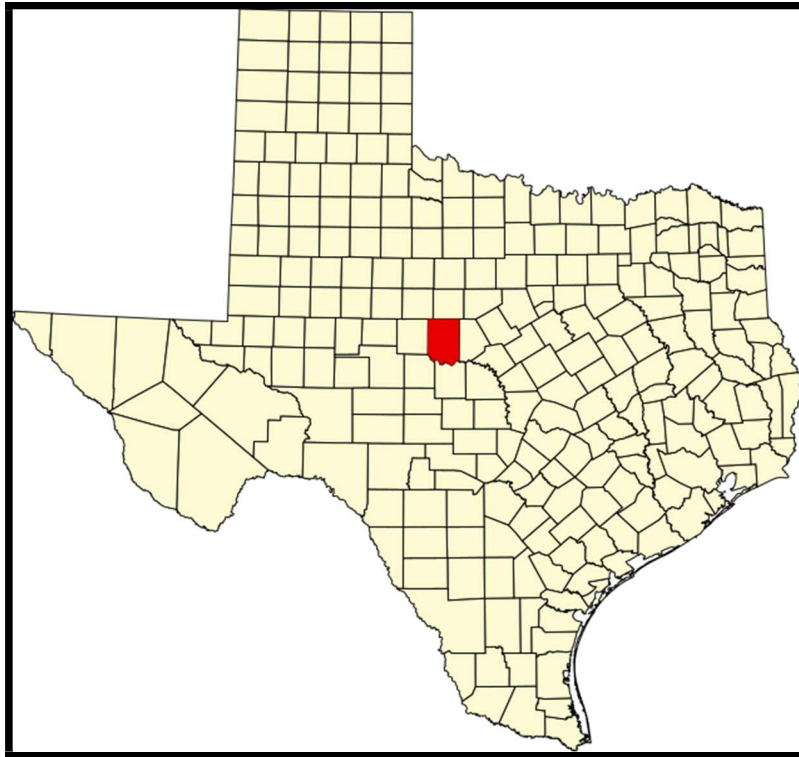




COLEMAN COUNTY APPRAISAL DISTRICT

REAPPRAISAL PLAN

2027 – 2028

September 3, 2026

Table of Contents

Executive Summary	3
Plan for Periodic Appraisal	4
Scope of Responsibility	5
Revaluation Decision.....	6
Map of Coleman County Showing Reappraisal Areas.....	7
Map of City of Coleman Showing Reappraisal Areas	8
Performance Analysis.....	9
Personnel Resources	9
Staff Education and Training	10
Appraisal District Boundaries	11
Independent Performance Test	11
Planning and Organization	12
Individual Value Review Procedures	13
2027 Tax Year Calendar of Key Events	15
2028 Tax Year Calendar of Key Events	21
Market Areas of Coleman County	27
Mass Appraisal Systems	28
Data Collection Requirements.....	29
Pilot Study	31
Valuation By Tax Year.....	32
Model Development, Calibration, and Testing	32
Approaches to Value	33
Residential Real Property.....	34
Special Inventory Residential Property.....	35
Commercial Valuation Process.....	36
Valuation Approach (Model Specification).....	37
Land Value.....	37
Area Analysis	37
Neighborhood Analysis	37
Highest and Best Use Analysis	37
Market Analysis.....	38
Cost Schedules.....	38
Income Models	39
Industrial Real Property	43
Improved Land Valuation.....	45
Special Valuation Properties	46
Special Inventory.....	48
Business Tangible Personal Property.....	49
Vehicles.....	50
Leased and Multi-Location Assets.....	50
Industrial Tangible Personal Property.....	52
Mass Appraisal Report	52
Value Defense	52
Appendix A – Pritchard & Abbott, Inc. Reappraisal Plan 2027 - 2028	54
Appendix B – 2027 Appraisal Budget.....	85

EXECUTIVE SUMMARY

The Coleman County Appraisal District (CAD) has prepared and published this reappraisal plan to provide our Board of Directors, citizens, and taxpayers with a better understanding of the district's responsibilities and activities. This plan has several parts: a general introduction followed by several sections describing the appraisal effort by the appraisal district.

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

The appraisal district is accountable for the local property tax appraisal and exemption administration for 10 jurisdictions or taxing units in the county. Each taxing unit, such as the county, city, school district, hospital district, etc., sets its own tax rate to produce 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 by the appraisal district allocate the year's tax burden on the basis of each taxable property's market value. The 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.

In this executive summary, please find the legal requirements of a reappraisal plan passed by the Texas Legislature in the 2005 regular session and our response to these requirements immediately below. Intricate details of how the plan will be implemented are discussed in the body of this document.

TAX CODE REQUIREMENT

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

- (i) *To ensure adherence with generally accepted appraisal practices, the Board of Directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10th day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place of the hearing. Not later than September 15 of each even numbered year, the board shall complete its hearings, make any amendments, and by resolution finally*

approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date.

PLAN FOR PERIODIC REAPPRAISAL

Subsections (a) and (b), Section 25.18, Texas Property Tax Code, are amended to read as follows:

- (a) *Each appraisal office shall implement the plan for periodic reappraisal of property approved by the Board of Directors under Section 6.05 (i). The plan may not include a standard or timeline that prevents the chief appraiser from appraising property as necessary to comply with the requirements of Section 23.01(a).*
- (b) *The plan shall provide for the following reappraisal activities for all real and personal property in the district at least once every three years:*
 - (1) *identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps, and property sketches;*
 - (2) *identifying and updating relevant characteristics of each property in the appraisal records;*
 - (3) *defining market areas in the district;*
 - (4) *identifying property characteristics that affect property value in each market area, including:*
 - (A) *the location and market area of the property;*
 - (B) *physical attributes of property, such as size, age, and condition;*
 - (C) *legal and economic attributes; and*
 - (D) *easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;*
 - (5) *developing an appraisal model that reflects the relationship among the property characteristic 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.*

INTRODUCTION

Scope of Responsibility

All taxable property is appraised at its “market value” as of January 1st, except as otherwise provided by the Texas Property Tax Code. Under the Tax Code, “market value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

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

The Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec. 23.23) productivity (Sec. 23.41) real property inventory, (Sec. 23.12), dealer inventory (Sec. 23.121, 23.124, 23.1241 and 23.127), nominal (Sec. 23.16) or restricted use properties (Sec. 23.83) and allocation of interstate property (Sec. 24.34). The owner of inventory may elect to have the inventory appraised at its market value as of September 1st of the year proceeding the tax year to which the appraisal applies by filing an application with the chief appraiser requesting that the inventory be appraised as of September 1st.

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

The appraised value of real estate is calculated using specific information about each individual property. Using computer-assisted mass appraisal programs and recognized appraisal methods and techniques, information is compared with the data for similar properties, and recent cost and market data analysis. The district follows the standards of the Property Tax Code and 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.

Revaluation Decision

Coleman CAD reappraises all property in the district every year. This is done on a rotation basis with a different School District inspected in the field each year. The other school districts receive a statistical analysis.

Tax Year 2027

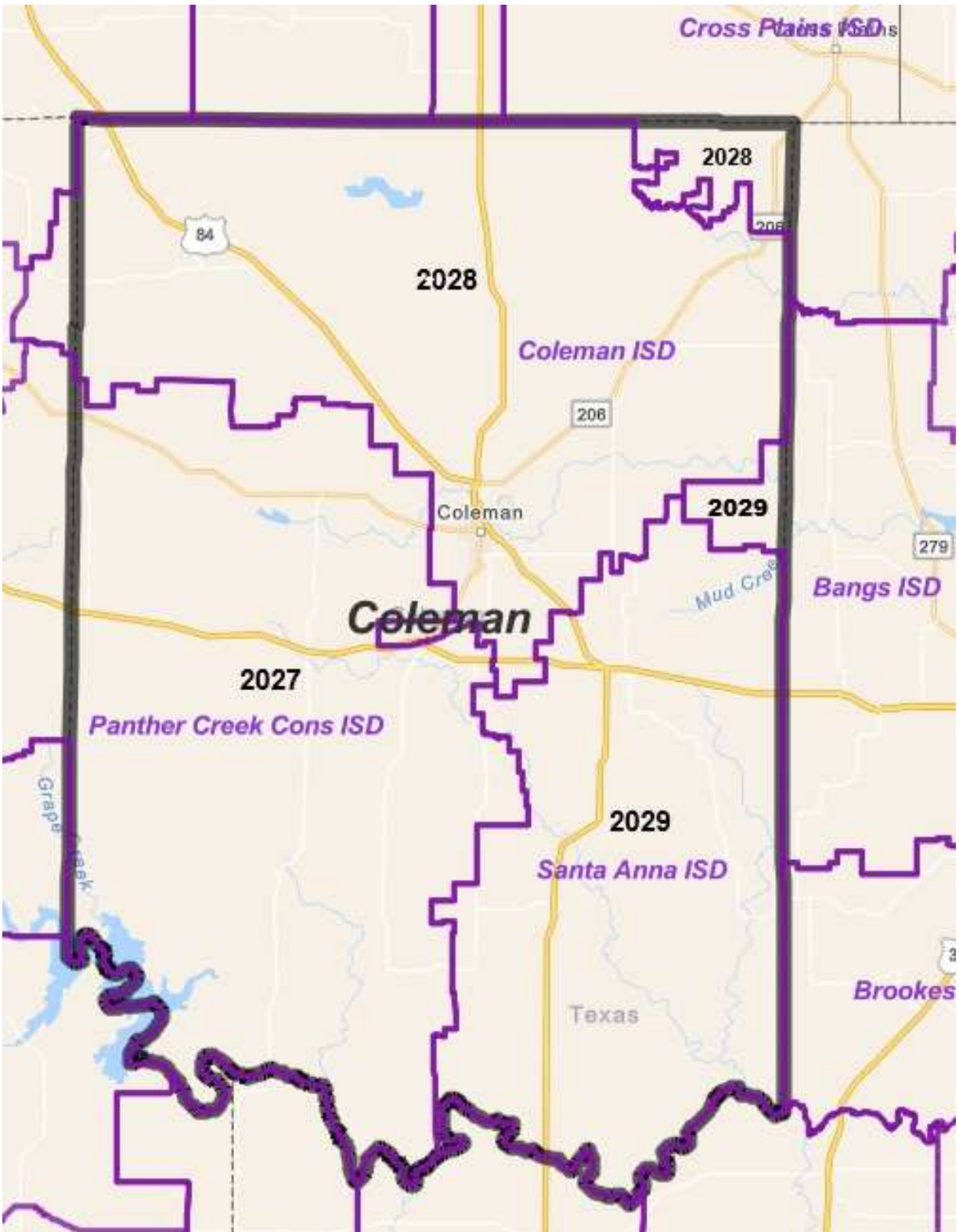
Tax Year 2027 is a reappraisal year. Panther Creek CISD and the Southwest section of the City of Coleman starting from the South side of Walnut Street and the West side of Commercial Street, will receive field inspections. All new construction will be picked up; all adjustments in property characteristics that affect value will be applied for all property types and classes within the district.

