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**Sterling County Appraisal District**  
**2016 Mass Appraisal Report**

**Introduction**

**Scope of Responsibility**

The Sterling County Appraisal District has prepared this report to provide our citizens and taxpayers with a better understanding of the district's responsibilities and activities. This report has several parts: a general introduction and then several sections describing the appraisal effort by the appraisal district.

The Sterling County Appraisal District is a political subdivision of the State of Texas created effective January 1, 1980. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. A board of directors, appointed by the four taxing units within the boundaries of Sterling 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 exemption administration for the four taxing units in the county. Each taxing unit, Sterling County, Sterling City ISD, City of Sterling City, and Sterling County Underground Water Conservation District sets its own tax rate to generate revenue to pay for such things as police protection, public schools, road and street maintenance, courts, water and sewer systems, and other public services. Appraisals established by the appraisal district allocate the year's tax burden on the basis of each taxable property's January 1<sup>st</sup> market value. Sterling CAD also determines eligibility for

various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, and charitable and religious organizations.

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

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

The Texas Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec. 23.23), productivity (Sec. 23.41), real property inventory (Sec. 23.12), dealer inventory (Sec. 23.121, 23.124, 23.1241 and 23.127), nominal (Sec. 23.18) 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 1<sup>st</sup> 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 1<sup>st</sup>.

The Texas Property Tax Code, under Sec. 25.18, requires each appraisal district board to adopt a written plan each even-numbered year for the periodic reappraisal of all property within the boundaries of the district. The written plan must provide for the update of appraised values for all real property and personal property in the district at least once every 3 years. However, appraised values are reviewed annually and are subject to change for the purpose of equalization.

The appraised value of real estate is calculated using specific information about each property. Using computer-assisted appraisal programs, and recognized appraisal methods and techniques, we compare that information with the data for similar properties, and with recent market data. The district follows 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 Professional Appraisal Practice (USPAP) to the extent they are applicable. In cases where the appraisal district

contracts for professional valuation services, the contract that is entered into by each appraisal firm requires adherence to similar professional standards.

## **Personnel Resources**

The Office of the Chief Appraiser coordinates and implements the goals and objectives established by board policy, provisions of the Texas Property Tax Code, and other applicable laws and rules. Specific responsibilities are outlined in the Operating Policies of the Sterling County Appraisal District adopted December 17, 2008. The Appraisal District is responsible for the appraisal and valuation of all taxable property accounts. The property types appraised include commercial, residential, real, business personal, mineral, utilities, and industrial. The district's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulation. Additional support functions include records maintenance, information and assistance to property owners, and protest hearing support coordinated by the Appraisal District Staff.

The appraisal district staff consists of 1 full-time employee with the following classifications:

- ◆ 1 Chief Appraiser
- ◆ Part time help (as needed)

The Sterling CAD contracts with Pritchard and Abbott for appraisal services for real, mineral, industrial, utility, and personal property accounts. Pritchard & Abbott provides 5 certified appraisers for these services.

## **Data**

The district is responsible for establishing and maintaining approximately 13,600 parcel accounts covering 923 square miles within Sterling County. This data includes property characteristic and ownership and exemption information. Property characteristic data on new construction is updated through an annual field effort; existing property data is maintained through a field review that is prioritized by last field inspection date. Sales are routinely validated during a separate field effort; however, numerous sales are validated as part of the new construction and data review field activities.

## **Information Systems**

All appraisal data is stored in a mainframe hardware system maintained by Pritchard & Abbott Inc., based in Fort Worth, Texas. Sterling CAD can access the district's data on the office computer using the P&A software.

## **Independent Performance Test**

According to Chapter 5 of the Texas Property Tax Code and Sec. 403.302 of the Texas Government Tax Code, the State Comptroller's Property Tax Assistance Division (PTAD) conducts an annual property value study (PVS) of each Texas school district and each appraisal district. As a part of this biannual study, the code also requires the Comptroller to: use sales and recognized auditing and sampling techniques; review each appraisal district's appraisal methods, standards and procedures to determine whether the district used recognized standards and practices (MAP review); test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are correct when values are certified; and, determine the level and uniformity of property tax appraisal in each district. The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical analysis of sold properties (sales ratio studies) and appraisals of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting. For appraisal districts, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties within 35% of the median, and price-related differential (PRD) for properties overall and by state category (i.e., A, B, C, D and F1 are directly applicable to real property).

