

STEPHENS COUNTY APPRAISAL DISTRICT

2025/2026 REAPPRAISAL PLAN

EXECUTIVE SUMMARY

The Texas Property Tax Code requires appraisal districts to develop a biennial written plan for reappraisal of properties within the district. This plan is developed for the reappraisal years 2025 and 2026.

TAX CODE REQUIREMENT

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

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

The Stephens County Appraisal District is a political subdivision of the State of Texas created effective January 1, 1980. The mission of the Stephens County Appraisal District is to courteously and efficiently serve the property owners and taxing units of Stephens County by timely producing an accurate, complete, and equitable appraisal roll in an environment that values fairness, transparency, consistency, and accountability.

The Stephens County Appraisal District has prepared and published this reappraisal plan to provide the Board of Directors, taxing entities, and taxpayers with a better understanding of the upcoming two-year reappraisal cycle in a clear and transparent manner as required by the Tax Code and local Board Policy. It is our hope that it provides some insight to the overall appraisal process, as well as, the duties and responsibilities required each year.

Except as otherwise provided by the Property Tax Code, all taxable property is appraised at its "market value" as of January 1 of the tax year. The district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures and subscribes to the standards promulgated by the Appraisal Foundation, known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable.

The Stephens County Appraisal District reappraises all property in the district every year through accepted mass appraisal techniques that include sales ratio studies, cost studies, income studies and other accepted methods. Every property is set to receive an individual, onsite review at least once every three years.

This plan for reappraisal was written by Stephens County Appraisal District in conjunction with Eagle Appraisal and Consulting. The plan utilizes the Eagle Appraisal and Consulting methodology and is in compliance with USPAP requirements. For any additional information or clarification not included in this plan, the district is available to provide such information upon request.

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SCOPE OF RESPONSIBILITY

The Stephens County Appraisal District, as prescribed in the Tax Code and through policy adopted by the Board of Directors, reappraises all property in the district every year, through accepted mass appraisal techniques that include sales ratio studies, cost studies, income studies and other accepted methods. Every property is set to receive an individual, onsite review at least once every three years.

The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. The Board of Directors, elected by the taxing units within the boundaries of Stephens County, constitutes the district’s governing body. The chief appraiser, appointed by the Board of Directors, is the chief administrator and chief executive officer of the appraisal district.

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

Stephens County	Albany ISD
City of Breckenridge	Graham ISD
Stephens Memorial Hospital District	Moran ISD
Breckenridge ISD	Ranger ISD
	Woodson ISD

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

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

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

The Texas Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec. 23.23), agriculture productivity (Sec. 23.41), real property inventory (Sec. 23.12), dealer inventory (Sec. 23.121, 23.124, 23.1241, nominal (sec. 23.18) or restricted use properties (Sec. 23.83) and allocation of interstate property (Sec. 23.03). The owner of real property inventory may elect to have the inventory appraised at its market value as of September 1st of the year preceding the tax year to which the appraisal applies by filing an application with the chief appraiser requesting that the inventory be appraised as of September 1st.

The Texas Property Tax Code, under Section 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. The district’s policy is to conduct a general reappraisal of taxable property and review and adjust appraisal values annually. This plan addresses tax year 2025 and tax year 2026 as the reappraisal years.

The appraised value of real estate is calculated using computer-assisted mass appraisal programs and recognized appraisal methods and techniques, the appraisal district compares ~~that~~ specific information/data on ~~the data for~~ similar properties with recent cost and market data.

SHARED APPRAISAL DISTRICT BOUNDARIES

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

Due to HB1010, effective 2008 this section no longer applies. However, we continue to share information with adjacent counties, especially those the district appraises for overlapping school districts. The district established procedures whereby ownership and property data information are routinely exchanged with over-lapping jurisdictional boundaries. These over-lapping jurisdictions include Albany ISD and Moran ISD in Shackelford County, Graham ISD in Young County, Ranger ISD in Eastland County and Woodson ISD in Throckmorton County.

GENERAL MARKET, COST RECONCILIATION & VALUATION PRACTICES

The district's primary approach to the valuation of properties uses a hybrid cost-sales comparison approach. This type of approach accounts for neighborhood market influences not particularly specified in a purely cost model.

The following equation denotes the hybrid model used:

$$MV=LV+(RCN-AD)$$

The replacement cost new of property improvements (RCN) less accrued depreciation (AD) plus land value (LV) equals market value (MV). As the cost approach separately estimates both the land and building value, neighborhood analysis of market sales is used to achieve an acceptable sale ratio or level of appraisal. Market factors are developed from appraisal statistics provided from market analyses and ratio studies and are used to ensure that estimated values are consistent with the market and to reconcile cost indicators.

Whereas, in accordance with the cost approach, the estimated market value (MV) of the property equals the land value (LV) plus contributory values and uses depreciated replacement cost, 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.

The market, or location adjustments, may be abstracted and applied uniformly within neighborhoods to account for location variances between market areas or across a jurisdiction. Whereas, in accordance with the Market Approach, the estimated market value (MV) of the property equals the basic unit of property, under comparison, times the market price range per unit for sales of comparable property. 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. This analysis for the hybrid 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, indicated the depreciated value of the improvement component, in effect, measuring changes in accrued depreciation, and cost factor.

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 hybrid 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 delineated neighborhood, with the value of the properties' based on the estimated depreciated replacement cost of improvements plus land value. The calculated ratio derived from the sum of the sold properties' estimated value divided by the sum of the time adjusted sales process indicates the neighborhood level of appraisal based on sold properties. The ratio is compared to the acceptable appraisal ratio, 95% to 105%, 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.

If reappraisal of the neighborhood is indicated, the appraiser analyzes available market sales, appropriately adjusted for the apparent effects of time, by market abstraction of property components. This abstraction of property components allows the appraiser to focus on the rate of change for the improvements contribution to the property by providing a basis for calculating accrued depreciation attributed to the improvement component.

This impact on value is usually the most significant factor affecting property value and the most important unknown to determine by market analysis. Abstraction of the improvement component from the adjusted sale price for a property indicated the effect of overall market suggested influences and factors on the price of improvements that were a part of this property, recently sold. Comparing this indicated price or value allocation for the improvement with the estimated replacement cost new of the improvement indicated any loss in value due to accrued forms of physical, functional, or economic obsolescence.

This is a market driven measure of accrued depreciation and results in a true and relevant measure of improvements marketability, particularly when based on multiple sales that indicate the trending of the rate of change over certain classes of improvements within certain neighborhoods. Based on this market analysis, the appraiser estimated the annual rate of depreciation for given improvement descriptions considering age and observed condition. Once estimated, the appraiser recalculates the improvement value of all property within the sale sample to consider and review the effects on the neighborhood sale ratio.

After an acceptable level of appraisal is achieved within the sale sample, the entire neighborhood of property is recalculated utilizing the indicated depreciation rates taken from market sales. This depreciation factor is the basis for trending all improvement values and when combined with any other site improvements and land value, brings the estimated property value through the cost approach closer to actual market prices as evidenced by recent sale process available within a given neighborhood.

Therefore, based on analysis of recent sales located within a given neighborhood, estimated property values will reflect the market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values. The estimated property values calculated for each updated neighborhood are based on market indicated factors applied uniformly to all properties within a neighborhood.

Finally, with all the market-trend factors applied, a final ratio study is generated that compares recent sale prices with the proposed appraised values for these sold properties. From this set of ratio studies, the appraiser judges the appraisal level and uniformity in both updated and non-updated neighborhoods and verifies appraised values against overall trends as exhibited by the local market, and finally, for each school district as a whole.

The CAMA system begins with the cost approach to value to estimate original cost of each improvement. All residential parcels in the district are valued with a replacement cost estimated from identical cost schedules based on the improvement classification system using a comparative unit method. 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. The cost schedules are reviewed regularly as a result of state legislation requiring that the appraisal district cost schedules be within a range of plus or minus 10% from nationally recognized cost schedules.

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 sold properties representing various levels of quality of construction in the district are considered. By utilizing the cost system, properties are equalized as to their original costs. The property data characteristics of these properties are verified and photographs are taken of the samples. Components measured in the cost include the size of the structure, number of bathrooms, type of roof structure, roof covering, exterior covering, special features such as fireplaces, pools, and other special amenities. The market sales are studied for improvement contributions in each neighborhood and adjustments to cost are applied to each neighborhood in the form of all types of depreciation. Finally, each structure is rated as to its current condition. Ratings range from poor to excellent. Sales are also categorized using the same condition rating system so that sales comparisons will be made to properties of like construction and condition.

This same concept is used in commercial properties as well as business personal property, with the cost basis being established by nationally recognized resources, such as Marshall & Swift guides, NADA, etc. Utilities, railroads, pipelines, oil and gas, values are set by TY Pickett, Inc.

PLANNING A REAPPRAISAL

Variation in reappraisal requirements requires Stephens County Appraisal District to carefully plan its work before beginning any reappraisal by utilizing the International Association of Assessing Officers (IAAO) textbook, Property Appraisal and Assessment Administration, lists ten steps in a reappraisal.

1. Performance Analysis
 - A. Ratio studies
 - B. Equity studies
 - C. Consistency of values with market
2. Revaluation Decision
 - A. Statutory at least once every three years
 - B. Administrative policy
3. Analysis of Available Resources
 - A. Staffing
 - B. Budget
 - C. Existing practices
 - D. Information system support
 - E. Existing data and maps
 - F. Impacts on resources
4. Planning and Organization
 - A. Target completion dates
 - B. Identify performance objectives
 - C. Specific action plans and schedules
 - D. Identify critical activities with completion dates
 - E. Set production standards for field activities
5. Mass Appraisal System:
 - A. Forms and procedures revised as necessary
 - B. CAMA (computer assisted mass appraisal) system revisions as required
6. Conduct Pilot Study
 - A. Test new/revised appraisal methods as applicable
 - B. Conduct ratio studies
 - C. Determine if values are accurate and reliable
7. Data Collection
 - A. Building permits and other sources of new construction
 - B. Check properties that have undergone remodeling
 - C. Reinspection of problematic properties
 - D. Reinspection of universe of properties on a cyclic basis
8. Valuation
 - A. Market analysis (based on ratio studies)
 - B. Schedules development
 - C. Application of revised schedules
 - D. Calculation of preliminary values
 - E. Tests values for accuracy and uniformity
9. The Mass Appraisal Report
 - A. Establish scope of work
 - B. Compliance with Standards Rule 6 - 7 of USPAP
 - C. Signed certification by the chief appraiser as required by Standards Rule 6-8 of USPAP
10. Value Defense:
 - A. Prepare and deliver notices of value to property owners
 - B. Hold informal hearings
 - C. Schedule and hold formal appeal hearings

Note—the burden of proof (evidence) of market values and equity falls on the appraisal district.

