



**CAMP CENTRAL APPRAISAL DISTRICT
BIENNIAL REAPPRAISAL PLAN FOR
TAX YEARS 2021 & 2022
PUBLIC HEARING
ADOPTED BY THE BOARD OF DIRECTORS
ON
JULY 23, 2020**

Plan adopted by resolution after a public hearing was held in accordance with 6.05(i)
of the Texas Property Tax Code

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Att. Reappraisal Plan – Capitol Appraisal Group, Inc.	

Code of Ethics

It is the strict policy of this Appraisal District to adhere to the following code of ethics.

- (1) I will be guided by the principal that property taxation should be fair and uniform, and I will apply all laws, rules, methods and procedures in a uniform manner to all taxpayers.
- (2) I will not accept anything of value from any party other than my employer unless acceptance of something is totally unrelated to my performance and duties as an appraiser, assessor or collector.
- (3) I will not use information received in connection with my duties as an appraiser, assessor or collector for my own purposes or for my own gain, unless such information can be known by ordinary means to any ordinary citizen.
- (4) I will not accept an assignment for which it is expected by any party that I will report a predetermined appraised value or report such predetermined values.
- (5) I will not speak or act in a manner or engage in any practice that is dishonest, fraudulent, deceptive or in violation of law or generally accepted standards or morality.
- (6) I will uphold the honor and dignity of the property tax profession.
- (7) I will not communicate a report or assignment results known by me to be misleading or fraudulent & I will not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent.

Executive Summary/Scope of Responsibility-Work

Camp Central Appraisal District is a political subdivision of the State of Texas established January 1, 1980. This reappraisal plan and report required by S.B. 1652 is generated to provide the citizens of Camp County a better understanding of the district's procedures, responsibilities, activities, results and effects of those activities. The ultimate goal is to obtain an effective and positive result when analyzed by the Property Tax Division of the Comptroller's Office with the annual Property Value Ratio Study Report. This report establishes the position of equity and uniformity for the appraisal district in the property categories tested.

Camp Central Appraisal District is governed by a Board of Directors appointed by the taxing entities. The Board of Directors hires the Chief Appraiser as administrator of the appraisal district. The Property Tax Code is the governor of the legal, statutory, and administrative requirements of the appraisal district.

The appraisal district is required to appraise all property in its district boundaries for the purpose of local property taxation at market value as of January 1 except as otherwise provided by Sec. 23 of the tax code. According to the Texas Property 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 buyer
- both the seller and buyer know 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 seller and buyer seek to maximize their gains, and neither is in a position to take advantage of the needs of the other

Various types of property exemptions/special appraisal are determined by the appraisal district office such as homestead exemptions, charitable or religious exemptions, partial-absolute exemptions and agricultural/timber/wildlife productivity valuation.

Appraisals are generated with computer assisted mass appraisal programs using recognized appraisal techniques and methods. We compare our data to data gathered from recent cost guides and market sales data. The district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures and subscribes to the standards known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable. USPAP Standards 5 & 6 apply to mass appraisals regardless of the purpose or use of such appraisals. Standard 5 covers the development of a mass appraisal assignment. Standard 6 covers the reporting of a mass appraisal assignment. These standards are directed toward the substantive aspects of developing and communicating competent analyses, opinions, and conclusions in the mass appraisal of properties, whether real property or personal property.

The purpose and requirement for the written reappraisal plan and periodic reappraisal resulted from the passage of S.B. 1652 which amended the Tax code as follows:

The Written Plan

According to Section 6.05 of the Tax Code subsection (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 15th, of each even numbered year, the board shall complete its hearings, make amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date.”

The Plan for Periodic Reappraisal

Section 25.18 of the Tax code (a) and (b) implements the following:

- (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
 - (A) The location and market area of the property;
 - (B) Physical attributes of the 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 determine 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.”

In addition to periodic reappraisals, all personal property accounts are visited on a annual basis, open-space, timber and wildlife agricultural valuations are also calculated on an annual basis. Ratio analysis are conducted to define reappraisals in all market areas of the district defined on page 18 of this plan. Camp CAD consists of one school district, Pittsburg ISD, and a very small portion of Gilmer ISD.

Revaluation Decision Pertaining to Reappraisal Cycle

The Camp Central Appraisal District makes the determination as to the timing of all re-evaluation on an annual basis. This determination will dictate the reappraisal of all property located in the CAD or determine re-appraisal of areas or categories of property located within the CAD such as subdivisions, geographical areas, rural areas, commercial areas, residential, vacant lots, etc. The district has been divided into three regions to ensure the CAD reinspects and reevaluates properties as required by the Property Tax Code on a three-year cycle. 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. The endorsement validates the action taken on each property reappraisal. Any property that has not been reappraised in the previous two years or in the above determination of the 2021-2022 reappraisal will fall into the category of annual determination of reevaluation by region.

The reappraisal plan for Camp Central Appraisal District is as follows:

Scope of Work

1. identify and define the work, incorporate the application of proven and professionally acceptable techniques and procedures;
2. provide for the compilation of complete and accurate data and the processing of that data into an indication of value approximating the prices being paid in the marketplace; the development of credible results;
3. provide the necessary standardization measures and quality controls essential to promoting and maintaining uniformity throughout the jurisdiction;
4. provide the appropriate production controls necessary to execute each phase of the operation in accordance with a carefully planned budget and work schedule, and
5. provide techniques especially designed to streamline each phase of the operation, eliminating functions, and reducing the complexities inherent in the appraisal process to more simplified but equally effective procedures.
6. Disclose the scope of work in a report. The report should include sufficient information to allow intended users to understand the scope of work.

PERFORMANCE/MONITORING ANALYSIS QUALITY CONTROL

As procedure has dictated and has occurred in years past, 2021 and 2022 appraisal years will be analyzed with ratio studies from the previous years values along with the Comptroller's Property Value Study report to determine appraisal accuracy and appraisal uniformity overall with the use of additional market data gathered within and representing each of the state property reporting categories.

In conjunction with the ratio study and the property value study the mean, median, and weighted mean ratios are calculated for properties in each reporting category to measure

the level of appraisal accuracy. The mean ratio is calculated in each market area to indicate the level of appraisal accuracy by property reporting category. In 2021 and 2022 this analysis will be used to develop the starting point for establishing the level of accuracy on the appraisal performance. The testing result will be an indicator of which properties will need to be addressed with a change and which properties will not need a change. This result can indicate a negative or positive increase or decrease in value. All ratio calculations are in compliance with the Standard on Ratio Studies from the International Association of Assessing Officers.

Model testing, Quality Control and Correlation are the final steps in the appraisal process. Model testing is done to determine the final changes for current year's final values. Quality control reviews all properties after the final values have been determined. Correlation is the process of comparing all three value methods as a test of market value. All of these are completed before the final values are implemented. Specifications are typical components of each individual class. These components are the "specifications" of its model. The specifications are reviewed each year from Marshall/Swift, local ratio studies and local builders/contractors. As newly constructed homes are inspected, the differences are noted so that a review of model specifications can be done. Calibration involves reviewing and measuring all variables that affect the market value. After all variables are analyzed, the model is calibrated. Final Value Implementation of changes is applied to the model to achieve market value. This process is done after final approval from Chief Appraiser. Final value implementation consists of schedule changes, neighborhood changes and individual property changes. Quality control and assurance measures produced by Camp CAD and Capitol Appraisal Group depend on the quality of the data from which they are generated. Therefore, all data collected is tested in a systematic manner throughout the entire appraisal process.

The Chief Appraiser will review work throughout the entire appraisal process, reviewing work for conformity to appraisal standards. The Chief Appraiser and Senior Appraiser will conduct spot reviews of work throughout the appraisal process for potential errors. Camp CAD runs a number of verification reports through PACS software. The software allows for a wide variety of user generated reports as well as those written by the vendor. The following are some of the more frequently used reports by Camp CAD:

- Exception Reports – assessed value, improvement value, land value, mobile home value and personal property value.
- Gain/Loss Reports
- Homestead Cap Verification Reports
- Limitation on the absence from Homestead
- Multiple Homestead Reports
- Mismatched Personal Property/Entity Report
- Recalculation Error Report

Camp CAD software also allows "user rights", the Chief Appraiser is the Administrator of those rights. The Chief Appraiser and Senior Appraiser only have the right to change schedules, create schedules, change class or depreciation, etc.

The Camp CAD contracts with Capitol Appraisal Group for the appraisal and valuation of oil and gas leases, communication properties, public utilities and industrial properties. In addition to Capitol Appraisal Group's performance tests and quality controls, Camp CAD will monitor the work as well. The Chief Appraiser will monitor the contractor's

work to ensure progress according to the reappraisal plan. The Chief Appraiser receives periodic update reports from the appraisers throughout the appraisal and review process. The Chief Appraiser is notified, and a part of, all settlement/wavier agreements. Capitol Appraisal Group appears before the ARB in June/July and gives an annual report with supporting documentation. Once Capitol submits the electronic file, and it has been imported for the current year, the Chief Appraiser will run all data verification reports before beginning the certification process.

ANALYSIS OF AVAILABLE RESOURCES

Data, maps, information systems support, existing practices, budget and employee staffing are all major components required to assist in accomplishing final results necessary to ensure the appraisal district is conforming with the IAAO and USPAP standards and practices when appraising all categories of property.

The ultimate goal is to have the proper employees in key positions with the experience, knowledge and certification required to perform the duties that are expected of them. The Board of Directors and the Chief Appraiser are responsible for the administrative functions, direct and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities and postal services. The Chief Appraiser is responsible for the planning, organizing, staffing, and coordinating the district operations. This is performed with the assistance, guidance and authority of the Board of Directors. The appraisal department or appraisers are responsible for the valuation of all property within the boundaries of Camp CAD. These categories of property include commercial, residential, business personal, mineral, utilities, and industrial. The district's appraisers are subject to the certification requirements adopted by the Texas Department of Licensing and Regulation which are subject to the provisions of the Property Taxation Professional Certification Act. Support Functions include record maintenance, information coordination, formal and informal property protest hearings, and many other citizen contacts.

Education

The appraisal district's staff consists of 6 employees with the following classifications:
Chief Appraiser/Administrator (executive level administration) – 1
Technicians or appraisers – 2
Administrative support – 3

All TDLR licensed personnel are required to receive additional training of a minimum of 30 hours of continuing education units every two years in order to continue working as a TDLR licensed employee. Failure to comply with this requirement will result in a revoked license and possible termination from the appraisal district. Appraisers will accomplish the cycle of real property re-inspection and personal property on-site review for the 2021-2022 time period. The appraiser's longevity of employment with the Appraisal district can be a positive effect on accomplishing the goals of reappraisal. Appraiser's familiarity with the county is a must to accomplish this demandingly large task.

Mapping

The Camp Central Appraisal District is responsible for establishing and maintaining approximately 22,000 property accounts. The data that comprises the 22,000 property accounts include property characteristics, ownership, and absolute or partial exemption information.

The GIS mapping system maintains parcel lines, split outs and various layers of data and aerial photography. The district's website allows a broad range of information available for public access, including information on individual appraisals, property characteristics, certified values, and exemption applications and forms. Aerial photography is especially helpful in determining the productive use of agricultural and timber lands. The GIS mapping system is maintained by BIS Consulting. They are responsible for ownership and spit-out updates and mapping properties according to the metes and bounds of deeds and resurveys. Aerial photography will be updated every two years using the information provided the US Geological Department and Google Maps. The Appraisal District last purchased high resolution aerials flown in December of 2011, then again in 2017 through Eagleview for the Pictometry mapping system.

In February of 2017 the Appraisal District contracted with Eagleview Pictometry for services of Pictometry Connect and ChangeFinder. New aerial maps will be an added layer in intervals of three-year periods. Pictometry mapping is integrated with our GIS mapping system for ownership, property identification numbers and split outs.

In June of 2018 Google Maps became available as an added layer. BIS Consulting added those layers to our interactive map.

Camp CAD was scheduled for high resolution aerials to be flown in the winter months of 2019-2020 through the contract agreement with Eagleview/Pictometry. Above normal amounts of rain received caused a delay in the flight scheduled. A re-scheduled flight is planned for the fall/winter months of 2020-2021.

Information system enables the district to maintain and continuously add additional data concerning the 22,000 accounts in the district. The server data base is a Dell Power Edge T610 with software support from the software group True Automation. The user base is networked to the mainframe using Windows 10 applications. True Automation programmers are updated on all applicable law changes and are continuously updating the software requirements that functions our reporting process. The district contracts with BIS for all technical support for the district's mainframe server and workstations. Annual budget requirements for the following year are presented to the Appraisal District Board of Directors by June 15th of the current year. The BOD must adopt the budget by September 15th of the current year and provide all participating entities with a copy.

REAPPRAISAL DECISION

Overview

The Camp Central Appraisal District, by policy adopted by the Board of Directors and Chief Appraiser, reappraises approximately one-third of all property in the district every year. A breakdown of the areas to be reappraised is made using regional boundaries. Using regions as an area, accounts are totaled within each region. Regions are divided as follows: Region 1-All property accounts located around Lake Bob Sandlin and within the city limits of Pittsburg-Region 1 is the district's most populated region with 6,030 accounts. Region 2-All property accounts located in the northern part of the county-north of Highway 11 consisting of 3,300 accounts. Region 3-All property accounts located in the southern part of the county-south of Highway 11 consisting of 3,120 accounts. Only certain regions are appraised in a given year. In any given appraisal year, the Chief Appraiser reserves the right to modify the schedule, if in-house ratio studies, natural disasters or other information deem reappraisal is necessary out of turn; while still ensuring adherence to the overall 3-year cycle.

Example:

Year A:	Region 1
Year B:	Region 2
Year C:	Region 3

Reappraisal Year Activities

The goal for valuation of all property is to appraise all taxable property at "fair market value." The Property Tax Code defines Fair Market value as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if: exposed for sale in the open market with a reasonable time for the seller to find a purchaser; both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

1. Performance Analysis- the equalized values from the previous tax year will be analyzed with ratio study to determine the appraisal accuracy & appraisal uniformity overall and by the market area with property reporting categories. Ratio studies will be conducted in compliance with the current Standard on Ratio Studies on the International Association of Assessing Officers (IAAO).
2. Analysis of Available Resources- Staffing and budget requirement for tax year 2021 are detailed in the 2021 budget, as adopted by the board of directors. Staffing and budget requirements for the tax year 2022 will be addressed in the 2022 budget to be adopted by the board of directors in accordance with Section 6.06 of the Property Tax Code.

