

Resolution for the 2023-2024 Reappraisal for Property Within Borden County Appraisal District

WHEREAS, according to Section 25.18(c) and Section 6.05(i) of the Texas Property Tax Code requires the Board of Directors of the Borden County Appraisal District to adopt its biennial reappraisal plan no later than September 15 of even-numbered years to ensure adherence with generally accepted reappraisal practices; and

WHEREAS, each taxing entity participating in the District was given written notice of the time, date and place of the public hearing, and

WHEREAS, the District's Board of Directors held a public hearing on August 23, 2022, to receive the public comment regarding said plan and consider any amendments to the written plan, which there were none, and

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Borden County Appraisal District has reviewed the reappraisal plan and hereby authorizes the adoption of the attached plan for the periodic reappraisal of property within the boundaries of the district for the taxable years 2023 and 2024.

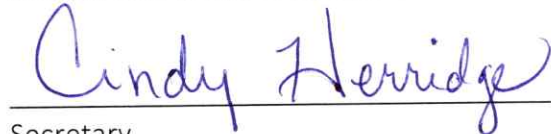
RESOLVED FURTHER, that the Chief Appraiser is authorized and directed to deliver copies of the approved reappraisal plan in compliance with Section 6.05(i) of the Texas Property Tax Code to each of the participating entities of the District and to the State Comptroller of Public Accounts within 60 days of the approval date.

PASSED AND APPROVED BY THE BOARD OF DIRECTORS OF THE BORDEN COUNTY APPRAISAL DISTRICT ON THIS 23RD DAY OF AUGUST 2022.



Chair

Borden CAD Board of Directors



Secretary

Borden CAD Board of Directors



Chief Appraiser

Borden CAD



Date

2023-2024 Reappraisal Plan - Borden County Appraisal District

Adopted by the Borden County Appraisal District Board of Directors on 8/23/2022

Scope of Responsibility

The Borden 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. The appraisal district is responsible for local tax appraisal and exemption administration for two taxing units in the county. Each taxing unit sets its own tax rate to generate revenue to pay for public schools, road maintenance, courts, water systems, and other public services.

The Borden County Appraisal District (CAD) is an independent political subdivision of the State of Texas, established to appraise all taxable property within its jurisdiction at current market value, as described within the Property Tax Code. The creation of appraisal districts was passed with the 66th Legislative Session in 1980 and approved by the voters in the November 1980 general election. 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 the Borden County Appraisal District, constitutes the district's governing body. The chief appraiser, appointed by the Board of Directors, is the chief administrator and chief executive officer of the appraisal district.

The appraisal district is responsible for local property tax appraisal and exemption administration for two jurisdictions or taxing units in the county. Each taxing unit, Borden County and Borden County ISD, sets its own tax rate to generate revenue to pay for such things as road and street maintenance, courts, water systems, public school system and other public services. Property appraisals established by the appraisal district allocate the year's tax burden based on each taxable property's January 1 market value. The District also determines eligibility for several types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, charitable or religious organizations and agricultural productivity valuation.

The district's current policy is to conduct general reappraisals every three years. However, appraised values are reviewed annually and are subject to change for purposes of equalization. Business personal properties, minerals and utility properties are appraised every year. The appraised value of real estate is calculated using specific information about each property. Using computer-assisted appraisal programs and recognized appraisal methods and techniques, we compare information with the data for similar properties and with recent market data. The district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable. In cases where the appraisal district contracts for professional valuation services, the contract that is entered by each appraisal firm requires adherence to similar professional standards.

The district is responsible for establishing and maintaining approximately 25,121 real, mineral and personal property accounts covering 906 square miles within Borden County.

Except, as otherwise provided by the Texas Property Tax Code, all tangible property is appraised at its "market value", as of January 1 of each year. 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 buyer know of all the uses and purposes to which the property is adapted, which it is capable of being used and of the enforceable restrictions on its use
- Both the seller and buyer seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other

Shared Appraisal District Boundaries

Section 6.02 of the Property Tax Code amended during the 2007 Legislative Session states that the Appraisal District's boundaries are the same as the County's boundaries effective January 1, 2008.

Due to HB1010, effective 2008 this section no longer applies. However, we continue to share information with adjacent counties, especially those the district collects overlapping school districts for. The district established procedures whereby ownership and property data information are routinely exchanged with overlapping jurisdictional boundaries. These overlapping jurisdictions enter into Howard and Martin Counties.

The Written Plan

Texas Property Tax Code Section 6.05(i) states, to ensure adherence with generally accepted appraisal practices, the Board of Directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the tenth day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place of the hearing. Not later than September 15 of each even numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within sixty days of the approval date.

The following details the Property Tax Code requirements and our response to those requirements immediately following each law.

Plan for Periodic Reappraisal

Subsections (a) and (b), Section 25.18, Tax Code read as follows:

- Each appraisal office shall implement the plan for the periodic reappraisal of property approved by the Board of Directors under Section 6.05 (i).
- 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.

Borden CAD annually reappraises one-third of the property in Borden County, starting with the "North Half", then the "South Half" followed by the "In-Town". This is to ensure that all property is appraised at least once every three years.

The Borden CAD researches the deeds filed in the Borden County Clerk's Office and request copies of relevant deeds. These deeds are read and abstracted by the district staff. Information is recorded in the CAMA (Computer Assisted Mass Appraisal) system including grantor, grantee, date of recording, date of sale, any pertinent property or deed information, volume, page and file number of county clerk's record. Property identification numbers are assigned to each parcel of property.

All known businesses are mailed a rendition in early January of each year. Owners are required by state law to list all their business personal property. Failure of an owner to render results in a ten percent penalty. If fraud is involved in a false rendition it is possible a fifty percent penalty could be assessed. New businesses are responsible for notifying the district and filing a rendition.

Renditions are sent and required of utility companies, compressor stations and pipelines. The valuation of these are complex properties and mineral interest are outsourced to Pritchard & Abbott (P&A). Copies of deeds and received renditions related to oil and gas are forwarded to P&A.

Maps have been developed that show ownership lines for all real estate. These maps are stored digitally and are available to the staff of the district on their computer desktops. The maps are used to identify the properties and/or areas to be physically inspected.

2. Identifying and updating relevant characteristics of each property in the appraisal records:

Appraisers drive the county and gather data about each home, commercial business or vacant land tract. The appraiser carries a CAMA generated property appraisal card for each property that contains information on the property and allows the appraiser to update relevant information.

The appraiser notes the condition of the property and any changes to the property since the last inspection, such as measurements, additions, new construction, demolition, renovation, deterioration, rehabilitation, occupation, abandonment, etc. Pictures of the property are taken (if possible, as needed) to compare with the pictures that have been captured previously and stored in the CAMA system.

The appraiser looks for newly constructed properties, remodeled properties or demolished property sites as they drive through the county. Business personal property is inspected each year. The appraiser looks at the quality of the inventory, how dense the stocking is and makes general notes about the equipment seen. If their observation is different than the rendition made by the taxpayer, additional information is gathered, and a higher value may be assigned than the rendered amount.

3. Defining market areas in the district:

Appraisers combine similar types of property into “neighborhoods”. These neighborhoods have improvements that are similar construction and type as well as similar years of construction. Market sales are examined to confirm which areas are similar. A “neighborhood” for analysis purposes is defined as the largest geographic groupings of properties where the property’s physical, economic, governmental and social forces are generally similar and uniform, resulting in consistent and uniform values over the defined market area or neighborhood. There is no difference in how the four forces affect values throughout the county, and no discernible areas of variable value as evidenced in market sales, so we look at the whole county as a neighborhood or one, county-wide market area.

4. Identifying market characteristics that affect property value in each market area, including:

- The location and market area of the property
- Physical attributes of property, such as size, age and condition
- Legal and economic attributes easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions.

Each parcel of property has detailed information recorded in the CAMA system. For land the legal description, dimensions, zoning, size, available utilities and special characteristics are noted in a form that can be used and compared with other land parcels.

Each improvement shows the sketch and dimensions, a picture of the improvement, the class which indicates the perceived comparative construction quality, the actual or effective year of the construction of each part of the improvement, the type of roof, the roof covering, the exterior covering, the foundation type, number of baths, fireplaces, air conditioning type, other attributes and overall condition of the improvement.

Other characteristics that affect the parcel’s value, such as legal and economical attributes, that are apparent from the inspection should be noted in the CAMA system for further consideration.

Characteristics that are not physically apparent, such as easements, leases, restrictions, and other legal parameters should be noted within the CAMA system as they become evident through research in the Clerk’s office or other documentation.

5. Developing the appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics:

The CAMA system began with the cost approach to value and to estimate original cost of each improvement. That cost is based on local modifiers to the Marshall-Swift cost system, a nationally recognized cost estimation system. By utilizing these cost systems, properties are equalized as to their original costs. Components measured in the value include the size of the structure, number of bathroom fixtures, type of roof structure, roof covering, exterior covering, special features such as fireplaces, hot tubs, cabinetry and other special amenities. The market sales were then studied for improvement

contributions in each neighborhood (market area) and adjustments to cost are applied to each neighborhood (market area) in the form of all types of depreciation. This resulted in a value schedule that is then analyzed each year and compared to current market sales to determine any trend or value change over time. Finally, each structure is rated as to its current condition. Ratings range from unsound to excellent. The same concept is used in commercial property.

6. Applying the conclusions reflected in the model to the characteristics of the properties being appraised and:

By utilizing the age, quality, condition, construction components, and other variables, the model is developed and applied to all parcels within the neighborhood (market area). Similar values per square foot for similar age, construction quality and condition are assigned. Models are developed and the CAMA system applies all the factors and assigns value to each parcel.

7. Reviewing the appraisal results to determine value:

After completing the process of assigning values to all parcels within the neighborhood (market area) using the computer assisted mass appraisal programs, comparisons are made of those values per square foot within the neighborhood (market area) with current sales data from the neighborhood (market area). A sales ratio is run for the neighborhood (market area) to determine if the values that have been assigned are acceptable.

Commercial property is compared by category or type of business. Adjustments are made in mass by the appraiser utilizing the CAMA system. All similar improvements are compared to verify reasonableness of value and equality.

This 7-step plan is taken directly from STANDARD 5 Of the Uniform Standards of Professional Appraisal Practice (USPAP)

Reappraisal Year Processes

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 IAAO (International Association of Assessing Officers).

Analysis of Available Resources: Staffing and budget requirements for tax year 2023 and 2024 are detailed in the 2023 and 2024 budgets, as adopted by the board of directors and attached to the written biennial plan by reference. Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current are specified. IS (Information Systems) support is detailed with year specific functions identified and system upgrades scheduled. Existing maps and data requirements are specified, and updates scheduled.

Mass Appraisal System: CAMA revisions that are required are specified, scheduled, and completed by the IS provider. All computer forms, system revisions and procedures are reviewed and revised as required.

Data Collection Requirements: Field and office procedures are reviewed and revised as required for data collection. Activities scheduled for each tax year include new construction, demolition, remodeling, re-inspection of problematic market areas, re-inspection of the universe of properties on an annual cycle, and field or office verification of sales data and property characteristics.

Pilot Study by Tax Year: New and/or revised mass appraisal models are tested each tax year. Ratio studies, by market area, are conducted on proposed values each year. Proposed values on each category are tested for accuracy and reliability.

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 IAAO and USPAP (Uniform Standards of Professional Appraisal Practice). The calculated values are tested for accuracy and uniformity using ratio studies. This step is predicated on having sufficient market sale, to accomplish either market comparison or calculate an appropriate local modifier for cost data.

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 (on or about May 15). The Mass Appraisal Report is completed in compliance with Standard Rule 6-8 of USPAP. The signed certification by the Chief Appraiser is compliant with Standard Rule 6-9 of USPAP. This written reappraisal plan is attached to the report by reference. The report date is the certification date (on or about July 25)

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 informal appraisal review board hearings is specified and tested.

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 2023 and 2024. Production standards for field activities are calculated and incorporated in the planning and scheduling process.

This 9-step reappraisal process is taken from the "Property Appraisal and Assessment Administration" The International Association of Assessing Officers, 1990.

Performance Analysis

In each year 2023 and 2024 the previous tax year's equalized values are analyzed with ratio studies (as sales data is available) 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 on Studies from the IAAO. Mean, median and weighted mean ratios are calculated for properties in each reporting category to measure the level of appraisal (appraisal accuracy). The mean and the median are determined and calculated for each market to indicate the level of appraisal (appraisal accuracy) by property reporting category. In 2023 and 2024 this analysis will be used to develop the starting point for uniformity or equity of existing appraisals. In 2023 and 2024, any reporting category that may have been previously excluded from ratio studies, due to lack of data, will be readdressed. If sufficient market data has been discovered and verified, the category will be tested and analyzed to arrive at an indication of uniformity or equity of existing appraisals.

Analysis of Available Resources

Staffing and budget requirements for tax year 2023 are detailed in the 2023 appraisal district budget, as adopted by the board of directors and attached to the written biennial plan by reference. The reappraisal plan is adjusted to reflect the available staffing in tax year 2023 and the anticipated staff for tax year 2024.

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 RCN (replacement cost new) tables are tested against verified sales data (as available) to ensure they represent current market data. The cap rate study by commercial real property type should be updated from current market data and market rents are reviewed and updated from local published data (as available and necessary). Personal property quality/density schedules should be tested and analyzed based on renditions and prior year hearing documentation.

The data used by field appraisers includes the existing property characteristic information contained in CAMA from the district's computer system. The data is printed on an appraisal card. As work is completed, the properties changes are input into CAMA. Other data used includes maps, sales data, fire and damage reports, photos and actual cost and market information. The districts cultivate sources and gathers information from both buyers and sellers.

IS support, provided by Prichard & Abbott, Inc. (P&A) of Fort Worth, TX, 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.

Personal Resources

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

Staffing and budget requirements for tax years 2023-2024 are detailed in the 2023 and 2024 appraisal district budgets, as adopted by the Board of Directors and attached to the written biennial plan by reference. The reappraisal plan is adjusted to reflect the available staffing in tax year 2023 and the anticipated staffing for tax year 2024. Staffing can impact the cycle of real property re-inspection and personal property on-site review that can be accomplished in the 2023-2024-time period. Information Systems (IS) support, provided by Pritchard & Abbott, Inc., of Ft. Worth, TX is detailed with year specific functions identified and system upgrades scheduled.

The chief appraiser attends a Public Funds Investment training course biennially. Customer service and public relations training is offered to each employee. Public information Act and Open Meetings Act training is received from the Attorney General's website. Records maintenance and retention training is received from the Texas State Library and Archives Commission website. Additional webinar training on various topics is offered by the State Comptroller's office. Staff training is also received by attending seminars, user meetings, classes and on the job. After certification, the RPA must receive additional training with a minimum of thirty hours of continuing education within a two-year period. The continuing education must include two hours of professional ethics, state laws and rules update course and seven hours in USPAP. The RTA must receive additional training with a minimum of thirty hours of continuing education within a two-year period. The continuing education must include two hours of professional ethics and state laws and rules update course.

The appraisal district staff consist of two employees:

- Chief Appraiser RPA/RTA (Professional/Administration/Appraisals)
- Deputy Chief Appraiser RPA/RTA (Tax collections/Customer service/ Clerical)

The Chief Appraiser is registered with TDLR as a Registered Professional Appraiser (RPA) and a Register Texas Assessor/Collector (RTA). The Deputy Chief Appraiser is registered with TDLR as a Register Texas Assessor/Collector (RTA) and as a Registered Professional Appraiser (RPA).

The district has contracted with Pritchard & Abbott, Inc., of Ft. Worth, Texas to help with special projects, the Residential, Commercial and Personal Property appraisal and to assist in completion of the valuation modeling and schedule revisions. This is a three-year contract and will renew on an annual basis at the end of the term. The valuation of all Industrial, Mineral, and Utility Properties within the district is contracted with Pritchard & Abbott, Inc., of Ft. Worth, Texas. All contracts for appraisal services are required to meet International Association of Assessing Officers (IAAO) "Standards on Contracting Assessment Services".

Mass Appraisal System

Computer Assisted Mass Appraisal (CAMA) system revisions are completed by the Information Systems Software Provider. The provider performs system revisions and procedures. Borden CAD contracted with Pritchard & Abbott, Inc for these services. Pritchard & Abbott (P&A) supports the software and they make programming updates as needed. The following details as it relates to the 2023-2024 tax years.

Real Property Valuation

Revisions to cost models, income models and market models are specified, updated and tested each year (as information is available).

Value schedules are tested with market data (sales) to ensure that the appraisal district is in compliance with Section 23.011 of the Texas Property Tax Code (Cost Method of Appraisal). Market adjusted, and 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.

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

Currently and historically income specific data has been unavailable or irrelevant, however, if such data becomes available and appropriate, then income, expense and occupancy data will be updated in the income models for

various property classes and cap rate studies will be completed using current sales and market data. The resulting models will be tested using ratio study tools.

Personal Property Valuation

Valuation procedures are reviewed; modified as needed; and tested. Business Personal Property is inspected on-site annually. The latest edition of the Comptroller's Guide (as adjusted and pertinent) and Marshall & Swift are utilized, as necessary, in the appraisal of personal property in the district.

Noticing Process

Section 25.19 appraisal notice forms are reviewed and edited for updates and changes are signed off on by the Chief Appraiser. Updates include the latest copy of the Comptroller's Property Taxpayer Remedies and Property Tax Notice of Protest form. The chief appraiser is required to notify a taxpayer of their property's appraised value if the property is reappraised. Borden CAD mails notices to all property owners every year. After appraisals are completed and changes to properties and schedules are entered into CAMA, P&A is notified, and notices are printed according to Section 25.19, proofed by the chief appraiser. After approval the notices are mailed to the owners and/or agents.

Pursuant to Texas Property Tax Code "Truth-in-Taxation" requirements added by Senate Bill 2 in 2019, a postcard will be mailed to property owners by August 8 of each year. The postcard guides property owners to the official website <https://borden.countytaxrates.com/tax> which serves as the local property tax database site.

Hearing Process

Protest hearing schedules for informal meetings and formal Appraisal Review Board (ARB) hearings are reviewed and updated as required. Standards of documentation are reviewed and amended as required. The appraisal district hearing documentation is reviewed and updated to reflect the current valuation process. Production of documentation is tested and in compliance with the Texas Property Tax Code, requiring the district to provide evidence packets to taxpayers within fifteen days of the request, is ensured. Evidence packets include data, schedules, formulas and all other information the district may introduce at an ARB hearing. Tax Code Section 5.104 adds notice to each property owner or designated agent who is authorized to submit a Comptroller prescribed survey regarding the ARB.

Data Collection Requirements

Data collection requires organization, planning and supervision of the field effort. Data collection procedures have been established for residential, commercial and personal property. Activities scheduled for each tax year include new construction, demolition, remodeling, and re-inspection of problematic market area, as well as re-inspection of the universe of properties. Field and office procedures are reviewed and revised as required for data collection.

Data Collection/Validation

The appraiser conducts field inspections and records information on an appraisal card or appraisal card worksheet, a parcel notes sheet or parcel inventory report sheet.

The quality of the data used is extremely important in establishing accurate values of taxable property. While production standards are established and upheld for the various field activities, quality of data is emphasized as the goal and responsibility of the appraiser. Quality control is necessary to ensure accuracy and uniformity of valuations. Data collection of real property involves maintaining data characteristics of the property on CAMA. The information contained in CAMA includes site characteristics, such as land size, use and location, and improvement data, such as square foot of living area, year built and effective age, quality of construction and condition. Other characteristics that affect value, such as legal and economic attributes, that are apparent from the inspection should be noted on the CAMA worksheet for further consideration and analysis within the market study. Other characteristics that are not physically apparent, such as easements, leases, and restrictions and other legal parameters, should be noted within the CAMA system and included in the market analysis as they become evident through research in the Clerk's office or other documentation. The field appraiser uses the Borden CAD Appraisal Manual that establishes uniform procedures for the correct listing of real property. All properties are coded according to this manual and the approaches to value are structured and calibrated based on this coding system. The field appraiser uses this manual during their initial training and as a guide in the field inspection of properties.

The date of last inspection and the appraiser responsible is listed on the appraisal card. If a property owner or jurisdiction disputes the district's records concerning data CAMA may be altered based on the evidence provided. Typically, a field inspection is requested to verify this evidence for the current year's valuation or for the next year's valuation. Every year a field review of properties (as listed previously, by category) in the jurisdiction is done during the field effort.