The same timetable and duties apply for each year. The field appraiser shall physically inspect all property as described in Area as scheduled. The chief appraiser and CAD staff shall continue to complete the same duties and reappraisal steps as outlined.

PERFORMANCE ANALYSIS

In each tax year, the previous tax year values are analyzed with ratio studies, to determine appraisal accuracy and uniformity by market areas, as well as by State property categories. Ratio studies are conducted in compliance with the current Standard on Ratio Studies from the International Association of Assessing Officers. Mean, median, and weighted mean ratios are calculated for properties in each category to measure the level of appraisal accuracy.

Sales ratio studies are used to evaluate the district's mass appraisal performance. These studies not only provide a measure of performance, but also are an excellent means of improving mass appraisal performance. Outliers, and questionable data is flagged, reviewed, and analyzed. Notes, and all appropriate documents are stored in the CAMA software regarding the sale information, field inspection review, and all other information that may be needed regarding the property.

Neighborhood or market adjustment factors are developed from statistics provided from ratio studies and are used to ensure that estimated values are consistent with the market data. Analysis of comparable market sales forms the basis of overall market values, reflecting the current activity, supply and demand, or other factors affecting market prices for any given market area, neighborhood or district.

Due to variations in market prices, circumstances and so forth, indicated values and appraisal values can often be outside of the median level of appraisal. Outliers are characterized from their low, or high ratios. They can result from an erroneous, or unrepresentative sale price, an error in the appraisal, or a transaction that is truly outside of the typical market range. These outliers are recorded within the CAMA system, but may be removed from the overall calculations to value to prevent potential errors to the calculated values.

REVALUATION DECISION

While all property is reappraised ~~all property in the district~~ every year through industry acceptable mass appraisal techniques that include sales ratio studies, cost studies and income approaches to value, the Tax Code and Board Policy stipulates that every property is to receive an individual, onsite review at least once every three years, with appraisers noting condition of the improvement and looking for changes that might have occurred to the property since the last inspection

Plan for Periodic Reappraisal Requirement

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

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

The District will physically inspect properties coded for an inspection. Properties are coded for an inspection for many of the following reasons: remodeled, or demolished properties, properties discovered with errors to the tax roll, property owner requests, building permits, issues discovered through the appeals process, sales of property, and properties with fire, flood, or other damage.

Minerals, tangible industrial properties, utilities, business personal property and any property that utilizes an income approach to value, will be evaluated every year.

ANALYSIS OF AVAILABLE RESOURCES

Staffing and budget requirements for tax year are detailed in the annual budget, as adopted by the Board of Directors of the Stephens Appraisal District. This reappraisal plan is adjusted to reflect the available staffing and resources. Budget restraints can impact the cycle of real property re-inspection and personal property on-site review that can be accomplished in a given time period.

Personnel Resources

The Stephens CAD currently employees four (4) individuals. One is training to become the chief appraiser. In the meantime, the Board of Directors has contracted with Gary Zeitler of Eagle Appraisal & Consulting (Eagle) to serve as the Interim Chief Appraiser, but the transition of chief appraisers should occur in the 2025 appraisal year.

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

Eagle Appraisal and Consulting has been contracted to do Real Property Appraisal and Special Values. Eagle's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulations.

TY Pickett is contracted to perform industrial, mineral and utility appraisals including industrial tangible property. Pickett's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulations.

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

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

Existing Appraisal Practices

Existing appraisal practices, which are continued from year to year, are identified and methods are utilized to keep these practices current. Current cost schedules for residential and commercial real properties are derived and updated from Marshall and Swift Valuation Service. Marshall and Swift Valuation Service is a national based cost manual and is generally accepted throughout the nation by the real estate appraisal industry. In a reappraisal year, real property appraisal depreciation tables and cost new tables are tested against verified sales data to ensure they represent current market data. Personal property density schedules are tested and analyzed based on rendition and prior year protest hearing documentation. Due to lack of sales of personal property in the district, the Comptroller's Guide may be utilized to appraise personal property and for testing and analysis purposes.

Information Systems (IS) support is detailed and system upgrades are scheduled with Southwest Data Solutions.

Existing maps and data requirements are continually updated and kept current.

All appraisal companies may face arbitration or lawsuits in any appraisal year. The Texas Legislature amended the appraisal review board appeal process by allowing arbitration in addition to filing suit in District Court with certain limitations. It is anticipated that the number of arbitration requests will increase as the public becomes more informed of this option. Time and effort expended on arbitration cases is a good indicator that additional recourses as well as an increase in staffing may become necessary as the arbitration process evolves.

Changes in legislation involving appraisal districts may occur which may require adjustments to the budget, staffing, and programming.

PLANNING AND ORGANIZATION

<u>Tax Year</u>	<u>Property</u>	<u>Who</u>	<u>Begins</u>	<u>Completed</u>
2025	Area 3 Real Property	Eagle Appraisal	September 2024	April 2025
	All Special Values	Eagle Appraisal	October 2024	January 2025
	All Business PP	Stephens CAD	January 2024	April 2025
	All Industrial PP	TY Pickett	September 2024	April 2025
	All Utilities	TY Pickett	September 2024	April 2025
	All Minerals	TY Pickett	September 2024	April 2025
	Homestead Audit	Stephens CAD	September 2024	April 2025

<u>Tax Year</u>	<u>Property</u>	<u>Who</u>	<u>Begins</u>	<u>Completed</u>
2026	Area 1 Real Property	Eagle Appraisal	September 2025	April 2026
	Special Values	Eagle Appraisal	October 2025	January 2026
	Business PP	Stephens CAD	January 2025	April 2026
	Industrial PP	TY Pickett	September 2025	April 2026
	Utilities	TY Pickett	September 2025	April 2026
	Minerals	TY Pickett	September 2025	April 2026
	Homestead Audit	Stephens CAD	September 2025	April 2026

<u>Tax Year</u>	<u>Property</u>	<u>Who</u>	<u>Begins</u>	<u>Completed</u>
2027	Area 2 Real Property	Eagle Appraisal	September 2026	April 2027
	Special Values	Eagle Appraisal	October 2026	January 2027
	Business PP	Stephens CAD	January 2026	April 2027
	Industrial PP	TY Pickett	September 2026	April 2027
	Utilities	TY Pickett	September 2026	April 2027
	Minerals	TY Pickett	September 2026	April 2027
	Homestead Audit	Stephens CAD	September 2026	April 2027

Pursuant to Section 25.18 of the Texas Property Tax Code, the Stephens County Appraisal District has established the following physical inspection plan to provide for the inspection of all property within the district at least once every three (3) years. This plan establishes an annual cycle of review to meet the three-year requirement:

1. Three-Year Cycle:

The CAD is divided into three areas. Each year, all real residential and commercial property within one of the areas will be reappraised or physically inspected, data updated and photographed, regardless of any ratio study/report findings. These areas are identified as follows:

a. Area One (2026)

(A) All properties that fall outside of the city limits of Breckenridge in the Southeast Corner of Stephens County that lies South of Hwy 180 E. and East of Hwy 183 S. This includes all rural land, rural improvements, residential properties, as well as all residential and commercial properties.

(B) All properties that fall outside of the city limits of Breckenridge in the Northeast Corner of Stephens County that lies North of Hwy 180 W and East of Hwy 67 N. This includes all rural land, rural improvements, and residential properties within the described area.

(C) Additionally, any minerals, industrial, utility, or personal properties that fall in the boundaries of Stephens County as a whole.

b. Area Two (2027)

(A) All properties that fall outside of the city limits of Breckenridge in the Southwest Corner of Stephens County that lie South of HWY 180 W and West of HWY 183 S. This includes all rural land, rural improvements, and residential properties within the described area.

(B) All properties that fall outside of the city limits of Breckenridge in the Northwest Corner of Stephens County that lie north of HWY 180 W and West of HWY 67 N. This includes all rural land, rural improvements, and residential properties within the described area.

(C) Additionally, any minerals, industrial, utility, or personal properties that fall in the boundaries of Stephens County as a whole.

c. Area Three (2025)

(A) All properties located within the city limits of Breckenridge. This includes all rural land, rural improvements, and residential properties within the described area.

(B) Additionally, any minerals, industrial, utility, or personal properties that fall in the boundaries of Stephens County as a whole.

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

2. Annual Ratio Reports

Ratio studies shall be performed annually to determine areas or categories of properties within the CAD which need to be reappraised within the current year based on sales ratios. Any areas or categories whose ratios are above or below statutory requirements shall be reappraised in the current year regardless of the area in which they are located.

3. Market Areas Defined

Stephens CAD has identified four specific market areas: properties inside the city limits of Breckenridge, lake frontage and lakeview properties around Hubbard Lake, lake frontage and lakeview properties around Possum Kingdom Lake and homes in the county.

This annual cycle will ensure not only that all residential and commercial property within the CAD is reappraised at least once every three years, but also that all other categories within the CAD are reviewed annually so that the appraisal district stays current with respect to market value in those areas where residential and/or commercial property values appear to be changing rapidly.

A calendar of key events with critical completion dates is prepared for each specific area of work. This calendar identifies key events for appraisal, clerical, customer service, and information systems. (Attachment A)

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

MASS APPRAISAL SYSTEM

Computer Assisted Mass Appraisal (CAMA) system revisions are completed by the Information Systems Software Provider. System revisions and procedures are performed by the Provider. The Stephens County Appraisal District will continue to contract with Southwest Data Solutions for these services.