The Board of Directors of Camp CAD will contract Mineral, Industrial, Utilities & related Personal Property appraisals for the 2021-2022 appraisal years with Capitol Appraisal Group.

Planning and Organization- A calendar of events with critical completion dates will be prepared for each area. This calendar will identify key events for appraisal, mapping and records, administrative and information systems. A calendar is prepared for tax years 2021-2022. Goals for field activities will be established and incorporated in the planning and scheduling process.

3. 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 Morris County Appraisal District contracts with the firm Pritchard & Abbott, Inc. for these services.
4. Identifying and updating relevant characteristics- Field and office procedures will be reviewed and revised as required for data collection. Activities scheduled for each appraisal year include new construction, demolition, remodeling, reinspection of certain market areas as needed, periodic reinspection of the universe of properties, and field or office verification of sales data and property characteristics. Reinspection of properties is to be completed using 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.
5. Pilot Study of Tax Year- new and/or revised mass appraisal models are tested each year. Ratio studies, by market area, are conducted on proposed values each year. Proposed values in each category are tested for accuracy and reliability in selected market areas.
6. Valuation by Tax Year- using market analysis of comparable sales and locally tested cost data, valuation models are specified and calibrated in compliance with supplement standards from the International Association of Assessing Officers (IAAO) and the Uniform Standards of Professional Appraisal Practice (USPAP). The calculated values are tested for accuracy and uniformity using ratio studies.
7. Mass Appraisal Report- each appraisal year the Texas Property Tax Code requires Mass Appraisal Report to be prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar. The Mass Appraisal Report is completed in compliance with Standard Rule 6-8 of USPAP. The signed certification by the Chief Appraiser is compliant with Standard Rule 6-9 of USPAP. This written reappraisal plan is attached to the report by reference.

8. Value Defense- the Appraisal District has the burden of proof regarding protests related to appraisal or market value as well as unequal appraisals. Inspection and/or disclosure of evidence and materials will comply with Section 41.461 Property Tax Code.

A re-appraisal year for an area is a complete appraisal of all properties in the district. In the areas of non-reappraisal years, staff will pick up new construction and remodeling, adjust changes in property characteristics that affect value and adjust previous year values. Appraisal District staff will monitor sales and building classifications (i.e. land, improvements) to reflect current market conditions in this county.

PLANNING AND ORGANIZATION

A calendar of events, with target completion dates, have been prepared and made a part of this document. The calendars only reflect the most relevant events that relate to the appraisal segment of the property tax administration.

The calendar contains critical completion dates prepared for each major work area.

This calendar identifies all key events for appraisal, clerical and information systems. A separate calendar is prepared for tax years 2021 and 2022.

TAX YEAR 2021

Complete re-appraisal of Region 2

Mailing new homestead applications update letters to new owners

Mailing requests for updated homestead and ag/timber applications when needed

Mailing wildlife updates, misc. exemptions, special inventory declarations annually

Ownership changes and mapping metes and bounds by deed research

Split outs as deeds warrant

Mailing sales surveys to both buyer and seller

Mailing income surveys to all income producing properties (apartments, offices, mini-storages, hotels, etc.)

TAX YEAR 2022

Complete re-appraisal of Region 3

Mailing new homestead applications update letter to new owners

Mailing requests for updated homestead and ag/timber applications when needed

Mailing wildlife updates, misc. exemptions, special inventory declarations annually

Ownership changes and mapping metes and bounds by deed research

Split outs as deeds warrant

Mailing sales surveys to both buyer and seller

Mailing income surveys to all income producing properties (apartments, offices, mini-storages, hotels, etc.)

2021 Calendar of Events

Phase	Begin	Complete
Administration/Planning	September 2020	June 2021
Training:		
Certifications/CE's	Ongoing	Ongoing
in-house training	Ongoing	Ongoing
conference/workshops	Ongoing	Ongoing
Data Collection/Discovery:		
Collect deeds, mechanic liens, building permits, assumed name filings etc.	January 2021	April 2021
Mail Homestead Exemption Appl. Updates/Reapps	January 2021	April 2021
Mail Annual Exemption Appls.	January 2021	April 2021
Mail Ag/Timber/Wildlife Appl.	January 2021	April 2021
Updates/Reapps/Annual Reports	January 2021	April 2021
Mail Manufactured Home Letters	August 2020	January 2021
Mail Renditions:		
Business PP/Real	January 2021	April 2021
Mail income surveys	October 2020	October 2020
Sales Date Gathered	Continuous	Continuous
Mail sale surveys	Continuous	Continuous
Field Inspections	Sept. 2020	March/April 2021
Data Entry	October 2020	April 2021
On-going Mapping		
Deed research for metes and bounds in continuing process of unmapped properties and split-outs	Continuous	Continuous
Valuation Analysis/Processing		
Ratio studies, schedule building/adjustment/ testing and determining need for modifiers	January 2021	April 2021
Review		
Pilot studies/testing	April 2021	April/May 2021
Notification	April 2021	May 2021
Submission of records to ARB	April 2021	May 2021
Hearings	June 2021	July 2021
Certification of Values		July 2021

2022 Calendar of Events

Phase	Begin	Complete
Administration/Planning	September 2021	June 2022
Training:		
Certifications/CE's	Ongoing	Ongoing
in-house training	Ongoing	Ongoing
conference/workshops	Ongoing	Ongoing
Data Collection/Discovery:		
Collect deeds, mechanic liens, building permits, assumed name filings etc.	January 2022	March 2022
Mail Homestead Exemption Appl. Updates/Reapps	January 2022	March 2022
Mail Annual Exemption Apps.	January 2022	March 2022
Mail Ag/Timber/Wildlife Apps.	January 2022	March 2022
Updates/Reapps/Annual Reports	January 2022	March 2022
Mail Manufactured Home Letters	August 2021	January 2022
Mail Renditions:		
Business PP/Real	January 2022	April 2022
Mail Income Surveys	October 2021	October 2021
Sales Data Gathered	Continuous	Continuous
Mail Sale Surveys	Continuous	Continuous
Field Inspections	Sept. 2021	March 2022
Data Entry	October 2021	March 2022
On-going Mapping		
Deed research for metes and bounds in continuing process of unmapped properties and split-outs	Continuous	Continuous
Valuation Analysis/Processing		
Ratio studies, schedule building/adjustment/ testing and determining need for modifiers	January 2022	March 2022
Review		
Pilot studies/testing	March 2022	March/April 2022
Notification (25.19, 25.192, 25.193)	April 2022	May 2022
Submission of records to ARB	May 2022	May 2022
Hearings	June 2022	June 2022
Certification of Values		July 2022

*Throughout both years: Enter sales data as it becomes available from buyer/seller surveys and Multiple Sales Listing, data entry for new/updated improvements and changes noted by appraisers, make ownership changes as deeds are available, enter/remove exemptions and special use valuation for accounts as they are qualified. Mail residence homestead exemptions applications to new owners as they are identified by the CAD. Continue to research metes and bounds by which to map and identify property in the county to add to our GIS mapping system. Map spilt outs as deeds are received throughout the year. The appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation and other purposes. Accurate valuation of real and personal property by any method requires a comprehensive physical description of personal property, land and building characteristics. The Chief Appraiser/Appraisal staff is responsible for administering, planning and coordinating all activities involving data collection and maintenance of all commercial, residential and personal property types located within the boundaries of Camp County and the jurisdictions of the appraisal district. The data collection effort involves the field inspection of real and personal property accounts, as well as entry of all data collected into the existing information system. The goal is to field inspect residential and commercial property in the district every 3 years by region each region containing approximately 7,400 parcels, and business personal property every year.

Staff Providing Significant Mass Appraisal Assistance

Jan Tinsley, RPA, RTA, CTA, CCA, CSTA	Chief Appraiser
Glenda Olivares, RPA, RTA	Senior Property Appraiser
Karissa Stanley, Level I RPA	Property Appraiser Mapping/Deed Research
BIS Consulting, Hector Gomez	GIS Mapping Maintenance
Gregg Davis, RPA	Industrial, Utilities, Railroad Appraiser Capitol Appraisal Group
Cathy Jackson, RPA	Commercial Appraiser Capitol Appraisal Group
BIS Consulting	Website/E-Protest Interactive On-Line Map

By May 15th, or as soon thereafter as practicable, the chief appraiser and each appraiser engaged in listing and appraising property shall sign a submission affidavit to the ARB which states:

“I, Jan Tinsley (Chief Appraiser/Appraiser) for Camp Central Appraisal District solemnly swear that I have made Or caused to be made a diligent inquiry to ascertain all property in the district subject to appraisal by me and that I have included in the records all property that I am aware of at an appraised value as required by law.”

Mass Appraisal System Real Property Valuation

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

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

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

Personal Property Valuation

Density schedules are updated using *Marshall & Swift* valuation guide. Valuation procedures are reviewed and modified as needed and tested.

Notice Processing

25.19 appraisal notice forms are reviewed and edited for updates. Updates include the latest copy of Comptroller’s Taxpayers Rights, Remedies and Responsibilities in English and Spanish. Camp CAD will mail all notices for all categories of property by April 1st (or as soon thereafter as practicable) with the exception of business pp which will be mailed on May 15th (or as soon thereafter as practicable).

Hearing Process

Scheduling of informal and formal ARB hearings are continually reviewed and updated as required. Standards of documentation are reviewed and amended as required. The appraisal district hearing documentation is reviewed and updated to reflect the current valuation process. Production of documentation is tested and compliance with HB 201 is insured. Camp CAD utilizes an automated informal and formal hearing schedule and

appeals process that begins with the mailing of notices in April and May and continues until all appeals are heard.

Camp County Appraisal Review Board reviews and adopts hearing procedures annually and adheres to all education and training requirements.

Camp County Appraisal Review Board adopted, as part of their policies and procedures, the Comptroller's Model Procedures and Guidelines January 17, 2014.

The Appraisal Process

With the aid of the Camp Central Appraisal District calendar the field appraisal staff is responsible for discovering, inspecting, calculating and evaluating property characteristics of all real and personal property. The goal is to correctly identify and update all characteristics of property in Camp County and to allocate those characteristics to our models developed as comparables to generate on a mass scale the correct market value for every property located within the appraisal district authority. This process will begin in August/September of each year and have a targeted completion date of March 1 with May 15 the target date for personal property of each year. The months of June, July are set aside to complete formal and informal hearings of the equalization phase of the appraisal calendar.

Properties will be identified through physical inspection, or other reliable means including deeds or other legal documentation, digital mapping, aerial photographs, land-based photographs, surveys, maps and property sketches. Characteristics of each property will be updated in the appraisal records.

Valuation Approach

Market areas will be defined by:

- location and economic attributes
- Physical attributes of properties such as size, age, condition
- Easements, covenants, leases, special assessments, ordinances or legal restrictions

Land Analysis:

The analysis of land is conducted prior to neighborhood sales analysis. The land-to-property component is 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 land characteristics found to influence market value of land located in a neighborhood or area. The appraisers use abstraction and allocation methods to insure that estimated land values reflect the land's market value to overall property value.

Area Analysis:

Regional economic forces such as demographic patterns, regional location factors, employment and income patterns, general trends in real property prices and rents, interest rates trends, availability of vacant land, and construction trends and costs are collected from private vendors, contractors and public sources to provide the appraiser with a current economic outlook on the real estate market.

Neighborhood and Market Analysis:

Physical, economic, governmental and social forces influence property value. These effects are used to identify, classify, and stratify comparable properties into smaller subsets for more accurate appraisals of neighborhoods. Residential valuation and neighborhood analysis are conducted on various market areas within each of the political entities known as Independent School Districts (ISD). Market sales analysis forms the basis of estimating market activity and the level of supply and demand affecting the market within a market area or neighborhood. The effect of these market forces is interpreted by the appraiser into an indication of market price ranges.

The first step in neighborhood analysis is the identification of a group of properties that share certain common traits.

A “neighborhood” is defined as the largest geographical 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 the boundaries. This process is known as “delineation”. Part of the neighborhood analysis is the consideration of discernible patterns of growth that influence the neighborhood’s individual market.

Camp County Market Areas Identified

Camp County is experiencing a stage of growth according to the United States Census Bureau. Camp County has grown an estimate of 28% since 1990 when the population was 9,904.

The 2000 population: 11,549

The 2010 population: 12,401

The 2014 population: 12,621

The 2018 population: 13,033

These figures are based on people living within the boundaries of Camp County. It does not factor in the numerous people who have established the county as a second home. Camp County’s market area consists of one Independent School District that encompasses the whole county. Within the market area there are subsets that may be characterized as being in a stage of **growth, stability or decline**. The growth period is a time of development and construction.

The two property types experiencing a high volume of growth and development in the county are commercial and residential waterfront properties. Pittsburg City’s 75-acre annexation of commercially zoned property along Highway 271 north has warranted growth and economic development. Waterfront properties around Lake Bob Sandlin are in the growth and development phase and a direct influence on the market in the area. Property has been purchased and developed into platted subdivisions, with several new subdivisions developed within the last 24 months. The appraisal district has identified and divided Camp County into over 30 “neighborhoods”. A “neighborhood” is defined as “an area, which contains complimentary land uses and has similar value influences within a geographic location”. Often a neighborhood has the same boundaries as a subdivision, but in some cases a neighborhood may encompass several subdivisions, or a

subdivision may contain several neighborhoods. Once the neighborhood has been identified, the district develops a neighborhood profile for each area. The profile describes the boundaries, influences affecting values in the neighborhood, and identifies benchmark properties. A **benchmark property** is made up of characteristics common to all properties in a class. The different characteristics of property help identify “neighborhoods” such as waterfront vacant lots, water view vacant lots, subdivided residential properties with amenities located in gated communities, residential properties located in subdivisions alone. Influences such as location, physical attributes (size, age and condition), legal and economic attributes, easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, legal restrictions, waterfront/water view all further drive these market areas. Lake subdivisions such as Cherokee Point, Cherokee Peninsula, Hills Point, Paradise Village, Meadowlake, Camp Branch, Haven Point and others have become their own market areas, each with unique features, amenities and characteristics. Eagle Shores Phase I, West Shores, Paradise Shores, Emerald Shores and Lazy Acres are the newest subdivisions developed for new construction. This market area is driven by outside influences such as retirement and summer/weekend recreation. Another driving influence is supply and demand, the number of desirable waterfront/water view properties for sale compared to the number of people wanting to buy lake properties.

