staff checks the local newspaper the Foard County News for any changes that pertain to 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 provide 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. These changes are found by driving the area and word of mouth, noticing where a concrete truck may be going, locating new electric polls and reviewing Google Earth for Foard CAD.

Foard County Appraisal District compiles all sales data for use in building schedules. This data is entered into the computer and Pritchard & Abbott, Inc. then uses this data to build the appraisal schedules. Ratio studies are ran by FCAD and Pritchard & Abbott, Inc. and this information is then reviewed and discussed between the chief appraiser and P & A. As stated on pages 9 & 16 of this Reappraisal Plan.

## PERFORMANCE ANALYSIS

Performance Analysis — the equalized values from the previous tax year are analyzed with ratio studies to determine the appraisal accuracy and appraisal uniformity overall and by market area within property reporting categories. Ratio studies are conducted in

compliance with the current Standard on Ratio Studies of the International Association of Assessing Officers. Mean, median and weighted ratios are calculated for properties in reporting categories to measure the level of appraisal accuracy. The mean ratio is calculated in each reappraised category. In 2021, the reappraisal year, this analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance. In 2021, the reappraisal year, this analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance. In 2021 and 2022, any reporting category that was possibly 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.

Ratio studies are performed by Foard County Appraisal District and Pritchard & Abbott, Inc. 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.

## ANALYSIS OF AVAILABLE RESOURCES:

Staffing and budget requirements for tax year 2023 are detailed in the 2023 budget, as adopted by the Board of Directors of the Foard 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 2023 and anticipated staffing for tax year 2023. Budget restraints can impact the cycle of real property re-inspection and personal property on-site review that can be accomplished in the 2023-2024 time period.

Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current. In the reappraisal year, real property appraisal depreciation tables are tested against verified sales date 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 there is little change in the schedules.

Information Systems (IS) support is detailed and system upgrades are scheduled. Existing maps and data requirements are updated each quarter by sending deeds to Pritchard & Abbott, Inc. in Amarillo.

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 request 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 appraisal companies may face 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 by Pritchard & Abbott, Inc. 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 when the legislature is in session. These new laws may require adjustment 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 2023 and 2024. Production standards for field activities are calculated and incorporated in the planning and scheduling process.

Pritchard & Abbott will begin the field inspections in September of 2022 and will complete all inspections and schedules by April 1, 2023 for the 2023 tax year.

Pritchard & Abbott will begin the field inspections in September of 2023 and will complete all inspections and schedules by April 1, 2024 for the 2024 tax year.

Please refer to page 49 of this reappraisal plan for the reappraisal schedule (calendar).

## MASS APPRAISAL SYSTEM

Computer Assisted Mass Appraisal (CAMA) system revisions are completed by the Information System Software Provider. System revisions and procedures are performed by the Provider. Foard County Appraisal District contracted with Pritchard & Abbott, 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 the 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. The following equation is the one to be used by the district:

$$MV = (RCNLD) MA + LV$$

In the formula above, the replacement cost new less depreciation (RCNLD) of the improvements are multiplied by the appropriate neighborhood market adjustment factor (MA) to arrive at a current improvement value. The current improvement value is added to the land value (LV) to arrive at an estimate of market value (MV). Market adjustments will be applied uniformly within neighborhoods to account for market preferences affecting value at each location throughout the district.

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.

All schedules for appraising property in the Foard County Appraisal District are built and tested by Pritchard & Abbott, Inc. with the exception of the schedules for non-income producing personal property (vehicles).

## PERSONAL PROPERTY

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.

Income Producing Personal Property vehicles are appraised using the mass appraisal technique to arrive at market value, using price guides from the Automobile Red Book by Price Digest. This type of guide allows for the appraisal of these types of properties using a typical value for properties of the same type. The guide is updated each year and the January I edition is used to appraise these properties. In Oder to be equal and uniform the same guide is used to arrive at the market value of these types of properties. The average wholesale price is used to establish value. The list of properties with ownership, license number, title number, make and model VIN number, etc. is purchased from INFONATION, INC.



## Noticing Process

25.19 Appraisal Notice forms are provided by the IS Provider. The Provider reviews and edits for updates and changes required by the 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.

When a protest is filed with the district and appointment time is set up for the protesting property owner or their appointed agent. If a settlement and waiver of protest is agreed upon it so noted and this appointment time can be used for someone else.

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

Field and office procedures are reviewed and revised as required for data collection. Activities for each tax year include new construction, demolition, remodeling, reinspection of problematic market areas, re-inspection of the universe of properties on a specific cycle, and field or office verification of sales date and property characteristics. Schedules are built by Pritchard & Abbott, Inc. the chief Appraiser visually inspects the properties and applies the scheduled to the properties. 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 the inspection.

## NEW CONSTRUCTION/DEMOLITION

The appraiser performing the reappraisals in the field have field cards that contain specific information regarding the property to be 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 as necessary.

New Construction field and office review procedures are identified and revised as required. The city of Crowell does not issue building permits. New construction and demolition is viewed during the year by field inspection.

## REMODELING

Properties with extensive improvement remodeling are identified and field inspections are scheduled to update property characteristic data. Visual sightings by District staff and property owners are key components in this area. Notes made throughout the year of remodeling projects are observed and provided by the chief appraiser.

## 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 this test 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 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 being inspected and makes notes of changes, depreciation changes, remodeling, addition, etc. the annual re-inspection for tax years 2023 and 2024 are identified and scheduled in the written reappraisal plan.

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

Sales information received from deed transactions by the District will then be mailed out sales letters to the sellers and purchasers in an effort to obtain additional sales information. The sales information is entered in the computer system according to the parcel identification number. These sales are then viewable by Pritchard & Abbott, Inc. to be used in building the schedules.

When the appraiser goes out into the field working copies of appraisal cards are used. Changes to the existing cards are made concerning 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 measured.

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 a statistical analysis result will be valid.

### PILOT STUDY BY TAX YEAR

New and/or revised mass appraisal models are tested each 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 are 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. Data is extracted from the market by paired sales analysis. Schedules are formulated by Pritchard & Abbott, Inc.

The residential schedule is based on quality of construction, size of structure, condition of structures, 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 materials 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.

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.
3. Condition of improvements: The District rates conditions as salvage, very poor, poor, fair, average, good, very good and excellent. Upon physical inspection the appraiser, using their own judgment of age and condition of the structure, applies a depreciation factor. The depreciation tables are calculated by Pritchard & Abbott, Inc. Properties that, in the opinion of the appraiser, are unlivable are appraised at a salvage value.
4. Age of Structure: The District's appraiser assigns an approximate effective age. This method is supported by conversations with local property owners and the appraisers own knowledge to estimate the economic life of residential properties to be approximately 50 years.
5. Older properties within an age bracket are given 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 may or may not be the same depending on the condition of the structure.
6. 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.
7. 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 tracts are purchased based on the price per square foot, and residential properties are purchased based on price per front foot. Depth factors are used to modify values according to market indicators. Land prices vary throughout the district, therefore, their values are dependent upon homogenous areas.

Inspections of property are made by exterior perspective, so the interior finish as well as interior components are assumed and are not adjusted. 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 using the schedules produced by Pritchard & Abbott, Inc.

#### VALUATION BY TAX YEAR

Using market analysis of comparable sales and locally tested cost data, valuation models (Cost Per Square Foot Schedules) are specified and calibrated in compliance with supplemental standards from the International Association of Assessing Officers and the

Uniform Standards of Professional Appraisal Practice. The calculated values are tested for accuracy and uniformity using ratio studies. Performance standards are those as established by the IAAO Standard on Ratio Studies. Property values in all market areas are updated each reappraisal year. Tax year 2023 is a reappraisal year and tax year 2024 is a reappraisal year. 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

#### SPECIAL INVENTORY RESIDENTIAL PROPERTY

Sales Comparison Approach to Value

Cost Approach to Value

Income Approach to Value

#### MULTIFAMILY RESIDENTIAL PROPERTY

Sales Comparison approach to Value

Cost Approach to Value

Income Approach to Value

#### COMMERICAL REAL PROPERTY

Sales comparison Approach to Value

Cost Approach to Value

Income Approach to Value

#### VACANT REAL PROPERTY

Sales Comparison Approach to Value

Cost Approach to Value

Income Approach to Value

#### 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

Timber Use

## INDUSTRIAL TANGIBLE PERSONAL PROPERTY

Sales Comparison Approach to Value

Cost Approach to Value

Income Approach to Value

## BUSINESS TANGIBLE PERSONAL PROPERTY

Sales comparison approach to Value

Cost 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. Sales are 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, regulations, and environmental conditions. These factors have an impact on the value of properties within this grouping and in turn on properties appraised.

Individual neighborhoods boundaries within the district vary according to market indications and the type of property 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 same school district. Commercial neighborhoods may be smaller areas within a city, an entire city, 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 lacking, then sales from competing neighborhoods are located and appropriate adjustments are made in the form of market modifiers. Modifiers are applied to cost schedules to indicate mass appraisal values for a given neighborhood. Therefore, the sales comparison approach is blended with the cost approach to create a hybrid of these two approaches to value.

## Cost Approach to Value

The cost model categories 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 rent data can be determined. Databases or data sources for income producing residential properties are not available in the Foard County area. Therefore, the income approach to value is not used in the residential mass appraisal report but is used for other types of properties.

Additional information concerning approaches to value for specific types of properties, such as minerals, utilities, industrial, pipelines, industrial personal property, etc. are found in the PLAN by Pritchard & Abbot, Inc. that performs those appraisals and builds the schedules for FCAD.