Tax Year 2028

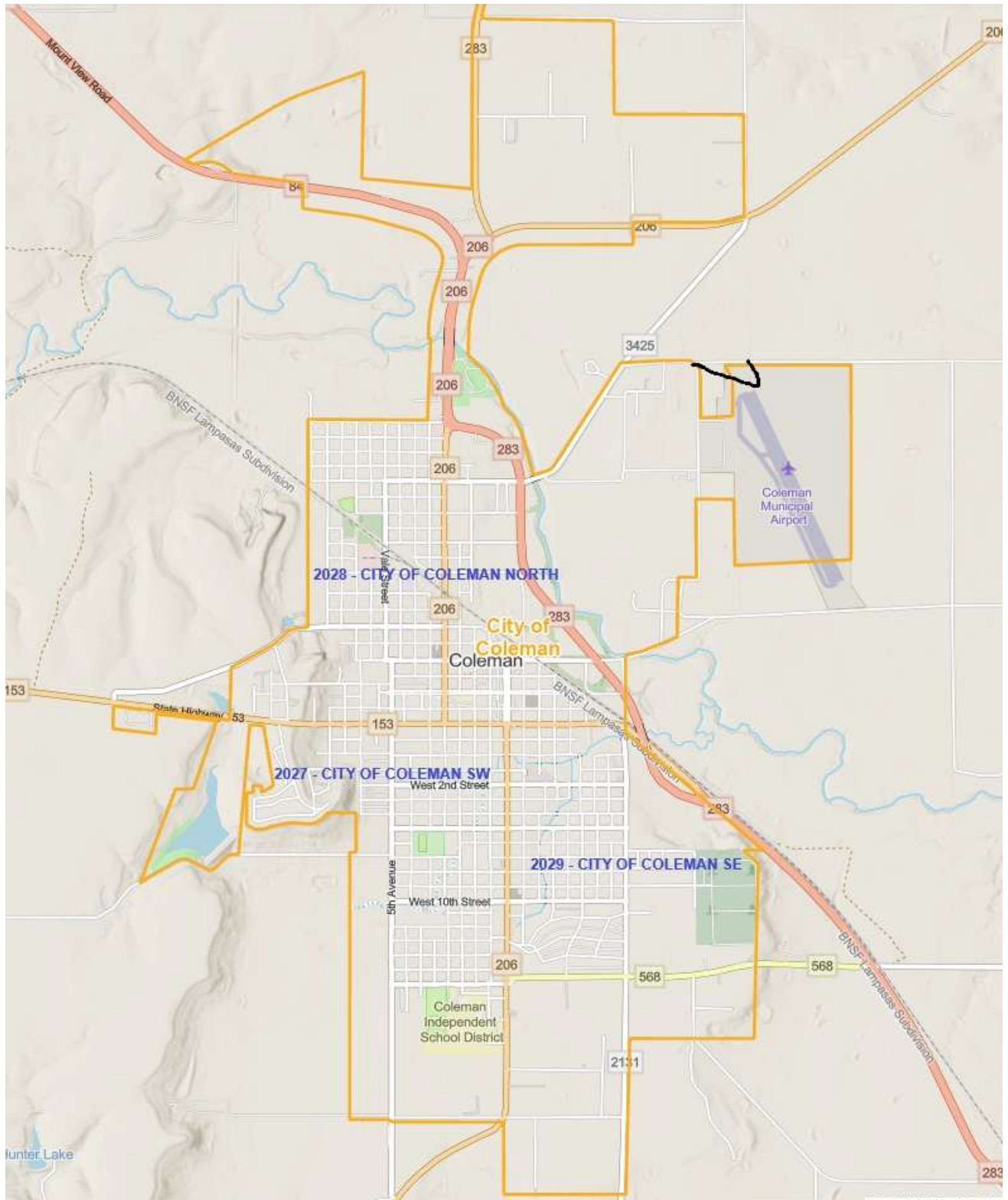
Tax year 2028 is a reappraisal year. Coleman ISD along with the overlap of Cross Plains ISD and the North Section of the City Coleman starting from the North side of Walnut Street, will receive field inspections. All new construction will be picked up; all adjustments in property characteristics that affect value will be applied for all property types and classes within the District.

Tax Year 2029

Tax year 2029 is a reappraisal year. Santa Anna ISD along with the overlap of Bangs ISD and the Southeast section of the City of Coleman starting from the South side of Walnut Street and the East side of Commercial Street, will receive field inspections. All new construction will be picked up; all adjustments in property characteristics that affect value will be applied for all property types and classes within the district.



Map showing School Districts and the year of Reappraisal



Map showing the City of Coleman divided into 3 sections for reappraisal years

Performance Analysis

In each tax year 2027 and 2028, the previous tax year's equalized values are analyzed with ratio studies to determine appraisal accuracy and appraisal uniformity overall and by market area within state property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* from the International Association of Assessing Officers. Mean, median, and weighted mean ratios are calculated for properties in each reporting category to measure the level of appraisal (appraisal accuracy). The mean ratio is calculated in each market area to indicate the level of appraisal (appraisal accuracy) by property reporting category.

Budget requirements for tax year 2027 analysis of available resources are detailed in the 2027 appraisal district budget. This reappraisal plan is adjusted to reflect the appraisal contract availability and concerns in tax year 2027 and the anticipated contract expenses for tax year 2028. (See Appendix B)

Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current are specified. Each year, real property appraisal depreciation tables and cost new tables are tested against verified sales data to ensure they represent current market data as available. Personal property depreciations schedules are derived from Marshall and Swift.

Information Systems (IS) support is detailed with year specific functions identified and system upgrades scheduled. Computer generated forms are reviewed for revisions based on year and reappraisal status. Legislative changes are scheduled for completion and testing. Existing maps and data requirements are specified, and updates scheduled.

Personnel Resources

The Office of the Chief Appraiser is primarily responsible for overall planning, organizing, staffing, coordinating, and controlling of district operations. The functions of the administration is to plan, organize, direct and control the business support functions related to human resources, budget, finance, record management, purchasing, fixed assets, facilities and postal services. The appraisal department is responsible for the valuation of all real and personal property accounts. The property types appraised include commercial, residential, business personal, minerals, utilities, and industrial. The district's appraisers are subject to provisions of the Property Taxation Professional Certification Act and must be registered with the Texas Department of Licensing and Regulation. Support functions including records maintenance, information and assistance to property owners, and the conducting of Appraisal Review Board (ARB) hearings coordinated by office personnel.

The appraisal district staff consists of five full-time employees with the following classifications:

- 1 - Official Administrator (executive level administration), Chief Appraiser
- 1 – Professional (supervisory and management) Office/Collections Manager
- 1 – Appraiser
- 2 – Support Staff (professional, customer service, clerical, and other)

Real estate, minerals, utilities, and complex personal properties are appraised by Pritchard & Abbott, Inc. through contractual arrangements with the Board of Directors. The company is directed by the Chief Appraiser.

Staff Education and Training

All personnel that are performing appraisal work, including contract appraisers, are registered with the Texas Department of Licensing and Regulation (TDLR) 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 certification, they must receive additional training of a minimum of 30 hours of continuing education units every two years as required by the TDLR. Failure to meet these minimum standards will result in the termination of the employee.

Additionally, all appraisal personnel receive extensive training in data gathering processes and statistical analyses of all types of property to ensure equality and uniformity of appraisal of all types of property. On-the-job training is delivered by the Chief Appraiser for new appraisers. The Chief Appraiser meets regularly with staff to introduce new procedures and regularly monitors appraisal activity to ensure that standardized appraisal procedures are being followed by personnel.

Data

The District is responsible for establishing and maintaining approximately 21,500 total accounts which contain 12,039 real accounts, 421 personal property accounts, and 9,040 mineral/industrial/utility accounts covering approximately 1,281 square miles within Coleman County. This data includes property characteristics, ownership, and exemption information. Property characteristic data on new construction is updated through an annual field effort; existing property data is maintained through a field review that is rotated primarily by school district. Sales are routinely validated during a separate field effort and as part of the new construction and data review field activities. General trends in employment, interest rates, new construction trends, and cost and market data are acquired through various sources, including internally generated questionnaires to buyer and seller, university research centers, and market data centers and vendors.

The district has a near complete geographic information system (GIS) that maintains cadastral maps and various layers of data and aerial photography. The district's website makes a broad range of information available for public access, including information on the appraisal process, property characteristics data, certified values, and protest and appeal procedures. Downloadable files of related tax information and district forms, including exemption applications and business personal property renditions are all available.

Information Systems

The district's software vendor, Pritchard and Abbott, Inc., manages and maintains the district's data processing facility, software applications, website, mapping and geographical information system, and assists the district as needed. The company provides software services for both appraisal and collections applications.

Appraisal District Boundaries

The appraisal district boundaries are the same as the county's boundaries.

Independent Performance Test

According to Chapter 5 of the Texas Property Tax Code and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Assistance Division (PTAD) conducts a biennial property value study (PVS) of each Texas school district and each appraisal district. As part of this annual study, the code requires the Comptroller to:

- use sales and recognized auditing and sampling techniques;
- review each appraisal district's appraisal methods, standards, and procedures to determine whether the district used recognized standards and practices (MAP review);
- test the validity of school district taxable values in each appraisal district and presumes the appraisal roll values are correct when values are valid; and
- determine the level and uniformity of property tax appraisal in each appraisal district.

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

Five independent school districts have property in Coleman County for which appraisal rolls are annually developed. The preliminary results of this study are released February 1 in the year following the year of appraisal. The results of this study are certified to the Education Commissioner in the Texas Education Agency (TEA) the following July of each year. This outside (third party) ratio study provides additional assistance to Coleman CAD in determining areas of market activity or changing market conditions.

PLANNING AND ORGANIZATION

1. **Performance Analysis** – the equalized values from the previous tax year are analyzed with ratio studies to determine the appraisal accuracy and appraisal uniformity overall and by market area within property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* of the International Association of Assessing Officers.
2. **Analysis of Available Resources** – staffing and budget requirements for tax year 2027 are detailed in the 2027 budget, as adopted by the Board of Directors and attached to the written biennial plan by reference (See Appendix B). Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current are specified. Information Systems (IS) support is detailed with year specific functions identified and systems upgrades scheduled. Existing maps and data requirements are specified, and updates scheduled.
3. **Planning and Organization** – a calendar of key events with critical completion dates is prepared for each major work area. This calendar identifies all key events for appraisal, clerical, customer service, and information systems. A calendar is prepared for tax years 2027 and 2028. Production standards for field activities are calculated and incorporated in the planning and scheduling process.
4. **Mass Appraisal System** – Computer Assisted Mass Appraisal (CAMA) system revisions that are required are specified and scheduled with Information Systems. All computer forms and procedures are reviewed and revised as required.
5. **Data Collection Requirements** – field and office procedures are reviewed and revised as required for data collection. Activities scheduled for each tax year include new construction, demolition, remodeling, re-inspection of problematic market areas, re-inspection of the universe of properties on an annual cycle, and field or office verification of sales data and property characteristics.
6. **Pilot Study by Tax Year** – new and/or revised mass appraisal models are tested each tax year. Ratio studies, by market area, are conducted on proposed values each tax year. Proposed values on each category are tested for accuracy and reliability in randomly selected market areas by use of test and control groups.

7. **Valuation by Tax Year** – using market analysis of comparable sales and locally tested cost data, valuation models are specified and calibrated in compliance with supplemental standards from the International Association of Assessing Officers and the Uniform Standards of Professional Appraisal Practice. The calculated values are tested for accuracy and uniformity using ratio studies.
8. **The Mass Appraisal Report** – each tax year the property tax code required Mass Appraisal Report is prepared and certified by the chief appraiser after the conclusion of the appraisal phase of the ad valorem tax calendar. The Mass Appraisal Report is completed in compliance with STANDARD RULE 6 and 8 of the *Uniform Standards of Professional Appraisal Practice*. The signed certification by the chief appraiser is compliant with STANDARD RULE 6 and 8 of *USPAP*. This written reappraisal plan is attached to the report by reference. The report date is as of certification date (on or about July 25th).
9. **Value Defense** – evidence to be used by the appraisal district to meet its burden of proof for market value and equity in both informal settings and formal appraisal review board hearings is specified and tested.

This 9 step Reappraisal Process is taken directly from the International Association of Assessing Officers, *Property Appraisal and Assessment Administration*.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection and the CAD appraiser responsible are listed on the CAMA record or property card. If a property owner or jurisdiction argues the district's records concerning this data during a hearing, by way of telephone call or other correspondence received, the record may be corrected based on the evidence provided or an on-site inspection may be conducted. Usually, a field inspection is requested to verify this information for the current year's valuation or for the next year's valuation. Every year a field review of real property located in certain areas or neighborhoods in the jurisdiction is done during the data review/re-list field effort. A field review is performed on all personal property accounts, with available situs, every year.