Appraisal information for each area of work, maps for each area of work, and appraisal cards showing sketches and pictures of the properties included in the area of work will be provided by the District to the field appraisers as required by the appraisal cycle.

The field appraiser (Eagle) physically inspects areas required by the reappraisal cycle, checks all existing data, takes photographs of improvements, draws plans of new improvements for entry into computer, rechecks any property on which a question or problem has arisen. Other duties may be required and will be executed upon direction of the chief appraiser. Field appraisers will submit appraisal cards reflecting changes and notes made during the field inspection to appraisal district staff for data entry.

Data entry of field work notes and sketches is performed by appraisal district staff.

Appraisal district staff will be responsible for entering all name and address changes received by phone, letter, or from the front counter. Staff will also be responsible for entering any exemption changes, as well as any supplemental changes. Staff is responsible for backing up computer files and maintaining changes to the maps.

The chief appraiser performs the market analysis. Sales data is gathered throughout the year from deed records, sales confirmation letters from property owners, and other sources. The market data is analyzed, sales data is confirmed, outliers are identified, existing classification system is reviewed, market schedules are reviewed and updated as necessary, and final market schedules are applied to the universe of properties.

Real Property Valuation

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

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

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

Personal Property Valuation

Density schedules are tested using data received during the previous tax year from renditions and hearing documentation. Valuation procedures are reviewed, modified as needed, and tested. The latest edition of the Comptroller's Guide is utilized heavily in the appraisal of personal property in the district.

Noticing Process

25.19 appraisal notice forms are provided by the Information Systems Provider. The Provider reviews and edits for updates and changes required by legislative mandates.

The district publishes, in the local newspaper, information about the notices and how to protest. The district makes available the latest copy of the Comptroller's pamphlet Taxpayer's Rights, Remedies, and Responsibilities.

Hearing Process

Protest hearing scheduling for informal and formal Appraisal Review Board hearings is reviewed and updated as required and the ARB modules of the CAMA. Standards of documentation are reviewed and amended, hearing documentation is reviewed and updated to reflect the current valuation process and requirements and compliance with House Bill 201 is insured.

PILOT STUDY BY TAX YEAR

New and/or revised mass appraisal models are tested each tax year. Ratio studies, by market area, are conducted on proposed values each tax year. Proposed values on each category are tested for accuracy and reliability. Actual test results are compared with anticipated results and those models not performing satisfactorily are refined and retested. The procedures used for model specification and calibration are in compliance with USPAP, STANDARD RULE 6.

Residential valuation schedules are cost-based tables modified by actual sales with the cost reflecting the actual replacement cost new of the subject property, market research indicates that the common unit of comparison for new residential construction as well as sales of existing housing is the price paid per square foot. The value of extra items is based on their contributory value to the property. This value may be estimated by the price per square foot or a value of the item as a whole. This data is extracted from the market by paired sales analysis and conversations with local appraisers and brokers. These schedules are formulated from the Marshall and Swift Valuation Service Residential Handbook.

The residential schedule is based on quality of construction, size of structure, condition of structure, contributory value of extra items, and land value. Each of these variables has a direct impact on the cost as well as the value of a property. Following is an example of each of the variables and how they may affect market value.

1. Quality of construction

Residential construction may vary greatly in quality of construction. The type of construction affects the quality and cost of the material used, the quality of the workmanship, as well as the attention paid to detail. The cost and value of residential property will vary greatly, depending on the quality of construction. The District's Appraisal Manual contains an expanded description of classifications used and is attached by reference.

2. Size of structure

The size of a building also has a direct impact on its cost as well as its value. The larger the building, the less the cost per square foot. The District's schedules are graduated in size increments, depending on market conditions. Marshall and Swift Valuation Service also supports this size factor. The District's Appraisal Manual contains an expanded description of size increments and square footage breakdown's and is attached by reference.

3. Condition of improvements

The District rates conditions as very poor, poor, fair, average, good, very good, and excellent. Upon physical inspection appraisers, using their own judgment of age and condition of the structure, applies a depreciation factor. This factor is based generally on one (1) percent for each two years of age. Properties that, in the opinion of the appraisers, are unlivable are not appraised according to the schedule. Rather, they are appraised at salvage value or are marked as no value at all.

4. Age of Structure

The District's field appraiser assigns an approximate effective age. This method is supported by conversations with local appraisers and builders who estimate the economic life of residential properties to be approximately 50 years. Properties in the age 51 and over bracket are given the maximum amount of depreciation unless remodeling or very good upkeep has allowed the structure to maintain a longer life. The effective age and chronological age may or may not be the same depending on the condition of the structure. This depreciation factor is generally based on one (1) percent for each two years of age.

5. Extra Items

Extra items are valued according to their contributory value to the whole. Examples of extra items include covered porches, patios, screened or enclosed porches, storage buildings, swimming pools, etc. The District's Appraisal Manual contains more specific information regarding extra items and is attached by reference.

6. Land Value

The District values land based on market transactions. Units of comparison depend on how the property is purchased and marketed. Large acreage tracts are usually purchased based on the price per acre. Commercial tracts are purchased based on the price per square foot, and residential properties are purchased based on price per front foot. Depth factors are used to modify values according to market indicators. Land prices vary throughout the District, therefore, their values are dependent upon homogenous areas. Land schedules for residential, commercial, agricultural, and industrial properties are available upon request from the District.

Inspections of property are made by exterior perspective, so the interior finish as well as interior components are assumed and are not adjusted. All financing for comparable sales is considered typical to the market. The final estimate of value is a correlation of the comparable sales after net adjustments have been deducted from the sales price to equal the subject property. The value by this method is estimated by the appraiser and is not a function of the computer.

DATA COLLECTION REQUIREMENTS

Stephens County Appraisal District cost and value schedules include land, residential improved, commercial improved, and personal property. Data sources currently used by the District include cost information from Marshall and Swift Valuation Service (as provided by Eagle), cost data obtained from local contractors, and renditions provided by the property owners. Marshall and Swift Valuation Service is a national based cost manual and is generally accepted throughout the nation by the real estate appraisal industry. This cost manual is based on cost per unit or square foot and also uses the unit in place method. The unit in place method involves the estimated cost by using actual building components. This national based cost information service provides the base price of buildings

by classification with modifications for equipment and additional items. The District's schedule is then modified for time and location.

Field and office procedures are reviewed and revised as required for data collection. Activities for each tax year include new construction, demolition, remodeling, re-inspection of problematic market areas, re-inspection of the universe of properties on a specific cycle, and field or office verification of sales data and property characteristics. On properties that have transferred ownership, the District will verify the sales price and individual property characteristics as of the date of the sale through field inspection and office research.

Renditions are confidential sources and cannot be used for specific information. However, data from renditions may be compared with data obtained from cost manuals and used to test schedules for accuracy.

Data on individual properties is also collected from the field, compiled, and analyzed. Buildings and other improvements are inspected in the field, measured, and classified. The appraiser estimates the age and condition of the improvements. This data is used to compile depreciation tables. Any notes pertaining to the improvements are made during inspection.

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 in the neighborhood. Computerized land tables store the information required to consistently value individual parcels within neighborhoods given known land characteristics. 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 insure 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 locational 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 filed appraiser a current economic outlook on the real estate market. Information is gleaned from real estate publications and sources such as continuing education in the form of IAAO classes and other approved classes.

Neighborhood and Market Analysis

Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effects of these forces are also used to identify, classify, and stratify comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. Residential valuation and neighborhood analysis is conducted on various market areas within the district. 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.

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 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. Residential valuation undertakes reassessment of highest and best use in transition areas and areas of mixed residential and commercial use. In transition areas with ongoing gentrification, the appraiser reviews the existing residential property use and makes a determination regarding highest and best use. Once the conclusion is made that the highest and best use remains residential, further highest and best use analysis is done to decide the type of residential use on a neighborhood basis. In areas of mixed residential and commercial use, the appraiser reviews properties in these areas on a periodic basis to determine if changes in the real estate market require reassessment of the highest and best use of a select population of properties.

New Construction/Demolition

The appraisers performing reappraisals in the field have field cards that contain specific information regarding the property being appraised. These cards contain brief legal descriptions, ownership interests, property use codes, property addresses, land size, and sketches of improvements as well as detailed information of any improvements.

Appraisal field inspections require the appraisers to check all information on the field cards and to update the information when necessary.

New construction field and office review procedures are identified and revised as required. The City of Roby and the City of Rotan do not issue building permits. Additionally, the local newspaper's articles are kept throughout the year for reference purposes.

Local contractors and builders are another source of cost data utilized by the District. Local contractors provide cost data on new structures that is compared to cost information obtained from Marshall Swift Valuation.

Remodeling

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

Re-inspection of Problematic Market Areas

Real property market areas, by property classification, are tested for low or high ratio sales and/or high coefficients of dispersion. Market areas that fail any or all of these tests are determined to be problematic. Field inspections are scheduled to verify and/or correct property characteristic data. Additional sales data is researched and verified.

Re-inspection of the Universe of Properties

The International Association of Assessing Officers' Standard on Mass Appraisal of Real Property, specifies that the universe of properties should be re-inspected on a cycle of 3 years. The re-inspection includes physically viewing the property, photographing, and verifying the accuracy of the existing data. The field appraiser has an appraisal card of each property to be inspected and makes notes of changes, depreciation changes, remodeling, additions, etc. The annual re-inspection requirements for tax years 2025 and 2026 are identified and scheduled in the written reappraisal plan.

Field or Office Verification of Sales Data and Property Characteristics

Sales information is received from various sources. These sources include conversations with local real estate appraisers, agents, and brokers. Also, from deed transactions, the District mails out sales surveys to sellers and purchasers in an effort to obtain additional sales information that may not be otherwise discovered.

These sales are compared to the existing data on the field cards and changes are made as indicated. These changes include age and condition as well as any improvements made to the property before the sale takes place. When sales information indicates a difference in the improvement's square footage, the buildings are remeasured.

Sales information must be verified and property characteristic data contemporaneous with the date of sale captured. The sales ratio tools require that the property that sold must equal the property appraised in order that statistical analysis results will be valid.

