Eastland County Appraisal District



2026 MASS APPRAISAL REPORT

WEBSITE HOMEPAGE

http://www.eastlandcad.org/

MISSION STATEMENT

To courteously and professionally serve the taxing units and citizens of Eastland County by providing equal and uniform appraisals of all properties, as well as provide efficient assessment and collections services on behalf of participating taxing units in compliance with the Texas Property Tax Code.

Eastland CAD Responsibilities

The Appraisal District's primary responsibility is to develop an annual appraisal roll for use by taxing units by imposing ad valorem taxes on property in the district. Eastland CAD is governed by the Board of Directors, who is primarily responsible for the hiring of the Chief Appraiser as well as approving the annual budget.

Scope of Responsibility

The Eastland County Appraisal District (ECAD) has prepared and published this report to provide our Board of Director's, citizens and taxpayers with a better understanding of the district's responsibilities and activities. This mass appraisal report was written in compliance with Standards Rule 6-7 of the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of The Appraisal Foundation. This report has several parts: a general introduction and then several sections describing information specific to particular appraisal divisions.

The 2026 mass appraisal was prepared under the provisions of the Texas Property Tax Code (hereafter "Tax Code"). The 19 taxing jurisdictions that participate in the district must use the appraisals as the basis for imposition of property taxes. The State of Texas allocates state funds to school districts based upon the district's appraisals, as tested and modified by the state comptroller of public accounts.

The 2026 mass appraisal results is an estimate of the market value of each taxable property within the district's boundaries. Where required by law, the district also estimates value on several bases other than market value. These are described where applicable later in this report.

Definition of Value

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

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

The Tax Code defines special appraisal provisions for the valuation of several different categories of property. Specially appraised property is taxed on a basis other than market value as defined above. These categories include residential homestead property (Sec. 23.23, Tax Code), agricultural and timber property (Chapter 23, Subchapters C, D and E, Tax Code), real and personal property inventory (Sec. 23.12, Tax Code), certain types of dealer inventory (Sec. 23.121, 23.124, 23.1241 and 23.127), and nominal (Sec. 23.18) or restricted use properties (Sec. 23.83).

Properties Appraised

This mass appraisal appraised all taxable real and personal property known to the district as of the date of this report, with the exception of certain properties on which valuation was not complete as of the date of this report. These, by law, will be appraised and supplemented to the jurisdictions after equalization. The property rights appraised were fee simple interests, with the exception of leasehold interests in property exempt to the holder of the property's title. The latter are appraised under a statutory formula described in Sec. 25.07, Tax Code. The description and identification of each property appraised is included in the appraisal records submitted to the Eastland County Appraisal Review Board (ARB) on May 22, 2026.

Supporting information relied on for this report, such as individual property records, sales ratio reports, market studies, appraisal manuals and procedures, regulations and statutes is voluminous and is generally kept in electronic format and is available to the general public at the appraisal district, except where protected by statute by confidentiality regulations.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

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

The appraisals were prepared exclusively for ad valorem tax purposes and the property characteristics upon which the appraisals are based are assumed to be correct.

Validation of sales transactions occurred through questionnaires to buyers and sellers, and other local credible sources. As such, these transactions were considered reliable.

- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to any property is assumed to be good and marketable, unless otherwise stated.
- All property is appraised as if free and clear of any and all liens or encumbrances, unless otherwise stated. All taxes are assumed to be current.
- All property is appraised as though under responsible, adequately capitalized ownership and competent property management.
- All engineering is assumed to be correct. Any plot plans and /or illustrative material contained with the appraisal records are included only to assist in visualizing the property.
- It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in this mass appraisal report.

- ❖ It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in this mass appraisal report.
- ❖ It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- ❖ It is assumed that the utilization of the land and improvements of the properties described are within the boundaries or property lines, and that there are no encroachments or trespasses unless noted on the appraisal record.

Unless otherwise stated in this report or noted on the appraisal record, the appraiser is not aware of the existence of hazardous substances or other environmental conditions. The value estimates are predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

Texas is a non-disclosure state in which buyers and sellers are not required to report sales transactions, therefore, Eastland County Appraisal District uses great diligence in attempting to acquire sales data, but is limited in its ability to gather sales data by current legislation.

EFFECTIVE DATE OF APPRAISAL & REPORT DATE

With the exception of certain inventories for which the property owner has elected a valuation date of September 1, 2026; all appraisals are as of January 1, 2026. The date of this report is July 23, 2026.

Determination of Highest and Best Use for Real Property

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

§ 23.01. Appraisals Generally

a) Except as otherwise provided by this chapter, all taxable property is appraised at its market value as of January 1.
b) The market value of property shall be determined by the application of generally accepted appraisal methods and techniques. If the appraisal district determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the Uniform Standards of Professional Appraisal Practice. The same or similar appraisal methods and techniques shall be used in appraising the same or similar kinds of property. However, each property shall be appraised based upon the individual characteristics that affect the property's market value, and all available evidence that is specific to the value of the property shall be taken into account in determining the property's market value.

c) Notwithstanding Section 1.04(7)(C), in determining the market value of a residence homestead, the chief appraiser may not exclude from consideration the value of other residential property that is in the same neighborhood as the residence homestead being appraised and would otherwise be considered in appraising the residence homestead because the other residential property:
(1) was sold at a foreclosure sale conducted in any of the three years preceding the tax year in which the residence homestead is being appraised and was comparable at the time of sale based on relevant characteristics with other residence homesteads in the same neighborhood; or
(2) has a market value that has declined because of a declining economy.

(d) The market value of a residence homestead shall be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property.

(e) Notwithstanding any provision of this subchapter to the contrary, if the appraised value of property in a tax year is lowered under Subtitle F, the appraised value of the property as finally determined under that subtitle is considered to be the appraised value of the property for that tax year. In the following tax year, the chief appraiser may not increase the appraised value of the property unless the increase by the chief appraiser is reasonably supported by substantial evidence when all of the reliable and probative evidence in the record is considered as a whole. If the appraised value is finally determined in a protest under Section 41.41(a)(2) or an appeal under Section 42.26, the chief appraiser may satisfy the requirement to reasonably support by substantial evidence an increase in the appraised value of the property in the following tax year by presenting evidence showing that the inequality in the appraisal of property has been corrected with regard to the properties that were considered in determining the value of the subject property. The burden of proof is on the chief appraiser to support an increase in the appraised value of property under the circumstances described by this subsection.

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

"Highest and best use" is the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability. Clear Creek Drainage Dist. of Galveston County v. Manison Not Reported in S.W.3d Tex.App.-Houston [14 Dist.], 1997. With the exception of residence homesteads, this definition of highest and best use still applies to appraisals conducted under the Tax Code.

Personnel Resources

The office of the Chief Appraiser is primarily responsible for overall planning, organizing, staffing, coordinating, and controlling of district operations. The administration department's function is to plan, organize, direct and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities and postal services. The appraisal department is responsible for the discovery, listing, and valuation of all real and personal property accounts. The property types appraised include commercial, residential, business personal, mineral, utilities, and industrial. The district's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulation whose website can be viewed at **http://www.tdlr.texas.gov/.** We also provide tax collection services for nine of the fifteen taxing jurisdictions in the county.

Support functions including records maintenance, information and assistance to property owners, and the conducting of ARB hearings are coordinated by CAD personnel, Pritchard & Abbott and Western Valuation & Consulting.

The appraisal district staff consists of 1 part-time and 8 full-time employees:

TITLE	NAME	TDLR #	MAIN RESPONSIBILITY
CHIEF APPRAISER	RANDY CLARK	71540	ADMINISTRATOR
ASST. CHIEF APPRAISER	KERRIE EDGAR	72430	REAL, COMMERCIAL, PERSONAL
APPRAISAL DEPUTY	KIM WOLF	74029	COLLECTIONS, MINERALS, BPP, APPRAISAL DATA ENTRY
LAND COORDINATOR	CHRISTY CHASTAIN	77627	AG/WILDLIFE APPLICATIONS & MAPPING, OWNERSHIIPS
MAPPING/OWNERSHIP DEPUTY	KASEY BULLOCK	77650	MAPPING, OWNERSHIPS, APPRAISAL DATA ENTRY
MAPPING/APPRAISAL DEPUTY	BRIAN BROYLES	75005	MAPPING, OWNERSHIPS, APPRAISAL DATA ENTRY, OFFICE MANAGER
CUSTOMER SERVICE ASSOCIATE	KEIGAN NICHOLS	N/A	DATA ENTRY, TAX COLLECTION, ARB ASSISTANT
CUSTOMER SERVICE ASSOCIATE	MINDI LEDBETTER	N/A	DATA ENTRY, TAX COLLECTION

Pritchard & Abbott and Western Valuation Appraisal Staff:

	NAME	TDLR #	APPRAISAL RESPONSIBILITY
P&A	DAVID ERICKSON	66411	MINERALS/INDUSTRIAL/UTILITIES
P&A	JOHN RUTLEDGE	66052	INDUSTRIAL
P&A	RODNEY KRET	63648	UTILITIES
WV	BILL BEAM	64125	RESIDENTIAL/COMMERCIAL
WV	RICHARD PETREE	16308	RESIDENTIAL/COMMERICAL
WV	BRAD BEAM	73610	RESIDENTIAL/COMMERICAL

Appraisal Divisions

The district allocates the work of mass appraisal among several divisions. The appraisal divisions consist of the Residential Property and Commercial Property Division and the Business Personal Property Division for in house appraisal and the Industrial/Mineral Property Division is appraised by Pritchard and Abbott. Each division's appraisal staff is responsible for maintaining property characteristics data and discovering and listing new construction annually and, to develop, calibrate, and apply the various mass appraisal models for their respective property types.

Data

The district is responsible for establishing and maintaining approximately 34,000 real and personal property accounts covering 932 square miles within Eastland County. Data collected includes property characteristics, ownership, and exemption information. Property characteristic data on new construction and existing property data is maintained through field review. Numerous sales are validated as part of the field inspections.

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

Information Systems

Pritchard & Abbott maintain the district's data processing facility, software applications, Internet website, and geographical information system. Pritchard & Abbott provides software services for appraisal applications.

