



FRIO COUNTY APPRAISAL DISTRICT

S. B. 1652 BIENNIAL

REAPPRAISAL PLAN

FOR TAX YEARS:

2027-2028

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NOTICE TO THE PUBLIC

This Appraisal Plan is being submitted as a tool to organize the reappraisal for Frio CAD (FRIO COUNTY APPRAISAL DISTRICT). This plan attempts to outline the work required to complete a reappraisal for each of the next two years. Frio CAD will conduct its appraisal activities on an annual basis. Property values will be reviewed each year and owners will receive a notice of appraised value in each year of this two-year plan. The plan requires revision because of staffing reductions, unexpected circumstances, or any other reason deemed appropriate by the board of directors, it may be amended by official action. There is no need to conduct another public meeting. Copies of the amended plan will be distributed to the participating taxing units and the Comptroller's office.

EXECUTIVE SUMMARY

The FRIO CAD has prepared and published this reappraisal plan to provide its board of directors, citizens and taxpayers with a better understanding of the district's responsibilities and activities.

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 district, constitutes the district's governing body. The chief appraiser, appointed by the board, is the chief administrator and chief executive officer of the district.

The appraisal district is responsible for local property tax appraisal and exemption administration for twelve (12) jurisdictions or taxing units in the county. Each taxing unit sets its own tax rate to generate revenue to pay for police, fire protection, public schools, road maintenance, courts, water systems, and other public services. Property appraisals by the district allocate the year's tax burden on the basis of each taxable property's market value. The district also determines eligibility for different types of property tax exemptions such as those for homeowners, the elderly and disabled, disabled veterans, charitable or religious organizations and agricultural productivity valuation.

Section 6.05(i) of the Texas Tax Code, which requires the adoption of this plan, uses "reappraisal" in a broad sense to mean the activities that the district undertakes every year – inspecting property, updating models (as needed), and appraising the property. Under this section a property is reappraised when these activities are done, even if its value does not change. Accordingly, this plan describes FRIO CAD's activities as annual reappraisal and it will be the district's policy to mail appraisal notices to all property owners every year. The board of directors believes this is appropriate and in the public interest because it will make property owners fully aware of their property's value and help maintain property owner's current contact information.

THE WRITTEN PLAN

Section 6.05(i), Texas Property Tax Code reads as follows:

- (i) To ensure adherence with generally accepted appraisal practices, the Board of Directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to requirements of Section 25.18 and shall hold a public hearing to consider the plan. Not later than the 10th day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place of the hearing. Not later than September 15, of each even-number year, the board shall complete its hearings, make any amendments, and by resolution approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within sixty (60) days of the approval date.

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

Plan for Periodic Reappraisal

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

- (a) Each appraisal office shall implement the plan for Periodic Reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan shall provide for the following reappraisal activities for all real and personal property in the district at least once every three years:
 - (1) Identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentations, aerial photographs, land-based photographs, surveys, maps, and property sketches;

Frio CAD annually reappraises all property in the district including residential; commercial; vacant land; mobile homes; business personal property; and mineral, industrial and utility real and personal properties.

Frio CAD receives a monthly copy of all deeds filed in the Frio County Clerk's Office on a portable drive. 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, and file number of county clerk's record. Property identification numbers are assigned to each parcel of property. MIUP related deeds are sent to P&A (Pritchard & Abbott Inc.) for processing.

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 10% penalty. If fraud is involved in a false rendition it is possible a 50% penalty could be assessed. New businesses are responsible to notify the district and file a rendition.

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.

Renditions are sent to and required of utility companies, compressor stations, and pipelines. The valuation of these complex properties and mineral interests are outsourced to P & A.

Copies of deeds and received renditions related to oil and gas properties are forwarded to P & A.

(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 record card for each property, containing information about the property and allowing the appraiser to update relevant details. The appraiser notes the property's condition and any changes 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 previously captured and stored pictures in the CAMA system. Data noted on the cards and transferred to the CAMA system include an exterior sketch of the improvement, with measurements, which allows the system to calculate square footage for the various areas of the building. Components of the building such as bathrooms, fireplaces, air conditioning, type of roof and covering, type of exterior wall, type of foundation, etc. are listed and the CAMA system assigns appropriate values to them. The appraiser looks for newly constructed properties, remodeled properties or demolished property sites as he drives through the county.

Business personal property is inspected each year. The appraiser looks at the quality of the inventory, the stocking density, and makes general notes on the equipment observed. If his observation differs from the taxpayer's rendition, additional information is gathered and a higher value may be assigned than the amount rendered.

(3) Defining market areas in the district;

Appraisers combine similar types of property into "neighborhoods" market areas, or market segments. Market sales are examined to confirm which areas are similar. A "neighborhood" for analysis purposes is defined as the largest geographic groupings of properties in which the properties' physical, economic, governmental and social forces are generally similar and uniform, resulting in consistent values across the defined market area or neighborhood. There is no difference in how the four forces affect values across the county, and no discernible areas of variable value, as evidenced in market sales, so we treat the whole county as a single neighborhood or one, county wide, market area.

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

- (A) The location and market area of the property;
- (B) Physical attributes of property, such as size, age, and condition;
- (C) Legal and economic attributes; and
- (D) Easements, covenants, leases, reservation, contracts, declaration, 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 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 condition type, other attributes and overall condition of the improvement.

Other characteristics that affect a parcel's value, such as legal and economic attributes, that are apparent from 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 county clerk's office or other documentation.

(5) Developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics;

The CAMA system began with the cost approach to value, which estimates the original cost of each improvement. That value was based on local modifiers to Marshall-Swift, 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, the number of bathroom fixtures, the type of roof structure, the roof covering, the exterior covering, and special features such as fireplaces, hot tubs, and other special amenities. The market sales were then studied for improvement contributions in each neighborhood (market area) and adjustments to value are applied to each neighborhood (market area) in the form of all types of depreciation. This resulted in a value

schedule. 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 applies to commercial property.

- (6) Applying the conclusions reflected in the model to the characteristics of the properties being appraised; and

Using 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 are assigned for comparable age, construction quality and condition. 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 categorized by 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*.

REVALUATION DECISION

The Frio County Appraisal District, pursuant to a policy adopted by the Board of Directors and the Chief Appraiser, reappraises all property in the district every year. The reappraisal may consist of field inspections, CAMA, or both. The reappraisal year is a complete appraisal of all properties in the district. Tax year 2027 is a reappraisal year and tax year 2028 is a reappraisal year.

Additionally, every tax year, the district inspects and appraises new construction and adds those properties to the appraisal roll. The district also inspects and reappraises properties that have been remodeled or demolished, have additions, have fire damage, or have any change or damage. These changes can be found in building permits issued by the city. However, since building permits are not required for properties outside the city limits, District staff maintains a file of newspaper clippings that pertain to changes in property and all District staff remain alert to visual changes in properties. Throughout the year, notes are made on those visual changes and all information is provided to the field appraiser. The field appraiser will also conduct detailed field inspections of properties if requested by the owner and reappraise these properties as necessary.

APPRAISAL/TAX YEAR 2027

Tax Year 2027 is a complete reappraisal year.

The property categories to be included in the reappraisal include Category A, C, D, E, F, G, J, M and, verification by visual inspection, Category L. Category G & J are covered in the reappraisal plan from Pritchard & Abbott Inc. All Motels & Hotels are covered in the Reappraisal Plan from Eagle Property Tax Appraisal & Consulting, Inc.

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.

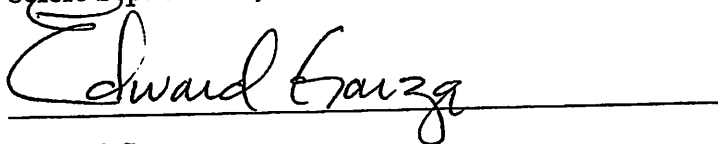
APPRAISAL/TAX YEAR 2027

Tax Year 2028 is a complete reappraisal year.

The property categories to be included in the reappraisal include Category A, C, D, E, F, G, J, M and, verification by visual inspection, Category L. Category G & J are covered in the reappraisal plan from Pritchard & Abbott Inc. All Motels & Hotels are covered in the Reappraisal Plan from Eagle Property Tax Appraisal & Consulting, Inc.

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 Frio County Appraisal District Board of Directors before September 2, 2026.

A handwritten signature in cursive script, reading "Edward Garza", is written over a horizontal line.

Edward Garza

Chief Appraiser

**Resolution for the Reappraisal
of Property Within
Frio County Appraisal District**

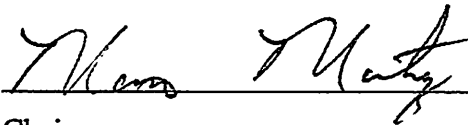
WHEREAS Section 6.05 (i) of the Texas Property Tax Code requires the Board to adopt its biennial reappraisal plan no later than September 15 of even-numbered years to ensure adherence with generally accepted reappraisal practices; and

WHEREAS a reappraisal plan may only be adopted after the board of directors holds a public hearing to consider the proposed plan; and

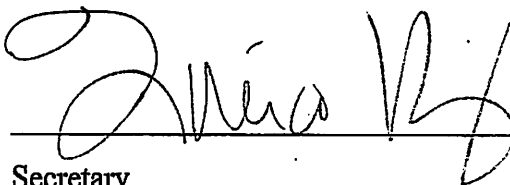
WHEREAS the board of directors did conduct such a public hearing on September 2, 2026 to receive public comment regarding said plan; now therefore

BE IT RESOLVED by the Board of Directors of the Frio County Appraisal District that they do hereby adopt the attached plan for the periodic reappraisal of property within the boundaries of the district for the taxable years of 2027 and 2028.

Signed this day of September 2, 2026.