Office Review

Office reviews are completed on properties where updated information has been received from the owner of the property and is considered accurate and correct. Data mailers, sent in mass, or at the request of the property owner frequently verify some property characteristics or current condition of the property. When the property data is verified in this way, and is considered correct and accurate, a field inspection may not be required.

The personal property department mails property rendition forms in December of each year to assist in the annual review of the property.

PERFORMANCE TEST

The appraisers are responsible for conducting ratio studies and comparative analysis. Ratio studies are conducted on property located within certain neighborhoods or districts by appraisal staff. The sale ratio and comparative analysis of sale property to appraised property forms the basis for determining the level of appraisal and market influences and factors for the neighborhood. This information is the basis for updating property valuation for the entire area of property to be evaluated. Field appraisers, in many cases, may conduct field inspections to ensure the accuracy of the property descriptions at the time of sale for this study. This inspection is to ensure that the ratios produced are accurate for the property sold and that appraised values utilized in the study are based on accurate property data characteristics observed at the time of sale. Also, property inspections are performed to discover if property characteristics had changed as of the sale date or subsequent to the sale date. Sale ratios should be based on the value of the property as of the date of sale not after a subsequent or substantial change was made to the property after the negotiation and agreement in price was concluded. Properly performed ratio studies are a good reflection of the level of appraisal service, and information systems. A separate calendar is prepared for tax years 2027 and 2028. Production standards for field activities are calculated and incorporated in the planning and scheduling process

2027 Tax Year Calendar of Key Events

Throughout the year:

CAD Staff

- Research returned mail.
- Mail applications for special appraisals and exemptions requiring annual applications, such as new homestead exemptions, surviving spouse, historic exemptions, ag-use applications due to change of ownership.
- Gather sales data from sales confirmation letters, deed records and other sales sources for sales files.
- Get copies of filed deeds from County Clerk's office.
- Research property ownership.
- Key name/address changes, splits/combines, new property and personal property into CAMA. Track value loss due to property acquiring 1st time exemptions and 1st time 1-d-1 appraisal, value gain due to new improvements for taxing units.
- Send copies of associated mineral deeds to mineral appraisal company
- Send copies of splits/combine parcels to mapping contractor
- Update address change file as new addresses received and copy to mineral appraisal company.
- Process and sell digital copies of appraisal rolls to taxpayers.
- Prepare and post Board of Directors agenda for meetings.
- Prepare and mail Board of Directors packets for meetings.
- Answer phone calls and assist walk-in customers.

January 2027:

Appraisal Department

- Conduct field inspections on residential, land, mobile homes, commercial, industrial, pipelines and personal property.
- All real property visually inspected and checked for accuracy in class and depreciation.
- Take pictures of improvements.
- Check for new construction and demolition of improvements.
- Begin planning sales ratio studies for all areas within the CAD.
- Review schedules in comparison to available sales data to determine areas needing significant adjustment or close review.
- Review renditions as received.
- Meet with chief appraiser and agricultural advisory board to discuss agricultural issues.
- Work with District Judge on necessary appointments of ARB members

CAD Staff

- Upload appraisal data for field appraiser.
- Create list of renditions mailed and note date when rendition and/or extension request received.
- Chief appraiser schedules 1st yearly meeting of Agricultural Advisory Board.
- Check for 65 and over homestead exemptions that need to be granted automatically.
- Check that mapping updates have been processed as scheduled.
- Post updated public service announcement in CAD office and on website
- Place ¼ page ad in local paper on availability of exemptions, rendition requirements, special appraisals, and tax deferrals.

February 2027:

Appraisal Department

- Prepare for financial audit by independent CPA firm.
- Real property appraiser continues to work renditions as received.
- BPP renditions received and processed.
- Appraisers continue to work on discovery of property and appraisals.

CAD Staff

- Submit sales information and deed transactions to State Comptroller Office by February 1. - EARS
- Update Rendition Work List to current year and transfer information from received renditions to list.
- Receive and key rendition extension requests.
- Renditions of minerals, utilities, and other accounts worked by mineral appraiser and /or extension requests are faxed, mailed or emailed and the original filed in house.
- Contact agent if no appointment form on file for property rendered.
- ARB members are signed up for annual training.

March 2027:

Appraisal Departments

- Real Property appraiser continues to work.
- Complete field work on Category A, E, F, L, and M properties.
- Complete ratio studies on real property.
- Update residential schedules, Ag schedules, and mobile home depreciation schedules.
- Mineral and special properties appraisers continue to process received renditions.
- Appraisers continue to work on discovery of property and appraisals.
- Mail second quarter billing to tax units.

CAD Staff

- Mail out depository bid letters or consider one time two year extension agreement, send out first week of March.
- Chief Appraiser begins work on 2028 budget.
- Continue transferring information from received renditions to list.
- Receive and key rendition extension requests.
- Minerals and special property renditions and/or extension requests are faxed, mailed or emailed and the original filed in house.
- Contact agent if no appointment form on file for property rendered.
- Key rendered accounts, deleted exemptions, new exemptions, and new frozen accounts.
- Review edits and audits before notices run; correct or adjust accounts as needed.
- Proof all changes; print out change report and compare to appraisals.

April 2027:

Appraisal Departments

- Real Property appraisers continue field work and analysis.
- Mineral and special property appraisers continue to process received renditions.
- Appraisers continue to work on discovery of property and appraisals.

CAD Staff

- Ensure all ARB members have attended mandatory training and certificates of completion are on file.
- Chief Appraiser continues work on 2028 Budget.
- Continue transferring information from received renditions to list.
- Renditions due by April 15th unless extension requested; continue to receive and key rendition extension requests.
- Mineral and special property renditions and/or extension request are faxed, mailed or emailed to contract appraisers and the original filed in-house.
- Contact agent if no appointment form on file for property rendered or property protested.

May 2027:

Appraisal Departments

- Coordinate with CAD staff on hearing schedule and protests filed.
- Appraiser works with property owners regarding proposed values and protests filed.
- Mineral and special property appraisers continue to process received renditions.

CAD Staff

- Chief Appraiser presents proposed budget to Board for preliminary approval and notifies tax units of amounts to budget.
- Check that mapping updates have been processed as scheduled.
- Place Protest and Appeals Procedure ad in local newspaper by May 15.

- Review edits and audits before notices run; correct or adjust accounts as needed.
- Mail out Notices of Appraised Value.
- Renditions receiving 30 day extension are due May 15 unless chief appraiser extends deadline to May 30.
- Continue transferring information from received renditions CAMA system.
- Receive and key rendition extension requests and accounts granted additional 15-day extension.
- Mineral and special property renditions and/or extension requests are faxed, mailed or e-mailed to mineral appraiser and the original filed in-house.
- Contact agent if no appointment form on file for property rendered or property protested.
- Code returned notices and research ownership and addresses.

June 2027:

Appraisal Departments

- Appraisers work with property owners regarding proposed values and protests filed.
- Coordinate with CAD staff on hearing schedule and protests filed.
- Mail third quarter billing to tax units.

CAD Staff

- Submit appraisal records to ARB for review.
- Submit completed Operations Survey to State Comptroller.
- Chief Appraiser begins update of USPAP Report (Mass Appraisal Report).
- Chief Appraiser submits recommended 2028 Budget to CAD board no later than June 15.
- Chief Appraiser submits estimated pro-rated budget shares to CAD board and taxing units.
- Contact agent if no appointment form on file for property protested.
- Schedule protest hearing and mail Notice of Protest letters.
- Compile information for evidence packets for property owners filing protests and requesting evidence.
- Coordinate with mineral and special property appraisers on hearing schedule and protests filed.
- Prepare hearing list and information on information meeting and formal hearing to check on evidence and reason for changes in value by contract appraisers.
- Code returned appraisal notices and research ownership and addresses.
- Print and mail personal property rendition penalty letters.
- Mail all approvals/denials on rendition penalty waiver requests.
- Post ARB hearing Agenda as necessary.
- Check rendition list against Preliminary Appraisal Roll to verify properties are being picked up and appraised by mineral appraiser.

July 2027:

Appraisal Departments

- Appraisers work with property owners regarding proposed values and protests filed.
- Appraisers defend values at protest hearings.
- Enter into CAMA all changes ordered by ARB.

CAD Staff

- Prepare hearing list and information on informal meetings and formal hearings to check on evidence and reason for changes in value by contract appraisers.
- Mail all approvals/denials on rendition penalty waiver requests.
- Post ARB hearing agenda as necessary
- Begin ARB hearings
- Provide ARB support; make record of minutes during hearings, make copies as needed, supply forms and orders as needed, etc.
- Mail ARB Notices and Orders certified, return receipt requested.
- Enter into CAMA all changes ordered by ARB.
- ARB approves Appraisal Records by July 20.
- Chief Appraiser certifies Appraisal Roll to taxing units by July 25.
- Submit Certified Appraisal Roll to State Comptroller by August 1.

August 2027:

Appraisal Department

- Appraisers continue to work on any pending protest hearings.
- Continue working with taxpayers.
- Coordinate with CAD that rendition penalties are applied correctly.

CAD Staff

- Submit sales information to State Comptroller's Office by Aug 1. - EARS
- Submit Certified Appraisal Roll to State Comptroller by Aug 1. - EARS
- Place ¼ page Notice of Budget Hearing Ad in local newspaper at least 10 days before the hearing date.
- Submit Notice of Budget Hearing to taxing units at least 10 days before hearing date.
- Hold Public Hearing on 2028 Budget before September 15.
- Continue ARB Hearing process for any rescheduled or newly scheduled protests.
- Check rendition list against certified roll to verify values by mineral appraiser.
- Compose and mail letter to property owner filing late ag application informing them of the 10% penalty for late filing.
- Submit to taxing units value loss due to property acquiring 1st time exemption and 1st time 1-d or 1-d-1, value gain due to new improvements and recap of homesteads. Calculate truth in taxation information for county, cities, and special districts and supply needed data to schools.

September 2027:

Appraisal Department

- Work on gathering information of improvements and condition of those improvements and updating of pictures.
- Mail fourth quarter billing to tax units.

CAD staff

- Send tax rate confirmation and exemption confirmation to each tax unit for certification.
- Board of Directors must adopt 2028 budget by Sept 15.
- Chief Appraiser schedules Agricultural Advisory Board meeting to discuss ag issues and fill out Farm and Ranch Survey.
- Begin work on reports of Property Value for State Comptroller's Office.
- Coordinate with mineral-utility appraisers to assure tax load process is successful.
- Check that all qualifying residences have homestead exemptions, if not send applications.
- After tax rates are set, files are updated for new tax rates and budget allocations.
- Update listing of all taxing unit rates.
- Check that mapping updates have been processed as scheduled.

October 2027:

Appraisal Department

- Review and update Ag Survey Letter as needed.
- Continue field work reviewing class schedules and condition of improvements.
- Meet with Ag Advisory Committee and complete state survey.

CAD Staff

- Mail bills and respond to bill inquiries.
- Mail Ag Survey Letters to owners.
- Submit completed Reports of Property Value to State Comptroller's Office.

November 2027:

Appraisal Department

- Continue field work.

December 2027:

Appraisal Department

- Mail first quarter billing to each tax unit.
- Continue field work as needed.

CAD Staff

- Work with District Judge to get members appointed to Appraisal Review Board for 2028-2029.
- Board of Directors approves Ag Advisory Board members to 2 year term.

2028 Tax Year Calendar of Key Events

Throughout the year:

CAD Staff

- Research returned mail.
- Mail applications for special appraisals and exemptions requiring annual applications, such as new homestead exemptions, surviving spouse, historic exemptions, ag-use applications due to change of ownership.
- Gather sales data from sales confirmation letters, deed records and other sales sources for sales files.
- Get copies of filed deeds from County Clerk's office.
- Research property ownership.
- Key name/address changes, splits/combines, new property and personal property into CAMA. Track value loss due to property acquiring 1st time exemptions and 1st time 1-d-1 appraisal, value gain due to new improvements for taxing units.
- Send copies of associated mineral deeds to mineral appraisal company.
- Send copies of splits/combine parcels to mapping contractor.
- Update address change file as new addresses received and copy to mineral appraisal company.
- Process and sell digital copies of appraisal rolls to taxpayers.
- Prepare and post Board of Directors agenda for meetings.
- Prepare and mail Board of Directors packets for meetings.
- Answer phone calls and assist walk-in customers.