Areas in Pittsburg City are experiencing growth as well. Subdivisions such as Legacy, Dogwood Trails, Kentwood, Cedar Hill, Prinedale, Pecan Heights and Meadow Creek all are defined as market areas based on their unique characteristics. These market areas are mostly driven by location and economic attributes.

The county is divided into 3 Regions: Region 1 consists of properties defined by the appraisal district as “lake area” properties and properties within the city limits of Pittsburg. Region 2 consists of the northern part of Camp County, with the exception of the “lake area”. Region 3 consists of properties in the southern part of the county. Region 1 is the most populated residential and commercial of the three regions. Regions 2 and 3 are more rural land with some residential.

Production standards for field activities and results are tested on a quarterly basis with the use of sales data gathered through buyer and seller questionnaires/surveys mailed by the appraisal district, verbal contact with the citizens of Camp County, confirmation of sales activity in warranty deeds or county clerk recorded documents and our subscription to the Multiple Listing Service (MLS) with Greater Tyler Realtors Association. Just as with the annual Property Value Study performed by the Comptroller’s Property Tax Division, the use of sales and recognized auditing and sampling techniques are used to determine the level and uniformity of property tax appraisal in this district. This process utilizes statistical analysis of sold properties (sales ratio) and appraisals of unsold properties (appraisal ratios) as a basis for assessment ratio reporting. The reported measures include the median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties within 25% of the median and price-related differential (PDR) for properties overall and by state category. The ratio study includes stratified samples to improve sample representation for measuring uniformity.

True Automation software programming division provides updates of all program calculation adjustments, forms, and computer form revisions that are dictated in legislative sessions or changes in the law. Management assists with the scheduling and processing of these updates in order to be time effective for use in the appraisal process.

The mass appraisal process is accomplished by using model calibration. Model calibration involves the process of periodically adjusting the mass appraisal formula, tables, and schedules to reflect current local market conditions. The basic structure of a mass appraisal model can be valid over an extended period of time, with trending factors utilized for updating the data to current market conditions. If the adjustment process becomes too involved, the model calibration technique can mandate new model specifications or a revised model structure. Many times, this occurs when new construction materials or cost and style develops into an additional class of property.

Cost Approach

Cost schedules will be updated with market data (sales) to ensure that the appraisal district is in compliance with Texas Property Tax Code, Sec. 23.011 (4) requirement of being within 10% of a generally accepted cost data source. Cost models are typically developed based on the Marshall & Swift Valuation Service. Cost models reflect replacement cost new of all improvements. Because a national cost service is used as a basis for the cost models, location modifiers are necessary to adjust these base costs specifically for various types of improvements.

Accrued depreciation is the measured loss of value against replacement cost new taken from all forms of physical deterioration, functional and economic obsolescence. Estimates of accrued depreciation are calculated for improvements with a range of variable years of a 70-year expected life based on observed conditions with consideration of actual age. Effective and actual ages are noted in our computer assisted mass appraisal system. Effective age estimates are based on the utility of the improvements relative to the scale of its total economic life and its competitive position in the marketplace. Effective age estimates are considered and reflected based on five levels of observed condition.

A depreciation override can be used if the condition or effective age of a property varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. These adjustments can be developed via ratio studies or other market analysis and are tied to specific condition adequacy or deficiency, property type or location.

Estimating accrued depreciation and deducting that from the estimated replacement cost new of improvements indicates the estimated contributory value of the improvements. Adding land value, as if vacant, to the contributory value to the improvements indicates a property value by the cost approach.

Sales Comparison Approach (Market Approach)

Similar properties recently sold in the current market are analyzed and compared with the property being appraised. Sales data is run by market area, adjustments are made for differences in such factors as time of sale, location, type, age and condition of improvements. Land tables are updated using current market data (sales). Results are then tested with ratio study tools. Value modifiers are developed for property categories by market area and tested with ratio study tools.

Income Approach

Income, expense, and occupancy data are useful tools in producing an income approach to value. The income approach is typically used to value property viewed as "income producing" such as duplexes, apartment buildings, storage facilities. The difficulty in gathering this important data has not afforded this district the ability to use this approach on a consistent nor widespread basis. The district will continue to consider this approach to value as information permits. The income approach is used on the special appraisal process for the agricultural and timber properties. The data gathered and used in this type appraisal is downloaded directly from the Comptroller and is data they have gathered from Texas A&M University which in turn has gathered information from timber mills and suppliers.

Productivity Valuation

Capitalization process used in the income approach on agricultural and timber properties is a direct rate provided by Sec. 23.53 and Sec. 23.74 of the Property Tax Code.

Personal Property

Personal property valuation cost schedules are developed by analyzing cost data from property owner renditions, hearings, state schedules, and published cost guides. The cost schedules are reviewed as necessary to conform to changing market conditions. Most of the information used by the district is generated to the district from the owner in a form of a rendition. Each new year's rendition is compared to the last year to verify additions or deletions and to get a better understanding of what the property should exist at the business. The present value factor is used as an express calculation in the cost approach. The present value factor is applied to historical cost as follows:

$$\text{MARKET VALUE ESTIMATE} = \text{PVF} \times \text{HISTORICAL COST}$$

Historical cost is normally supplied to the CAD via the completed rendition form from the owner of the business. The mass appraisal PVF schedule is used to ensure that estimated values are uniform and consistent and reflect current economic pressures of supply and demand.

DATA COLLECTION REQUIREMENTS

Activities scheduled for each tax year include new construction, demolition, remodeling, reinspection of problematic market areas, and reinspection of the universe of properties on a specific cycle. The specific cycle will be determined annually after appropriate

documentation on sales activity, replacement cost new data, and or any other economic catalyst that affects a sufficient number of properties that indicate a complete reappraisal is necessary. The final result accomplished with every property being reappraised by law at least once in every three years.

The principal source of data collection on new construction and remodeling are generated by building permits and mechanic liens filed with the city and the county. A field effort of driving the county also generates a constant watchful eye on any new construction or additions that may be added to the property. With the addition of the web connection, property owners themselves are generating and filtering information to the cad about the property description of their individual property.

Data surveys included in the buyer and seller questionnaire when returned is helpful in identifying characteristic that are needed to correctly appraise property and gives to the cad the current sales data. Identifying these characteristics with the sales information aides in the model calibration of properties included in that class or category and identifies problematic areas. Quality of data is emphasized as the goal and responsibility of each appraiser. Sales information is verified by sources such as new owner, seller, Multiple Listings Service, local realtors, and comptroller's sales letter survey. Multiple Listings Service is a good source for data characteristics.

Field appraisers perform field activities to ensure the data they have entered into the computer-based system has been maintained and is correct. Data updates and file modification for property descriptions and input accuracy is conducted as the responsibility of the field appraiser.

Texas Railroad Commission and division orders are the source for our mineral appraisals.

Personal Property rendition forms are the source of data for commercial property inventories, furniture and fixtures and machinery and equipment. Assumed names filed with county also, generate additional check points for new business personal property.

PILOT STUDY BY TAX YEAR

The **International Association of Assessing Officers, Standard on Mass Appraisal of Real Property** **specifies** that the universe of **properties should be reinspected** on a cycle of **3 years**. This reinspection **includes** the **remeasurement of at least two sides** of each improved property.

Sales ratio studies are conducted each tax year by category and market areas. Actual test results are compared with anticipated results and those models not performing satisfactorily are refined and retested. These procedures used for model specification and model calibration are in compliance with Uniform Standards of Professional Appraisal Practice, and Standard Rule 5 & 6.

VALUATION BY TAX YEAR

Calculation of preliminary values enables the district to use the market analysis of comparable sales and gathered cost data to ensure that the ratio study performed in each category of property, neighborhood, and defined market areas generates an acceptable ratio in each segment of property or grouped segment of properties. Properties in selected market areas are updated in non-reappraisal years as well as in re-appraisal years if the ratio results reflect the need for a change. Therefore, the need for re-appraisal year is made on an annual basis and determined by market areas. Every property is reappraised at least once in every three years. A change may or may not occur depending on the cost data gathered, sales information gathered, or other pertinent information pertaining to the individual property or property characteristics.

SPECIAL INVENTORY RESIDENTIAL PROPERTY

Cost approach to value is the most common usage in this category of property. Developers have the same benefits and rights as individuals with other types of inventory in which they are entitled to have their property grouped as if it were to be sold as a whole. This method is based on the use of cost or market which ever is the lowest. Sales approach is not used until the developer sales the property and the category changes to a category other than inventory.

Income approach to value is not used on this property because it is not income producing.

MULTIFAMILY RESIDENTIAL PROPERTY

Due to the limited number of sale activity in this type of property it is not feasible to use the sales comparison approach to value.

The cost approach would be used to as a comparison to the income approach which would be the best approach to value considering the evidence of income and expense information for properties of this type in this county. The inability to collect income and expense information makes this the reliable approach for this county.

Income approach is not feasible because of the inability to receive documented evidence on true income and expense information in this subject area.

COMMERCIAL REAL PROPERTY

Sales comparison approach to value is a limited resource and is not a reliable approach for this group of property. Sales data may or may not include a documented value for goodwill without this measure the sales approach may generate a distorted value. The infrequency of sales activity limits the measure in this approach.

Cost approach to value is the most reliable approach to market for this type of property in this county.

Income approach is not used as this approach is for income producing properties.

VACANT REAL PROPERTY

Sales comparison approach is the best approach for this type of property and is the most common used approach for this type of property.

Cost approach is not feasible.

Income approach could be used only on those properties that were generating a rental income. This is not the most common used approach in this type property.

INDUSTRIAL REAL PROPERTY CAPITOL APPRAISAL GROUP PLAN

UTILITIES CAPITOL APPRAISAL GROUP PLAN

MINERAL INTEREST CAPITOL APPRAISAL GROUP PLAN

SPECIAL VALUATION PROPERTIES

Sales comparison approach is not used in this type of appraisal. This property is appraised based on its ability to generate income.

Cost approach is not used on this type of property. There is no effective or feasible way to use a cost approach on this type property.

Income approach is the correct approach used on this type of property because it is an income producing property and is based on the land's ability to generate income.

Cost approach to value is the most reliable approach with the aide of renditions that are prepared by the owner giving the historical cost of the items and with the use of indexing the historical value to generate an in use current value.

Income approach is not used as the personal property is not normally used nor produces rental income.

INDUSTRIAL TANGIBLE PERSONAL PROPERTY CAPITOL APPRASIAL GROUP PLAN

THE MASS APPRAISAL REPORT

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

The appraisal of a large number of real and personal properties as a group within an established period of time using standardized procedures and subjecting the resulting appraisals to statistical testing is the definition of mass appraisal.

The mass appraisal report is a report prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar. Since the majority of ad valorem real property taxation in Camp County is accomplished using mass appraisal techniques, the general standard for appraisal should reflect compliance with USPAP Standard 6. The signed certification is compliant with the Standard Rule 6-3 of USPAP. This written reappraisal plan is attached to the Mass Appraisal report by reference.

The scope of work for a mass appraisal includes the following:

1. Identifying properties to be appraised
2. Defining market areas
3. Identifying characteristics that affect the market value
4. developing a benchmark property that reflects the relationship of characteristics affecting value
5. calibrating the benchmark
6. calculate the conclusion of the property being appraised
7. reviewing the mass appraisal results

The purpose of the mass appraisal completed by Camp Central Appraisal District is to estimate fair market value for ad valorem tax purposes. These values are used by the taxing jurisdictions in the county. Ad valorem equates to tax based on value and maintains a consistent appraisal date of January 1 of each year with the exception of some inventories.

Appraisals completed by the appraisal district office 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. All existing liens, mortgages, or other encumbrances have been disregarded and the property is appraised as through free and clear, under responsible ownership and competent management.
3. All sketches in the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering report unless otherwise specified.
4. All information in the appraisal documents has been obtained by member of the appraisal district staff or other reliable sources.
5. The opinion of value for each property applies to land and improvements. The value of trade fixtures, furnishings and other equipment has not been included with the value of the real estate.
6. The appraisals were prepared exclusively for ad valorem tax purposes.
7. The appraisers developing these appraisals are not required to give testimony or attendance in court by reason of the appraisal, unless directed by, employed by and provided legal counsel by the Camp Central Appraisal District.

8. Subsurface rights (minerals and oil) were not considered in making the appraisals.
9. The appraisers have inspected, as far as possible, by observation, the land and the improvements, however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. No representation of this matter is made unless specifically detailed by the owner or approval for inside inspection by the owner.
10. The values generated by the appraisal district are reviewed bi-annually by the Property Tax Division of Comptroller of Public Accounts in order to finalize a Value Study every two years for the purpose of the use in TEA state funding calculation in the school district budget.

It must be noted that no re-appraisal program, regardless of how skillfully administered, can ever be expected to be error free. The correction of errors can best be assisted by giving the taxpayer an opportunity to question the value placed upon his individual property and the opportunity to produce evidence that the value is incorrect or inequitable. Errors will be brought to light and taking corrective action will serve to further the objectives of the program.

CERTIFICATION STATEMENT;

“I, Jan Tinsley, Chief Appraiser for the Camp Central Appraisal District, solemnly swear that I have made or caused to be made a diligent inquiry and search 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.”

Jan Tinsley
Chief Appraiser

Date

VALUE DEFENSE

In addition to ratio review using sales data, cost data from generally accepted sources, original cost, effective age versus actual age, net operating income (when available, this one source that is very limited) and appraiser review, taxpayers are afforded an opportunity to review the appraised values and supporting documentation with the generation of appraisal notices in April or May of each year. This process then begins what is known as the equalization phase.

Sec. 25.19 appraisal notice forms are reviewed and edited for updates and changes by appraisal district management. Included in the notice is the public notice of protest and appeal procedures as required by Sec. 41.70 of the Property Tax Code.

The equalization phase begins with the scheduling of formal or informal hearings. The appraisal district appraisers meet individually with the property owners to fulfill the informal process and make justified adjustments to property values. After due diligence in trying to inform the citizen of the changes that have occurred with their individual properties it may become necessary to schedule a formal hearing with the ARB. All standards, documentations, and procedures are reviewed to assure compliance with HB 201 producing documents to the taxpayer 14 days prior to their formal hearing or meeting with the Appraisal Review Board.