The preliminary results of this study are released in January in the year following the year of appraisal. The final results of this study are certified to the Education Commissioner of the Texas Education agency (TEA) in the following July of each year for the year of appraisal. This outside (3<sup>rd</sup> party) ratio study provides additional assistance to the CAD in determining areas of market activity or changing market conditions.

## **Appraisal Activities**

### **Introduction**

### **Appraisal Responsibilities**

The field appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes. Accurate valuation of real and personal property by any method requires a physical description of the property, and land and building characteristics. The data collection effort involves the field inspection of real and personal property accounts, as well as data entry of all data collected into the existing information system. The goal is to periodically field inspect residential and personal properties in Sterling County at least once every 3 years, and commercial, mineral, industrial, utility, personal properties every year. Meeting this goal is dependent on budgetary constraints.

### **Appraisal Resources**

- ◆ Personnel – The appraisal activities consist of 1 Chief Appraiser and 5 certified appraisers with Pritchard and Abbott.
- ◆ Data – The data used by field appraisers includes the existing property characteristic information contained in CAMA (Computer Mass Appraisal System) from the district's computer system. The data is printed on a property record card (PRC), or personal property data sheets. Other data used includes maps, sales data, photos, and actual cost information, if available.

### **Preliminary Analysis**

### **Data Collection/Validation**

Data collection of real property involves maintaining data characteristics of the property on CAMA (Computer Assisted Mass Appraisal). The information contained in CAMA includes site characteristics, such as land size and topography, and improvement data, such as square footage, year built, quality of construction, and condition. Field Appraisers use listing manuals that establish uniform procedures for the correct listing of the property. All properties are coded according to these manuals and the approaches to value are structured and calibrated based on this coding system. Data collection for personal property involves maintaining

information on PERS (Personal Property System). The type of information in PERS includes personal property such as business inventory, furniture and fixtures, machinery and equipment, cost and location.

## **Sources of Data**

The sources of data collection are through reports of new construction, data review field effort, hearings, sales validation field effort, commercial sales verification, and property owner correspondence

Data review of entire neighborhoods is generally a good source for data collection. Appraisers drive entire neighborhoods to review the accuracy of our data and identify properties that have to be re-listed. The sales validation effort in real property pertains to the collection of data of properties that have sold. In residential, the sales validation effort involves on-site inspection by field appraisers to verify the accuracy of the property characteristics data and confirmation of the sales price.

Property owners are one of the best sources for identifying incorrect data that generates a field check. Often, the property owner provides enough data to allow corrections of records without having to send an appraiser on-site. Letters are often sent from property owners notifying the district of inaccurate data. This information is added to a work file and inspected at our earliest convenience.

## **Data Collection Procedures**

Field data collection requires organization, planning and supervision of the field effort. Data collection procedures have been established for residential, commercial and personal property. The appraiser is assigned to conduct field appraisals in Sterling County. Appraisers conduct field studies and record information on a personal property data sheet.

The quality of the data is extremely important in establishing accurate values of taxable property. This is one of the main goals of our appraiser.

## **Data Maintenance**

The field appraiser is responsible for the data entry of her fieldwork directly into the computer file. This responsibility includes not only data entry, but also quality assurance.

## **Individual Value Review Procedures**

### **Field Review**

The date of last inspection, extent of that inspection, and CAD appraiser responsible are listed on the CAMA record. If a property owner or jurisdiction dispute the district's records concerning this data during a hearing, via a phone call or correspondence received, CAMA may be altered based on the evidence provided. Typically, a field inspection is requested to verify this evidence for the current year's valuation or for the next year's valuation. Every year a field review of certain areas or neighborhoods in the jurisdiction is done during the data review/re-list field effort.

### **Office Review**

Office reviews are completed on properties where information has been received from the owner of the property. Data mailers frequently verify the property characteristics or current condition of the property. When the property data is verified in this manner, field inspections are not required.

### **Performance Test**

In our district the field appraiser (with Pritchard and Abbott) is responsible for conducting ratio studies and comparative analysis.

## **RESIDENTIAL VALUATION PROCESS**

### **Introduction**

#### **Scope of Responsibility**

The residential valuation appraiser is responsible for developing equal uniform market values for residential approved and vacant property. There are approximately 2,000 residential parcels in Sterling County.

#### **Appraisal Resources**

- ◆ Personnel – The residential valuation appraisal staff consists of the Chief Appraiser and 1 or 2 certified appraisers from Pritchard and Abbott. These appraisers are responsible for determining residential values.