## 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:  $\text{net-to-land (all ag. related income streams-all ag. related expenses) / cap rate = ag. value.}$

## 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 15<sup>th</sup>). The Mass Appraisal Report will be 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 plan is attached to the report by reference.



## CERTIFICATION STATEMENT

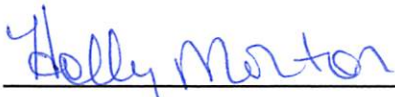
I certify that to the best of my knowledge and belief:

██████████ the statements of fact contained in this report are true and correct; \_ the report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, unbiased professional analyses, opinions, and conclusions.

██████████ I have no present or prospective interest in the properties that are the 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, in conformity with the Uniform Standards of Professional Appraisal Practice.

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 clerk, and various representatives of Pritchard & Abbott, Inc.

- the person signing this certification (each person providing significant professional assistance has signed below).



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Chief Appraiser, Date Foard  
County Appraisal District

## LIMITING CONDITIONS

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

1. The appraisals were prepared exclusively for ad valorem tax purposes.
2. The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the

property appraised were performed as staff resources and time allowed.

3. Validation of sales transactions were attempted through questionnaires to buyer and seller and field review.

CERTIFICATION STATEMENT:

"I, Holly Morton Chief Appraiser for the Foard County Appraisal District, 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."

*Holly Morton*

Chief Appraiser

*8-25-2022*

Date

## Value Defense

Evidence used by the appraisal district to meet its burden of proof for market value and equity in both informal Appraisal Review Board hearings are specified and tested. Note: the appraisal district identifies the evidence used in informal and formal hearings by property type and the steps 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 NON-  
INCOME PRODUCING PERSONAL PROPERTY VEHICLES INDUSTRIAL  
TANGIBLE PERSONAL PROPERTY

Informal hearings will be conducted by phone, mail, or in person by the 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 Property Taxpayers Remedies published by the State comptroller's office. If protest hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing 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 Tax Code, will any confidential income, expense, sales, or other information received from taxpayers on specific accounts be released.

### Computer Assisted Mass Appraisal System

The Chief Appraiser will go out into the field with working copies of FCAD appraisal cards to inspect the properties appraised for the reappraisal. These cards reflect changes and notes made during the field inspection. The FCAD staff will enter the data from the cards into the computer, Pictures taken by the appraiser and submitted on a timely basis for downloading by appraisal district staff.

The appraisal district staff will be responsible for entering all name and address changes received in writing, entering any exemption changes, as well as any supplemental changes.

Pritchard & Abbott, Inc. is responsible for preparing all appraisal schedules except for non-income personal property vehicle schedules. The schedules will be developed by using sales information received by FCAD staff.

Pritchard & Abbott, Inc. are the providers of the computers and software used in the Foard County Appraisal District Office. They are responsible for providing training and assisting FCAD staff concerning use of existing and new programs.

### ARB Appeal Procedures:

After the Appraisal Review Board hears and determines all timely filed protests, and the district mails, by certified mail with a 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 either file suit in district court or file a request for arbitration. Information on procedures for appealing and ARB order is included in the order along with a Request for Binding Arbitration form.

## THE WRITTEN REAPPRAISAL PLAN FOR FOARD COUNTY APPRAISAL DISTRICT

### PLANNING A REAPPRAISAL

Variation in reappraisal requirements requires the Foard 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 Foard 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 identifying performance objectives specific action plans and schedules identify critical activities with completion date set production standards for field activities.
5. Mass Appraisal System:  
forms and procedures revised as necessary CAMA (computer assisted mass appraisal) systems revisions as required.
6. Conduct Pilot Study: test new/revised appraisal methods as applicable  
conduct ratio studies determine if values are accurate and reliable.
7. Data Collection check for new construction check properties that have undergone remodeling reinspection of problematic properties  
reinspection of universe of properties on cyclic basis
8. Valuation:  
market analysis(based on ratio studies)  
schedule development application of  
revised schedules calculation of

preliminary values tests of values for  
accuracy and uniformity

9. The Mass Appraisal Report: establish scope of work compliance with Standards Rule 6-7 of USPAP signed certification by the chief appraiser as required by Standards Rule 68 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.

## REAPPRAISAL PLAN FOR TAX YEARS 2021 AND 2022

### FOR RESIDENTIAL PROPERTIES & STRUCTURES CATEGORIES A & E

Identifying Properties to be appraised: The properties within the City of Crowell, Foard County & Road, Crowell I.S.D., Foard County Hospital District and Gateway Groundwater Conservation District will be physically inspected once every three years ( not including yearly maintenance). For 2023 and 2024 there has been some change in market values in the average home in these years. Very little new construction is taking place in the area. Sales data for the area reflects a very small turnover of properties. Sales permits are not issued in order to build any new structures. The goal of FCAD for 2021 is to drive the city limits of Crowell including the Original Town of Crowell and all the Subdivision. Andrews I. & II., Packs Addition, Witherspoon, Orient Heights, Klepper & Beverly, Hart, Ferrel, Beverly & Martin and the rural areas (that contain residential properties A & E ) located outside the city limits of Crowell in Thalia, Margaret and Foard City. In 2023, all rural abstracts containing category A & E properties will be physically inspected . The deed records will be inspected monthly to gather ownership changes and sale letters will be sent to both the Grantor and Grantee at the time of the ownership change in order to gather sales information and enter it into the computer system for Pritchard & Abbott, Inc. to run ratio studies to build the schedules used in these appraisals.

Identifying and updating relevant characteristics of each property in the appraisal records: This is completed through personal inspection by the chief appraiser by verifying and completing the property record characteristic data (class of residence, square footage, age, condition, roof type, foundation, porch type, garage, storage, etc). Other sources for data collection could be mechanic liens and confidential renditions. Additional data can be gathered through neighborhood and comparable property analysis.

Defining market areas within the district: All of Foard CAD is a market area.

Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determining the contribution of individual property characteristics: The appraiser must determine the "highest and best use" of all types of property within the jurisdiction.

Of the three approaches to value (cost, sales comparison and income) residential properties rely mainly on the sales comparison approach to value. The cost



approach, replacement/reproduction cost new less depreciation, is to be considered in verification of local modifiers as well as physical depreciation calibration.

Comparison and Review: the appraiser considers results and best addresses the individual characteristics of the subject property when multiple models are used. Year to year property value changes are reviewed for reasonable confidence. Ratio studies measure the accuracy and uniformity of the results. Random samples are selected for individual sales analysis. Outliner properties are re-driven and related sales data re-confirmed, when possible. This category of properties is also reviewed by the State Comptrollers' Office through the biennial Property Value Study.

REFER TO PAGE 45 FOR REAPPRAISAL CYCLE AND AREAS.

\*ALL RESIDENTIAL PROPERTY SCHEDULES ARE DEVELOPED BY PRITCHARD & ABBOTT, INC.

## REAPPRAISAL PLAN FOR TAX YEARS 2021 AND 2022

### COMMERCIAL & INDUSTRIAL PROPERTIES F1 & F2

Identifying Properties to be appraised: The properties within the City of Crowell, Foard County & Road, Crowell I.S.D., Foard County Hospital District and Gateway Groundwater Conservation District will be physically inspected once every three years not including yearly maintenance) or the properties appraised Pritchard & Abbott, Inc. under contract such as Crowell Contract & Design and the Grain Elevators. Other commercial properties that may be inspected are determined by the collection of data both public and confidential to assist in the identification of properties. For 2021, Commercial & Industrial F1 & F2 properties will be physically inspected inside the City Limits of the City of Crowell. In 2023 , F2 Commercial & Industrial properties will be physically inspected located outside the Crowell City Limits on Rural Abstracts. These properties property characteristics will be verified and/or completed. Sales and lease data will need to be collected and verified. Also deed records will be inspected monthly to gather ownership changes and sale letters will be sent to both the Grantor and Grantee at the time of the ownership change in order to gather sales information and enter it into the computer system for Pritchard & Abbott, Inc. to run ratio studies to build the schedules used in these appraisals.

Identifying and updating relevant characteristics of each property in the appraisal records: This is completed through personal inspection by the chief appraiser by verifying and completing the property record characteristic data. Other sources for data collection could be mechanic liens, confidential renditions, deeds, and deeds of trust. Additional data can be gathered through neighborhood and comparable property analysis.

**\*\*Defining market areas within the district: All of Foard CAD is a market area.**

Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determining the contribution of individual property characteristics: The appraiser must determine the "highest and best use" of all types of property within the jurisdiction.

Of the three approaches to value (cost, sales comparison and income) commercial

Properties rely on the income approach to value subject to availability of relevant data. The cost approach, replacement/reproduction cost new less depreciation, is applicable and considered to assist accuracy and uniformity, in the development of local modifiers, and the calibration of tables and schedules.

Sales comparison data is utilized when available.

Comparison and Review: The appraiser considers results and best addresses the individual characteristics of the subject property when multiple models are used. Year to year property value changes are reviewed for reasonable confidence. Ratio studies measure the accuracy and uniformity of the results.

\*These schedules are prepared by Pritchard & Abbott, Inc.

REFER TO PAGE 45 FOR REAPPRAISAL CYCLE AND AREAS.

## REAPPRAISAL PLAN FOR TAX YEARS 2021 AND 2022

### BUSINESS PERSONAL PROPERTIES CATEGORY L

Identifying Properties to be appraised: The properties within the City of Crowell, Foard County & Road, Crowell I.S.D., Foard County Hospital District and Gateway Groundwater Conservation District will be inspected every year. All income producing personal property within CAD is appraised on an annual basis, regardless of its location. Data will be collected both public (deed records of a property transaction, going out of business or opening new business ads in the newspaper) and confidential information through renditions . Some of these properties are under contract to be appraised by Pritchard & Abbott, Inc. Business personal properties are inspected in connection with commercial real property inspections. The FCAD also subscribes to an annual vehicle report from INFONATION to aid in vehicle appraisals.