VALUATION BY TAX YEAR

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

Limited Comparable Sales Data

Rural areas typically have fewer real estate transactions compared to in town markets. This scarcity of comparable sales data makes it challenging to find properties similar to the subject for valuation purposes. Appraisers may need to cast a wider net and analyze sales from the previous 2 years or from neighboring counties. In our rural appraisal, all rural is appraised uniformly across the entire county for the exception of lake front leases.

Residential Real Property

SALES COMPARISON APPROACH TO VALUE

Residential improved, and vacant sales are collected from a variety of sources and are kept in a sales file that is maintained in the CAMA. Grouping or clustering sales within the specified neighborhoods and classification of properties utilizes the sales comparison approach to value. The sales are then tested against the appraised values to indicate a ratio for the neighborhood. A neighborhood is a grouping of complementary properties, affected equally by the four forces that influence property value: social trends, economic circumstances, governmental contracts and regulations, and environmental conditions.

These factors have an impact on the value of properties within this grouping and in turn on properties being appraised. Individual neighborhood boundaries within the district vary according to market indications, and the type of property being appraised. The boundaries of these neighborhoods may vary for reasons such as geographical, physical, or political in nature. Residential neighborhoods usually consist of individual subdivisions, or groups of subdivisions, that contain similar properties located within the same jurisdictions.

The effect of time as an influence on price is considered by paired sales comparisons, and applied in the ratio study to the sales as indicated within each neighborhood area. Sales of the same property are considered, and analyzed for any indication of price change attributed to a time change or influence. Neighborhood sales reports are generated as an analysis tool for 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 analysis tools help determine, and estimate the effects of change with regard to price, as indicated by sale prices of similar properties within the current market.

If there are not enough sufficient sales found in an area, then sales from like neighborhoods are used, and necessary adjustments are made in the form of market modifiers. These modifiers are applied to schedules within the mass appraisal model, and the values for a given neighborhood.

COST APPROACH TO VALUE

All residential parcels in the district are valued with a replacement cost new schedule based on the improvement classification system using a comparative unit method. The cost model categorizes, and values property by class (quality and type of construction), age, and present condition. These cost estimates are compared with sales of new, and existing improvements, and evaluated from year to year to reflect the local markets.

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 sold properties representing various levels of quality of construction in the district are considered. Depreciation is derived by age/condition, and any additional obsolescence adjustment that may be necessary. The cost schedules are reviewed regularly as legislation requires that the appraisal district schedules be within a range of plus or minus 10% from nationally recognized cost guides.

The land value is then added to the improvement value to indicate a preliminary market value. After cost schedules, depreciation, and land values are applied; market modifiers may be necessary to adjust the values to actual market conditions. These modifiers may apply to improvements, land, or both in varying degrees as determined through the analysis unique to each area.

INCOME APPROACH TO VALUE

The income approach to value is currently not a reliable indicator of value for residential mass appraisal. Data sources for income producing residential properties are not readily available in the Young County area. For this reason the income approach to value is not typically used for residential appraisal.

Special Inventory Residential Property

SALES COMPARISON APPROACH TO VALUE

The sales comparison approach to value for special inventory properties is not currently used by the district in a mass appraisal basis, due to inadequate sales data of these type properties. Sales of special inventory property, developer lots and/or buildings may occur occasionally, however these sales are not always reported, or consistent, therefore the sales comparison approach is not a reliable indicator of value in the mass appraisal report.

COST APPROACH TO VALUE

The cost approach to value is not used in the district's mass appraisal report for a large variety of reasons. Cost of development for residential, or rural subdivisions, and houses vary greatly due to the multitude of site improvements such as streets, utilities, subdivision restrictions, quality of construction and location costs. Inventory of lots, and houses may also be located in numerous different subdivisions, with varying costs, and qualities of construction. Similar issues are found for other types of special inventory property.

INCOME APPROACH TO VALUE

The income approach to value seems to be the most appropriate valuation method to use in the mass appraisal of residential inventory. Information obtained from owners, etc. of special use property regarding income and expense is required, which is typically included from renditions, surveys, or other methods. Income, after expenses, can be applied to a cap rate to estimate value.

Multifamily Residential Property

SALES COMPARISON APPROACH TO VALUE

Grouping, or clustering sales within specified neighborhoods, and classification of properties utilizes the sales comparison approach to value. The sales are then tested against the appraised values to indicate a ratio for the neighborhood. If there are not sufficient sales found in an area, then sales from like neighborhoods are found and necessary adjustments are made in the form of market modifiers. These modifiers are applied to schedules to indicate mass appraisal values for a given neighborhood.

COST APPROACH TO VALUE

All multi-family residential parcels in the district are valued with a replacement cost new schedule based on the improvement classification system using a comparative unit method. The cost model categorizes, and values property by class (quality and type of construction), age, and present condition. These cost estimates are compared with sales of new, and existing improvements, and evaluated from year to year to reflect the local markets.

A review of the cost schedules is performed annually. As part of this review, and evaluation process of the estimated replacement cost, newly constructed sold properties representing various levels of quality of construction in the district are considered. Depreciation is derived by age/condition, and any additional obsolescence adjustment that may be necessary. The cost schedules are reviewed regularly as legislation requires that the appraisal district schedules be within a range of plus, or minus 10% from nationally recognized cost guides.

The land value is then added to the improvement value to indicate a preliminary market value. After cost schedules, depreciation, and land values are applied; market modifiers may be necessary to adjust the values to actual market conditions. These modifiers may apply to improvements, land, or both in varying degrees as determined through the analysis unique to each area.

INCOME APPROACH TO VALUE

The income approach to value can be a reliable indicator of value for multi-family residential properties. Data sources for income producing multi-family residential properties, when available, is calculated using the income and expenses, applied by the appropriate cap rate, for comparison to our appraisal values, and schedules. Survey information is routinely mailed out to these properties regarding income and expense information, which is used internally in the district's income approach.

Commercial Real Property

SALES COMPARISON APPROACH TO VALUE

This approach is utilized not only for estimating land values, but also in comparing sales of similarly improved properties to parcels on the appraisal roll. Data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information, which can be used in all aspects of valuation. Sales of

similarly improved properties can provide a basis for the comparison to the district's schedules, rates, and multipliers used in the income approach. Market sales are also used in ratio studies, which afford the appraiser an excellent means of judging the accuracy, and uniformity of the appraised values.

COST APPROACH TO VALUE

When sales information is not readily available, which is typical in the district, cost schedules are used. These schedules are based off of the Marshall & Swift cost guides, directly connected within the PACS Appraisal software. The replacement cost new schedules are based off of the property types, using the classification system of a comparative unit method. The cost model categorizes, and values property by class (quality and type of construction), age, and present condition. These cost estimates are compared with sales of new, and existing improvements, and evaluated from year to year to reflect the local markets.

A review of the cost schedules is performed annually, as well as updated within the CAMA software via the updates provided by Marshall & Swift, in conjunction with the PACS software. As part of this review, and evaluation process of the estimated replacement cost, newly constructed sold properties representing various levels of quality of construction in the district are considered. Depreciation is derived by age/condition, and any additional obsolescence adjustment that may be necessary. The cost schedules are reviewed regularly as legislation requires that the appraisal district schedules be within a range of plus, or minus 10% from nationally recognized cost guides.

The land value is then added to the improvement value to indicate a preliminary market value. After cost schedules, depreciation, and land values are applied; market modifiers may be necessary to adjust the values to actual market conditions. These modifiers may apply to improvements, land, or both in varying degrees as determined through the analysis unique to each area.

INCOME APPROACH TO VALUE

The income approach to value is applied to those properties, when sufficient income and expense information is available for properties which are typically viewed as "income producing", and for which the income methodology is considered a leading value indicator. Income approaches to value are standard for hotel/motel properties. The income approach may be used as a comparative method to the cost or market approach to ensure accuracy, and uniformity of our appraisal methods.

Vacant Real Property

SALES COMPARISON APPROACH TO VALUE

Residential land valuation is conducted through 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 of comparable land sales is conducted based on land characteristics found to influence the market price of land located within market areas. Vacant land sales are crucial in developing schedules for varying types of land with regards to location, size, type, use, etc.

A computerized land schedule stores the land information required to consistently value individual parcels within neighborhoods given known land characteristics. 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 in comparison to similar vacant land sales, to ensure that current land values best reflect the contributory market value of the land to the overall property value. It should be noted that all land is valued as vacant and ready for development as to its highest and best use. This process considers physical possible uses, legally permissible uses, as well as financially feasible uses.

INCOME APPROACH TO VALUE

The income approach to value for unimproved land is not currently used by the District on a mass appraisal basis.

INDUSTRIAL, UTILITIES & MINERAL INTERESTS

The plan provides for the annual reappraisal of all utility, railroad and pipeline property under the jurisdiction of the appraisal district. The district has a professional services contract with TY Pickett to appraise these properties. All

information pertaining to the reappraisal of these utility, and mineral interest accounts may be found in the attached reappraisal plan, prepared and submitted by TY Pickett.

Special Valuation Properties

AGRICULTURAL & WILDLIFE SPECIAL USE

Market value for agricultural property is established using market sales information. The productivity values established under the agricultural special use property type is derived from the income approach, as set forth in the Texas Property Tax Code. This is a special valuation process as set forth in the Texas Property Tax Code, regarding income, expenses, and applied by the direct capitalization method. Income and expense for each category of agricultural use is calculated from lease/expense surveys, Ag Advisory Boards, as well as a multitude of other sources regarding income and expense for farm and ranch property.

There is no timber in Stephens County.

Business & Industrial Tangible Personal Property

Business personal property is classified by the property type using a four-digit numeric code, called Standard Industrial Classification (SIC) codes that were developed by the federal government to describe property. These classifications are used by the district to classify personal property by business type.

SIC code identification 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 based on observable aspects of homogeneity and business use. The district uses annual renditions received from property owners, as well as a multitude of other sources in publication, or online, as well as local market information in establishing value.

Each category is recorded, and valued by the sub types, such as furniture & fixtures, equipment, inventory, etc. based on a cost new as reported in the rendition, or determined by the appraiser, less depreciation schedule. Vehicles and other property may be valued using cost guides, or other local market information when the information is deemed more reliable to value. Depreciation schedules are developed using market, and cost information compared to typical life expectancy for the various types of property.