Data collection for personal property involves maintaining information on the Personal Property System. The type of information contained in the system includes property such as business inventory, furniture and fixture, machinery and equipment, cost and location and mobile homes. The field appraisers when conducting on-site inspections uses the appraisal manual as a guide to correctly list all personal property that is taxable.

The appraisal manual that is utilized by the field appraiser is located and maintained in the district office. The manual is also available for public inspection. The district periodically updates the appraisal manual with input from the valuation group and field/contract appraisers.

Sources of Data

The sources of our data collection and verification are through data review field efforts, hearings, sales validation, field effort and property owner correspondence. A principal source of data comes from the deeds filed in the clerk's office.

Property owners are one of the best sources for identifying incorrect data that generates a field check. The property owner may provide sufficient data to allow correction of records without the appraiser having to go on-site.

The appraiser will drive through the county to review the accuracy of our data and identify properties that have to be re-evaluated. The sales validation effort in real property pertains to the collection of data of properties that have sold. For residential and commercial, sales validation involves on-site inspection by the field appraiser to verify the accuracy of our data or to get confirmation of a sale price. Soil surveys and agricultural surveys of farming and ranching property owners and industry professionals are helpful for productivity value and calibration.

Accuracy and validity in property descriptions and characteristics data is the highest goal and is stressed throughout the appraisal process form year to year. Appraisal opinion quality and validity relies on data accuracy as its foundation. The Chief Appraiser rides with the contract field appraiser to randomly select properties to verify the procedures and practices being used by the appraisers.

Data Maintenance

The district's contracted field appraiser is responsible for coordinating activities involving file building, quality assurance and data maintenance of the different property types after data collection. These responsibilities fall into three activities: file building, quality assurance and data retention. The file building activity is to build and maintain the work packs that are sent with the appraiser to the field. This includes maintaining mapping records, property data cards, benchmark property descriptions, angle sketches and other data. The district is responsible for warehousing the information. The quality assurance activity is for ensuring correct data as it is received from the contract field appraiser. This includes verifying proper codes, balancing and vectoring sketches and ensuring proper data entry. The data entry activity is performed by the contract appraiser and the appraisal district staff and input directly into CAMA.

New Construction/Demolition

New construction may be identified from the field inspections or county offices may provide notification of utility hookups and/or septic system installation. New construction field and office review procedures are identified and revised as required. Field production standards are established and procedures for monitoring tested. Official Public Records also indicate new development areas that must be inspected. Demolition may be identified from field inspections or owner reporting. Process to verifying demolition of improvements is specified. System input procedures are identified and revised as required. New mobile home installations as verified with the Texas Department of Housing & Community Affairs (TDHC), are also included in yearly inspections.

Remodeling

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

Re-Inspection of Problematic Market Areas

Market areas are areas within the appraisal district where values are considered consistent or in relative harmony among individual properties, an area where physical, economical, governmental and social forces and other influences (i.e. 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 cost) have similar influences on property values. The effect on values may be real and quantifiable or may be perceived. In either case, the market area is the first basis for market analysis.

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 characteristics data. Additional sales data is researched and verified. Usually, in the absence of adequate market data, neighborhood delineation is verified, and neighborhood clusters are identified; however due to the small size of the district, it is impossible to delineate or distinguish between specific neighborhoods, so the entire county must be considered as a whole in general when defining the market area.

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 four-six years. Section 25.18(b) of the Texas Property Tax Code requires re-inspection at least once every three 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. Uniform Standards of Professional Appraisal Practice (USPAP) 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. Borden CAD will be on an annual physical inspection cycle for all properties within the district. The contracted field appraiser has an appraisal card of each property to be inspected and makes notes of changes, depreciation, remodeling, additions, demolitions, etc. The annual re-inspection requirements for tax years 2023 and 2024 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 sale prices and conditions of properties within the district.

Sales information must be verified and property characteristics 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. Borden CAD obtains sales information from deed filings, buyer/seller questionnaires, telephone, face-to-face interviews and sales information on comparable properties in neighboring counties (if available).

Pilot Study

New and/or revised mass appraisal models are tested. These modeling tests (sales ratio studies) are attempted each tax year. These tests require sufficient data and a lack thereof may limit not only the scope but the performance of the test. Actual test results (when available and sufficient) 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 STANDARD RULE 5 of USPAP.

The appraisal model used to determine property value is listed as follows:

1. Market Value of Residential Property =
Replacement Cost New x Total Percent Good + Depreciated Additive Values + Land Value
(Adjusted by Market Indicators as determined by Sales Data, as available)
2. Market Value of Commercial Property =
Replacement Cost New x Total Percent Good + Depreciated Additive Values + Land Value
(Adjusted by Market Indicators as determined by Sales Data, as available)
3. Market Value of Manufactured Housing =
Replacement Cost New x Total Percent Good + Depreciated Additive Values

4. Market Value of Commercial Personal Property =
Units x (Price/Unit of Inventory) + Units x (Price/Unit of FFE x Percent Good) + Additive Values
(Verified and adjusted by yearly Personal Property Renditions)
5. Market Value of Vacant Lots or Acreage =
Units x Price/Unit
(As determined by Market Transaction)
6. 1-d-1 Special Use Valuation (Ag Value) =
Units x Value per Acre of Agricultural Use
(As determined by Net Income per Acre/State Mandated Cap Rate)

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 what 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.

Valuation By Tax Year

Valuation by tax year, using market analysis of comparable sales and locally tested cost data (if available), market area specific income and expense data (if available), and valuation models are specified and calibrated in compliance with the supplemental standards from the International Association of Assessing Officers and USPAP. The calculated values are tested for accuracy and uniformity using ration studies. Performance standards are those as established by the IAAO Standard on Ration Studies. Property values in all market areas are updated each reappraisal year. Tax year 2023 is a reappraisal year. Tax year 2024 is a reappraisal year.

Model Development, Collaboration and Testing

Property valuation models seek to explain the market c=alue 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 value 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 & demand variables and their interrelationships) and model calibration (solving for unknown qualities in a model) such as construction cost, sales price 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; called the coefficients (they are the cost, capitalization rates, market adjustments, etc.).

Borden CAD uses simple calibration 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.

To evaluate the accuracy of the schedule values, property sales information is collected throughout the year. Each property buyer receives a sales letter along with any other necessary forms as soon as the CAD office updates the ownership in the appraisal records. When the sales letter is returned, the sale amount and any other pertinent information is recorded within that parcel's sale records. Information is also gathered from other appraisers, other appraisal districts and state reviewers. All credible information is included in the sales records and confirmation is attempted through additional sales letters (to buyers and sellers as necessary) or other personal contact. Given that the State of Texas is a non-discloser state, and that the information needed by the CAD is often confidential in nature, the market analysis performed is limited by the availability or pertinent and complete data, including sales prices, sales conditions and circumstances, income and expense data, etc. as discussed hereafter, each sale is initially considered (assumed) to be a market transaction unless otherwise proved. The resulting conclusions from the market analysis are therefore limited by those assumptions. The mass appraisal conducted yearly by the Borden CAD

also can claim the Jurisdiction Exemption (USPAP) due to the limited scope and purpose of the appraisal and considering the guidelines of the Texas Property Tax Code.

Given that market data (sales, leases, and other individual indications of value) is severely limited in Borden County, due to few and infrequent actual occurrences, the annual market analysis is often expanded to include transactions of comparable property from neighboring counties, as available. Each property is reevaluated as if it were in Borden County using existing property schedules and that value is then compared to its sale price within the market analysis.

Each sale is analyzed to determine the conditions of the sale. All sales included in the study must be a "market value" transaction, as defined in Section 1.04(7) of the Texas Property Tax Code and quoted earlier in this manual. Any sale determined not to be an "arm's length" transaction is then omitted from the final study. Several criteria are also considered when determining if each sales price needs any adjustment including, but not limited to date of sale (in comparison to date of appraisal), special or unusual financing terms, inclusion of personal property, inclusion of intangible value and significant variances between the market value and the sale price due to physical changes to the property that cannot be accounted for due to the January 1 target date. If adjustments can be made to the sales price to show a current, "arm's length" value (including time and financing adjustments), the adjusted value is used in the ratio study. Any adjustments to reported sales prices must be discussed, debated, and approved by the chief appraiser.

Sales used to determine real estate value should not include value that can be attributed to personal property or intangible value. For example, if a home sells, and the transaction included personal property (vehicles, boats, furniture, free-standing appliances, tools, etc.), the value associated with that personal property should be deducted from the reported sales price. The resulting, adjusted sales price is then used in the ratio study. Likewise, commercial property transactions often include both personal property and intangible value. For example, if a motel sells and the buyer purchased the motel franchise along with the real estate, the value of the franchise (being tangible) should be deducted from the sales price before being used in any market study. Determining the value of any intangibles in any transactions can be problematic and will require research into the industry and the local and similar markets. Although suspected by the staff, and often reported by buyers, adjustment for intangibles requires confirmation from outside sources and the seller.

Financing adjustments occur rarely. Typically, prudent buyers will strive to acquire the most reasonable financing available, and then purchase the property of their choice using that same financing. Atypical financial arrangements usually accompany transactions that would not be considered "arm's length" and would therefore be omitted from the ratio study.

Time adjustments are adjustments to the reported sales price of the property that are made when and if it can be proven that the general market trend in an area is changing over a given period of time. While relatively simple to calculate in the abstract, time adjustments are extremely difficult to quantify without substantial data, especially in small, rural markets. If a typical property transfers more than one time in a given time period (ideally no more than 1 year), each time being an "arm's length" transaction with typical financing and without physical changes to the property, the difference in the sales prices can be attributed to the general market. This difference, expressed as a positive or negative percentage per month, can then be applied to other property's sales prices to adjust the price to a standard date, usually January 1 of the appraisal year. For example, a residence may sell for \$50,000 on June 1 and then sell again on October 1 (five months later) for \$55,000. The difference of \$5,000 (or ten percent of the original sales price) is allocated as a market increase of two percent per month. A market decrease is calculated in the same way. If this was an "arm's length" transaction of a typical property that same percentage of increase or decrease can be used on other sales to adjust their sales prices to the January 1 target date.

A statistical analysis of each class of property is conducted using the available, credible and adjusted sales information. Within each class of property, the appraisal district looks for not only an acceptable median value, but also a reasonable COD. Each of these values is considered when determining whether to adjust a class schedule, and by how much. The sample size of each class analysis is also a major consideration. Classes that exhibit little or slow activity are allowed a larger variance due to the fact that minimal data sets (small samples) may tend to give incomplete analysis or biased results for an entire statistical population.

Once a median value indicates that a particular property type or class needs adjustment, and the COD value reflects a consistent result, schedule values are recalculated to produce a revised analysis. The resulting median ratio should indicate that the adjusted appraised value of property more closely matches the current market value, as tested by the sales used in the analysis. The appraised values of all properties sold and unsold, within that type or class are then recalculated, using the increase or decrease indicated by the ratio study, and submitted for notification.

If, as explained earlier, the market analysis was expanded to include transactions of comparable properties from the neighboring counties, the resulting adjusted schedules are applied to any sales within the county to determine whether any local modifier should be used within in Borden CAD to further refine the overall market analysis.

A similar process is used to determine whether any neighborhood factors are needed by analyzing sales within a specific area (market segments) in comparison to the overall general market. These areas could be neighborhoods, cities, school districts or any other definable areas within the appraisal district that displays market trends or values differing from the trends or values derived from the market as a whole. Any significant and quantifiable differences then need to be addressed with economic adjustments to the properties within the pertinent area.

Ratio Study Procedures

I. Collect and Post Sales Data

- A. Solicit sales information from all new property owners through sales letters and/or personal contact
- B. Collect sales information from outside appraisers and from fee appraisals presented
- C. Utilize sales information from Comptroller's office
- D. Post sales information to the sales database
 1. Record actual sale price
 2. Note unusual financing
 3. Note non-arm's length participants
 4. Adjust sales price for inclusion of personal property or intangible value
 5. Initiate frozen characteristics/partial sale codes if necessary
 - a. Imminent construction/renovation can bias any later analysis by including values not part of the original transaction
 - b. Sale including only a portion of the property described can also produce skewed results
 6. Note any legal restrictions or economic characteristics that may affect value

II. Preliminary Analysis

- A. Run sales analysis (by type, group or class) which includes any and all sales collected to date
- B. Note median result and COD
- C. Examine each sale included
 1. Compare sale ratio to median result
 2. Ratios substantially higher or lower than the median result (outliers) is singled out for further, in- depth analysis
 - a. Note seller-financial institutions, known real estate opportunists, probates, known persons who finance their own transactions
 - b. Note buyer-financial institutions, known real estate opportunist, and re-location companies
 - c. Examine deed records to confirm "arm's length" violations not evident from examination of buyer and seller
 - i. contract for deed
 - ii. assumption of previous note
 - iii. atypical financing
 - d. Re-inspect properties to rule out any physical differences from the current property records
 - e. Outlier sales that cannot be excluded or adjusted in the subsequent analysis
- D. Adjust original data set
 1. Omitted sales that are not "arm's length"
 2. Adjust sales value for time or financing if necessary and possible
 3. Adjust appraisal values for physical differences if applicable

III. Secondary Analysis

- A. Run sales analysis (by type, group or class) utilizing information from preliminary analysis
 - B. Note median result and COD
 1. Median value may or may not change significantly
 2. COD value should improve
 - C. Note sample size
 1. Compare number of sales within the class to the perceived number of total properties within the class
 2. From experience and discussion among the appraisal staff, determine whether any median result different from 1.00 is significant
 - D. Attempt to increase sample size (if necessary)
 1. Utilize time adjustments if determinable
 2. Keep in mind marketing time for local market and any trends
 3. Be careful to not include more sales just for sales sake
 4. Changing markets and trends cannot be reflected in sales that are too old without accurate time adjustments
 - E. Apply results of analysis to current records
 1. Any class whose median value is not significantly different from 1.00 does not require adjustment
 2. Any class whose median value indicates that an adjustment is necessary should be analyzed
 - a. Look at typical depreciation (age/condition) for that class as reflected in the sales analysis.
 - b. Calculate increases necessary to raise the individual ratios to produce a median result of 1.00 (keeping in mind that because of depreciation, the percentage increase required is going to be necessarily larger than the difference in percentage points needed to reach a 1.00 result)
 - c. Apply the calculated increase to the database
 3. Repeat procedure for all classes determined to need adjustment
 - F. Run analysis again to test results
- IV. Examine results to identify neighborhoods that need adjustment
- A. As individual sales are examined, note any areas that consistently show ratios significantly different from all the median result
 - B. Run analysis excluding the area in question
 - C. Run analysis including only the neighborhood in question
 - D. Check for significant variance between the two results
 - E. Apply neighborhood factor to correct variance

Approaches To Value

As mentioned earlier, there are three basic approaches to value: Cost, Market 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.

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

Standard Rule 6-2(g) 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 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 USPAP. 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 three methods is the most appropriate? Generally, it will depend on three factors:

- Typical practice for appraising a particular property type
- Whether or not the necessary data is reasonably available for use of a particular approach
- If the result by use of the approach would be meaningful.

Borden CAD typically uses the Approach to Value Method or Technique) dependent upon the property use of type. For consumptive use properties, such as a single-family residence, the district uses a cost/hybrid model. It is a sales market adjusted model that is typical for appraisal districts using mass appraisal.

Borden CAD in compliance with Section 23.01 of the Property Tax Code is consistent in the “use of the same method for the same or similar kinds of property.” In compliance with USPAP Standard Rule 6-2(g) the “Jurisdictional Exception Rule” is invoked due to the contrary requirement of the USPAP rule and of Section 23.0101 of the Property Tax Code 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.

Special use appraisal for agricultural properties is in compliance with the comptroller appraisal manuals for appraisal of agricultural land as well as in compliance with the Texas Property Tax Code.

Residential Real Property

In accordance with Section 11.01 of the Texas Property Tax Code, the Borden CAD strives to discover, appraise and assess all taxable property within the jurisdictions of the Appraisal District. Each parcel shall be appraised including all determinable improvements, factors and conditions affecting the property as a whole. Improvements, as defined in Section 1.04(3), includes in structure affixed to the land that is not readily, reasonably, and immediately portable. The structure adds value to the property and would be typically included in any sale of the property as a whole.

The appraiser is responsible for verifying and collecting accurate and reliable property data. By reasoned use of developed models, an appraiser can finalize a preliminary property value while in the field. CAD uses cost schedules to value residential parcels in the district. These cost schedules (models) are hybrid models called “Market-Adjusted Cost Hybrid” computer assisted mass appraisal models. These hybrids models are the most predominately used by appraisal districts in the state. Few districts use a pure RCN (replacement cost new) cost model (schedule) to value residential properties.

The CAD residential models consist of four main classes with class defining features for each class listed in the CAD Appraisal Manual. Property specific features are additives to the main class such as attached/detached garages, covers, storage buildings, etc. Residential structures are classified according to quality of construction, style and design, appeal and presence of certain features. Age and condition of structured are adjusted for from 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 called CDU (condition, desirability and usefulness) percent good tables. CDU is the overall value change from a benchmark new property, to reflect all loses of utility.

A review and evaluation process, property data characteristics are compared against locally modified replacement cost form Marshall & Swift Valuation Services and from sales ratio (as data is available). Based on these statistics, a preliminary decision is made as to whether the value level within a class of residential properties needs to be changes for the current appraisal year, or of the values are at an acceptable existing level.

Classification, adjustments and other factors related to the residential schedules are in the district’s appraisal manual.

Multi-Family Residential Property

There are no multi-family residential properties in Borden County.

Residential Inventory Property

There are no residential inventory properties in Borden County.

Commercial Real Property

The fee simple interest of commercial real property is appraised as required by state statute. The effect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis.

Commercial properties are on a physically inspected basis. Changes that have occurred and observed conditions are noted by the field appraiser and entered into account records. Pictures of the exterior of the improvement are taken whenever a change in physical appearance has occurred.

The appraiser is responsible for verifying and collecting accurate and reliable property data. Borden CAD uses cost schedules to value commercial parcels in the district. These cost schedules are actually hybrids models called

“Market-Adjusted Cost Hybrid” computer assisted mass appraisal models. Commercial structures are classified according to quality of construction and type of use.

Effective age and condition of structures are adjusted for with depreciation tables. 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 ranking of observed condition, given actual or effective age. Additional forms of depreciation such as external and/or functional obsolescence can be applied.

A review of commercial cost schedules (models) is performed annually (as information is available) and a decision is made as to whether the value level within a class of commercial properties needs to be changes for the current appraisal year, or if the values are at acceptable existing level.

Vacant Real Property – Land

The sales comparison approach to value is primarily used to value vacant real property within the district. Vacant land is valued according to common units of comparison. Borden CAD develops per lot site land valuation tables for the platted town area. Land tables based on per acre value are utilized for rural platted and un-platted areas within the district.

Land sale prices are also expressed on the same unit comparison basis and stratified (sorted) according to location 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.

Special Valuation Properties – Agricultural Use Properties

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

Section 23.51 of the Texas 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.

The appraiser annually inspects the area to see that the properties are continuing in agricultural use. Owners are not required to reapply unless there is a question on the use of the property.

Agricultural land classes are mandated by the Property Tax Code. The Chief Appraiser of the district may establish additional categories.

All agricultural lands in the county are carried at their current market value. However, agricultural productively 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 net income that a class of land would be likely to generate over a five-year based 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 the gross receipts for the year, less a share of certain expenses

Borden CAD has an Agricultural Advisory Board which meets with and advises the Chief Appraiser on the valuation and use of land that may designated for that agricultural use or that may be open space agricultural within the district.

Each year the Comptroller of Public Accounts publishes an agricultural cap rate to be used by appraisal districts in their net to land capitalization of value. For 2018, Borden CAD used a ten percent (10%) capitalization rate in the appraisal of qualified agricultural productivity use lands.

Special Inventory

There are no special inventory properties in Borden County.

Business Tangible Personal Property

The contracted appraisers (P&A) are responsible for developing fair and uniform market values for business personal property located within the district. There are 2 different personal property types appraised by the appraisers: Business Personal Property (BPP) accounts and Vehicles. The district reappraises all income producing BPP annually.

Business Personal Property is inspected annually and valued primarily according to the depreciated cost approach to value. Renditions are mailed to personal property owners in January of each year. When returned renditions

appear to be inconsistent with observations by the appraiser, the State Comptroller's schedules (as adjusted) or outside vendors' valuation cost guides are utilized. The district uses the State Comptroller's depreciation schedule.