- ◆ Data – A common set of data characteristics for each residential dwelling in Sterling County is collected in the field and data entered to the computer. The property characteristic data drives the computer-assisted mass appraisal (CAMA) approach to valuation.

## **Valuation Approach**

### **Area Analysis**

Data on regional economic forces such as demographic patterns, regional location factors, employment and income patterns, and general trends in real property prices are collected from private vendors and public sources and provide the field appraiser a current economic outlook on the real estate market. Information is gleaned from real estate publications and sources such as continuing education in the form of IAAO, TAAD, and TDLR 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 and more manageable subsets of the universe or properties known as neighborhoods. Residential valuation and neighborhood analysis is conducted for the Sterling City ISD.

The first step in neighborhood analysis is the identification of a group of properties that share certain common traits. A “neighborhood” for analysis purposes is defined as the largest geographic grouping of properties where the property’s physical, economic, governmental and social forces are generally similar and uniform. Once a neighborhood has been identified, the next step is to define its boundaries. This process is known as “delineation”. Some factors used in neighborhood delineation include location, sales price range, lot size, age of dwelling, quality of construction and condition of dwellings, square footage of living area, and story height. Delineation can involve the physical drawing of neighborhood boundary lines on a map, but it can also involve statistical separation or stratification based on attribute analysis. Part of a neighborhood analysis is the consideration of discernible patterns of growth that influence a neighborhoods individual market. Few neighborhoods are fixed in character. Each neighborhood may be characterized as being in a stage of growth, stability or decline. The growth period is a time of development and construction. As new neighborhoods in a community are developed, they compete

with existing neighborhoods. An added supply of new homes tends to induce population shift from older homes to newer homes. In the period of stability, the forces of supply and demand are about equal. Generally, in the state of stability, older neighborhoods can be more desirable due to their stability of residential character and proximity to workplace and other community facilities. The period of decline reflects diminishing demand or desirability. During decline, general property use may change from residential to a mix of residential and commercial uses. Declining neighborhoods may also experience renewal, reorganization, rebuilding or restoration, which promotes increased demand and economic desirability.

Neighborhood identification and delineation is the cornerstone of the residential valuation system at the district. All the residential analysis work done in association with the residential valuation process is the neighborhood specific. Neighborhoods are field-inspected and delineated based on observable aspects of homogeneity. Neighborhood delineation is periodically reviewed to determine if further neighborhood delineation is warranted. Whereas neighborhoods involve similar properties in the same location, a neighborhood group is simply defined as similar neighborhoods in similar locations. Each residential neighborhood is assigned to a neighborhood group based on observable aspects of homogeneity between neighborhoods. Neighborhood grouping is highly beneficial in cost-derived areas of limited or no sales, or used in direct sales comparison analysis. Neighborhood groups increase the available market data by linking comparable properties outside a given neighborhood. Sales ratio analysis is performed on a neighborhood basis.

## **Valuation and Statistical Analysis**

### **Cost Schedules**

All residential parcels in the district are valued from identical cost schedules using a comparative unit method. The district's residential cost schedules have been customized to fit Sterling County. 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.

The city lots schedules had not been updated in several years.

## **Sales Information**

Residential improved and vacant sales are collected from a variety of sources, including: District questionnaires sent to buyer and seller and information received at protest hearings.

## **Statistical Analysis**

The residential appraiser performs statistical analysis to evaluate whether values are equitable and consistent with the market. Ratio studies are conducted to determine the level of uniformity of value. These studies include the weighted mean, median, standard deviation, coefficient of variation, and coefficient of dispersion provide the appraiser a tool to which to determine both level and uniformity of appraised value.

Every neighborhood is reviewed by the appraiser through the sales ratio analysis process. The first phase compares the recent sales prices of properties to the appraised values of the sold properties. This set of ratio studies afford the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. Based on the sales ratio statistics the appraiser makes a preliminary decision as to whether the value level in a neighborhood needs to be updated in an upcoming reappraisal, or whether the level of market value is at an acceptable level.

## **Treatment of Residential Homesteads**

Beginning in 1998, The State of Texas implemented a constitutional classification scheme concerning the appraisal of residential property that receives a residential homestead exemption. Under the new law, beginning in the second year a property receives a homestead exemption increases in the value of that property are “capped”. The value for tax purposes (appraised value) of a qualified residence homestead will be the lesser of:

- ◆ the market value; or
- ◆ the preceding year’s appraised value;  
Plus 10% for each year since the property was reappraised;  
Plus the value of any improvements added since the last reappraisal.