Appraisal District Boundaries

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

Independent Performance Test

According to Chapter 5 of the Texas Property Tax Code and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Division (PTD) conducts a property value study (PVS) of each Texas school district and each appraisal district every other year. As part of this study, the code requires the Comptroller to: use sales and recognized auditing and sampling techniques; review each appraisal district's appraisal methods, standards and procedures to determine whether the district used recognized standards and practices (MAP review); tests the validity of school district taxable values in each appraisal district and presumes the appraisal roll values are correct when values are valid; and, determines the level and uniformity of property tax appraisal in each appraisal district. The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical analyses of sold properties (sale ratio studies) and appraisals of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting. For appraisal districts, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties within 25% of the median and price-related differential (PRD) for properties overall and by state category.
There are 9 school districts that have property in Eastland CAD for which appraisal rolls are annually developed. The preliminary results of this study are released February 1 in the year following the year of appraisal. The final results of this study are certified to the Education Commissioner of the Texas Education Agency (TEA) in July of each year. This outside (third party) ratio study provides additional assistance to the CAD in determining areas of market activity or changing market conditions. The final results of the 2024 Eastland County Value Study can be viewed at:

https://comptroller.texas.gov/taxes/property-tax/pvs/2024f/index.php

APPRAISAL ACTIVITIES

INTRODUCTION

Appraisal Responsibilities

The field appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes. Accurate valuation of real and personal property by any method requires a comprehensive physical description of the personal property, land and building characteristics. This appraisal activity is responsible for administering, planning and coordinating all activities involving data collection and maintenance of all commercial, residential and personal property types located within the boundaries of Eastland County Appraisal District jurisdiction. The data collection effort involves the field inspection of real and personal property accounts, as well as data entry of all data collected into the existing information system. The goal is to periodically inspect residential, commercial, and personal properties in the district every third year. The appraisal opinion of value for all property located in the district is reviewed and evaluated each year.

Appraisal Resources

Personnel - The appraisal activities are conducted by 4 (in-house) appraisers.

Data - The data, gathered by field devices that are used by field appraisers, includes the existing property characteristic information contained in Computer Assisted Mass Appraisal System (CAMA) from the district's computer system. The data is printed on a field appraisal card. Other data used includes maps, sales data, newspaper articles, building permits, photos and actual cost and market information. Sources of information are gathered using excellent reciprocal relationships with other participants in the real estate market place. The district cultivates sources and gathers information from both buyers and sellers.

Data Collection/Validation

Data collection of real property involves maintaining data characteristics of the property on the CAMA software. The information contained in the CAMA includes site characteristics, such as land size, and improvement data, such as square footage of living area and other details of the improvement, year built, quality of construction, and condition. Field appraisers are required to use a property classification system that establishes uniform procedures for the correct listing of real property. All properties are coded according to a classification system. The approaches to value are structured and calibrated based on this coding system and property description and characteristics. The field appraisers use property classification references during their initial training and as a guide in the field inspection of properties. Data collection for personal property involves maintaining information on the software. The type of information contained in the BPP file includes the type of personal property such as business inventory, furniture and fixtures,

machinery and equipment, with details such as cost and location. The field appraisers conducting on-site inspections use a personal property classification system during their initial training and as a guide to correctly list all personal property that is taxable.
The listing procedure utilized by the field appraisers is available in the district offices.
Appraisers periodically update the classification system with input from the valuation group.

Sources of Data

The sources of data collection are through property inspection, new construction field effort, data review/relist field effort, data mailer questionnaires, hearings, sales validation, sales verification, newspapers and publications, and property owner correspondence by mail or via the Internet. A principal source of data comes from building permits received from taxing jurisdictions that require property owners to take out a building permit. Paper permits are received and matched manually with the property's tax account number and loaded to the Building Permit section of the CAMA. The Multiple Listing Service of the Greater Metro West Board of Realtors is a source of data, for both property description and market sales data, along with area real estate brokers and managers. Data surveys from buyers and sellers requesting market information and property description information are also valuable data. Soil surveys and agricultural surveys of farming and ranching property owners and industry professionals are helpful for productivity value calibration. The Texas Railroad Commission is the source for mineral production data and leasing information. Capital market information is available from Ibbotson's SBBI Valuation Edition and Wall Street Journal, Value Line Investment Survey, and the Oil and Gas Journal. Crude and gas pricing is taken from Plains Marketing and Sunoco Logistics, regional product gathering and marketing companies and the primary buyers for oil and gas produced in the area. Improvement cost information is gathered from local building contractors and Marshall and Swift Valuation Service. Income and rental surveys are performed by mailing survey to property managers and operators to determine operating income and expenses for investment and income producing real property.

The sales validation effort in real property pertains to the collection of market data for properties that have sold. In residential and commercial, the sales validation effort may involve an on-site inspection by field appraisers to verify the accuracy of the property characteristics, confirmation of the sales price and any other pertinent data. Property owners are one of the best sources for identifying incorrect data that may generate a field check. Frequently, the property owner provides reliable data to allow correction of records without having to send an appraiser on-site. As the district has increased the amount of information available on the Internet, property owners have the opportunity to review information on their property and forward corrections via e-mail. For the property owner without access to the Internet, letters are sometimes submitted notifying the district of inaccurate data. Properties identified in this manner are added to the task work file and inspected. Accuracy and validity in property descriptions and characteristics data is the highest goal and is stressed throughout the appraisal process from year to year.

Data Collection Procedures

The appraisers are assigned 1/3 of the county each year to conduct field inspections. Appraisers conduct field inspections and record information on the field review card of all changes, corrections and additions that the appraiser may find in his or her field inspection to be entered into the CAMA. The quality of the data used is extremely important in estimating market values of taxable property. While work performance standards are established and upheld for the various field activities, quality of data is emphasized as the goal and responsibility of each appraiser. New appraisers are trained in the specifics of data collection and the classification system set forth and recognized as "rules" to follow. Experienced appraisers are routinely re-trained in listing procedures prior to major field projects such as new construction, sales validation or data review. A quality assurance process exists through review of the work being performed by the field appraisers and charged with the responsibility of ensuring that appraisers follow listing procedures, identify training issues and provide uniform training throughout the field appraisal staff.

Data Maintenance

The appraiser begins an area by printing field review cards of the area that they plan to work. The Customer Service Representatives are responsible for the data entry of the appraiser's fieldwork into the CAMA. This responsibility includes not only data entry, but also quality assurance. Data updates and file modification for property descriptions and input accuracy is conducted as the responsibility of the in-house appraisers.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection and the appraiser responsible are listed on the CAMA record and property card. If a property owner or jurisdiction disputes the district's records concerning this data during a hearing, via a telephone call or other correspondence received, the record may be corrected based on the evidence provided or an on-site inspection may be conducted. Typically, a field inspection is requested to verify this information for the current year's valuation or for the next year's valuation. Every third year a field review of real property and all personal property accounts, with an available situs, located in the jurisdiction is done.

Office Review

Office reviews are completed on properties where updated information has been received from the owner of the property and is considered accurate and correct. When the property data is verified in this manner, and considered accurate and correct, field inspections may not be required. The personal property department mails property rendition forms in January of each year to assist in the annual review of the property.

Performance Test

The Chief appraiser is responsible for conducting ratio studies and comparative analysis. Ratio studies are conducted on all property located within the Appraisal District's jurisdiction. The sale ratio and comparative analysis of sale property to appraised value, forms the basis for determining the level of appraisal and market influences and factors for the neighborhood. This information is the basis for updating property valuation for the entire area of property. Field appraisers, in many cases, may conduct field inspections to insure the accuracy of the property descriptions at the time of sale for this study. This inspection is to ensure that the ratios produced are accurate for the property sold and that appraised values utilized in the study are based on accurate property data characteristics observed at the time of sale. Also, property inspections are performed to discover if property characteristics have changed as of the sale date or subsequent to the sale date. Sale ratios should be based on the value of the property as of the date of sale, not after a subsequent or substantial change was made to the property. Properly performed ratio studies are a good reflection of the level of appraisal for the district.

RESIDENTIAL

Residential Real Property represents approximately 28% of the total market value in Eastland County.



RESIDENTIAL VALUATION PROCESS

INTRODUCTION

Scope of Responsibility

The residential appraiser is responsible for estimating equal and uniform market values for residential improved and vacant property. There are approximately 13,000 residential improved single/multi-family improvements and residential lots in Eastland County.

Appraisal Resources

Personnel - The following appraisers are responsible for estimating the market value of residential property:

TITLE	NAME	COMPUTER CODE-TDLR #	APPRAISE
CHIEF APPRAISER	RANDY CLARK	RC 71540	REAL, COMMERCIAL, PERSONAL
ASST. CHIEF APPRAISER	KERRIE EDGAR	KE 72430	REAL, COMMERCIAL, PERSONAL
FIELD APPRAISER	BRAD BEAM	BB 73610	REAL, COMMERCIAL, PERSONAL

Data

An individualized set of characteristics for each property in the CAD that is collected in the field and data entered into the computer. The property characteristic data drives the application of computer-assisted mass appraisal (CAMA) under the Cost, Market, and Income Approaches to property valuation.

Data Resources

The sources of data collection and verification include, but are not limited to, building permits, TDHCA mobile home ownership records, data mailers, informal meetings and formal hearings, information collected in the field, newspapers, publications, and property owner correspondence by letter and via the internet. Building permit data attained triggers field inspections on property experiencing significant characteristic changes due to new construction or remodeling. Property

owners contact the CAD to report data inaccuracies that initiate a field inspection or office correction of the data.

VALUATION APPROACH

Land Analysis

Residential land valuation analysis is conducted prior to neighborhood sales analysis. The value of the land component to the property is estimated based on available market sales for comparable and competing land under similar usage. A comparison and analysis of comparable land sales is conducted based on a comparison of land characteristics found to influence the market price of land located in the neighborhood. Specific land influences are considered, where necessary, and depending on neighborhood and individual lot or tract characteristics, to adjust parcels outside the neighborhood norm for such factors as access, view, shape, size, and topography. The appraisers use abstraction and allocation methods to ensure that estimated land values best reflect the contributory market value of the land to the overall property value.

Area Analysis

Data on regional economic forces such as demographic patterns, regional location factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources and provide the field appraiser a current economic outlook on the real estate market. Information is gleaned from real estate publications and sources of continuing education including IAAO and TDLR approved classes.

Neighborhood and Market Analysis

A neighborhood is typically a distinct group of properties that is often identified by a geographic (physical) boundary, or a group of properties that reacts in a similar manner to market influences. Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. Residential valuation and neighborhood analysis is conducted on various market areas within each of the political entities known as independent school districts. Analysis of comparable market sales forms the basis of estimating market activity and the level of supply and demand affecting market

prices for any given market area, neighborhood or district. Market sales indicate the effects of these market forces and are interpreted by the appraiser into an indication of market price ranges and indications of property component change considering a given time period relative to the date of appraisal. Cost and market approaches to estimate value are the basic techniques utilized to interpret these sales. For multi-family properties the income approach to value is also utilized to estimate an opinion of value for investment level residential property.