Identifying and updating relevant characteristics of each property in the appraisal records: This is completed through personal inspection by the chief appraiser by verifying and completing the property record characteristic data. Other sources for data collection could be directories, local advertisements, and confidential renditions. Additional data can be gathered through neighborhood and comparable property analysis.

\* \*Defining market areas within the district: All of Foard CAD is a market area.

Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determining the contribution of individual property characteristics: The appraiser must determine the "highest and best use" of all types of property within the jurisdiction. Of the three approaches to value (cost, sales comparison and income) business personal properties are typically considered by the cost approach to value (replacement/reproduction cost new less depreciation). Sales and income data are considered when appropriate data is available.

Comparison and Review: The appraiser considers results and best addresses the individual characteristics of the subject property when multiple models are used. Year to year property value changes are reviewed for reasonable confidence. Comparative analysis of properties with similar characteristics are considered to determine accuracy and uniformity of the results.

\* Business Personal Income producing property schedules are built by Pritchard & Abbott, Inc.

REFER TO PAGE 45 FOR REAPPRAISAL CYCLE AND AREAS.

## REAPPRAISAL PLAN FOR TAX YEARS 2021 AND 2022

### NON-INCOME PRODUCING PERSONAL PROPERTY VEHICLES

Identifying Properties to be appraised: The properties within Foard County & Road will be re-inspected every year according to the vehicle information purchased from INFORMATION each year. This property is taxed according to Section 11.17 (c) & (e) of the Texas Property Tax Code. The entity selecting to tax this property has elected to do so through the tenth year. All non-income producing personal property within CAD is appraised on an annual basis, regardless of its location. Data will be collected both public and by using INFORMATION which gathers information according to what vehicles are registered in this county for license tags and FCAD orders this information according to the address zip code) and confidential information through renditions . NonIncome Producing Personal Properties are appraised in connection with taxable situs of the owner. Being defined "as the place the property is permanently located. If this cannot be determined, personal property may be assessed at the domicile or headquarters of its owner" according to the Property Appraisal Assessment Administration, the International Association of Assessing Officers page 79.

Identifying and updating relevant characteristics of each property in the appraisal records: This is completed through using the information from INFORMATION. The VIN Number on each vehicle per owner which will identify characteristics of each vehicle (type of vehicle and different options included in the vehicle, such as air conditioning, power windows, sun roof, cruise control, power seats, CD player, amount of safety features, type of motor, etc). INFORMATION uses the Automobile Red Book by Price Digest for their value guide. FCAD also subscribes to this guide. When mileage is known, the appropriate adjustments can be made to the value.

\* \*Defining market areas within the district: All of Foard CAD is a market area.

Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determining the contribution of individual property characteristics: The appraiser must determine the "highest and best use" of all types of property within the jurisdiction. Non-Income Producing Personal Property Vehicles are appraised using the mass appraisal technique to arrive at market value.

The average wholesale price is used to establish value. The same source of value is used on all these properties as of the value on January 1 .

**Comparison and Review:** The appraiser considers results and best addresses the individual characteristics of the subject property when multiple models are used. Year to year property value changes are reviewed for reasonable confidence. Comparative analysis of properties with similar characteristics are considered to determine accuracy and uniformity of the results.

# REAPPRAISAL PLAN FOR TAX YEARS 2021 AND 2022

## FOR LAND APPRAISALS CATEGORIES C & D

Identifying Properties to be appraised: The properties within the City of Crowell, Foard County & Road, Crowell I.S.D., Foard County Hospital District and Gateway Groundwater Conservation District will be physically inspected once every three years (not including yearly maintenance). Land parcels are inspected on a cycle according to use. Other land parcels that may be inspected are determined by the collection of data both public and confidential to assist in the identification of properties. Properties receiving productivity value are inspected for change of use. For 2023 and 2024 there has been some change in the market value of the land. Land values have gone up some. Sales data for the area reflects some turnover activity of properties. The goal of FCAD for 2021 is to drive the City Limits of Crowell including the Original Town of Crowell and all the Subdivisions of Andrews I. & II., Packs Addition, Witherspoon, Orient Heights, Klepper & Beverly, Hart, Ferrel, Beverly & Martin, The rural areas of Thalia, Margaret and Foard City (that contain lots and blocks) will be physically inspected. In 2023, all rural properties will be physically inspected. The deed records will be inspected monthly to gather ownership changes and sale letters will be sent to both the Grantor and Grantee at the time of the ownership change in order to gather sales information and enter it into the computer system for Pritchard & Abbott, Inc. to run ratio studies to build the schedules used in these appraisals.

Identifying and updating relevant characteristics of each property in the appraisal records: This is completed through personal inspection by the chief appraiser by verifying and completing the property record characteristic data. Additional sources for data collection include, but not limited to deed records, surveys, and confidential renditions. Additional data can be gathered through comparable property analysis. For 2021 and 2022, residential, commercial and some rural land values will be reviewed for accuracy and uniformity by the above listed sub-divisions and locations.

\* \*Defining market areas within the district: All of Foard CAD is a market area.  
Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determining the contribution of individual property characteristics: For all types of property, the appraiser must first determine the "highest and best use" of the property.



Of the three approaches to value (cost, sales comparison, and income) land parcels are typically considered by the comparable sales approach to value. A land residual value may also be considered when appropriate. Income data is considered when appropriate data is available.

Comparison and Review: The appraiser considers results and best addresses the individual characteristics of the subject property when multiple models are used. Year to year property value changes are reviewed for reasonable confidence. Comparative analysis of properties with similar characteristics and ratio studies are considered to determine accuracy and uniformity of the results.

REFER TO PAGE 45 FOR REAPPRAISAL CYCLE AND AREAS.

\*ALL LAND SCHEDULES ARE BUILT BY PRITCHARD & ABBOTT, INC.

FOARD COUNTY APPRAISAL DISTRICT  
2023/20224 MASS APPRAISAL REPORT

INTRODUCTION

The Foard County Appraisal District has prepared this report to assist the public in better understanding the methods, techniques, responsibilities and activities utilized by Foard County Appraisal District in the valuation and revaluation of taxable property within the jurisdiction of the Foard County Appraisal District. This report contains several parts: a general introduction, and then several sections describing the appraisal effort by the appraisal district.

The Foard County Appraisal District is a political subdivision of the state of Texas created by the Texas Legislature with the passing of Senate Bill 621 in 1979, effective January 1, 1980. The Texas Property Tax Code governs the legal, statutory and administrative requirements of the appraisal district. The governing body of the Foard County Appraisal District is appointed by the taxing entities within the boundaries of Foard County. The Chief Appraiser is appointed by the Board of Directors. The chief appraiser is the chief administrator and executive officer of the appraisal district.

The appraisal district is responsible for local property tax appraisal and exemption administration for six taxing units. The taxing units within the boundaries of the Foard County Appraisal District are:

Crowell Independent School District  
Foard County  
Foard County Road  
City of Crowell  
Foard County Hospital District  
Gateway Groundwater Conservation District

Each taxing unit sets its own tax rate to generate revenue to pay for such things as police protection, water and sewer systems, public schools, road and street maintenance, courts, legal services and employees of the Crowell Independent School District, Foard County, Foard County Road, City of Crowell, Foard County Hospital District, Gateway Groundwater Conservation District.

Each taxing unit sets its own tax rate to generate revenue to pay for such things as police protection, water and sewer systems, public schools, road and street maintenance, courts, legal services and employees of the taxing entities salaries. Appraisals established by the appraisal district allocate the year's tax burden on the basis of each taxable property's January 1<sup>st</sup> market value. The district also determines 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, taxable property will be appraised at its market value as of January 1<sup>st</sup>. The definition of "Market Value" is 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 Property Tax Code defines Appraisal Methods and Procedures in Chapter 23. Subchapter A. Appraisals Generally, Subchapter B. Special Appraisals, Subchapter C. Land Designated for Agricultural Use, Subchapter D. Appraisal of Agricultural Land, Subchapter E. Appraisal of Timber Land, Subchapter F. Appraisal of Recreational, Park, and Scenic Land, Subchapter G. Appraisal of Public Access Airport Property, and Subchapter H. Appraisal of Restricted-Use Timber Land. Some of these special appraisal provisions are for the valuation of Residential Homestead Property (Sec. 23.23), Productivity (Sec. 23.41), and Dealer's Motor Vehicle Inventory Value (23.121).

The Texas Property Tax Code, under Section 25.18, requires each appraisal office to implement a written plan to update appraised values for real property and personal property at least once every three years. The written plan is adopted by the appraisal district's board of directors as required by section 6.05 Texas Property Tax Code. The approved written plan for this tax year is included with this report. The District's current policy is to conduct a general reappraisal of real property every three years. However, appraised values are reviewed annually and are subject to change for purposes of equalization. Personal property is appraised every year.

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 valuation services, the contract that is entered into by each appraisal firm requires adherence to similar professional standards.

## PERSONNEL RESOURCES

The Chief Appraiser is the Chief Administrative and Executive Officer of the appraisal district. The Office of the Chief Appraiser is primarily responsible for the overall planning, organizing, staffing, coordinating, and controlling of district operations. The Chief Appraiser is subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered and licensed with the Texas Board of Tax Professional Examiners.