THE MASS APPRAISAL REPORT

Each tax year, the required Mass Appraisal Report is prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar (on or about May 15th). The Mass Appraisal Report is completed in compliance with STANDARD RULE 6 – 8 of the *Uniform Standards of Professional Appraisal Practice*. The signed certification by the Chief Appraiser is compliant with STANDARD RULE 6 – 9 of *USPAP*.

VALUE DEFENSE

Evidence to be used by the appraisal district, to meet the burden of proof for market value, and equity for both informal, and formal appraisal review board hearings, is specified and tested. Each appraisal district identifies the evidence to be used in informal and formal hearings by property type and the steps to be taken to ensure compliance with HB 201. Documentation for each case is stored within the ARB module of the SDS CAMA.

Evidence provided for the hearings, as it relates to specific properties they may consist of, may be comparable sales, subdivision or area maps providing various property characteristics such as quality, size and value of surrounding properties, or other data specific to the property in defense of our values. Generally, at the informal hearing, the property owner is provided with the specific information concerning his/her property, and any additional information they may request. Taxpayers have the option to present their concerns informally to the district, by phone, mail, e-mail, or in person. If the taxpayer wishes to pursue a dispute further, the district provides all information necessary for the entire appeals process, procedures, as outlined in the Rights, & Remedies published by the State Comptroller. All informal, and formal hearing information is recorded and stored.

District staff or Eagle Appraisal & Consulting representatives conduct the initial informal hearing with a protesting property owner. If the protest cannot be settled within the guidelines set out for District staff, an informal hearing appointment is set for a meeting between the protesting property owner and staff members of Eagle Appraisal and Consulting. If valuation issues are not agreed upon at this level, the protesting property owner may elect to proceed to a formal hearing.

When the taxpayer, and/or agent on file is scheduled for a formal hearing, they receive a certified letter containing the date, time and location, along with the Appraisal Review Board policies, and procedures pamphlet, as well as a copy of the Property Taxpayer Rights & Remedies published by the State Comptroller's Office. If protest-hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing date to make its evidence regarding value disputes available in compliance with HB 201

Evidence is generated through multiple formats, including market and equity comp grids, sales information, appraisal cards, or other information specific to the protest. A copy of the district schedules, along with depreciation tables may also be included. The appraisal district has the burden of proof for the value of real and personal property, unless otherwise noted within the Texas Property Tax Code. The taxpayer should present evidence, as they deem necessary, for consideration by the CAD or the ARB.

No confidential income, expense, or other information received from property owners/agents for specific accounts will be released, except as provided by the Texas Property Code. The district maintains confidentiality at all costs, but may be subject to the open meetings act, and other such rights of public information. Renditions, other than that of the subject property, will not be released, or used in a manner that shall identify, or allow confidential information to be exchanged between individual owners.

The firm of Pritchard & Abbott, Inc. defends the value of the industrial, utility and related personal property located in the district before the ARB, as is detailed within their attached biennial reappraisal plan.

ARB APPEAL PROCEDURES

After the Appraisal Review Board hears, and determines all timely filed protests, the district mails out the Appraisal Review Board orders of determined value, containing the Board's decision. All decision letters will be mailed out by certified mail as outlined in the Texas Property Tax Code. The property owner has 60 days upon receiving a Board Order to either file suit in District Court, or 45 days to file a request for arbitration. Information on procedures for appealing an Appraisal Review Board order is included in the certified mail packet, along with a form for the Request for Binding Arbitration.

**Note: the above areas and times may be changed due to weather, availability of staff, and/or other unforeseen circumstances.*

APPROVED AND ADOPTED ON THIS THE 13 DAY OF August, 2024


BOARD CHAIRMAN


BOARD SECRETARY

ADDENDUM

TY PICKETT
REAPPRAISAL PLANS FOR
STEPHENS COUNTY APPRAISAL DISTRICT
2025/2026

by

Thomas Y. Pickett & Company, Inc.

APPRAISAL PROCEDURES & REAPPRAISAL PLAN

OIL AND GAS RESERVES

Executive Summary

- Thomas Y. Pickett & Co., Inc. (“Thomas Y. Pickett” or “Pickett”) annually reappraises all producing mineral leases within the CAD’s boundaries using a Discounted Cash Flow (“DCF”) methodology.
- Thomas Y. Pickett uses the Comptroller’s Manual for Discounting Oil and Gas Income pursuant to Tax Code Section 23.175.
- Thomas Y. Pickett determines oil and gas prices in accordance with Tax Code Section 23.175.
- Thomas Y. Pickett’s written procedures for identifying new properties are included herein.

Overview

Oil and gas reserves consist of interests in subsurface mineral rights. Thomas Y. Pickett & Co. is contracted to reappraise this type of property annually for the appraisal district. The completed appraisals are all retrospective in nature. The purpose of the appraisals is to estimate market value as of January 1 in accordance with the definition of market value established in the Texas Property Tax Code (Sec. 1.04). “Market value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

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

The appraisal results will be used as the tax base upon which a property tax will be levied. Each mineral interest is listed on the appraisal roll separately from other interests in the mineral in place in conformance with the Texas Property tax Code Sec. 25.12. A listing of the oil and gas properties appraised by Pickett for the appraisal district shall be made available at the appraisal district office. Subsurface mineral rights are not susceptible to physical inspection. This condition creates the need to invoke the Departure Provision as required by the Standards Rule

6-7 (f) comment on the Uniform Standards of Professional Practice. However, the inability to physically examine the property does not affect the appraisal process or the quality of the results. The appraisal district is aware of this limiting condition and agrees that it is appropriate.

Documents relevant to an understanding of these appraisals include the confidential rendition, if any, filed with the appraisal district by the owner or agent of the property; the Texas Comptroller's Manual for Discounting Oil and Gas Income; other reports described in the Texas Property Tax Code; and other confidential data supplied by the owner or agent; the General Appraisal Manual adopted by the Texas Comptroller of Public Accounts; Property Assessment Valuation published by the International Association of Assessing Officers and adopted by the Texas Comptroller of Public Accounts and the Texas Property Tax Code.

Pickett's oil and gas appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. Oil and gas appraisal staff stays abreast of current trends affecting oil and gas properties through review of published materials, attendance at conferences, course work and continuing education. All oil and gas appraisers are registered with the Texas Department of Licensing and Regulation, (formerly, the Texas Board of Tax Professional Examiners).

Assumptions and Limiting Conditions

All appraisals are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages or other encumbrances have been disregarded and the property is appraised as free and clear, under responsible ownership and competent management.
3. The appraisers developing these appraisals are not required to give testimony or attendance in court by reason of the appraisals, unless directed by, employed by, and provided legal counsel by the Appraisal District.
4. The appraisers do not inspect every property every year.
5. All sketches on the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
6. All information in the appraisal documents have been obtained by members of Thomas. Y. Pickett's staff or by other reliable sources.
7. The appraisals were prepared exclusively for ad valorem tax purposes.

Property Discover and Data Collection Process

Mineral properties are identified and appraised based on their Railroad Commission Identification Number (RRCID). Upon completion of a new well, a Completion Report must be submitted to the Railroad Commission (RRC). The RRC then issues a RRCID. Production from that property is reported by RRCID. Periodically, wells are completed and start producing prior to being issued a RRCID. The production from these wells still must be reported to the RRC and are usually reported by Drilling Permit Number (DP). Since mineral properties are appraised using a Discounted Cash Flow analysis, production data is required to do the analysis. The RRC is the primary source of that data.

Procedure:

1. At the beginning of the year, the RRC database is searched for new wells that started producing prior to January 1 of the appraisal year. These wells are identified by RRCID or Drilling Permit (DP) number and added to the mineral appraisal database for the county. A well is considered to have value as of January 1 if it has reported production prior to that date, has filed a completion report showing completion prior to that date, or was perforated into a producing formation which showed the presence of oil or gas prior to January 1.
2. Completion reports and plates are retrieved from the RRC to identify the location of the producing wells. These locations are cross-referenced with jurisdictional maps to establish situs.
3. Division of Interest (DOI) statements are requested from the operator of the well to establish working and royalty interests.
4. Additional reviews of the RRC database are done periodically during the year to identify any wells that may have been added to the RRC database after the first of the year but were completed prior to January 1 of the appraisal year. New producing wells identified after the appraisal period are supplemented, going back up to five years.

Other appraisal data on the subject properties are collected from required regulatory reports from the Texas Railroad Commission and the Texas Comptroller of Public Accounts and by the property owner. Submitted data may be on a rendition form or in other modes that require confidentiality. Subject property data are verified through previously existing records and through published reports. Additional data are obtained and verified through published sources, regulatory reports and through analysis of comparable properties, if any. Due to the unique nature of many oil and gas properties there is no standard data collection form or manual.

Valuation Approach and Analysis

The three generally accepted approaches used in determining the Market Value of assets are the cost, income, and market approaches. The following is a brief description of the three general approaches to value.

Cost Approach

The cost approach considers the replacement cost of an asset as an indicator of value. The cost approach is based on the assumption that a prudent investor would pay no more for an asset than the amount for which he could replace or recreate the asset. The cost approach is sometimes performed by estimating the replacement cost of an asset functionally similar to the subject. Often, historical cost data can be used to indicate the current cost of reproduction or replacement. Adjustments are made for physical deterioration and the functional and economic obsolescence of the appraised asset.

Income Approach

The income approach measures the present worth of anticipated future net cash flows generated by the subject assets. The net cash flows are forecast for an appropriate period or capitalized in the case of a single period model, and then discounted to present value using an appropriate discount rate.

Market Approach

The market approach is performed by observing the price at assets comparable to the subject asset are bought and sold. Adjustments are made to the data to account for capacity differences and other relevant differences between the subject asset and the comparable assets.

Depending on the facts and circumstances of a particular appraisal, applying the three approaches independently of one another can yield conclusions that are substantially different. As the appraisal is performed, the strengths of the individual approaches are considered and the influence of each approach in the appraisal process is weighed according to its likely accuracy.