The first step in neighborhood analysis is the identification of a group of properties that share certain common traits. A "neighborhood" for analysis purposes is defined as the largest geographic grouping of properties where the property's physical, economic, governmental and social forces are generally similar and uniform. Geographic stratification accommodates the local supply and demand factors that vary across a jurisdiction. Once a neighborhood with similar characteristics has been identified, the next step is to define its boundaries. This process is known as "delineation". Some factors used in neighborhood delineation include location, sales price range, lot size, age of dwelling, quality of construction and condition of dwellings, square footage of living area, and story height. Delineation can involve the physical drawing of neighborhood boundary lines on a map, but it can also involve statistical separation or stratification based on attribute analysis. Part of neighborhood analysis is the consideration of discernible patterns of growth that influence a neighborhood's individual market. Few neighborhoods are fixed in character. Each neighborhood may be characterized as being in a stage of growth, stability or decline. The growth period is a time of development and construction. As new neighborhoods in a community are developed, they compete with existing neighborhoods. An added supply of new homes tends to induce population shift from older homes to newer homes. In the period of stability, or equilibrium, the forces of supply and demand are about equal. Generally, in the stage of equilibrium, older neighborhoods can be more desirable due to their stability of residential character and proximity to the workplace and other community facilities. The period of decline reflects diminishing demand or desirability. During decline, general property use may change from residential to a mix of residential and commercial uses. Declining neighborhoods may also experience renewal, reorganization, rebuilding, or restoration, which promotes increased demand and economic desirability. Neighborhoods undergo review during field inspection, and are delineated based on observable aspects of

homogeneity. Land regions are analyzed each year in order to develop a base acreage price. Rural farm and ranch sales are grouped by property characteristics, location similarities and development potential. These sales are analyzed on a price per acre basis with regression analysis utilized as a means of analyzing the effects of size, or the economy of scale, within specific markets where there is typically a wide variety of sizes within a specific location. Specific land influences are used, where necessary, to adjust parcels outside the neighborhood norm for such factors as view, shape, size, and topography, among others.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal, unless the property is appraised under a JURISDICTIONAL EXCEPTION. The highest and best use must be physically possible, legally permissible, financially feasible, and most productive to the maximum allowed usage of the property. The highest and best use of residential property is normally its current use. This is due in part to the fact that residential development, in many areas, through use of deed restrictions and zoning, precludes other land uses. In areas of mixed residential and commercial use, the appraiser reviews properties in these areas on a periodic basis to determine the individual property that qualifies for an appraisal under JURISDICTIONAL EXCEPTION.

VALUATION AND STATISTICAL ANALYSIS (Model Calibration)

Cost Schedules

All residential parcels in the district are valued with a replacement cost estimated from cost schedules based on the improvement classification system using a comparative unit method. The district's residential cost schedules are estimated from Marshall and Swift, a nationally recognized cost estimator service. These cost estimates are compared with sales of new improvements and evaluated from year to year and indexed to reflect the local residential building and labor market. Costs may also be indexed for neighborhood factors and influences that affect the total replacement cost of the improvements in a smaller market area based on evidence taken from a sample of market sales.

A review of the residential cost schedule is performed annually. As part of this review and evaluation process of the estimated replacement cost, newly

constructed properties representing various levels of quality of construction in the district are considered. The property data characteristics of these properties are verified and photographs are taken of the samples. The results of this comparison are analyzed using statistical measures, including stratification by quality and reviewing of estimated building costs plus land.

Sales Information

A sales file for the storage of sales data at the time of sale is maintained for real property. Residential vacant land sales, along with commercial improved and vacant land sales are maintained. Residential improved and vacant sales are collected from a variety of sources, including: district questionnaires sent to the buyer and seller, field discovery, protest hearings, fee appraisals, multiple listing service, various sale vendors, builders, and realtors. A system of type, source, validity and verification codes has been established to define facts related to a property's purchase or transfer and to help determine relevant market sale prices. The effect of time as an influence on price was considered by paired comparison and applied in the ratio study to the sales as indicated within each neighborhood area. Neighborhood sales reports are generated as an analysis tool for the Chief appraiser in the development and estimation of market price ranges and property component value estimates. Abstraction and allocation of property components based on sales of similar property is an important analysis tool to interpret market sales under the cost and market approaches to value. These analytical tools help determine and estimate the effects of change, with regard to price, as indicated by sale prices for similar property within the current market.

Sales of the same property were considered and analyzed for any indication of price change attributed to a time change or influence. Property characteristics, financing, and conditions of sale were compared for each property sold in the pairing of property to isolate only the time factor as an influence on price.

Statistical Analysis

The Chief appraiser performs statistical analysis annually to evaluate whether estimated values are equitable and consistent with the market. Ratio studies are conducted on all of the neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy--level and uniformity of value. Appraisal statistics of central tendency generated from sales ratios are evaluated and analyzed

for all neighborhoods. The levels of appraised value are determined by the weighted mean ratio for sales of individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods.
The appraiser, through the sales ratio analysis process, reviews every neighborhood annually. The first phase involves neighborhood ratio studies that compare the recent sales prices of neighborhood properties to the appraised values of these sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level in a neighborhood needs to be updated or whether the level of market value in a neighborhood is at an acceptable level. The excellent condition homes depreciate slower than the fair condition homes thus yielding a higher percent good, which calculates a higher price per square foot.

Market and Cost Reconciliation and Valuation

Neighborhood analysis of market sales to achieve an acceptable sale ratio or level of appraisal is also the reconciliation of the market and cost approaches to valuation. Market factors are developed from appraisal statistics provided from market analysis and ratio studies and are used to ensure that estimated values are consistent with the market and to reconcile cost indicators. The district's primary approach to the valuation of residential properties uses a cost-sales comparison approach. This type of approach accounts for neighborhood market influences not particularly specified in a pure cost model.
The following equation denotes the model used:
MV = LV + (RCN – AD)
In accordance with the cost approach, the estimated market value (MV) of the property equals the land value (LV) plus the replacement cost new of property improvements (RCN) less accrued depreciation (AD).
As the cost approach separately estimates both land and building contributory values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values may be needed to bring the level of appraisal to an acceptable standard as indicated by market sales. Thus, demand side economic factors and influences may be observed and

considered. These market, or location adjustments, may be abstracted and applied uniformly within neighborhoods to account for locational variances between market areas or across a jurisdiction. For residential property, the unit of comparison is typically the price per square foot of living area or the price indicated for the improvement contribution. The model is based on both the cost and market approaches as a correlation of indications of property valuation. A significant unknown for these two indications of value is determined to be the rate of change for the improvement contribution to total property value. The measure of change for this property component can best be reflected and based in the annualized accrued depreciation rate. This cost related factor is most appropriately measured by sales of similar property. The market approach, when improvements are abstracted from the sale price, indicates the depreciated value of the improvement component, and in effect, measures changes in accrued depreciation. The level of improvement contribution to the property is measured by abstraction of comparable market sales, which is the property sale price less land value. The primary unknown for the cost approach is to accurately measure accrued depreciation affecting the amount of loss attributed to the improvements as age increases and condition changes. This evaluation of cost results in the depreciated value of the improvement component based on age and condition. The evaluation of this market and cost information is the basis of reconciliation and indication of property valuation under this model.

When the appraiser reviews a neighborhood, the appraiser reviews and evaluates a ratio study that compares recent sales prices of properties, appropriately adjusted for the effects of time, within a neighborhood, with the value of the properties based on the estimated depreciated replacement cost of improvements plus land value. The calculated ratio is compared to the acceptable appraisal ratio, 96% to 104%, to determine the level of appraisal for each neighborhood. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood are made. Sold properties with a large variance in sales ratio are field reviewed for accuracy of data characteristics.

Treatment of Residential Homesteads

Beginning in 1998, the State of Texas implemented a constitutional classification scheme concerning the appraisal of residential property that receives a residence homestead exemption. Under that law, beginning in the year after a property

receives a homestead exemption, increases in the assessed value of that property are capped or limited to not more than 10% annual increase. The assessed value for tax purposes of a qualified residence homestead will be the LESSER of:

• the market value; or

• the preceding year's appraised value plus 10 percent for each year since the property was re-appraised plus the value of any new improvements added since the last re-appraisal.

Assessed values of capped properties must be recomputed annually. If a capped property sells, the cap automatically expires as of January 1st of the year following sale of the property and the property is appraised at its market value. A similar provision applies to new homes. While a developer owns them, unoccupied residences may be partially complete and appraised as part of an inventory. This valuation is estimated using the district's land value and the percentage of completion for the improvement contribution that usually is similar to the developer's construction costs as a basis of completion on the valuation date. However, in the year following changes in completion or sale, they are appraised at market value.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The appraiser identifies individual properties in critical need of field review through sales ratio analysis. Sold properties are field reviewed on a periodic basis to check for accuracy of property characteristics, and when able, validate the sales information with the property owner.

As the district's parcel count has increased through new home construction, and the homes constructed in the boom years of the late 70's and early 80's experience remodeling, the appraisers are required to perform field activity associated with building permits and record property characteristic changes such as new construction, additions, remodels, pools, yard improvements, demolition or disaster damage and repairs. Sales activity results in field activity to review and resolve sales outliers. Additionally, the appraiser frequently field reviews subjective data items such as quality of construction, condition, and physical, functional and economic obsolescence, factors contributing significantly to the market value of the property. During the routine drive out the appraiser is able to physically inspect

both sold properties and unsold properties for comparability and consistency of values.

Office Review

When field review is completed, the appraiser conducts a routine valuation review of all properties as outlined in the discussion of ratio studies and market analysis. Previous values resulting from a hearing protest are individually reviewed to determine if the value remains appropriate for the current year.
When the appraiser is satisfied with the level and uniformity of value for each neighborhood the estimates of value go to noticing.

Re-inspection

Both field and office re-inspection was conducted for tax year 2026. Appraisers are responsible for verifying the characteristics of each property visited. If changes are identified, they are keyed to the database. During the field effort, we also incorporated confirmation of sales data and verification of characteristics of sold property. During office re-inspection, properties are reviewed using current aerial photos provided by our software vendor. If the improvements are not visible due to tree cover a field visit is performed. Our goal is to comply with generally recognized guidelines that recommend re-inspection of property every three years.

PERFORMANCE TESTS

Sales Ratio Studies

The primary analytical tool used by the appraisers to measure and improve performance is the ratio study. The district ensures that the appraised values that it produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each school district by quarter to allow the appraiser to review general market trends within the CAD, and provide an indication of market appreciation over a specified period of time. Several sets of sales ratios are produced prior to settling preliminary values. These ratio studies are designed to emulate the findings of the state comptroller's property value study for category "A" (single family residence) property.
Texas does not have mandatory sales disclosure; therefore, the district does not have access to all property transactions, which limits sales analysis to only those sales acquired by the district through a commercial vendor or submitted voluntarily by the property owner. Available sales are screened to ensure, to the extent

possible, that only valid indicators of market value are included. Sales identified as invalid transactions due to atypical financing, sales between relatives, corporate affiliates and estate sales, and sales with partially complete new construction are excluded from the ratio study. It is common to expect residential foreclosure sales in any given real estate market.