A group of citizens from Camp County are appointed to form the Appraisal Review Board to listen to the concerns, complaints and evidence of the property owner in trying to determine the correct value of the property. This process is the second phase with the first phase being an informal review between the appraiser and the citizen. If the first phase does not accomplish a pleasing result for the property owner, then he or she has the opportunity to appear before the Appraisal Review Board. After the final determination of the Appraisal Review board the citizen can complete an application for binding arbitration if: 1) the property qualifies as the owner's residence homestead under Tax Code Section 11.13, or the appraised or market value of the property as determined by the appraisal review board order of determination is \$1 million or less; and 2) the protest was filed under Tax Code Section 41.41(a)(1) or Tax Code Section 41.41 (a)(2). A property owner can also file a lawsuit in district court appealing the ARB determination.

Residential property defense mechanisms will include sales of comparable properties, replacement cost new less depreciation, cost guide information, similar properties with similar appraisals, effective age utility, full listing of characteristics of each property on an appraisal card as they were known at the time of appraisal, pictures, maps with location, and deeds of trust or ownership deeds.

Special inventory residential property defense mechanisms will include the real property rendition generated to the appraisal district by the property owner.

Multifamily residential property defense mechanisms will include sales of comparable properties, replacement cost new less depreciation, similar properties with similar appraisals, effective age utility, full listing of characteristics of each property on an appraisal card as they were known at the time of appraisal, pictures, location maps, and deeds of trust or ownership deeds.

Commercial real property defense mechanism will include sales of comparable properties, replacement cost new less depreciation, similar properties with similar appraisals, effective age utility, full listing of characteristics of each property on appraisal card as they were known at the time of the appraisal, pictures, cost guide information, location maps, and deeds of trust or ownership deeds.

Vacant real property evidence will consist of sales comparables when available, location maps, deeds of trust or ownership deeds, and land schedules that reflect value uniformity.

Industrial real property, industrial tangible personal property, utilities, and mineral interest refer to Capitol Appraisal Group's reappraisal plan. (Attached)
Business tangible personal property evidence will be generated from the personal property rendition form completed by the business owner and calculations obtained from various professional sources such as Marshall & Swift Valuation Service.

COMPUTER FORMULAS AND MODELS

Basic model for Real Property:

$$MV = IV + LV$$

MV = Market Value

IV = Improvement or structure value

LV = Land Value

Expanded model:

$$MV = [(IUNIT \times ISIZE) + OR - ADDATIVES \times \% \text{ GOOD} \times INF] + [(LUNIT \times LSIZE) \times LNF]$$

MV = MARKET VALUE

IUNIT = REPLACEMENT COST NEW PER SQ FT

ISIZE = IMPROVEMENT SQ FT LIVING AREA

ADDATIVES = IMPROVEMENT AMENITIES CONTRIBUTORY VALUES

%GOOD = ALLOWED OR ALLOWABLE DEPRECIATION

INAF = IMPORVEMENT NEIGHBORHOOD FACTOR IF MEASUREABLE

LUNIT = LAND VALUE FROM SCHEDULES

LSIZE = LAND PARCEL PER SQ FT, ACREAGE OR FRONT FOOTAGE

LNAF = LAND NEIGHBORHOOD FACTOR IF MEASUREABLE

Basic model for personal property:

$$MV = PVF \times HC \times DF$$

PVF=PRESENT VALUE FACTOR

HC=HISTORICAL COST

DF=DEPRECIATION FACTOR

MV = MARKET VALUE

Document 3A

2021-2022

CAD Plan for Periodic Reappraisal of Industrial Real Property

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

- (a) CAD shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of selected industrial property appraised by the CAD. The CAD has a professional services contract with Capitol Appraisal Group, LLC (CAGL) to appraise these properties for the CAD.
 - (1) Identifying properties to be appraised: Appraisal of properties is limited to those indicated in the contract with the appraisal district, unless additionally requested by the appraisal district. Newly discovered properties will be discussed with the appraisal district to confirm they are to be appraised by Capitol Appraisal. Industrial properties are identified as part of the appraiser's physical inspection process each year and through submitted data by the property owner. The appraiser may also refer to legal documents, photography and other descriptive items.
 - (2) Identifying and updating relevant characteristics of each property in the appraisal records: The appraiser identifies and updates relevant characteristics through the inspection process. Confidential rendition, assets lists and other confidential data also provide additional information. Subject property data is verified through previously existing records and through published reports.
 - (3) Defining market areas in the district: Market areas for industrial properties tend to be regional, national and sometimes international. Published information such as prices, financial analysis and investor services reports are used to help define market area.
 - (4) Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics: Among the three approaches to value (cost, income and market), industrial properties are most commonly appraised using replacement/reproduction cost new less depreciation models because of readily available cost information. If sufficient income or market data are available, those appraisal models may also be used.
 - (5) Comparison and Review: The appraiser considers results that best address the individual characteristics of the subject property and that are based on the most reliable data when multiple models are used. Year-to year property value changes for the subject property are examined using computer-assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process.

Document 3D

2021-2022

CAD Plan for Periodic Reappraisal of Oil and Gas Property

In accordance with Section 25.18 of the Tax Code:

- (a) CAD shall implement the plan for periodic reappraisal of property as approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of all oil and gas property appraised by the CAD. The CAD has a professional services contract with Capitol Appraisal Group, LLC (CAGL) to appraise these properties for the CAD.
 - (1) Identification of new property and its situs. As subsurface mineral properties lie within the earth, they cannot be physically identified by inspection like other real property. However, the inability to directly inspect does not appreciably affect the ability to identify and appraise these properties. To identify new properties, CAGL obtains monthly oil and gas lease information from the Railroad Commission of Texas [RRC] to compare against oil and gas properties already identified. The situs of new properties is determined using plats and W-2/G-1 records from the RRC, as well as CAGL's in-house map resources.
 - (2) Identifying and updating relevant characteristics of all oil and gas properties to be appraised. Relevant characteristics necessary to estimate value of remaining oil or gas reserves are production volume and pattern, product prices, expenses borne by the operator of the property, and the rate at which the anticipated future income should be discounted to incorporate future risk. CAGL obtains information to update these characteristics annually from regulatory agencies such as the RRC, the Comptroller of Public Accounts, submissions from property owners and operators, as well as from published investment reports, licensed data services, service for fee organizations and through comparable properties, when available.
 - (3) Defining market areas in the district and identifying property characteristics that affect property value in each market area. Oil and gas markets are regional, national and international. Therefore they respond to market forces beyond defined market boundaries as observed among more typical real properties.
 - (4) Developing an appraisal approach that best reflects the relationship among property characteristics affecting value and best determines the contribution of individual property characteristics. Among the three approaches to value (cost, income and market), the income approach to value is most commonly used in the oil and gas industry. Through use of the discounted cash flow technique in particular, the appraiser is able to bring together relevant characteristics of production volume and pattern, product prices, operating expenses and discount rate to determine an estimate of appraised value of an oil or gas property.

- (5) Comparison and Review. Use of the income approach is the first step in determining an estimate of market value. After that the appraiser reviews the estimated market value compared to its previous certified value and also compares it to industry expected payouts and income indicators. The appraiser examines the model's value with its previous year's actual income, expecting value to typically vary within in a range of 2-5 times actual annual income, provided all appropriate income factors have been correctly identified. Finally, periodic reassignment of properties among appraisers and review of appraisals by a more experienced appraiser further expand the review process.

Document 3C

2021-2022

CAD Plan for Periodic Reappraisal of Utility, Railroad and Pipeline Property

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

- (a) CAD shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of all utility, railroad and pipeline property appraised by the CAD. The CAD has a professional services contract with Capitol Appraisal Group, LLC (CAGL) to appraise these properties for the CAD.
 - (1) Identifying properties to be appraised: Appraisal of properties is limited to those indicated in the contract with the appraisal district, unless additionally requested by the appraisal district. Newly discovered properties will be discussed with the appraisal district to confirm they are to be appraised by Capitol Appraisal. Utility, railroad and pipeline properties that are susceptible to inspection are identified by inspection. The appraiser may also refer to other documents, both public and also confidential to assist in identification of these properties. Due to the varied nature of utility, railroad, and pipeline properties there is no standard data collection form or manual. New permitting documents on record with the Railroad Commission of Texas provide a source to identify potential new pipeline projects but does not provide indication if the project was actually started, completed, or a distinct location of the proposed project. Every effort is made to discover new utility, railroad, and pipeline properties through personal observation combined with permitting documents.
 - (2) Identifying and updating relevant characteristics of each property in the appraisal records: The appraiser identifies and updates relevant characteristics through data collected as part of the inspection process and through later submissions by the property owner, sometimes including confidential rendition. Additional data are obtained through public sources, regulatory reports and through analysis of comparable properties.
 - (3) Defining market areas in the district: Market areas for utility, railroad and pipeline property tend to be regional or national in scope. Financial analyst and investor services reports are used to help define market areas.
 - (4) Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics: For all three types of property, the appraiser must first form an opinion of highest and best use. Among the three approaches to value (cost, income and market), pipeline value is calculated using a replacement/reproduction cost new less depreciation

model [RCNLD]. In addition to the RCNLD indicator, a unit value model may also be used if appropriate data are available. Utility and railroad property are appraised in a manner similar to pipeline except that the RCNLD model is not used.

- (5) Comparison and Review: The appraiser considers results that best address the individual characteristics of the subject property when multiple models are used. Year-to year property value changes for the subject property are examined using computer-assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process. These types of property are also subject to review by the Property Tax Division of the Texas Comptroller's Office through their annual Property Value Study.

Document 3B

2021-2022

CAD Plan for Periodic Reappraisal of Industrial Personal Property

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

- (a) CAD shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of all industrial personal property appraised by the CAD. The CAD has a professional services contract with Capitol Appraisal Group, LLC (CAGL) to appraise these properties for the CAD.
 - (1) Identifying properties to be appraised: Appraisal of properties is limited to those indicated in the contract with the appraisal district, unless additionally requested by the appraisal district. Newly discovered properties will be discussed with the appraisal district to confirm they are to be appraised by Capitol Appraisal. Through inspection the appraiser identifies personal property to be appraised. The appraiser begins with properties from the previous tax year and identifies new properties from visual identification and/or publications, newspaper articles, or information obtained through the interview of property owners. The appraiser may also refer to other documents, both public and also confidential, to assist in identification of these properties. Such documents might include but are not limited to the previous year's appraisal roll, vehicle listing services and private directories.
 - (2) Identifying and updating relevant characteristics of each property in the appraisal records: Data identifying and updating relevant characteristics of the subject properties are collected as part of the inspection process through directories and listing services as well as through later submissions by the property owner, sometimes including confidential rendition. These data are verified through previously existing records and through public reports.
 - (3) Defining market areas in the district: Market areas for industrial personal property are generally either regional or national in scope. Published price sources are used to help define market areas.
 - (4) Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics. Personal property is appraised using replacement/reproduction cost new less depreciation models. Income approach models are used when economic and/or subject property income is available, and a market data model is used when appropriate market sales information is available.
 - (5) Comparison and Review: The appraiser reconciles multiple models by considering the model that best addresses the individual characteristics of the subject property. Year-to year property value changes for the

subject property are examined using computer-assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process.

3 Copy of Reappraisal Plan Provided by Contractor

See four files in Operating Procedures folder
Reappraisal Plan subfolder

Document 8

Procedure for CAD Verification of Services
Provided by Appraisal Contractor

1. Verify lists of properties provided by the contractor agree with CAD's lists.
2. Verify appropriate methods of appraisal are used for each type of property [market, cost, income].
 - a. Inquire if there has been any change in agreed appraisal methodology or application.
 - b. Any variations from USPAP guidelines shall be documented and reviewed the following year.
3. Verify that complete and correct data resources, including market data, are used appropriately for each type of property.
 - a. Inquire if there are added or deleted sources.
 - b. If so, document reason for change and track affected properties.
4. Verify that contractor follows laws and statues applicable for all properties being appraised, including rendition compliance.
 - a. Verify that Property Tax Code [P. T. C.] 1.04 (7) is met for all relevant properties such that both the appraisal approach and its conclusions meet the definition of fair market value.
 - b. For minerals verify compliance with P. T. C 23.175 for mineral properties:
 - Use of Comptroller's Manual for Discounting Oil and Gas Income
 - Use of average product prices for the year prior to Jan 1
5. Verify agreed scheduling of:
 - a. Preliminary appraisal report summarizing progress in completing the year's appraisals.
 - b. Mail dates:
 - Notices of Appraisal
 - Last date to file a protest
 - ARB meeting dates
 - c. Compilation of Certified Estimate of Value in accordance with P. T. C. 26.01 (e)
 - d. copies of all appraisal and supporting data in agreed format

6. Verify timely receipt and correct format of following information:

a. Value

- preliminary appraised value
- preliminary appraisal roll
- certified roll including all documentation

b. Reports

- new property listing
- list of renditions
- protests and waives of protest
- pending protest list
- value change report

5 Contractor's procedures for appraising oil and gas property

See in Appraisal Standards folder

Property Appraisal Manuals subfolder

Procs for appraisal of Oil&Gas file

6 Contractor's procedures for identifying new property

Industrial Real Property

Industrial properties are identified as part of the appraiser's physical inspection process each year and through submitted data by the property owner. The appraiser may also refer to legal documents, photography and other descriptive items.

Industrial Personal Property

Through inspection the appraiser identifies personal property to be appraised. The appraiser begins with properties from the previous tax year and identifies new properties from visual identification and/or publications, newspaper articles, or information obtained through the interview of property owners. The appraiser may also refer to other documents, both public and confidential, to assist in identification of these properties. Such documents might include, but are not limited to, the previous year's appraisal roll, vehicle listing services and private directories.

Utility, Railroad and Pipeline Property

Utility, railroad and pipeline properties that are susceptible to inspection are identified by inspection. The appraiser may also refer to other documents, both public and confidential, to assist in the identification of these properties.

Oil and Gas Property

As subsurface mineral properties lie within the earth, they cannot be physically identified by inspection like other real property. However, the inability to directly inspect does not appreciably affect the ability to identify and appraise these properties. To identify new properties, CAG obtains monthly oil and gas lease information from the Railroad Commission of Texas [RRC] to compare against oil and gas properties already identified. The situs of new properties is determined using plats and W-2/G-1 records from the RRC, as well as CAG's in-house map resources.