Chairman
Frio County Appraisal District Board of Directors



Secretary
Frio County Appraisal District Board of Directors

REAPPRAISAL YEAR PROCESSES

1. **Performance Analysis**-the equalized values from the previous tax year are analyzed with ratio studies to determine the appraisal accuracy and appraisal uniformity overall and by market area within property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* of the IAAO (International Association of Assessing Officers).
2. **Analysis of Available Resources-staffing** and budget requirements for tax year 2027 are detailed in the 2027 budget, as adopted by the board of directors' practices, and attached to the written biennial plan by reference. Existing appraisal practices, carried over 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 considered identified and systems upgrades scheduled. Existing maps and data requirements are specified and updates scheduled.
3. **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 are required.
4. **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.
5. **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.
6. **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 sales to either conduct a market comparison or calculate an appropriate local modified for cost data.
7. **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 15th). The Mass Appraisal Report is completed in compliance with STANDARD RULE 5 AND 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 report by reference. The

report date is the certification date (on or about July 25th).

8. **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.
9. **Planning and Organization**-a calendar of key events with critical completion dates is prepared for each major work area. This calendar identifies all key events for appraisal, clerical, customer service, and information systems. A calendar is prepared for tax years 2027 and 2028. Production standards for field activities are calculated and incorporated in the planning and scheduling process.

This 9 step Reappraisal Process is taken from "Property Appraisal and Assessment Administration" The International Association of Assessing Officers, 1990.

PERFORMANCE ANALYSIS

In each tax year 2027 and 2028 the previous tax year's equalized values are analyzed with ratio studies (as sales data is available) to assess appraisal accuracy and uniformity, both overall and by market area, within state property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* from the 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 area to indicate the level of appraisal (appraisal accuracy) by property reporting category. In 2027 and 2028 this analysis will be used to establish the starting point for assessing the level and accuracy of appraisal performance and to indicate the uniformity or equity of existing appraisals. In 2027 and 2028, any reporting category previously excluded from ratio studies due to insufficient data will be revisited. If sufficient market data has been identified and verified, the category will be tested and analyzed to determine whether existing appraisals are uniform or equitable.

ANALYSIS OF AVAILABLE RESOURCES

Staffing and budget requirements for tax year 2027 are detailed in the 2027 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 2027 and the anticipated staffing for tax year 2028.

Existing appraisal practices, carried over from year to year, are identified, and the methods used to keep them current are specified. Each year, real property appraisal depreciation tables and RCN (replacement cost new) tables are tested against verified sales data (where available) to ensure they reflect current market conditions. The cap rate study by commercial real property type should be updated using current market data, and market rents should be reviewed and updated using local published data (as available and necessary). Personal property quality/density schedules should be tested and analyzed based on renditions and prior-year hearings documentation. However, Frio County currently has insufficient numbers of commercial real estate and business personal property accounts to develop or require market rent data, commercial cap rates, or quality/density schedules. Should this situation change, Frio CAD will proceed with these analyses.

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 a property

record or 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 district cultivates sources and gathers information from both buyers and sellers.

IS support, provided by Pritchard & Abbott, Inc., of Fort Worth, Texas, is detailed with year specific functions identified and system upgrades scheduled. Computer generated forms are reviewed for revisions based on year and reappraisal status. Legislative changes are scheduled for completion and testing. Existing maps and data requirements are specified and updates scheduled.

PERSONNEL RESOURCES

The 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.

In addition to the mandated required courses for appraisers additional specialized training is offered to all staff. 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, local association chapter meetings, and on the job.

The appraisal district staff consists of nine employees:

- Chief Appraiser/Executive Administrator
- Senior Appraiser
- Ag Rural Appraiser
- Appraiser-Level II
- Appraiser-Level II/BPP Appraiser
- Appraiser-Level I
- Clerk/ARB Coordinator
- Deed Clerk/Administrative Assistant
- Exemptions Clerk

The chief appraiser, district appraisers and contracted appraisers are registered with TDLR and have their RPA certifications. The chief appraiser monitors these registrations to assure they remain current and active.

The district has contracted with Eagle Property Tax Appraisal & Consulting, Inc. to provide personnel and expertise towards the completion of the appraisal of all motel & hotels in the county including fieldwork, data analysis, valuation modeling, schedule revisions, and the taxpayer protest portions of the reappraisal plan.

The district has contracted with Pritchard & Abbott, Inc., of Houston, Texas, to provide personnel and expertise towards the completion of the appraisal of all Mineral, Industrial, Utilities, and related Personal Property including fieldwork, data analysis, and the taxpayer protest portions of the reappraisal plan. *See attached Addendum.*

All contracts for appraisal services are required to meet IAAO "Standards on Contracting Assessment Services".

MASS APPRAISAL SYSTEM

The P&A contracted CAMA revisions are specified and scheduled with IS support. All computer-generated forms and IS procedures are reviewed and revised as required. The following details these procedures as it relates to the 2027 and 2028 tax years.

REAL PROPERTY VALUATION

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

Value schedules are tested with market data (sales) to ensure that the appraisal district complies with Section 23.011 of the Texas Property Tax Code (Cost Method of Appraisal). Market adjusted 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 the Chief Appraiser signs off on the changes. 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 the appraised value of the taxpayer's property if it is reappraised. Frio CAD mails out notices to all property owners every year. After appraisals are completed and changes to properties and schedules entered into CAMA, P&A is notified. Notices are printed in accordance to Section 25.19 and proofread by the chief appraiser. After approval the notices are mailed to the owners and/or agents.

HEARING PROCESS

Protest hearing schedules for informal meetings and formal ARB (Appraisal Review Board) hearings are reviewed and updated as required. Documentation standards are reviewed and amended as required. The appraisal district hearing documentation is reviewed and updated to reflect the current valuation process. The production of documentation is tested and compliance with the Texas Property Tax Code, which requires the district to provide evidence packets to taxpayers with 15 days of request, is ensured. Evidence packets include data, schedules, formulas and all other information the district may introduce at an ARB hearing.

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, re-inspection of problematic market areas, and 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 a property record 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, the 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 the property's data characteristics in 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, 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 county clerk's office or other documentation. The field appraiser uses the Frio CAD Appraisal Manual which 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 bases 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 this data CAMA may be altered based on the evidence provided. Typically, a field inspection is requested to verify this evidence for the current or 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 include property such as business inventory, furniture and fixtures, 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 accurately list all taxable personal property.

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 data review, field efforts, hearings, sales validation field efforts, and property owner correspondence. A principal source of data comes from the deeds filed in the clerk's office.

Property owners are among the best sources for identifying incorrect data that warrants 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 community 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, sales validation involves on-site inspection by the field appraiser to verify the accuracy of our data or obtain confirmation of the sale price. Soil and agricultural surveys submitted by ranching property owners and industry professionals are helpful for calibrating productivity value.

Accuracy and validity in property descriptions and characteristics data are the highest goals and are stressed throughout the appraisal process from year to year. Appraisal opinion quality and validity rely on the accuracy of the data. The chief appraiser rides with the field appraisers to randomly selected properties to verify the procedures and practices being used by the appraisers.

DATA MAINTENANCE

The district's field appraisers, along with the contract field appraisers are responsible for coordinating post-data-collection activities related to file building, quality assurance and data maintenance for different property types. These responsibilities fall into three activities: file build, quality assurance and data retention. The file build activity involves building and maintaining the work packs that are sent with the appraiser into the field. This includes maintaining mapping records, property data cards, benchmark property descriptions, angle sketches, and other data.

The district appraisers are also responsible for warehousing this information. The quality assurance activity ensures that the correct data as it is received from the field appraiser. This includes verifying proper codes, balancing and vectoring sketches, and ensuring proper data entry. The appraisal district staff performs the data entry and inputs it directly into CAMA.

NEW CONSTRUCTION/DEMOLITION

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

REMODELING

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

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, and where physical, economic, 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 costs) have similar effects 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 deemed problematic. Field reviews are scheduled to verify and/or correct property characteristic 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 specific neighborhoods, so the entire county must be considered as a whole 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 (4-6) years. Section 25.18(b) of the Texas Property Tax Code requires re-inspection at least once every three (3) years. The re-inspection may include the re-measurement of at least two sides of each improved property. Physical inspection is considered to be the most fundamental step in achieving reliable property valuations. USPAP (Uniform Standards of Professional Appraisal Practice) does not require inspection for reappraisal. "Only that the characteristics of a property, relevant to an assignment be identified." Frequent physical inspections are nevertheless necessary to ensure that each property is appraised according to its conditions as of January 1. Frio County Appraisal District will be on an annual physical inspection cycle for all properties within the district. The field appraisers have an appraisal card of each property to be inspected and makes notes of changes, depreciation, remodeling, additions, demolition, etc. The annual re-inspection requirements for tax years 2027 and 2028 are scheduled on the key events calendar.

FIELD OR OFFICE VERIFICATION OF SALES OF DATA AND PROPERTY CHARACTERISTICS

All three approaches to estimating market value rely, in some, on market information. Appraisal records must contain complete and accurate information on sales prices and property conditions within the district.

Sales information must be verified and property characteristic data must be captured contemporaneously with the date of sale. The sales ratio tools require that the property sold must match the property appraised so that statistical analysis results will be valid. The reliability of any valuation model or sales ratio study depends on the quantity and quality of its data. Frio 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 conducted each tax year. These tests require sufficient data, and a lack thereof may limit not only the scope but also the very performance of the tests. When available and sufficient, actual test results are compared with anticipated results and models that do not perform satisfactorily are refined and retested. The procedures used for model specification and calibration comply 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 Value
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 Cape 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 which factors contribute to value. Certain factors or characteristics may not be vital to valuation, but are maintained because they may be useful for explaining values to taxpayers.

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 is specified and calibrated in accordance with the IAAO supplemental standards and USPAP. The calculated values are tested for accuracy and uniformity through ratio studies. Performance standards are those established by the *IAAO Standard on Ratio Studies*. Property Values in all market areas are updated each reappraisal year. Tax year 2027 is a reappraisal year. Tax year 2028 is a reappraisal year.