Management Review Process

When the proposed value estimates are finalized, the Chief Appraiser reviews the sales ratios by neighborhood and pertinent valuation data, such as weighted sales ratio and pricing trends for final review and approval. This review includes comparison of level of value between related neighborhoods within and across jurisdiction lines. The primary objective of this review is to ensure that the proposed values have met preset appraisal guidelines appropriate for the tax year in question.

COMMERCIAL

Commercial Real Property represents approximately 10% of the total market value in Eastland County.



COMMERCIAL PROPERTY VALUATION PROCESS

INTRODUCTION

Scope of Responsibility

This mass appraisal assignment includes all of the commercially described real property which falls within the responsibility of the commercial valuation appraisers of the Eastland County Appraisal District and located within the boundaries of this taxing jurisdiction. All 3 approaches to value are considered in estimating market value for each property, the most applicable of which is given primary emphasis. Commercial appraisers appraise the fee simple interest of properties according to statute. However, the affect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisement of any non exempt taxable fractional interests in real property (i.e. certain multi-family housing projects). Fractional interests or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their prorated interests.

The function of this mass appraisal is to provide an equitable and efficient market valuation of all property in this appraisal district for ad valorem taxation.

Appraisal Resources

Data - The data used by the commercial appraisers includes verified sales of vacant land and improved properties and the pertinent data obtained from each (sales price levels, capitalization rates, income multipliers, equity dividend rates, marketing period, etc.). Other data used by the appraisers includes actual income and expense data (typically obtained through the hearings process), actual contract rental data, leasing information (commissions, tenant finish, length of terms, etc.), and actual construction cost data. In addition to the actual data obtained from specific properties, market data publications are also reviewed to provide additional support for market trends.

The County Clerk provides the district a copy of the deeds recorded that convey commercial properties. For those properties involved in a transfer of commercial ownership, a sale file is produced which begins the research and verification process. The initial step in sales verification involves a questionnaire, which is

mailed to both parties in the transaction (grantor and grantee). If a questionnaire is answered and returned, the documented responses are recorded in the sales database system. If the sales information is not obtained sales verification may by obtained from local appraisers, MLS or closing statements are often provided during the hearings process. The actual closing statement is the most reliable and preferred method of sales verification. After the sales data has been keyed into the database, the data is reviewed to maintain quality control. Other sources of sales data include fee appraisals acquired though the hearings process and local, regional and national real estate and financial publications. The data used for commercial valuation includes verified sales of vacant land and improved properties and the pertinent data obtained from each (sales price levels, capitalization rates, income multipliers, equity dividend rates, marketing period, etc.). Other data used includes actual income and expense data (typically obtained through the hearings process), actual contract rental data, leasing information (commissions, tenant finish, length of terms, etc.), and actual construction cost data. In addition to the actual data obtained from specific properties, market data publications are also reviewed to provide additional support for market trends on apartments and the State Comptroller Hotel/Motel Report and the Factbook is reviewed for motels. A variety of real estate data is also available via the internet that is helpful in the establishment of market values. This information is often incorporated into market analysis and includes market trends, labor statistics, sales information, development areas, economic indicators, and financial data to name a few.

Data Maintenance

Information on building permits is collected and these permits are matched to the district's existing property records. Accounts that have building permits are coded with a task for appraisal inspection. The field appraisers list new construction, note demolition, and record any changes in physical characteristics for properties.

Highest and Best Use Analysis

The highest and best use is the most reasonable and probable use that generates the highest present value of the real estate as of the assessment date. The highest and best use of any given property must be physically possible, legally permissible, financially feasible, and maximally productive. For improved properties, highest and best use is evaluated as improved and as if the site were still vacant. This assists in determining if the existing improvements have a transitional use, interim

use, non-conforming use, multiple uses, speculative use, excess land, or a different optimum use if the site were vacant. For vacant tracts, the highest and best use is considered speculative based on the surrounding land uses. Improved properties reflect a wide variety of highest and best uses which include, but are not limited to, office, retail, apartment, warehouse, light industrial, special purpose, or interim uses. In many instances, the property's current use is the same as its highest and best use. This analysis insures that an accurate estimate of market value (sometimes referred to as value in exchange) is derived. Conversely, value in use represents the value of a property to a specific user for a specific purpose. This is significantly different than market value, which approximates market price under the following assumptions:

1) No coercion of undue influence over the buyer or seller in an attempt to force the purchase or sale,
2) Well-informed buyers and sellers acting in their own best interests,
3) A reasonable time for the transaction to take place, and
4) Payment in cash or its equivalent.

PRELIMINARY ANALYSIS

Market Study

Market studies are utilized to test new or existing procedures or valuation modifications in a limited sample of properties located in the district and are also considered and become the basis of updating whenever substantial changes in valuation are made. These studies target certain types of improved property to evaluate current market prices for rents and for sales of commercial real property. These comparable sale studies and ratio studies reveal whether the valuation system is producing accurate and reliable value estimates or whether procedural and economic modifications are required. The appraiser implements this methodology when developing cost approach, market approach, and income approach models.

Eastland CAD coordinates its discovery and valuation activities with adjoining appraisal districts. Interviews and data exchanges with adjacent appraisal districts have been conducted to ensure compliance with state statutes. In addition, Eastland CAD administration and personnel interact with other assessment officials through professional trade organizations including the International Association of Assessing Officers, Texas Association of Appraisal Districts and its subchapter Big Country Association of Appraisal Districts and the Texas Association of Assessing

Officers. District staff strive to maintain appraisal skills and professionalism by continuing education in the form of courses that are offered by several professional associations such as International Association of Assessing Officers (IAAO), Texas Association of Assessing Officers (TAAO), Texas Association of Appraisal Districts (TAAD) and Texas Department of Licensing and Regulation (TDLR) courses.

VALUATION APPROACH

Land Value

Commercial land is analyzed annually to compare appraised values with recent sales of land in the market area. If appraised values differ from sales prices being paid, adjustments are made to all land in that region. Generally, commercial property is appraised on a price per square foot basis. Factors may be placed on individual properties based on corner influence, depth of site, shape of site, easements across site, and other factors that may influence value. The land is valued as though vacant at the highest and best use.

Area Analysis

A market analysis relates directly to market forces affecting supply and demand. This study involves the relationships between social, economic, environmental, governmental, and site conditions. Current market activity including sales of commercial properties, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses (inclusive of replacement reserves), expense ratio trends, and capitalization rate studies are analyzed. Local publications are also reviewed to lend detailed support.

Neighborhood Analysis

The neighborhood and market areas are comprised of the land area and commercially classed properties located within the boundaries of this appraisal jurisdiction. These areas consist of a wide variety of property types. Neighborhood and area analysis involves the examination of how physical, economic, governmental and social forces and other influences may affect property values within subgroups of property locations. The effects of these forces are also used to identify, classify, and organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. In the mass

appraisal of commercial properties these subsets of a universe of properties are generally referred to as market areas, neighborhoods, or economic areas. Economic areas are defined by each of the improved property use types (apartment, office, retail, warehouse and special use) based upon an analysis of similar economic or market forces, date of construction, overall market activity or other pertinent influences. Economic area identification and delineation by each major property use type is the benchmark of the commercial valuation system. The geographic boundaries as well as income, occupancy and expense levels and capitalization rates by age within each economic area for all commercial use types and its corresponding income model have been estimated for these properties.

Market Analysis

A market analysis relates directly to examining market forces affecting supply and demand. This study involves the relationships between social, economic, environmental, governmental, and site conditions. Current market activity including sales of commercial properties, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses (inclusive of replacement reserves), expense ratio trends, capitalization rate studies are analyzed to determine market ranges in price, operating costs and investment return expectations.

DATA COLLECTION / VALIDATION

Data Collection Manuals

Data collection and documentation for commercial property is continually updated, providing a uniform system of itemizing the multitude of components comprising improved properties. All properties located in Eastland CAD's inventory are coded according to a specific classification system. Annually, after the sales of property has been researched, verified, keyed into the database, and quality control has been completed, the sales data is summarized into list form and analyzed. The confirmed sales reports categorize the sales by property classification. These sales are used by the Eastland CAD appraisers during the hearings process.

VALUATION ANALYSIS

Cost Approach

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

Accrued depreciation is the sum of all forms of loss affecting the contributory value of the improvements, a function of estimated replacement cost new. It is the measured loss against replacement cost new taken from all forms of physical deterioration, functional and economic obsolescence. Accrued depreciation is estimated and developed based on losses typical for each property at that specific age. The actual and effective ages of improvements are noted in CAMA.

Effective age estimates are based on the utility of the improvements relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace. Additional forms of depreciation such as external and/or functional obsolescence can be applied if observed and a depreciation calculation override can be used if necessary by appropriately noting the physical condition and functional utility ratings on the property data characteristics.

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

Income Approach

The income approach to value is applied to those real properties which are typically viewed by market participants as "income producing", and for which the income methodology is considered a leading value indicator. The first step in the income approach pertains to the estimation of market rent on a per unit basis. This is derived primarily from actual rent data furnished by property owners and from local market surveys conducted by the district.

A vacancy and collection loss allowance is the next item to consider in the income approach. The projected vacancy and collection loss allowance is established from actual data furnished by property owners and on local market survey trends. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. The market derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to yield an indication of estimated annual effective gross rent to the property.

Next a secondary income or service income is considered. Secondary income represents parking income, escalations, reimbursements, and other miscellaneous income generated by the operations of real property. The secondary income estimate is derived from actual data collected and available market information.

The secondary income estimate is then added to effective gross rent to arrive at an effective gross income, when applicable.

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

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

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

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

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

Capitalization analysis is used in the income approach models to form an indication of value. This methodology involves the direct capitalization of net operating income as an indication of market value for a specific property. This information is obtained from available sales of property, local lending sources, and from real estate and financial publications.

Vacancy losses are collected from the ECAD income survey and market vacancy is estimated for specific property types.

Sales Comparison (Market) Approach

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

Final Valuation Schedules

Based on the market data analysis and review discussed previously in the cost, income and sales approaches, the cost and income models are calibrated and finalized. The calibration results are keyed to the schedules and models on the CAMA system for utilization on all commercial properties in the district. Market factors reflected within the cost and income approaches are evaluated and confirmed based on market sales of commercial properties. The appraisers review the cost, income, and sales comparison approaches to value for each of the types of

properties with available sales information. The final valuation of a property is estimated based on reconciling these indications of value considering the weight of the market information available for evaluation and analysis in these approaches to value.