The Foard County Appraisal District is a small office consisting of the Chief Appraiser and Clerk.

Administrative Functions of the district include planning, organizing, directing and controlling the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities and postal services, assistance to property owners, and protest hearing information.

The district employs the services of Pritchard & Abbott, Inc., an appraisal firm to appraise all OIL, GAS AND OTHER MINERALS, INDUSTRIAL PLANTS, PIPELINES, INDUSTRIAL PERSONAL PROPERTY (MANUFACTURING) AND REAL & PERSONAL PROPERTIES FOR UNTILITY COMPANIES within the boundaries of the appraisal district. Pritchard and Abbott, Inc. and also appraises and conducts ratio studies and building the schedules on the following types of property:

SINGLE-FAMILY RESIDENTIAL, MULTI-FAMILY RESIDENTIAL, VACANT LOTS AND TRACTS, AGRICULTURAL LAND SCHEDULES, MARKET LAND SCHEDULES, FARM AND RANCH IMPROVEMENTS, COMMERCIAL, INDUSTRIAL (MANUFACTURING), BUSINESS PERSONAL PROPERTY, MOBIL HOME SCHEDULES AND MISCELLANEOUS IMPROVEMENT SCHEDULES.

The Foard County Appraisal District leases computer equipment from Pritchard and Abbott, Inc. for data processing and record management. The district is in contract with Pritchard and Abbott, Inc. for a mapping system that will take around three years to complete. We will also be adding digital photography to our files. This will take several years to complete.

DATA

The Foard County Appraisal District is responsible for establishing and maintaining approximately over 9,000 real and personal property accounts covering around 700 square miles. This data includes property characteristic and ownership and exemption information. Property

characteristic data on new construction is updated through annual field inspection; existing property data is maintained through field inspection.

## SHARED APPRAISAL DISTRICT BOUNDARIES

Due to passing of House Bill 1010 the appraisal of property ends at the county line.

### AREA ANALYSIS

The universe of properties appraised by Foard County Appraisal District Falls within the physical boundaries of Foard County.

### AREA ANALYSIS

The universe of properties appraised by Foard County Appraisal District Falls within the physical boundaries of Foard County.

Foard County is located approximately 80 miles west of Wichita Falls, Texas on Highway 70 in the Rolling Plains Region of the State of Texas and covers around 703 square miles. The elevation of the county seat, Crowell is 1,467 feet. It is bordered on the north by Hardeman County, east by Wilbarger County, south by Knox County and on the west is Cottle County.

Foard County's red to brown soils has loamy surface layers and clayey subsoil's. The vegetation is short to tall grasses with some mesquite and live oak trees. The winter climate tends to be cool and dry, but is extremely hot and dry in the summer. Thunderstorms, dust storms, and high winds may occur in the spring. The average annual temperature is 62 degrees Fahrenheit. Temperatures in January range from an average low of 24 degrees to an average high of 52 degrees and in July range from 72 degrees to 100 degrees. The average annual precipitation is 23 inches, with an average relative humidity of 76% at 6: a.m. and 45% at 6: p.m. The average snow falls is 7 inches. The growing season averages 220 days per year, with the last freeze in late March and early freeze in early November. The sun shines during the year on the average 72% of the daylight hours.

Foard County is a rural county with one town Crowell and several small communities. Agriculture is the main economic livelihood of the residents in the county. Approximately 95% of the land is in farms and ranches, with approximately 90% of this in harvested cropland and 1% irrigated. Primary crops are wheat, hay and some upland cotton. Primary livestock products are beef cattle. Natural resources include oil, gas, gypsum, and gravel.

The closest city of any size from Foard County is Vernon, Texas located east of the county. The closest larger urban area is Wichita Falls, Texas, located east of the county. The location of Foard County has an impact on the values of properties within the county.

**FOARD COUNTY APPRAISAL DISTRICT RESIDENTIAL,  
COMMERCIAL, RUAL, AND PERSONAL PROPERTY 2021/2022  
REAPPRAISAL PLAN**

Pursuant to Section 25.18 of the Texas Property Tax Code, the Foard County Appraisal District has established the following physical inspection 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. Two-year Cycle: The CAD is divided into two areas. Each year, all real residential and commercial property within one of these areas will be reappraised or physically inspected, data updated & photographed, regardless of any ratio study/report findings. These areas are identified as follows:
  - a. Area One: All property located in the City Limits of Crowell. Including lots and blocks located outside the city limits in and around the area of Margaret, Thalia, Rayland and Foard City, all Crowell I.S.D. Foard County property located in the above boundaries all residential and commercial properties within these areas. All business personal property, all mineral property and agricultural values and all utilities in the Appraisal District are reappraised. Completed in 2023. Refer to pages 30-39 for more details about the property categories to be reappraised in this area.
  - b. Area Two: All Abstracts (rural land) falling outside the city limits of Crowell Texas, located within the Foard County boundary lines, all business personal property, all mineral property and agricultural values and all utilities in the Appraisal District will be reappraised. To be completed in 2024. Refer to pages 30-39 of this report for more details about the property categories to be reappraised in this area.

NOTE: all income producing personal property and non-income producing personal property within the CAD is appraised on an annual basis, regardless of location.

Annual Ratio Reports: In addition to the two 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 area 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. These ratio studies are performed both in-house and by Pritchard & Abbott, Inc. who build all of the Foard County Appraisal District schedules except for non-income producing personal property schedules.

2. Market Areas Defined: All of Foard CAD is a market area.

The two —fold approach will insure not only that all residential and commercial property within the CAD is reappraised at least once every three years. In addition, 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.



## 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 on file, takes photographs of improvements, measures existing improvements if any changes are noted, measures new improvements, draws plans according to the measurements for computer entry.

Properties may be rechecked as needed to solve any problems that have come about. The information obtained from the field inspections is brought back to the CAD for data entry. The chief appraiser and the CAD staff work to complete the data entry.

Market analysis is performed by the chief appraiser. Sale information is gathered throughout the year by checking the deed records for ownership changes and sales confirmation letters are sent to both the grantee and grantor to try and gather information to build more accurate schedules.

Ratio studies are ran to test the appraisals and to indicate changes that may need to be made to the schedules, the existing classification system is reviewed, market schedules are updated as needed and then the market schedules are applied to the universe of properties.

Personal Property is reviewed each year. Renditions for the business personal property are mailed out annually. Non-Income Producing Personal Property Vehicles are appraised using the mass appraisal technique to arrive at market value, using price guides from the Automobile Red Book by Price Digest. This type of guide allows for the appraisal of these types of properties using a typical value for properties of the same type. In order to be equal and uniform the same guide to arrive at the market value. The average wholesale price establishes value. The list of properties with ownership, license number, title number, make, and model and VIN number is purchased from INFONATION, INC. The use of the vehicle identification number (VIN) is used to identify the type of vehicle and the different options included in the vehicle, such as air conditioning, power windows, sunroof, cruise control, power seats, c.d. player, etc. When mileage is known, the appropriate adjustments can be made.

The real estate, business personal, and agricultural appraisal schedules are built by Pritchard & Abbott, Inc.

The chief appraiser applies these schedules to the properties appraised by the CAD. All Oil, Gas, Utility, Factory Inventory and Elevators are appraised by Pritchard & Abbott, Inc.

## 2022-2023 REAPPRAISAL SCHEDULE

### Mid December 2022

Begin planning sales ratio studies for all areas within the CAD

Gather current sale data from sales confirmation letters and deed records.

Have appraisal cards put into Lot & Block order for properties inside the City Limits of Crowell and for all sub-divisions including Lots & Blocks located in Margaret, Rayland, Thalia and Foard City for Area One on Reappraisal Plan.

For 2021 compile appraisal cards in map number order 1-21 for abstracts for Area One on Reappraisal Plan.

### January to March 2023

Begin fieldwork for reappraisal checking property (on-site inspections). Fieldwork usually begins around January 4<sup>th</sup> or 5<sup>th</sup> and is completed in about three weeks for driving. Usually completing the fieldwork around January 25<sup>th</sup> or 27<sup>th</sup>.

Area One on Reappraisal Plan: start North with Block I Original Town of Crowell driving checking the whole block moving east and west checking each block, reviewing the appraisal cards until you have completed Block I-174. Then select the sub-division you will work in the same pattern as working a block at a time.

Andrews I. then Witherspoon. Packs, Hart and Orient Heights, Then go to Margaret working a block at a time, Rayland, Thalia and Foard City. Appraisal cards are brought back to the office and are work by the office staff trying to complete data entry around February 21<sup>st</sup> or March 31<sup>st</sup>.

Work non-income producing personal property accounts.

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.

Stay in touch with Pritchard & Abbott, Inc. about sales ratio studies and schedules.

Comptroller Office will audit FCAD.

Begin update of the USPAP report (Mass Appraisal Report)

Begin working renditions.

Publish required advertisements in the local newspaper concerning homestead applications, renditions, I-d-l applications and any other required forms. Mail ARB notice of appointment letters.

March through April, 2023

Continue staying in touch with P&A about ratio studies and schedules.

Refine sales analysis and mass appraisal schedules.

Fieldwork should be completed.

Complete data entry of all reappraisals, maintenance changes, and all property changes and additions.

Finalize all fieldwork and data collection activities.

Prepare for mailing 2021 Notices of Value (Thirty Day Notices).

Mail appropriate letter concerning homesteads, special-use appraisals, etc.

Continue working renditions.

May through June, 2023

Mail out 30-Day Notices (Notices of Appraised Value).

Meet with property owners about their values (informal hearings).