MODEL DEVELOPMENT, CALIBRATION AND TESTING

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

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

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

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

Frio CAD uses simple calibration to adjust existing developed models in use. This approach promotes consistent results, and parcels can be recalibrated en masse. 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 and 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 other pertinent information are recorded in that parcel's sales records. Information is also gathered from other appraisers, other appraisal districts, and 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-disclosure state, and that the information needed by the CAD is often confidential, the market analysis is limited by the availability of 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 Frio CAD also can claim the Jurisdiction Exemption (USPAP) due to the limited scope and purpose of the appraisal, and in accordance with the guidelines of the Texas Property Tax Code.

Given that market data (sales, leases, and other individual indications of value) is severely limited in Frio County, due to few and infrequent actual occurrences, the annual market analysis is often expanded to include transactions for comparable properties from neighboring counties, as available. Each property is reevaluated as if it were located in Frio County using existing property schedules and the resulting 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(1) of the Texas Property Tax Code, and quoted earlier in this manual. Any sale determined to not be an "arm's length" transaction is then omitted from the final study. Several criteria are considered when determining whether each sales price needs an 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 appraisal supervisor and the chief appraiser.

Sales used to determine real estate value should exclude any value 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 of 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 intangible) should be deducted from the sales price before it is used in any market study. Determining the value of intangibles in transactions can be problematic and will require research into the industry and local and comparable markets. Although suspected by the appraisal 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 secure the most reasonable financing available, and then purchase the property of their choice using that same

financing. A typical financial arrangement usually accompanies 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 time period. 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 once within a given period (ideally no more than 1 year), with each transfer an arms-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 properties' sales prices to adjust them to a standard date, usually January 1st of the appraisal year. For example, a residence may sell for \$50,000 on June 1 and then sell again October (5 months later) for \$55,000. The difference of \$5,000 (or 10% of the original sales price) is allocated as a 2% per month market increase. A market decrease is calculated in the same way. If this was an arm's-length transaction of a typical property, that same percentage increase or decrease can be applied to other sales to adjust their sales prices to the January 1 target date.

A statistical analysis of each property class is conducted using the available, credible, and adjusted sales information. Within each property class, the appraisal district looks for both an acceptable median value and 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 with little or slow activity are allowed a larger variance because small data sets (small samples) may yield 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 shows a consistent result, schedule values are recalculated to produce a revised analysis. The resulting median ratio should indicate that the adjusted appraised values more closely match the current market value, as evidenced 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 for comparable properties in neighboring counties, the resulting adjusted schedules are applied to any sales within the county to determine whether a local modifier should be used within the Frio Appraisal District 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) compared with the overall market. These areas could include neighborhoods, cities, school districts or any other definable area within the appraisal district that displays market trends or values that differ from those 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 sales collected to date
- B. Note median result and COD
- C. Examine each sale included
 - 1. Compare sale ration to median result
 - 2. Rations substantially higher or lower than the median result (outliers) are singled out for further, in-depth analysis
 - a) Note seller-financial institutions, known real estate opportunists, probates, know persons who finance their own transactions
 - b) Note buyer-financial institutions, known real estate opportunists, 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 due to the reasons given above are nonetheless included in the subsequent analysis

D. Adjust original data set

- 1. Omit sales that are not arm's length
- 2. Adjust sales values 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 the 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 increase 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, neighborhoods, or subdivisions that consistently show ratios significantly different from 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 (3) basic Approaches to Value; Cost, Market (Sales Comparison), and Income. Not every approach is pertinent and useful for valuing all property types. For instance, the cost approach is not applicable to the valuation of vacant land.

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

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

Section 23.01(b) of the Texas Property Tax Code states:

“The market value of property shall be determined by applying generally accepted appraisal methods and techniques. If the appraisal district determines the appraised value of a property using mass appraisal standards, those standards must comply with USPAP. The same or similar appraisal methods and techniques shall be used to appraise the same or similar kinds of property. However, each property shall be appraised based on the individual characteristics that affect the property’s market value, and all available evidence that is specific to the value of the property’s value shall be taken into account in determining the property’s market value.”

Section 23.0101 states:

“In determining a property’s market value, 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 (3) methods is the most appropriate? Generally it will depend of three factors. (1) Typical practice for appraising a particular property type (2) Whether the necessary data is reasonably available for use of a particular approach (3) Whether the result by use of the approach would be meaningful.

Frio CAD typically uses one Approach to Value (Method or Technique) based on the property use or type. For consumptive-use properties, such as single-family residences, the district uses a

cost/hybrid model. It is a sales market adjusted model that is typical for appraisal districts using Mass Appraisal.

Frio CAD in compliance with Section 23.01 of the Texas Property Tax Code is consistent with the “use of the same appraisal method for the same or similar kinds of property”. In compliance with Standard Rule 6-2(g) of USPAP the “Jurisdictional Exception Rule” is invoked because this USPAP rule conflicts with Section 23.0101 of the Texas Property Tax Code and with 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 preclude the use of alternative approaches during the equalization phase of the tax calendar (value defense).

Special use appraisals for agricultural properties comply with the comptroller appraisal manuals for the appraisal of agricultural land and with the Texas Property Tax Code.

RESIDENTIAL REAL PROPERTY

Residential properties are physically inspected annually. Changes that have occurred and the observed condition are noted by the field appraiser and entered into account records. Pictures of the exterior of the residence are taken for new homes and for existing homes whenever a change in physical appearance has occurred.

The appraiser is responsible for verifying and collecting accurate, reliable property data. Using developed models, an appraiser can finalize a preliminary property value in the field. Frio 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 hybrid models are the most commonly used by appraisal districts in the state. Few districts use a pure RCN cost model (schedule) to value residential properties.

Frio CAD residential models consists of 24 main classes with class defining features for each class listed in the Frio CAD Appraisal Manual. Property-specific features are add-ons to the main class such as attached or detached garages, covers, storage bldgs., etc. Residential structures are classified according to quality of construction, style and design, appeal, and the presence of certain features. Age and condition of structures are adjusted using real estate depreciation tables. These depreciation table adjust not only physical deterioration, but also for market reactions to obsolescence. The real estate depreciation tables are actually called CDU, percent good tables. CDU (condition, desirability and usefulness) is the overall value change from a benchmark new property, to reflect all losses of utility.

All residential cost schedules (models) are reviewed annually. As part of the review and evaluation process, property data characteristics are compared against locally modified replacement costs from Marshall & Swift Valuation Services and where available, against sales ratios. Based on these statistics, a preliminary decision is made as to whether the value level

within a class of residential properties needs to be changed for the current appraisal year, or if the values are at acceptable existing level.

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

MULTI-FAMILY RESIDENTIAL PROPERTY

There are 10 multi-family residential properties in Frio County. The district mails survey each year to collect income and expense data for calculating values using the income approach.

RESIDENTIAL INVENTORY PROPERTY

There are no Residential Inventory Properties in Frio 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 physically inspected annually. The field appraiser notes any changes that have occurred and the observed condition, and enters them into account records. Pictures of the exterior of the improvement are taken whenever a change in its physical appearance occurred.

The appraiser is responsible for verifying and collecting accurate and reliable property data. Frio CAD uses cost schedules to value commercial parcels in the district. These cost schedules (models) are actually hybrid 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 in eight levels or rankings 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 changed 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. Frio CAD develops per-lot site land valuation tables for the platted town area. Land tables based on per-acre value are used for rural platted and unplatted areas within the district.

Land sale prices are also expressed on the same unit comparison basis and stratified (sorted) by location and probable use. The 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 for land used for farm and ranch purposes if its owner meets specific requirements. Casual uses, such as home vegetable gardens, do not constitute qualified agricultural use.

Section 23.561 of the Texas Property Tax Code sets the standards for determining whether land qualifies for agricultural appraisal. Section 23 subchapter D, addresses the permitted uses and the application process for agricultural land appraisal.

The appraiser annually inspects the area to confirm that properties remain in agricultural use. Owners are not required to reapply unless there is a question about the property's use or change of use.

The Texas Property Tax Code mandates agricultural land classes. The district's chief appraiser may establish additional categories.

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

Frio CAD has an Agricultural Advisory Board which meets with and advises the chief appraiser on the valuation, stocking rates, and use of land that may be designated for agricultural use or that may be open-space agricultural within the district.

Each year the Comptroller of Public Accounts publishes an agriculture cap rate for use by Appraisal Districts in their net-to-land capitalization of value. For 2024, FRIO CAD used a 10% capitalization rate in the appraisal of qualified agricultural productivity use lands.

SPECIAL INVENTORY

There are 7 Special Inventory Properties in Frio County.

BUSINESS TANGIBLE PERSONAL PROPERTY

The contract appraiser is responsible for developing fair and uniform market values for business personal property within the district. The appraiser appraise two types of personal property: Business Personal Property accounts and Vehicles. The district reappraises all income-producing business personal property annually.

Business Personal Property is inspected annually, and primarily valued using the Depreciated Cost Approach. Renditions are mailed to personal property owners in January of each year. When returned renditions appear inconsistent with the appraiser's observation, the State Comptroller's schedules (as adjusted) or outside vendors' valuation cost guides are used. The district uses the State Comptroller's depreciation schedule.

Sources of data for vehicle valuation include property owner renditions and field inspections. Value estimates for vehicles are based on Just Texas and NADA published book values, as well as property owner renditions.

MINERAL INDUSTRIAL, AND UTILITY REAL AND TANGIBLE PERSONAL PROPERTY

The valuation of all Mineral, Industrial, and Utility Real and Tangible Personal Property within the district is contracted out to Pritchard & Abbott, Inc., of Houston, Texas. (*See Attached*)

THE MASS APPRAISAL REPORT

Each tax year the required Mass Appraisal Report is prepared by the chief appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar (on or about May 15th). The Mass appraisal Report is completed in compliance with USPAP Standards 5 and 6. The chief appraiser's signed certification complies with USPAP Standard Rule 6-3. This written reappraisal plan is attached to the Mass Appraisal Report by reference.

VALUE DEFENSE

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

Frio CAD, like other districts, bears the burden of establishing property values within the appraisal 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 the ARB (Appraisal Review Board) that applies to and adversely affects the property owner. Among the numerous grounds for protest listed in the Texas Property Tax Code, the two most commonly filed protests deal with value over market and with unequal appraisal.