Statistical and Capitalization Analysis

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

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

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

Potential gross rent estimates, occupancy levels, secondary income, allowable expenses (inclusive of non-recoverable and replacement reserves), net operating income and capitalization rate and multipliers are continuously reviewed. Income model estimates and conclusions are compared to actual information obtained on

individual commercial income properties during the protest hearings process as well as with information from published sources and area property managers and owners.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection, extent of that inspection, and the appraiser responsible are listed in the CAMA system. If a property owner disputes the District's records concerning this data in a protest hearing, the CAMA may be altered based on the credibility of the evidence provided. Normally, a new field check is then requested to verify this information for the current year's valuation or for the next year's valuation. In addition, if a building permit is filed for a particular property indicating a change in characteristics, that property is added to a work file for review.

The appraisers are limited in the time available to field review commercial properties of a specific use type. However, appraisers field review remodels, renovations, or retrofits, changes in occupancy levels or rental rates, new leasing activity, new construction, or wide variations in sale prices. Field review of real property accounts is accomplished during the routine drive out. Additionally, the appraisers frequently field review subjective data items such as building class, quality of construction, condition, and physical, functional and economic obsolescence factors contributing significantly to the market value of the property. While in the field, the appraisers physically inspect sold and unsold properties for comparability and consistency of values.

Office Review

Office reviews are completed on properties subject to field inspections and are performed in compliance with the guidelines required by the existing classification system. Office reviews are typically limited by the available market data presented for final value analysis. These sales reviews summarize the pertinent data of each property as well as comparing the previous value to the proposed value conclusions of the various approaches to value. These evaluations and reviews show proposed value changes, income model attributes or overrides, economic factor (cost overrides) and special factors affecting the property valuation such as

new construction status, and a three year sales history (USPAP property history requirement for non residential property). The appraiser may review methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory and district policies. This review is performed after preliminary ratio statistics have been applied. If the ratio statistics are generally acceptable overall the review process is focused primarily on locating skewed results on an individual basis. Previous values resulting from protest hearings are individually reviewed to determine if the value remains appropriate for the current year based on market conditions.

Once the appraiser is satisfied with the level and uniformity of value for commercial property, the estimates of value go to noticing.

PERFORMANCE TESTS

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market prices. In a ratio study, market values are typically represented with the range of sale prices. Independent, expert appraisals may also be used to represent market values in a ratio study (i.e. an appraisal ratio study). If there are not enough examples of market price to provide necessary representativeness, independent appraisals can be used as indicators for market value. This can be particularly useful for commercial, warehouse or industrial real property for which sales are limited. In addition, appraisal ratio studies can be used for properties statutorily not appraised at market value, but reflect the use-value requirement. An example of this are multi-family housing projects subject to subsidized rent provisions or other governmental guarantees as provided by legislative statutes (affordable housing) or agricultural lands to be appraised on the basis of productivity or use value.

Eastland CAD has adopted the policies of the IAAO STANDARD ON RATIO STUDIES, regarding its ratio study standards and practices which can be viewed on their website at

http://www.iaao.org/wcm/Resources/Publications_access/Technical_Standards/wmc/Resources_Content/Pubs/Technical_Standards.aspx

Ratio studies generally have seven basic steps: (1) define the purpose, scope and objectives, (2) design, (3) stratification, (4) collection and preparation of market data, (5) matching of appraisal and market data, and (6) statistical analysis and (7) evaluation and use of results.

Sales Ratio Studies

Sales ratio studies are an integral part of estimating equitable and accurate market values, and ultimately property assessments for the taxing jurisdictions. The primary uses of sale ratio studies include identification of potential problems with appraisal procedures; assist in market analyses; and, to calibrate models used to estimate appraised values during valuation or reappraisal cycles. However, these studies cannot be used to judge the accuracy of an individual properties appraised value. The Eastland County Appraisal Review Board may make individual value adjustments based on protest evidence submitted on a case-by-case basis during the hearing process.

Overall sales ratios are generated quarterly to allow appraisers to review general market trends in the county and for the Property Value Study from the Property Tax Division of the Comptroller's Office. In many cases, field checks are conducted to insure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics. These ratio studies aid the CAD by providing an indication of market activity by economic area or changing market conditions (appreciation or depreciation).

Texas does not have mandatory sales disclosure; therefore, the district does not have access to all property transactions, which limits sales analysis to only those sales acquired by the district through a commercial vendor or submitted voluntarily by the property owner. Available sales are screened to ensure, to the extent possible, that only valid indicators of market value are included. Sales identified as invalid transactions due to atypical financing, sales between relatives, corporate affiliates and estate sales, and sales with partially complete new construction are excluded from the ratio study.

BUSINESS PERSONAL PROPERTY VALUATION PROCESS

INTRODUCTION

Scope of Responsibility

There are four different personal property types appraised by the district's personal property section: Business Personal Property accounts; Leased Assets; Vehicles and aircraft; and Multi-Location Assets. There are approximately 1,000 business personal property accounts appraised by Eastland CAD.

Appraisal Resources

Data- A common set of data characteristics for each personal property account in Eastland CAD is collected in the field and data entered to the district's computer. The property characteristic data drives the computer-assisted personal property appraisal (CAPPA) system. The personal property appraisers collect the field data and maintain property files making updates and changes gathered from field inspections, newspapers, property renditions and interviews with property owners.

Highest and Best Use Analysis

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

VALUATION APPROACH (Model Specification)

SIC Code Analysis

Business personal property is classified and utilizes a four digit numeric codes, called Standard Industrial Classification (SIC) codes that were developed by the federal government to describe business entities having common attributes. These classifications are used by Eastland CAD to delineate personal property by business type.

SIC code identification and delineation is the cornerstone of the personal property valuation system at the district. All of the personal property analysis work done in association with the personal property valuation process is SIC code specific. SIC codes are delineated based on observable aspects of homogeneity and business use. SIC code delineation is periodically reviewed to determine if further SIC code delineation is warranted.

DATA COLLECTION/VALIDATION

Data Collection Procedures

Personal property data collection procedures are published and distributed to all appraisers involved in the appraisal and valuation of personal property. The appraisal procedures are reviewed and revised to meet the changing requirements of field data collection.

Sources of Data

Business Personal Property

The district's property characteristic data was collected over the recent past and from property owner renditions. From year to year, reevaluation activities permit district appraisers to collect new data via a field drive-out. This project results in the discovery of new businesses not revealed through other sources. Various discovery publications such as the County Reporter, assumed names listing and state sales tax listings are also used to discover personal property. Tax assessors, city and local newspapers, and the public often provide the district information regarding new personal property and other useful facts related to property valuation.

Vehicles

An outside vendor, Just Texas, provides Eastland CAD with a listing of vehicles within this jurisdiction. The vendor develops this listing from the Texas Department of Transportation (DOT) Title and Registration Division records. Other sources of data include property owner renditions and field inspections.

Leased and Multi-Location Assets

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

VALUATION AND STATISTICAL ANALYSIS (model calibration)

Cost Schedules

Cost schedules are developed based on the SIC code by the Property Tax Division of the Comptroller's Office and by district personal property appraisers. The cost schedules are developed by analyzing cost data from property owner renditions, hearings, state schedules, and published cost guides. The cost schedules are reviewed as necessary to conform to changing market conditions. The schedules are typically in a price per square foot format, but some exception SIC's are in an alternate price per unit format, such as per room for hotels.

Statistical Analysis

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

Depreciation Schedule and Trending Factors:

Business Personal Property

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

PVF = INDEX FACTOR x PERCENT GOOD FACTOR

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

MARKET VALUE ESTIMATE = PVF x HISTORICAL COST

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

Computer Assisted Personal Property Appraisal (CAPPA)

The CAPPA valuation process has two main objectives: 1) Analyze and adjust estimated asset cost with existing SIC models. 2) Develop new models for business classifications not previously integrated into CAPPA. The delineated sample is reviewed for accuracy of SIC code, square footage, field data, and original cost information. Models are created and refined using actual original cost data to derive a typical replacement cost new (RCN) per square foot for a specific category of assets. The RCN per square foot is depreciated by the estimated age using the depreciation table adopted for the tax year.

The typical RCN per square foot (or applicable unit) is determined by a statistical analysis of the available data. CAPPA model values are used in the general business personal property valuation program to estimate the value of new accounts for which no property owner's rendition is filed.

Vehicles

Value estimates for vehicles are provided by an outside vendor and are based on Blue Book published values. Vehicles that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

Leased and Multi-Location Assets

Leased and multi-location assets are valued using the PVF schedules mentioned above. If the asset to be valued in this category is a vehicle, then Blue Book published book values are used. Assets that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

PERFORMANCE TESTS

Field Review

The appraisal staff reviews personal property accounts during the three-year reappraisal cycle.

Ratio Studies

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

AGRICULTURAL VALUATION PROCESS

Agricultural property represents approximately 40% of the market value in Eastland County.

INTRODUCTION

Definition of Agricultural Value

Net to land values is the average annual net income that a class of land would be likely to have generated over a five-year period.

Scope of Responsibility

The mass appraisal of agricultural property includes all properties classified as 1-d-1 and 1-d agricultural uses, which are appraised on the land's ability to produce agricultural or timber production. The mass appraisal of agricultural property involves applying similar values within the same agricultural categories and classes, and is appraised according to the Tax Code guidelines. Appraisal values are calculated using the cash lease method. A cash lease is an agreement between landowner and tenant to lease property at a fixed cash payment.

In order for land to qualify under this special-use, it must be devoted principally to agricultural use**.** ***"****Agriculture'' means the use of land to produce plant or animal products, including fish or poultry products, under natural conditions but does not include the processing of plant or animal products after harvesting or the production of timber or forest products. The term also includes the use of land for wildlife management. The term also includes the use of land to raise or keep bees for pollination or for the production of human food or other tangible products having a commercial value, provided that the land used is not less than 5 or more than 20 acres.*

Section 23 of the Texas Property Tax Code allows a property owner to have his property taxed on productivity value instead of market value after making the appropriate application to the Appraisal District.

Application Filing and Processing

A sample Agricultural Open Space Application Form is available on the Texas State Comptroller's website and can be viewed at:

http://www.window.state.tx.us/taxinfo/taxforms/50-129.pdf

A property owner must file an application for special appraisal before May 1. For good cause, the Chief Appraiser may extend the deadline by written order for a single period not to exceed 60 days. Eastland County compiles a list of properties that had the special-use agricultural appraisal in the previous year but changed ownership during the year. This list is used to mail an application form to the new owners requesting that they complete the application to continue to receive the special-use appraisal. If the application form is not returned by date Appraisal Notices are sent the property owners are noticed at market value. If the application form is not returned by June 1, the property owners receive a letter reminder to return the application by July 15. If a property owner files an application after the deadline for filing but prior to the date the Appraisal Review Board approves the records (usually July 20), the application will be accepted. If it is approved, the property owner is liable for a penalty of 10 percent of the difference between the amount of the tax imposed on the property under the special appraisal and the amount of tax that would have been imposed if the property were taxed at market value. If a property owner files an application after the date the ARB approves the records, the land is ineligible for special appraisal that year. If the Chief Appraiser denies an application, they shall deliver a written notice by certified mail of the denial to the claimant within five days of the denial. The notice must include a brief explanation of the procedures for protesting the denial.