Respond to property owners' inquiries, protests, and questions from mailing notices.

Provide certified estimated values to the taxing entities.

Mail Protest Hearing reminder letters to ARB.

Hold ARB Hearings.

Mail ARB certified change/no change orders.

Mail appropriate ARB pending decision letters.

Mail appropriate penalty letter on non-rendered personal property.

July 2023

Complete the process of mailing certified ARB orders. Enter into the computer all changes as ordered by the ARB and notify other CAD's if the ordered change falls into an overlapping area. ARB approval of appraisal records by July 20<sup>th</sup>.

Certification of appraisal records and values to taxing units by July 25<sup>th</sup>.

Maintain list of exempted, partial exempted properties.

Maintain lists for homesteads, over-sixty-five, disabled, tax deferrals and disabled veterans.

As Needed throughout the year 2023

Handle any outstanding protest by scheduling ARB hearings.

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

Daily

Tax master maintenance (name, address, legal, value, etc.) data entry.

Drawing maintenance data entry.

Maintain exempt & frozen accounts.

Mobile Home data entry.  
Residential, commercial, personal property, industrial, mineral changes data entry.  
Agricultural changes data entry.  
Maintaining appraisal roll and tax roll changes.  
Download pictures provided by the appraiser.

Weekly:

Run real estate totals following roll certification to verify any change in values.  
Run change reports for account/geo. Changes, address changes, deleted/undeleted parcels, deleted ownership, history change report and ownership change report.

As Needed

Make changes for supplemental accounts and update tax master.  
Have P&A update previous year's appraisal files.  
Create new reports.  
Mail letters on properties receiving over-sixty exemption where the property owner is now deceased.  
Homestead letters.  
Agricultural Appraisal letters and forms.  
Notices of change.  
Maintain records retention (scan, store, etc.)

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

## 2024 REAPPRAISAL SCHEDULE AREA TWO

Mid December 2023

Begin planning sales ratio studies for all areas within the CAD.  
Gather current sale data from sales confirmation letters and deed records.  
Have appraisal cards put into map number order 1-21 for abstracts for Area Two on Reappraisal Plan.

## January to March 2024

Begin fieldwork for reappraisal checking property (on-site inspections). Fieldwork usually begins around January 4<sup>th</sup> or 5<sup>th</sup> and completed in about three weeks for driving. Usually completing the fieldwork around January 25<sup>th</sup> or 27<sup>th</sup>.

Area Two on the Reappraisal Plan: All abstracts falling outside the city limits of Crowell. Having appraisal cards in map number order starting with map number 21 driving east on highway 70 turning south on CR 229 using the map to check map number 21 driving east on highway 70 turning south on CR 229 using the map to check map number 21, then move north on CR 229 working map number's 8, 7, 6, 9, 20, 5, 10, 18, 17B, 17A, 16, 15, 11, 4, 2, 1, 3, 12, 13 & 14. Completing one map number at a time. Appraisal cards are brought back to the office and are worked by the office staff trying to complete data entry around February 21<sup>st</sup>.

Work non-income producing personal property accounts.

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.

Stay in touch with Pritchard & Abbott, Inc. about sales ratio studies and schedules.

Comptroller Office will audit FCAD.

Begin update of the USPAP report (Mass Appraisal Report)

Begin working renditions.

Publish required advertisements in the local newspaper concerning homestead applications, renditions, I-d-l applications and any other required forms. Mail ARB notice of appointment letters.

## March through April, 2024

Continue staying in touch with P&A about ratio studies and schedules.

Refine sales analysis and mass appraisal schedules.

Fieldwork should be completed.

Complete data entry of all reappraisals, maintenance changes, and all property changes and additions.

Finalize all fieldwork and data collection activities.

Prepare for mailing 2022 Notices of Value (Thirty Day Notices).

Mail appropriate letter concerning homesteads, special-use appraisals, etc.

Continue working renditions.

## May through June, 2024

Mail out 30-Day Notices (Notices of Appraised Value).

Meet with property owners about their values (informal hearings).

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Provide certified estimated values to the taxing entities.

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Hold ARB Hearings.

Mail ARB certified change/no change orders.

Mail appropriate ARB pending decision letters.

Mail appropriate penalty letter on non-rendered personal property.

## July, 2024

Complete the process of mailing certified ARB orders. Enter into the computer all changes as ordered by the ARB and notify other CAD's if the ordered change falls into an overlapping area.

ARB approval of appraisal records by July 20<sup>th</sup>.

Certification of appraisal records and values to taxing units by July 25<sup>th</sup>.

Maintain list of exempted, partial exempted properties.

Maintain lists for homesteads, over-sixty-five, disabled, tax deferrals and disabled veterans.

As Needed throughout the year 2024

Handle any outstanding protest by scheduling ARB hearings.

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

### Daily

Tax master maintenance (name, address, legal, value, etc.) data entry.

Drawing maintenance data entry.

Maintain exempt & frozen accounts.

Mobil Home data entry.

Residential, commercial, personal property, industrial, mineral changes data entry.

Agricultural changes data entry.

Maintaining appraisal roll and tax roll changes.

Download pictures provided by the appraiser.

### Weekly:

Run real estate totals following roll certification to verify any change in values.

Run change reports for account/geo. changes, address changes, deleted/undeleted parcels, deleted ownership, history change report and ownership change report.

As Needed

Make changes for supplemental accounts and update tax master.

Have P&A update previous year's appraisal files.

Create new reports.

Mail letters on properties receiving over-sixty exemption where the property owner is now deceased. Homestead letters.

Agricultural Appraisal letters and forms.

Notices of change.

Maintain records retention (scan, store, etc.)

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

January 2023 and 2024:

All personal property renditions are mailed.

Continue with data entry of completed field work cards.

Prepare and key in data on all splits and combines.

Prepare monthly reports.

Maintain records management program.

Mail various applications.

Mail new special-use (agricultural) application due to change of ownership.

Notify taxing entities of any refund forms filed.

Hold ARB meeting to receive the supplemental records, complete the Statement of Officer form, administer Oaths of Office, elect officers, and make sure all ARB members have viewed the Open Records/Open Meetings DVD and received their certificate.

Schedule ARB members to attend the required ARB Seminars.

Prepare and have available for inspection by the Board of Directors and the ARB the 25.25 (b) change reports.

Publish the quarter - page ad on availability of exemptions, rendition requirements, special appraisal, and tax deferrals.

Publicize the uniform procedure to appraise inventory.

Approve or ratify contracts with vendors and taxing entities if necessary.

Schedule BOD meeting and include executive session if necessary.

Obtain "cap rate" to be used in 2023 appraisals.

Request license information from Texas DPS to obtain birth date information to automatically grant over-sixty homestead exemptions. Maintain for entity use an updated current appraisal roll.

Continue data entry of name/address changes, splits and combines, subdivision information, and personal property into the current file.

Complete "end-of-year clean-up" in the computer and set the computer to accept current year information. This is maintained by Pritchard & Abbott, Inc. as FCAD

has a data processing contract and a mapping contract with them and lease the software, computers, printers and scanner from P&A.

P&A also trains FCAD staff on the use of any changes to computer programs. Continue to obtain deed changes and key in ownership changes and parcel changes and create new accounts as needed.

Continue to provide assistance to property owners and the general public by answering phone calls and assisting with walk-in customers, real estate agents, landman, etc.

Make sure maps are updated and maintained by P&A.

Process and sell data as requested (open record requests, maps, appraisal cards, CD's of appraisal rolls & tax rolls).

Send sales information and deed transfer information to the State Comptroller's Office by February 1.

Work with Pritchard & Abbott, Inc to determine possible dates for Ag. Advisory Board meetings and set those meetings up.

February 2023 and 2024:

Continue keying in changes and recheck notes.

Continue downloading pictures provided by the appraiser.

Proof changes keyed in.

Continue data entry of sketched/drawings.

Set up new accounts.

Research returned mail.

Maintain records management program.

Prepare all changes for the ARB meeting.

Set up dates for protest hearings.

Start the ordering process for appraisal notices and other forms.

Prepare for possible appeal of Comptroller's ratio study.

Notify entities of any changes that may require refunds.

Set up ARB meeting to approve all changes, approve supplemental accounts, and hold hearings on substantial error motions.

Ensure that all lawsuits have complied with Section 42.8 payment requirements.

Review revisions needed for ARB programs, documents, and order necessary supplies.

Maintain an updated current appraisal roll for the entities. Copies on request of the entities.

Continue data entry of changes and updates.

Prepare annual mailouts.

Continue to obtain deed records and make changes to appropriate parcels.

Continue with customer service (phone calls, walk-ins, etc.) Continue to maintain maps. P&A will maintain them.



March 2023 and 2024:

If necessary, continue to work with P&A on appeal of comptroller's ratio study.  
Continue updating USPAP (Mass Appraisal Report).  
Continue data entry of fieldwork.  
Continue downloading pictures provided by the appraiser.  
Continue to research returned mail.  
Maintain records management.  
Prepare recap of values for supplemental accounts for ARB.  
Prepare and key-in new tax agent codes and update changes to existing agent codes.  
Prepare and mail reminders to those who failed to return homestead applications and or agricultural applications.  
Order envelopes for bulk mail-outs.  
Notify entities of any changes that may require refunds.  
Proof of agent forms will need to be mailed out and submitted to FCAD.  
Be sure all ARB members attend the mandatory training courses.  
Process rendition extension request, print, and mail letters granting or denying requests.  
Ratio studies should be ran by P&A.  
Schedules from P & A should be updated.  
Continue to obtain and process deed records.  
Continue to provide customer service assistance.  
Continue to have maps maintained by P&A.