As renditions are processed, the declared property is depreciated as necessary and the information is recorded in the appraisal records. Sources of data for vehicle valuation include property owner renditions and field inspections. Value estimates for vehicles are based on NADA published book values and property owner renditions.

Each year there are some personal property accounts that fail to render. A letter is sent to the owner stating that a ten percent penalty will be assessed if the owner cannot give a significant reason for waiver of the penalty. A Late Rendition Penalty Waiver Request Form will also be sent along with the letter to be filled out by the owner should they have reasonable cause for the rendition being late.

Mineral, Industrial and Utility Real and Tangible Personal Property

The valuation of all minerals, industrial and utility personal property within the district is contracted out to Prichard & Abbott, Inc. P&A's Biennial Reappraisal Plan is attached to this Plan.

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 15). The Mass Appraisal Report is completed in compliance with Standard Rule 6 of USPAP. The signed certification by the chief appraiser is compliant with Standard Rule 6-3 of USPAP. This written reappraisal plan is attached to the Mass Appraisal Report.

Value Defense

The Texas Constitution sets out five 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. Out of the Texas Property Tax Code these two rules are the most important requirements for county appraisal districts.

The Borden CAD, as other districts, 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 Texas Property Tax Code permits a property owner to protest any determination made by the appraisal district, the Chief Appraiser or ARB that applies to adversely affect the property owner. Of the numerous grounds for protest listed in the Property Tax Code, the two most commonly filed protest deals with value over market and with unequal appraisal.

The CAD encourages property owners to meet with the chief appraiser and/or contracted 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 result in a settlement and the property owner waives any further right to a formal protest before the ARB. Should an agreement not be reach, informally, the taxpayer may present their arguments to the ARB as a formal appeal. The appraisal staff provided by P&A defends the position of the chief appraiser before the ARB.

Chapter 41 of the Texas Property Tax Code deals with the right of a property owner to a formal ARB hearing. The appraisal district also has information delivery requirements concerning the ARB protest.

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 appraisal is measured with statistics developed from a sample of sales in the entire area appraised by the model. Borden CAD may make use of both mass appraisal statistics and district sales comparison of a select comparable in a single-property appraisal during formal ARB hearings.

ARB Appeal Procedures

After the Appraisal Review Board (ARB) hears and determines all timely filed protest, the district mails out the ARB orders of determined value containing the board's decision. All decision letters will be mailed out by certified mail as outline in the Property Tax Code. The property owner has sixty days upon receiving a Board Order to either file suit in District Court or forty-five days to file a request for arbitration. Information on procedures for appealing an ARB order is included in the certified mail packet, along with a form for the request for binding arbitration.

Limiting Conditions

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

The appraisals are prepared exclusively for Ad-valorem tax purposes. The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised were performed as staff availability, resources and time allowed. Some interior inspections of properties appraised were performed at the request of the property owner, and/or required by the district for clarification purposes to correct property descriptions, etc. as needed. Validation of sales transactions were attempted through questionnaires to buyer and seller, listing information, field review and other methods. In absence of formal confirmation, residential sales data obtained from misc. sources may be considered reliable if the data is verified through the sales ratio study as within market.

Treatment of Residential Homesteads

Beginning in 1998, the State of Texas implemented a constitutional classification scheme concerning the appraisal of residential property that receives a residence homestead exemption. Under the law, beginning the second year a property receives a homestead exemption; increases the assessed value of that property are "capped."

The value for tax purposes (assessed value) of a qualified residence homestead will be the LESSER of:

- The market value
- The preceding year's appraised value
- PLUS, ten percent for each year since the property was re-appraised
- PLUS, the value of any improvements added since the last re-appraisal

Assessed values of capped properties must be recalculated annually. If a capped property sells, the cap automatically expires as of January 1 of the following sale of the property, and the property is then appraised at its full market value. An analogous provision applies to new homes. While a developer owns them, unoccupied residences may be partially complete and appraised as part of an inventory.

The valuation is estimated using the district's land value, and the percentage of completion for the improvement contribution that is established from our guides, an/or the developer's construction cost as a basis of completion, as of January 1 valuation date. However, in the year following changes in completion, occupancy or sale, they are appraised at market value.

Planning and Organization

Field inspections are carried out by the P&A field appraisers as assigned by the P&A appraisal supervisor, with input and direction from the Chief Appraiser. The field appraiser physically inspects areas required by the reappraisal cycle, checks all existing data, takes photographs of improvements (if possible, as needed), draws plans of new improvements for entry into the computer and rechecks any property on which a question or problem arises. Data entry of field work notes and sketches are performed by CAD staff under direction of the Chief Appraiser or supervisor.

The P&A staff performs market analysis. Sales data is gathered throughout the year by Borden CAD staff from deed records, sales conformation letters and property owners and other sources (if available). The market data is analyzed, sales data is confirmed, outliers are identified, existing classification system is reviewed, and market schedules are reviewed and updated as necessary and final market schedules are presented to the Chief Appraiser for discussion and application to the universe of properties.

A calendar of key events with critical completion dates is prepared for each major work area. A separate calendar is prepared for tax year 2023 and 2024. Production standards for field activities are calculated and incorporated in the planning and scheduling process.

As the Texas Property Tax Code is revised and local circumstances require the Calendar of Key Events may be changed as warranted. The chief appraiser may make changes to the work plan or schedule that does not conflict with statutory requirements or deadlines without additional board approval or plan amendment.

Conclusion

The Borden County Appraisal District provides this plan in an effort to inform the public and taxing jurisdictions of the upcoming two-year reappraisal cycle in a clear and transparent manner. While this guide may be general in nature, it is our hope that it provides some insight to the overall appraisal process, as well as the duties and responsibilities required each year. We strive to maintain an environment and office culture based on strong customer service, honest and integrity. The district aims to utilize all resources available to provide the best service possible to the public and to the taxing jurisdictions for which we serve. For any additional information, clarification, etc. not included in this plan, the district is available to provide such information upon request.

2023 CALENDAR OF KEY EVENTS

CAD staff training, and CEs as needed to be in compliance with TDLR

Gather documentation for CAD audit

Send website updates to BIS

Holidays

Research returned mail

Download new and updated Comptroller forms

Download taxpayer assistance information documents, pertinent to local taxpayers, from Comptroller's website for posting and distributing

Review and updated printed information provided for public use and education

Mail and process exemption applications

Gather sales data from sales confirmation letters, deed records and other sales sources for sales files

Pick up copies of filed deeds from County Clerk's office

Research property ownership issues

Key name/address changes/splits/combines, new property and personal property into CAMA

Track value loss due to property acquiring first time exemptions and first time 1-d-1 appraisal and value gain due to new improvements for taxing units

Send copies of associated mineral deeds to P&A

Send copies of splits/combine parcels to BIS mapping department

Update real property change of addresses in house and email mineral change of addresses to P&A as they are received

Process and sell digital copies of appraisal rolls to taxpayers

Prepare and post BOD agenda for quarterly meeting

Prepare and mail BOD packets for quarterly meeting

Maintain and keep updated permanent records and minutes of BOD, ARB and AG Board

Conflicts Disclosure statements filed by BOD members, chief appraiser and district appraisers

Prepare, update, balance and submit all financial reports for review and approval

Answer phone calls and assist walk-in customers

See also Property Tax Law Deadlines and Truth-in-Taxation Important Dates attached to this Plan

JANUARY

Prepare for financial audit conducted by Stephens, Stephens & Telchik

Conduct first quarter BOD meeting

Board members sign Oath of Office and Statement of Officers

Elect Board Officers and sign Statement of Officers

Last day for taxpayer to file 25.25 protest – January 31

Holiday – New Year's Day

District Judge appoints ARB, Chairperson & Secretary

Statutory appraisal date for most categories of taxable property – January 1

Submit 25.25(b) Quarterly Report to the BOD and ARB by January 10

All real property "North Half" visually inspected and checked for accuracy in class and depreciation

Prepare and mail all Personal Property Renditions by January 15

Rendition period starts January 2 and continues through April 15 for those property owners not requesting a filing extension

MIUP renditions and/or extension request are emailed to P&A and the originals are filed in house

Key in rendered accounts, extension request, deleted exemptions and new exemptions

Check for 65 and over homestead exemptions that need to be granted automatically

Work on annual Operations Survey for the Comptroller's office

Deadline to notify the Comptroller's office of eligibility to serve as chief appraiser is January 1

Mail applications to owners needing to reapply for annual exemptions or special valuations by January 31

Preliminary Property Value Study (PVS) findings are published and certify findings to the Texas Education

Commissioner, and deliver findings to the school district (Gov't Code Section 403.301(g))

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 (as needed) and download to CAMA
- Check for new construction and demolition of improvements

Exemption applications mailed to property owners receiving exemptions in the prior tax year where an annual application is required

Post updated BOD General Policy and Policies for Public Access

Create list of renditions mailed and note date when rendition and/or extension request received

Take pictures of improvements and download to CAMA

Begin planning sales ratio studies and market analysis

Review schedules in comparison to available sales data to determine areas needing significant adjustment or close review

appraiser continue work on discovery of properties and appraisals

Print appraisal card worksheets for field appraiser to reapply for annual exemptions or special valuations by January 31

Schedule first yearly meeting of Agricultural Advisory Board

Qualification for certain exemptions determined by January 1

Check that mapping updates have been processed as scheduled

Post updated public service announcement at post office and in CAD office

Publish Public Information ads in the Borden Star and on website: availability of exemptions, rendition requirements, special appraisals, and tax deferrals

Complete CAD's annual report & submit to entities, and post in CAD office

Submit MICF (Media Information and Certification Form) to the PC Group

Borden ISD monthly payment due by the last day of month

Sands CISD annual payment due by January 31

ARB

Register ARB members for annual training

FEBRUARY

Publish Public Information ads in the Borden Star and on website: Remember to Render & Homestead

Exemptions

Submit Mobile Lien Form & 33.05 Limitations Form to the PC Group

Continue working on Operations Survey for the Comptroller's office

Deadline for delivery applications for special appraisal and exemptions requiring annual applications – February 1 Holiday – Presidents Day

Taxes become delinquent February 1 if statement was mailed on or before January 10

Continue market analysis

Appraisers continue to work renditions as received

Renditions and/or extension requests are mailed or emailed to P&A and the original file in house

Email BPP renditions to Bryan Mathis & John Chancellor (P&A)

Transfer information from appraiser's Appraisal Card Worksheets to CAMA

Appraisers continue to work on discovery of property and appraisals

Coordinate with the PC Group on submission sales information and deed transactions to the State Comptroller's Office by February 1

Update rendition work list to current year and transfer information from received renditions to list

Receive and key rendition extension requests

Contact agent if no Appointment of Agent form on file for property rendered

Borden ISD monthly payment due by the last day of month

ARB

ARB members are signed up for annual training.

MARCH

Publish Public Information ads in the Borden Star and on website: Comptrollers Homestead Exemptions & BCAD Render

Send Appraisal Roll Format letter to Borden County, BCISD, and Sands ISD

Operations Survey for the Comptroller's office due

Email questionnaires to Gins, Insurance Companies and Jami.Williams@tx.usda.gov

Appraisers continue to work renditions as received

Complete field work on Cat A, C, D, E, M properties

Complete ratio studies on real property

Finalize market analysis and determine adjustments to schedules

Update residential schedules, ag schedules, and mobile home depreciation schedules

Appraisers continue to process received renditions

Appraisers continue to work on discovery of property and appraisals

Begin work on 2024 budget

Continue transferring information from received renditions to list

Receive and key rendition extension requests

Renditions and/or extension requests are emailed to P&A 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

Coordinate with P&A on Notice of Appraised Value (NAV) mailings, protest deadline, protest hearing date and working on notices

Coordinate with the PC Group with wording on notice

Submit Tax Ceiling Calculator/Updater Authorization form to the PC Group

Borden County quarterly payment due by March 31

Borden ISD monthly payment due by the last day of month

APRIL

Conduct second quarter BOD meeting
Send notices of appraised value on single family residences by April 1, or as soon thereafter, as practicable
Renditions due by April 15 unless extension requested; continue to receive and key rendition extension requests
Holiday – Good Friday
Notify taxing units the form in which the appraisal roll will be provided by April 1
Submit 25.25(b) quarterly report to BOD and ARB
Email legal requirements for filing a rendition to the Borden Star
Send certified estimates to entities by April 30
Appraisers continue to work renditions as received.
Appraiser works with property owners regarding proposed values and protests filed
Coordinate with CAD staff on hearing schedule and protests filed
Appraisers continue to process received renditions.
Appraisers continue to work on discovery of property and appraisals
Continue work on 2024 Budget
Release local file for production of NAVs
Continue transferring information from received renditions to list
Review edits and audits before notices run; correct or adjust accounts as needed
Last day for application for special appraisal or notices that property no longer qualifies for 1-d-1 by April 30
MIUP renditions and/or extension request are mailed or emailed to P&A and the original filed in-house
Contact agent if no appointment form on file for property rendered or property protested
Borden ISD monthly payment due by the last day of month

MAY

Send notices of appraised value on all other property by May 1, or as soon thereafter, as practicable
Renditions receiving thirty-day extension are due May 15
Holiday – Memorial Day
Appraisers continue to process received renditions from extension request and notice owners
Coordinate MIUP download to CAD
Continue work on 2024 budget
Begin update of USPAP report (Mass Appraisal Report)
Check that mapping updates have been processed as scheduled
Publish Public Information ads in the Borden Star and on website by May 15: Protest and Appeals Procedure
Review edits and audits before notices run; correct or adjust accounts as needed
Mail out NAVs
Perdue notifies delinquent taxpayers that taxes delinquent on July 1 will incur additional penalty for attorney collection cost
Receive MIUP load from P&A
Work on hearing schedules and protest filed
Prepare hearing list and information on informal meetings and formal hearings to check on evidence and reason for changes in value
Print and mail personal property rendition penalty letters per Property Tax Code 22.28
Review and cross check list of late or non-rendered properties received from P&A, for penalty mailing
Compile information for evidence packets for property owners filing protest and requesting information
Prepare appraisal records and submits to ARB by May 15, or as soon thereafter, as practicable
BOD annual evaluation of chief appraiser
Continue transferring information from received renditions to list
Receive and key rendition extension requests and accounts granted additional fifteen-day extension
MIUP renditions and/or extension requests are mailed or e-mailed to P&A and the original filed in-house
Contact agent if no Appointment of Agent form is on file for property rendered or property protested
Code returned NAV and research ownership and addresses
Borden ISD monthly payment due by the last day of month

ARB

Public hearing on ARB hearing procedures by May 15 and submitted to PTAD within fifteen days of adoption
Ensure all ARB members have attended mandatory training and certificates of completion are on file
Coordinate scheduling of ARB meeting to receive appraisal records for review, review revisions needed for procedures and forms, sign affidavits regarding delinquent taxes and address any issues
Begin coordinating scheduling of protest hearings and mail Notice of Protest letters
Begin preparing cause folders for hearings
Begin coordinating with P&A on hearing schedule and protest filed
Prepare appraisal records and submits to ARB by May 15, or as soon thereafter, as practicable

JUNE

Appraisers continue to process received rendition
Appraisers continue to work on discovery of property and appraisals
Appraisers work with property owners regarding proposed values and protests filed
Coordinate with CAD staff on hearing schedule and protests filed
Submit completed Operations Survey to State Comptroller by requested date
Begin update of USPAP Report (Mass Appraisal Report)
Submit recommended 2024 Budget to CAD board and taxing units by June 15
Submit estimated pro-rated budget shares to CAD board and taxing units
Schedule protest hearing and mail Notice of Protest letters
Prepare cause folders for hearings
Compile information for evidence packets for property owners filing protests and requesting evidence
Coordinate with P&A 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 NAVs and research ownership and addresses
Print and mail personal property rendition penalty letters
Mail determination letters on received rendition penalty waiver request per PTC 22.30, mail protest form with denial
Check rendition list against Preliminary Appraisal Roll to verify properties are being picked up and appraised by P&A
Compile information for evidence packets for property owners filing protest and requesting evidence
Borden ISD monthly payment due by the last day of month
Borden County quarterly payment due by June 30

ARB

Post ARB hearing agenda as necessary
Continue scheduling protest hearings and mailing Notice of Protest hearing letters
Continue preparing cause folders for hearings
Continue working with P&A on hearing schedule and protest filed
Contact agent if no appointment form on file for property protested

JULY

Submit MIF & MICF to the PC Group
Holiday – Independence Day
Delinquent taxes incur twelve percent penalty on July 1
Appraisers work with property owners regarding proposed values and protests filed
Appraisers defend values at protest hearings
Submit reasons and documentation, as requested, for changes to values after NAVs mailed
Enter into CAMA all changes ordered by ARB
Mineral appraiser submits list of new property
MIUP personal property appraiser submits inventory owner total, changes and additions list
Prepare for financial audit by independent CPA firm
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
Submit appraisal records to ARB for review
Appraisers defend values at protest hearings

Certify Appraisal Roll to taxing units by July 25
Submit Certified Appraisal Roll to State Comptroller
Submit to taxing units the value loss due to property acquiring first time 1-d-1 and value gain due to new improvements and recap of homesteads
Board of Directors hold budget workshop
Place one-fourth page Notice of Budget Hearing Ad in The Borden Star at least ten days before the hearing date
Submit Notice of Budget Hearing to taxing units at least ten days before hearing date
Complete USPAP report
Coordinate with P&A that rendition penalties are correctly applied
Certify to TAC's that rendition penalty has been applied and become final under PTC 22.29
Borden ISD monthly payment due by the last day of month

ARB

Post ARB hearing agenda as necessary
Begin ARB hearings
Provide ARB support as necessary
Mail ARB Notices and Orders certified, return receipt requested
ARB approves appraisal records by July 20

AUGUST

Postcards sent by the 7th (or as soon thereafter as practicable) that the estimated amount of taxes may be found in the property tax database
Submit HB1010 (properties outside of county) to the PC Group
Appraisers continue to work on any pending protest hearings
Continue working with taxpayers
Coordinate with CAD that rendition penalties are applied correctly
Submit appraisal roll and date that collector submits collection rate estimate for the current year to the governing body, or as soon after as practical
Coordinate with the PC Group submission of sales information and deed transactions to the State Comptroller's Office by August 1
Coordinate with the PC Group submission of Certified Appraisal Roll to State Comptroller by August 1
Hold Public Hearing on 2024 Budget
Coordinate with P&A that rendition penalties are correctly applied
Continue ARB Hearing process for any rescheduled or newly scheduled protests
Check rendition list against certified roll to verify values by P&A
Mail letter to property owner filing late Ag application informing them of the ten percent penalty for late filing.
Submit reasons and documentation, as requested, for changes to value after NAVs mailed
CAD Board must pass resolution to change number of directors, methods for appointing, or both, and deliver the resolution to each taxing unit by August 14
Taxing units entitled to vote for appointment of CAD directors to file a resolution opposing a change by the CAD board in the number and selection of directors is due by August 31
Borden ISD monthly payment due by the last day of month

SEPTEMBER

Holiday – Labor Day – September 2
Coordinate with CAD to assure tax load process is successful
Board of Directors must adopt 2024 budget by September 15
Begin work on reports of Property Value for State Comptroller's Office
Coordinate with P&A to assure tax load process is successful
Request copies of taxing units' resolutions or orders setting tax rates for IS support
After tax rates set, complete and submit Reports of Property Value form to the State Comptroller's office
After tax rates are set, files are updated for new tax rates
After tax rates, generate Ceiling Loss Report
Update in house listing of all taxing unit rates
Schedule meeting for Ag Board
Complete Comptroller's Texas Farm & Ranch Survey by due date October 1

Check that all qualifying residences have homestead exemptions, if not send applications
After tax rates are set, files are updated for new tax rates
Update listing of all taxing unit rates
Check that mapping updates have been processed as scheduled
CAD board notifies taxing units in writing if a proposal to change the number or method of selecting CAD directors are rejected by voting taxing unit by September 14
Borden ISD monthly payment due by the last day of month
Borden County quarterly payment due by September 30

ARB

Schedule ARB as needed for approval of supplemental records

OCTOBER

Assessor mails tax bill for the year
Conduct fourth quarter BOD meeting
Submit County Indigent Health Care form to Comptroller's office
Holiday – Columbus Day – October 14
Mail Ag Survey Letters to owners Q-Z
Review and update Ag Survey Letter as needed
Check with contracted appraiser that Ag Survey is updated
Submit completed Reports of Property Value to State Comptroller's Office
Process tax payments as they are received
Borden ISD monthly payment due by the last day of month