January 2028:

Appraisal Department

- Conduct field inspections on residential, land, mobile homes, commercial, industrial, pipelines and personal property.
- All real property visually inspected and checked for accuracy in class and depreciation.
- Take pictures of improvements.
- Check for new construction and demolition of improvements.
- Begin planning sales ratio studies for all areas within the CAD.
- Review schedules in comparison to available sales data to determine areas needing significant adjustment or close review.
- Review renditions as received.

- Meet with chief appraiser and agricultural advisory board to discuss agricultural issues.
- Work with District Judge on necessary appointments of ARB members.

CAD Staff

- Upload appraisal data for field appraiser.
- Create list of renditions mailed and note date when rendition and/or extension request received.
- Chief appraiser schedules 1st yearly meeting of Agricultural Advisory Board.
- Check for 65 and over homestead exemptions that need to be granted automatically.
- Check that mapping updates have been processed as scheduled.
- Post updated public service announcement in CAD office and on website.
- Place ¼ page ad in local paper on availability of exemptions, rendition requirements, special appraisals, and tax deferrals.

February 2028:

Appraisal Department

- Prepare for financial audit by independent CPA firm.
- Real property appraiser continues to work renditions as received.
- BPP renditions received and processed.
- Appraisers continue to work on discovery of property and appraisals.

CAD Staff

- Submit sales information and deed transactions to State Comptroller Office by February 1. - EARS
- Update Rendition Work List to current year and transfer information from received renditions to list.
- Receive and key rendition extension requests.
- Renditions of minerals, utilities, and other accounts worked by mineral appraiser and /or extension requests are faxed, mailed or emailed and the original filed in house.
- Contact agent if no appointment form on file for property rendered.
- ARB members are signed up for annual training.

March 2028:

Appraisal Departments

- Real Property appraiser continues to work.
- Complete field work on Category A, E, F, L, and M properties.
- Complete ratio studies on real property.
- Update residential schedules, Ag schedules, and mobile home depreciation schedules.
- Mineral and special properties appraisers continue to process received renditions.

- Appraisers continue to work on discovery of property and appraisals.
- Mail second quarter billing to tax units.

CAD Staff

- Mail out depository bid letters or consider one time two year extension agreement, send out first week of March.
- Chief Appraiser begins work on 2029 budget.
- Continue transferring information from received renditions to list.
- Receive and key rendition extension requests.
- Minerals and special property renditions and/or extension requests are faxed, mailed or emailed and the original filed in house.
- Contact agent if no appointment form on file for property rendered.
- Key rendered accounts, deleted exemptions, new exemptions, and new frozen accounts.
- Review edits and audits before notices run; correct or adjust accounts as needed.
- Proof all changes; print out change report and compare to appraisals.

April 2028:

Appraisal Departments

- Real Property appraisers continue field work and analysis.
- Mineral and special property appraisers continue to process received renditions.
- Appraisers continue to work on discovery of property and appraisals.

CAD Staff

- Ensure all ARB members have attended mandatory training and certificates of completion are on file.
- Board of Directors selects CAD Depository for 2 years.
- Chief Appraiser continues work on 2029 Budget.
- Continue transferring information from received renditions to list.
- Renditions due by April 15th unless extension requested; continue to receive and key rendition extension requests.
- Mineral and special property renditions and/or extension request are faxed, mailed or emailed to contract appraisers and the original filed in-house.
- Contact agent if no appointment form on file for property rendered or property protested.

May 2028:

Appraisal Departments

- Coordinate with CAD staff on hearing schedule and protests filed.
- Appraiser works with property owners regarding proposed values and protests filed.
- Mineral and special property appraisers continue to process received renditions.

CAD Staff

- Chief Appraiser presents proposed budget to Board for preliminary approval and notifies tax units of amounts to budget.
- Check that mapping updates have been processed as scheduled.
- Place Protest and Appeals Procedure ad in local newspaper by May 15.
- Review edits and audits before notices run; correct or adjust accounts as needed.
- Mail out Notices of Appraised Value.
- Renditions receiving 30 day extension are due May 15 unless chief appraiser extends deadline to May 30.
- Continue transferring information from received renditions CAMA system.
- Receive and key rendition extension requests and accounts granted additional 15-day extension.
- Mineral and special property renditions and/or extension requests are faxed, mailed or e-mailed to mineral appraiser and the original filed in-house.
- Contact agent if no appointment form on file for property rendered or property protested.
- Code returned notices and research ownership and addresses.

June 2028:

Appraisal Departments

- Appraisers work with property owners regarding proposed values and protests filed.
- Coordinate with CAD staff on hearing schedule and protests filed.
- Mail third quarter billing to tax units.

CAD Staff

- Submit appraisal records to ARB for review.
- Submit completed Operations Survey to State Comptroller.
- Chief Appraiser begins update of USPAP Report (Mass Appraisal Report).
- Chief Appraiser submits recommended 2029 Budget to CAD board no later than June 15.
- Chief Appraiser submits estimated pro-rated budget shares to CAD board and taxing units.
- Contact agent if no appointment form on file for property protested.
- Schedule protest hearing and mail Notice of Protest letters.
- Compile information for evidence packets for property owners filing protests and requesting evidence.
- Coordinate with mineral and special property appraisers on hearing schedule and protests filed.
- Prepare hearing list and information on information meeting and formal hearing to check on evidence and reason for changes in value by contract appraisers.
- Code returned appraisal notices and research ownership and addresses.
- Print and mail personal property rendition penalty letters.
- Mail all approvals/denials on rendition penalty waiver requests.

- Post ARB hearing Agenda as necessary.
- Check rendition list against Preliminary Appraisal Roll to verify properties are being picked up and appraised by mineral appraiser.

July 2028:

Appraisal Departments

- Appraisers work with property owners regarding proposed values and protests filed.
- Appraisers defend values at protest hearings.
- Enter into CAMA all changes ordered by ARB.

CAD Staff

- Prepare hearing list and information on informal meetings and formal hearings to check on evidence and reason for changes in value by contract appraisers.
- Mail all approvals/denials on rendition penalty waiver requests.
- Post ARB hearing agenda as necessary.
- Begin ARB hearings.
- Provide ARB support; make record of minutes during hearings, make copies as needed, supply forms and orders as needed, etc.
- Mail ARB Notices and Orders certified, return receipt requested.
- Enter into CAMA all changes ordered by ARB.
- ARB approves Appraisal Records by July 20.
- Chief Appraiser certifies Appraisal Roll to taxing units by July 25.
- Submit Certified Appraisal Roll to State Comptroller by August 1.

August 2028:

Appraisal Department

- Appraisers continue to work on any pending protest hearings.
- Continue working with taxpayers.
- Coordinate with CAD that rendition penalties are applied correctly.

CAD Staff

- Submit sales information to State Comptroller's Office by Aug 1. - EARS
- Submit Certified Appraisal Roll to State Comptroller by Aug 1. - EARS
- Prepare Reappraisal Plan of District for 2029-2030.
- Send Reappraisal Plan to tax units and notify them of hearing on Plan.
- Place ¼ page Notice of Budget Hearing Ad in local newspaper at least 10 days before the hearing date.
- Submit Notice of Budget Hearing to taxing units at least 10 days before hearing date.
- Hold Public Hearing on 2029 Budget before September 15.
- Hold Public Hearing on 2029-2030 Reappraisal Plan before September 15.
- Continue ARB Hearing process for any rescheduled or newly scheduled protests.

- Check rendition list against certified roll to verify values by mineral appraiser.
- Compose and mail letter to property owner filing late ag application informing them of the 10% penalty for late filing.
- Submit to taxing units value loss due to property acquiring 1st time exemption and 1st time 1-d or 1-d-1, value gain due to new improvements and recap of homesteads. Calculate truth in taxation information for county, cities, and special districts and supply needed data to schools. Provide a report of values for the prior year as of the latest supplement for truth in taxation calculations.

September 2028:

Appraisal Department

- Work on gathering information of improvements and condition of those improvements and updating of pictures.
- Mail fourth quarter billing to tax units.

CAD Staff

- Send tax rate confirmation and exemption confirmation to each tax unit for certification.
- Board of Directors must adopt 2029 budget by Sept 15.
- Chief Appraiser schedules Agricultural Advisory Board meeting to discuss ag issues and fill out Farm and Ranch Survey.
- Begin work on reports of Property Value for State Comptroller's Office.
- Coordinate with mineral-utility appraisers to assure tax load process is successful.
- Check that all qualifying residences have homestead exemptions, if not send applications.
- After tax rates are set, files are updated for new tax rates and budget allocations.
- Update listing of all taxing unit rates.
- Check that mapping updates have been processed as scheduled.

October 2028:

Appraisal Department

- Review and update Ag Survey Letter as needed.
- Continue field work reviewing class schedules and condition of improvements.
- Meet with Ag Advisory Committee and complete state survey.

CAD Staff

- Mail bills and respond to bill inquiries.
- Mail Ag Survey Letters to owners.
- Submit completed Reports of Property Value to State Comptroller's Office.

November 2028:

Appraisal Department

- Continue field work.

December 2028:

Appraisal Department

- Mail first quarter billing to each tax unit.
- Continue field work as needed.

CAD Staff

- Work with District Judge to get members appointed to Appraisal Review Board for 2029-2030.
- Board of Directors approves Ag Advisory Board members to 2 year term.

MARKET AREAS OF COLEMAN COUNTY

Residential Market Areas:

Coleman County has several different market areas within the county. The two main market areas include the Cities of Coleman and Santa Anna. Subdivisions near Lake O. H. Ivie and Lake Coleman, while not within an incorporated area, have market distinctions due to their construction growth and proximity to the lakes. Coleman County contains many small rural communities which have little or no growth and very few commercial businesses. Coleman CAD will conduct ratio studies calculating measures of central tendencies for each market area when possible.

Rural Land Markets Areas:

The rural market area for Coleman County is county wide. Land along the southern border of the county on the Colorado River, land bordering the Pecan Bayou, Lake Coleman, and Lake O. H. Ivie are the main rural market areas. Coleman CAD will conduct ratio studies calculating measures of central tendencies for each market area when possible.

Commercial Market Areas:

The main commercial market area for Coleman County are located in the Cities of Coleman and Santa Anna. Commercial business areas also includes US Highways 67, 84, and 283, State Highways 153 and 206, Commercial Avenue, Concho Street, Neches Street, Wallis Avenue, Walnut Street, and S 8th Street. Coleman CAD will conduct ratio studies calculating measures of central tendencies for each market area when possible.

Personal Property Areas:

Market areas for personal property are generally local or regional in scope. Most of the market area is located in Coleman ISD and Santa Anna ISD. Coleman CAD will conduct ratio studies calculating measures of central tendencies for each market area when possible.

MASS APPRAISAL SYSTEMS

Computer Assisted Mass Appraisal (CAMA) System revisions are specified and scheduled with Information Systems. All computers forms and IS procedures are reviewed and revised as required.

The following details these procedures as it relates to the 2027 and 2028 tax years:

REAL PROPERTY VALUATION

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

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

Land tables are updated using current market data including sales and abstraction tools. Value modifiers are developed for property categories by market area and tested on a pilot basis with ratio study tools. Depth and size adjustments are reviewed, and factors compared to market data by area and by zoning.

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

PERSONAL PROPERTY VALUATION

Renditions and hearing documentation data, from the previous tax year, is used to update Density/Quality schedules. Valuation procedures are reviewed, tested, and modified as needed.