Frio CAD encourages property owners to meet with the chief appraiser, district appraisers and /or contracted appraisal staff to try and resolve disputes informally, before a formal ARB hearing. Sometimes, a mutually agreeable solution to an owner's protest at these informal meetings results in a settlement and the property owner waives any further right to a formal protest before the ARB. Should an agreement not be reached informally, the taxpayer, may present their arguments to the ARB as formal appeal. The appraisal staff from P&A and Eagle Appraisal & Consulting defend the chief appraiser's position before the ARB.

Chapter 41 of the Texas Property Tax Code addresses a property owner's right to a formal ARB hearing. The appraisal district also has information-delivery requirements for ARB protests. Value defense is part of the equalization phase of the Tax Calendar. In formal hearings both mass appraisal and single-property appraisal methods can be introduced. Mass appraisal and single-property appraisals are systematic methods for estimating 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 a single type 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 using statistics derived from a sample of sales. In the entire area appraised by the model, Frio CAD may use both mass appraisal statistics and district sales comparison for a select few comparables in a single-property appraisal during formal ARB hearings.

PLANNING AND ORGANIZATION

Field inspections are carried out by District and P&A field appraisers, 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 (as needed), draws plans of new improvements for entry into the computer, and rechecks any property on which a question or problem arises. CAD staff enter fieldwork notes and sketches under the direction of the field appraiser. Other duties may be required and will be executed upon direction of the chief appraiser or supervisor.

The District conducts market analysis. Sales data is gathered throughout the year by Frio CAD staff from deed records, sales confirmation letters from property owners and other available sources. The market data is analyzed, sales data is verified, outliers are identified, the existing classification system is reviewed, 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. Separate calendar are prepared for the 2027 and 2028 tax years. Production standards for field activities are calculated and incorporated into the planning and scheduling process.

As the Texas Property Tax Code is revised and local circumstances require, the Calendar of Key Events may be updated 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.

2027 CALENDAR OF KEY EVENTS

As Needed

CAD Staff

Work with field reviewer and PTAD (Comptroller's Property Tax Assistance Division) on MAP Review.
Work with state field appraiser and PTAD on PVS (Property Value Study).
Renew TDLR License by renewal date; may be renewed up to 95 days before the renewal date.
Attend required classes and training (as determined by the chief appraiser).
Research returned mail.
Chief Appraiser and district staff meet to review, discuss and update policies, procedures and plans.

CAD Administration & Support Staff

Download new and updated Comptroller Forms.
Download taxpayer assistance information documents, pertinent to local taxpayers, from Comptroller's website for posting and distribution.
Review and keep updated printed information provided for public use and education.
Coordinate with P&A to keep website updated.
Maintain and keep updated permanent records and minutes of BOD (Board of Directors), ARB (Appraisal Review Board), and Agricultural Advisory Board.
Review, approve, and submit to BOD for approval contracts/agreements for professional services, as needed.
Prepare and post BOD agenda for monthly meeting.
Prepare and deliver BOD packets for monthly meeting.
Conflicts Disclosure Statements filed by BOD members, chief appraiser and district appraisers.
Prepare, update, balance and submit all financial reports to BOD for review and approval.

CAD Appraisers

Research online database of deeds filed in County Clerk's office & request copies of relevant deeds.
Send copies of associated mineral deeds to P&A.
Send copies of split/combine parcels to P&A's Mapping Dept.
Research any property ownership issues.
Key ownership/address changes, splits/combines, new property and personal property into CAMA (Computer Assisted Mass Appraisal) system.
Gather sales data from sales confirmation letters, deed records and other sales sources for sales files.
Mail and process exemption applications (such as new homestead, disabled and 65 & over, disabled veterans and surviving spouse, open-space applications due to change of ownership, etc.).
Track value loss due to property acquiring 1st time exemptions and 1st time 1-d or 1-d-1 appraisal and value gain due to new improvements for taxing units.
Keep working on Eagleview-to sketch and inspect County.

January 2027

Contracted Appraisal Departments

Begin field inspections on residential, land, mobile homes, commercial, 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.
Begin ratio studies and market analysis.

Begin receiving, processing, and reviewing renditions and extension requests.
MIUP appraisers begin work on property discovery of property and appraisals for current year.

CAD Administration & Support Staff

Prepare for financial audit by independent CPA firm.
Submit 25.25 (b) Quarterly Report to the Secretary of the BOD and ARB before **January 10**.
Complete CAD's Annual Report, submit to entities, and post it in office and on the website.
Prepare and mail Personal Property Rendition forms.
MIUP renditions and/or extension request are faxed, mailed or e-mailed to P&A and the original filed in house.
Contact agent if no appointment form on file for the property rendered.
Submit budget-share billing letters to tax entities by **January 25**.

CAD Appraisers

Download list of active sales tax permits from Comptroller website.
Download Comptroller's Business Personal Property Depreciation Schedule from website, when available.
Check for 65-and-over homestead exemptions that need to be granted automatically.
Mail applications to owners need to reapply for annual exemptions or special valuations by **January 31**.
Begin keying rendered accounts, deleted exemptions and new exemptions.
Begin receiving and keying rendition extension requests.
Check that mapping updates have been processed as scheduled.
Keep working on Eagleview-to sketch and inspect County.

ARB Support

Coordinate scheduling of ARB meeting to address any issues within their jurisdiction; have the Statement of Officer and Oath of Office forms as needed.
Coordinate annual training with ARB members when the schedule is available from PTAD.

February 2027

Contracted Appraisal Departments

Appraisers continue to work on discovery of property and appraisals.

CAD Administration & Support Staff

Coordinate with IS support to submit sales information and deed transactions to State Comptroller by **February 1**.
BOD and the chief appraiser sign affidavits regarding delinquent taxes.
Submit budget shares billing letters to taxing entities by **February 25**.
Publish Public Information ads (availability of exemptions, rendition requirements, special appraisal, and tax deferrals) in Frio-Nueces Current Newspaper, at the post office and on the website.
Submit Operations Survey to PTAD by requested date.

CAD Appraisers

Begin transferring information from Appraisal Card Worksheets to CAMA.
Proof of the property changes; print the change report and compare it to the appraisal worksheets.
Run new MH Installation Report from TDHC website.
Continue working deeds and entering ownership changes in CAMA.
Keep working on Eagleview-to sketch and inspect County.

ARB Support

ARB members are enrolled in annual training, as schedule.

March 2027

Contracted Appraisal Departments

Completed field work on local property Cat A, C, D, E, F, L, M, & J.

Review schedules against available sales data to identify areas that require significant adjustment or close review.

Review and consider the meeting's recommendations and conclusions with the agricultural advisory board. Finalize market analysis and determine adjustments to schedules.

Complete ratios studies on real property.

Complete updates to residential schedules and AG schedules, including mobile home depreciation schedules (if needed). Upon completion of studies, adjustments, and updates send recommendations to chief appraiser for review and approval.

Appraisers continue to work on discovery of property and appraisals.

CAD Administration & Support Staff

Chief appraiser begins work on 2028 Budget.

Coordinate with P&A on NAV (Notice of Appraised Value) mailings, protest deadline and protest hearing dated.

Coordinate with IS support on wording on notice.

Chief Appraiser reviews and approves recommendations from contracted appraiser.

Mail out bid letters for: Computer System lease for Collection and Real Estate, Contract for Professional Appraisal Services and Auditor's Services.

Submit budget share billings letter to taxing entities by March 25.

CAD Appraisers

Continue working deeds and entering ownership changes in CAMA.

April 2027

Contracted Appraisal Departments

MIUP appraisers complete work on appraisal for 2026 production NAV's.

Appraiser continue to work on discovery of property and appraisals.

CAD Administration & Support Staff

Form of Appraisal Roll notification letters sent to taxing unit TAC's by April 1.

Submit 25.25 (b) Quarterly Report to the Secretary of the BOD and ARB before April 10.

The Chief Appraiser continues to work on the 2028 Budget.

Review edits and audits before notices run; corrects or adjust accounts as needed.

Release local files for NAV production.

Certified Preliminary Values sent to TAC's by April 30.

Last day for application for special appraisal or to notify the chief appraiser that property no longer qualifies for 1-d or 1-d-1, April 30.

Public presentation as needed.

Submit budget share billings letters to taxing entities by April 25.

CAD Appraisers

Renditions due by April 15th unless extension requested; continue to receive and key rendition extension requests.

Complete data input CAMA for the production of notices.

Run edits to identify needed corrections to owner accounts.

Confirm that mapping updates have been processed as scheduled.

Keep working on Eagleview-to sketch and inspect County.

May 2027

Contracted Appraisal Departments

Appraisers continue to process renditions from extension requests; notice owners.
Appraisers work with property owners regarding proposed values and protests filed.
Coordinate with Cad staff on the hearing schedule & protests filed.

CAD Administration Support Staff

Chief Appraiser continues work on 2028 Budget.
BOD's annual evaluation of Chief Appraiser.
Place Protest and Appeals Procedures Ad in the Frio-Nueces Current Newspaper between May 1 and May 30.
NAV's mailed out.
Submit Appraisal Records to ARB for review by May 15.
Submit budget shares billing letters to taxing entities by May 25.

CAD Appraisers

Renditions receiving 30-day extension are due by May 15, unless chief appraiser extends deadline to May 30.
Receive and key rendition extension requests and accounts that were granted additional 15-day extension.
Begin compiling information for evidence packets for property owners who file protests and requesting evidence.

ARB Support

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 within their jurisdiction.
Begin coordination scheduling of protest hearings and the mailing of Notice of Protest letters.
Begin preparing cause folders for hearings.
Begin coordination with P&A appraisers on hearing schedule and protests filed.
Ensure all ARB members have completed mandatory training and that certificates of completion are on file.

June 2027

Contracted Appraisal Departments

Appraisers continue to process renditions from extension request and notify the owner.
Appraisers continue to work on property discovery and appraisals.
Appraisers work with property owners regarding proposed values and filed protests.
Coordinate with CAD staff on the hearing schedule and filed protests.
Appraisers defend values at protest hearings and enter all changes ordered by the ARB into CAMA.