NOVEMBER

Holiday – Thanksgiving – November 26, 27 & 28
Begin Coordinating on the next years' reappraisals
Begin keying in name/address changes, splits/combines and new property from county deed records in current file
Process tax payments as they are received
Coordinate with the PC Group to roll appraisal year in CAMA
Borden ISD monthly payment due by the last day of month

DECEMBER

Form 50-820 Notification to Serve as chief appraiser is due by January 1
Appraisal office may conduct a mail survey to verify homestead exemption eligibility
Submit Rendition Print Order Form to the PC Group
Holiday – Christmas
Continue working on any reappraisal issues
Receive names of Chair and Secretary of ARB appointed by Board of Directors
District Judge appoints ARB members to two-year term
Board of Directors appoints Ag Advisory Board members to two-year term
Send all gather current sales data to contracted appraiser
Send all received appropriate Ag surveys to contracted appraiser
Review filed for any exemptions or special valuations needing reapplication
Process tax payments as they are received
Borden ISD monthly payment due by the last day of month
Borden County quarterly payment due by December 31

2024 CALENDAR OF KEY EVENTS

Work with field reviewer and PTAD on MAP Review
CAD staff training, and CEs as needed to be in compliance with TDLR
Gather documentation for CAD audit
Send website updates to BIS
Holidays
Research returned mail
Download new and updated Comptroller forms
Download taxpayer assistance information documents, pertinent to local taxpayers, from Comptroller's website for posting and distributing
Review and updated printed information provided for public use and education
Mail and process exemption applications
Gather sales data from sales confirmation letters, deed records and other sales sources for sales files
Pick up copies of filed deeds from County Clerk's office
Research property ownership issues
Key name/address changes/splits/combines, new property and personal property into CAMA
Track value loss due to property acquiring first time exemptions and first time 1-d-1 appraisal and value gain due to new improvements for taxing units
Send copies of associated mineral deeds to P&A
Send copies of splits/combine parcels to BIS mapping department
Update real property change of addresses in house and email mineral change of addresses to P&A as they are received
Process and sell digital copies of appraisal rolls to taxpayers
Prepare and post BOD agenda for quarterly meeting
Prepare and mail BOD packets for quarterly meeting
Maintain and keep updated permanent records and minutes of BOD, ARB and AG Board
Conflicts Disclosure statements filed by BOD members, chief appraiser and district appraisers
Prepare, update, balance and submit all financial reports for review and approval
Answer phone calls and assist walk-in customers

JANUARY

Prepare for financial audit conducted by Stephens, Stephens & Telchik
Conduct first quarter BOD meeting
Board members sign Oath of Office and Statement of Officers
Elect Board Officers and sign Statement of Officers
Last day for taxpayer to file 25.25 protest – January 31
Holiday – New Year's Day
District Judge appoints ARB, Chairperson & Secretary
Statutory appraisal date for most categories of taxable property – January 1
Submit 25.25(b) Quarterly Report to the BOD and ARB by January 10
All real property "South Half" visually inspected and checked for accuracy in class and depreciation
Prepare and mail all Personal Property Renditions by January 15
Rendition period starts January 2 and continues through April 15 for those property owners not requesting a filing extension
MIUP renditions and/or extension request are emailed to P&A and the originals are filed in house
Key in rendered accounts, extension request, deleted exemptions and new exemptions
Check for 65 and over homestead exemptions that need to be granted automatically
Work on annual Operations Survey for the Comptroller's office
Deadline to notify the Comptroller's office of eligibility to serve as chief appraiser is January 1
Mail applications to owners needing to reapply for annual exemptions or special valuations by January 31
Preliminary Property Value Study (PVS) findings are published and certify findings to the Texas Education Commissioner, and deliver findings to the school district (Gov't Code Section 403.301(g))

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 (as needed) and download to CAMA
- Check for new construction and demolition of improvements

Exemption applications mailed to property owners receiving exemptions in the prior tax year where an annual application is required

Post updated BOD General Policy and Policies for Public Access

Create list of renditions mailed and note date when rendition and/or extension request received

Take pictures of improvements and download to CAMA

Begin planning sales ratio studies and market analysis

Review schedules in comparison to available sales data to determine areas needing significant adjustment or close review

Appraiser continue work on discovery of properties and appraisals

Print appraisal card worksheets for field appraiser to reapply for annual exemptions or special valuations by January 31

Schedule first yearly meeting of Agricultural Advisory Board

Qualification for certain exemptions determined by January 1

Check that mapping updates have been processed as scheduled

Post updated public service announcement at post office and in CAD office

Publish Public Information ads in the Borden Star and on website: availability of exemptions, rendition requirements, special appraisals, and tax deferrals

Complete CAD's annual report & submit to entities, and post in CAD office

Submit MICF (Media Information and Certification Form) to the PC Group

Borden ISD monthly payment due by the last day of month

Sands CISD annual payment due by January 31

ARB

Register ARB members for annual training

FEBRUARY

Publish Public Information ads in the Borden Star and on website: Remember to Render & Homestead Exemptions

Submit Mobile Lien Form & 33.05 Limitations Form to the PC Group

Continue working on Operations Survey for the Comptroller's office

Deadline for delivery applications for special appraisal and exemptions requiring annual applications – February 1

Holiday – Presidents Day

Taxes become delinquent February 1 if statement was mailed on or before January 10

Continue market analysis

Appraisers continue to work renditions as received

Renditions and/or extension requests are mailed or emailed to P&A and the original file in house

Email BPP renditions to Bryan Mathis & John Chancellor (P&A)

Transfer information from appraiser's Appraisal Card Worksheets to CAMA

Appraisers continue to work on discovery of property and appraisals

Coordinate with the PC Group on submission sales information and deed transactions to the State Comptroller's Office by February 1

Update rendition work list to current year and transfer information from received renditions to list

Receive and key rendition extension requests

Contact agent if no Appointment of Agent form on file for property rendered

Borden ISD monthly payment due by the last day of month

ARB

ARB members are signed up for annual training.

MARCH

Publish Public Information ads in the Borden Star and on website: Comptrollers Homestead Exemptions & BCAD Render
Send Appraisal Roll Format letter to Borden County, BCISD, and Sands ISD
Operations Survey for the Comptroller's office due
Email questionnaires to Gins, Insurance Companies and Jami.Williams@tx.usda.gov
Appraisers continue to work renditions as received
Complete field work on Cat A, C, D, E, M properties
Complete ratio studies on real property
Finalize market analysis and determine adjustments to schedules
Update residential schedules, ag schedules, and mobile home depreciation schedules
Appraisers continue to process received renditions
Appraisers continue to work on discovery of property and appraisals
Begin work on 2025 budget
Continue transferring information from received renditions to list
Receive and key rendition extension requests
Renditions and/or extension requests are emailed to P&A 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
Coordinate with P&A on Notice of Appraised Value (NAV) mailings, protest deadline, protest hearing date and working on notices
Coordinate with the PC Group with wording on notice
Submit Tax Ceiling Calculator/Updater Authorization form to the PC Group
Borden County quarterly payment due by March 31
Borden ISD monthly payment due by the last day of month

APRIL

Conduct second quarter BOD meeting
Send notices of appraised value on single family residences by April 1, or as soon thereafter, as practicable
Renditions due by April 15 unless extension requested; continue to receive and key rendition extension requests
Holiday – Good Friday
Notify taxing units the form in which the appraisal roll will be provided by April 1
Submit 25.25(b) quarterly report to BOD and ARB
Email legal requirements for filing a rendition to the Borden Star
Send certified estimates to entities by April 30
Appraisers continue to work renditions as received.
Appraiser works with property owners regarding proposed values and protests filed
Coordinate with CAD staff on hearing schedule and protests filed
Appraisers continue to process received renditions.
Appraisers continue to work on discovery of property and appraisals
Continue work on 2025 Budget
Release local file for production of NAVs
Continue transferring information from received renditions to list
Review edits and audits before notices run; correct or adjust accounts as needed
Last day for application for special appraisal or notices that property no longer qualifies for 1-d-1 by April 30
MIUP renditions and/or extension request are mailed or emailed to P&A and the original filed in-house
Contact agent if no appointment form on file for property rendered or property protested
Borden ISD monthly payment due by the last day of month

MAY

Send notices of appraised value on all other property by May 1, or as soon thereafter, as practicable
Renditions receiving thirty-day extension are due May 15
Holiday – Memorial Day

Appraisers continue to process received renditions from extension request and notice owners
Coordinate MIUP download to CAD
Continue work on 2025budget
Begin update of USPAP report (Mass Appraisal Report)
Check that mapping updates have been processed as scheduled
Publish Public Information ads in the Borden Star and on website by May 15: Protest and Appeals Procedure
Review edits and audits before notices run; correct or adjust accounts as needed
Mail out NAVs
Perdue notifies delinquent taxpayers that taxes delinquent on July 1 will incur additional penalty for attorney collection cost
Receive MIUP load from P&A
Work on hearing schedules and protest filed
Prepare hearing list and information on informal meetings and formal hearings to check on evidence and reason for changes in value
Print and mail personal property rendition penalty letters per Property Tax Code 22.28
Review and cross check list of late or non-rendered properties received from P&A, for penalty mailing
Compile information for evidence packets for property owners filing protest and requesting information
Prepare appraisal records and submits to ARB by May 15, or as soon thereafter, as practicable
BOD annual evaluation of chief appraiser
Continue transferring information from received renditions to list
Receive and key rendition extension requests and accounts granted additional fifteen-day extension
MIUP renditions and/or extension requests are mailed or e-mailed to P&A and the original filed in-house
Contact agent if no Appointment of Agent form is on file for property rendered or property protested
Code returned NAV and research ownership and addresses
Borden ISD monthly payment due by the last day of month

ARB

Public hearing on ARB hearing procedures by May 15 and submitted to PTAD within fifteen days of adoption
Ensure all ARB members have attended mandatory training and certificates of completion are on file
Coordinate scheduling of ARB meeting to receive appraisal records for review, review revisions needed for procedures and forms, sign affidavits regarding delinquent taxes and address any issues
Begin coordinating scheduling of protest hearings and mail Notice of Protest letters
Begin preparing cause folders for hearings
Begin coordinating with P&A on hearing schedule and protest filed
Prepare appraisal records and submits to ARB by May 15, or as soon thereafter, as practicable

JUNE

Appraisers continue to process received rendition
Appraisers continue to work on discovery of property and appraisals
Appraisers work with property owners regarding proposed values and protests filed
Coordinate with CAD staff on hearing schedule and protests filed
Submit completed Operations Survey to State Comptroller by requested date
Begin update of USPAP Report (Mass Appraisal Report)
Submit recommended 2025 Budget to CAD board and taxing units by June 15
Submit estimated pro-rated budget shares to CAD board and taxing units
Schedule protest hearing and mail Notice of Protest letters
Prepare cause folders for hearings
Compile information for evidence packets for property owners filing protests and requesting evidence
Coordinate with P&A 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 NAVs and research ownership and addresses
Print and mail personal property rendition penalty letters
Mail determination letters on received rendition penalty waiver request per PTC 22.30, mail protest form with denial
Check rendition list against Preliminary Appraisal Roll to verify properties are being picked up and appraised by P&A
Compile information for evidence packets for property owners filing protest and requesting evidence

Borden ISD monthly payment due by the last day of month

Borden County quarterly payment due by June 30

ARB

Post ARB hearing agenda as necessary

Continue scheduling protest hearings and mailing Notice of Protest hearing letters

Continue preparing cause folders for hearings

Continue working with P&A on hearing schedule and protest filed

Contact agent if no appointment form on file for property protested

JULY

Submit MIF & MICF to the PC Group

Holiday – Independence Day

Delinquent taxes incur twelve percent penalty on July 1

Appraisers work with property owners regarding proposed values and protests filed

Appraisers defend values at protest hearings

Submit reasons and documentation, as requested, for changes to values after NAVs mailed

Enter into CAMA all changes ordered by ARB

Mineral appraiser submits list of new property

MIUP personal property appraiser submits inventory owner total, changes and additions list

Prepare for financial audit by independent CPA firm

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

Submit appraisal records to ARB for review

Appraisers defend values at protest hearings

Certify Appraisal Roll to taxing units by July 25

Submit Certified Appraisal Roll to State Comptroller

Submit to taxing units the value loss due to property acquiring first time 1-d-1 and value gain due to new improvements and recap of homesteads

Board of Directors hold budget workshop

Place one-fourth page Notice of Budget Hearing Ad in The Borden Star at least ten days before the hearing date

Submit Notice of Budget Hearing to taxing units at least ten days before hearing date

Complete USPAP report

Coordinate with P&A that rendition penalties are correctly applied

Certify to TAC's that rendition penalty has been applied and become final under PTC 22.29

Borden ISD monthly payment due by the last day of month

ARB

Post ARB hearing agenda as necessary

Begin ARB hearings

Provide ARB support as necessary

Mail ARB Notices and Orders certified, return receipt requested

ARB approves appraisal records by July 20

AUGUST

Postcards sent by the 7th (or as soon thereafter as practicable) that the estimated amount of taxes may be found in the property tax database

Submit HB1010 (properties outside of county) to the PC Group

Appraisers continue to work on any pending protest hearings

Continue working with taxpayers

Coordinate with CAD that rendition penalties are applied correctly

Submit appraisal roll and date that collector submits collection rate estimate for the current year to the governing body, or as soon after as practical

Coordinate with the PC Group submission of sales information and deed transactions to the State Comptroller's Office by August 1

Coordinate with the PC Group submission of Certified Appraisal Roll to State Comptroller by August 1

Hold Public Hearing on 2025 Budget

Coordinate with P&A that rendition penalties are correctly applied

Continue ARB Hearing process for any rescheduled or newly scheduled protests

Check rendition list against certified roll to verify values by P&A

Mail letter to property owner filing late Ag application informing them of the ten percent penalty for late filing.

Submit reasons and documentation, as requested, for changes to value after NAVs mailed

CAD Board must pass resolution to change number of directors, methods for appointing, or both, and deliver the resolution to each taxing unit by August 14

Taxing units entitled to vote for appointment of CAD directors to file a resolution opposing a change by the CAD board in the number and selection of directors is due by August 31

Borden ISD monthly payment due by the last day of month

SEPTEMBER

Holiday – Labor Day

Coordinate with CAD to assure tax load process is successful

Board of Directors must adopt 2025 budget by September 15

Begin work on reports of Property Value for State Comptroller's Office

Coordinate with P&A to assure tax load process is successful

Request copies of taxing units' resolutions or orders setting tax rates for IS support

After tax rates set, complete and submit Reports of Property Value form to the State Comptroller's office

After tax rates are set, files are updated for new tax rates

After tax rates, generate Ceiling Loss Report

Update in house listing of all taxing unit rates

Schedule meeting for Ag Board

Complete Comptroller's Texas Farm & Ranch Survey by due date October 1

Check that all qualifying residences have homestead exemptions, if not send applications

After tax rates are set, files are updated for new tax rates

Update listing of all taxing unit rates

Check that mapping updates have been processed as scheduled

CAD board notifies taxing units in writing if a proposal to change the number or method of selecting CAD directors are rejected by voting taxing unit by September 14

Borden ISD monthly payment due by the last day of month

Borden County quarterly payment due by September 30

ARB

Schedule ARB as needed for approval of supplemental records

OCTOBER

Assessor mails tax bill for the year

Conduct fourth quarter BOD meeting

Submit County Indigent Health Care form to Comptroller's office

Holiday – Columbus Day

Mail Ag Survey Letters to owners Q-Z

Review and update Ag Survey Letter as needed

Check with contracted appraiser that Ag Survey is updated

Process tax payments as they are received

Submit completed Reports of Property Value to State Comptroller's Office

Borden ISD monthly payment due by the last day of month

NOVEMBER

Holiday – Thanksgiving – Veterans

Begin Coordinating on the next years' reappraisals

Coordinate with the PC Group to roll appraisal year in CAMA

Process tax payments as they are received

Begin keying in name/address changes, splits/combines and new property from county deed records in current file

Borden ISD monthly payment due by the last day of month

DECEMBER

Form 50-820 Notification to Serve as chief appraiser is due by January 1
Appraisal office may conduct a mail survey to verify homestead exemption eligibility
Submit Rendition Print Order Form to the PC Group
Holiday – Christmas
Continue working on any reappraisal issues
Receive names of Chair and Secretary of ARB appointed by Board of Directors
District Judge appoints ARB members to two-year term
Board of Directors appoints Ag Advisory Board members to two-year term
Send all gather current sales data to contracted appraiser
Send all received appropriate Ag surveys to contracted appraiser
Review filed for any exemptions or special valuations needing reapplication
Process tax payments as they are received
Borden ISD monthly payment due by the last day of month
Borden County quarterly payment due by December 31

Property Tax Law Deadlines

January

1

- Date that the taxable values (except for inventories appraised Sept. 1) and qualification for certain exemptions are determined for the tax year – Secs. 11.42(a), 23.01(a), 23.12(f)
- Date for tax lien attaches to property to secure payments of taxes, penalties and interest that will be imposed for the year – Sec. 32.01(a)
- Date that members of county appraisal district (CAD) board of directors begin two-year terms; half the members begin two-year terms if the CAD has staggered terms – Secs. 6.03(b), 6.034(a)(e)
- Date that half of the appraisal review board (ARB) members begin two-year terms and the ARB commissioners begin one-year terms – Sec. 6.41(d-8)
- Date by which ARB commissioners, if appointed in the county, are required to return a list of proposed ARB members to local administrative district judge – Sec. 6.41 (d-7)
- Deadline for the Chief Appraiser to notify the Comptroller’s office of eligibility to serve as a Chief Appraiser – Sec. 6.05(c)
- Date the temporary exemption for qualified property damaged by disaster expires as a qualified property of the first tax year in which the property is reappraised under – Sec. 25.18 and 11.35(k)

2

- Date rendition period begins – Sec. 22.23(a)

10

- If a tax bill from the previous year is mailed after this date, the delinquency date is postponed – Sec. 31.04(a)

31

- Deadline for the Comptroller’s office to publish the preliminary Property Value Study (PVS) findings, certify findings to the Texas Education Commissioner, and deliver findings to each school district – Gov’t Code Sec. 403.303(a)

NOTE: A qualified school district or property owner may protest preliminary findings by filing a petition with the Comptroller not later than the 40th day after the date (whether Jan 31 or an earlier date) on which the Comptroller’s findings are certified to the Texas Commissioner of Education – Gov’t Code Sec. 403.303(a)

- Last day for Chief Appraiser to deliver applications for agricultural designation and exemptions requiring annual applications – Secs. 11.44(a), 23.43(e)
- Last day for disabled or age 65 or older homeowners or disabled veterans and their surviving spouses qualifies for Sec. 11.22 exemptions to provide notice of intent to pay the first installment of homestead property taxes if the delinquency date is Feb. 1. Other delinquency dates have different installment notice and payment deadlines. This deadline also applies to partially disabled veterans and their living spouses with homesteads donated from charitable organizations – Sec. 31.031(a-1)
- Last day for homeowners or qualified businesses whose properties were damaged in a disaster within the designated disaster area to pay the first installment for taxes with Feb. 1 delinquency dates if using installment payment option. Other delinquency dates have different notice and payment deadlines – Sec. 31.032(b)
- Last day for CAD to give public notice of the capitalization rate to be used in that year to appraise property with low-and moderate-income housing exemption – Sec. 11.1825(r)

February

1

- Last day for motor vehicle, vessel and outboard motors, heavy equipment and manufactured housing dealers to file dealer’s inventory declarations – Secs. 23.12(f), 23.124(f), 23.1241(f), 23.127(f)
- Date the taxes imposed the previous year become delinquent if a bill was mailed on or before Jan. 10 of the current year – Secs. 31.02(a), 31.04(a)
- Rollback tax and interest for change of use of 1-d, 1-d-1, timber and restricted-use timber land become delinquent if taxing unit delivered a bill to the owner at least 20 days before this date – Secs. 23.46(c), 23.55(e), 23.76(e), 29.9807(f)
- Deadline for Chief Appraisers in certain counties to provide notice regarding the availability of agreement forms authorizing electronic communication, on or before this date (or as soon as practicable) – Sec. 1.085(h)

15

- Last day for tax collectors to disburse motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory taxes from escrow accounts to taxing units – Secs. 23.122(k), 23.1242(j), 23.125(k), 23.128(j)

28 (29 if Leap Year)

- Last day to request separate appraisals for interest in a cooperative housing corporation – Sec. 23.19(c)

March

31

- Last day for taxing units' second quarterly payment for the current year CAD budget – Sec. 6.06(e)
- Last day for disabled or age 65 or older homeowners or disabled veterans and their surviving spouses qualify for Sec. 11.22 exemptions to pay second installment on taxes with Feb. 1 delinquency dates have different installment payment deadlines. The deadline also applies to partially disabled veterans and their surviving spouses with homesteads donated to charitable organizations Sec. 31.031(a) and (a-1)
- Last day for homeowners or qualified businesses whose properties were damaged in a disaster to pay second installment for taxes with Feb. 1 delinquency dates if using installment payment option. Other delinquency dates have different notice and payment deadlines – Sec. 31.032(b)
- Last day for qualified community housing development organizations to file listing of property acquired or sold during the past year with the Chief Appraiser – Sec. 11.185(i)

April

1

- Last day for qualifying local governments to submit completed applications to the Comptroller's office to receive disabled veteran's assistance payments for previous fiscal year – Local Gov't Code Sec. 140.011(e)
- Last day (or as soon as practicable thereafter) for chief appraiser to mail notices of appraised value for single-family residence homestead properties – Sec. 25.19(a)
- Last day (or as soon thereafter as practicable) for the chief appraiser to deliver a clear and understandable written notice to property owner of a single-family residence that qualifies for an exemption under Sec. 11.13 if an exemption or partial exemption that was approved for the preceding year was canceled or reduced for the current year – Sec. 25.193(a)
- Last day for the chief appraiser to notify taxing units of the form in which the appraisal roll will be provided to them – Sec. 26.01(a)

15

- Last day for property owners, or secured parties if applicable, to file renditions and property reports on most property types in counties in which no taxing unit exempts Freeport property. Chief appraiser may extend deadline to May 15 upon written request – Sec. 22.23 (a)(b)

NOTE: The Comptroller and each chief appraiser are required to publicize the legal requirements for filing rendition statements and the availability of the forms in a manner reasonably designed to notify all property owners of the law – Sec. 22.21. Chief Appraisers need to check with their legal counsel to determine the manner and timing of this notice to meet the legal requirement.