All oil and gas interest values are arrived at through an appraisal of the whole property. Each fractional interest is then assigned a value on the basis of its relative share of expenses, income.

and the value of the operating equipment. Multiple producing zones in the same well may be treated as separate properties.

Oil and gas properties are principally appraised through the income approach to value. Specifically, the discounted cash flow (DCF) technique is used almost exclusively. The almost exclusive reliance on income approach methods, adjusted for risk and market conditions, is typical of the oil and gas industry in dealings between buyers and sellers as well as in single- property appraisals. A mineral property's intrinsic value is derived from its ability to generate income by producing oil and/or gas reserves.

Income approach calibration involves the selection of the cost of capital or discount rate appropriate to the type of property being appraised as well as adjusting the projected revenue stream to reflect the individual characteristics of the subject property. The DCF model is also calibrated through the use of lease operating expenses that reflect the individual characteristics of the subject property.

A jurisdictional exception to the DCF model, as this process is described in the Statement on Appraisal Standards No. 2 of the Uniform Standards of Professional Appraisal Practice, must be taken. Section 23.175 (a) of the Texas Property Code specifies that the price of oil and gas used for the first year of the DCF analysis must be the monthly average price of the oil and gas received from the interest for the preceding year multiplied by a market condition factor as promulgated by the Texas Comptroller's office. Furthermore, the prices used for succeeding years are based upon escalation factors also stipulated by the Texas Comptroller's office.

The highest and best use analysis of the oil and gas reserves is based on the likelihood of the continued use of the reserves in their current use. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

Review and Testing

Review of appraisals is performed through a comparison of income indicators and compliance with Section 23.175 of the Texas Property Tax Code. A review of property values with respect to year-to-year changes and with respect to industry-accepted income indicators is conducted annually. The periodic reassignment of properties among appraisers or the review of appraisals by an experienced appraiser also contributes to the review process.

Appraisal-to-sales ratios are the preferred method for measuring performance, however sales are very infrequent and often the sales conditions are not made public for the sales that do occur.

Furthermore, market transactions normally occur for multiple sites and include real and personal property, tangible and intangible, making analysis difficult and subjective. Performance is also measured through comparison with valid single-property appraisals submitted for staff review. Finally, Pickett's mineral appraisal methods and procedures are subject to review by the Property Tax Assistance Division of the Texas Comptroller's office. The Comptroller's review, as well as comparisons with single-property appraisals, indicates the validity of the models and the calibration techniques employed.

Thomas Y. Pickett & Company, Inc.

Reappraisal Timeline 2025

Event	2024			2025												2026						
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
New Mineral Lease Discovery				█	█	█	█	█														
Schedule ARB Date, Establish Deadlines for 25.19 Data					█																	
Mineral Property Appraisals						█	█	█	█	█												
Mineral Appraisals Released to TYP Website							█	<i><-- Mineral Appraisals Released for Operator Review prior to Notice</i>														
Informal Meetings with Owners and Agents							█	█	█	█												
Estimates of Certified Value to CAD							█															
Delivery of 29.19 Notices									█	<i><-- Date as required to meet agreed ARB date</i>												
Appraisal Review Board Hearings										█												
Certified Values to CAD/Data to Software Vendor											█	<i>July 21st or as specified by Chief Appraiser --></i>										
Address 25.25 Correction Protests/Supplements as Necessary											█	█	█	█	█	█	█	█	█	█	█	█
Submit Data for Property Value Study														█								
Review Category G Ratios/Informal Hearing if Necessary															█	█	█	█	█	█	█	█
File Formal PVS Protests as Necessary																		█	█	█	█	█

CAD and Joint TYP/CAD Tasks	█
TYP Mineral Department Tasks	█
Milestones and Deadlines	█

Stephens County Appraisal District
Industrial Property
2025-26 Appraisal Procedures and Reappraisal Plan

August 3, 2024

by

Thomas Y. Pickett & Company, Inc.

SUMMARY REVALUATION PROGRAM REPORT

INDUSTRIAL PROPERTY

Overview

Industrial property consists of processing facilities and related personal property. Thomas Y. Pickett & Co., Inc. (“Thomas Y. Pickett” or “Pickett”) is contracted to reappraise this type of property annually for the appraisal district. The completed appraisals are all retrospective in nature. The purpose of the appraisals is to estimate market value as of January 1 in accordance with the definition of market value established in the Texas Property Tax Code (Sec. 1.04). “Market value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

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

The effective date of the appraisals is January 1 of the year for which this report is submitted unless the property owner or agent has applied for and been granted September 1 inventory valuation as allowed by Section 23.12(f) of the Texas Property Tax Code.

The appraisal results will be used as the tax base upon which a property tax will be levied. The properties are appraised in fee simple in conformance with the Texas Property Tax Code Sec. 25.06. This is a jurisdictional exception to the Standards Rule 6-5 (c) Comment of the Uniform Standards of Professional Appraisal Practice. A listing of the industrial properties appraised by Pickett for the appraisal district is available at the appraisal district office. Industrial properties are re-appraised annually. Properties are inspected annually where necessary and at least bi- annually.

Documents relevant to an understanding of these appraisals include the confidential rendition, if any, filed with the appraisal district by the owner or agent of the property; other reports described in the Texas Property Tax Code; asset lists and other confidential data supplied by the owner or agent; the General Appraisal Manual adopted by the Texas Comptroller of Public Accounts; Property Assessment Valuation published by the International Association of Assessing Officers and adopted by the Texas Comptroller of Public Accounts; and Engineering Valuation and Depreciation by Marston, Winfrey and Hempstead; and the Texas Property Tax Code.

Pickett's industrial appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. Industrial appraisal staff stays abreast of current trends affecting industrial properties through review of published materials, attendance at conferences, course work and continuing education. All industrial appraisers are registered with the Texas Board of Tax Professional Examiners.

Assumptions and Limiting Conditions

All appraisals are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. The appraisers developing these appraisals are not required to give testimony or attendance in court by reason of the appraisals, unless directed by, employed by, and provided legal counsel by the Appraisal District.
4. The appraisers do not necessarily inspect every property every year.
5. All sketches on the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
6. All information in the appraisal documents have been obtained by members of Thomas Y. Pickett's staff or by other reliable sources.
7. The appraisals were prepared exclusively for ad valorem tax purposes.
8. The appraisers have inspected as far as possible, by observation, the improvements being appraised; however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore, no representations are made as to these matters unless specifically considered in an individual appraisal.

Discovery Process and Procedures

Data is collected as part of the inspection process and through later submissions by the property owner. Submitted data may be on a rendition form or in other modes that require confidentiality. Subject property data is verified through previously existing records and through published reports. Additional data are obtained and verified through published sources, regulatory reports and through analysis of comparable properties, if any. Due to the unique nature of many industrial properties, there is no standard data collection form or manual.

Valuation Approach and Analysis

The three generally accepted approaches used in determining the Market Value of assets are the cost, income, and market approaches. The following is a brief description of the three general approaches to value.

Cost Approach

The cost approach considers the replacement cost of an asset as an indicator of value. The cost approach is based on the assumption that a prudent investor would pay no more for an asset than the amount for which he could replace or recreate the asset. The cost approach is sometimes performed by estimating the replacement cost of an asset functionally similar to the subject. Often, historical cost data can be used to indicate the current cost of reproduction or replacement. Adjustments are made for physical deterioration and the functional and economic obsolescence of the appraised asset.

Income Approach

The income approach measures the present worth of anticipated future net cash flows generated by the subject assets. The net cash flows are forecast for an appropriate period or capitalized in the case of a single period model, and then discounted to present value using an appropriate discount rate.

Market Approach

The market approach is performed by observing the price at assets comparable to the subject asset are bought and sold. Adjustments are made to the data to account for capacity differences and other relevant differences between the subject asset and the comparable assets.

Depending on the facts and circumstances of a particular appraisal, applying the three approaches independently of one another can yield conclusions that are substantially different. As the appraisal is performed, the strengths of the individual approaches are considered and the influence of each approach in the appraisal process is weighed according to its likely accuracy.

Industrial properties are generally appraised using replacement/reproduction cost new less depreciation models. Replacement costs are estimated from published sources, other publicly available information and comparable properties. Reproduction costs are based on actual investment in the subject or comparable properties adjusted for typical changes in cost over time. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence and the experience of knowledgeable appraisers. Adjustments for functional and economic obsolescence may be made if utilization and income data for the subject property justify such. Income Approach models (direct capitalization and discounted cash flow) are also used when economic and/or subject property income information is available. Capitalization and discount rates are based on published capital costs for the industry of the subject property. A market data model based on typical selling prices per unit of capacity is also used when appropriate market sales information is available.

Because cost information is the most readily available type of data, the cost approach model is almost always considered and used. If sufficient data is available, either or both of the other two models are considered and may be used. The market data and income approach models must be reduced by the value of the land in order to arrive at a value of improvements and personal property.

Model calibration in the cost approach involves the selection of the appropriate service life for each type or class of property. Further calibration can occur through the use of utilization or through-put data provided by the owner or agent. Income approach calibration involves the selection of the cost of capital or discount rate appropriate to the type of property being appraised as well as adjusting the projected income stream to reflect the individual characteristics of the subject property. Model calibration in the market data approach involves adjusting sales prices of comparable properties to reflect the individual characteristics of the subject property.

In reconciling multiple model results for a property, the appraiser considers the model results that best address the individual characteristics of the subject property while maintaining equalization among like properties. Final results for each property may be found on the appraisal district's appraisal roll.

Land valuation for industrial properties is the responsibility of appraisal district staff as is the highest and best use analysis of the site. Sites are analyzed for highest and best use as though they were vacant. Highest and best use analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

Review and Testing

Field review of appraisals is performed through the regular inspection of subject properties. The periodic reassignment of properties among appraisers or the review of appraisals by an experienced appraiser also contributes to the review process. A statistical review of property value changes is also conducted.