Procedure for Evaluating Results
of Contractor's Property Discovery for all property other than Oil and Gas

1. Review renditions and compare to appraisal roll.
2. Review local news articles.
3. Have chief appraiser or another appraiser ride with contract personnel during inspection process.
4. Meet with contract personnel and go over any discrepancies.
5. Stay aware of what is going on in the area and meet with contractor about new projects.
6. Review contractor's appraisal roll and discuss any discrepancies.

Procedure for Evaluating Results
of Contractor's Oil and Gas Property Discovery

1. Obtain a list from the Texas Railroad Commission of all new leases currently producing in the CAD.
2. Choose a sample of leases or if time permits list all new leases producing on January 1st. of current tax year.
3. Check to see if the lease was completed prior to January 1st or producing before January 1st of current tax year.
4. Compare to list of new leases currently producing or completed prior to January 1st of current tax year. If discrepancies exist contact contractor to discover why lease may be left off tax rolls. Some reasons may include but are not limited to: incorrect RRC reporting data, lease being listed under its permit number on current tax roll, or lease being currently listed under a prior RRC lease number.
5. If contractor has accounted for all new production and leases, the CAD has complied with the MAP requirement.

Document 5

CAD Procedure for Identifying New Utility Properties and Producing Wells

Appraisal of industrial properties is limited to those properties indicated in the contract with the appraisal district unless the appraisal district requests the appraisal of other properties. Newly discovered properties will be discussed with the appraisal district to confirm they are to be appraised by Capitol Appraisal.

Utility, Railroad and Pipeline Property

Utility, railroad and pipeline properties that are susceptible to inspection are identified by inspection. The appraiser may also refer to other documents, both public and also confidential to assist in identification of these properties.

Oil and Gas Property

As subsurface mineral properties lie within the earth, they cannot be physically identified by inspection like other real property. However, the inability to directly inspect does not appreciably affect the ability to identify and appraise these properties. To identify new properties, CAG uses the following procedure:

1. Obtain a list from the Texas Railroad Commission of all leases currently producing or permitted in the CAD. Obtain permit plat for leases contained within the county.
2. Obtain a list of leases currently producing or permitted in neighboring counties with common borders and map relative location of leases to county's border. Obtain permit plat to determine if leases may have lease boundaries extending into county.
3. Using plats of leases with partial or all lease boundaries within the county, create a list of potential additional property to be added to the appraisal roll.
4. Compare list of potential leases with all currently producing leases in the CAD on January 1st of current tax year to determine any lease duplication.
5. Check to see if the lease was completed prior to January 1st or producing before January 1st of current tax year.
6. If lease has not previously been added to the CAD's appraisal roll, do so and obtain ownership.

Document 6B

Industrial Personal Property Mass Appraisal Procedure and Timeline

Although valuation is set for either January 1 of the tax year or September 1 of the previous calendar year prior to the current tax year, the appraisal process begins in September of the previous year and continues through August of the tax year.

September 1 of previous year to March 31 of the current tax year

Discovery and listing. This includes physical inspection of existing properties to appraise and discovery of potential new properties to appraise. New potential properties are reported to the appraisal district to determine if Capitol Appraisal will value the property for the current tax year.

April 1 until complete

Appraisal of properties both market value and taxable value. Deadlines for completion of appraisals and sending out value notices are based upon individual deadlines set by the appropriate appraisal district. Every effort is made to appraise every property timely so that values can be included in certification. Properties not included in certification are reported to the appraisal district and the appraisal process continues until final value is reached. Supplementing the tax roll with those properties is based upon the timeline established by the appraisal district.

July 25

Appraisal roll is certified. Every effort is made to ensure all properties have a final valuation by this date. Exceptions may include properties with late renditions, extensions, or other allowable justifications which preclude final valuation by July 25.

July 26 to August 31

Review current tax year methods and procedures, and begin general property classification research for the next tax year. Special reports for the appraisal districts are created at this time as requested.

Document 6A

Industrial Real Property Mass Appraisal Procedure and Timeline

Although valuation is set for either January 1 of the tax year or September 1 of the previous calendar year prior to the current tax year, the appraisal process begins in September of the previous year and continues through August of the tax year.

September 1 of previous year to March 31 of the current tax year

Discovery and listing. This includes physical inspection of existing properties to appraise and discovery of potential new properties to appraise. New potential properties are reported to the appraisal district to determine if Capitol Appraisal will value the property for the current tax year.

April 1 until complete

Appraisal of properties both market value and taxable value. Deadlines for completion of appraisals and sending out value notices are based upon individual deadlines set by the appropriate appraisal district. Every effort is made to appraise every property timely so that values can be included in certification. Properties not included in certification are reported to the appraisal district and the appraisal process continues until final value is reached. Supplementing the tax roll with those properties is based upon the timeline established by the appraisal district.

July 25

Appraisal roll is certified. Every effort is made to ensure all properties have a final valuation by this date. Exceptions may include properties with late renditions, extensions, or other allowable justifications which preclude final valuation by July 25.

July 26 to August 31

Review current tax year methods and procedures, and begin general property classification research for the next tax year. Special reports for the appraisal districts are created at this time as requested.

Document 6D

Oil and Gas Mass Appraisal Procedures and Timeline

Capitol Appraisal Group, LLC (CAGL) contracts with Appraisal Districts and other governmental entities to appraise all oil and gas subsurface, producing, mineral interests within the purview of the law.

October-December:

SEC 10(k) data gathered for use in discount rate study.

A base discount rate is developed using the Securities and Exchange Commission (SEC) 10k Standard Measure of Value, before Federal Income Tax (BFIT), for a grouping of Exploration and Production (E&P) companies, and then matching their 10k Standard Measure of Value (BFIT), reserves and costs, through a discounted cash flow (DCF) technique. This reserve and cost match is used with Section 23.175 pricing directives to determine a discount rate necessary to equal the stock and debt value of the companies, as of January 1 for a given tax year. This analysis is calibrated with a WACC for the same companies that are used in the stock and debt analysis. Management determines an appropriate base discount rate to be used.

January:

Discount rate study finalized

November-March:

The appraiser commences the annual appraisal cycle with identification of new property and determination of situs.

"Minerals in place" and an estate or interest in the same, are classified by the state of Texas as real property. They cannot be physically identified by inspection like other real property. However, the inability to directly inspect does not appreciably affect the ability to identify and appraise these minerals in place and estates or interests in the same. CAGL obtains monthly oil and gas lease production information from the Railroad Commission of Texas [RRC] and compares it to existing oil and gas properties already identified and appraised. New properties are identified in this process by comparing existing data to new information obtained from the RRC.

The appraiser determines the validity of new properties and then determines the situs of these new properties by obtaining plats, W-2/G-1 records obtained from the RRC, and using in-house mapping resources.

January-March:

Appraisers begin entering detailed new property information.

Along with RRC lease specific information, the appraiser enters the lease's legal description, its situs, and detailed lease information obtained from the RRC. This process of discovery and entry into the appraisal system continues year round to identify assessable properties that are obtained because of delays in the RRC reporting system.

February:

Comptroller's 23.175 pricing data and market condition factors are obtained and incorporated into the appraisal system.

February-April:

Properties are appraised and values are posted on the CAG web site for clients, operators and agents to review and submit information.

Appraiser(s) access production declines for leases to be appraised. Based on the appraiser's decline rate analysis and review of previous year's appraisal parameters and current Comptroller pricing data, the estimated value for the current appraisal year is determined.

Preliminary appraised values are available from the CAG web site www.cagi.com following appraiser and supervisor review.

April-May:

Preliminary appraisals reviewed.

Appraisers review operating expenses, product prices, new or revised information about production submitted by operators and agents before Notifications of Value are mailed to taxpayers.

May-July:

Notified values formally & informally reviewed.

Appraisers work with taxpayers following Notification of Value and continue to review information submitted by royalty owners, operators and agents. The ARB process is part of this review

Document 6C

Utility, Railroad and Pipeline Property Mass Appraisal Procedure and Timeline

Although valuation is set for either January 1 of the tax year or September 1 of the previous calendar year prior to the current tax year, the appraisal process begins in September of the previous year and continues through August of the tax year.

September 1 of previous year to March 31 of the current tax year

Research and capitalization rate development. For properties valued via the income approach data is obtained and analyzed for calculation of a capitalization rate appropriate to a specific property type.

October to December

Submission of appraisals to the Property Tax Assistance Division (PTAD) of the Comptroller's office and preparation of value defense for any properties included in their ratio study. Defense documentation and appraisal analysis of the PTAD appraisal is prepared and submitted to the appraisal district or the representative of the taxing jurisdictions whichever is appropriate.

April 1 until complete

Appraisal of properties both market value and taxable value. Deadlines for completion of appraisals and sending out notice of value are based upon individual deadlines set by the appropriate appraisal district. Every effort is made to appraise every property timely so that values can be included in certification. Properties not included in certification are reported to the appraisal district and the appraisal process continues until final value is reached. Supplementing the tax roll with those properties is based upon the timeline established by the appraisal district.

July 25

Appraisal roll is certified. Every effort is made to ensure all properties have a final valuation by this date. Exceptions may include properties with late renditions, extensions, or other allowable justifications which preclude final valuation by July 25.

July 26 to August 31

Review current tax year methods and procedures, and begin general property classification research for the next tax year. Special reports for the appraisal districts are created at this time as requested.

Document 1

Value Defense Procedures for Informal Meetings and Formal Hearings

Industrial Real Property

Informal hearings are conducted by phone, mail, or in person by Capitol Appraisal Group appraisers. Appraisers may present sales data or data specific to the property in defense of our values. Income, expense and capitalization data are reviewed and presented if available. If the taxpayer wishes to pursue a dispute further, the appraiser guides them through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. If protest hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing to respond with characteristics and values of comparable properties regarding value disputes. Any income and expense information derived from the market is accumulated and developed into charts containing general data. No confidential income, expense or other information received from taxpayers on specific accounts will be released. Equity evidence is generated by Capitol using programs and tools it has developed to compare other properties to the subject property. Applicable appraisal reports and research data applicable to the property are also included in this packet.

Utilities

Informal hearings are conducted by phone, mail, or in person by Capitol Appraisal Group appraisers. Appraisers may present sales data or data specific to the property in defense of our values. Income, expense and unit appraisal data (when applicable) are reviewed and presented if available. If the taxpayer wishes to pursue a dispute further, the appraiser guides them through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. If protest hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing to respond with characteristics and values of comparable properties regarding value disputes. No confidential income, expense or other information received from taxpayers on specific accounts will be released. Equity evidence is generated by Capitol using programs and tools it has developed to compare other properties to the subject property. Applicable appraisal reports and research data applicable to the property are also included in this packet.

Oil and Gas Property

Informal hearings are conducted by phone, mail, or in person by Capitol Appraisal Group appraisers. Mineral operators and third party agents with the proper fiduciary in place may also view the parameters used in the appraisal of their oil and gas properties on Capitol's web site at www.cagi.com. Other taxpayers with an interest in a mineral lease may request a copy of their appraisals at the same web site. Appraisers may present recent production data and sales prices to compare with the actual income received by the taxpayer in defense of our values. Income, expense and capital expense data are reviewed and presented if available. If the taxpayer wishes to pursue a dispute further, the appraiser guides them through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. Since oil and gas leases have multiple owners, all owners who pursue a formal protest on the same property will be scheduled at the same time for a hearing. If protest hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing to respond with characteristics and values of comparable properties regarding value disputes. No confidential income, expense or other information received from taxpayers on specific accounts will be released. Capitol uses its MINARB procedure to generate copies of the appraisal reports and product pricing data for the current and prior tax years. These reports are also included in this packet.

Industrial Personal Property

Informal hearings are conducted by phone, mail, or in person by Capitol Appraisal Group appraisers. Appraisers may present general data specific to the property in defense of our values. Renditions other than that of the subject property will not be released. If the taxpayer wishes to pursue a dispute further, the appraiser guides them through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. If protest hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing to respond with characteristics and values of comparable properties regarding value disputes. Capitol provides copies of appraisal reports generated by its Industrial Personal Property System for inclusion in the packet. As previously stated, no confidential renditions of competing properties will be provided as evidence.

Client Plan

In the event that the client's value defense plan differs with the plan of Capitol Appraisal Group, the client's plan will be followed and supersedes the provisions of the Capitol Appraisal plan.

Value Defense Procedures for ARB Hearings

Industrial Real Property

If the taxpayer wishes to pursue a dispute beyond informal proceedings, the appraiser guides him through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. If protest hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing to respond with characteristics and values of comparable properties regarding value disputes. Any income and expense information derived from the market is accumulated and developed into charts containing general data. No confidential income, expense or other information received from taxpayers on specific accounts will be released. Equity evidence is generated by Capitol using programs and tools it has developed to compare other properties to the subject property. Applicable appraisal reports and research data applicable to the property are also included in this packet.

Utilities

If the taxpayer wishes to pursue a dispute beyond informal proceedings, the appraiser guides him through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. If protest hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing to respond with characteristics and values of comparable properties regarding value disputes. No confidential income, expense or other information received from taxpayers on specific accounts will be released. Equity evidence is generated by Capitol using programs and tools it has developed to compare other properties to the subject property. Applicable appraisal reports and research data applicable to the property are also included in this packet.

Oil and Gas Property

If the taxpayer wishes to pursue a dispute beyond informal proceedings, the appraiser guides him through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. Since oil and gas leases have multiple owners, all owners who pursue a formal protest on the same property will be scheduled at the same time for a hearing. If protest hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing to respond with characteristics and values of comparable properties regarding value disputes. No confidential income, expense or other information received from taxpayers on specific accounts will be released. Capitol uses its MINARB procedure to generate copies of the appraisal reports and product pricing data for the current and prior tax years. These reports are also included in this packet.

Industrial Personal Property

If the taxpayer wishes to pursue a dispute beyond informal proceedings, the appraiser guides him through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. If protest hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing to respond with characteristics and values of comparable properties regarding value disputes. Capitol provides copies of appraisal reports generated by its Industrial Personal Property System for inclusion in the packet. As previously stated, no confidential renditions of competing properties will be provided as evidence.

Client Plan

In the event that the client's value defense plan differs with the plan of Capitol Appraisal Group, the client's plan will be followed and supersedes the provisions of the Capitol Appraisal plan.

Capitol Appraisal Group, LLC
Formal and Informal Procedures

It is the Capitol Appraisal policy to follow the formal and informal procedures as established by each individual client. Those policies will supersede the below referenced general practices used by this company if there is a conflict.