30

- Last day for property owners to file these applications or reports with the CAD:
 - Some exemptions applications – Sec. 11.43(d)*
 - Notice to chief appraiser that property is no longer entitled to an exemption not requiring annual application – Sec. 11.43(g)
 - Certain applications for special appraisal or notices to chief appraiser that property no longer qualifies for 1-d agricultural land, 1-d-1 agricultural land, timber, restricted-use timber, recreational-park-scenic land and public access airport property – Secs. 23.43 (b), 23.54(d)(h), 23.75(d)(h), 23.84(b)(d), 23.94(d)(h), 23.9804(e)(i)
 - Railroad rolling stock reports – Sec. 24.32(e)
 - Requests for separate listing of separately owned land and improvements – Sec. 25.08(c)
 - Requests for proportionate taxing of a planned unit development property – Sec. 25.09(b)
 - Requests for separate listing of separately-owned standing timber and land – Sec. 25.10(c)
 - Requests for separate listing of undivided interests – Sec. 25.11(b)

— Request for joint taxation of separately-owned mineral interest – Sec. 25.12(b)

- Last day for chief appraiser to certify estimate of the taxable value for counties, municipalities and school districts (counties and municipalities can choose to waive the estimate) – Sec. 26.01(e). A school district with a fiscal year beginning July 1 may use this certified estimate when preparing the notices of public meetings to adopt the budget and discuss proposed tax rate – Educ. Code Sec. 44.004(g-j)
- Last day to file rendition statements and property regulated by the Texas Public Utility Commission, Texas Railroad Commission, Federal Surface Transportation Board or the Federal Energy Regulatory Commission. Chief Appraiser may extend deadline to fifteen days for good cause – Sec. 22.23(d)
- Last day for property owners to file applications for allocation under Sec. 21.03, 21.031, 21.05 or 21.055. for good cause, chief appraiser shall extend deadline up to 30 days. Other deadlines apply if the property was not on the appraisal roll in the previous year – Sec. 21.09(b)

*Exemption applications for cemeteries, certain charitable organizations, religious organizations, private schools, nonprofit water supply or wastewater service corporations and other nonprofit organizations must be filed within one year of acquiring the property – Secs. 11.42(d) and 11.43(d). Unless birth date information has been provided to the CAD, persons who become age sixty-five or qualify as disabled during a tax year must apply for the applicable homestead exemptions within one year of qualifying – Sec. 11.43(k)(m)

May

1

- Last day (or as soon as practicable thereafter) for chief appraiser to mail notices of appraised value for properties other than single-family residence homesteads – Sec. 25.19(a)
- Last day (or as soon thereafter as practicable) for the chief appraiser to deliver a clear and understandable written notice to the property owner of residence homestead that does not qualify for an exemption under Sec. 11.13 if an exemption or partial exemption that was approved for the preceding year was canceled or reduced for the current year – Sec.25.193(a)

1-14

- Period to file resolutions with Chief Appraiser to change CAD finance method – Sec. 6.061(c)

1-15

- Period when chief appraiser must publish notice about taxpayer protest procedures in local newspaper with general circulation – Sec. 41.70(a)(b)

NOTE: Chief appraisers must annually publicize property owner rights and methods to protest to the ARB – Sec. 41.41(b). Chief appraisers should consult legal counsel on the manner and timing to fulfill this requirement.

2

- Beginning of time period when taxing units must notify delinquent taxpayers that taxes delinquent on July 1 will incur additional penalty for attorney collection cost at least 30 days and not more than sixty days before July 1. Period ends on June 1 – Sec. 33.07(d)

15

- Last day to file renditions and property reports for most property types if an extension was requested in writing. Chief appraiser may extend deadline and additional 15 days for good cause – Sec. 22.23(b)
- Date (or as soon as practicable thereafter) for chief appraiser to prepare appraisal records and submit to ARB – Secs. 25.01(a), 25.22(a)
- Last day to file most protests with ARB (or by 30th day after notice of appraised value is delivered, whichever is later) – Sec. 41.44(a)(1)
- Deadline for ARBs to adopt hearing procedures; adopted hearing procedures must be submitted to PTAD within 15 days of adoption – Secs 41.01(c)(d)

19

- Last day for chief appraiser to determine whether a sufficient number of eligible taxing units filed resolutions to change CAD's finance method – Sec. 6.061(d)

24

- Last day for chief appraiser to notify taxing units of change in the CAD's financial method – Sec. 6.061(d)

31

- Last day for taxing units to file challenges with ARB (or within 15 days after the date the appraisal records are submitted to ARB (whichever is later) – Sec. 41.04
- Last day for disabled or age 65 or older homeowners or disabled veterans and their surviving spouses qualify for Sec. 11.22 exemptions to pay third installment on taxes with Feb. 1 delinquency dates have different installment payment deadlines. The deadline also applies to partially disabled veterans and their surviving spouses with homesteads donated to charitable organizations Sec. 31.031(a) and (a-1)
- Last day for homeowners and qualified businesses whose properties were damaged in a disaster area to pay third installment on taxes with Feb 1 delinquency dates. Other delinquency dates have different installment payment deadlines – Sec. 31.032(a)(b)
- Last day for a religious organization that has been denied an 11.20 exemption because of its charter to amend the charter and file a new application (on or before the 60th day after the date of notification of the exemption denial, whichever is later) – Sec. 11.421(b)
- Last day for taxing unit to take official action to extend the date by which aircraft parts must be transported outside the state after acquired or imported up to seven hundred thirty (730) days for the aircraft parts to be exempt from taxation as freeport goods for the current and subsequent years – Sec. 11.251(l)

June

14

- Last day for chief appraiser to submit proposed budget for next year to CAD board and taxing units (unless taxing units have changed CAD's fiscal year) – Sec. 6.06(a)(i)

15

- Last day (or the 60th day after the date on which the chief appraiser delivers notice to the property owner under Sec. 22.22, if applicable) for chief Appraisers to accept and approve or deny late-filled freeport exemption applications – Sec. 11.4391(a)

16

- Beginning date that CAD board may pass resolution to change finance method, subject to taxing units' unanimous approval. Period ends before Aug. 15 – Sec 6.061(a)

30

- Last day to pay second half of split payment for taxes imposed last year – Sec. 31.03(a)
- Last day for taxing units' third quarter payment for CAD budget for the current year – Sec. 6.06(e)
- Last day to form a taxing unit to levy property taxes for the current year – Sec. 26.12(d)
- Last day for taxing units to adopt local option percentage homestead exemptions – Sec. 11.13(n)
- Last day for a private school that has been denied an 11.21 exemption because of the charter to amend the charter and file a new application (or the sixtieth (60th) day after the date of notification of the exemption denial, whichever is later) – Sec. 11.422(a)(1)

July

1

- Date the delinquent taxes incur total 12 percent penalty – Sec. 33.01(a)
- A taxing unit or CAD may provide that taxes that become delinquent on or after Feb 1 of a year but not later than May 1 of that year and that remain delinquent on July 1 of the year in which they become delinquent incur an additional penalty to defray costs of collection, if the unit or CAD or another unit that collects taxes for the unit has contracted with an attorney to enforce the collection of delinquent taxes – Sec. 33.07(a)

NOTE: Taxing units and CADs that have imposed the additional penalty for collection costs under Sec. 33.07 may provide for an additional penalty for attorney collection costs of taxes that become delinquent on or after June 1 under Secs. 26.07(f), 26.15(e), 31.03, 31.031, 31.032, 31.04 or 42.42. The penalty incurred on the first day of the first month that begins 21 days after the date the collector sends the property owner a notice of delinquency and penalty – Sec. 33.08(a)(c)

- Last day for review and protest of appraisals of railroad rolling stock values (or as soon as practicable thereafter); once the appraised value is approved, the Chief Appraiser certifies to the Comptroller's office the allocated market value – Secs. 24.35(b), 24.36

20

- Date ARB must approve appraisal records but may not do so if more than 5 percent of total appraised value remains under protest. The board of directors of a CAD in a county with a population of one million or more may postpone the deadline to Aug. 30 or increase the threshold percentage from five to ten percent of the appraised value of properties not under protest – Sec 41.12(a-c)

25

- Last day for Comptroller's office to certify apportionment of railroad rolling stock value to counties, with supplemental records after that date – Secs. 24.38 and 24.40
- Last day for chief appraiser to certify appraisal roll to each taxing unit – Sec. 26.01(a)
- Last day for chief appraiser to prepare and certify to the assessor for each taxing unit an estimate of the taxable value of the property if the ARB has not approved the appraisal records by July 20 – Sec. 26.01(a-1)

31

- Last day for disabled or age 65 or older homeowners or disabled veterans and their surviving spouses qualify for Sec. 11.22 exemptions to pay fourth installment on taxes with Feb. 1 delinquency dates have different installment payment deadlines. The deadline also applies to partially disabled veterans and their surviving spouses with homesteads donated to charitable organizations Sec. 31.031(a) and (a-1)
- Last day for homeowners and qualified businesses whose properties were damaged in a disaster area to pay fourth installment on taxes with Feb 1 delinquency dates. Other delinquency dates have different installment payment deadlines – Sec. 31.032(a)(b)
- Last day for property owners to apply for Sept 1 inventory appraisal for the next year – Sec. 23.12(f)

August

1

- Date taxing unit's assessor submits appraisal roll and date collector submits collection rate estimate for the current year to the governing body (or as soon as practical) – Sec 26.04(b)

7

- Date taxing units (other than school districts, small taxing units and water districts) must publicize no-new-revenue and voter-approval tax rates, unencumbered fund balances, debt obligation schedule and other applicable items (or as soon as practicable thereafter) – Sec. 26.04(e) and (e)(1), 26.052(b)
- Date chief appraisers must deliver a notice to each property owner in the appraisal district stating the estimated amount of property taxes may be found in the property tax database required by PTC Sec 26.17 (or as soon thereafter as practicable) – Sec 26.04(e-2)

14

- Last day for CAD board to pass resolution to change CAD finance method, subject to taxing unit's unanimous consent – Sec. 6.061(a)
- last day for CAD board to pass resolution to change number of directors, method for appointing, or both, and deliver the resolution to each taxing unit – Sec. 6.031(a)

15

- Deadline for Comptroller's office to certify final PVS findings to Education Commissioner except as provided – Comptroller Rule Sec. 9.4317(d)

30

- Date ARB must approve appraisal records for CADs in counties with populations of one million or more where the board of directors has postponed the deadline from July 20 – Sec. 41.12(c)(1)

31

- If a tax bill is returned undeliverable to a taxing unit by the United States Postal Service, a taxing unit must waive penalties and interest if the taxing unit does not send another tax bill at least 21 days before the delinquency date to the current mailing address furnished by the property owner and the property owner establishes that a current mailing address was furnished to the CAD for the tax bill before Sept 1 of the year in which the tax is assessed – Sec. 33.011(b)(1)
- Last day taxing unit may file resolutions with the CAD board to oppose proposed change in the CAD finance method – Sec. 6.061(a)
- Last day for taxing unit entitled to vote for appointment of CAD directors to file a resolution opposing a change by the CAD board in the number and selection of directors – Sec. 6.031(a)

- Deadline to file form with Chief Appraiser and collector to elect not to be treated as a motor vehicle inventory dealer for the next year, if eligible – Sec. 23.12(a)(3)(D)(iii)

September

- 1
- Date that taxable value of inventories may be determined at property owner’s written option – Sec. 23.12(f)
- 14
- Last day for CAD board to adopt CAD budget for the next year, unless district has changed its fiscal year – Sec. 6.06(b)(i)
 - Last day for CAD board to notify taxing units in writing if a proposal to change a finance method by taxing units’ unanimous consent has been rejected – Sec. 6.061(a)
 - Last day for CAD board to notify taxing units in writing if a proposal to change the number or method of selecting CAD directors is rejected by a voting taxing unit – Sec. 6.031(a)
- 29
- Last day for taxing units to adopt tax rate for the current year, or before the 60th day after the date the certified roll is received by a taxing unit, whichever is later. Failure to adopt these required dates result in a unit adopting the lower of its effective tax rate for this year or last year’s tax rate; units’ governing body must ratify new rate within five days of establishing rate – Sec. 26.05(a)(c)
- 30
- Last day for taxing units’ fourth quarterly payment for CAD budget for the current year – Sec. 6.06(e)

October

- 1
- Date tax assessor mails tax bills for the year (or soon after as practicable) – Sec. 31.01(a)

November

- 30
- First half of split payment of taxes is due on or before this date – Sec. 31.03(a)

December

- 1-31
- Time when appraisal office may conduct a mail survey to verify homestead exemption – Sec. 11.47(a)
- 31
- Last day for taxing units’ first quarterly payment for CAD budget for next year – Sec. 6.06(e)
 - Last day for taxing units to take official action to tax goods-in-transit for the following year – Sec. 11.53(j)

TRUTH-IN-TAXATION IMPORTANT DATES

Date	Activity
April 1 ¹	Chief Appraisers send notices of appraised value on single family residences by this date or as soon thereafter as practicable.
April 30 ²	Chief Appraisers prepare and certify the estimate of the taxable value of property in counties, cities and school districts to tax assessors.
May 1 ³	Chief Appraisers send notices of appraised value on all other property by this date or as soon thereafter as practicable.
July 20 ⁴	Appraisal review boards approve the appraisal records. This date may extend to Aug. 30 for certain larger counties.
July 25 ⁵	Chief Appraisers certify the approved appraisal roll to the taxing units.
Aug. 7 ⁶	Certain taxing units publish notice of effective and rollback tax rates by this date or as soon thereafter as practicable.
August – September ⁷	Taxing units adopt their budgets according to their fiscal years. School districts must publish a <i>Notice of Public Meeting to Discuss Budget and Proposed Tax Rate</i> 10 to 30 days before the public meeting date. (School districts with a July 1 fiscal year adopt budgets in June and follow a different schedule). Most taxing units adopt a tax rate after adopting their budgets.
Before Sept. 30 ⁸	Taxing units other than water districts must adopt their tax rate before this date or 60 days after receiving the appraisal roll, whichever date is later. The governing body must adopt a tax rate that exceeds the voter-approval tax rate no later than the 71 st day before the next uniform election date that occurs in November of that year
Oct. 1 ⁹	Tax assessors prepare and mail tax bills by this date or as soon thereafter as practicable.

¹ Tex. Tax Code § 25.19(a)

² Tex. Tax Code § 26.01(e)

³ Tex. Tax Code § 25.19(a)

⁴ Tex. Tax Code § 41.12(a)

⁵ Tex. Tax Code § 26.01(a)

⁶ Tex. Tax Code § 26.04(e)

⁷ Tex. Ed. Code § 44.004(b)

⁸ Tex. Tax Code § 26.05(a) and
Tex. Election Code § 3.005(c)

⁹ Tex. Tax Code § 26.05(a)

Certification Statement

"I, Tracy Cooley, Chief Appraiser for the Borden County Appraisal District, solemnly swear that I have made or caused to be made, a diligent inquiry to ascertain all property in the district subject to appraisal by me, and that I have included in the records, all property that I am aware, at an appraised value, which to the best of my knowledge and belief, was determined as required by law, on this 23rd day of August 2022."



Tracy Cooley RPA/RTA
Borden CAD - Chief Appraiser

Certification Statement

"I, Tracy Cooley, Chief Appraiser for the Borden County Appraisal District, certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no (unless previously disclosed to Borden CAD) present or prospective interest in the properties that are the subject of this report and no (unless previously disclosed to Borden CAD) personal interest with respect to the parties involved.
- I have performed no (unless previously disclosed to Borden CAD) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year-period immediately preceding acceptance of this assignment.
- I have no bias with respect to any property that is the subject to this report or to the parties involved in this assignment.
- My involvement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with USPAP.
- I have made a personal inspection of a portion of the properties that are the subject of this report.
- The attached is a list of the individuals who provided significant mass appraisal assistance in appraising the properties that are the subject of this report.



Tracy Cooley RPA/RTA
Chief Appraiser – Executive Director
TDLR # 73862

Revaluation Decision

The Borden County Appraisal District by policy adopted by the Chief Appraiser, with approval from the Borden County Appraisal District Board of Directors, implements an annual reappraisal cycle. All property in the district is on a three-year cycle.

While all properties are updated annually to reflect market values, one-third of the district is re-inspecting every year. The appraisers performing the re-appraisals are given appraisal cards for each property and they physically inspect each property.

In addition to appraisals, all exemptions and special valuations for properties in the appraisal area are reviewed to verify qualification.

The re-appraisal for 2023 will be all real property "North" of US Hwy 180 and the reappraisal for 2024 will be all real property "South" of US Hwy 180

These yearly plans are designed to be flexible within the overall reappraisal plan. The specific workload within and between plan years may need to be adjusted to provide for complete and accurate appraisals.

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

APPRAISAL / TAX YEAR 2023

Tax Year 2023 will cover appraisals for the "North Half" of the county.

The property categories to be included in the reappraisal include:

A, C, D, E, F, G, J, M and, verification by visual inspection, L., G & J are covered in the reappraisal plan from Prichard & Abbott.

All new construction and demolitions will be picked up; all adjustments in property characteristics that affect value will be applied for all property types and classes within the district.

APPRAISAL / TAX YEAR 2024

Tax Year 2024 will cover appraisals for the "South Half" of the county.

The property categories to be included in the reappraisal include:

A, C, D, E, F, G, J, M and, verification by visual inspection, L., G & J are covered in the reappraisal plan from Prichard & Abbott.

All new construction and demolitions will be picked up; all adjustments in property characteristics that affect value will be applied for all property types and classes within the district.

Submitted for review and approval to the Borden County Appraisal District Board of Directors on by:


Chief Appraiser

Resources Attached to this Plan

Prichard & Abbott's 2023-2024 Reappraisal Plan
2022 Mass Appraisal Report
2023 Budget

Websites

www.tdlr.texas.gov

www.comptroller.texas.gov/taxe/property-tax/

www.bordencad.org

<https://borden.countytaxrates.com/tax>

www.pandai.com/home.aspx

iaao.org

S.B. 1652* BIENNIAL REAPPRAISAL PLAN

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

For Tax Years:

2023 and 2024**

Originally Printed: July 21, 2022

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

determines its compliance.