Once property has been designated for a special appraisal, the property shall continue to be eligible for special appraisal without a new application being filed unless the ownership of the land changes, the application is outdated or the properties eligibility ends. If the Chief Appraiser has good cause to believe that the land is ineligible, a new application may be mailed to a property owner in order to confirm the land's eligibility.

An application for agricultural use designation is confidential and **NOT** open to public inspection.

VALUATION APPROACH

The Cost Approach and the Market Approach are not utilized in estimating agricultural values for farm and ranch properties since they are to be estimated based upon their production/income capabilities. Agricultural values are estimated using the Income Approach, and are based upon historical cash lease income and expense data. Agricultural Use Questionnaires are mailed out every year requesting income and expense information for farm and ranch properties in Eastland County. Each property that is being used in this manner has stored land segments which reflect the acreage and the land type. They are further categorized by their individual production capabilities based upon the United States Department of Agriculture's Natural Resources Conservation Service soil classification maps with a Class 1 being the most productive and a Class 7 being the least productive soils.

Section 23 of the Texas Property Tax Code also allows for this special-use value if the land is used to manage wildlife. It is a qualifying agricultural use, if such land was previously qualified open-space land and is actively used for wildlife management. Wildlife management means actively using land(that at the time the wildlife management use began was appraised as qualified open-space land) in at least 3 of the following ways to propagate a sustaining breeding, migrating, or wintering population of indigenous wild animals for human use, including food, medicine, or recreation:

1. Habitat control
2. Erosion control
3. Predator control
4. Providing supplemental supplies of water
5. Providing supplemental supplies of food
6. Providing shelter
7. Making of census counts to determine population

The property owner must submit a written Wildlife Management Plan that lists the specific ways the property will be managed to meet the overall objective. A sample Wildlife Management Plan is available on the Texas Parks and Wildlife website can be viewed at:

http://www.tpwd.state.tx.us/publications/pwdforms/media/pwd_885_w7000_open_space_agric_valuation_wildlife_mgmt_plan.pdf

Guidelines for qualification of agricultural land in Wildlife Management Use as published by the Texas State Comptroller's Office may be viewed at:

http://www.window.state.tx.us/taxinfo/proptax/pdf/96-354.pdf

Agricultural land must be used at a level of intensity that is common in the local area and must have been devoted to agricultural use for at least five of the past seven years. Land inside the city limits is not eligible unless it has been devoted to agricultural use continuously for the preceding 5 years. PTC 23.56

Appraisal Resources

Data- Lease information gathered is grouped and placed in a spreadsheet annually for analysis. Statistical measures are utilized annually for analyzing the measures most reflective of net income to the land from production, and net income to the land from hunting to assist in selecting the unit prices per acre for agricultural production schedule building for all agricultural land classes. The cash lease and potential income from hunting filters into a unit price per acre estimate of net to land for each land classification and expenses for each land are deducted from this income. The value of land is determined by capitalizing the average net income the land would have yielded under prudent management from production of agricultural products during the five years preceding the current year for each of the land classifications.

The capitalization rate to be used in determining the appraised value of qualified open-space land is 10 percent or the interest rate specified by the Farm Credit Bank of Texas or its successor on December 31 of the preceding year plus 2-1/2 percentage points, whichever percentage is greater.

Results of annual analysis are compiled for a five year history. These results are utilized for building agricultural land schedules.

Appraisal Performance Testing

The PTAD of the State Comptroller's Office during the PVS reviews all values and procedures used in the calculation of the agricultural values and staff routinely evaluate procedures. Additionally, the Eastland County Agricultural Advisory Board discusses agricultural income, expenses and the appraisal process.

INDUSTRIAL, UTILITY, AND MINERAL VALUATION PROCESS

INTRODUCTION

Appraisal Responsibility

The Eastland County Appraisal District currently contracts with Pritchard & Abbott Appraisal Group out of Ft. Worth, Texas to value 7,060 Industrial, Utility, and Mineral/Gas Properties within the county. Their website can be viewed at: **http://www.pandai.com/home.aspx**

This property represents approximately 22% of the market value in Eastland County.

Cat Code	Items	Acres	Land	Ag/Timber	Productivity Market	Improvements	Personal	Mineral	Total Market	Total Market Taxable	Total Net Taxable
	1	0.0000	0			0	0		**0**	0	0
*	**1**	**0.0000**	**0**			**0**	**0**		**0**	**0**	**0**
A1	4,852	2,327.4250	47,015,050			593,011,680	336,690		**640,363,420**	578,384,040	553,914,540
A2	653	437.0372	5,964,970			31,728,600	44,190		**37,737,760**	33,765,890	31,974,490
A3	214	7.1480	53,560			42,362,640	23,940		**42,440,140**	35,510,170	34,380,140
A4	667	450.7719	6,991,450			8,570,350	474,910		**16,036,710**	14,093,014	13,909,234
A*	**6,386**	**3,222.3821**	**60,025,030**			**675,673,270**	**879,730**		**736,578,030**	**661,753,114**	**634,178,404**
B1	44	41.5875	506,160			28,863,380	0		**29,369,540**	26,761,090	26,737,090
B*	**44**	**41.5875**	**506,160**			**28,863,380**	**0**		**29,369,540**	**26,761,090**	**26,737,090**
C1	1,733	865.6829	8,451,880			0	0		**8,451,880**	6,745,180	6,716,600
C3	208	310.4359	8,660,860			0	0		**8,660,860**	8,281,880	8,269,880
C*	**1,941**	**1,176.1188**	**17,112,740**			**0**	**0**		**17,112,740**	**15,027,060**	**14,986,480**
D1	7,420	544,179.3177	0	58,025,050	2,294,900,490	0	0		**2,294,900,490**	58,025,050	57,945,090
D2	2,919	0.0000	0			128,616,091	0		**128,616,091**	126,556,671	126,401,201
D*	**10,339**	**544,179.3177**	**0**	**58,025,050**	**2,294,900,490**	**128,616,091**	**0**		**2,423,516,581**	**184,581,721**	**184,346,291**
E	57	83.8550	652,940			63,230	0		**716,170**	571,820	559,820
E1	3,933	11,639.5740	100,043,020			459,842,289	563,210		**560,448,519**	537,572,679	512,237,329
E12	1	1.0000	5,000			0	0		**5,000**	5,000	5,000
E2	249	2,444.4232	15,415,050			5,666,880	57,460		**21,139,390**	20,314,770	20,229,050
E3	673	5,341.4793	34,100,650			1,020,920	0		**35,121,570**	34,790,920	34,731,360
E*	**4,913**	**19,510.3315**	**150,216,660**			**466,593,319**	**620,670**		**617,430,649**	**593,255,189**	**567,762,559**
F1	925	1,686.9378	27,743,310			214,626,450	350,390		**242,720,150**	228,415,598	226,876,478
F1	**925**	**1,686.9378**	**27,743,310**			**214,626,450**	**350,390**		**242,720,150**	**228,415,598**	**226,876,478**
F2	67	399.4380	2,040,520			31,016,130	0	346,810,920	**379,867,570**	377,065,990	377,059,520
F2	**67**	**399.4380**	**2,040,520**			**31,016,130**	**0**	**346,810,920**	**379,867,570**	**377,065,990**	**377,059,520**
F*	**992**	**2,086.3758**	**29,783,830**			**245,642,580**	**350,390**	**346,810,920**	**622,587,720**	**605,481,588**	**603,935,998**
G1	4,422	0.0000	0			0	0	8,496,100	**8,496,100**	8,038,200	7,838,930
G1C	3	0.0000	0			0	0	130,000	**130,000**	130,000	130,000
G3E	2	0.0000	0			0	0	537,500	**537,500**	489,500	489,500
G*	**4,427**	**0.0000**	**0**			**0**	**0**	**9,163,600**	**9,163,600**	**8,657,700**	**8,458,430**
J2	10	10.0000	67,500			0	0	14,413,220	**14,480,720**	14,480,720	14,355,720
J2A	4	0.0000	0			0	0	4,818,780	**4,818,780**	4,818,780	4,568,780
J3	76	0.0000	0			0	0	158,799,900	**158,799,900**	158,799,900	157,152,500
J3A	9	0.0000	0			0	0	589,110	**589,110**	589,110	589,110
J4	64	0.0000	0			0	0	3,958,970	**3,958,970**	3,958,970	3,314,080
J4A	4	0.0000	0			0	0	130,120	**130,120**	130,120	47,050
J5	13	0.0000	0			0	0	37,109,950	**37,109,950**	37,109,950	36,893,150
J5A	8	0.0000	0			0	0	224,630	**224,630**	224,630	224,630
J6	436	0.0000	0			0	0	600,449,270	**600,449,270**	600,449,270	543,078,980
J6A	26	0.0000	0			0	0	53,654,240	**53,654,240**	53,654,240	52,615,550
J7	52	0.0000	0			0	0	2,692,490	**2,692,490**	2,692,490	2,504,350
J8	15	0.0000	0			0	0	152,900	**152,900**	152,900	0
J9	1	0.0000	0			0	0		**0**	0	0
J*	**718**	**10.0000**	**67,500**			**0**	**0**	**876,993,580**	**877,061,080**	**877,061,080**	**815,343,900**