Appraisal-to-sales ratios are the preferred method for measuring performance, however sales are very infrequent. Furthermore, market transactions normally occur for multiple sites and include both real and personal property, tangible and intangible, making analysis difficult and subjective. Performance is also measured through comparison with valid single-property appraisals submitted for staff review. Finally, Pickett's industrial appraisal methods and procedures are subject to review by the Property Tax Assistance Division of the Texas Comptroller's office. The Comptroller's review, as well as comparisons with single-property appraisals, indicates the validity of the models and the calibration techniques employed.

Stephens County Appraisal District
Utilities Property
2025-26 Appraisal Procedures and Reappraisal Plan

August 3, 2024

by

Thomas Y. Pickett & Company, Inc.

APPRAISAL PROCEDURES AND REAPPRAISAL PLAN

UTILITY, RAILROAD AND PIPELINE PROPERTIES

Overview

Utility, railroad, and pipeline properties consists of operating property, excluding land, owned by utility, railroad and pipeline companies and related personal property and improvements. Thomas Y. Pickett & Co., Inc. (“Thomas Y. Pickett” or “Pickett”) is contracted to reappraise this type of property annually for the appraisal district. The completed appraisals are all retrospective in nature. The purpose of the appraisals is to estimate market value as of January 1 in accordance with the definition of market value established in the Texas Property Tax Code (Sec. 1.04). “Market value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

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

The effective date of the appraisals is January 1 of the year for which this report is submitted.

The appraisal results will be used as the tax base upon which a property tax will be levied. The properties are appraised in fee simple in conformance with the Texas Property Tax Code Sec. 25.06. This is a jurisdictional exception to the Standards Rule 6-5 (c) Comment of the Uniform Standards of Professional Appraisal Practice 2004. A listing of the utility, railroad and pipeline properties appraised by Pickett for the appraisal district is available at the appraisal district office. All properties are reappraised annually. Such utility, railroad and pipeline properties that are susceptible to inspection (e.g. compressor stations, pump stations, buildings and power plants) are normally re-inspected at least every three years.

Pickett's utility, railroad and pipeline appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. The appraisal staff stays abreast of current trends affecting utility, railroad and pipeline properties through review of published materials, attendance at conferences, course work and continuing education. All appraisers are registered with the Texas Board of Tax Professional Examiners.

Assumptions and Limiting Conditions

All appraisals are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. The appraisers developing these appraisals are not required to give testimony or attendance in court by reason of the appraisals, unless directed by, employed by, and provided legal counsel by the Appraisal District.
4. The appraisers do not necessarily inspect every property every year.
5. All sketches on the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
6. All information in the appraisal documents have been obtained by members of Thomas Y. Pickett's staff or by other reliable sources.
7. The appraisals were prepared exclusively for ad valorem tax purposes.
8. The appraisers have inspected as far as possible, by observation, the improvements being appraised; however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore, no representations are made as to these matters unless specifically considered in an individual appraisal.

Discovery Procedures and Data Collection

Data is collected as part of the inspection process and through later submissions by the property owner. Submitted data may be on a rendition form or in other modes that require confidentiality. Subject property data is verified through previously existing records and through published reports. Additional data are obtained and verified through published sources, regulatory reports and through analysis of comparable properties. Due to the varied nature of utility, railroad and pipeline properties there is no standard data collection form or manual.

Valuation Approach and Analysis

The three generally accepted approaches used in determining the Market Value of assets are the cost, income, and market approaches. The following is a brief description of the three general approaches to value.

Cost Approach

The cost approach considers the replacement cost of an asset as an indicator of value. The cost approach is based on the assumption that a prudent investor would pay no more for an asset than the amount for which he could replace or recreate the asset. The cost approach is sometimes performed by estimating the replacement cost of an asset functionally similar to the subject. Often, historical cost data can be used to indicate the current cost of reproduction or replacement. Adjustments are made for physical deterioration and the functional and economic obsolescence of the appraised asset.

Income Approach

The income approach measures the present worth of anticipated future net cash flows generated by the subject assets. The net cash flows are forecast for an appropriate period or capitalized in the case of a single period model, and then discounted to present value using an appropriate discount rate.

Market Approach

The market approach is performed by observing the price at assets comparable to the subject asset are bought and sold. Adjustments are made to the data to account for capacity differences and other relevant differences between the subject asset and the comparable assets.

Depending on the facts and circumstances of a particular appraisal, applying the three approaches independently of one another can yield conclusions that are substantially different. As the appraisal is performed, the strengths of the individual approaches are considered and the influence of each approach in the appraisal process is weighed according to its likely accuracy.

For all pipelines a value is calculated using a Replacement Cost New Less Depreciation (RCNLD) model. This involves first calculating the cost of building a new pipeline of equal utility using current prices. The Replacement Cost New (RCN) is a function of location, length, diameter and composition. Depreciation is then subtracted from RCN to produce the final value estimate. Depreciation is defined as the loss of value resulting from any cause. The three common forms of depreciation are physical, functional and economic. Physical depreciation is accounted for on the basis of the age of the subject pipeline. Functional and economic obsolescence (depreciation) can be estimated through the use of survivor curves or other normative techniques. Specific calculations to estimate abnormal functional and/or economic obsolescence can be made on the basis of the typical utilization of the subject pipeline.

After deductions from RCN have been made for all three forms of depreciation, the remainder is the RCNLD or cost approach model indicator of value.

In addition to the RCNLD indicator, a unit value model may also be used for those pipelines for which appropriate income statements and balance sheets are also available. Generally, this model is used for those pipelines that by regulation are considered to be common carriers. The unit value model must be calculated for the entire pipeline system.

The unit value model typically involves an income approach to value and a rate base cost approach. The income approach is based on a projection of expected future typical net operating income (NOI). The projected NOI is discounted to a present worth using a current cost of capital that is both typical of the industry and reflective of the risks inherent in the subject property. The unit value model cost approach is typically an estimation of the current rate base of the subject pipeline (total investment less book depreciation allowed under the current form of regulation). An additional calculation is made to detect and estimate economic obsolescence. Any economic obsolescence is deducted from the rate base cost less book depreciation to achieve a final cost indicator. The unit value model may also include a stock and debt approach in lieu of a market data approach. The stock and debt approach involves finding the total value of the owner's liabilities (equity and debt) and assuming that they are equal to the value of the assets. The two (or three, if the stock and debt approach is included) unit value indicators are then reconciled into a final unit appraisal model indicator of value. The unit value must then be reconciled with the RCNLD model indicator of value for the entire pipeline system being appraised. The final correlated value of the system can then be allocated among the various components of the system to determine the tax roll value for each pipeline segment.

Utility and railroad properties are appraised in a manner similar to pipeline except the RCNLD model is not used. For all three types of property (utility, railroad and pipeline) the appraiser must first form an opinion of highest and best use. If the highest and best use of the operating property is the current use under current regulation, the unit value model is considered highly appropriate. If the highest and best use is something different, then the RCNLD model may be more appropriate.

Compressor stations, pump stations, improvements and related facilities are appraised using a replacement cost new less depreciation model.

Model calibration in the RCNLD model involves the selection of the appropriate service life for each type or class of property. Further calibration can occur through the use of utilization or through-put data provided by the owner or agent. Model calibration in the unit value cost approach involves the selection of the appropriate items to include in the rate base calculation and selection of the best measure of obsolescence, if any. Income approach calibration involves the selection of the cost of capital or discount rate appropriate to the type of property being appraised as well as adjusting the projected income stream to reflect the individual characteristics of the subject property. Model calibration in the stock and debt approach involves allocating sales prices of debt and equity to reflect the contribution to value of the operating property of the subject property.

In reconciling multiple model results for a property, the appraiser considers the model results that best address the individual characteristics of the subject property while maintaining equalization among like properties. Final results for each property may be found on the appraisal district's appraisal roll.

Land valuation for utility and pipeline properties is the responsibility of appraisal district staff as is the highest and best use analysis of the site. Sites are analyzed for highest and best use as though they were vacant. Highest and best use analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use. Railroad corridor land is included in the appraisal of the operating property. The highest and best use of railroad corridor land is presumed to be as operating property. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

The rate-base cost approach, stock and debt approach and income approach models must be reduced by the value of the land in order to arrive at a value of improvements, personal property and other operating property.

Review and Testing

Field review of appraisals is performed through the regular inspection of subject properties. The periodic reassignment of properties among appraisers or the review of appraisals by an experienced appraiser also contributes to the review process. A statistical review of property value changes is also conducted.

Appraisal-to-sales ratios are the preferred method for measuring performance, however sales are very infrequent. Furthermore, market transactions normally occur for multiple sites and include both real and personal property, tangible and intangible, making analysis difficult and subjective. Performance is also measured through comparison with valid single-property appraisals submitted for staff review. Appraisal results are tested annually by the Property Tax Assistance Division of the Texas Comptroller's office. The Comptroller's review, as well as comparisons with single-property appraisals, indicates the validity of the models and the calibration techniques employed.

Appendix A

Resumes

Thomas. Y. Pickett & Company, Inc.

LEONARD B. AMENT

Industrial Appraiser

EXPERIENCE

Thomas Y. Pickett & Company, Inc.	17 Years
Industrial / Manufacturing	24 Years

QUALIFICATIONS

Mr. Ament has over twenty years experience in Industrial, Commercial and Oilfield Service and Manufacturing Industries. During this time-frame he has worked with a variety of equipment and processes from the manufacturing of drilling rig components, chemical mixing and packaging, high-speed electronics assembly, to managing a portable air conditioning rental and sales company. Mr. Ament brings valued experience in a variety of industries. He joined Thomas Y Pickett in 2007 as an Industrial Appraiser. He inspects and appraises SWD (taxable) and other facilities in North Dakota.