Other types of commercial and industrial businesses are valued based on depreciated fixed assets and inventory valuation in accordance with Section 23.12 of the Property Tax Code.

MINERAL PROPERTY VALUATION

Producing oil and gas properties are valued each year in accordance with Section 23.175 of the property tax code. Pritchard & Abbott, Inc. is contracted by the Coleman County Board of Directors. (See Appendix A – Reappraisal Plan 2027-2028)

NOTICING PROCESS

Section 25.19 Appraisal notice forms are reviewed and edited for updates and changes approved by appraisal district management. Updates include the latest copy of Comptroller's *Taxpayer Assistance* Pamphlet.

HEARING PROCESS

Protest hearing scheduling for informal and for 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. Production of documentation is tested and compliance with HB 201 is ensured. (HB 201 deals with a protesting taxpayer's right to a postponement of an ARB hearing if the appraisal district fails to deliver to the taxpayer certain materials and information at least 14 days before the ARB protest hearing).

DATA COLLECTION REQUIREMENTS

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

NEW CONSTRUCTION / DEMOLITION

New construction field and office review procedures are identified and revised as required. Field production standards are established and procedures for monitoring are tested. Source of building permits is confirmed, and system input procedures are identified. Process of verifying demolition of improvements is specified.

REMODELING

Market areas with extensive improvement remodeling are identified, verified and field activities scheduled to update property characteristic data. Updates to valuation procedures are tested with ratio studies before finalization in the valuation modeling process.

RE-INSPECTION OF PROBLEMATIC MARKET AREAS

Real property market areas, by property classification, are examined for: low or high protest volumes; low or high sales ratios; or high coefficient of dispersion. Market areas that fail any or all of these tests are determined to be problematic. Field reviews are scheduled to verify and/or correct property characteristic data. Additional sales data is researched and verified. In the absence of adequate market data, neighborhood delineation is verified, and neighborhood clusters are identified.

RE-INSPECTION OF THE UNIVERSE OF PROPERTIES

The International Association of Assessing Officers, *Standard on Mass Appraisal of Real Property* specifies that the universe of properties should be re-inspected on a cycle of 4-6 years. The re-inspection may include the re-measurement of at least two sides of each improved property. Physical inspection is considered to be the most fundamental step in achieving reliable property valuations. **(USPAP) Uniform Standards of Professional Appraisal Practice does not require inspection for reappraisal. “Only that the characteristics of a property, relevant to an assignment be identified.” Frequent physical inspections are nevertheless necessary to ensure that each property is appraised according to its conditions as of January 1.** Coleman County Appraisal District will be on an annual physical inspection cycle for properties within the district on a rotating basis. The annual re-inspection requirements for tax years 2027 and 2028 are scheduled on the key events calendar.

FIELD OR OFFICE VERIFICATION OF SALES DATA AND PROPERTY CHARACTERISTICS

All three approaches to estimating market value depend in some way on market information. Appraisal records must contain complete and accurate information about sales prices and conditions of properties within the district.

Sales information must be verified and property characteristic data contemporaneous with the date of sale captured. The sales ratio tools require that the property that sold must equal the property appraised in order that statistical analysis results will be valid. The reliability of any valuation model or sales ratio study depends on the quantities and quality of its data. Three basic sources of sales data are real estate transfer documents, buyers and sellers, and third parties. Coleman County Appraisal District obtains sales information from deed filings, closing statements, buyer/seller questionnaires, telephone and face-to-face interviews. Sales data is also provided from fee appraisers and real estate brokers.

Necessary sales screening and verification of sales data is conducted by district staff, with the primary goal of obtaining an adequate sales database of valid sales, not just to find reasons to exclude sales.

PILOT STUDY

New and/or revised mass appraisal models are tested on randomly selected market areas. These modeling tests (sales ratio studies) are conducted each tax year. Actual test results are compared with anticipated results and those models not performing satisfactorily are refined and retested. The procedures used for model specification and model calibration are in compliance with *Uniform Standards of Professional Appraisal Practice* – STANDARD RULE 5.

A pilot study helps to evaluate what to correct and how. Data is collected on representative sets of properties. Estimated values are assigned and then analyzed to determine which factors contribute to value. Certain factors or characteristics may not be vital to valuation but are maintained because they may be useful for explaining values to taxpayers.

The pilot study, which includes a ratio study, will indicate if a new system produces accurate and reliable values. A particularly effective technique to use in conducting a pilot study is to separate sales into test and control groups. Models are developed from the test group and then applied to the control group. Models that are inherently unstable will not perform well on the control group.

VALUATION BY TAX YEAR

Valuation by tax year, using market analysis of comparable sales and locally tested cost data, market area specific income and expense data, and valuation models are specified and calibrated in compliance with the supplemental standards from the International Association of Assessing Officers and the *Uniform Standards of Professional Appraisal Practice*. The calculated values are tested for accuracy and uniformity using ratio studies. Performance standards are those as established by the *IAAO Standard on Ratio Studies*. Property values in all market areas are updated each reappraisal year. Tax year 2027 is a reappraisal year. Tax year 2028 is a reappraisal year.

MODEL DEVELOPMENT, CALIBRATION, AND TESTING

Property valuation models seek to explain the market value of properties from market data and sales. Models (schedules) are constructed to represent the operation of forces of supply and demand. These models have evolved from three broad theories of value: cost, market (sales comparison) and income.

Model development requires good theory, data analysis, and research. Any developed model that accurately reflects the market will make the value defense burden of the appraisal district much more credible. The best valuation models will be accurate, rational and explainable.

Model building (development) requires two distinct steps. Model specification (model design based on appraisal theory and market analysis, supply and demand variables and their interrelationships) and model calibration (solving for unknown quantities in a model) such as construction cost, depreciation, sales prices adjustments or capitalization rates.

Qualitative and quantitative data are used in the mass appraisal models. Qualitative data (such as location, roof type, or heating and cooling systems) are analyzed to evaluate the relationship between two variables. Quantitative data (the presence or the absence of a defining or specific feature) are based on measuring or counting, (for example, the square feet of a structure). Model calibration is the process of estimating the variables in a mass appraisal model.

Coleman County Appraisal District uses simple calibration each year to adjust existing developed models in use. Simple calibration promotes consistency in results and parcels can be recalibrated in mass. This is particularly effective when combined with ratio studies to monitor the level of appraisal by key property type.

Successful model development, calibration, and testing are contingent on various administrative and practice issues. One is the available budget and resources at hand, and another is the quality of existing data and recent appraisal performance. For Coleman County Appraisal District past and recent performance has been poor, as determined by the Property Value Study from the Comptrollers Property Tax Division.

(See <https://comptroller.texas.gov/auto-data/PT2/PVS/2023P/042index.php>). This makes an annual reappraisal cycle along with field inspections of sold properties a much more critical course of action.

APPROACHES TO VALUE

As mentioned earlier, there are three basic approaches to value – cost, market (sales comparison), and income. Not every approach is pertinent and useful for valuing all property types. For instance, the cost approach is not applicable to the valuation of vacant land. The sales comparison approach is not useful in the valuation of a zoo or public library because of the lack of sales data.

Standard Rule 5-1 of USPAP requires “the mass appraiser to be aware of, understand, and correctly employ those recognized methods and techniques (approaches to value) necessary to produce a credible mass appraisal.”

Standard Rule 6-2 (g) required under scope of work requirements, used in developing an appraisal, that the exclusion of the sales comparison approach, (market approach) cost approach, or income approach must be explained.

Section 23.01(b) 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. 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.”

Section 23.0101 states:

“In determining the market value of property, the chief appraiser shall consider the cost, income and market data comparison methods of appraisal and use the most appropriate method.” Which one of the 3 methods is the most appropriate? Generally, it will depend on three factors: (1) whether or not the necessary data is reasonably available for use of a particular approach, (2) typical practice for appraising a particular property type, (3) if the result by use of the approach would be meaningful.

Coleman County Appraisal District typically uses one approach to value (method or technique) dependent upon the property use or type. For consumptive use properties, such as single-family residences, the district uses a cost/hybrid model. It is a sales market adjusted model that is typical for appraisal districts using mass appraisal. For Investment use properties such as apartments or hotels or oil and gas properties, we typically use the income approach to value as being a more reliable indicator of estimated current market value. For productive use properties, such as manufacturing plants, we typically use a cost approach to value, as being the most reliable indicator of estimated current market value.

Coleman County Appraisal District in compliance with Section 23.01 of the Property Tax Code is consistent in the “use of the same appraisal method for the same or similar kinds of property”. In compliance with USPAP standards Rule 6-2 (g) the “Jurisdictional Exception Rule” is invoked due to the contrary requirement of this USPAP rule and of the Texas Property Tax Code Section 23.0101 and the requirement that the chief appraiser use the most appropriate of these methods.

Use of a specific or particular approach to value during the appraisal phase of the tax calendar does not prevent the use of alternative or support alternative approaches during the equalization phase of the tax calendar (value defense).

Special use appraisals for agricultural properties, recreational use, and special inventory are in compliance with the comptroller appraisal manuals for appraisal of agricultural land, appraisal of recreation, park and scenic land and dealer’s special inventory manuals as well as in compliance with The Texas Property Tax Code.

RESIDENTIAL REAL PROPERTY

Residential properties are physically inspected on a rotating basis. Changes that have occurred and observed condition are noted by the field appraiser and entered into account records. Permits for new activity and sales files, on specific accounts, can be referenced as needed.

Each appraiser is responsible for verifying and collecting accurate and reliable property data. Coleman CAD uses cost schedules to value residential parcels in the district. These cost schedules (models) are actually hybrid models called “Market-Adjusted Cost Hybrid” computer assisted mass appraisal models. These hybrid models are the most predominately used by appraisal districts in the state. Few districts use a pure replacement cost new (RCN) cost model (schedule) to value residential properties.

All residential property analysis work performed in association with the valuation process will be neighborhood specific. Each residential neighborhood will be assigned to a group or cluster, based on observed aspects of homogeneity with the market area.

Coleman CAD residential models consist of 6 MAIN CLASSES with class defining features for each class listed in the district’s Appraisal Operations Manual. Property specific features are additives to the main class such as attached/detached garages, porches, storage buildings, etc. Residential structures are classified according to quality of construction, style and design, appeal, and the presence of certain features. Age and condition of structures are adjusted based on real estate depreciation tables. These depreciation tables adjust for not only physical deterioration, but also for market reactions to obsolescence. The real estate depreciation tables are actually what are called CDU (condition, desirability, and usefulness) percent good tables. CDU (condition, desirability

and usefulness) is the overall value change from a benchmark new property, to reflect all losses of utility.

A review of all residential cost schedules (models) is performed annually. As part of the review and evaluation process, property data characteristics are compared against replacement costs from Marshall & Swift Valuation Services and from sales ratios. Based on these statistics, a preliminary decision is made as to whether the value level within a class of residential properties or a value level within a specific neighborhood needs to be changed for the current appraisal year, or if the values are at an acceptable existing level.

Classification, adjustments and other factors related to the residential schedules are located in the district's Appraisal Operations Manual.

SPECIAL INVENTORY RESIDENTIAL PROPERTY

Section 23.12 Inventory of the Property Tax Code states that: "The market value of an inventory is the price for which it would sell as a unit to a purchaser who would continue the business. An inventory shall include residential real property which has never been occupied as a residence and is held for sale in the ordinary course of a trade or business, provided that the residential real property remains unoccupied, is not leased or rented, and produces no income". The property tax code also requires the chief appraiser to "apply generally accepted appraisal techniques in computing the market value as defined" in Section 23.12.

Generally accepted appraisal techniques that have been approved by the courts support the Unit Method of valuation for residential inventory appraisal. The Unit Method compares parcels based on size of parcels on a square foot basis with values of similar parcels.