Informal

Informal meetings with agents or taxpayers/owners on utility properties occur either on the telephone or in the offices of Capitol Appraisal if requested by the agent or owner. This procedure may also take place upon filing of a protest and is useful to finalize issues such as allocations and ownership.

Formal Meetings

Formal meetings with agents or taxpayers/owners take place at the physical location as directed by the appraisal district. Discussions with the agents or taxpayer/owners may take place prior to the scheduled meeting time with the Appraisal Review Board. A deadline for timely action is dictated by the appraisal district. Prior to the deadline and in the absence of the agent or taxpayer/owner being physically present there may be telephone conversations to discuss the protested issues. Failure to resolve the protested issue(s) and no representation by the agent or taxpayer/owner will result in the recommendation to affirm the noticed value and "no show" the agent or taxpayer/owner.

Affidavits used for evidence are presented to the Appraisal Review Board as scheduled by the appraisal district.

Calibration Models

BUSINESS PERSONAL PROPERTY

APPRAISED BY CAPITOL APPRAISAL GROUP

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 computer-assisted statistical review of property value changes is also conducted.

Appraisal-to-sales ratios are the preferred method for measuring performance and are used when possible. However sales for some types of personal property are very infrequent. Furthermore, many market transactions 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. Lastly, Capitol Appraisal Group's industrial appraisal methods and procedures for real and personal property are subject to review by the Property Tax Division of the Texas Comptroller's office. The Comptroller's review as well as appraisal-to-sale ratios and comparisons with single-property appraisals indicate the validity of the models and the calibration techniques employed. Commercial personal property appraised by Capitol Appraisal Group, LLC is not subject to a methods and procedures review however it is included in the Property Tax Division's annual ratio study with satisfactory results.

Calibration Models
INDUSTRIAL PROPERTY
APPRAISED BY CAPITOL APPRAISAL GROUP

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 computer-assisted 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. Lastly, Capitol Appraisal Group's industrial appraisal methods and procedures are subject to review by the Property Tax Division of the Texas Comptroller's office. The Comptroller's review as well as comparisons with single-property appraisals indicate the validity of the models and the calibration techniques employed.

Calibration Models
OIL AND GAS RESERVES
CAPITOL APPRAISAL GROUP

Review and Testing

Each year we review the estimated market value for each mineral property appraised according to its year-to-year value change and also to industry expected payouts and income indicators. We also examine income projected to be received with the previous year's income and test that income against the lease's appraised value. Market value for income producing properties is a multiple of its monthly or annual income. Our experience through the years indicates that values typically vary within in a range of 2-5 times income, provided all appropriate income factors have been appropriately identified. Periodic reassignment of properties among appraisers and review of appraisals by a more experienced appraiser also contribute to the review process.

Application of appraisal-to-sales ratios is another method for measuring performance. However, single property sales or sales of interest(s) within a property remain difficult to obtain due Texas' disclosure laws. Furthermore many market transactions are normally for multiple properties in multiple areas and include both real and personal property, tangible and intangible. We access licensed databases providing statistical data for company and property sales to compare our efforts. We also measure our performance through comparison of valid single-property market transactions, if any, that are submitted for staff review. Lastly, Capitol Appraisal's mineral appraisal values are subject to review each year in the Property Value Study conducted by the Property Tax Division of the Texas Comptroller of Public Accounts. The Property Tax Division's review as well as comparisons to industry transactions and to single-property market value sales (when available), indicate the validity of the models, techniques and assumptions used.

Calibration Models

UTILITY, RAILROAD, AND PIPELINE PROPERTIES

APPRAISED BY CAPITOL APPRAISAL GROUP

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 computer-assisted 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 Division of the Texas Comptroller's Office. The Comptroller's review as well as comparisons with single-property appraisals indicate the validity of the models as well as the calibration techniques employed.

Document 7B

MASS APPRAISAL REPORT

BUSINESS PERSONAL PROPERTY

APPRAISED BY CAPITOL APPRAISAL GROUP

2021-2022

Overview

This type of property consists of tangible personal property owned by a business or individual for the purpose of producing an income. The Uniform Standards of Professional Appraisal practice define personal property as "identifiable portable and tangible objects which are considered by the general public as being "personal," e.g. furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all property that is not classified as real estate." The Texas Property Tax Code (Sec. 1.04(5)) defines tangible personal property as "...personal property that can be seen, weighed, measured, felt, or otherwise perceived by the senses but does not include a document or other perceptible object that constitutes evidence of a valuable interest, claim, or right and has negligible or no intrinsic value." The Texas Property Tax Code (Sec. 1.04(4)) defines personal property as "...property that is not real property."

Capitol Appraisal Group, LLC is contracted to reappraise this type of property according to the scope of work in the normal course of business of the client consistent with the Uniform Standards of Professional Appraisal Practice guidelines. 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.

A separate definition of the value of inventory is found in the Texas Property Tax Code (Sec. 23.12(a)), "...the market value of an inventory is the price for which it would sell as a unit to a purchaser who would continue the business." Additionally, some inventories may qualify for appraisal as of September 1 in accordance with the provisions of Texas Property Tax Code Section 23.12(f).

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 date of this report is April 20 of the tax year for which it is submitted.

The client for the mass appraisal is the Texas appraisal district named on the last page of this report. The intended users of this report are the client and the property owners of the client appraisal district.

The appraisal results will be used as the tax base upon which a property tax will be levied. A listing of the personal property appraised by Capitol Appraisal Group, LLC for the appraisal district is available at the appraisal district office. Personal property is normally re-inspected 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; 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.

Capitol's personal property appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. Personal property appraisal staff stays abreast of current trends affecting personal property through review of published materials, attendance at conferences, course work, and continuing education. All personal property 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 Requested 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 has been obtained by members of Capitol Appraisal Group's staff or by other reliable sources.
7. The appraisals were prepared exclusively for ad valorem tax purposes. As such some valuation formulas may be required by the property tax code as opposed to generally accepted appraisal practices.

Data Collection and Validation

Data on the subject properties are 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 which 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 multitude of personal property types there is no standard data collection form or manual.

Valuation Approach and Analysis

Personal property is 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. 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 value estimate derived from an income approach model in which the operating income of a business was capitalized must be reduced by the value of any real property in order to arrive at the value of the operating personal property. A market data model based on typical selling prices per item or unit of capacity is also used when appropriate market sales information is available. In the case of some personal property types, such as licensed vehicles, market data from published pricing guides is used to construct a market value model. In other cases, models are based on sales information available through published sources or through private sources.

Because cost information is the most readily available type of data, the cost approach model is always considered and used. If sufficient data is available either of both of the other two models may also be considered and used. The market data and income approach models may need to 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.

The mathematical form of each model is described below.

Cost Approach

$$\begin{aligned} & \text{RCN} \\ & -\text{PD} \\ & -\text{FO} \\ & -\underline{\text{EO}} \\ & =\text{Cost Indicator of Value} \end{aligned}$$

Where:

RCN = Replacement or Reproduction Cost New

PD = Physical Depreciation

FO = Functional Obsolescence

EO = Economic Obsolescence

Income Approach

$$\begin{aligned} & \text{PGR} \\ & -\text{VCL} \\ & -\text{FE} \\ & -\underline{\text{VE}} \\ & \text{NOI} \end{aligned}$$

NOI/R = Income Indicator of Value

Where:

PGR = Potential Gross Rent

VCL = Vacancy and Collection Loss

FE = Fixed Expenses

VE = Variable Expenses

$R = \text{Discount Rate or Cost of Capital}$

A variation of the income model is:

NOI for year 1 x DF for year 1 = PW of year 1 NOI
NOI for year n x DF for year n = PW of year n NOI
Net Reversion x DF for year n = PW of Reversion
Sum of PW's for all years 1 - n = Income Indicator of Value

Where:

NOI = Net Operating Income
DF = Discount Factor
PW = Present Worth
n = Last year of holding period

Market Data Approach

$\text{ASPCP}/U = \text{PU}$
 $\text{PU} \times \text{SU} = \text{Market Data Indicator of Value}$

Where:

ASPCP = Adjusted Sales Price of Comparable Property
U = Unit of comparison
ASPU = Adjusted Sales Price per Unit of comparison
SU = Subject Property's number of Units of comparison

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

Highest and best use analysis of personal property is based on the likelihood of the continued use of the personal property in its 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 computer-assisted statistical review of property value changes is also conducted.

Appraisal-to-sales ratios are the preferred method for measuring performance and are used when possible. However sales for some types of personal property are very infrequent. Furthermore, many market transactions 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. Lastly, Capitol Appraisal Group's industrial appraisal methods and procedures for real and personal property are subject to review by the Property Tax Division of the Texas Comptroller's office. The Comptroller's review as well as appraisal-to-sale ratios and comparisons with single-property appraisals indicate the validity of the models and the calibration techniques employed. Commercial personal property appraised by Capitol Appraisal Group, LLC is not subject to a methods and procedures review however it is included in the Property Tax Division's annual ratio study with satisfactory results.

Document 7A

MASS APPRAISAL REPORT

INDUSTRIAL PROPERTY

APPRAISED BY CAPITOL APPRAISAL GROUP

2021-2022

Overview

This type of property consists of processing facilities and related personal property. Capitol Appraisal Group, LLC is contracted to reappraise this type of property according to the scope of work in the normal course of business of the client consistent with the Uniform Standards of Professional Appraisal Practice guidelines. 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 date of this report is April 20 of the tax year for which it is submitted.

The client for the mass appraisal is the Texas appraisal district named on the last page of this report. The intended users of this report are the client and the property owners of the client appraisal district.

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 © Comment of the Uniform Standards of Professional Appraisal Practice 2008. A listing of the industrial properties appraised by Capitol Appraisal Group, LLC for the appraisal district is available at the appraisal district office. Industrial properties are normally re-inspected 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.

Capitol'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 requested 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 has been obtained by members of Capitol Appraisal Group's staff or by other reliable sources.
7. The appraisals were prepared exclusively for ad valorem tax purposes. As such some valuation formulas may be required by the property tax code as opposed to generally accepted appraisal practices.
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.

Data Collection and Validation

Data on the subject properties 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 which 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

Industrial properties are 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 always considered and used. If sufficient data is available either of both of the other two models

may also be considered and used. The market data and income approach models may need to 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.

The mathematical form of each model is described below.

Cost Approach

$$\begin{aligned} & \text{RCN} \\ & -\text{PD} \\ & -\text{FO} \\ & -\text{EO} \\ & =\text{Cost Indicator of Value} \end{aligned}$$

Where:

RCN = Replacement or Reproduction Cost New

PD = Physical Depreciation

FO = Functional Obsolescence

EO = Economic Obsolescence

Income Approach

$$\begin{aligned} & \text{PGR} \\ & -\text{VCL} \\ & -\text{FE} \\ & -\text{VE} \\ & \text{NOI} \end{aligned}$$

$$\text{NOI/R} = \text{Income Indicator of Value}$$

Where:

NOI = Net Operating Income

PGR = Potential Gross Rent

VCL = Vacancy and Collection Loss

FE = Fixed Expenses

VE = Variable Expenses

R = Discount Rate or Cost of Capital

A variation of the income model is:

$$\begin{aligned} & \text{NOI for year 1} \times \text{DF for year 1} = \text{PW of year 1 NOI} \\ & \text{NOI for year n} \times \text{DF for year n} = \text{PW of year n NOI} \\ & \text{Net Reversion} \times \text{DF for year n} = \text{PW of Reversion} \\ & \text{Sum of PW's for all years 1 - n} = \text{Income Indicator of Value} \end{aligned}$$

Where:

DF = Discount Factor

PW = Present Worth

n = Last year of holding period

Market Data Approach

$$\text{ASPCP}/\text{U} = \text{PU}$$

$$\text{PU} \times \text{SU} = \text{Market Data Indicator of Value}$$

Where:

ASPCP = Adjusted Sales Price of Comparable Property

U = Unit of comparison

PU = Price per Unit of comparison

ASPU = Adjusted Sales Price per Unit of comparison

SU = Subject Property's number of Units of comparison

In reconciling multiple model results for a property the appraiser considers the model results that best address the individual characteristics of the subject property and that are based on the most reliable data 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 computer-assisted 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. Lastly, Capitol Appraisal Group's industrial appraisal methods and procedures are subject to review by the Property Tax Division of the Texas Comptroller's office. The Comptroller's review as well as comparisons with single-property appraisals indicate the validity of the models and the calibration techniques employed.

Document 7D

MASS APPRAISAL REPORT OIL AND GAS RESERVES CAPITOL APPRAISAL GROUP

2021-2022

Overview

Capitol Appraisal Group, LLC (CAGL) contracts with Appraisal Districts and other governmental entities to appraise all oil & gas subsurface, producing, mineral interests within the purview of the entity. The contractual purpose is to estimate market value as defined in Section 1.04 of the Texas Property Tax Code as of January 1 of each year and report these values to the entity. The results of our work are used as part of the tax base upon which property taxes are levied. Each mineral interest is listed on the appraisal roll separately from other interests in the minerals-in-place in conformance with the Texas Property Tax Code Sec. 25.12. Subsurface mineral rights are not susceptible to physical inspection. This condition creates the need to invoke the **Departure Provision** as Requested by the 2003 edition of the Uniform Standards of Professional Appraisal Practice Standards Rule 6-7 (f). However, the inability to physically examine the sub-surface mineral rights does not appreciably affect the appraisal process or the quality of the results.

Assumptions and Limiting Factors

All appraisals are subject to the following:

1. Title to the property is assumed to be good and marketable and the ownership interest and legal description is assumed to be correct.
2. No responsibility for legal matters is assumed. Properties are appraised as if free and clear of any encumbrance and operated under responsible ownership and competent management.
3. Not every property is inspected every year.
4. All information in the appraisal documents has been obtained by Capitol Appraisal Group's employees or through other reliable sources.
5. The appraisals were prepared exclusively for ad valorem tax purposes. As such some valuation formulas may be required by the property tax code as opposed to generally accepted appraisal practices.

Data Collection

Data on the properties appraised are collected from regulatory agencies, such as the Texas Railroad Commission and the Texas Comptroller of Public Accounts, from submissions by the property operator or owner(s), or from other sources. **Submitted data from operators, taxpayers and/or their agents on the appraised properties are considered "rendition statements" and, as such, are confidential data, subject to Sec. 22.27 of the Texas Property Tax Code.** Additional data are obtained through published sources, regulatory reports, public investment reports, licensed data services, service for fee organizations and through comparable properties, if any. The state of Texas is a non-disclosure state and thus many forms of information, pertinent to the value of the properties, are not available to the appraiser.