April 2023 and 2024:

Complete data entry of changes.  
Begin preparation of Notices of Value.  
Mail Notices of Value by May 1 .  
Begin compiling information for evidence packets for property owners filing protest and requesting evidence. Continue data entry process.  
Continue to research returned mail.  
Continue to maintain records management.  
Prepare change reports for ARB and BOD  
Purchase sufficient postage for mailing Notice of Value if not mailed by P&A.  
Continue to obtain sales information.  
Notify entities of any changes that may require refunds.  
Prepare and submit 25.25 (b) reports to the BOD and ARB.  
Continue to receive and process rendition extension requests and prepare and mail letters granting or denying the request.  
Print edits before notices are printed.  
Have Notices of Value printed.  
Could mail notices of value.  
Continue to develop reports as needed.

Continue to obtain deed records and make changes as indicated.  
Continue to provide customer service.  
Continue to have maps maintained by P&A.

May 2023 and 2024:

Mail Notices of Value if not mailed in April. These notices will also indicated any penalty for not rendering personal property.  
Continue to work renditions and new personal property accounts.  
Begin working with property owners regarding proposed values and protest filed.  
The appraiser could hold informal hearings with protesting property owners.  
Provide evidence to property owners submitting evidence requests for protest hearings.  
Prepare monthly reports,  
Continue to research returned mail.  
Continue to maintain records management.  
Notify entities of any changes that may require refunds.  
Process and determine requests for additional 15 days to file renditions (May 30<sup>th</sup> deadline) and mail determinations.  
By May 15<sup>th</sup> submit preliminary estimates of value to taxing units.  
By May 1 5<sup>th</sup> submit appraisal records to ARB.  
Ensure that all ARB members have attended the mandatory training courses and that certificates of completion are on file.  
Publicize protest procedures and deadlines in 1/4 page ad in local newspaper.  
Begin scheduling protest hearings and mail Notice of Protest letters.  
Prepare new reports as needed.  
Obtain deed records and process changes.  
See that maps are updated and reflect changes of ownership, splits, combines, etc.  
Continue to provide customer service to the general public as required by law.

June 2023 and 2024:

Continue working with property owners regarding proposed values.  
Continue to provide evidence to property owners submitting evidence requests for protest hearings.  
Prepare monthly reports.  
Continue to research returned mail.  
Continue to maintain records management.  
Notify entities of any changes that may require refunds.  
ARB hearings will begin or continue as needed.  
Mail ARB certified orders on change, or no change determinations.  
Ensure that all entities has estimates of value.  
Prepare the proposed AD Budget for the following year and submit to BOD.  
Continue to schedule protest hearings and mail letters of these appointments.

Prepare folders for hearings.  
Post hearings agendas as necessary.  
Continue to send out sales letters.  
Continue to obtain deed records and process ownership changes, splits, combines, etc. and ensure that maps are updated to reflect these changes. Continue to provide customer service to the general public.  
July 2023 and 2024:  
Mail all ARB certified orders and any other necessary correspondence.  
Hold late protest hearings as necessary.  
Prepare monthly reports.  
Prepare monthly reports.  
Continue to research returned mail.  
Continue records management.  
Ensure that all ARB changes have been keyed into computer.  
By July 20<sup>th</sup>, ARB approves the appraisal records for the current year.  
Run edits and recaps to check for errors.  
Provide certified values and recaps to all taxing entities by July 25<sup>th</sup>.  
A certified appraisal roll is printed for each entity upon request.  
Notify entities of any changes that may require refunds.  
Prepare and submit 25.25 (b) quarterly reports to BOD and ARB.  
Obtain deed records, make ownership changes, splits and combines, and update parcels and maps.  
Continue to provide customer service to the general public.

August, 2023 and 2024:

Prepare reports for the State comptroller's Office.  
Prepare monthly reports. Continue to provide customer service to the general public.  
Continue to provide customer service to the general public.  
Continue to maintain records management.  
Run edits and recaps to re-check for errors.  
Generate report of sales information on sales that occurred January I through the end of July to be sent to the Comptroller's office August r<sup>t</sup>.  
Notify entities of any changes that may require refunds.  
After certification of rolls, send to the Texas Department of Economic Development a listing of all sites with values greater than or equal to \$100 million, in compliance with Section 23.23 of the Texas Property Tax Code.  
Contact entities on primarily charitable organization exemptions to see if renewal of exemption is needed.  
Have BOD schedule the budget hearing.  
Publicize the budget and budget hearing date.  
Compile all necessary information for calculating of tax rates and begin calculation process.

Obtain deed records, make ownership changes, splits and combines, and update parcels and maps.

Continue to provide customer service to the general public.

September 2023 and 2024:

Complete effective tax rate calculations, publish effective rates and assist taxing units in adopting tax rates.

Order tax roll.

Ensure that sufficient envelopes, forms, paper, postage, etc. are on hand for printing and mailing statements.

Prepare Property Value Reports for the State comptroller's office.

Prepare monthly reports.

Run listing of all category A1, A2, E1, E3 and M1 to check for property owners that do have homestead exemptions so they can be mailed one the following year.

Notify entities of any changes that may require refunds.

BOD must adopt the following year's budget by September 1 5<sup>th</sup>.

Send State Reports to the Property Tax Division.

Obtain deed records, make ownership changes, splits and combines, and update parcels and maps.

Continue to provide customer service to the general public.

Check discount information.

Order tax statements.

Mail tax statements.

October 2023 and 2024:

Begin working with comptroller's office regarding ratio study.

Mail completed Reports of Property Value to the State comptroller's office.

Prepare monthly reports.

Notify entities of any changes that may require refunds.

Prepare and submit 25.25(b) change report to BOD and ARB.

Notify appropriate taxing units of any current year lawsuits.

Obtain deed records, make ownership changes, splits and combines, and update parcels and maps.

Continue to provide customer service to the general public.

November 2023 and 2024:

Prepare monthly reports.

Obtain deed records, make ownership changes, splits and combines, and update parcels and maps.

Continue to provide customer service to the general public.

Prepare new homestead exemption applications for mail-out during the first part of January. Monthly homesteads and applications for I-d-l appraisal are mailed when changing the deed records.

Prepare renditions for mail-out during the first part of January.

Notify entities of any changes that may require refunds.  
BOD appoints the following years Ag. Advisory Board Members at a regular meeting.

BOD appoints ARB members for the following year at a regular meeting. Obtain deed records; make ownership changes, splits and combines, and update parcels and maps.

Continue to provide customer service to the general public.

#### December 2023 and 2024

Begin working on the reappraisal calendar for the following year.

Prepare appraisal cards for the appropriate reappraisal area for the appraiser.

Prepare monthly reports.

Obtain deed records, make ownership changes, splits and combines, and update parcels and maps.

Continue to provide customer service to the general public.

Prepare all homestead exemption applications to surviving spouse of deceased for mail out on January 1<sup>st</sup> .

## **S.B. 1652\* BIENNIAL REAPPRAISAL PLAN**

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

**For Tax Years:**

**2023 and 2024\*\***

**Originally Printed: July 21, 2022**

*\*\*This biennial reappraisal plan is largely predicated on the Scope of Work Rule in the most recent version of Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by The Appraisal Foundation's Appraisal Standards Board (ASB). On February 19, 2021, the ASB announced that the 2020-2021 edition of USPAP would be extended for use into 2022. Subsequently, this plan does not have a newer edition of USPAP to draw upon and therefore is substantially similar to the 2021-2022 biennial reappraisal plan.*

\*Senate Bill 1652 passed by the Texas Legislature, 79<sup>th</sup> Regular Session in 2005, amending Section 6.05 of the Texas Property Tax Code, adding Subsection (i) as follows:

*"To ensure adherence with generally accepted appraisal practices, the board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10th day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place for 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."*





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## POLICY STATEMENT OF PRITCHARD & ABBOTT, INC., ON THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

Pritchard & Abbott, Inc., (P&A), a privately held company engaged primarily, but not wholly, in the ad valorem tax valuation industry endorses Uniform Standards of Professional Appraisal Practice (USPAP) as the basis for the production of sound appraisals. Insofar as the statutory requirement to appraise groups (or a “universe”) of real and personal property within an established period of time using standardized procedures—and subjecting the resulting appraisals to statistical measures—is the definition of mass appraisal, P&A subscribes to USPAP Standards 5 and 6 (Mass Appraisal, Development and Reporting) whenever applicable in the development and defense of values. When circumstances clearly dictate the use of single property appraisal procedures, P&A adheres to the spirit and intent of the remaining USPAP Standards within all appropriate, practical, and/or contractual limitations or specifications.

A biennial reappraisal plan is, at its core, a discussion of the CAD’s intended implementation of the Scope of Work Rule in USPAP. This plan provides general information about this rather comprehensive USPAP rule, as well as the specific steps P&A takes in the actual appraisal of various property types per our contractual obligations. This Biennial Reappraisal Plan should not be confused or conflated with an “appraisal manual” or other “how-to” guide which may or may not exist within P&A for any particular property type we appraise.

This reappraisal plan discusses a few other USPAP rules that interact with the Scope of Work Rule, such as the Ethics Rule, the Record Keeping Rule, and Jurisdictional Exception Rule. For further information regarding other sections of USPAP, including the Competency Rule, definitions, and appraisal reports, please reference P&A’s “USPAP report” which accompanies our appraisals and supporting documentation provided to clients per Property Tax Code, Sec. 25.01(c) at the completion of each tax year. ***An appraisal season thus begins with an appraisal plan (approved by the CAD’s Board of Directors) and ends with appraisal reports.*** Providing these reports is definitely part of the plan. Likewise, much of the verbiage in the “USPAP report” is a reiteration of the Biennial Reappraisal Plan.