Coleman CAD uses the technique called the "Development Method" to value residential real estate inventory. The market value will be based on the total developmental costs as of appraisal date (January 1st of each tax year). Developmental costs typically include purchase prices for land, fees and permits, site preparation, utilities, streets, amenities, marketing costs and construction costs of improved parcels. Once all developmental costs are calculated that figure is divided by the total development square footage of available sites or acreage, to determine per square foot or per acre value, of the inventory.

COMMERCIAL VALUATION PROCESS

INTRODUCTION

Appraisal Responsibility

This mass appraisal assignment includes all of the commercially classed real property that falls within the responsibility of the commercial valuation appraisers of the appraisal district and located within the boundaries of the taxing jurisdiction. Commercial appraisers appraise the fee simple interest of properties according to statute. However, the effect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisal of any non-exempt taxable fractional interests in real property. Fractional interest or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their prorated interests.

Appraisal Resources

The improved real property appraisal responsibilities are categorized according to major property types of multi – family or apartment, office retail, warehouse and special use (i.e. motels, hospitals, and nursing homes). Appraisers are assigned to improved commercial property types. The appraisers are then assigned to the land valuation responsibilities.

Data – The data used by the appraiser includes verified sales of vacant land and improved properties and the pertinent data obtained from each (sales price levels, capitalization rates, income multipliers, equity dividends rates, marketing period, etc.). Other data used includes actual income and expense data (typically obtained throughout the hearing process), actual contract rental data, leasing information (commissions, tenant finish, term lengths, etc.), and construction data. In addition to the actual data obtained from specific properties, market data publications are reviewed as well to provide added support for market trends.

PRELIMINARY ANALYSIS

MARKET STUDY

Market studies are used to test new or existing procedures or valuation modifications in a certain area (sample properties) of the district and are also considered whenever substantial changes are created. These studies target certain types of improved property to evaluate current market prices for rents and for sales of commercial and industrial real property. These comparable sales reveal whether the valuation system is producing accurate and reliable value estimates or whether economic or procedural modifications are going to be needed.

VALUATION APPROACH (MODEL SPECIFICATION)

Land Value

Commercial land is analyzed annually to compare appraised values with recent sales in the market area. If appraised values are different from sales prices being paid, adjustments are made to all land in that region. Some of the factors placed on individual properties are corner influence, depth of site, shape of site, easements across site, and others. These may influence the value. The land is valued as though vacant at the highest and best use.

Area Analysis

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

Neighborhood Analysis

The neighborhood consists of the land area and commercially classed properties located within the boundaries of certain taxing jurisdictions. This area includes a wide variety of property types such as residential, commercial and industrial. Neighborhood analysis involves the examination of how physical, economical, governmental, and social forces and other influences affect property values. The effects of these forces are also utilized to identify, classify, and organize similar properties into smaller, manageable subsets of the universe of properties known as neighborhoods. In the mass appraisal of commercial properties, these subsets of a universe of properties are usually referred to as economic areas or market areas.

Economic areas are distinguished by each of the improved property use types (apartment, retail, office, warehouse, and special use) based upon an analysis of similar economic or market forces. Included but not limited are similarities of rental rates, classification of projects (known as building class by area commercial market experts), date of construction, overall market activity or other pertinent influences. Economic area identification and delineation by each major property use type in the benchmark of the commercial valuation system. All of the income model valuation is specific to the economic area.

Highest and Best Use Analysis

The highest and best use is the most logical probable use that produces the highest present value of the real estate as of the date of valuation. The highest and best use of

any given property must be physically possible, legally permissible, financially feasible, and maximally productive. For improved properties, highest and best use is evaluated as improved and as if the site were still vacant. This aids in deciding if the existing improvements have a transitional use, interim use, nonconforming use, multiple uses, speculative use, excess land, or different optimum use if the site were vacant. For vacant tracts of land within this jurisdiction, the best and highest use is considered speculative based on the surrounding land uses. Improved properties show a wide variety of highest and best uses which include but are not limited to office, retail, apartment, warehouse, light industrial, special purpose, or interim uses. In many instances, the property's current use is equivalent to its highest and best use. This analysis ensures that an accurate estimate of market value is derived.

Market Analysis

A market analysis has to do with market forces affecting supply and demand. This study includes the relationship between social, economic, environmental, governmental, and site conditions. Current market value including sales of commercial properties, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses, expense ratio trends, capitalization rate studies are observed.

Cost Schedules

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

construction and development for various improvements located in Coleman CAD as of the date of appraisal.

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

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

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

Income Models

The income approach to value is applied to those real properties which are typically viewed by market participants as “income producing” and for which the income methodology is considered a leading value indicator. The first step in the income approach pertains to the estimation of market rent on a per unit basis. This is derived primarily from actual rent rates furnished by property owners, from local market surveys conducted by the district and by information in area rent study reviews. This, per units rental rate multiplied by the number of units, results in the estimate of potential gross rent.

A vacancy and collection loss allowance is the next item to consider in the income approach. The projected vacancy and collection loss allowance is established from actual rates furnished by property owners and local market survey trends. This allowance

accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. This feature may also provide for a reasonable lease-up period for multi-tenant properties, where applicable. The market derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to yield an indication of estimated annual effective gross rent to the property.

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

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

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

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

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

must be based on a thorough analysis of the market for individual income property types and uses. These procedures are supported and documented based on analysis of market sales for these property types.

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

Rent loss concessions are estimated for specific properties with vacancy problems. A rent loss concession accounts for the impact of lost rental income while the building is moving toward stabilized occupancy. The rent loss is calculated by multiplying the rental rate by the percentage difference in the property's stabilized occupancy and its actual occupancy. Build out allowances (for first generation space or retrofit/second generation space as appropriate) and leasing expenses are added to the rent loss estimate. The total adjusted loss from this real property operation is discounted using an acceptable risk rate. The discounted value (inclusive of rent loss due to extraordinary vacancy, build out allowances and leasing commissions) becomes the rent loss concession and is deducted from the value indication of the property at stabilized occupancy. A variation of this technique allows a rent loss deduction to be estimated for every year that the property's actual occupancy is less than stabilized occupancy.

Sales Comparison (Market) Approach

Although all three of the approaches to value are based on market data, the sales comparison approach is most frequently referred to as the market approach. This approach is utilized not only for estimating land value but also comparing sales of similarly improved properties to parcels on the appraisal roll. As previously discussed in the Data Collection / Validation section of the report, pertinent data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information which can be used in all aspects of valuation. Sales of similarly improved properties can provide a basis for the depreciation schedules in the cost approach, rates and multipliers used in the income approach, and as direct comparison in the sales comparison approach. Improved sales are also used in ratio studies, which afford the appraiser an excellent means of judging the present level and uniformity of the appraised values.

Final Valuation Schedules

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

Statistical and Capitalization Analysis

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

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

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

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

Model Calibration

Model calibration involves the process of periodically adjusting the mass appraisal formulas, tables and schedules to reflect current local market conditions. Once the models have undergone the specification process, adjustments can be made to reflect new construction procedures and materials and/or costs, which can vary from year to year. The basic structure of a mass appraisal model can be valid over an extended period of time, with trending factors utilized from updating the data to the current market conditions. However, at some point, if the adjustment process becomes too involved, the model calibration technique can mandate new model specifications or a revised model structure.

INDUSTRIAL REAL PROPERTY

The Coleman CAD Board of Directors contract with Pritchard & Abbott, Inc., for all industrial, utility, and mineral accounts. (See Appendix A)

VACANT REAL PROPERTY

Land Value Model

Vacant land, like any other economic good, has a market value based on the present worth of its future benefits. Vacant land has value because of its potential to produce rental income in the future. For commercial land, future benefits relate to expected rents less development, maintenance and holding costs for residential land. Net income can be viewed as the annual value of residential use (an imputed rent) less annual maintenance expenses.

The concept of location being a primary determinant of land value is generally known and easily understood. Location continues to play the primary role in land value determination, but modeling location's effects has become more complicated. Land values for physically similar sites can vary greatly between a few city blocks. Most urban areas contain many value influence centers and their effect on land values is usually not linear.

Coleman CAD appraisal staff analyzes these patterns and builds them into land appraisal models (tables). Vacant land is then further analyzed and valued according to common units of comparison. For urban, platted areas Coleman CAD develops square foot urban land valuation tables. For rural non-platted areas within the district, rural land tables based on per acre value is utilized.

Land sale prices are also expressed on the same unit comparison basis and stratified (sorted) according to location, variation in zoning and probable use. Sorting criteria

ensure that land values will reflect market data for parcels with similar or competitive uses in the same market area.

Land Valuation Methods

The primary methods of land valuation are applications of the sales comparison approach to value. There are two principal applications of sales comparison in land valuation: the comparative unit method and the base lot method.

Coleman CAD uses both methods but typically utilizes the base lot method. In the comparative unit method, the average or typical per unit sale price is computed from similar valued parcels and from statistically centered per unit values.

In the base lot method, the value of the standard or “base” parcel in each stratum is determined through sales comparison analysis, with the “base” lot serving as the subject parcel. The “base” lot can be actual or a hypothetical standard parcel. Once the base lot is established, it is used as a “benchmark” to establish values for individual parcels.

Site Adjustments

After establishment of base lot values, the individual parcel values can be determined after applying any necessary site adjustments. Site adjustments recognize the characteristics of individual parcels, such as shape, size, and topography. They are further categorized by: (1) depth adjustments, (2) size adjustments, (3) irregular shape, (4) corner influence, and (5) location or other adjustments. Depth factors are based on market analysis. Coleman CAD utilizes depth tables that generally follow the “4-3-2-1 rule”. The first 25% of depth represent 40% of the parcel value, the second 25%, 30% of the parcel value, the third 25%, 20% of the parcel value and the final 25%, 10% of the value. Actual depth adjustments, however, must be supported by available market data. Adjustments are also made for “excess” land or oversized lots and undersized lots.

Triangular or irregular shaped lots are also subject to adjustment due to lost utility for construction and general use, even if the irregular lot is the same size as a rectangular lot. Coleman CAD generally follows the “65-35” rule for valuing these irregular, triangular, lots. The rule states that the value of a triangular lot with its base on the facing street is approximately 65% of the value of a rectangular lot of the same depth and size. Likewise, the value of an irregular lot, with its apex (point) on the facing street will be 35% of the value of rectangular lot of the same depth and size. The rule applies much more to commercial lots than to residential lots. The exercise of good appraisal judgment is always important in using “Rule of Thumb” methods of adjusting for shape and depth.

Corner influence can be positive or negative depending largely on the location and use to be made of the land. For commercial lots, visibility and accessibility can be a positive for corner lots. Corner influence to valuation of residential lots is much less significant

than for commercial lots. Coleman CAD recognizes the difficulties in adequately adjusting for corner influence for commercial parcels. Our approach to computing positive corner influence for commercial lots is to assign a 50% factor to rectangular corner lots with equal main and side street front footage. For other lots, a ratio of the main street front footage compared to the side street front footage is calculated and the resulting factor is applied to the lot unit value.

Location and other adjustments based on parcel sales comparison analysis are determined from market data. Rural acreage land value tables are subject to size, shape and location adjustments on a similar basis to platted lots. Sufficient market data and sales analysis are essential for district staff to reasonably value and adjust rural acreage parcels.

IMPROVED LAND VALUATION

Estimating land value for improved properties in fully developed areas creates special appraisal problems for the district. Where no recent sales data for land exists, either comparable or competing land sales data must be used to value the improved land parcel or alternate methods must be utilized. Section 25.02 of the Property Tax Code lists form and content requirements for district appraisal records. One such requirement is that the market value of the land as well as the market value of improvements on the land must be listed in the districts appraisal records. Valuation of the land is also a mandatory step under the cost approach to value.

Abstraction Method

When the lack of recent land sales exists such as in a fully developed residential neighborhood, alternate methods must be employed. The most common method is the abstraction method, also known as the land residual technique. This technique is not used to establish land values directly, because inconsistencies in land values from parcel to parcel will generally result. Instead, land residuals are analyzed in the same way as vacant land sales in order to establish comparative unit or base lot values. Coleman CAD utilizes the land residual technique in valuing site values as required by Section 25.02 of the Property Tax Code when fully developed neighborhoods or recent sales data is unavailable.