Valuation and Analysis

The Income Method of Appraisal, as described in Section 23.012 of the Texas Property Tax Code, is the principal appraisal method used. The Market Data Comparison Method of Appraisal (section 23.013) and the Cost Method of Appraisal (section 23.011) are considered. Industry averages of reserve replacement cost and acquisition cost are used for comparative purposes. The non-disclosure nature of the laws of Texas makes market data comparison unreliable. However, if within the scope of Capitol's work assignment market sales disclosures on interests are available, then those data is considered. The nearly exclusive reliance on the income approach, using the discounted cash flow (DCF) technique adjusted for specific property risk and market conditions, is typical of the oil and gas industry. Fee for service organizations are used for survey data with respect to price expectations and discount rates, and licensed data services are used for Industry indicators detailing costs, income, acquisitions costs in dollars per barrel of oil equivalent (\$/BOE), finding and development costs (\$/BOE) and reserve replacement costs (\$/BOE) for over 100 E&P companies.

Due to the demands of Section 23.175 of the Texas Property Tax Code and the Texas Constitution, Capitol Appraisal Group, LLC takes great care to not appraise properties in excess of their fair market value. We analyze a segment of the Petroleum Producing E&P market, determining the impact on their stock and debt value of the pricing requirements of Sec. 23.175 and also the pricing that could be reasonably anticipated from the market. Capitol Appraisal Group LLC's opinion of oil and gas prices is guided by the market's anticipation of those prices through the futures market, oil and gas stock prices and oil and gas industry indexes. A base discount rate is developed using the Securities and Exchange Commission (SEC) 10k Standard Measure of Value, Before Federal Income Tax (BFIT), for a grouping of 20 Exploration and Production (E&P) companies, and then matching their 10k Standard Measure of Value (BFIT), reserves and costs, through a discounted cash flow (DCF) technique. This reserve and cost match is used with Capitol's developed pricing scenario and Section 23.175 pricing directives to determine a discount rate necessary to equal the stock and debt value of the companies, as of January 1 for a given tax year.

The Weighted Average Cost of Capital (WACC) technique is also performed for a subset of these companies grouped according to the Petroleum Producing Industry Exploration and Production companies used in the *The Valueline Investment Survey*. These separate pricing scenarios and the resulting discount rates derived from using the aforementioned stock and debt techniques are applied to the universe of oil and gas properties we appraise. In seeking to avoid appraising any oil and gas property **above** its fair cash market value, Capitol Appraisal employs a market adjustment factor (MAF) to its base discount rate in order to apply property specific risk(s). These factors, which create a wide range of discount rates for the properties that Capitol appraises, are necessary to equitably evaluate disparate leases with respect to remaining reserves, price and costs. By performing two DCF income approach appraisals on each property, Capitol Appraisal provides clients with our opinion of market value, while always endeavoring to guard against appraising a mineral lease at greater than its fair cash market value. [A **jurisdictional exception** to the Discounted Cash Flow technique, as this process is described in the Statement on Appraisal Standards #2, 2003 edition of the Uniform Standards of Professional Appraisal Practice, must be taken. Section 23.175(a) of the Texas Property Tax Code both specifies the directives concerning oil and gas pricing that appraisal districts in Texas must follow and also that each appraisal district must adhere to procedure and methodology contained in manuals developed by the Property Tax Division (PTD) of the Texas Comptroller of Public Accounts. Because adherence to this Property Tax Code directive, without discretion, can result in values greater than fair cash market value, we must express caution.]

The resulting oil and gas lease value is then allocated to each owner on the lease based upon his fractional mineral ownership interest. Royalty and working interests have different impacts on their respective values, since only working interests bear the costs of lease operation. Therefore royalty

mineral interest owner's values are allocated from 100% of the appraised royalty value of the lease, according to their fractional royalty interest, while the working interest owner's value(s) are allocated from 100% of the determined working interest value of the lease, according to their fractional working interest.

Review and Testing

Each year we review the estimated market value for each mineral property appraised according to its year-to-year value change and also to industry expected payouts and income indicators. We also examine income projected to be received with the previous year's income and test that income against the lease's appraised value. Market value for income producing properties is a multiple of its monthly or annual income. Our experience through the years indicates that values typically vary within in a range of 2-5 times income, provided all appropriate income factors have been appropriately identified. Periodic reassignment of properties among appraisers and review of appraisals by a more experienced appraiser also contribute to the review process.

Application of appraisal-to-sales ratios is another method for measuring performance. However, single property sales or sales of interest(s) within a property remain difficult to obtain due Texas' disclosure laws. Furthermore many market transactions are normally for multiple properties in multiple areas and include both real and personal property, tangible and intangible. We access licensed databases providing statistical data for company and property sales to compare our efforts. We also measure our performance through comparison of valid single-property market transactions, if any, that are submitted for staff review. Lastly, Capitol Appraisal's mineral appraisal values are subject to review each year in the Property Value Study conducted by the Property Tax Division of the Texas Comptroller of Public Accounts. The Property Tax Division's review as well as comparisons to industry transactions and to single-property market value sales (when available), indicate the validity of the models, techniques and assumptions used.

Document 7C

MASS APPRAISAL REPORT

UTILITY, RAILROAD, AND PIPELINE PROPERTIES

APPRAISED BY CAPITOL APPRAISAL GROUP

2021-2022

Overview

This type of property consists of operating property, excluding land, owned by utility, railroad, and pipeline companies, and related personal property and improvements. Capitol Appraisal Group, LLC is contracted to reappraise this type of property according to the scope of work in the normal course of business of the client consistent with the Uniform Standards of Professional Appraisal Practice guidelines. 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 date of this report is April 20 of the tax year for which it is submitted.

The client for the mass appraisal is the Texas appraisal district named on the last page of this report. The intended users of this report are the client and the property owners of the client appraisal district

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 Standards Rule 6-5 (c) comment of the Uniform Standards of Professional Appraisal Practice 2008. A listing of the utility, railroad, and pipeline properties appraised by Capitol Appraisal Group, LLC for the appraisal district is available at the appraisal district office. 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.

Capitol'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 Requested 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 has been obtained by members of Capitol Appraisal Group's staff or by other reliable sources.
7. The appraisals were prepared exclusively for ad valorem tax purposes. As such some valuation formulas may be required by the property tax code as opposed to generally accepted appraisal practices.
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.

Data Collection and Validation

Data on the subject properties 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 which 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

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 company.

The mathematical form of each model is described below.

RCNLD Approach

$$\begin{aligned} & \text{RCN} \\ & -\text{PD} \\ & -\text{FO} \\ & -\text{EO} \\ & =\text{RCNLD Indicator of Value} \end{aligned}$$

Where:

RCN = Replacement or Reproduction Cost New

PD = Physical Depreciation

FO = Functional Obsolescence

EO = Economic Obsolescence

Unit Cost Approach

$$\text{OC}$$

-AD
-EO
=Unit Cost Approach Indicator of Value

Where:
OC = Original Cost
AD = Allowed Depreciation
EO = Economic Obsolescence

Unit Income Approach

PGR
-VCL
-FE
-VE
NOI

NOI/R = Income Indicator of Value

Where:
PGR = Potential Gross Rent
VCL = Vacancy and Collection Loss
FE = Fixed Expenses
VE = Variable Expenses
R = Discount Rate or Cost of Capital

A variation of the income model is:

NOI for year 1 x DF for year 1 = PW of year 1 NOI
NOI for year n x DF for year n = PW of year n NOI
Net Reversion x DF for year n = PW of Reversion
Sum of PW's for all years 1 - n = Income Indicator of Value

Where:
NOI = Net Operating Income
DF = Discount Factor
PW = Present Worth
n = Last year of holding period

Stock and Debt Approach

MVE
+MVD
=Market Value of Assets

Where:
MVE = Market value of Equity
MVD = Market value of Debt

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 computer-assisted 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 Division of the Texas Comptroller's Office. The Comptroller's review as well as comparisons with single-property appraisals indicate the validity of the models as well as the calibration techniques employed.

MASS APPRAISAL REPORT
OIL AND GAS RESERVES

APPRAISED BY CAPITOL APPRAISAL GROUP

2021-2022

Overview

Capitol Appraisal Group, Inc. (CAGI) contracts with Appraisal Districts and other governmental entities to appraise all oil & gas subsurface, producing, mineral interests within the purview of the entity. The contractual purpose is to estimate market value as defined in Section 1.04 of the Texas Property Tax Code as of January 1 of each year and report these values to the entity. The results of our work are used as part of the tax base upon which property taxes are levied. Each mineral interest is listed on the appraisal roll separately from other interests in the minerals-in-place in conformance with the Texas Property Tax Code Sec. 25.12. Subsurface mineral rights are not susceptible to physical inspection. This provision requires a jurisdictional exception to Standards Rules 5-2 (c) of the Uniform Standards of Professional Appraisal Practice 2018-2019. However, the inability to physically examine the sub-surface mineral rights does not appreciably affect the appraisal process or the quality of the results.

Assumptions and Limiting Factors

All appraisals are subject to the following:

1. Title to the property is assumed to be good and marketable and the ownership interest and legal description is assumed to be correct.
2. No responsibility for legal matters is assumed. Properties are appraised as if free and clear of any encumbrance and operated under responsible ownership and competent management.
3. Not every property is inspected every year.
4. All information in the appraisal documents has been obtained by Capitol Appraisal Group's employees or through other reliable sources.
5. The appraisals were prepared exclusively for ad valorem tax purposes

Data Collection

Data on the properties appraised are collected from regulatory agencies, such as the Texas Railroad Commission and the Texas Comptroller of Public Accounts, from submissions by the property operator or owner(s), or from other sources. **Submitted data from operators, taxpayers and/or their agents on the appraised properties are considered "rendition statements" and, as such, are confidential data, subject to Sec. 22.27 of the Texas Property Tax Code.** Additional data are obtained through published sources, regulatory reports, public investment reports, licensed data services, service for fee organizations and through comparable properties, if any. The state of Texas is a non-disclosure state and thus many forms of information, pertinent to the value of the properties, are not available to the appraiser.

Valuation and Analysis

The Income Method of Appraisal, as described in Section 23.012 of the Texas Property Tax Code, is the principal appraisal method used. The Market Data Comparison Method of Appraisal (section 23.013) and the Cost Method of Appraisal (section 23.011) are considered. Industry averages of reserve replacement cost and acquisition cost are used for comparative purposes. The non-disclosure nature of the laws of Texas makes market data comparison unreliable. However, if within the scope of Capitol's work assignment market sales disclosures on interests are available, then those data is considered. The nearly exclusive reliance on the income approach, using the discounted cash flow (DCF) technique adjusted for specific property risk and market conditions, is typical of the oil and gas industry. Fee for service organizations are used for survey data with respect to price expectations and discount rates, and licensed data services are used for Industry indicators detailing costs, income, acquisitions costs in dollars per barrel of oil equivalent (\$/BOE), finding and development costs (\$/BOE) and reserve replacement costs (\$/BOE) for over 100 E&P companies.

Due to the demands of Section 23.175 of the Texas Property Tax Code and the Texas Constitution, Capitol Appraisal Group, Inc. takes great care to not appraise properties in excess of their fair market value. We analyze a segment of the Petroleum Producing E&P market, determining the impact on their stock and debt value of the pricing requirements of Sec. 23.175 and also the pricing that could be reasonably anticipated from the market. Capitol Appraisal Group Inc.'s opinion of oil and gas prices is guided by the market's anticipation of those prices through the futures market, oil and gas stock prices and oil and gas industry indexes. A base discount rate is developed using the Securities and Exchange Commission (SEC) 10k Standard Measure of Value, Before Federal Income Tax (BFIT), for a grouping of 20 Exploration and Production (E&P) companies, and then matching their 10k Standard Measure of Value (BFIT), reserves and costs, through a discounted cash flow (DCF) technique. This reserve and cost match is used with Capitol's developed pricing scenario and Section 23.175 pricing directives to determine a discount rate necessary to equal the stock and debt value of the companies, as of January 1 for a given tax year.

The Weighted Average Cost of Capital (WACC) technique is also performed for a subset of these companies grouped according to the Petroleum Producing Industry Exploration and Production companies used in the *The Valueline Investment Survey*. These separate pricing scenarios and the resulting discount rates derived from using the aforementioned stock and debt techniques are applied to the universe of oil and gas properties we appraise. In seeking to avoid appraising any oil and gas property **above** its fair cash market value, Capitol Appraisal employs a market adjustment factor (MAF) to its base discount rate in order to apply property specific risk(s). These factors, which create a wide range of discount rates for the properties that Capitol appraises, are necessary to equitably evaluate disparate leases with respect to remaining reserves, price and costs. By performing two DCF income approach appraisals on each property, Capitol Appraisal provides clients with our opinion of market value, while always endeavoring to guard against appraising a mineral lease at greater than its fair cash market value. [A **jurisdictional exception** to the Discounted Cash Flow technique, as this process is described in the Statement on Appraisal Standards #5, 2018-2019 edition of the Uniform Standards of Professional Appraisal Practice, must be taken. Section 23.175(a) of the Texas Property Tax Code both specifies the directives concerning oil and gas pricing that appraisal districts in Texas must follow and also that each appraisal district must adhere to procedure and methodology contained in manuals developed by the Property Tax Division (PTD) of the Texas Comptroller of Public Accounts. Because adherence to this Property Tax Code directive, without discretion, can result in values greater than fair cash market value, we must express caution.]

The resulting oil and gas lease value is then allocated to each owner on the lease based upon his fractional mineral ownership interest. Royalty and working interests have different impacts on their respective values, since only working interests bear the costs of lease operation. Therefore royalty mineral interest owner's values are allocated from 100% of the appraised royalty value of

the lease, according to their fractional royalty interest, while the working interest owner's value(s) are allocated from 100% of the determined working interest value of the lease, according to their fractional working interest.

Review and Testing

Each year we review the estimated market value for each mineral property appraised according to its year-to-year value change and also to industry expected payouts and income indicators. We also examine income projected to be received with the previous year's income and test that income against the lease's appraised value. Market value for income producing properties is a multiple of its monthly or annual income. Our experience through the years indicates that values typically vary within in a range of 2-5 times income, provided all appropriate income factors have been appropriately identified. Periodic reassignment of properties among appraisers and review of appraisals by a more experienced appraiser also contribute to the review process.