USPAP defines “appraisal” as the act or process of developing an opinion of value or pertaining to appraising and related functions such as appraisal practice or appraisal services. Valuation services is defined as services pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others. The USPAP definition of “appraiser” is one who is expected to perform valuation services competently and in a manner that is ***independent, impartial, and objective.*** USPAP Advisory Opinion 21: *USPAP Compliance* states that this expectation (by clients and intended users of appraisal reports) is the basis that creates an ethical obligation to comply with USPAP, even if not legally required. Advisory opinions do not establish new standards or interpret existing standards, but instead are issued to illustrate the applicability of appraisal standards in specific situations.

The majority of property types that P&A typically appraises for ad valorem tax purposes are categorized as unique, complex, and/or “special purpose” properties (mineral interests, industrial, utility, and related personal property). These categories of properties do not normally provide sufficient market data of reliable quality and/or quantity to support the rigorous use of all USPAP-prescribed mass appraisal development mandates (Standard 5: Mass Appraisal, Development), particularly with regards to some, but not all, of the *model calibration and statistical performance testing* confines. However, P&A does strive to employ all or most elements of mass appraisal techniques with regards to the *definition and identification of property characteristics and model specification* and application.

Per USPAP Advisory Opinion 32: *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*, in the

interests of equity, the scope of work in mass appraisal assignments for ad valorem taxation can include consideration of appraisal level (the overall proximity between appraised values and actual prices) and the uniformity of property values (equity within groups of like properties). The appraiser is responsible for recognizing when the concepts of appraisal level and appraisal uniformity are necessary for credible assignment results in a mass appraisal assignment for ad valorem taxation.

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

Regarding mass appraisal reports due the client and other intended users per USPAP (Standard 6 (Mass Appraisal, Reporting), a written report of the mass appraisal as described in Standards 6-2 is not provided for each individual property. An individual property record or worksheet may describe the valuation of the specific property after the application of the mass appraisal model. To understand the individual property result developed in a mass appraisal requires the examination of all the information and analysis required by Standards 6-2.

P&A will clearly state or otherwise make known all extraordinary assumptions, hypothetical conditions, limitations imposed by assignment conditions, and/or jurisdictional exceptions in its appraisal reports as they are conveyed to our clients. ***Intended users of our reports are typically the client(s) for which we are under direct contract.*** Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. ***A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.*** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

USPAP does not currently address communications of assignment results prior to completion of the assignment, thus such communications have no requirements other than to comply with the general requirements in the Ethics Rule, the Competency Rule, and the Jurisdictional Exception Rule. The client and all intended users should be aware that mass appraisals, as opposed to most "fee" appraisals, are somewhat inherently "limited" versus "complete" and that appraisal reports, unless otherwise contracted for by the client, will most often be of a "restricted" nature whereas explanations of appraisal methods and results are more concise versus lengthy in order to promote brevity, clarity, and transparency to the intended user(s).

Per USPAP, the appropriate reporting option and level of information in a report are dependant on the intended use and the intended users. Although the reporting verbiage in USPAP Standard 6 does not specifically offer or promulgate a "Restricted Appraisal Report" such as in Standard 2 (Real Property Appraisal, Reporting) and Standard 8 (Personal Property Appraisal, Reporting), it should be noted that: a) all mass appraisals and mass appraisal reports deal with real and personal property in some form or fashion; and b) P&A is a private consulting firm, a fact which may necessitate the withholding of certain data and/or appraisal models/techniques which are deemed confidential, privileged and/or proprietary in nature. The use of "limited" appraisals in conjunction with "restricted" reports in no way implies non-compliance with USPAP. ***The substantive content of a report***

*determines its compliance.*

P&A believes that, with its vast experience and expertise in these areas of appraisal, all concluded values and reports thereof are credible, competent, understandable, uniform and consistent; and most importantly for ad valorem tax purposes, accomplished in a cost-efficient and timely manner.

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

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

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

## PREAMBLE

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

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

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

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

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

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

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

Consequently, USPAP Standards 5 and 6 are assumed to be the applicable standard for ad valorem tax purposes in Texas, if mass appraisal practices are in fact being used to appraise the subject property. USPAP Advisory Opinion 32 suggests several USPAP standards other than Standards 5 or 6 can apply in ad valorem tax work. It appears that an appraiser engaged in ad valorem tax work in Texas is not specifically required by law to follow these USPAP standards if in fact mass appraisal practices have not been used to appraise the subject property. In this case it could be deemed appropriate to invoke the Jurisdictional Exception Rule which is applicable when

there is a contradiction between the requirements of USPAP and the law or regulation of a jurisdiction. Please see the P&A Policy Statement on USPAP as provided elsewhere in this report for a more detailed discussion regarding this matter.

## ETHICS RULE

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

- Conduct;
- Management;
- Confidentiality.

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

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

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

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

### CONDUCT

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

An appraiser:

- must not perform an assignment with bias;
- must not advocate the cause or interest of any party or issue;
- *must not accept an assignment that includes the reporting of predetermined opinions and conclusions;*
- must not misrepresent his or her role when providing valuation services that are outside of appraisal practice;
- must not communicate assignment results with the intent to mislead or to defraud;
- must not use or communicate a report or assignment results known by the appraiser to be misleading or fraudulent;
- must not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent report;
- must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value;
- must not engage in criminal conduct;

- must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE; and must not perform an assignment in a grossly negligent manner.

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

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

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

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

#### MANAGEMENT

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

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

Advertising for or *soliciting assignments in a manner that is false, misleading, or exaggerated* is unethical. Decisions regarding finder or referral fees, contingent compensation, and advertising may not be the responsibility of an individual appraiser, but for a particular assignment it is the responsibility of the individual appraiser to ascertain that there has been no breach of ethics, that the assignment consulting assignment has been prepared in accordance with USPAP Standards, and that the report can be properly certified when required by USPAP Standards 2-3, 4-3, 6-3, 8-3, or 10-3.

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

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



**CONFIDENTIALITY**

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

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

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

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

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

An appraiser must take reasonable steps to safeguard access to confidential information and assignment results by unauthorized individuals, whether such information or results are in physical or electronic form. In addition, an appraiser must ensure that employees, coworkers, subcontractors, or others who may have access to confidential information or assignments results, are aware of the prohibitions on disclosure of such information or results.

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

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

## RECORD KEEPING RULE

An appraiser must prepare a workfile for each appraisal or appraisal review assignment. A workfile must be in existence prior to the issuance of any report or other communication of assignment results. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

The workfile must include the name of the client and the identity, by name or type, of any other intended users, and true copies of all written reports, documented on any type of media. (A true copy is a replica of the report transmitted to the client. A photocopy or an electronic copy of the entire report transmitted to the client satisfies the requirement of a true copy.) A workfile must contain summaries of all oral reports or testimony, or a transcript of testimony, including the appraiser's signed and dated certification; and all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP, or references to the location(s) of such other data, information, and documentation.

A workfile in support of a Restricted Appraisal Report or an oral appraisal report must be sufficient for the appraiser to produce an Appraisal Report. A workfile in support of an oral appraisal review report must be sufficient for the appraiser to produce an Appraisal Review Report.

An appraiser must retain the workfile for a period of at least *five years after preparation* or at least two years after final disposition of any judicial proceeding in which the appraiser provided testimony related to the assignment, whichever period expires last.

An appraiser must have custody of the workfile, or make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile. This includes ensuring that a workfile is stored in a medium that is retrievable by the appraiser throughout the prescribed record retention period. An appraiser having custody of a workfile must allow other appraisers with workfile obligations related to an assignment appropriate access and retrieval for the purpose of:

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

A workfile must be made available by the appraiser when required by a state appraiser regulatory agency or due process of law.

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

## SCOPE OF WORK RULE

For each appraisal or appraisal review assignment, an appraiser must:

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

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

Scope of work includes, but is not limited to:

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

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

### PROBLEM IDENTIFICATION

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

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

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

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

### SCOPE OF WORK ACCEPTABILITY

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

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

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

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

### DISCLOSURE OBLIGATIONS

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

Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. *The appraiser has broad flexibility and significant responsibility in the level of detail and manner of disclosing the scope of work in the appraisal report or appraisal review report.* The appraiser may, but is not required to, consolidate the disclosure in a specific section or sections of the report, or use a particular label, heading or subheading. An appraiser may choose to disclose the scope of work as necessary throughout the report.

## JURISDICTIONAL EXCEPTION RULE

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

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

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

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

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

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

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

## USPAP STANDARDS 5 AND 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING (General Discussion)

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

Standards 5 and 6 apply to all mass appraisals of real and personal property regardless of the purpose or use of such appraisals. It is directed toward the substantive aspects of developing and communicating competent analyses, opinions, and conclusions in the mass appraisal of properties, whether real property or personal property. Standard 5 is directed toward the substantive aspects of developing credible analyses, opinions, and conclusions in the mass appraisal of properties, while Standard 6 addresses the content and level of information required in a report that communicates the results of a mass appraisal. The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for purposes of ad valorem taxation do not apply to mass appraisals prepared for other purposes.