Cat Code	Items	Acres	Land	Ag/Timber	Productivity Market	Improvements	Personal	Mineral	Total Market	Total Market Taxable	Total Net Taxable
L1	1,053	0.0000	0			0	99,245,970		**99,245,970**	99,245,970	61,488,260
L1	**1,053**	**0.0000**	**0**			**0**	**99,245,970**		**99,245,970**	**99,245,970**	**61,488,260**
L2A	164	0.0000	0			0	0	12,048,170	**12,048,170**	12,048,170	11,154,257
L2C	58	0.0000	0			0	0	112,311,650	**112,311,650**	112,311,650	93,725,984
L2D	85	0.0000	0			0	0	8,503,740	**8,503,740**	8,503,740	8,295,217
L2E	13	0.0000	0			0	0	1,076,340	**1,076,340**	1,076,340	855,340
L2F	3	0.0000	0			0	0	777,950	**777,950**	777,950	742,950
L2G	243	0.0000	0			0	0	135,312,060	**135,312,060**	135,312,060	131,732,492
L2H	9	0.0000	0			0	0	1,035,020	**1,035,020**	1,035,020	686,300
L2J	83	0.0000	0			0	0	996,950	**996,950**	996,950	689,355
L2L	7	0.0000	0			0	0	174,480	**174,480**	174,480	16,790
L2M	70	0.0000	0			0	0	4,271,970	**4,271,970**	4,271,970	3,459,817
L2O	12	0.0000	0			0	0	437,880	**437,880**	437,880	430,730
L2P	51	0.0000	0			0	0	2,864,520	**2,864,520**	2,864,520	93,530
L2Q	54	0.0000	0			0	0	5,074,270	**5,074,270**	5,074,270	1,617,520
L2S	9	0.0000	0			0	0	64,167,300	**64,167,300**	64,167,300	63,677,803
L2	**861**	**0.0000**	**0**			**0**	**0**	**349,052,300**	**349,052,300**	**349,052,300**	**317,178,085**
L*	**1,914**	**0.0000**	**0**			**0**	**99,245,970**	**349,052,300**	**448,298,270**	**448,298,270**	**378,666,345**
M1	704	0.0000	0			1,262,330	47,395,100		**48,657,430**	43,740,880	40,906,350
M*	**704**	**0.0000**	**0**			**1,262,330**	**47,395,100**		**48,657,430**	**43,740,880**	**40,906,350**
O	50	18.6570	236,400			0	0		**236,400**	236,400	236,400
O*	**50**	**18.6570**	**236,400**			**0**	**0**		**236,400**	**236,400**	**236,400**
S	2	0.0000	0			0	2,359,230		**2,359,230**	2,359,230	2,359,230
SI	20	0.0000	0			0	7,351,590		**7,351,590**	7,351,590	7,351,590
S*	**22**	**0.0000**	**0**			**0**	**9,710,820**		**9,710,820**	**9,710,820**	**9,710,820**
X	1	0.0000	0			0	0		**0**	0	0
XG	11	115.4720	836,090			1,225,820	299,130		**2,361,040**	2,361,040	0
XL	57	467.4722	2,984,990			1,371,030	0		**4,356,020**	4,356,020	0
XN	40	0.4020	6,300			218,560	2,568,130		**2,792,990**	2,792,990	0
XO	1	1.4780	36,950			438,770	0		**475,720**	475,720	0
XU	6	10.9900	96,850			188,330	0	375,770	**660,950**	660,950	0
XU2	23	10.4450	221,880			14,523,070	0		**14,744,950**	14,744,950	0
XU3	8	4.0470	32,490			965,510	0		**998,000**	998,000	0
XU4	4	13.7600	150,730			487,560	0		**638,290**	638,290	0
XU6	1	1.7110	4,140			201,670	0		**205,810**	205,810	0
XU7	12	93.5941	542,380			62,450	0		**604,830**	604,830	0
XV	42	57.9190	515,930			1,841,530	22,460	77,160	**2,457,080**	2,457,080	0
XV1	329	343.8609	4,930,750			74,159,550	0		**79,090,300**	79,090,300	0
XV2	55	208.5880	1,794,500			657,980	0		**2,452,480**	2,452,480	0
XV3	13	5.6750	67,450			2,244,250	0		**2,311,700**	2,311,700	0
XV4	25	205.1210	1,203,710			1,122,280	56,000		**2,381,990**	2,381,990	0
XV5	46	252.7871	1,627,710			62,087,990	0		**63,715,700**	63,715,700	0
XV6	176	1,357.6137	7,105,590			4,489,920	2,208,500		**13,804,010**	13,804,010	0
XV7	18	221.2500	1,338,780			6,471,620	0		**7,810,400**	7,810,400	0

Cat Code	Items	Acres	Land	Ag/Timber	Productivity Market	Improvements	Personal	Mineral	Total Market	Total Market Taxable	Total Net Taxable
XV8	112	6,974.6404	25,560,830			30,847,540	0		**56,408,370**	56,408,370	0
XV9	41	75.9970	304,440			14,958,340	0		**15,262,780**	15,262,780	0
XVA	7	2.6956	59,950			1,736,900	0		**1,796,850**	1,796,850	0
XVB	4	0.4650	33,140			294,180	0		**327,320**	327,320	0
XVD	3	49.6700	345,090			1,173,960	0		**1,519,050**	1,519,050	0
XVE	33	21.8460	214,000			308,650	0		**522,650**	522,650	0
XVF	239	1,385.8220	9,186,560			359,610	0		**9,546,170**	9,546,170	0
XVG	5	472.2090	2,921,860			1,826,180	88,030		**4,836,070**	4,836,070	0
XVH	1	6.8590	24,010			0	0		**24,010**	24,010	0
XVI	15	68.8450	419,300			2,343,800	0		**2,763,100**	2,763,100	0
XVJ	38	220.3820	1,723,830			29,170	0		**1,753,000**	1,753,000	0
XVK	78	272.9030	2,367,750			3,870,840	0		**6,238,590**	6,238,590	0
XVL	1	1.2532	167,300			0	0		**167,300**	167,300	0
XVR	29	217.2300	961,930			1,712,590	0		**2,674,520**	2,674,520	0
XVS	22	28.0550	218,900			3,064,920	0		**3,283,820**	3,283,820	0
X*	1,496	13,171.0582	68,006,110			235,284,570	5,242,250	452,930	308,985,860	308,985,860	0
TOTAL:	33,947	583,415.8286	325,954,430	58,025,050	2,294,900,490	1,781,935,540	163,444,930	1,582,473,330	6,148,708,720	3,783,550,772	3,285,269,067

CERTIFICATION STATEMENT

"I, Randy Clark, Chief Appraiser for ECAD, solemnly swear that I have made or caused to be made a diligent inquiry to ascertain all property in the district subject to appraisal by me, and that I have included in the records all property that I am aware of at an appraised value which, to the best of my knowledge and belief, was determined as required by law."



Randy Clark
Chief Appraiser

USPAP STANDARD 6-3: CERTIFICATION

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

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

		Inspected Property?	Provided Significant Appraisal Assistance?
Appraiser (a)	8-17-26 *Date*	Y *Yes / No*	Y *Yes / No*
David W. Erickson Digitally signed by David W. Erickson Date: 2026.08.17 15:23:29 -05'00' *Appraiser (b)*	*Date*	YES *Yes / No*	YES *Yes / No*
Supervising Appraiser / Dept. Manager	*Date*	*Yes / No*	*Yes / No*
Cindy Fox *District Manager*	8.17.26 *Date*	N *Yes / No*	N *Yes / No*

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

PRITCHARD & ABBOTT, INC.
VALUATION AND IT CONSULTANTS

THE APPRAISAL OF

MINERAL, INDUSTRIAL, UTILITY, PERSONAL PROPERTY
AND
RESIDENTIAL REAL ESTATE

AS PER

UNIFORM STANDARDS OF

PROFESSIONAL APPRAISAL PRACTICE

(USPAP)

Effective January 1, 2026*

**Per the Appraisal Standards Board (ASB) of The Appraisal Foundation, the 2024 edition of USPAP has an effective start date but no end date. Per the ASB, the need for the standards to be updated on a regular basis has decreased. Therefore, the 2024 edition of USPAP will be effective for an indeterminate number of tax years, until the next edition of USPAP is released by the ASB.*

Includes, in part, the Written Mass Appraisal Report and Certification as promulgated by USPAP Standards 6-1 through 6-3. This report was assembled in part with direct reference to the 2024 Edition of USPAP as published by the Appraisal Standards Board of The Appraisal Foundation, authorized by United States Congress as the Source of Appraisal Standards and Appraiser Qualifications.

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

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

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

This "USPAP Report" provides general information about the rather comprehensive USPAP Scope of Work rule, as well as the specific steps P&A takes in the actual appraisal of various property types per our contractual obligations. This report, as well as the Biennial Reappraisal Plan that P&A provides our clients before the appraisal season, should not be confused or conflated with an "appraisal manual" or other "how-to" guide which may or may not exist within P&A for any particular property type we appraise.

This report discusses all additional USPAP rules that interact with the Scope of Work Rule, such as the Ethics Rule, the Competency Rule, the Record Keeping Rule, and Jurisdictional Exception Rule, as well as USPAP Definitions. This report, and specifically the certification page at the end, is meant to accompany our appraisals and supporting documentation provided to clients per Property Tax Code, Sec. 25.01(c) at the completion of each tax year. An appraisal season thus begins with an appraisal plan (approved by the CAD's Board of Directors) and ends with appraisal reports. Providing these reports is definitely part of the plan. Likewise, much of the verbiage in this "USPAP report" is a reiteration of the Biennial Reappraisal Plan.

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

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

Per USPAP Advisory Opinion 32: *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*, in the interests of equity, the scope of work in mass appraisal assignments for ad valorem taxation can include consideration of appraisal level (the overall proximity between appraised values and actual prices) and the uniformity of property values (equity within groups of like properties). The appraiser is responsible for

recognizing when the concepts of appraisal level and appraisal uniformity are necessary for credible assignment results in a mass appraisal assignment for ad valorem taxation.

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

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

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

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

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

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

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

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

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

CHANGES FROM 2020-21 EDITION OF USPAP

The Appraisal Foundation, through its Appraisal Standards Board (ASB), constantly seeks to clarify and improve where possible the previously published edition of USPAP. This update is the first since the adoption of the 2020-2021 edition in 2019, which was subsequently extended through the end of 2023.

Unlike other editions, the 2024 USPAP will be the first with an effective date but no expiration date. ASB says having no expiration date offers "greater flexibility to thoroughly examine proposed changes and respond in a timely manner to a changing marketplace."

Changes to the ETHICS RULE

The Board adopted a Nondiscrimination Section in the ETHICS RULE and deleted all language relating to supported and unsupported conclusions in the Conduct section of the ETHICS RULE. There are no changes to the Management and Confidentiality sections of the ETHICS RULE.

Transfers and Sales

The Board adopted the addition of "and other transfers," words to Standards Rule 1-5(b), Standards Rule 2-2(a)(x)(3), Standards Rule 2-2(b)(xii)(3), Standards Rule 7-5(b), Standards Rule 8-2(a)(x)(3) Standards Rule 8-2(b)(xii)(3), and Standards Rule 9-4(b).

Retired Definitions

The Board retired the definition of *ASSIGNMENT ELEMENTS*, *MISLEADING*, and *RELEVANT CHARACTERISTICS*.

Modified Definitions

The Board modified the definition of *APPRAISER* (adds a comment that makes it clear where the expectation that an appraiser has an obligation to comply with USPAP comes from), *PERSONAL INSPECTION* (clarifies it must be in-person by the appraiser and specifically performed for the appraiser's assignment), and *WORKFILE* (can now include documentation not necessarily to show compliance with USPAP).

Minor Edits

The Board adopted replacement of the words "a summary" with "the description" in one sentence in each of the following Standards Rules: Standards Rule 2-3(c)(ii), Standards Rule 4-3(c)(ii), Standards Rule 6-3(c)(ii), Standards Rule 8-3(c)(ii), and Standards Rule 10-3(c)(ii). The Board also adopted the addition of words "in writing and" to a sentence in STANDARD 6. The Board adopted adding words to a requirement in Standards Rule 8-2(b) so that it is consistent with the exact wording in 8-2(a).