Application of appraisal-to-sales ratios is another method for measuring performance. However, single property sales or sales of interest(s) within a property remain difficult to obtain due Texas' disclosure laws. Furthermore many market transactions are normally for multiple properties in multiple areas and include both real and personal property, tangible and intangible. We access licensed databases providing statistical data for company and property sales to compare our efforts. We also measure our performance through comparison of valid single-property market transactions, if any, that are submitted for staff review. Lastly, Capitol Appraisal's mineral appraisal values are subject to review each year in the Property Value Study conducted by the Property Tax Division of the Texas Comptroller of Public Accounts. The Property Tax Division's review as well as comparisons to industry transactions and to single-property market value sales (when available), indicate the validity of the models, techniques and assumptions used.

MASS APPRAISAL REPORT
UTILITY, RAILROAD, AND PIPELINE PROPERTIES
APPRAISED BY CAPITOL APPRAISAL GROUP, INC.

2021-2022

Overview

This type of property consists of operating property, excluding land, owned by utility, railroad, and pipeline companies, and related personal property and improvements. Capitol Appraisal Group, Inc. is contracted to reappraise this type of property according to the scope of work in the normal course of business of the client consistent with the Uniform Standards of Professional Appraisal Practice guidelines. 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 date of this report is April 20 of the tax year for which it is submitted.

The client for the mass appraisal is the Texas appraisal district named on the last page of this report. The intended users of this report are the client and the property owners of the client appraisal district

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 Standards Rule 6-5 (c) comment of the Uniform Standards of Professional Appraisal Practice 2008. A listing of the utility, railroad, and pipeline properties appraised by Capitol Appraisal Group, Inc. for the appraisal district is available at the appraisal district office. 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.

Capitol'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 Requested 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 has been obtained by members of Capitol Appraisal Group'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.

Data Collection and Validation

Data on the subject properties 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 which 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

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 company.

The mathematical form of each model is described below.

RCNLD Approach

$$\begin{aligned} & \text{RCN} \\ & -\text{PD} \\ & -\text{FO} \\ & \underline{-\text{EO}} \\ & =\text{RCNLD Indicator of Value} \end{aligned}$$

Where:

RCN = Replacement or Reproduction Cost New
PD = Physical Depreciation
FO = Functional Obsolescence
EO = Economic Obsolescence

Unit Cost Approach

$$\begin{array}{r} \text{OC} \\ -\text{AD} \\ \hline -\text{EO} \\ \hline \end{array} = \text{Unit Cost Approach Indicator of Value}$$

Where:

OC = Original Cost
AD = Allowed Depreciation
EO = Economic Obsolescence

Unit Income Approach

$$\begin{array}{r} \text{PGR} \\ -\text{VCL} \\ -\text{FE} \\ \hline -\text{VE} \\ \hline \end{array} \text{NOI}$$

$$\text{NOI}/R = \text{Income Indicator of Value}$$

Where:

PGR = Potential Gross Rent
VCL = Vacancy and Collection Loss
FE = Fixed Expenses
VE = Variable Expenses
R = Discount Rate or Cost of Capital

A variation of the income model is:

$$\begin{array}{l} \text{NOI for year 1} \times \text{DF for year 1} = \text{PW of year 1 NOI} \\ \text{NOI for year n} \times \text{DF for year n} = \text{PW of year n NOI} \\ \text{Net Reversion} \times \text{DF for year n} = \text{PW of Reversion} \\ \text{Sum of PW's for all years 1 - n} = \text{Income Indicator of Value} \end{array}$$

Where:

NOI = Net Operating Income
DF = Discount Factor
PW = Present Worth
n = Last year of holding period

Stock and Debt Approach

$$\begin{array}{r} \text{MVE} \\ +\text{MVD} \\ \hline \end{array} = \text{Market Value of Assets}$$

Where:

MVE = Market value of Equity
MVD = Market value of Debt

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 computer-assisted 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 Division of the Texas Comptroller's Office. The Comptroller's review as well as comparisons with single-property appraisals indicate the validity of the models as well as the calibration techniques employed.

MASS APPRAISAL REPORT

BUSINESS PERSONAL PROPERTY

APPRAISED BY CAPITOL APPRAISAL GROUP

2021-2022

Overview

This type of property consists of tangible personal property owned by a business or individual for the purpose of producing an income. The Uniform Standards of Professional Appraisal practice define personal property as "identifiable portable and tangible objects which are considered by the general public as being "personal," e.g. furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all property that is not classified as real estate." The Texas Property Tax Code (Sec. 1.04(5)) defines tangible personal property as "...personal property that can be seen, weighed, measured, felt, or otherwise perceived by the senses but does not include a document or other perceptible object that constitutes evidence of a valuable interest, claim, or right and has negligible or no intrinsic value." The Texas Property Tax Code (Sec. 1.04(4)) defines personal property as "...property that is not real property."

Capitol Appraisal Group, Inc. is contracted to reappraise this type of property according to the scope of work in the normal course of business of the client consistent with the Uniform Standards of Professional Appraisal Practice guidelines. 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.

A separate definition of the value of inventory is found in the Texas Property Tax Code (Sec. 23.12(a)), "...the market value of an inventory is the price for which it would sell as a unit to a purchaser who would continue the business." Additionally, some inventories may qualify for appraisal as of September 1 in accordance with the provisions of Texas Property Tax Code Section 23.12(f).

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 date of this report is April 20 of the tax year for which it is submitted.

The client for the mass appraisal is the Texas appraisal district named on the last page of this report. The intended users of this report are the client and the property owners of the client appraisal district.

The appraisal results will be used as the tax base upon which a property tax will be levied. A listing of the personal property appraised by Capitol Appraisal Group, Inc. for the appraisal district is available at the appraisal district office. Personal property is normally re-inspected 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; 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.

Capitol's personal property appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. Personal property appraisal staff stays abreast of current trends affecting personal property through review of published materials, attendance at conferences, course work, and continuing education. All personal property 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 Requested 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 has been obtained by members of Capitol Appraisal Group's staff or by other reliable sources.
7. The appraisals were prepared exclusively for ad valorem tax purposes.

Data Collection and Validation

Data on the subject properties are 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 which 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 multitude of personal property types there is no standard data collection form or manual.

Valuation Approach and Analysis

Personal property is 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. 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 value estimate derived from an income approach model in which the operating income of a business was capitalized must be reduced by the value of any real property in order to arrive at the value of the operating personal property. A market data model based on typical selling prices per item or unit of capacity is also used when appropriate market sales information is available. In the case

of some personal property types, such as licensed vehicles, market data from published pricing guides is used to construct a market value model. In other cases, models are based on sales information available through published sources or through private sources.

Because cost information is the most readily available type of data, the cost approach model is always considered and used. If sufficient data is available either of both of the other two models may also be considered and used. The market data and income approach models may need to 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.

The mathematical form of each model is described below.

Cost Approach

$$\begin{aligned} & \text{RCN} \\ & -\text{PD} \\ & -\text{FO} \\ & -\text{EO} \\ & =\text{Cost Indicator of Value} \end{aligned}$$

Where:

RCN = Replacement or Reproduction Cost New
PD = Physical Depreciation
FO = Functional Obsolescence
EO = Economic Obsolescence

Income Approach

$$\begin{aligned} & \text{PGR} \\ & -\text{VCL} \\ & -\text{FE} \\ & -\text{VE} \\ & \text{NOI} \end{aligned}$$

$$\text{NOI/R} = \text{Income Indicator of Value}$$

Where:

PGR = Potential Gross Rent
VCL = Vacancy and Collection Loss
FE = Fixed Expenses
VE = Variable Expenses
R = Discount Rate or Cost of Capital

A variation of the income model is:

$$\begin{aligned} \text{NOI for year 1} \times \text{DF for year 1} &= \text{PW of year 1 NOI} \\ \text{NOI for year n} \times \text{DF for year n} &= \text{PW of year n NOI} \\ \text{Net Reversion} \times \text{DF for year n} &= \text{PW of Reversion} \end{aligned}$$

Sum of PW's for all years 1 - n = Income Indicator of Value

Where:

NOI = Net Operating Income

DF = Discount Factor

PW = Present Worth

n = Last year of holding period

Market Data Approach

ASPCP/U = PU

PU x SU = Market Data Indicator of Value

Where:

ASPCP = Adjusted Sales Price of Comparable Property

U = Unit of comparison

ASPU = Adjusted Sales Price per Unit of comparison

SU = Subject Property's number of Units of comparison

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

Highest and best use analysis of personal property is based on the likelihood of the continued use of the personal property in its 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 computer-assisted statistical review of property value changes is also conducted.

Appraisal-to-sales ratios are the preferred method for measuring performance and are used when possible. However sales for some types of personal property are very infrequent. Furthermore, many market transactions 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. Lastly, Capitol Appraisal Group's industrial appraisal methods and procedures for real and personal property are subject to review by the Property Tax Division of the Texas Comptroller's office. The Comptroller's review as well as appraisal-to-sale ratios and comparisons with single-property appraisals indicate the validity of the models and the calibration techniques employed. Commercial personal property appraised by Capitol Appraisal Group, Inc. is not subject to a methods and procedures review however it is included in the Property Tax Division's annual ratio study with satisfactory results.

MASS APPRAISAL REPORT

INDUSTRIAL PROPERTY

APPRAISED BY CAPITOL APPRAISAL GROUP

2021-2022

Overview

This type of property consists of processing facilities and related personal property. Capitol Appraisal Group, Inc. is contracted to reappraise this type of property according to the scope of work in the normal course of business of the client consistent with the Uniform Standards of Professional Appraisal Practice guidelines. 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 date of this report is April 20 of the tax year for which it is submitted.

The client for the mass appraisal is the Texas appraisal district named on the last page of this report. The intended users of this report are the client and the property owners of the client appraisal district.

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 © Comment of the Uniform Standards of Professional Appraisal Practice 2008. A listing of the industrial properties appraised by Capitol Appraisal Group, Inc. for the appraisal district is available at the appraisal district office. Industrial properties are normally re-inspected 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.

Capitol'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 requested 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 has been obtained by members of Capitol Appraisal Group'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.

Data Collection and Validation

Data on the subject properties 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 which 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

Industrial properties are 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 always considered and used. If sufficient data is available either of both of the other two models may also be considered and used. The market data and income approach models may need to

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.

The mathematical form of each model is described below.

Cost Approach

RCN
-PD
-FO
-EO
=Cost Indicator of Value

Where:

RCN = Replacement or Reproduction Cost New
PD = Physical Depreciation
FO = Functional Obsolescence
EO = Economic Obsolescence

Income Approach

PGR
-VCL
-FE
-VE
NOI

NOI/R = Income Indicator of Value

Where:

NOI = Net Operating Income
PGR = Potential Gross Rent
VCL = Vacancy and Collection Loss
FE = Fixed Expenses
VE = Variable Expenses
R = Discount Rate or Cost of Capital

A variation of the income model is:

NOI for year 1 x DF for year 1 = PW of year 1 NOI
NOI for year n x DF for year n = PW of year n NOI
Net Reversion x DF for year n = PW of Reversion
Sum of PW's for all years 1 - n = Income Indicator of Value

Where:

DF = Discount Factor
PW = Present Worth
n = Last year of holding period

Market Data Approach

ASPCP/U = PU

PU x SU = Market Data Indicator of Value

Where:

ASPCP = Adjusted Sales Price of Comparable Property

U = Unit of comparison

PU = Price per Unit of comparison

ASPU = Adjusted Sales Price per Unit of comparison

SU = Subject Property's number of Units of comparison

In reconciling multiple model results for a property the appraiser considers the model results that best address the individual characteristics of the subject property and that are based on the most reliable data 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

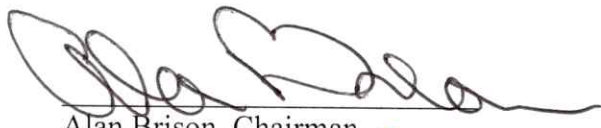
Field review of appraisals is performed through the regular inspection of subject properties. The periodic reassignment of properties among appraisers or the review of appraisals by an experienced appraiser also contributes to the review process. A computer-assisted statistical review of property value 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. Lastly, Capitol Appraisal Group's industrial appraisal methods and procedures are subject to review by the Property Tax Division of the Texas Comptroller's office. The Comptroller's review as well as comparisons with single-property appraisals indicate the validity of the models and the calibration techniques employed.

Camp Central Appraisal District
Resolution to Adopt
2021-2022 Reappraisal Plan

Whereas, according to Section 25.18(c) and Section 6.05 (i) of the Texas Property Tax Code, 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 (c) and Section 6.05 (i) shall hold a public hearing to consider the proposed plan.

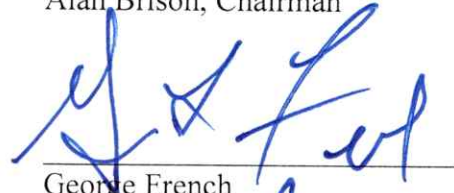
Therefore, on this 20th day of August 2020 the Board of Directors of Camp Central Appraisal District does approve and adopt the attached reappraisal plan for the years 2021 and 2022.



Alan Brison, Chairman



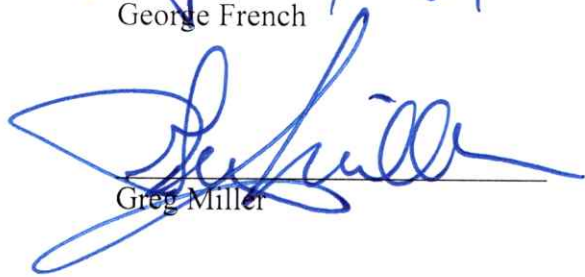
Jeff Kilburn, Secretary



George French

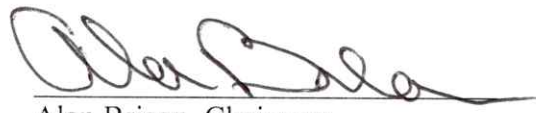


John Livingston



Greg Miller

2021-2022 Camp Central Appraisal District Reappraisal Plan amended by the Board of Directors at their regular meeting 23rd day of July, 2020.



Alan Brison, Chairman

ATTEST:



Jeff Kilburn, Secretary