A mass appraisal includes:

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

**The Jurisdictional Exception Rule may apply to several sections of Standards 5 and 6 because ad valorem tax administration is subject to various state, county, and municipal laws.**

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

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

The various sections of Standard 5 (development of mass appraisal) and Standard 6 (communication of the mass appraisal results) are briefly summarized below:

- **Standard 5-1:** Establishes the appraiser's technical and ethical framework. Specifically, appraisers must recognize and use established principles, methods and techniques of appraisal in a careful manner while not committing substantial errors of fact or negligence that would materially affect the appraisal results and not give a credible estimate of fair market value. To this end appraisers must continuously improve his or her skills to maintain proficiency and keep abreast of any new developments in the real and personal property appraisal profession. This Standards does not imply that competence requires perfection, as perfection is impossible to attain. Instead, it requires appraisers to employ every reasonable effort with regards to due diligence and due care.
- **Standard 5-2:** Defines the introductory framework requirements of developing a mass appraisal, focusing on the identification and/or definition of: client(s), intended users, effective date, appraisal perspective, scope of work, extraordinary assumptions, hypothetical conditions, the type and definition of value being developed (typically "fair market value" for ad valorem tax purposes), characteristics of the property being appraised in relation to the type and definition of value and intended use, the characteristics of the property's market, the property's real or personal attributes, fractional interest applicability, highest and best use analysis along with other land-related considerations, and any other economic considerations relevant to the property.
- **Standard 5-3:** Defines requirements for developing and specifying appropriate mass appraisal data and elements applicable for real and personal property. For real property, the data and elements include: existing land use regulations, reasonably probable modification of such regulations, economic supply and demand, the physical adaptability of the real estate, neighborhood trends, and highest and best use analysis. For personal property, the relevant data and elements include: identification of industry trends, trade level, highest and best use, and recognition of the appropriate market consistent with the type and definition of value.
- **Standard 5-4:** Further defines requirements for developing mass appraisal models, focusing on development of standardized data collection forms, procedures, and training materials that are used uniformly on the universe of properties under consideration. This rule specifies that appraisers employ recognized techniques for specifying and calibrating mass appraisal models. Model specification is the formal development of a model in a statement or mathematical equation, including all due considerations for physical, functional, and external market factors as they may affect the appraisal. These models must accurately represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. Models must be calibrated using recognized techniques, including, but not limited to, multiple linear regression, nonlinear regression, and adaptive estimation. Models may be specified incorporating the income, market, and/or cost approaches to value and may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics such as adaptive estimation. Model calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model.
- **Standard 5-5:** Defines requirements for collection of sufficient factual data, in both qualitative and quantitative terms, necessary to produce credible appraisal results. The property characteristics collected must be contemporaneous with the effective date of the appraisal. The data collection program should incorporate a quality control procedure, including checks and audits of the data to ensure current and consistent records. This rule also calls for calls for an appraiser, in developing income and expense statements and cashflow projections, to weigh historical information and trends, current market factors affecting such trends, and reasonably anticipated events, such as competition from developments either planned or under construction. Terms and conditions of any leases should be analyzed, as well as the need for and extent of any physical inspection of the properties being appraised.

- **Standard 5-6:** Defines requirements for application of a calibrated model to the property being appraised. This rule calls for: the appraiser to recognize methods or techniques based on the cost, market, and income approaches for improved parcels; the appraiser to value sites by recognized methods or techniques such as allocation method, abstraction method, capitalization of ground rent, and land residual; the appraiser to develop value of leased fee or leasehold estates with consideration for terms and conditions of existing leases, and, when applicable by law, as if held in fee simple whereas market rents are substituted for actual contract rents; the appraiser to analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or component parts of a property; the appraiser to analyze anticipated public or private improvements located on or off the site, and analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.
- **Standard 5-7:** Defines the reconciliation process of a mass appraisal. Specifically, appraisers must analyze the results and/or applicability of the various approaches used while ensuring that, on an overall basis, standards of reasonableness and accuracy are maintained with the appraisal model selected (underline added for emphasis). It is implicit in mass appraisal that, even when properly specified and calibrated models are used, some individual value conclusions will not meet standards of reasonableness, consistency, and accuracy. Appraisers have a professional responsibility to ensure that, on an overall basis, models produce value conclusions that meet attainable standards of accuracy.
- **Standard 6-1:** Defines general requirements of a mass appraisal written report by addressing the level of information required that will allow the report to be non-misleading, clearly understood, and sufficiently qualified with any assumptions and conditions (elements of which are further detailed in the next three sections of this report that discuss P&A appraisal procedures with regards to specific categories of property).
- **Standard 6-2:** Defines specific content required to be included in a mass appraisal written report.
- **Standard 6-3:** Defines the certification of the mass appraisal written report.

The following sections of this report discuss in more detail the various elements of the development of P&A's mass appraisals and associated written reports as required by USPAP Standards 5 and 6, with regards to P&A appraisal of Mineral Interests, Industrial, Utility, Related Personal Property, and Real Estate.



## USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF MINERAL INTERESTS

### INTRODUCTION

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

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

P&A hereby makes the **assumption** that, in all appraisal assignments performed for governmental entities in satisfaction of contractual obligations related to ad valorem tax, the client does not wish to or cannot legally request the appraisal report not identify the client.

Intended users of our reports are typically the client(s) for which we are under direct contract. Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. **A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

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

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

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

- exposed in the open market with a reasonable time for the seller to find a purchaser;

- both the buyer and seller know of all the uses and purposes to which the property is, or can be, adapted and of the enforceable restrictions on its use; and
- both the buyer and seller seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. [Exigencies are pressing or urgent conditions that leave one party at a disadvantage to the other.]

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

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

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

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

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

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

## Appraisal Resources

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

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

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

## VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

### Approaches to Value for Petroleum Property

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

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

Many times when these properties do change hands, it is generally through company mergers and acquisitions where other assets in addition to oil and gas reserves are involved; this further complicates the analysis whereby a total purchase price must be allocated to the individual components - a speculative and somewhat arbitrary task at best. In the case of oil and gas properties, a scarcity of sales requires that every evidence of market data be investigated and analyzed. Factors relative to the sale of oil and gas properties are:

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

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

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

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

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

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

## DATA COLLECTION/VALIDATION

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

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

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures for mineral properties are generally accomplished globally by the company; i.e., production and price data for the entire state is downloaded at one time into the computer system. Appraisers also individually gather and record specific and particular information to the appraisal file records, which serves as the basis for the valuation of mineral properties. P&A is divided into four district offices covering different geographic areas. Each office has a district manager, appraisal and ownership maintenance staff, and clerical staff as appropriate. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser.

## VALUATION ANALYSIS (MODEL CALIBRATION)

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

## INDIVIDUAL VALUE REVIEW PROCEDURES

Individual property values are reviewed several times in the appraisal process. P&A's discounted cashflow software dynamically generates various benchmark indicators that the appraiser reviews concurrent with the value being generated. These benchmarks often prompt the appraiser to reevaluate some or all of the parameters of data

entry so as to arrive at a value more indicative of industry standards. Examples of indicators are dollars of value per barrel of oil reserve, years payout, etc. In addition to appraiser review, taxpayers are afforded the opportunity to review the appraised values, either before or after Notices of Appraised Value are prepared. Operators routinely meet with P&A's appraisers to review parameters and to provide data not readily available to P&A through public or commercial sources, such as individual lease operating expense and reserve figures. And of course, all property values are subject to review through normal protest and Appraisal Review Board procedures, with P&A acting as an extension of the Office of the Chief Appraiser.

## **PERFORMANCE TESTS**

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

## USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF INDUSTRIAL, UTILITY AND RELATED PERSONAL PROPERTY

### INTRODUCTION

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

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

P&A hereby makes the **assumption** that, in all appraisal assignments performed for governmental entities in satisfaction of contractual obligations related to ad valorem tax, the client does not wish to or cannot legally request the appraisal report not identify the client.

Intended users of our reports are typically the client(s) for which we are under direct contract. Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. **A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

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

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

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

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

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

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

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

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

Legal and Statutory Requirements: The provisions of the Texas Property Tax Code and relevant legislative measures involving appraisal administration and procedures control the work of P&A as a subcontractor to the Appraisal District. P&A is responsible for appraising property on the basis of its market value as of January 1 for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. All industrial, utility and personal properties are reappraised annually. The definition of Fair Market Value is provided and promulgated for use in ad valorem tax work in Texas by the Texas Property Tax Code, and therefore as a **Jurisdictional Exception** supercedes the definition of “market value” as found in USPAP definitions.

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

## **Appraisal Resources**

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



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

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

## VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

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

## Approaches to Value for Industrial, Utility, and Personal Property

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

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

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

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

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

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

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

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

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

## DATA COLLECTION/VALIDATION

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

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

## **VALUATION ANALYSIS (MODEL CALIBRATION)**

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

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

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

## **PERFORMANCE TESTS**

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

# Foard County Appraisal District

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## *Resolution*

### REGARDING FOARD COUNTY APPRAISAL DISTRICT REAPPRAISAL PLAN FOR YEARS 2023-2024

**WHEREAS**, per Section 6.05(i) of the Texas Property Tax Code as amended states:  
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; and

**WHEREAS**, the Tax Entities within the boundaries of the Foard County Appraisal District were notified of a public hearing to be held on August 25, 2022 at 4:00 P.M.; and

**WHEREAS**, Foard County Appraisal District Board of Directors held a public hearing in accordance with section 6.05(i) of the Texas Property Tax Code; and,

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Foard County Appraisal District, pursuant to Section 6.05(i) of the Texas Property Tax Code, met in open session and approved the Reappraisal Plan for years 2023-2024

**BE IT FURTHER RESOLVED** 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.

Passed and approved this August 25, 2022.



Michael Bowman, Chairman



Holly Morton, Chief Appraiser