CAD Administration & Support Staff

Chief Appraiser submits recommended 2028 Budget to BOD and taxing entities by June 15.
Hold Public Hearings and adopt 2028 Budget by September 15.
Place ¼ page Notice of Budget Hearing Ad in Frio-Nueces Current Newspaper at least 10 days before the budget approval hearing.
Submit Notice of Budget Hearing to taxing entities at least 10 before the budget approval hearing.
Chief Appraiser submits estimated pro-rate budget shares to BOD and taxing entities.
Print and mail personal property rendition penalty letters per 22.28 PTC.
Mail a determination letter regarding the rendition penalty waiver request (22.30 PTC); mail a protest form with any denial.
Submit budget billing letters to taxing entities by June 25.

CAD Appraisers

Continue compiling information for evidence packets for property owners filing protests and requesting evidence.

ARB Support

ARB begins hearings for current year.

Post ARB Hearing Agenda as needed.

Continue scheduling protest hearings and mailing Notice of Protest Hearing letters.

Continue preparing cause folders for hearings.

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

Contact the agent if no appointment form is on file for protested property.

Provide ARB support; make record of minutes during hearings, make copies as needed, supply forms and orders as needed, etc.

Mail ARB Notices and Orders certified, return receipt requested.

July 2027

Contracted Appraisal Departments

Appraisers work with property owners regarding proposed values & protests filed.

Mineral appraiser submits list of new properties to the chief appraiser.

MIUP personal property appraiser submits inventory owner total, changes and additions list, and appraisal of five different property types to the chief appraiser.

Coordinate MIUP download to CAD.

CAD Administration & Support Staff

Submit 25.25 (b) Quarterly Report to the Secretary of the BOD and ARB before **July 10**.

Chief Appraiser certifies Appraisal Roll to TAC's **July 25**.

Chief Appraiser completes USPAP Report.

Receive the MIUP load from P&A.

Coordinate with P&A to ensure rendition penalties are correctly applied.

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

Submit budget shares billing letters to taxing entities by **July 25**.

CAD Appraisers

Enter all changes ordered by ARB into CAMA.

Verify that mapping updates have been processed as scheduled.

ARB Support

ARB approves Appraisal Records by **July 20**.

August 2027

Contracted Appraisal Departments

Appraisers continue to work pending protest hearings.

CAD Administrative & Support Staff

Coordinate with IS support submission of sales information and deed transactions to State Comptroller by **August 1**.

Coordinate with IS support to submit the Certified Appraisal Roll to State Comptroller by **Aug 1**.

Submit budget shares billing letters to entities by **August 25**.

Letter to TAC'S informing them of accounts that receive a penalty for late Ag applications.

CAD Appraisers

Mail a letter to property owners filing late Ag applications, informing them of the 10% penalty for late

filing.

Keep working on Eagleview-to sketch and inspect County.

ARB Support

Continue ARB Hearing process for any rescheduled or newly scheduled protests.

September 2027

Contracted Appraisal Departments

Coordinate with TAC's to ensure the Tax Load Process is successful.

CAD Administration & Support Staff

BOD must adopt 2028 Budget by September 15.

Coordinate with P&A and TAC's to ensure the success of the Tax Load Process.

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

After tax rates are set, complete and submit Reports of Property Value to State Comptroller Office.

Generate Ceiling Loss Report after tax rates set.

Chief Appraiser schedules meeting of Agricultural Advisory Board.

Complete Comptroller Texas Farm and Ranch Survey by requested date (usually October 1).

- 1.) BOD discussion; recommendation to appoint 4 Agricultural Advisory members and 3 ARB members for 2-year terms.

Submit budget shares billing letters to taxing entities by September 25.

CAD Appraiser

Keep working Check that all qualifying residences have homestead exemptions; if not send application.

Keep working on Eagleview-to sketch and inspect County.

ARB Support

Schedule ARB for approval of supplemental records and, as needed, for review of the Legal Services Agreement.

October 2027

Contracted Appraisal Departments

Review and update AG Survey Letter as needed.

CAD Administration & Support Staff

Submit 25.25 (b) Quarterly Report to the Secretary of the BOD and ARB before October 10.

Notify entities: County and City of Dilley Board term expiration December 31, 2026 and need an appointed Board member (by Resolution) before December 31, 2026 for years 2027-2028.

CAD Appraisers

Check with contracted appraiser that AG Survey is up to date.

Mail Ag applications to owners who need updates.

Verify that mapping updates have been processed as scheduled.

Keep working on Eagleview-to sketch and inspect County.

November 2027

Contracted Appraisal Departments

Begin coordinating with chief appraiser on the next years' reappraisal.

CAD Administration & Support Staff

Coordinate with IS Support to roll the appraisal year in CAMA.

Submit budget shares billing letters to taxing entities for the subsequent year by **November 25**.
Review Disaster Plan and test.

CAD Appraisers

Print appraisal card worksheets and inventory lists before the roll year in CAMA.
Begin entering ownership/address changes, splits/combines and new properties from county deed records into current-year CAMA file.
Keep working on Eagleview-to sketch and inspect County.

December 2027

Contracted Appraisal Departments

Begin planning sales ratio studies for all areas within the CAD.
Continue working with chief appraiser on reappraisal issues.

CAD Administration & Support Staff

The Local Administrative District Judge appoints ARB members to 2-year terms and appoints the ARB Chairman and Secretary.
BOD approves the appointment of Agricultural Advisory Board members to 2-year terms.
Receive list of names of BOD members appointed by taxing entities for 2-year terms.
The Chief Appraiser conducts annual evaluation of employees.
Notify the Comptroller of the Chief Appraiser's eligibility to serve as Chief Appraiser under 6.05(c) PTC-public presentation as needed.

CAD Appraisers

Gather current sales data to review.
Gather appropriate agricultural surveys for review.
Review files for any exemptions or special valuations requiring reapplication.
Prepare work files for field work.
Mail income and expense data surveys to Multi-Family Residential and Mini-Storage owners.
Keep working on Eagleview-to sketch and inspect County.

2028 CALENDAR OF KEY EVENTS

As Needed

CAD Staff

Work with field reviewer and PTAD (Comptroller's Property Tax Assistance Division) on MAP Review.
Work with state field appraiser and PTAD on PVS (Property Value Study).
Renew TDLR License by renewal date; may be renewed up to 95 days before renewal date.
Attend required and necessary classes and training (as determined by chief appraiser).
Research returned mail.
Chief Appraiser and district staff meet to review, discuss and update policies, procedures and plans.

CAD Administration & Support Staff

Download new and updated Comptroller Forms.
Download taxpayer assistance information documents relevant to local taxpayers, from the Comptroller website for posting and distribution.
Review and keep the printed information provided for public use and education up to date.
Coordinate with P&A to keep the website up to date.
Maintain and keep updated permanent records and minutes of BOD (Board of Directors), ARB (Appraisal Review Board), and Agricultural Advisory Board.
Review, approve, and submit to BOD for approval contracts/agreements for professional services, as needed.
Prepare and post BOD agenda for monthly meeting.
Prepare and deliver BOD packets for monthly meeting.
Conflicts Disclosure Statements filed by BOD members, chief appraiser and district appraisers.
Prepare, update, balance and submit all financial reports to BOD for review and approval.

CAD Appraisers

Research online database of deeds filed in County Clerk's office & request copies of relevant deeds.
Send copies of associated mineral deeds to P&A.
Send copies of split/combine parcels to P&A's Mapping Dept.
Research any property ownership issues.
Key ownership/address changes, splits/combines, and new property and personal property into the CAMA (Computer Assisted Mass Appraisal) system.
Gather sales data from sales confirmation letters, deed records and other sales sources for sales files.
Mail and process exemption applications (such as new homestead, disabled and 65 & over, disabled veterans and surviving spouse, and open-space applications due to change of ownership).
Track value loss due to property acquiring 1st-time exemptions and 1st-time 1-d or 1-d-1 appraisal, and value gain due to new improvements for taxing units.
Keep working on Eagleview-to sketch and inspect County.

January 2028

Contracted Appraisal Departments

Begin field inspections on residential, land, mobile homes, commercial, and personal property.
All real property visually inspected and checked for accuracy in class and depreciation.
Take pictures of improvements (as-needed) and download them to CAMA.
Check for new construction and demolition of improvements.
Begin ratio studies and market analysis.
Begin receiving, processing, and reviewing renditions and extension requests.
MIUP appraisers begin work on discovery of property and appraisals for current year.

Begin receiving, processing, and reviewing renditions and extension requests.
MIUP appraisers begin work on discovery of property and appraisals for current year.

CAD Administration & Support Staff

Prepare for financial audit by independent CPA firm.
Submit 25.25 (b) Quarterly Report to the Secretary of the BOD and ARB before **January 10**.
Complete CAD's Annual Report, submit to entities, and post in office and on website.
Prepare and mail Personal Property Rendition forms.
MIUP renditions and/or extension request are faxed, mailed or e-mailed to P&A and the original filed in house.
Contact agent if no appointment form is on file for the property rendered.
Submit budget share billings letters to Tax Entities by **January 25**.

CAD Appraisers

Download list of active sales tax permits from Comptroller's website.
Download Comptroller's Business Personal Property Depreciation Schedule from website, when available.
Check for 65-and-over homestead exemptions that need to be granted automatically.
Mail applications to owners needing to reapply for annual exemptions or special valuations **January 31**.
Begin keying rendered accounts, deleted exemptions and new exemptions.
Begin receiving and keying rendition extension requests.
Check that mapping updates have been processed as scheduled.
Keep working on Eagleview-to sketch and inspect County.

ARB Support

Coordinate scheduling of ARB meeting to address any issues within their jurisdiction; have ready Statement of Officer and Oath of Office forms as needed.
Coordinate annual training with ARB members when schedule is available from PTAD.

February 2028

Contracted Appraisal Departments

Appraisers continue to work on discovery of property and appraisals.