Use of this method requires the appraisal district staff to isolate the value of improvements from the cost models employed by the district and then to subtract that improvement component value from sales prices of improved sales to yield a residual land value estimate. These calculated land residual values are then used as a supplement or alternative to vacant land sales in application of these sales comparison approaches to value.

In general, this method is more accurate for parcels with relatively new structures, for which replacement costs and depreciation are more easily estimated.

Allocation Method

Another recognized method for estimating land values for improved properties is the allocation method (also known as the land ratio technique). The theory behind this method is that for a given property type in a given area, there tends to be a consistent overall relationship between land values and improvement values. When there are insufficient land sales in a given area, appraisal district staff can seek out comparable areas of improved sales and land sales and by determining the ratio of land value to total property value, this ratio can be applied to sales of improved parcels or benchmark parcels in a subject area. As with the abstraction method, the allocation method is not used to establish land values directly. This method is particularly useful in older neighborhoods. This method can be reasonably accurate if used with caution and if improvement value estimates and sales are validated. Coleman CAD makes significant use of this method in residential property valuation in older, fully developed neighborhoods.

Sales comparison and the various methods under comparison analysis are predominately used by all districts, including Coleman CAD, to value both improved sites and vacant lots. The cost approach to value is inapplicable for land valuation. This is due to the fact that land is irreplaceable, and that land is not subject to depreciation.

The income approach to value has limited application in valuation of land. If land is rented or leased separately from improvements, then a so called “ground rent” can be capitalized into a value estimate. This income method is most applicable to commercial land based on a net basis (lessee responsible for property taxes and all other expenses) and to farmland. Capitalization rates used are based on market analysis. Coleman CAD utilizes this income method to value land in specific cases where land is leased out.

The cost of development method is used for valuing land placed into residential inventory and more fully described in a previous section. Urban / rural footage and acreage land value tables are located in the district’s Appraisal Operations Manual.

SPECIAL VALUATION PROPERTIES

Agricultural Use Properties

The Texas Constitution permits special agricultural appraisal on land used for farm and ranch if its owner meets specific requirements. Casual uses such as home vegetable gardens do not constitute qualified agricultural use.

Section 23.51 of the Property Tax Code sets the standards for determining if land qualifies for agricultural appraisal. Section 23 subchapter D deals with the allowed uses and the application process involved with agricultural land appraisal.

Agricultural land classes are mandated by the Texas Property Tax Code. The chief appraiser of the district may establish additional categories. In Coleman County seven valuation classes of agricultural land use are maintained: 1) irrigated cropland; 2) cropland 2 – best dryland cropland; 3) cropland 3 – dryland cropland; 4) improved pasture; 5) native pasture 1; 6) native pasture 2; and 7) native pasture 3

All agricultural lands in the county are carried at their current market value. However, agricultural productivity appraisal allows for qualified agricultural use land to be carried at its productivity value for property tax assessment purposes. Agricultural appraisal lowers the taxable value of the land. The productive capacity of agricultural property is based on a “Net to Land” calculation that is the average annual net income that a class of land would be likely to generate over a five year base period. The law requires the district appraisers to use the “cash” or “share” lease method to determine the “net to land”. In a cash lease, rent is a fixed amount. In a share lease, rent is a share of gross receipts for a year, less a share of certain expenses.

Each year the Comptroller of Public Accounts publishes an agriculture cap rate to be used by appraisal districts in their net to land capitalization of value. For 2025, Coleman CAD used a 10% capitalization rate and for 2026, a 10% capitalization rate for appraisal of all classes of qualified agricultural productivity use lands.

Wildlife Management Use

Section 23.521 of the Texas Property Tax Code allows qualified land used for wildlife management purposes to be subject to productive use valuation as is qualified open space land (nature pasture). Qualified active use for wildlife management purposes includes propagation of a sustained breeding, migrating, or wintering population of indigenous wild animals for human use, including food, medicine, or recreation.

Wildlife management land must previously have qualified as open-space land for other purposes and at the time of application for appraisal for wildlife management use, the property must have been appraised as qualified open-space land.

Appraisal of Restricted Land (Recreational, Park and Scenic Use)

Section 23.83 of The Property Tax Code provides for special appraisal of certain types of use restricted land. For restricted use land to qualify for special appraisal, it must be primarily devoted to recreation, park or scenic use for the preceding year and deed restricted for a minimum of 10 years. It must be at least 5 acres in size and cannot accrue

a profit. In determining the value of qualified land so restricted, the chief appraiser may not consider any factor other than the one relating to the value of the land as restricted.

The Property Tax Division publishes “Guidelines” for the Appraisal of Recreational, Park, and Scenic Land. Two primary methods of valuation for restricted land are applicable for use on land appraised under section 23.83.

The first method is to use the sales comparison method. The sale of similarly restricted use parcels can be used to help establish value for the subject parcel. Only restricted use lands can be compared.

The second method is commonly referred to as “The Reversionary Interest Technique.” The current market value of the land would be the current use value as restricted or the value of the reversion to a non-restricted use. The current value of a reversion is estimated by projecting the future value which the property may be sold for after the restriction is removed and discounting that value back to its present worth based on the use of an appropriated discount rate. This procedure attempts to measure the present value of a future sum.

SPECIAL INVENTORY

Income producing business personal property is subject to ad valorem appraisal and assessment in Texas. Business Personal Property (BPP) includes fixed assets (use items) of the firm as well as inventories (good for sale) by the firm.

Section 23.12 Inventory of the Property Tax Code states generally “the market value of an inventory is the price for which it would sell as a unit to a purchaser who would continue the business.”

The exceptions to this rule are special inventories, motor vehicles, boats and motors, heavy equipment and manufactured housing. Texas law requires that these four types of dealer’s inventory value each year are based on the total sales of motor vehicles in the prior year. Monthly sales are reported, and ad valorem taxes deposited with the district office throughout the year. Appraisal values based on a monthly average of sales from the prior year are set for January 1 of the current year and paid by escrow from monthly deposits.

The Jurisdictional Exception Rule in USPAP applies to special inventory valuation due to the conflict with Standard Rule 7-1 of the Uniform Standards of Professional Appraisal Practice.

BUSINESS TANGIBLE PERSONAL PROPERTY

The district appraisers are responsible for developing fair and uniform market values for business personal property located within the district. There are four different personal property types appraised by the personal property appraisers: Business personal property accounts; leased assets; special inventory; and multi-location assets (allocated). There are approximately 421 business personal property accounts located in Coleman County. The district reappraises all income producing business personal property annually.

Procedure for Collecting Validating Data

A common set of data characteristics for each personal property account in Coleman County is collected in the field and data entered to the computer.

VALUATION AND STATISTICAL ANALYSIS (model calibration)

Cost Schedules

The cost schedules are developed by analyzing cost data from property owner renditions, hearings, state schedules, and published cost guides. The cost schedules are reviewed as necessary to conform to changing market conditions. The schedules are typically in a price per square foot format, but some exceptions are in an alternate price per unit format, such as per room for hotels.

Statistical Analysis

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

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the greatest income and the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to its maximum. The highest and best use of personal property is normally its current use.

DATA COLLECTION

Data Collection Procedures

The appraisal data collection procedures are reviewed and revised to meet the changing requirements of field data collection.

Sources of Data

Business Personal Property

The district's property characteristic data was collected through a massive field data collection effort coordinated by the district over the recent past and from property owner's renditions. From year to year, reevaluation activities permit district appraisers to collect new data via an annual field inspection. This project results in the discovery of new businesses, relocation of businesses, and closures of businesses not relevant through other sources. Tax assessors, city and local newspapers, telephone book, and the public often provide the district information regarding new personal property and other useful facts related to property valuation.

Vehicles

Value estimates for vehicles are provided by an outside vendor and are based on used vehicle guides which publish book values, and there are also considerations available for high mileage. Vehicles that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

Leased and Multi-Location Assets

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

VALUATION AND STATISTICAL ANALYSIS

Cost Schedules

Depreciation Schedule and Trending Factors:

Business Personal Property

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

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

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

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

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

Office Review

Business Personal Property

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

PERFORMANCE TESTS

Ratio Studies

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

INDUSTRIAL TANGIBLE PERSONAL PROPERTY

The Coleman CAD Board of Directors contracts with Pritchard & Abbott, Inc., for all industrial, utility, and mineral accounts. (See Appendix A)

THE MASS APPRAISAL REPORT

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

VALUE DEFENSE

The Texas Constitution sets out 5 Rules for Property Tax in the State. The first rule requires that taxation must be equal and uniform. The second rule requires that property be taxed at current market value. These two rules are the most important requirements for county appraisal districts of the entire Texas Property Tax Code.

Coleman CAD has the burden of establishing the value of properties within the District. That burden applies to market values (appraisal level) and to equal and uniform values (appraisal equity).

The Property Tax Code permits a property owner to protest any determination made by the appraisal district, the chief appraiser, or the Appraisal Review Board (ARB) that applies to and adversely affects the property owner. Of the numerous grounds for protest listed in the Property Tax Code, the two most commonly filed protests deal with value over market and with unequal appraisal.

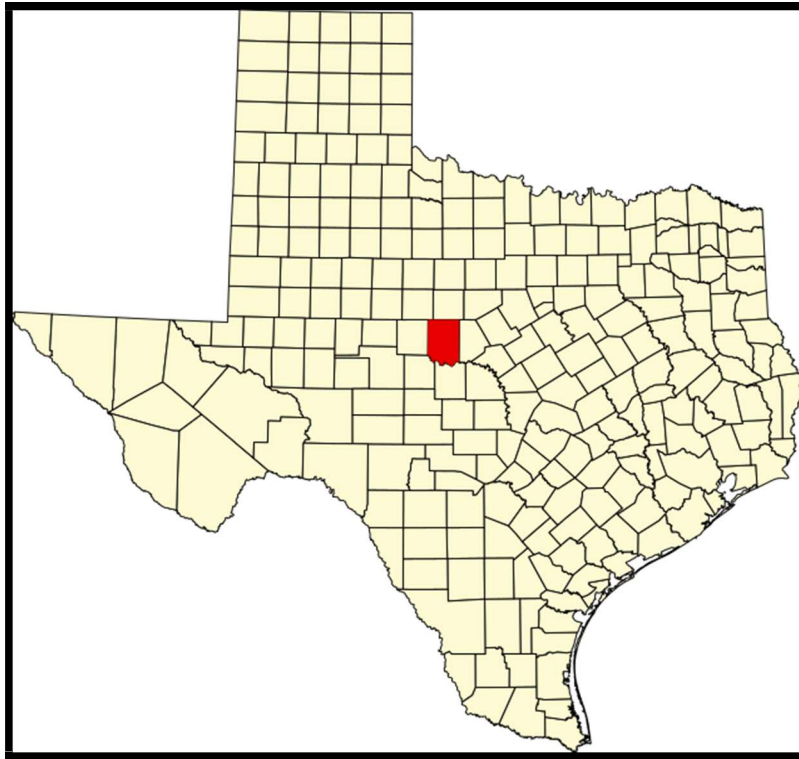
Coleman CAD encourages property owners to meet with district appraisal staff to try and resolve disputes in an informal setting before a formal ARB hearing. Sometimes a mutually agreeable solution to an owner's protest at these informal meetings results in a settlement and the property owner waives any further right to a formal protest before the ARB.

Chapter 41 of the Property Tax Code deals with the right of a property owner to a formal Appraisal Review Board (ARB) hearing. The appraisal district also has information delivery requirements concerning ARB protests.

Value defense is part of the equalization phase of the Tax Calendar. In Formal Hearings both mass appraisal and single property appraisal methods can be introduced. Mass Appraisal and single property appraisal are systematic methods for arriving at estimates of value. They differ only in scope. Mass appraisal models have more terms because they attempt to replicate the market for one or more land uses across a wide geographic area. Single property models, on the other hand, represent the market for one kind of land use in a limited area.