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

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

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

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

PREAMBLE

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

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

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

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

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

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

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

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

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

ETHICS RULE

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

- Conduct;
- Management;
- Confidentiality.

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

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

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

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

CONDUCT

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

An appraiser:

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

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

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

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

The appraiser can agree with the client to keep the mere occurrence of a prior appraisal assignment confidential. If an appraiser has agreed with the client not to disclose that he or she has appraised a property, the appraiser must decline all subsequent assignment that fall 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 report that communicates the results of a mass appraisal. The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for purposes of ad valorem taxation do not apply to mass appraisals prepared for other purposes.

A mass appraisal includes:

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

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

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

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

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

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

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

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

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

INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appraisal Resources

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

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

Information Systems: The mainframe systems are augmented by the databases that serve the various in-house and 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 cashflow software dynamically generates various benchmark indicators that the appraiser reviews concurrent with the value being generated. These benchmarks often prompt the appraiser to reevaluate some or all of the parameters of data

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

PERFORMANCE TESTS

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

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

INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appraisal Resources

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

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

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

VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

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

Approaches to Value for Industrial, Utility, and Personal Property

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

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

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

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

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

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

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

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

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

DATA COLLECTION/VALIDATION

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

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

VALUATION ANALYSIS (MODEL CALIBRATION)

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

INDIVIDUAL VALUE REVIEW PROCEDURES

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

PERFORMANCE TESTS

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

THE APPRAISAL OF
MINERAL, INDUSTRIAL, UTILITY, PERSONAL PROPERTY
AND
RESIDENTIAL REAL ESTATE
AS PER
UNIFORM STANDARDS OF
PROFESSIONAL APPRAISAL PRACTICE
(USPAP)

Effective January 1, 2020
(Applicable for Tax Years 2020, 2021, and 2022*)

**On February 19, 2021, The Appraisal Foundation's Appraisal Standards Board (ASB) announced that the current edition of the Uniform Standards of Professional Appraisal Practice (USPAP) would be extended by one year. The 2020-2021 USPAP will now be effective until December 31, 2022.*

Includes, in part, the Written Mass Appraisal Report and Certification as promulgated by USPAP Standards 6-1 through 6-3. This report was assembled in part with direct reference to the 2020-2021 Edition of USPAP as published by the Appraisal Standards Board of The Appraisal Foundation, authorized by United States Congress as the Source of Appraisal Standards and Appraiser Qualifications.

This report is intended to satisfy the requirements of S.B. 841, enacted by Acts 1997, 75th Leg., ch. 1039, § 22, effective January 1, 1998; amended by Acts 1999, 76th Leg., ch. 1295 (S.B. 1641), § 1, effective January 1, 2000, when performing mass appraisals for ad valorem (property) tax purposes. This report is a work product of Pritchard & Abbott, Inc., Valuation Consultants (P&A), developed on behalf of, and for exclusive use by, P&A's valuation clients. Written permission must be obtained before reproduction of these contents or distribution to outside parties.

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

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

This “USPAP Report” provides general information about the rather comprehensive USPAP Scope of Work rule, as well as the specific steps P&A takes in the actual appraisal of various property types per our contractual obligations. This report, as well as the Biennial Reappraisal Plan that P&A provides our clients before the appraisal season, 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 report discusses all additional USPAP rules that interact with the Scope of Work Rule, such as the Ethics Rule, the Competency Rule, the Record Keeping Rule, and Jurisdictional Exception Rule, as well as USPAP Definitions. This report, and specifically the certification page at the end, is meant to accompany our appraisals and supporting documentation provided to clients per Property Tax Code, Sec. 25.01(c) at the completion of each tax year. An appraisal season thus begins with an appraisal plan (approved by the CAD's Board of Directors) and ends with appraisal reports. Providing these reports is definitely part of the plan. Likewise, much of the verbiage in this "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.

CHANGES FROM 2018-19 EDITION OF USPAP

The Appraisal Foundation, through its Appraisal Standards Board, constantly seeks to clarify and improve where possible the previously published edition of USPAP. Below is a summary of the changes applicable to the current edition as they apply to P&A's mass appraisal assignments and reports:

Revisions to the Standards regarding reporting options and Comments in Standards Rules

The Board adopted revisions to permit additional intended users besides the client for Restricted Appraisal Reports, as long as the other intended users are named in the report (i.e., not merely identified "by type"). The second adopted change for Restricted Appraisal Reports is a simplification of warning language that will no longer include a reference to the appraiser's workfile.

Revision of SCOPE OF WORK RULE

The Board adopted revisions to add language to the Disclosure Obligations section of the SCOPE OF WORK RULE to address the flexibility afforded the appraiser in the disclosure of scope of work.

Revisions to COMPETENCY RULE

The Board revised the "Perfection is impossible to attain..." Comment in Standards Rules 1-1, 3-1, 5-1, 7-1, and 9-1, and moved it into the COMPETENCY RULE. Moving the Comment into the COMPETENCY RULE reduces duplication and, at the same time, broadens the applicability since the COMPETENCY RULE applies to both development and reporting in all disciplines.

Revisions to DEFINITIONS

The Board adopted some modifications and additions to the DEFINITIONS in order to help readers better understand USPAP. The Board adopted changes to the definitions of APPRAISAL, APPRAISAL PRACTICE, APPRAISAL REVIEW, APPRAISER, ASSIGNMENT CONDITIONS, ASSIGNMENT RESULTS, CLIENT, COST, EXPOSURE TIME, MARKET VALUE, PERSONAL PROPERTY, REAL PROPERTY, VALUATION SERVICE, VALUE and WORKFILE. The Board also adopted new definitions for the terms ASSIGNMENT ELEMENTS, EFFECTIVE DATE, MISLEADING, PERSONAL INSPECTION, PHYSICAL CHARACTERISTICS, and RELEVANT CHARACTERISTICS, to help clarify how each term is used in USPAP.

Other Edits to Improve Clarity and Enforceability of USPAP

The Board adopted changes related to the phrases "accept an assignment" and "intangible items." The edits are intended to improve clarity and consistency.

Revisions to ADVISORY OPINION 1, Sales History

The Board adopted revisions to Advisory Opinion 1, Sales History, to provide additional detail and illustrations related to an appraiser's obligation to analyze the listing, contract, and sales history of the subject property.

Revisions to ADVISORY OPINION 2, Inspection of Subject Property

The Board adopted revisions to Advisory Opinion 2, Inspection of Subject Property, to provide guidance and illustrations reflecting changes in the marketplace related to an appraiser's inspection of a property.

Revisions to ADVISORY OPINION 28, Scope of Work Decision, Performance, and Disclosure

The Board adopted revisions to Advisory Opinion 28, Scope of Work Decisions, Performance, and Disclosure, including a new Illustration 2 regarding a scope of work problem related to tangible personal property, and adding an additional illustration regarding a scope of work problem related to real property.

Revisions to ADVISORY OPINION 31, Assignments Involving More than One Appraiser

The Board adopted revisions to Advisory Opinion 31, Assignments Involving More than One Appraiser, to help

clarify guidance related to significant appraisal assistance and Standards Rules 2-3, 4-3, 6-3, 8-3, and 10-3.

Revisions to ADVISORY OPINION 32, Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments

The Board adopted revisions to Advisory Opinion 32, Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments, that adds a new Illustration 5 on the topic of an appraiser's obligations regarding the quantity and quality of factual data collected in a mass appraisal assignment.

Revisions to ADVISORY OPINION 36, Identification and Disclosure of Client, Intended Use, and Intended Users

The Board adopted revisions to Advisory Opinion 36, Identification and Disclosure of Client, Intended Use, and Intended Users, to clarify an appraiser's requirement to make a proper disclosure of the client and any other intended users in an Appraisal Report or Restricted Appraisal Report, particularly in cases where the client has requested anonymity in the report.

Creation of ADVISORY OPINION 38, Content of an Appraisal Report and Restricted Appraisal Report

The Board adopted newly-created Advisory Opinion 38, Content of an Appraisal Report and Restricted Appraisal Report. The new Advisory Opinion compares the reporting requirements under the revised Appraisal Report and Restricted Appraisal Report options, and replaces the prior guidance offered in Advisory Opinions 11 and 12.

Retirement of ADVISORY OPINION 4, Standards Rule 1-5(b); ADVISORY OPINION 11, Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2; and ADVISORY OPINION 12, Use of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2

The Board adopted the retirement of Advisory Opinions 4, 11, and 12. Advisory Opinion 4 was narrowly-focused, and was more appropriately housed where it also currently exists in the USPAP Frequently Asked Questions. As stated above, Advisory Opinions 11 and 12 have been replaced with the newly-created Advisory Opinion 38, Content of an Appraisal Report and Restricted Appraisal Report.

Additional administrative edits will be made to other Advisory Opinions and FAQs for consistency with the adopted changes.

DEFINITIONS

For the purpose of *Uniform Standards of Professional Appraisal Practice*, the following definitions apply:

APPRAISAL: (noun) the act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Comment: An appraisal is numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value).

APPRAISAL PRACTICE: valuation services performed by an individual acting as an appraiser, including but not limited to appraisal or appraisal review.

Comment: Appraisal practice is provided only by appraisers, while valuation services are provided by a variety of professionals and others. The terms appraisal, appraisal review, and appraisal consulting are intentionally generic and are not mutually exclusive. For example, an opinion of value may be required as part of an appraisal review assignment.

APPRAISAL REVIEW: the act or process of developing and communicating an opinion about the quality of another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of these), that was performed as part of an appraisal or appraisal review assignment; (adjective) of or pertaining to an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.

APPRAISER: one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

APPRAISER'S PEERS: other appraisers who have expertise and competency in a similar type of assignment.

ASSIGNMENT: a valuation service that is provided by an appraiser as a consequence of an agreement with a client.

ASSIGNMENT CONDITIONS: Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work.

ASSIGNMENT ELEMENTS: Specific information needed to identify the appraisal or appraisal review problem: 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.

ASSIGNMENT RESULTS: An appraiser's opinions or conclusions, not limited to value, that were developed when performing an appraisal assignment, an appraisal review assignment, or a valuation service other than an appraisal or appraisal review.

Comment: Physical characteristics are not assignment results.

BIAS: a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment.

BUSINESS ENTERPRISE: an entity pursuing an economic activity.

BUSINESS EQUITY: the interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including but not limited to capital stock, partnership interests co-operatives, sole proprietorships, options, and warrants).

CLIENT: the party or parties (i.e., individual, group, or entity) who engage, an appraiser by employment or contract in a specific assignment whether directly or through an agent.

CONFIDENTIAL INFORMATION: information that is either: (a) identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or (b) classified as confidential or private by applicable law or regulation.*

*Notice: For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission issued two rules. The first rule (16 CFR 313) focused on the protection of “non-public personal information” provided by consumers to those involved in financial activities “found to be closely related to banking or usual in connection with the transaction of banking.” These activities include “appraising real or personal property.” The second rule (16 CFR 314) required appraisers to safeguard customer non-public personal information. Significant liability exists for appraisers should they fail to comply with these FTC rules.

COST: the actual or estimated amount required to create, reproduce, replace, or obtain a property.

CREDIBLE: worthy of belief.

Comment: Credible assignment results require support, by relevant evidence and logic, to the degree necessary for the intended use.

EFFECTIVE DATE: the date to which an appraiser’s analyses, opinions, and conclusions apply; also referred to as date of value.

EXPOSURE TIME: an opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

EXTRAORDINARY ASSUMPTION: an assignment-specific assumption as of the effective date that is used in an analysis despite indications that the assumption could be false, and which, if found to be false, could alter the appraiser’s opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

FEASIBILITY ANALYSIS: a study of the cost-benefit relationship of an economic endeavor.

HYPOTHETICAL CONDITION: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the appraisal results, but is used for the purpose of analysis.

Comment: Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends, or about the integrity of data used in an analysis.

INTANGIBLE PROPERTY (INTANGIBLE ASSETS): non-physical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts, as distinguished from physical assets such as facilities and equipment.

INTENDED USE: the anticipated use(s) of assignment results as identified by the appraiser based on communication with the client.

INTENDED USER: the client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser based on communication with the client.

Per Advisory Opinion 32: In ad valorem taxation assignments, the client is typically the government or taxing authority that engages the appraiser. As defined in USPAP, the client is an intended user. Through communication with the client, the appraiser may identify other intended users. A party [such as a taxpayer] 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.

JURISDICTIONAL EXCEPTION: an assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.

MARKET VALUE: a type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal.

Comment: Appraisers are cautioned to identify the exact definition of market value, and its authority, applicable in each appraisal completed for the purpose of market value.

MASS APPRAISAL: the process of valuing a universe of properties as of a given date utilizing standard methodology, employing common data, and allowing for statistical testing.

MASS APPRAISAL MODEL: a mathematical expression, tool, or formula that describes how supply and demand factors interact in a market.

MISLEADING: Intentionally or unintentionally misrepresenting, misstating, or concealing relevant facts or conclusions.

PERSONAL INSPECTION: a physical observation performed to assist in identifying relevant property characteristics in a valuation service.

Comment: An appraiser's inspection is typically limited to those things readily observable without the use of special testing or equipment. Appraisals of some types of property, such as gems and jewelry, may require the use of specialized equipment. An inspection by an appraiser is not the equivalent of an inspection by an inspection professional (e.g., a structural engineer, home inspector, or art conservator).

PERSONAL PROPERTY: Any tangible or intangible article that is subject to ownership and not classified as real property, including identifiable tangible objects that are considered by the general public as being "personal," such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; and intangible

property that is created and stored electronically such as plans for installation art, choreography, emails, or designs for digital tokens.

PHYSICAL CHARACTERISTICS: attributes of a property that are observable or measurable as a matter of fact, as distinguished from opinions and conclusions, which are the result of some level of analysis or judgment.

PRICE: the amount asked, offered, or paid for a property.

Comment: Once stated, price is a fact, whether it is publicly disclosed or retained in private. Because of the financial capabilities, motivations, or special interests of a given buyer or seller, the price paid for a property may or may not have any relation to the value that might be ascribed to that property by others.

REAL ESTATE: an identified parcel or tract of land, including improvements, if any.

REAL PROPERTY: the interests, benefits, and rights inherent in the ownership of real estate.

RELEVANT CHARACTERISTICS: features that may affect a property's value or marketability such as legal, economic, or physical characteristics.

REPORT: any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client or a party authorized by the client upon completion of an assignment.

SCOPE OF WORK: the type and extent of research and analysis in an appraisal or appraisal review assignment.

SIGNATURE: personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses, and the conclusions in the report.

VALUATION SERVICE: a service pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others.

VALUE: the monetary relationship between properties and those who buy, sell, or use those properties.

Comment: Value expresses an economic concept. As such, it is never a fact but always an opinion of the worth of a property at a given time in accordance with a specific definition of value. In appraisal practice, value must always be qualified - for example, market value, liquidation value, or investment value.

WORKFILE: documentation necessary to support an appraiser's analysis, opinions, and conclusions.

PREAMBLE

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

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

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

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

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

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

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

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

see the P&A Policy Statement on USPAP as provided elsewhere in this report for a more detailed discussion regarding this matter.

ETHICS RULE

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

- Conduct;
- Management;
- Confidentiality.

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

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

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

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

CONDUCT

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

An appraiser:

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

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

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

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

COMPETENCY RULE

An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary competency to perform the assignment; or (3) decline or withdraw from the assignment. In all cases, the appraiser must perform competently when completing the assignment.

BEING COMPETENT

The appraiser must determine, prior to agreeing to perform an assignment, that he or she can perform the assignment competently. Competency requires:

- the ability to properly identify the problem to be addressed;
- the knowledge and experience to complete the assignment competently; and
- the recognition and compliance with all laws and regulations that apply to the appraiser or the assignment.

Competency applies to factors such as, but not limited to, an appraiser's familiarity with a specific type of property, a market, a geographic area, or an analytical method. The background and experience of appraisers varies widely, and a lack of knowledge or experience can lead to inaccurate or inappropriate appraisal practice. ***The Competency Rule requires an appraiser to have both the knowledge and the experience required to perform a specific appraisal service competently.*** If an appraiser has been deemed to not have the required competency, the following steps must be taken in acquiring competency in order for that appraiser to perform the assignment under USPAP requirements.

For assignments with retrospective opinions and conclusions (which are allowed under certain prescribed circumstances in property tax work), the appraiser must meet the requirements of this Competency Rule at the time the assignment is performed, rather than the effective date of the appraisal.

ACQUIRING COMPETENCY

If an appraiser determines he or she is not competent prior to accepting an assignment, the appraiser must:

- disclose the lack of knowledge and/or experience to the client before accepting the assignment;
- take all steps necessary or appropriate to complete the assignment competently; and
- describe, in the report, the lack of knowledge and/or experience and the steps taken to complete the assignment competently.

Competency can be acquired in various ways, including, but not limited to, personal study by the appraiser, association with an appraiser reasonably believed to have the necessary knowledge and/or experience, or retention of others who possess the necessary knowledge and/or experience.

In an assignment where geographic competency is required (certainly useful if not outright necessary in property tax appraisal assignments), an appraiser who is not familiar with the relevant market characteristics must acquire an understanding necessary to produce credible assignment results for the specific property type and market involved. Pritchard & Abbott, Inc., takes great pride in assigning and retaining appraisers who gain and then employ local knowledge and geographic competency in their appraisal assignments.

When an appraiser determines in the course of the assignment that he or she lacks the required knowledge and/or experience to complete the assignment competently, the appraiser must:

- notify the client;
- take all steps necessary or appropriate under the circumstances to complete the assignment competently;
and
- describe, in the report, the lack of knowledge and/or experience and the steps taken to complete the assignment competently.

LACK OF COMPETENCY

If the appraiser cannot complete the assignment competently, the appraiser must decline or withdraw from the assignment.

SCOPE OF WORK RULE

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

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

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

Scope of work includes, but is not limited to:

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

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

PROBLEM IDENTIFICATION

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

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

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

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

SCOPE OF WORK ACCEPTABILITY

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

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

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

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

DISCLOSURE OBLIGATIONS

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

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

JURISDICTIONAL EXCEPTION RULE

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

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

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

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

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

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

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

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

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

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

A mass appraisal includes:

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

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

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

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

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

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

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

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

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

Note: This section, in conjunction with any attached or separately provided P&A-generated appraisal reports specific to the subject property or properties, constitutes the “mass appraisal written report” as required by USPAP Standards 6-1 and 6-2. For mass appraisal, a written report is not provided for each individual property. An individual property record or worksheet may describe the valuation of a specific property after the application of the mass appraisal model. USPAP Standards 6-3 (certification) can be found at the end of this report. USPAP Standards 5-1 through 5-7 (instructions and explanations regarding the development, application, and reconciliation of mass appraisal values), as they apply to P&A mass appraisal procedures, are discussed below. USPAP DOES NOT DICTATE THE FORM, FORMAT, OR STYLE OF APPRAISAL REPORTS, WHICH ARE FUNCTIONS OF THE NEEDS OF USERS AND PROVIDERS OF APPRAISAL SERVICES. USPAP ALSO DOES NOT MANDATE THAT EACH APPRAISAL REPORT BE LENGTHY AND FULL OF DISCLAIMERS. Readers should note that all P&A reports, unless stated otherwise, are of a “restricted” nature whereas additional documentation and detail may be available per certain Texas Property Tax Code provisions.

INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

“MINERAL PROPERTIES” IN THIS REPORT OR IN ANY OTHER SETTING, IT IS THE MINERAL INTEREST, AND NOT THE MINERAL ITSELF, THAT IS THE SUBJECT OF THE REFERENCE.

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

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

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

VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

Approaches to Value for Petroleum Property

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

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

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

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

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

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

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

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

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

DATA COLLECTION/VALIDATION

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

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

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

VALUATION ANALYSIS (MODEL CALIBRATION)

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

INDIVIDUAL VALUE REVIEW PROCEDURES

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

PERFORMANCE TESTS

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

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

Note: This section, in conjunction with any attached or separately provided P&A-generated appraisal reports specific to the subject property or properties, constitutes the "mass appraisal written report" as required by USPAP Standards 6-1 and 6-2. For mass appraisal, a written report is not provided for each individual property. An individual property record or worksheet may describe the valuation of a specific property after the application of the mass appraisal model. USPAP Standard 6-3 (certification) can be found at the end of this report. USPAP Standards 5-1 through 5-7 (instructions and explanations regarding the development, application, and reconciliation of mass appraisal values), as they apply to P&A mass appraisal procedures, are discussed below. USPAP DOES NOT DICTATE THE FORM, FORMAT, OR STYLE OF APPRAISAL REPORTS, WHICH ARE FUNCTIONS OF THE NEEDS OF USERS AND PROVIDERS OF APPRAISAL SERVICES. USPAP ALSO DOES NOT MANDATE THAT EACH APPRAISAL REPORT BE LENGTHY AND FULL OF DISCLAIMERS. Readers should note that all P&A reports, unless stated otherwise, are of a "restricted" nature whereas additional documentation and detail may be available per certain Texas Property Tax Code provisions.

INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

requirements are specified by the Texas Property Tax Code and/or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

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

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

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

VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

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

Approaches to Value for Industrial, Utility, and Personal Property

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

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

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

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

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

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

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

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

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

DATA COLLECTION/VALIDATION

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

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

VALUATION ANALYSIS (MODEL CALIBRATION)

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

INDIVIDUAL VALUE REVIEW PROCEDURES

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

PERFORMANCE TESTS

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

USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF RESIDENTIAL REAL ESTATE

Note: This section, in conjunction with any attached or separately provided P&A-generated appraisal reports specific to the subject property or properties, constitutes the "mass appraisal written report" as required by USPAP Standards 6-1 and 6-2. For mass appraisal, a written report is not provided for each individual property. An individual property record or worksheet may describe the valuation of a specific property after the application of the mass appraisal model. USPAP Standard 6-3 (certification) can be found at the end of this report. USPAP Standards 5-1 through 5-7 (instructions and explanations regarding the development, application, and reconciliation of mass appraisal values), as they apply to P&A mass appraisal procedures, are discussed below. USPAP DOES NOT DICTATE THE FORM, FORMAT, OR STYLE OF APPRAISAL REPORTS, WHICH ARE FUNCTIONS OF THE NEEDS OF USERS AND PROVIDERS OF APPRAISAL SERVICES. USPAP ALSO DOES NOT MANDATE THAT EACH APPRAISAL REPORT BE LENGTHY AND FULL OF DISCLAIMERS. Readers should note that all P&A reports, unless stated otherwise, are of a "restricted" nature whereas additional documentation and detail may be available per certain Texas Property Tax Code provisions.

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Residential Division of Pritchard & Abbott, Inc. ("P&A" hereinafter), is responsible for developing fair and uniform market values for real estate parcels within certain Appraisal Districts. P&A contractually provides a wide degree of professional services depending upon each contract requirement.

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 real estate 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 residential real estate. 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 an extension of 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. 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 the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). P&A submits annual or biannual contract proposals to the Office of the Chief Appraiser and is bound to produce mass appraisal estimates on real estate properties within the cost constraints of said proposals. 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 or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

Personnel: The Real Estate staff consists of licensed Registered Professional Appraisers through the Texas Department of Licensing and Regulation (TDLR), and are qualified to provide the complete range of professional appraisal services required.

Data: Common data characteristics (within each county) for each property are collected in the field and entered into each respective district's computer data base. This property data drives the computer-assisted mass appraisal (CAMA) approach to valuation.

Information Systems: The mainframe systems are augmented by the 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. The appraiser supervising any given contract fields many of the public's questions or redirects them to the proper division.

VALUATION APPROACH (MODEL SPECIFICATION)

Area Analysis: Data involving economic forces such as demographic, patterns, employment and income patterns, trends in real estate property prices and rents, interest rates, availability of property, economic and climatic factors that may affect production of rural lands, are collected from various sources. Any information particular to a given region or appraisal district helps the appraisal staff determine market conditions or trends that may affect market value.

Neighborhood and Market Analysis: Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effect of these forces are also used to identify, classify, and organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. A neighborhood is defined by natural, man-made, or political boundaries and is established by a commonality based on land users, types and age of buildings or population, the desire for homogeneity, or similar factors.

Each neighborhood may be characterized as being in a stage of growth, stability, or decline. The growth period is a time of development and construction. In the period of stability, or equilibrium, the forces of supply and demand are about equal. The period of decline reflects diminishing demand or desirability. During decline general property use may change. Declining neighborhoods may become economically desirable again and experience renewal, reorganization, rebuilding, or restoration, marked by modernization and increasing demand. The appraisal staff must analyze whether a particular neighborhood is in a period of growth, stability, or decline and predict changes that will affect future use and value. In mass appraisal applications the information can be useful for comparing or combining neighborhoods or for developing neighborhood ratings, which are introduced as adjustments in mass appraisal models.

Site descriptions and analysis provide a description of the subject property and an analysis of factors that affect the market value of the site. Site analysis also provides a basis for allocating values to land and improvements, for analyzing comparable sales to determine the highest and best use of the site, and for estimating locational obsolescence. A description of the subject building and other improvements provides a basis for analysis of comparable sales and rents; for the development of capitalization rates or multipliers; for highest and best use analysis of the site as improved; and for estimation of reproduction or replacement cost new and physical and functional depreciation. The analysis should show how the factors relate to the utility and marketability of the subject property, and, ultimately, its market value. The improvement analysis and the neighborhood analysis

focus on similar considerations; for example, whether the improvements represent highest and best use and conform to the neighborhood.

The improvement analysis describes relationships among items and compares them to those in competing properties and to neighborhood standards. Items that will be treated as functional obsolescence in the cost approach need through analysis. The condition of building components is particularly important because it provides the basis for estimates of effective age and remaining economic life.

Currently P&A provides most of its real estate appraisal services in primarily rural areas. The ability to perform detailed neighborhood and market analysis is somewhat limited in these areas where the necessary data is sometimes nonexistent.

Highest and Best Use Analysis: Highest and best use analysis is the culmination of regional, neighborhood, and site analysis. All three are used to help the appraisal staff understand the factors affecting property values in the market being analyzed and the most probable use of the site in long-run economic equilibrium. Highest and best use is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to the maximum, that is, highest and best use. The analysis should be done as of the date of appraisal. Just as real estate values change, the highest and best use of a property may change over time.

DATA COLLECTION/VALIDATION

Data Collection Manuals: Appraisal manuals are developed and distributed to all appraisers involved in the appraisal and valuation of real estate properties. The appraisal manual is reviewed and revised to meet the changing requirements of field data collection.

Sources of Data: Each District's appraisal manual and schedules are adopted and maintained by the P&A appraisal staff. Data used to perform appraisals are generally collected with a joint effort among appraisers and Appraisal District staff. Physical inspections are performed by the appraisers for various situations whether it be a normal reappraisal, a reinspection requested by the District, working building permits, etc.

Data Collection Procedures: Field data collection is coordinated and organized by the field appraisers to insure uniformity in appraisal technique. The staff conducts field inspections and record information on a particular property field worksheet. This data is entered into the respective computer database and serves as the basis for the valuation.

VALUATION ANALYSIS

Cost Schedules: P&A generally adopts existing cost schedules within each Appraisal District in which we provide appraisal services. These schedules are maintained and adjusted as needed to reflect the current market value conditions that are present in each respective district.

Sales Information: Sales are generally collected by the Appraisal District staff and provided to P&A appraisal personnel for sales ratio analysis.

Statistical Analysis: Appraisers perform statistical analysis annually to evaluate whether values are equitable and consistent with market conditions. Appraisal statistics, central tendency and dispersion generated from sales are available for each class of property. These summary statistics include mean and median ratios, standard deviation,

and coefficient of dispersion. They provide the analysis information to determine both the level and uniformity of the appraised values involved in the study.

Market Adjustment: Depending upon the data provided by the sales ratio analysis, market value tables may be adjusted accordingly to reflect accurate market values within a particular class of property.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review: P&A provides field inspections depending upon the contractual arrangement with the appraisal district. In most cases field inspections are done within the outline of the respective Appraisal District's Reappraisal Plan.

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 real estate 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 the Comptroller considers appropriate.

USPAP STANDARD 6-3: CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified below) present or prospective interest in the property that is the subject of this report, and I have no (or the specified below) personal interest with respect to the parties involved.
- I have performed no (or the specified below) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to any property that is the subject of this report or the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have (or have not, if specified below) made a personal inspection of the properties that are the subject of this report. *(Any other signatories to this report have either made or not made a personal inspection of the properties as noted below.)*
- No one provided significant mass appraisal assistance to the person signing this certification. *(The name of each individual providing significant mass appraisal assistance, if any, is stated below.)*

		Inspected Property?	Provided Significant Appraisal Assistance?
_____ <i>Appraiser (a)</i>	_____ <i>Date</i>	_____ <i>Yes / No</i>	_____ <i>Yes / No</i>
_____ <i>Appraiser (b)</i>	_____ <i>Date</i>	_____ <i>Yes / No</i>	_____ <i>Yes / No</i>
_____ <i>Supervising Appraiser / Dept. Manager</i>	_____ <i>Date</i>	_____ <i>Yes / No</i>	_____ <i>Yes / No</i>
_____ <i>District Manager</i>	_____ <i>Date</i>	_____ <i>Yes / No</i>	_____ <i>Yes / No</i>

List of other individuals who provided significant mass appraisal assistance and/or personal inspection statement of any signatories:

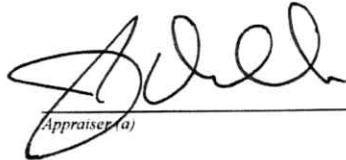
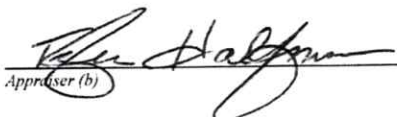


A signed certification is an integral component of the appraisal report.

- When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work. The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent and that the work of those individuals is credible.
- An appraiser who signs any part of the mass appraisal report, including a letter of transmittal, must also sign this certification. This certification applies to all assignment results and well as all contents of the appraisal report(s).
- The names of individuals providing significant mass appraisal assistance who do not sign a certification must be stated in the certification. It is not required that the description of this assistance be contained in the certification, but disclosure of their assistance is required in accordance with Standards 6-2(g).
- The above certification is not intended to disturb an elected or appointed assessor's work plans or oaths of office.

USPAP STANDARD 6-3: CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified below) present or prospective interest in the property that is the subject of this report, and I have no (or the specified below) personal interest with respect to the parties involved.
- I have performed no (or the specified below) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to any property that is the subject of this report or the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have (or have not, if specified below) made a personal inspection of the properties that are the subject of this report. (Any other signatories to this report have either made or not made a personal inspection of the properties as noted below.)
- No one provided significant mass appraisal assistance to the person signing this certification. (The name of each individual providing significant mass appraisal assistance, if any, is stated below.)

	Inspected Property?	Provided Significant Appraisal Assistance?
 Appraiser (a)	7/22/22	Date
	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
 Appraiser (b)	7/22/22	Date
	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
 Supervising Appraiser Dept. Manager	7/22/22	Date
	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
 District Manager	7/22/22	Date
	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

List of other individuals who provided significant mass appraisal assistance and/or personal inspection statement of any signatories:

Boyd

USPAP STANDARD 6-3: CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified below) present or prospective interest in the property that is the subject of this report, and I have no (or the specified below) personal interest with respect to the parties involved.
- I have performed no (or the specified below) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to any property that is the subject of this report or the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have (or have not, if specified below) made a personal inspection of the properties that are the subject of this report. *(Any other signatories to this report have either made or not made a personal inspection of the properties as noted below.)*
- No one provided significant mass appraisal assistance to the person signing this certification. *(The name of each individual providing significant mass appraisal assistance, if any, is stated below.)*

	Inspected Property?	Provided Significant Appraisal Assistance?
<p><i>Judith D. Harris</i> Appraiser (a) _____ Date <u>7-21-22</u></p>	<p><u>No</u> Yes / No</p>	<p>_____ Yes / No</p>
<p><i>[Signature]</i> Appraiser (b) _____ Date <u>7/22/22</u></p>	<p><u>/</u> Yes / No</p>	<p><u>/</u> Yes / No</p>
<p>_____ Supervising Appraiser / Dept. Manager Date _____</p>	<p>_____ Yes / No</p>	<p>_____ Yes / No</p>
<p>_____ District Manager Date _____</p>	<p>_____ Yes / No</p>	<p>_____ Yes / No</p>

List of other individuals who provided significant mass appraisal assistance and/or personal inspection statement of any signatories:

Borden County Appraisal District

2022 Mass Appraisal Report

Introduction

The Borden County Appraisal District has prepared and published this report to provide our citizens and taxpayers with a better understanding of the district's responsibilities and activities. This mass appraisal report was written in compliance with Standards Rule 5 and 6 of the Uniform Standards of Professional Appraisal Practice (USPAP), effective January 1, 2022, as promulgated by the Appraisal Standards Board of The Appraisal Foundation. Standard 6 addresses a written summary report of a mass appraisal for ad valorem taxation. Mass appraisal is the process of valuing a group of properties, as of a given date, using standard methods and employing common data, which allows for statistical testing. The intended use of the appraised values is to establish a tax base upon which a property tax will be levied. Each taxing unit within Borden CAD boundaries will use the appraisal values for ad valorem tax purposes only.

The Borden CAD is a political subdivision of the State of Texas created effective January 1, 1980. The provisions of the Texas Property Tax Code govern the legal, statutory and administrative requirements of the appraisal district. A twelve-member board of directors, appointed by the taxing units within the boundaries of Borden County, constitutes the district's governing body. Borden ISD and Borden County by resolution have agreed to have the Borden County and Borden County ISD appoint all board of director members. The chief appraiser, appointed by the board of directors, is the chief administrator and chief executive officer of the appraisal district.

The appraisal district is responsible for local property tax appraisal and exemption administration for two jurisdictions or taxing units in the county, Borden County and Borden ISD. Appraisals established by the appraisal district allocate the year's tax burden based on each taxable property's January 1 market value. The appraisal district also determines eligibility for various types of property tax exemptions, including exemptions for homeowners, the elderly, disabled veterans, and charitable and religious organizations.

The 2022 mass appraisal was prepared under the provisions of the Texas Property Tax Code. Taxing jurisdictions that participate in the district must use the appraisals as the basis for imposition of property taxes. The State of Texas allocates state funds to school districts based upon the district's appraisals, as tested and modified by the state comptroller of public accounts.

The 2022 mass appraisal, results in an estimate of the market value of each taxable property within the district's boundaries. Where required by law, the district also estimates value on basis other than market value. These are described where applicable later in this report.

All documentation is not contained in this report. Other documentation may be in the form of property records, sales ratios and other statistical studies, appraisal manuals and documentation, market studies, model building documentation, regulations, statues and other acceptable forms.

Mission Summary

The mission of the Borden County Appraisal District is to appraise all the property in Borden County at a market value equally and uniformly. The Borden CAD shall communicate that value to each taxpayer and taxing jurisdiction.

General Assumptions

This appraisal report has been made with the following general assumptions:

- No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- The property is appraised free and clears of any or all liens or encumbrances unless otherwise stated.
- Responsible ownership and competent property management are assumed.
- The information furnished by others is believed to be reliable, but no warranty is given for its

accuracy.

- All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
- It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
- It is assumed that the property conforms to all applicable zoning and use regulation and restrictions unless a non-conformity has been identified, described and considered in the appraisal.
- It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contain in this report is based.
- It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- Unless otherwise stated in this report, the appraiser did not observe the existence of hazardous materials, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser however is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this filed, if desired.

General Limiting Conditions

This appraisal report has been made with the following general limiting conditions:

- Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- Possession of this report, or a copy thereof, does not carry with it the right of publication.
- The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
- Neither all nor any part of the contents of this report (especially and conclusions as to value, the identity of the appraiser, or the Young County Appraisal District) shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent and approval of the appraiser.
- No legal descriptions or surveys were furnished, so the appraiser used the records and maps of Young County Appraisal District to ascertain the physical dimensions and acreage of the properties. Should a survey prove this information to be inaccurate, it may be necessary for this appraisal to be adjusted.
- The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

Borden County has only one unincorporated town in the county. The county has not experienced much growth for many years. The population of the county in the 2020 Census was 631. There is potable water but no public sewer system. There are two small café/stores, but no grocery or department store. Arm's length sales in the county are very limited; the few residential sales have been estate sales or sales to family members or close friends. No commercial sales have occurred in the county in many years.

Effective Date of Appraisal and Date of the Report

All appraisals are as of **January 1, 2022**. The date of this report is **DATE**

Market Value

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

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

The Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec 23.23), productivity (Sec 23.41), agricultural and timber property (Chapter 23, Subchapters C, D and E), real and personal property inventory (Sec 23.12), certain types of dealer inventory (Sec 23.121, 23.124, 23.1241 and 23.127), oil and gas interests (Sec 23.175) and nominal (Sec 23.18) or restricted use properties (Sec 23.83). The effective date of appraisals is January 1 with the exception of inventory, which may be appraised at its market value as of September 1. To receive the September 1 appraisal date, a taxpayer must file an application by July 31.

Properties Appraised

This mass appraisal appraised all taxable real and personal property known to the district as of the date of this report. The description and identification of each property appraised is included in the appraisal records submitted to the Borden County Appraisal Review Board (ARB) on **May 12, 2022**. If any taxable property is discovered to have been left off the roll they will be appraised and supplemented to the jurisdictions after certification.

Data

The Tax Code, under Sec. 25.18, requires each appraisal district to implement a plan to update appraised values for real property at least once every three years. The district's current policy is to conduct a general reappraisal of all property once every three years. The county is broken into three sections for reappraisal. The North Half, the South Half and the Town.

The district contracts with Pritchard and Abbott Inc. to perform appraisals of all properties located within the county. The contracted firm is required to follow the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures and subscribe to the standards promulgated by The Appraisal Foundation, known as USPAP, to the extent they were applicable. The Written Appraisal Report of Pritchard and Abbott is attached to this report.

The district has a geographic information system (GIS) that is maintained by BIS Consultants. The district's website makes a broad range of information available for public access, including detailed information on the appraisal process, property characteristics data, certified values, protest and appeals procedures, property maps and a tax calendar. Downloadable files related to tax information and district forms, including exemption applications and business personal property renditions are also available.

The Borden CAD has a networked property tax software program provided by Paragon, which is hosted by Pritchard & Abbott, which stores the district's data. Data may be queried and manipulated by signing into the program via internet access.

The chief appraiser, who is the chief executive officer of the appraisal district, manages the district. The chief appraiser is responsible for the oversight of all operations of the appraisal district including the overall

planning, organizing, staffing, coordinating and controlling of district operations. In addition, the chief appraiser directs and controls the business support functions related to human resources, budget, finance, records management, purchasing, facilities and postal services. The staff appraiser is responsible for assisting the contract appraiser with field appraisals, property records maintenance and taxpayer assistance.

Administrative Support is responsible for various administrative duties, taxpayer assistance and ARB support. Pritchard and Abbott, Inc., under the supervision of the chief appraiser, reappraised all real and personal property. The property types appraised included mineral, industrial, utilities and related personal properties, land, agricultural, farm and ranch improvements, commercial, residential and business personal property. The district's appraisers and any contract appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the TDLR (Texas Department of Licensing and Regulation).

The appraisal district staff consists of 2 employees with the following classifications:

- 1- Official/Administrator
- 1- Administrative Support

This mass appraisal appraised all taxable real and income producing tangible personal property within the boundaries of the Borden CAD, which encompasses all of Borden County, Texas, covering approximately 664 square miles.

As of June 30, 2022, the appraisal roll for Borden CAD indicates a total of 25,271 parcels. The breakdown by category is as follows:

Category A	Residential	191
Category C	Vacant Lots	526
Category D	Rural Farms	2276
Category E	Rural Improvements & Non- Qualified Ag Land	254
Category F	Commercial/Industrial	45
Category G	Minerals	18433
Category J	Industrial/Utilities	345
Category L	Personal Property	152
Category M	Mobile Homes	4
Category X	Exempt	3045

Overview of Types of Properties Appraised

There are four major categories of property appraised by the Borden County Appraisal District.