CAD Administration & Support Staff

Coordinate with IS support on submission of sales information and deed transactions to State Comptroller by **February 1**.
BOD and chief appraiser sign affidavits regarding delinquent taxes.
Submit budget shares billing letters to taxing entities by **February 25**.
Publish Public Information ads (availability of exemptions, rendition requirements, special appraisal, and tax deferrals) in Frio-Nueces Current Newspaper and post at post office and on website.
Submit Operations Survey to PTAD by requested date.

CAD Appraisers

Begin transferring information from Appraisal Card worksheets to CAMA.
Proof property changes; print change report and compare it to appraisal worksheets.
Run new MH Installation Report from TDHC website.
Continuing working deeds and inputting ownership changes in CAMA.
Keep working on Eagleview-to sketch and inspect County.

ARB Support

ARB members are signed up for annual training, as schedule available.

March 2028

Contracted Appraisal Departments

Completed field work on local property Cat A, C, D, E, F, L, M, & J.
Review schedules against available sales data to identify areas that need significant adjustment or close review.
Review and consider recommendations and conclusions from meeting with agricultural advisory board.
Finalize market analysis and determine adjustments to schedules.
Complete ratios studies on real property.
Complete updates to residential schedules. AG schedules, mobile home depreciation schedules (if needed).
Upon completion of studies, adjustments, and updates send recommendations to the chief appraiser for review and approval.
Appraisers continue to work on discovery of property and appraisals.

CAD Administration & Support Staff

Mail out depository bid letters by March 15.
Chief appraiser begins work on 2029 Budget.
Coordinate with P&A on NAV (Notice of Appraised Value) mailings, protest deadline and protest hearing dated.
Coordinate with IS support on wording on notice.
Chief Appraiser reviews and approves recommendations from contracted appraiser.
Mailout bid letters for mapping software.
Submit budget share billings letter to taxing entities by March 25.

CAD Appraisers

Continue working deeds and inputting ownership changes in CAMA.

April 2028

Contracted Appraisal Departments

MIUP appraisers complete work on appraisal for production 2028 NAV's.
Appraiser continue to work on property discovery and appraisals.

CAD Administration & Support Staff

Form of Appraisal Roll notification letters sent to taxing unit TAC's by April 1.
Submit 25.25 (b) Quarterly Report to the Secretary of the BOD and ARB before April 10.
Chief Appraiser continues to work on the 2029 Budget.
Review edits and audits before notices run; correct or adjust accounts as needed.
Release local files for production of NAV's.
Certified Preliminary Values sent to TAC's by April 30.
Last day for application for special appraisal or notice to chief appraiser that property no longer qualifies for 1-d or 1-d-1, April 30.
Public presentation as needed.
Submit budget- share billings letters to taxing entities by April 25.

CAD Appraisers

Renditions due by April 15th unless extension requested; continue to receive and key rendition extension requests.
Complete input of data in CAMA for production of notices.
Run edits to check for needed corrections to owner accounts.
Check that mapping updates have been processed as scheduled.
Keep working on Eagleview-to sketch and inspect County.

May 2028

Contracted Appraisal Departments

Appraisers continue to process renditions from extension requests; notice owners.
Appraisers work with property owners regarding proposed values and protests filed.
Coordinate with Cad staff on hearing schedule & protests filed.

CAD Administration Support Staff

Chief Appraiser continues work on 2029 Budget.
BOD annual evaluation of Chief Appraiser.
Place Protest and Appeals Procedures Ad in Frio-Nueces Current Newspaper between May 1 and May 30.
NAV's mailed out.
Submit Appraisal Records to ARB for review by May 15.
Submit budget shares billing letters to taxing entities by May 25.

CAD Appraisers

Renditions receiving a 30-day extension are due by May 15, unless the chief appraiser extends the deadline to May 30.

Receive and key rendition extension requests and accounts granted additional 15-day extension.
Begin compiling information for evidence packets for property owners filing protests and requesting evidence.

ARB Support

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 within their jurisdiction.

Begin coordination scheduling of protest hearings and mailing Notice of Protest letters.
Being preparing cause folders for hearings.

Begin coordination with P&A appraisers on hearing schedule and protests filed.
Ensure all ARB members have attended mandatory training and certificates of completion are on file.

June 2028

Contracted Appraisal Departments

Appraisers continue to process renditions from extension request; notify the owner.
Appraisers continue to work on property discovery and appraisals.
Appraisers work with property owners regarding proposed values and protests filed.
Coordinate with CAD staff on hearing schedule and protests filed.
Appraisers defend values at protest hearings; enter all changes ordered by ARB into CAMA.

CAD Administration & Support Staff

Chief Appraiser submits recommended 2029 Budget to BOD and taxing entities by June 15.
Hold Public Hearings and adopt 2029 Budget by September 15.
Place ¼ page Notice of Budget Hearing Ad in Frio-Nueces Current Newspaper at least 10 days before hearing to approve budget.
Submit Notice of Budget Hearing to taxing entities at least 10 days before hearing to approve budget.
Chief Appraiser submits estimated pro-rate budget shares to BOD and taxing entities.
Print and mail personal property rendition penalty letters per 22.28 PTC.
Mail determination letter on received rendition penalty waiver request (22.30 PTC); mail protest form with any denial.
Submit budget billing letters to taxing entities by June 25.

CAD Appraisers

Continue compiling information for evidence packets for property owners filing protests and requesting evidence.

ARB Support

ARB begins hearings for the current year.
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 appraisers on hearing schedule and protest filed.
Contact agent if no appointment form on file for protested property.
Provide ARB support; make record of minutes during hearings, make copies as needed, supply forms and orders as needed, etc.
Mail ARB Notices and Orders certified, return receipt requested.

July 2028

Contracted Appraisal Departments

Appraisers work with property owners regarding proposed values & protests filed.
Mineral appraiser submits list of new property to chief appraiser.
MIUP personal property appraiser submits inventory owner total, changes and additions list, and appraisal of five different property types to chief appraiser.
Coordinate MIUP download to CAD.

CAD Administration & Support Staff

Submit 25.25 (b) Quarterly Report to the Secretary of the BOD and ARB before **July 10**.
Chief Appraiser certifies Appraisal Roll to TAC **July 25**.
Chief Appraiser completes USPAP Report.
Receive MIUP load from P&A.
Coordinate with P&A to ensure rendition penalties are correctly applied.
Certify to TAC's that rendition penalty has been applied and become final under 22.29 PTC.
Begin work on 2029-2030 Reappraisal Plan.
Submit budget shares billing letters to taxing entities by **July 25**.

CAD Appraisers

Enter into CAMA all changes ordered by ARB.
Check that mapping updates have been processed as scheduled.

ARB Support

ARB approves Appraisal Records by **July 20**.

August 2028

Contracted Appraisal Departments

Appraisers continue to work on any pending protest hearings.

CAD Administrative & Support Staff

Coordinate with IS support submission of sales information and deed transactions to State Comptroller by **August 1**.
Coordinate with IS support submission of Certified Appraisal Roll to State Comptroller by **Aug 1**.
Submit budget shares billing letters to entities by **August 25**.
Letter to TAC'S informing them of accounts that incur a penalty for late Ag applications.
Continue work on Reappraisal Plan 2029-2030.
Schedule Public Hearing on Reappraisal Plan 2029-2030.

CAD Appraisers

Mail letter to property owners filing late Ag application informing them of the 10% penalty for filing late.
Keep working on Eagleview-to sketch and inspect County.

ARB Support

Continue ARB Hearing process for any rescheduled or newly scheduled protests.

September 2028

Contracted Appraisal Departments

Coordinate with TACs to assure Tax Load Process is successful.

CAD Administration & Support Staff

BOD must adopt 2029 Budget by **September 15**.

Bod must adopt 2029-2030 Reappraisal Plan by September 15; provide notice to taxing units and the Comptroller's Office.

Coordinate with P&A and TACs to assure Tax Load Process is successful.

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

Complete and submit Reports of Property Value to State Comptroller Office after tax rates are set.

Generate Ceiling Loss Report after tax rates set.

Chief Appraiser schedules meeting of Agricultural Advisory Board.

Complete Comptroller Texas Farm and Ranch Survey by requested date (usually **October 1**).

BOD discussion; recommendation of appointment of 2 ARB members for 2-year terms.

Submit budget shares billing letters to taxing entities by **September 25**.

CAD Appraiser

Check that all qualifying residences have homestead exemptions; if not send application.

ARB Support

Schedule ARB for approval of supplemental records and to review Legal Services Agreement as needed.

October 2028

Contracted Appraisal Departments

Review and update AG Survey Letter as needed.

CAD Administration & Support Staff

Submit 25.25 (b) Quarterly Report to the Secretary of the BOD and ARB before **October 10**.

Notify entities: Pearsall ISD, Dilley ISD, and City of Pearsall Board term expiration December 31, 2028 and need appointed Board member (by Resolution) before December 31, 2028 for years 2029-2030.

CAD Appraisers

Check with contracted appraiser that AG Survey is updated.

Mail Ag applications to owners needing to be updated.

Check that mapping updates have been processed as scheduled.

Keep working on Eagleview-to sketch and inspect County.

November 2028

Contracted Appraisal Departments

Begin coordinating with chief appraiser on the next years' reappraisal.

CAD Administration & Support Staff

Coordinate with IS Support to roll appraisal year in CAMA.

Submit budget shares billing letters for subsequent year to taxing entities by **November 25**.

Review Disaster Plan and run test.

CAD Appraisers

Print appraisal card worksheets and inventory lists before roll year in CAMA.

Begin keying ownership/address changes, splits/combines and new property from county deed records into current year CAMA file.

December 2028

Contracted Appraisal Departments

Begin planning sales ratio studies for all areas within the CAD.

Continue working with chief appraiser on any reappraisal issues.

CAD Administration & Support Staff

Local Administrative District Judge appoints ARB members to 2-year terms.

Local Administrative District Judge appoints ARB Chairman and Secretary.

BOD approves appointment of Agricultural Advisory Board members to 2-year terms.