Quality is measured differently in mass appraisal than in single property appraisal. The quality of single property appraisal is measured against a small number of comparable properties that have sold. The quality of mass appraisals is measured with statistics developed from a sample of sales in the entire area appraised by the model.

Coleman CAD will make use of both mass appraisal statistics and district sales comparison of a select few comparable as in single property appraisal during formal ARB hearings. Of the three approaches to value, cost, market, and income, the district will use not only the particular approach that the mass appraisal model is built on for a particular type of property, but the district will also present alternative approaches, methods or technique.



APPENDIX A

PRITCHARD & ABBOTT, INC.

REAPPRAISAL PLAN 2027 – 2028

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:

2027 and 2028**

Originally Printed: July 2026

***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). The 2024 edition of USPAP has an effective start date but no end date. Because the standards have matured, the ASB now states that the need for the standards to be updated on a regular basis has decreased. Therefore, the 2024 USPAP will be effective for an indeterminate number of tax years, or until the next USPAP version is produced.*

*Senate Bill 1652 passed by the Texas Legislature, 79th 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."

Table of Contents

<u>Item</u>	<u>Page</u>
P&A POLICY STATEMENT	2
PREAMBLE	5
ETHICS RULE	7
RECORD KEEPING RULE	11
SCOPE OF WORK RULE	12
JURISDICTIONAL EXCEPTION RULE	14
STANDARDS 5 & 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING (General).....	15
STANDARDS 5, 6-1, 6-2: MINERAL INTERESTS.....	18
STANDARDS 5, 6-1, 6-2: INDUSTRIAL, UTILITY, AND RELATED PERSONAL PROPERTY...	24

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. Accordingly, 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 Uniform Standards of Professional Appraisal Practice (USPAP®) is the generally recognized ethical and performance standards for the appraisal profession in the United States. USPAP® is updated on an as needed basis by the Appraisal Standards Board (ASB). Any updates follow the release of exposure drafts of proposed changes and a public vote. The most recent update to USPAP® went into effect on January 1, 2024.

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 applicable 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 rigorously follow USPAP standards if in fact mass appraisal practices have not been used to appraise the subject property. The Jurisdictional Exception Rule could then be invoked because of 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.

On April 23, 2026, the Appraisal Standards Board adopted Advisory Opinion 41, Use of Technology in an Appraisal or Appraisal Review Assignment. AO-41 offers guidance on appraisers' USPAP® responsibilities when using technological tools, including automated valuation models, regression and statistical software, and generative artificial intelligence, in appraisal and appraisal review assignments across real property, personal property, and intangible property. The Advisory Opinion is available now and will be incorporated into a future edition of the USPAP Guidance and Reference Manual.

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 four (4) sections:

- Nondiscrimination;
- 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.

NONDISCRIMINATION

An appraiser must not act in a manner that violates or contributes to a violation of federal, state, or local anti-discrimination laws or regulations. This includes the Fair Housing Act (FHA), the Equal Credit Opportunity Act (ECOA), and the Civil Rights Act of 1866.

An appraiser must have knowledge of anti-discrimination laws and regulations and when those laws or regulations apply to the appraiser or to the assignment. An appraiser must complete an assignment in full compliance with applicable laws and regulations.

1. An appraiser, when completing a residential real property assignment, must not base their opinion of value in whole or in part on race, color, religion, national origin, sex, disability, or familial status.
2. An appraiser, when completing an assignment where the intended use is in connection with a credit transaction, not limited to credit secured by real property, must not base their opinion of value in whole or in part on race, color, religion, national origin, sex, marital status, age, source of income, or the good-faith exercise of rights under the Consumer Credit Protection Act.
3. An appraiser must not violate any state or local anti-discrimination laws or regulations applicable to the appraiser or to their assignment.

Whether or not any anti-discrimination law or regulation applies:

1. An appraiser must not develop and/or report an opinion of value that, in whole or in part, is based on the actual or perceived race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s).
2. An appraiser must not base an opinion of value upon the premise that homogeneity of the inhabitants of a geographic area is relevant for the appraisal.
3. An appraiser must not perform an assignment with bias with respect to the actual or perceived race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s).
4. An appraiser must not use or rely upon another characteristic as a pretext to conceal the use of or reliance upon race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s), when performing an assignment.

If an assignment does not involve residential real property and the intended use is not in connection with a credit transaction, the FHAct and ECOA do not apply. If the FHAct and ECOA do not apply, and no other law or regulation prohibits the use of or reliance upon a protected characteristic,⁵ then the use of or reliance upon that characteristic is permitted only to the extent that it is essential to the assignment and necessary for credible assignment results.

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 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 with the three year period. In assignments in which there is no report, only the initial disclosure to the client is required.

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

MANAGEMENT

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

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

Advertising for or *soliciting assignments in a manner that is false, misleading, or exaggerated* is unethical. Decisions regarding finder or referral fees, contingent compensation, and advertising may not be the responsibility of an individual appraiser, but for a particular assignment it is the responsibility of the individual appraiser to ascertain that there has been no breach of ethics, that the assignment consulting assignment has been prepared in accordance with USPAP Standards, and that the report can be properly certified when required by USPAP Standards 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 written 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 an appraiser, in developing income and expense statements and cash flow 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 report which is required to be in writing; no option exists for oral reports. This standard addresses the level of information required so that the report is clearly understood (i.e., not misleading) 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) IN LIEU OF 1.04(2)(D). 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 IMPLIED SUBJECT OF THE REFERENCE.

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

Appraisal Resources

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

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

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

VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

Approaches to Value for Petroleum Property

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

Market Approach: This approach may be defined as one which uses data available from actual transactions recorded in the market place itself; i.e., sales of comparable properties from which a comparison to the subject

property can be made. Ideally, this approach's main advantage involves not only an opinion but an opinion supported by the actual spending of money. Although at first glance this approach seems to more closely incorporate the aspects of fair market value per its classical definition, there are two factors that severely limit the usefulness of the market approach for appraising oil and gas properties. First, oil and gas property sales data is seldom disclosed (in non-disclosure states such as Texas); consequently there is usually a severe lack of market data sufficient for meaningful statistical analysis. Second, all conditions of each sale must be known and carefully investigated to be sure one does have a comparative indicator of value per fair market value 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 reasonably estimates a future income stream to the property. This future income may then be converted (discounted) into an estimate of current value. Many refer to this as a capitalization method, because capitalization is the process of converting an income stream into a capital sum (value). As with any method, the final value is no better than the reliability of the input data. The underlying assumption is that people purchase the property for the future income the property will yield. If the land or improvements are of any residual value after the cessation of oil and gas production, that value should also be included (if those components are also being appraised).

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

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

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

DATA COLLECTION/VALIDATION

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

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

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures for mineral properties are generally accomplished globally by the company; i.e., production and price data for the entire state is downloaded at one time into the computer system. Appraisers also 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 cash flow 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 related personal properties. Personal property is often referred to as “business personal property” (or BPP), as tangible non-income producing personal property in Texas (personal property not held to produce income related to a business purpose) is generally exempt.

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, often including personal inspection (in-person observation of the subject property performed as part of

the scope of work, not to be confused with an inspection performed by a home inspector, structural engineer, or the like). This data is maintained in either hard copy or computer files as part of the appraiser's work file (documentation necessary to support the appraiser's analyses, opinions, and conclusions). 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 related personal property and some, but not all, 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 related personal property. Exceptions exist for core operating property of rate-regulated utility property - see discussion of Income Approach below.

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 routinely employ the income approach in the appraisal of personal property, other than for core operating business personal property of rate-regulated utility companies where “unitary methodology” is the widely accepted norm.

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.

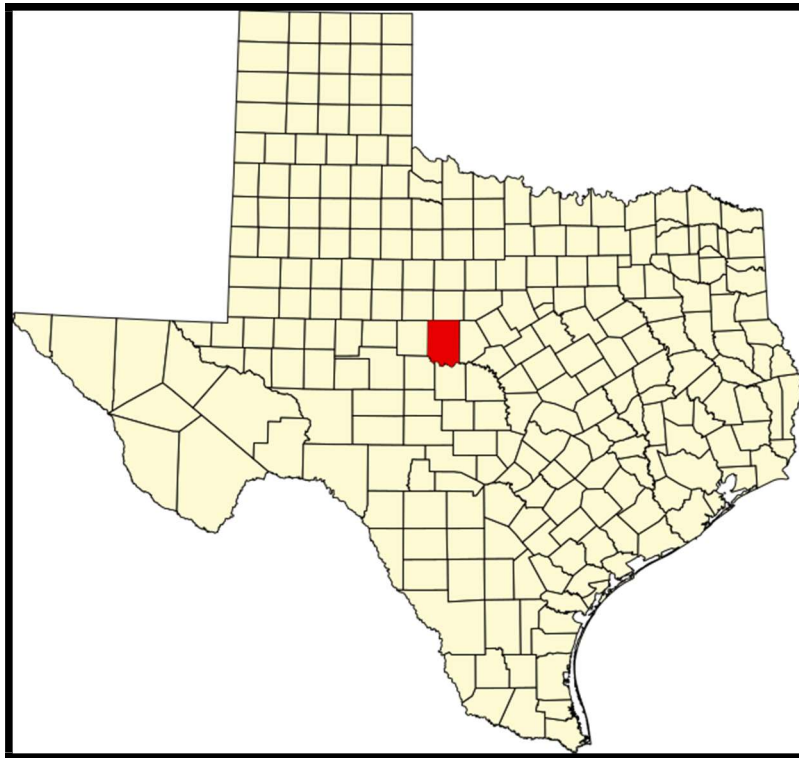
INDIVIDUAL VALUE REVIEW PROCEDURES

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.



APPENDIX B

2027 Appraisal Budget

**COLEMAN COUNTY APPRAISAL DISTRICT
2027 APPRAISAL BUDGET**

ACCOUNT NAME	AMOUNT
SALARIES	\$174,250.00
SOCIAL SECURITY	\$29,383.00
RETIREMENT	\$13,581.00
HEALTH/LIFE INSURANCE	\$52,324.00
DENTAL/VISION INSURANCE	\$1,479.00
TWC	\$613.00
CHIEF APP - AUTO ALLOWANCE	\$8,400.00
CHIEF APP - CELL PHONE ALLOWANCE	\$1,200.00
MILEAGE & TRAVEL	\$4,875.00
OFFICE SUPPLIES	\$5,000.00
POSTAGE	\$12,870.00
TELEPHONE/INTERNET SERVICE	\$2,000.00
UTILITIES	\$2,125.00
LEGAL SERVICE - ATTORNEY	\$3,000.00
LEGAL SERVICE - ARB ATTORNEY	\$2,500.00
LEGAL NOTICE	\$3,000.00
PRINTING	\$2,600.00
DUES & MEMBERSHIPS	\$2,600.00
PUBLICATIONS/SOFTWARE	\$7,820.00
EDUCATION	\$9,900.00
BOND PREMIUMS	\$500.00
AUDIT SERVICE	\$3,900.00
APPRAISAL SOFTWARE	\$17,400.00
FURNITURE & EQUIPMENT	\$5,000.00
MISCELLANEOUS CONTINGENCIES	\$1,125.00
JANITORIAL SERVICES	\$2,100.00
INSURANCE LIABILITY & BUILDING	\$17,925.00
ARB EXPENSE	\$10,000.00
BUILDING REPAIR	\$10,000.00
EQUIPMENT MAINTENANCE/SERVICE	\$250.00
XEROX LEASE & PRINT	\$6,000.00
TECHNOLOGY-AERIAL PHOTOGRAPHY	\$62,205.00
TECHNOLOGY-GIS SERVICE	\$9,400.00
TECHNOLOGY-IT SERVICE/HARDWARE LEASE	\$10,500.00
APPRAISAL CONTRACT	\$84,000.00
MINERAL CONTRACT	\$43,000.00
TOTAL	\$622,825.00