These categories are:

- Real:
 - Residential (Single)
 - Commercial/Industrial
 - Vacant Lots
 - Vacant Rural Land
 - Rural Land and Improvements
- Personal:
 - Income producing Business Personal Property
 - Industrial Business Personal Property
- Minerals:
 - Oil, Gas and Minerals
- Utilities:
 - Water System Companies
 - Electric Companies
 - Telephone Companies
 - Pipelines

The Property Tax Assistance Division of the State Comptroller's Office requires properties to be identified by type using an identification code. The codes currently used by the Borden CAD are as follows:

A1	Residential Single Family
A2	Residential Mobile Home
A2R	Residential Double Wide Home
C1	Real Vacant Platted Lot
D1	Qualified Ag Land
D2	Farm/Ranch Improvements on Qualified Ag Land
E1	Farm/Ranch Improvements
E2	Farm/Ranch Improvements – Mobile Home
E3	Non-Qualified Ag Land
F1	Commercial Real
F2	Industrial Real
G1	Oil, Gas & Minerals
J1	Water System Company
J3	Electric Company
J4	Telephone Company
J6	Pipelines
J8	Other Type of Utility
L1	Commercial Business Personal Property
L2	Industrial Business Personal Property
M1	Personal Property Mobile Home
X	Total Exempt Properties

Highest and Best Use Analysis

The highest and best use of real estate is defined as the most reasonable and probable use of land that will generate the highest return to the property over a period of time. This use must be legal, physically possible, economically feasible and the most profitable of the potential uses. The appraiser's identification of property's highest and best use is always a statement of opinion, never a statement of fact.

In order to complete the highest and best use analysis of a property, the appraiser must estimate the highest and best use as if it were vacant. This estimate ignores the value of and the restrictions created by existing improvements. It is the highest value the land could have if it were available for any legal, physically possible and economically feasible kind of development.

The district's market value appraisals are performed pursuant to Article VIII, Sec. 1., Texas Constitution, which provides that property must be taxed in proportion to its value as determined by law, Sec. 23.01, Tax Code implements this provision as follows:

- (a) Except as otherwise provided by this chapter, all taxable property is appraised at its market value as of January 1.
- (b) 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, and all available evidence that is specific to the value of the property shall be considered in determining the property's market value.
- (c) Notwithstanding Section 1.04(7)(c), in determining the market value of a residence homestead, the chief appraiser may not exclude from consideration the value of other residential property that is in the same neighborhood as the residence homestead being appraised and would otherwise be considered in appraising the residence homestead because the other residential property

- was sold at the foreclosure sale conducted in any of the three years preceding the tax year in which the residence homestead is being appraised and was comparable at the time of sale based on relevant characteristics with other residence homesteads in the same neighborhood, or
 - has a market value that has declined because of a declining economy.
- (d) The market value of a residence homestead shall be determined solely on the basis of the property's value as a residential homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property.
- (e) Notwithstanding any provision of this subchapter to the contrary, if the appraised value of the property in a tax year is lowered under Subtitle F, the appraised value of the property as finally determined under that subtitle is considered to be the appraised value of the property for that tax year. In the next tax year in which the property is appraised, the chief appraiser may not increase the appraised value of the property unless the increase by the chief appraiser is reasonably supported by clear and convincing evidence when all of the reliable and probative evidence in the record is considered as a whole. If the appraised value is finally determined in a protest under Section 41.41 (a)(2) or an appeal under Section 42.26, the chief appraiser may satisfy the requirement to reasonably support by clear and convincing evidence an increase in the appraised value of the property in the next year in which the property is appraised, by presenting evidence showing that the inequality in the appraisal of the property has been corrected with regard to the properties that were considered in determining the value of the subject property. The burden of proof is on the chief appraiser to support an increase in the appraised value of the property under the circumstances described by this subsection.
- (f) The selection of comparable properties and the application of appropriate adjustments for the determination of an appraised value of property by any person under Section 41.43(b)(3) or 42.26 (a)(3) must be based on the application of generally accepted appraisal methods and techniques. Adjustments must be based on recognized methods and techniques that are necessary to produce a credible opinion.
- (g) Notwithstanding any other provision of this section, property owners representing themselves are entitled to offer an opinion of and present argument and evidence related to the market and appraised value or the inequality of appraisal of the owner's property.
- (h) Appraisal methods and techniques included in the most recent versions of the following are considered generally accepted appraisal methods and techniques for the purpose of this title
- the Appraisal of Real Estate published by the Appraisal Institute
 - the Dictionary of Real Estate Appraisal published by the Appraisal Institute
 - the Uniform Standards of Professional Appraisal Practice published by the Appraisal Institute
 - a publication that includes information related to mass appraisal.

Previous to the addition of 23.01(d) concerning residential homesteads there was no specific statute defining highest and best use as it applies in appraisals conducted under the Tax Code, Texas courts have acknowledged that highest and best use is a factor that must be considered in determining market value. King v. Real 466 S.W.2d 1 TEX.Civ.App. 1971, Exxon Pipeline Co. v. Zwahr 2002 WL 1027003 Tex., 2002.

Single-family Residence

Single-Family Residence consist of all land and real improvements which by the nature of their design and/or construction are suitable for single-family use only. This includes manufactured homes, which are classified as real property when the owner of the land is also the owner of the manufactured home and personal property when the owner of manufactured home does not own the land.

Two basic types of data are collected. Data which is specific to each property and data which is inductive of a particular class of property that has been predefined by Borden CAD.

Property-specific data is collected as part of the inspection process and through submission by the property owner. As part of the inspection process, the improvements are measured and classified. The appraiser also

estimates the effective age (condition) of the improvements. Any additional or unusual features are also noted at the time of the inspection.

Data on individual properties is maintained on the appraisal card(s) for that property. Data on individual properties is verified through previously existing records, published reports, analysis of comparable properties and through submission by the property owner. Appraisal data is available for review at the appraisal district office.

Data pertaining to a class of properties is grouped together according to the differing quality levels, and then used to develop valuation models for each property class. Such data is collected in a variety of ways. Cost information is obtained from nationally recognized resources and from data submitted by owners. All local information is used to verify, supplement or modify costs from these published sources.

In reappraising a residence homestead for a tax year, if the market value is determined to be in excess of ten percent of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, the value for that tax year may not exceed an increase of ten percent per year. This is according to Section 23.23 of the Texas Property Tax Code. This does not apply to new improvements on the property. This "capped" procedure is written into the software and used by the appraisal district and is automatically applied to the parcel if the limitations apply.

Business Personal Property

Business personal property is the tangible personal property owned by a business or by an individual for the purpose of producing income. Other tangible personal property is exempt according to Section 11.14(a) of the Texas Property Tax Code.

The mineral, industrial, and utilities related personal property is appraised annually by Pritchard and Abbott. The contracted personal property appraiser is responsible for developing fair and uniform market values for business personal property located within the district. The district reappraises all business personal property annually. The district mails renditions to all known business personal property accounts and the field appraiser goes out into the field to look at the businesses. Value estimates for vehicles are based on NADA published book values and property owner renditions.

Cost Schedule

The latest State Comptroller's personal property schedule, as adjusted, is referenced when analyzing data from property owner renditions and field reviews. Schedule is attached to this report.

Valuation Approach and Analysis

Personal property, as defined by USPAP is "identifiable, portable and tangible objects which are considered by the general public to be 'personal', e.g. furnishings, artwork, antiques, gems and jewelry, collectables, machinery and equipment: all property that is not classified as real estate." The Texas Property Tax Code Section 1.04(5) defines tangible property as "...personal property that can be seen, weighed, measured, felt or otherwise perceived by the senses but does not include a document or other perceptible object that constitutes evidence of a valuable interest, claim or right and has negligible or no intrinsic value." The Property Tax Code Section 1.04(4) defines personal property as "... property that is not real property."

The purpose of the appraisal of business personal property is to estimate market value on January 1 of each year as previously defined in the introduction. A separate definition of market value for inventory is found in the Texas Property Tax Code Section 2.3012(a) "...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 Texas Property Tax Code set forth three ways in which inventory may be values, if the requirements are met:

- Section 23.12(f) allows some inventories to qualify for appraisal as of September 1 of the year before January 1 of the taxable year.
- Section 23.121, 23.127, 23.1241 and 23.12D dictate that dealers in new and used vehicles, vessels, outboard motors and trailers, manufactured housing and heavy equipment are valued differently. Jurisdictional exception to Standard Rule 6-3(b)(c).
- Section 23.12(a) covers the inventories of remaining businesses.

Borden CAD's primary approach to the valuation of business personal property is the cost approach. The RCN (replacement cost new) is developed from property owner reported historical cost or from state developed valuation models. Borden CAD uses the depreciation schedule provided by the State Comptroller's Office.

The appraiser inspects each property on an annual basis and lists all taxable property. Market value is estimated from the current rendition submitted by owner. Value of each property is compared to the most recent personal property manual furnished by the comptroller's office or an outside vendor's valuation cost guide. The property owners rendered estimate of market value may be used if the appraiser agrees with the value estimate. Values are adjusted if the appraiser feels an adjustment is warranted.

Field testing of appraisals is performed through the inspection of subject properties. Sales for most types of personal property are infrequent. Furthermore, many market transactions occur for multiple sites and include real and personal property, tangible and intangible, thereby making analysis difficult, subjective and inadequate to develop a statistical analysis. Performance is measured through comparison of like businesses.

Commercial Property

Commercial property consists of all land and improvements in Borden County that are classed "commercial" according to that property's highest and best use.

Property specific data is collected as part of the inspection process and through submission by the property owner. As part of the inspection process, the improvements are measured and classified. Properties are classified according to construction type and quality. The appraiser also estimates the effective age and condition of the improvements. Any additional or unusual features are also noted at the time of the inspection. Data on individual properties is maintained on the appraisal card(s) for that property. The data includes legal description, situs, owner address, parcel number and property-specific information such as class, quality, measurements, conditions, condition, etc. Data on individual properties is verified through previously existing records, published articles and reports, analysis of comparable properties and through information from the property owner.

Valuation Approach and Analysis

Land values are based on selling process for the appropriate highest and best use of the site as though it were vacant. Highest and best use of the improvements are based on the likelihood of the continued use of the improvements in their current and/or intended use and is essential to an accurate appraisal. Identification of a highest and best use differing from the current or intended use has a significant effect on the cost and market data models and is always a statement of opinion, not a statement of fact.

Improvements are valued using replacement/reproduction cost new less depreciation. Cost tables are constructed using published sources as guides and adjustments are applied using local market information. Adjustments are also applied for functional and economic obsolescence if utilization, sales and income information warrant. An income approach is also used when economic and/or subject property income information is available. A sales comparison (market data) model is based on the selling process of similar properties is used when sufficient information is available.

The cost approach to value is most accurate and reliable when appraising new construction. In older areas or areas of transition, cost is calculated and considered. However, due to the difficulty of measuring accrued depreciation, more weight is applied to the sales comparison (market) and income approaches.

Mineral and Utility Properties

The highest and best use of real and personal property is the most reasonable and probable use of the property on the data of appraisal that is physically and financially feasible, legal and that derives maximum production from the property.

Pritchard & Abbott, Inc. (P&A) are contracted by the Appraisal District and are responsible in developing a fair and market value for all minerals and utilities in Borden County. P&A values approximately 18,433 minerals and 497 utilities.

Vehicles

Value estimates for vehicles are based on NADA published book values and property owner renditions. They are rendered by hard copy and matched to existing accounts. Existing account values are compared to current values for appropriate depreciation. New accounts are created as needed and vehicles no longer in service are deleted.

Independent Performance Test

According to Chapter 5 of the Texas Property Tax Code, "at least once every two years, the Comptroller shall conduct a study in each appraisal district to determine the degree of uniformity of and the median level of appraisals by the appraisal district within each major category of property, the comptroller shall publish a report of the findings of the study, including in the report the median levels of appraisal for each major category of property, the coefficient of dispersion around the median level of appraisal for each major category of property and any other standard statistical measures the comptroller considers appropriate.

There is one independent school district in Borden County for which appraisal rolls are annually developed. The preliminary results of this study are released in January in the year following the year of appraisal. The final results of this study are certified to the Education Commissioner of the Texas Education Agency (TEA) in the following July of each year for the year of appraisal. This outside ratio study provides additional assistance to the CAD in determining areas of market activity or changing market conditions.

In addition, the Texas Comptroller of Public Accounts conducts a biennial MAPS review. This is a review of the governance of the district, taxpayer assistance provided and the operating and appraisal standards, procedures and methodology used by the Borden CAD, to determine compliance with generally accepted standards, procedures and methodology, as required by Tax Code Section 5.102 and Comptroller 9.301.

STAFF PROVIDING SIGNIFICANT
MASS APPRAISAL ASSISTANCE

NAME	TITLE	TDLR NO.	TYPE of ASSISTANCE
Tracy Cooley	Chief Appraiser	73862	Overall District Oversight & Operations & Appraisals
Becky Herridge	Deputy Chief Appraiser	74422	Collections & Data Input
Judy Harris	Valuation Consultant	68604	Mineral Appraisals
Bryan Mathis	Asst District Mgr.	73448	Industrial & Utilities Personal Property Appraisals
John Chancellor	IUP Appraiser	75480	Industrial & Utilities Personal Property Appraisals
Tyler Halfmann	Contract Appraiser	72311	Residential, Land, Commercial Real & Personal Property Appraisals & Data Input

**BORDEN COUNTY APPRAISAL DISTRICT
2023 ADOPTED BUDGET - COMBINED**

Expenditures	2022 Adopted	2023 Adopted
Professional Services		
Appraisal Review Board	\$1,700.00	\$1,700.00
Audit Services	\$6,000.00	\$6,000.00
Real Property Contract (P&A)	\$36,000.00	\$36,000.00
Mapping Software Contract (BIS)	\$3,600.00	\$3,708.00
Website Contract (BIS)	\$1,300.00	\$1,339.00
TNT Website Contract (BIS)	\$2,400.00	\$2,472.00
Collection Software License (P&A)	\$13,150.00	\$13,400.00
CAMA Contract (P&A)	\$17,700.00	\$17,950.00
MIUP Contract (P&A)	\$52,530.00	\$53,500.00
Appraisal & Postcard Notices (P&A)	\$5,000.00	\$5,000.00
Tax Statements (P&A)	\$6,000.00	\$6,000.00
Legal Services	\$2,000.00	\$2,000.00
IT Maint/Hardware/Support (BIS)	\$15,000.00	\$15,000.00
Office Temps	\$5,000.00	\$2,000.00
Salaries		
Chief Appraiser	\$56,650.00	\$58,195.00
Deputy Chief Appraiser	\$42,000.00	\$43,260.00
Insurance & Benefits		
Health Insurance	\$28,400.00	\$29,600.00
Retirement	\$9,900.00	\$9,900.00
Unemployment Compensation	\$550.00	\$550.00
Worker's Compensation	\$500.00	\$500.00
FICA & Medicare	\$7,900.00	\$7,900.00
Liability Insurance	\$780.00	\$780.00
Bond Premium	\$600.00	\$600.00
Supplies & Services		
Advertising	\$600.00	\$600.00
Office Equipment	\$1,250.00	\$1,250.00
Office Furniture	\$1,250.00	\$1,250.00
Office Supplies	\$6,000.00	\$6,000.00
Postage	\$4,000.00	\$4,000.00
Post Office Box Rent	\$95.00	\$108.00
Office Rent	\$6,000.00	\$6,000.00
QuickBooks/Software Updates	\$1,500.00	\$1,600.00
Telephone/Internet	\$2,100.00	\$2,100.00
Books & Subscriptions	\$500.00	\$500.00
Other Operating Expenses		
Contingency Fund	\$2,000.00	\$2,000.00
Travel	\$3,000.00	\$3,000.00
Lodging/Meals	\$5,000.00	\$5,000.00
Training/Education	\$2,500.00	\$2,500.00
Membership Dues	\$1,500.00	\$1,500.00
	\$351,955.00	\$354,762.00

**BORDEN COUNTY APPRAISAL DISTRICT
2023 ADOPTED BUDGET - APPRAISAL**

Expenditures	2022 Adopted	2023 Adopted
Professional Services		
Appraisal Review Board	\$1,700.00	\$1,700.00
Audit Services	\$3,000.00	\$3,000.00
Real Property Contract (P&A)	\$36,000.00	\$36,000.00
Mapping Software Contract (BIS)	\$3,600.00	\$3,708.00
Website Contract (BIS)	\$1,300.00	\$1,339.00
TNT Website Contract (BIS)	\$2,400.00	\$2,472.00
CAMA Contract (P&A)	\$17,700.00	\$17,950.00
MIUP Contract (P&A)	\$52,530.00	\$53,500.00
Appraisal & Postcard Notices (P&A)	\$5,000.00	\$5,000.00
Legal Services	\$1,000.00	\$1,000.00
IT Maint/Hardware/Support (BIS)	\$7,500.00	\$7,500.00
Office Temps	\$5,000.00	\$2,000.00
Salary		
Chief Appraiser	\$56,650.00	\$58,195.00
Insurance & Benefits		
Health Insurance	\$14,200.00	\$14,800.00
Retirement	\$5,000.00	\$5,000.00
Unemployment Compensation	\$275.00	\$275.00
Worker's Compensation	\$250.00	\$250.00
FICA & Medicare	\$5,000.00	\$5,000.00
Liability Insurance	\$780.00	\$780.00
Bond Premium	\$300.00	\$300.00
Supplies & Services		
Advertising	\$600.00	\$600.00
Office Equipment	\$625.00	\$625.00
Office Furniture	\$625.00	\$625.00
Office Supplies	\$3,000.00	\$3,000.00
Postage	\$2,000.00	\$2,000.00
Post Office Box Rent	\$95.00	\$108.00
Office Rent	\$6,000.00	\$6,000.00
Quickbooks/Software Updates	\$750.00	\$800.00
Telephone/Internet	\$1,050.00	\$1,050.00
Books & Subscriptions	\$250.00	\$250.00
Other Operating Expenses		
Contingency Fund	\$2,000.00	\$2,000.00
Travel	\$1,500.00	\$1,500.00
Lodging/Meals	\$2,500.00	\$2,500.00
Training/Education	\$1,250.00	\$1,250.00
Membership Dues	\$750.00	\$750.00
	\$242,180.00	\$242,827.00

**BORDEN COUNTY APPRAISAL DISTRICT
2023 ADOPTED BUDGET - COLLECTION**

Expenditures	2022 Adopted	2023 Adopted
Professional Services		
Audit Services	\$3,000.00	\$3,000.00
Collection Software License	\$13,150.00	\$13,400.00
Tax Statements	\$6,000.00	\$6,000.00
Legal Services	\$1,000.00	\$1,000.00
Technical Support	\$7,500.00	\$7,500.00
Salary		
Deputy Chief Appraiser	\$42,000.00	\$43,260.00
Insurance & Benefits		
Health Insurance	\$14,200.00	\$14,800.00
Retirement	\$4,900.00	\$4,900.00
Unemployment Compensation	\$275.00	\$275.00
Worker's Compensation	\$250.00	\$250.00
FICA & Medicare	\$2,900.00	\$2,900.00
Bond Premium	\$300.00	\$300.00
Supplies & Services		
Office Equipment	\$625.00	\$625.00
Office Furniture	\$625.00	\$625.00
Office Supplies	\$3,000.00	\$3,000.00
Postage	\$2,000.00	\$2,000.00
Quickbooks/Software Updates	\$750.00	\$800.00
Telephone/Internet	\$1,050.00	\$1,050.00
Books & Subscriptions	\$250.00	\$250.00
Other Operating Expenses		
Travel	\$1,500.00	\$1,500.00
Lodging/Meals	\$2,500.00	\$2,500.00
Training/Education	\$1,250.00	\$1,250.00
Membership Dues	\$750.00	\$750.00
	\$109,775.00	\$111,935.00

**BORDEN COUNTY APPRAISAL DISTRICT
2023 ADOPTED BUDGET - ALLOCATIONS**

Entity	2022 Support	2023 Support	Difference
Borden County	\$88,339	\$68,721	-\$19,618
Borden ISD	\$263,047	\$284,215	\$21,168
Sands CISD	\$2,529	\$1,826	-\$703
	\$353,915	\$354,762	\$847

Entity	2021 Levy Totals	Support %
Borden County	\$3,431,296	19.37%
Borden ISD	\$14,191,082	80.11%
Sands CISD	\$91,151	0.51%
	17,713,529	100.00%

Proposed Support	Total	Payment	Amount
Borden County	\$68,721	Quarterly	\$17,180
Borden ISD	\$284,215	Monthly	\$23,685
Sands CISD	\$1,826	Annually	\$1,826
	\$354,762		

Borden County's support payment will be due by the last day of each quarter

Borden ISD's support payment will be due by the last Friday of each month

Sands CISD's support payment will be due by January 31st of each year

Penalties and Interest have been waived on late payments per Resolution No. 2020-04 of the Board of Directors Policy and Procedures Manual