Receive list of names of BOD members appointed by taxing entities for 2-year terms.

Notify comptroller of chief appraiser's eligibility to serve as Chief Appraiser under 6.05(c) PTC.

BOD appoints CAD Depository for 2 years (term to begin January 1)-Public presentation as needed.

Chief Appraiser conducts annual evaluation of employees.

CAD Appraisers

Gather current sales data to review.

Gather appropriate agricultural surveys for review.

Review files for any exemptions or special valuations needing reapplication.

Prepare work files for field work.

Mail income and expense data surveys to Multi-Family Residential and Mini-Storage owners.

Keep working on Eagleview-to sketch and inspect County.

**EAGLE PROPERTY TAX
APPRAISAL & CONSULTING, Inc.**

REAPPRAISAL PLAN

2027-2028

INTRODUCTION

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

- (i) To ensure adherence with generally accepted appraisal practices, the board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the plan. Not later than the 10th day before the date of the hearing, the secretary shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place of the hearing. Not later than September 15 of each even-numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the Comptroller within sixty (60) days of the approval date.

PLAN FOR PERIODIC REAPPRAISAL REQUIREMENT:

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

- (a) Each appraisal office shall implement the Plan for Periodic Reappraisal of Property approved by the board of directors under Section 6.05 (i).
- (b) The plan shall provide for the following reappraisal activities for all real property in the district at least once every three years:
 - 1. identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps, and property sketches.
 - 2. identifying and updating relevant characteristics of each property in the appraisal records.
 - 3. defining market areas in the district
 - 4. identifying property characteristics that affect property value in each market area, including the location and market area of property, physical attributes of property such as size, age, and condition, legal and economic attributes, and the identification of easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions.
 - 5. developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics.
 - 6. applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
 - 7. reviewing the appraisal results to determine value.
 - 8. calculate special valuation AG rates prior to notices.

REVALUATION DECISION (REAPPRAISAL CYCLE)

The CAD, by policy adopted by the Board of Directors and the Chief Appraiser, reappraises all property in the district every year. The reappraisal may consist of field inspections, CAMA, or both. The reappraisal year is a complete appraisal of all properties in the district. Tax year 2027 is a reappraisal year and tax year 2028 is a reappraisal year.

Additionally, every tax year, the district inspects and appraises new construction and adds those properties to the appraisal roll. The district also inspects and reappraises properties that have been remodeled or demolished, properties with additions, properties with fire damage, or properties with any change or damage. These changes are found through building permits issued by the city. However, since building permits are not required for properties outside the city limits, District staff maintain a file of newspaper clippings that pertain to changes in property and all District staff remains alert to visual changes in properties. Throughout the year, notes are made on those visual changes, and all information is provided to the field appraiser. The field appraiser will also conduct detailed field inspections of properties if requested by the owner and reappraise these properties as necessary. The district is contracted with Eagle Property Tax Appraisal & Consulting, Inc. to perform the appraisals and field inspections.

Eagle Property Tax Appraisal & Consulting, Inc. compiles all sales by school district. Problematic areas are further researched and may indicate the use of market modifiers. The use of these modifiers is the predominant method of adjusting sales for location and time. Values throughout the county may be adjusted by use of market modifiers during the reappraisal year.

PLANNING AND ORGANIZATION

A calendar of key events with critical completion dates is prepared for each area of work. This calendar identifies key events for appraisal, clerical, customer service, and information systems. A calendar is prepared for the years 2027 and 2028. Production standards for field activities are calculated and incorporated in the planning and scheduling process. Refer to the district's timeline and schedule in the Written Plan for Periodic Reappraisal.

Eagle Property Tax Appraisal & Consulting, Inc. will begin field inspections of the district's scheduled reappraisal area on or about the first Tuesday following Labor Day in September 2026 and will complete all inspections and schedules by April 1, 2027, for the 2027 tax year. Eagle Property Tax Appraisal & Consulting, Inc. will begin field inspections of the district's scheduled reappraisal area on or about the first Tuesday following Labor Day in September 2027 and will complete all inspections and schedules by April 1, 2028, for the 2028 tax year.

The district shall provide Eagle Property Tax Appraisal & Consulting, Inc. appraisers the field cards that contain specific information regarding the property being appraised. These cards contain brief legal descriptions, ownership interests, property use codes, property addresses, land size, and sketches of improvements as well as detailed information of any improvements. Appraisal field inspection procedures require the appraisers to check all information on the field cards and to update the information when necessary. All new improvements shall be measured, classed,

and assigned the appropriate depreciation amount. Structures that have been demolished or removed shall be marked off the appraisal card. Properties with extensive improvement remodeling shall be identified and the field inspection shall identify and update the property characteristic data. The appraiser shall note the date of the inspection on the card and place his initials on the card. The appraiser shall take pictures, with each picture having a date, and note the picture number on the appraisal card.

Each year, Eagle Property Tax Appraisal & Consulting, Inc. will test real property market areas, by property classification. The market areas shall be tested for low or high ratio sales and/or high coefficients of dispersion. Market areas that fail any or all of these tests are determined to be problematic. Field inspections are scheduled to verify and/or correct property characteristic data. Additional sales data is researched and verified.

The International Association of Assessing Officers' Standard on Mass Appraisal of Real Property specifies that the universe of properties shall be re-inspected on a cyclical basis of at least once every three years. The re-inspection includes physically viewing the property, photographing, and verifying the accuracy of the existing data. **The annual re-inspection requirements for tax years 2027 and 2028 are identified and scheduled in the District's Written Plan for Periodic Reappraisal.**

In addition to the three-year cycle set out by the district's reappraisal plan, Eagle Property Tax Appraisal & Consulting, Inc. will perform ratio studies annually to determine areas or categories of properties within the CAD which need to be reappraised within the current year based on ratios. Any areas or categories whose ratios are above, or below statutory requirements shall be reappraised in the current year regardless of the area in which they are located. This two-fold approach will insure not only that all residential and commercial property within the CAD is reappraised at least once every three years, but also that all other categories within the CAD are reviewed annually so that the district stays current with respect to market value in those areas where residential and/or commercial property values appear to be changing rapidly.

MASS APPRAISAL SYSTEM

REAL PROPERTY VALUATION

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

Cost schedules are tested with market data (sales) to ensure that the appraisal district is in compliance with Texas Property Tax Code, Section 23.011. 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. Eagle Property Tax Appraisal & Consulting, Inc. utilizes the national publication of cost schedules of Marshall Valuation Services.

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

PERSONAL PROPERTY VALUATION

Eagle Property Tax Appraisal & Consulting performs personal property valuations only in some Districts.

Density schedules are tested using data received during the previous tax year from renditions and hearing documentation. Valuation procedures are reviewed, modified as needed, and tested.

HEARING PROCESS

Eagle Property Tax Appraisal & Consulting, Inc. representatives conduct informal hearings with protesting property owners. If the protest cannot be settled within the guidelines set out by the district's informal hearings procedures, the property owner may elect to proceed to a formal hearing before the Appraisal Review Board.

Eagle Property Tax Appraisal & Consulting, Inc. representatives will be present at formal ARB hearings and will present and defend the appraisals performed. Further, Eagle Property Tax Appraisal & Consulting, Inc. will provide the District the calculations of schedules and final schedules.

STAFFING:

Eagle Property Tax Appraisal & Consulting, Inc. contracts with appraisers who are certified or are working on obtaining certification. Contractors are assigned to various counties but may also work with any of the company's contracted appraisal districts. A list of all contractors is attached and is subject to change.



PRITCHARD & ABBOTT, INC.
VALUATION AND IT CONSULTANTS

S.B. 1652* BIENNIAL REAPPRAISAL PLAN

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

For Tax Years:

2027 and 2028**

Originally Printed: July 2026

***This biennial reappraisal plan is largely predicated on the Scope of Work Rule in the most recent version of Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by The Appraisal Foundation's Appraisal Standards Board (ASB). The 2024 edition of USPAP has an effective start date but no end date. Because the standards have matured, the ASB now states that the need for the standards to be updated on a regular basis has decreased. Therefore, the 2024 USPAP will be effective for an indeterminate number of tax years, or until the next USPAP version is produced.*

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

"To ensure adherence with generally accepted appraisal practices, the board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10th day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place for the hearing. Not later than September 15 of each even-numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date."