Revisions to Advisory Opinion 2

The Board adopted changes to Advisory Opinion 2, Inspection of Subject Property, in part, to reflect adopted changes in the definition of Personal Inspection.

Retirement of Advisory Opinion 16

The ASB retired Advisory Opinion 16, Fair Housing Laws and Appraisal Report Content. With the removal of a prohibition and the addition of the Nondiscrimination section of the ETHICS RULE, the guidance in this Advisory Opinion is no longer relevant.

Creation of new Advisory Opinion 39

The Board adopted Advisory Opinion 39, Anti-discrimination. This Advisory Opinion provides guidance on the new Nondiscrimination section of the ETHICS RULE.

Creation of new Advisory Opinion 40

The Board adopted Advisory Opinion 40, Antidiscrimination and the Research, Analysis, and Reporting of Location Data, including Demographics, for Residential Real Property Appraisal Assignments to provide guidance on the new Nondiscrimination section of the ETHICS RULE.

DEFINITIONS

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

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

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

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

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

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

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

> Comment: Such expectation occurs when individuals, either by choice or by requirement placed upon them or upon the service they provide by law, regulation, or agreement with the client or intended users, represent that they comply.

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

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

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

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

> Comment: Physical characteristics are not assignment results.

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

BUSINESS ENTERPRISE: an entity pursuing an economic activity.

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

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

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

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

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

CREDIBLE: worthy of belief.

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

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

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

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

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

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

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

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

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

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

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

Per Advisory Opinion 32: In ad valorem taxation assignments, the client is typically the government or taxing authority that engages the appraiser. As defined in USPAP, the client is an intended user. Through communication with the client, the appraiser may identify other intended users. A party [such as a taxpayer] receiving a copy of a report in order to satisfy disclosure requirements does not become an Intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.

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

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

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

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

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

PERSONAL INSPECTION: (for an appraisal assignment) the appraiser's in-person observation of the subject property performed as part of the scope of work; (for an appraisal review assignment) the reviewer's in-person observation of the subject of the work under review, performed as part of the scope of work.

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

PERSONAL PROPERTY: Any tangible or intangible article that is subject to ownership and not classified as real property, including identifiable tangible objects that are considered by the general public as being "personal," such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; and intangible property that is created and stored electronically such as plans for installation art, choreography, emails, or designs for digital tokens.

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

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

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

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

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

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

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

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

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

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

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

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

PREAMBLE

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

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

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

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

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

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

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

Consequently, USPAP Standards 5 and 6 are assumed to be 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 (FHAct), 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 is which there is no report, only the initial disclosure to the client is required.

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

MANAGEMENT

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

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

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

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

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

CONFIDENTIALITY

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

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

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

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

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

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

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

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

RECORD KEEPING RULE

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

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

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

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

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

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

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

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

COMPETENCY RULE

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

BEING COMPETENT

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

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

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

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

ACQUIRING COMPETENCY

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

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

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

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

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

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

LACK OF COMPETENCY

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

SCOPE OF WORK RULE

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

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

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

Scope of work includes, but is not limited to:

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

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

PROBLEM IDENTIFICATION

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

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

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

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

SCOPE OF WORK ACCEPTABILITY

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

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

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

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

DISCLOSURE OBLIGATIONS

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

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

JURISDICTIONAL EXCEPTION RULE

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

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

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

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

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

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

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

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

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

Standards 5 and 6 apply to all mass appraisals of real and personal property regardless of the purpose or use of such appraisals. It is directed toward the substantive aspects of developing and communicating competent analyses, opinions, and conclusions in the mass appraisal of properties, whether real property or personal property. Standard 5 is directed toward the substantive aspects of developing credible analyses, opinions, and conclusions in the mass appraisal of properties, while Standard 6 addresses the content and level of information required in a 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 not withstanding whether P&A implicitly or explicitly employs or reports all attributes listed above, in all cases P&A at the minimum employs tenants of "generally accepted appraisal methods" which are the genesis of USPAP Standards.

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

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

- **Standard 5-1:** Establishes the appraiser's technical and ethical framework. Specifically, appraisers must recognize and use established principles, methods and techniques of appraisal in a careful manner while not committing substantial errors of fact or negligence that would materially affect the appraisal results and not give a credible estimate of fair market value. To this end appraisers must continuously improve his or her skills to maintain proficiency and keep abreast of any new developments in the real and personal property appraisal profession. This Standards does not imply that competence requires perfection, as perfection is impossible to attain. Instead, it requires appraisers to employ every reasonable effort with regards to due diligence and due care.

- **Standard 5-2:** Defines the introductory framework requirements of developing a mass appraisal, focusing on the identification and/or definition of: client(s), intended users, effective date, appraisal perspective, scope of work, extraordinary assumptions, hypothetical conditions, the type and definition of value being developed (typically "fair market value" for ad valorem tax purposes), characteristics of the property being appraised in relation to the type and definition of value and intended use, the characteristics of the property's market, the property's real or personal attributes, fractional interest applicability, highest and best use analysis along with other land-related considerations, and any other economic considerations relevant to the property.

- **Standard 5-3:** Defines requirements for developing and specifying appropriate mass appraisal data and elements applicable for real and personal property. For real property, the data and elements include: existing land use regulations, reasonably probable modification of such regulations, economic supply and demand, the physical adaptability of the real estate, neighborhood trends, and highest and best use analysis. For personal property, the relevant data and elements include: identification of industry trends, trade level, highest and best use, and recognition of the appropriate market consistent with the type and definition of value.

- **Standard 5-4:** Further defines requirements for developing mass appraisal models, focusing on development of standardized data collection forms, procedures, and training materials that are used uniformly on the universe of properties under consideration. This rule specifies that appraisers employ recognized techniques for specifying and calibrating mass appraisal models. Model specification is the formal development of a model in a statement or mathematical equation, including all due considerations for physical, functional, and external market factors as they may affect the appraisal. These models must accurately represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. Models must be calibrated using recognized techniques, including, but not limited to, multiple linear regression, nonlinear regression, and adaptive estimation. Models may be specified incorporating the income, market, and/or cost approaches to value and may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics such as adaptive estimation. Model calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model.

- **Standard 5-5:** Defines requirements for collection of sufficient factual data, in both qualitative and quantitative terms, necessary to produce credible appraisal results. The property characteristics collected must be contemporaneous with the effective date of the appraisal. The data collection program should incorporate a quality control procedure, including checks and audits of the data to ensure current and consistent records. This rule also calls for calls for an appraiser, in developing income and expense statements and cashflow projections, to weigh historical information and trends, current market factors affecting such trends, and reasonably anticipated events, such as competition from developments either planned or under construction. Terms and conditions of any leases should be analyzed, as well as the need for and extent of any physical inspection of the properties being appraised.

- **Standard 5-6:** Defines requirements for application of a calibrated model to the property being appraised. This rule calls for: the appraiser to recognize methods or techniques based on the cost, market, and income approaches for improved parcels; the appraiser to value sites by recognized methods or techniques such as allocation method, abstraction method, capitalization of ground rent, and land residual; the appraiser to develop value of leased fee or leasehold estates with consideration for terms and conditions of existing leases, and, when applicable by law, as if held in fee simple whereas market rents are substituted for actual contract rents; the appraiser to analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or component parts of a property; the appraiser to analyze anticipated public or private improvements located on or off the site, and analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.

- **Standard 5-7:** Defines the reconciliation process of a mass appraisal. Specifically, appraisers must analyze the results and/or applicability of the various approaches used while ensuring that, on an overall basis, standards of reasonableness and accuracy are maintained with the appraisal model selected (underline added for emphasis). It is implicit in mass appraisal that, even when properly specified and calibrated models are used, some individual value conclusions will not meet standards of reasonableness, consistency, and accuracy. Appraisers have a professional responsibility to ensure that, on an overall basis, models produce value conclusions that meet attainable standards of accuracy.

- **Standard 6-1:** Defines general requirements of a mass appraisal 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

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

INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appraisal Resources

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

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

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

VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

Approaches to Value for Petroleum Property

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

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

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

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

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

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

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

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

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

DATA COLLECTION/VALIDATION

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

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

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

VALUATION ANALYSIS (MODEL CALIBRATION)

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

INDIVIDUAL VALUE REVIEW PROCEDURES

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

PERFORMANCE TESTS

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

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

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

INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appraisal Resources

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

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

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

VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

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

Approaches to Value for Industrial, Utility, and Personal Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. This method is most readily applicable to the appraisal of industrial and 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.

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

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

INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

Administrative Requirements: P&A follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). P&A submits annual or biannual contract proposals to the Office of the Chief Appraiser and is bound to produce mass appraisal estimates on real estate properties within the cost constraints of said proposals. Any appraisal practices and procedures followed by P&A not explicitly defined through IAAO or USPAP requirements are specified by the Texas Property Tax Code or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

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

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

Information Systems: The mainframe systems are augmented by the databases that reside as various applications on personal computers (PC). P&A offers a variety of systems for providing property owners and public entities with information services. The appraiser supervising any given contract fields many of the public's questions or redirects them to the proper division.

VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

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

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

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

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

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

DATA COLLECTION/VALIDATION

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

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

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

VALUATION ANALYSIS

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

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

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

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

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

INDIVIDUAL VALUE REVIEW PROCEDURES

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

PERFORMANCE TESTS

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

USPAP STANDARD 6-3: CERTIFICATION

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

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

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

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

_____

_____

_____

A signed certification is an integral component of the appraisal report. The above certification is not intended to disturb an elected or appointed assessor's work plans or oaths of office.

- **An appraiser who signs any part of the mass appraisal report, including a letter of transmittal, must also sign this certification. This certification applies to all assignment results and well as all contents of the appraisal report(s).**

- **When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work. The signing appraiser is required to have a reasonable basis for believing that: a) those individuals performing the work are competent; and b) that the work of those individuals is credible.**

- **The names of individuals providing significant mass appraisal assistance who do not sign a certification must be stated in the certification. It is not required that the description of this assistance be contained in the certification, but disclosure of their assistance is required in accordance with Standards 6-2(g). This disclosure may be in any part(s) of the report.**

USPAP STANDARD 6-3: CERTIFICATION

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

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

		Inspected Property?	Provided Significant Appraisal Assistance?
Appraiser (a)	8-17-26 *Date*	Y *Yes / No*	Y *Yes / No*
David W. Erickson Digitally signed by David W. Erickson Date: 2026.08.17 15:23:29 -05'00' *Appraiser (b)*	*Date*	YES *Yes / No*	YES *Yes / No*
Supervising Appraiser / Dept. Manager	*Date*	*Yes / No*	*Yes / No*
Cindy Fox *District Manager*	8.17.26 *Date*	N *Yes / No*	N *Yes / No*

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