EDUCATION

Mechanical Drawing, Electrical Appliance Repair, DECA
Brookhaven Community College
Comprehensive User Course on Phillips Gem Series Surface Mount Machines
Registered Professional Appraiser – State of Texas # 72436

PROFESSIONAL ASSOCIATION

Texas Department of Licensing & Regulation-Property Tax Professional

JOSH BUDOWSKY

Manager of the Industrial/Utilities - Appraiser

EXPERIENCE

Thomas. Y. Pickett & Company, Inc. (Dallas) Property Tax Appraiser	8 Years
Baker Hughes Inc. Sales Manager	9 Years
Aviall Service Inc. Account Executive	2 Years
Bud Oil Company Production Technician	5 Years
Oklahoma State University Bachelor of Business Administration Marketing Management of Information Systems	4 Years

QUALIFICATIONS

Performs industrial evaluations on complex manufacturing sites as well as energy production, energy transmission, and pipeline systems in various states. He is also responsible for evaluation of clean renewable energy production systems, such as solar power and wind power. He is experienced in the oil and gas industry after spending nine years at a service company, giving him exposure to all high-profile production fields across the United States. This experience included enhancements to the drilling and completions of complex and challenging oil and gas wells. He was solely responsible for the increase of revenue and profits while directing the sales and operations in the Southern region for Baker Hughes.

EDUCATION/LICENSES

B.A. in Business Marketing – Oklahoma State University
B.A. in MIS – Oklahoma State University
Property Tax Appraiser - State of Texas - License #75123

PROFESSIONAL ASSOCIATION

Texas Department of Licensing & Regulation-Property Tax Professional

MICHAEL B. PARKS

Vice President - Director
Mineral Appraiser

EXPERIENCE

Thomas Y. Pickett & Company, Inc.	16 Years
JPMorgan Chase Bank	2 Years
Greene & Associates, Inc.	6 Years

QUALIFICATIONS

Mr. Parks performs appraisals of mineral properties in Texas. He currently works five counties in Texas alone and assists with multiple other counties. He handles all aspects of the appraisal process including new well discovery, appraisal of all leases, working with operators to obtain accurate data to assist the appraisal process, handling protests, defending values at the appraisal review board hearings and certifying the values. He has extensive experience managing private mineral interests. Mr. Parks is active in the operations of Thomas Y. Pickett and is Manager of the Dallas office.

EDUCATION/LICENSE

Bachelor of Science - University of North Texas – Denton, TX
Registered Professional Appraiser – State of Texas #72761
Certified Mineral Manager

PROFESSIONAL ASSOCIATION

Texas Department of Licensing & Regulation-Property Tax Professional
National Association of Royalty Owners
National Association of Lease and Title Analysts
American Association of Professional Landmen

ROBERT T. (BOB) LEHN

Vice President

Experience

Thomas Y. Pickett & Company, Inc. (Dallas)	33 Years
Purvin & Gertz, Inc. (Dallas & London) Associate	1 Year
Hadson Gas Systems, Inc. (Houston, Dallas & London) Manager – Projects & Facilities (Dallas) Director – Gas Supply & Transportation (London)	4 Years
Muse, Stancil & Company (Dallas) Consultant	2 Years
Amoco Production Company (USA) (Chicago, Corpus Christi, Houston) Staff Plant Engineer	8 Years

Qualifications

Mr. Lehn performs industrial valuations of railroads, pipeline, gas gathering and processing facilities and of many other complex manufacturing sites in various states. He is experienced in domestic and international energy project management. This experience included performing economic evaluations with consideration of environmental and regulatory issues. Reports to senior management of operating companies and to governmental agencies were made. Prior to T.Y. Pickett, as a consultant, he performed fair market valuations and physical asset appraisals of large gas plants and pipelines as well as other facilities. Mr. Lehn continues appraising these facilities, along with others, including paint pigment, explosives and agrichemical (fertilizer, pesticides, ethanol) and petrochemical plants. Mr. Lehn's previous and current refinery appraisal assignments include sites in the following states: Kansas, Mississippi, North Dakota, Oklahoma, Texas and Wyoming. Expert testimony has been provided on several refineries and on other special purpose properties to Boards of Equalization, to Appraisal Review Boards, or to Courts and to State Tax Commissions in Texas, Oklahoma, North Dakota, Kansas, Louisiana, Wyoming, Mississippi and in Florida. He has spoken at the Annual IAAO Conferences, at the IAAO Legal Seminars and at regional and at various State and County Assessors' functions and at other venues.

Education/Licenses

Master of Chemical Engineering – Rice University – Houston, Texas
B.A. in Chemical Engineering – Rice University – Houston, Texas
Professional Engineer – State of Texas – License #73203
Registered Professional Appraiser – State of Texas – License #67474

Professional Associations

American Institute of Chemical Engineers
American Chemical Society
Texas Association of Appraisal Districts
Texas Association of Assessing Officers
International Association of Assessing Officers (IAAO)
-- Associate Member, Ethics Committee (2010-2012)

EDWARD DONALD OWENS

Vice President
Senior Appraiser

EXPERIENCE

Thomas Y. Pickett & Company, Inc.	35 Years
Fina Oil & Chemical	2 Years
Pritchard & Abbott	11 Years

QUALIFICATIONS

Mr. Owens has forty-two years (42) experience in appraising mineral, industrial, commercial, and personal properties. He also values, for Pickett clients, all fiber optic cables in Texas. He has served as contract supervisor for various appraisal districts in South Central and West Central Texas. He is a former tax agent with a major oil firm and is now responsible for his assigned oil-related properties in Texas, Wyoming, Colorado and New Mexico. He inspects and appraises gas plants, railroad loading facilities and SWD (taxable) facilities in North Dakota.

EDUCATION

Bachelor of Science – Business Administration – Southwestern University – Salt Lake City, Utah

Associate in Applied Science – Property Tax Appraisal – Tarrant County Junior College, Fort Worth, Texas

Associate in Applied Science – Mid-Management – Tarrant County Junior College, Fort Worth, Texas

Registered Professional Appraiser – State of Texas #00896

PROFESSIONAL ASSOCIATION

Texas Department of Licensing & Regulation-Property Tax Professional

Appendix B
Industrial Utility Accounts

Thomas Y. Pickett & Company, Inc.

5 L PROPERTIES INC
AEP TEXAS INC
ALBANY COMMUNICATIONS
ALLTEL CORPORATION
AMERICAN TOWER LP
ARI FLEET LT (AUTOMOTIVE RENTALS INC)
ARNOT OIL COMPANY LLC
AT&T COMMUNICATIONS
AT&T MOBILITY LLC
AT&T SERVICES INC
BADGER ROTARY DRILLING
BAKER PETROLITE LLC
BANKHEAD OPERATING CO
BASA RESOURCES INC
BENDORF SERVICES & SUPPLY CO
BFG CORPORATION
BFI WASTE SERVICES OF TX
BJB TRANSPORT LLC
BOB TURNER INC
BORETS US INC
BRAZOS ELECTRIC POWER
BRAZOS TELEPHONE COOPERATIVE, INC.
BRECK OPERATING CORP
BRICO OIL INC
BRIDGEPORT TRUCK MFG INC
CADDO CREEK CORP
CENTRAL TEXAS RURAL TRANSIT DISTRICT
CHEMICAL CONTROL PROD
COGENT INFRASTRUCTURE
COLT GATHERING N TX LP
COMANCHE ELECTRIC COOPERATIVE, INC.
CONTERRA ULTRA
CRAZY COOL IRON & METAL
DELTA OIL & GAS LTD
DISH NETWORK LLC
DJ & T ENERGY
DOUBLE J PIPE & SUPPLY
DYE R E MFG
ECHOLS OIL CO
ELITE SUBMERSIBLE PUMP
ETC TEXAS PIPELINE LTD
ETP CRUDE LLC (PIPE)
ETP CRUDE LLC (PP)
EZELL NELSON & HELEN L

FIBERLIGHT LLC
FORT BELKNAP ELECTRIC COOPERATIVE, INC.
FRANKELL GAS PROCESSING
GRIFFIN RESOURCES LLC
GRIFFIN ROYALTY LTD
GTG OPERATING
GTP AQUISITION PRTN II
IBERIA CORPORATE ASSET FINANCE INC
INGRAM CONCRETE
INSITE TOWERS LLC
JONELL FILTRATION MFG
KARPER OIL & GAS CORP
KORNYE-TILLMAN COMPANY
L3HARRIS TECHNOLOGIES INC
LEE ELEMENT CONST LLC
LEVARE US INC
LINDE GAS & EQUIPMENT INC
LPG DRILLING LLC
MATHESON TRI-GAS INC
MCI COMMUNICATION SERVICES
MCI METRO ACCESS TRANSMISSION SERVICES CORP.
NPRTO TEXAS LLC
ONCOR ELECTRIC DELIVERY CO
ORBIT PLASTIC PIPE
OX MANUFACTURING LLC
PARDUE OIL
PARKER ENERGY
PARKS RHONE INC
PERMIAN LEASING
PETROLEUM EXPLORATION COMPANY LTD
PHILLIPS 66 CARRIER LLC
PICO DRILLING CO LTD
POST OAK OPERATING LLC
RANGER GAS GATHERING
RAYDON INC
REINFORCED EARTH CO
RGN MANUFACTURING SRVCS
RIDGE OIL COMPANY
ROB JOE GAS & OIL CO
SCARLETT BUTANE COMPANY
SHEPHERD PETROLEUM CO
SINGLETON MOLDINGS INC
SMYRNA READY MIX CONCRETE LLC
SOLVAY USA

SQUYRES OIL COMPANY
STAR-TECH ELECTRICAL CO
STEPHENS COUNTY
SUBMERSIBLE PUMPS INC
SUBURBAN PROPANE LP
SUDDENLINK COMM
SUNNOVA SAP IV LLC
SUNNOVA TEP 7-F LLC
SUNNOVA TEP 7-G LLC
SW BELL TELE LP (INCL)
SWEETWATER BARNS
T-MOBILE WEST LLC
TARGA MIDSTREAM SERV LLC
TAURUS GAS SERVICES LP
TEAM OPERATING LLC
TEXAS GAS SERVICE
TEXAS STATE OF
TEXAS-NEW MEXICO POWER
TIVOLI MIDSTREAM LLC
TOWER ASSOCIATES LLC
TOYOTA INDUSTRIES COMMERCIAL FINANCE
TURNER SEED COMPANY LLC
UNION PACIFIC RAILROAD COMPANY
UNITED COOPERATIVE SRV
VALOR TELECOMMUNICATIONS OF TEXAS, LP
VANGARD WIRELESS
VB-S1
WELLS FARGO VENDOR Financial SERV LLC