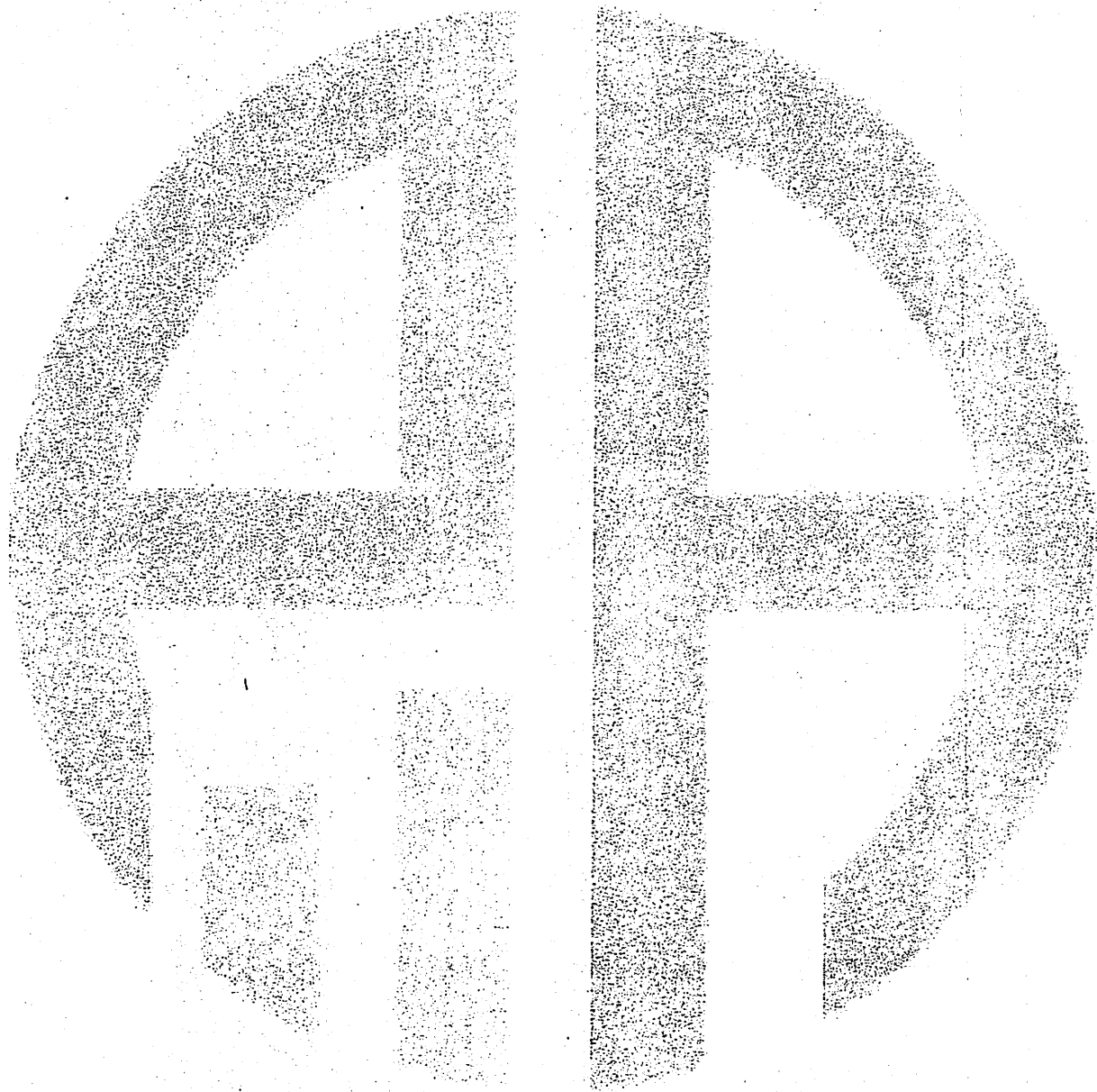


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POLICY STATEMENT OF PRITCHARD & ABBOTT, INC., ON THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

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. Accordingly, much of the verbiage in the “USPAP report” is a reiteration of the Biennial Reappraisal Plan.

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

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

Per USPAP Advisory Opinion 32: *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*, in the interests of equity, the scope of work in mass appraisal assignments for ad valorem taxation can include consideration of appraisal level (the overall proximity between appraised values and actual prices) and the

uniformity of property values (equity within groups of like properties). The appraiser is responsible for recognizing when the concepts of appraisal level and appraisal uniformity are necessary for credible assignment results in a mass appraisal assignment for ad valorem taxation.

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

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

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

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

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

P&A believes that, with its vast experience and expertise in these areas of appraisal, all concluded values and reports thereof are credible, competent, understandable, uniform and consistent; and most importantly for ad

valorem tax purposes, accomplished in a cost-efficient and timely manner.

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

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

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

PREAMBLE

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

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

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

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

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

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

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

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

Consequently, USPAP Standards 5 and 6 are assumed to be applicable for ad valorem tax purposes in Texas, if mass appraisal practices are in fact being used to appraise the subject property. USPAP Advisory Opinion 32 suggests several USPAP standards other than Standards 5 or 6 can apply in ad valorem tax work. It appears that

an appraiser engaged in ad valorem tax work in Texas is not specifically required by law to rigorously follow USPAP standards if in fact mass appraisal practices have not been used to appraise the subject property. The Jurisdictional Exception Rule could then be invoked because of a contradiction between the requirements of USPAP and the law or regulation of a jurisdiction. Please see the P&A Policy Statement on USPAP as provided elsewhere in this report for a more detailed discussion regarding this matter.

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

ETHICS RULE

Because of the fiduciary responsibilities inherent in professional appraisal practice, the appraiser must observe the highest standards of professional ethics. This Ethics Rule is divided into four (4) sections:

- Nondiscrimination;
- Conduct;
- Management;
- Confidentiality.

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

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

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

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

NONDISCRIMINATION

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

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

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

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

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

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

CONDUCT

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

An appraiser:

- must not perform an assignment with bias;
- must not advocate the cause or interest of any party or issue;
- ***must not accept an assignment that includes the reporting of predetermined opinions and conclusions;***
- must not misrepresent his or her role when providing valuation services that are outside of appraisal practice;
- must not communicate assignment results with the intent to mislead or to defraud;
- must not use or communicate a report or assignment results known by the appraiser to be misleading or fraudulent;
- must not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent report;
- must not engage in criminal conduct;
- must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE; and must not perform an assignment in a grossly negligent manner.

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

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

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

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

MANAGEMENT

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

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

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

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

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

CONFIDENTIALITY

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

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

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

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

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

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

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

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

RECORD KEEPING RULE

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

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

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

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

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

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

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

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

SCOPE OF WORK RULE

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

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

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

Scope of work includes, but is not limited to:

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

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

PROBLEM IDENTIFICATION

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

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

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

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

SCOPE OF WORK ACCEPTABILITY

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

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

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

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

DISCLOSURE OBLIGATIONS

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

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

JURISDICTIONAL EXCEPTION RULE

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

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

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

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

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

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

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

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

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

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

A mass appraisal includes:

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

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

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

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

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

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

- **Standard 5-6:** Defines requirements for application of a calibrated model to the property being appraised. This rule calls for: the appraiser to recognize methods or techniques based on the cost, market, and income approaches for improved parcels; the appraiser to value sites by recognized methods or techniques such as allocation method, abstraction method, capitalization of ground rent, and land residual; the appraiser to develop value of leased fee or leasehold estates with consideration for terms and conditions of existing leases, and, when applicable by law, as if held in fee simple whereas market rents are substituted for actual contract rents; the appraiser to analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or component parts of a property; the appraiser to analyze anticipated public or private improvements located on or off the site, and analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.
- **Standard 5-7:** Defines the reconciliation process of a mass appraisal. Specifically, appraisers must analyze the results and/or applicability of the various approaches used while ensuring that, on an overall basis, standards of reasonableness and accuracy are maintained with the appraisal model selected (underline added for emphasis). It is implicit in mass appraisal that, even when properly specified and calibrated models are used, some individual value conclusions will not meet standards of reasonableness, consistency, and accuracy. Appraisers have a professional responsibility to ensure that, on an overall basis, models produce value conclusions that meet attainable standards of accuracy.
- **Standard 6-1:** Defines general requirements of a mass appraisal report which is required to be in writing; no option exists for oral reports. This standard addresses the level of information required so that the report is clearly understood (i.e., not misleading) and sufficiently qualified with any assumptions and conditions (elements of which are further detailed in the next three sections of this report that discuss P&A appraisal procedures with regards to specific categories of property).
- **Standard 6-2:** Defines specific content required to be included in a mass appraisal written report.
- **Standard 6-3:** Defines the certification of the mass appraisal written report.

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

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

INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appraisal Resources

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

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

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

VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

Approaches to Value for Petroleum Property

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

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

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

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

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

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

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

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

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

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

DATA COLLECTION/VALIDATION

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

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

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

VALUATION ANALYSIS (MODEL CALIBRATION)

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

INDIVIDUAL VALUE REVIEW PROCEDURES

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

course, all property values are subject to review through normal protest and Appraisal Review Board procedures, with P&A acting as an extension of the Office of the Chief Appraiser.

PERFORMANCE TESTS

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

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

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Engineering Services Department of Pritchard & Abbott, Inc. (P&A) is responsible for developing fair and uniform market values for industrial, utility and related personal properties. Personal property is often referred to as “business personal property” (or BPP), as tangible non-income producing personal property in Texas (personal property not held to produce income related to a business purpose) is generally exempt.

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

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

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

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

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

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

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

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

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

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

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

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

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

Appraisal Resources

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

Data: A set of data characteristics (i.e. original cost, year of acquisition, quantities, capacities, net operating income, property description, etc.) for each industrial, utility and personal property is collected from various sources, often including personal inspection (in-person observation of the subject property performed as part of

the scope of work, not to be confused with an inspection performed by a home inspector, structural engineer, or the like). This data is maintained in either hard copy or computer files as part of the appraiser's work file (documentation necessary to support the appraiser's analyses, opinions, and conclusions). Each property's characteristic data drives the appropriate computer-assisted appraisal approach to valuation.

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

VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

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

Approaches to Value for Industrial, Utility, and Personal Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. This method is most readily applicable to the appraisal of industrial and related personal property and some, but not all, utility property. Under this method, the market value of property equals the value of the land plus the current cost of improvements less accrued depreciation. An inventory of the plant improvements and machinery and equipment is maintained by personally inspecting each facility every year. **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the cost approach to value in the appraisal of industrial, utility, and related personal property. Exceptions exist for core operating property of rate-regulated utility property - see discussion of Income Approach below.**

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

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

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

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

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

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

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

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., employs the income approach in the appraisal of industrial and utility property only when quantifiable levels of income are able to be reliably determined and/or projected for the subject property. P&A does not routinely employ the income approach in the appraisal of personal property, other than for core operating business personal property of rate-regulated utility companies where “unitary methodology” is the widely accepted norm.

DATA COLLECTION/VALIDATION

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

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

VALUATION ANALYSIS (MODEL CALIBRATION)

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

INDIVIDUAL VALUE REVIEW PROCEDURES

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

PERFORMANCE TESTS

An independent test of the appraisal performance of properties appraised by P&A is conducted by the State of Texas Comptroller's Office through the annual Property Value Study for school funding purposes. This study determines the degree of uniformity and the median level of appraisal for utility properties. School jurisdictions

are given an opportunity to appeal any preliminary findings. After the appeal process is resolved, the Comptroller publishes a report of the findings of the study, including in the report the median level of appraisal, the coefficient of dispersion around the median level of appraisal and any other standard statistical measures that the Comptroller considers appropriate.