Values of capped properties must be computed annually. If a capped property sells, the cap automatically expires as of January 1<sup>st</sup> of the following year. In that following year, that home is reappraised at its market value to bring its appraisal into uniformity with other properties.

## **Individual Value Review Procedures**

### **Field Review**

The appraiser identifies individual properties in critical need of field review through sales and ratio analysis. Sold properties with a high variance in sales ratios are field reviewed as soon as possible to check for accuracy of data characteristics.

### **Office Review**

Valuation reports comparing previous values against proposed and final values are generated for all residential improved and vacant properties. The dollar amount and percentage of value difference are noted for each property allowing the appraiser to identify, research and resolve value anomalies before final appraised values are released. Previous values resulting from a hearing protest are individually reviewed to determine if the value remains appropriate for the current year.

Once the appraiser is satisfied with the level and uniformity of value for each neighborhood within his area of responsibility, the estimates of value go to noticing.

### **Commercial Valuation Report**

An on-site appraisal is performed on the commercial properties in Sterling County but we do not have sales to perform ratio studies.

### **Mineral, Industrial, Utility, Personal Property Valuation Process**

Sterling County CAD contracts with Pritchard & Abbott Inc. for the mineral, industrial, utility, and personal properties. Pritchard and Abbott provides 4 certified appraisers.

### **Business Personal Property Valuation Process**

#### **Introduction**

#### **Appraisal Responsibility**

There are four different personal property types appraised by the district's personal-property section: Business Personal Property accounts; Leased Assets; Vehicles and Multi-Location Assets.

- ◆ Personnel – The personnel staff consists of 4 certified appraisers with Pritchard and Abbott.

## **Sources of Data**

### **Business Personal Property**

The district's business property data was received from old records and recorded by Pritchard and Abbott in its system. New business personal property accounts are updated from field inspections and observation of new businesses.

### **Depreciation Schedule and Trending Factors:**

Sterling CAD's primary approach to the valuation of business personal property is the cost approach. The replacement cost new (RCN) is developed from the property owner reported historical cost.

## **CONCLUSION**

The Sterling County Appraisal District is governed by a five-member board of directors, including the tax assessor/collector who serves as a nonvoting member. The Sterling CAD staff includes the Chief Appraiser, and some part time help.

The Sterling CAD contracts with Pritchard and Abbott to conduct the appraisals of the Real Property, Mineral, Industrial, Utility, and Business Personal Properties. The Sterling CAD also contracts with Pritchard and Abbott for the Computer System Lease/License Agreement and the Maplink-Client Software Maintenance Agreement.

Pritchard and Abbott provides 5 certified appraisers to conduct the appraisals. The Sterling CAD has a current Reappraisal Plan and all properties are reappraised at least every three years. The Pritchard and Abbott staff in Ft. Worth provide technical support and assist with completing the reports to the Comptroller.

The Sterling CAD appoints an Appraisal Review Board to hear and determine protests. The CAD appoints an Agriculture Advisory Board that advises the Chief Appraiser on ag values and conducts the annual Texas Farm and Ranch survey.

## MASS APPRAISAL ASSISTANCE

<u>NAME</u>	<u>TITLE</u>	<u>TYPE OF ASSISTANCE</u>
Tyler Halfmann (P&A)	Appraiser	Residential, Real, Agriculture, Appraisals; Ag Advisory Board
Robert Longest (P&A)	Appraiser In Training	Assists Tyler Halfmann
Becky Long (P&A)	Appraiser	Minerals Appraisals
Jay Jones (P&A)	Appraiser	Personal and Utility Appraisals
Shane Marsh (P&A)	Appraiser	Head of San Angelo office; Assists with all appraisals
John Rutledge (P&A)	Appraiser	Industrial – appraises the Wind Farms, and calculates the County Abatements
Ronnie Krejci (Sterling CAD)	Chief Appraiser	Overall CAD Operations and Appraisals

### **Certification Statement**

“I, Ronnie Krejci, Chief Appraiser for the Sterling County Appraisal District, solemnly swear that I have made or caused to me made a diligent inquiry to ascertain all property in the district subject to appraisal by me, and that I have included in the records all property that I am aware of at an appraised value which, to the best of my knowledge and belief, was determined as required by law.”

*Ronnie Krejci*

Ronnie Krejci – Chief Appraiser