
LLANO CENTRAL APPRAISAL DISTRICT

2017 APPRAISAL
MANUAL & LOCAL
APPRAISAL
PROCEDURES

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APPRAISAL MANUAL INTRODUCTION

The purpose of this report/document is to aid the field appraiser and new employee in order to better understand the methods and techniques utilized by the Llano Central Appraisal District (LCAD) in the valuation and reappraisal of taxable property within Llano County. The appraisal of property for mass appraisal purposes is a very detailed and extensive process; therefore, this report is not intended as an inclusive step by step manual or guide for staff involved in the appraisal process.

The Chief Appraiser is the chief administrative and executive officer of the Appraisal District. The Chief Appraiser employs and directs the District's staff, oversees all aspects of the Appraisal District's operations, and performs either directly or through the District's staff a variety of operations.

The Chief Appraiser's responsibilities are as follows:

1. Discover, list and appraise property;
2. Determine exemption and special appraisal requests;
3. Organize periodic reappraisals; and
4. Notify taxpayers, taxing units, and the public about matters that effect property values.

LCAD consists of three (5) departments: Administration, Operations, Appraisal, Mapping and Collections. The Chief Appraiser may employ temporary services, legal services, consulting services or private appraisal services as needed to perform his duties.

The 2017 certified tax roll for Llano Central Appraisal District indicates a total of 37,549 parcels.

These parcels are comprised of:

Category	Description	Parcel Count
A	Single Family Residential	12,041
B	Multi-family Residential	355
C1	Vacant Platted Lots/Tracts	12,123
D1	Qualified Open Space Land	6,046
D2	Improvements on Qualified Open Space Land	1,414
E	Rural Land, Non-Qualified Open Space	1,924
F1	Commercial Real Property	985
F2	Industrial and Manufacturing Real Property	1
G1	Oil and Gas	18
G3	Other Sub-Surface Interests in Land	1
J1	Water Systems	6
J2	Gas Distribution Systems	3
J3	Electric Company Including CO-OPs	28
J4	Telephone Companies Including CO-OPs	16
J5	Railroad	1
J6	Pipeline Company	12
J7	Cable Television Company	6
L1	Commercial Personal Property	1,012
L2	Industrial and Manufacturing Personal Property	38

M1	Tangible Personal Property, Mobile Homes	411
O	Residential Inventory Property	2,140
S	Special Inventory Tax	12
X	Totally Exempt Property	471

The categories above represent the 2017 Certified Totals

ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

All persons employed and/or affiliated with Llano Central Appraisal District that are engaged in the appraisal of real and business personal property must adhere and follow all rules, regulations and guidelines set forth by Texas Department of Licensing and Registration, International Association of Assessing Officers and the Texas Association of Appraisal Districts.

RECORD KEEPING

LCAD utilizes the Texas State Library and Archives Commission publication for State and Local Government record retention. Records are maintained according to specific sections of this publication. For example, Homestead Exemption applications are held until five years after the exemption ends. These requirements differ from the record keeping requirements of USPAP; therefore, a jurisdictional exception applies.

Retention periods for documents including appeal records, appraisal cards, appraisal correspondence, appraisal field notes, appraisal monitoring documentation, appraisal rolls supplements and notices, appraisal rolls and abstracts are required by the State of Texas. These requirements differ from the record keeping requirements of USPAP; therefore, a jurisdictional exception applies.

EDUCATIONAL REQUIREMENTS

Required Education Topics and Examinations for Certification after January 1, 2014

Appraiser - Minimum 3 years, maximum 5 years to complete the following requirements:

Class 2 (must be completed within 12 months of becoming registered as Class 1 Appraiser):

- 32 hours of Basics of Texas Property Tax System
- 8 hours of Professional Ethics

Class 3 (must be completed within 36 months of becoming registered as a Class 1 Appraiser):

- 18 hours of Income Approach to Value
- 18 hours of Theory and Practice of Personal Property Appraisal
- 15 hours of Uniform Standards of Professional Appraisal Practices (USPAP)
- 24 hours in Theory and Practice of Appraisal of Real Property
- Class 3 Examination

Class 4 (must be completed within 60 months of becoming registered as a Class 1 Appraiser and cannot be earned until the registrant has 36 months of experience as an Appraiser registrant.)

- 18 hours in Analyzing Real Property Appraisal
- 16 hours in Texas Property Tax Law
- 18 hours in Mass Appraisal
- 3.5 hours in USPAP (if no USPAP within 2 years)
- Class 4 Examination

PROPERTY IDENTIFICATION

Llano Central Appraisal District identifies properties by account number, address (when applicable), current owner's name and property description.

Every real property and business personal property account are identified by a unique five (5) digit number as well as a thirteen (13) digit number formatted as XXXXX-XXX-XXXX-X. For real property a thirteen (13) digit account number consists of a five-digit subdivision number, which identifies the subdivision, or abstract in which the property is located, an eight digit sequential number that identifies individual properties within the subdivision or abstract.

Physical address (situs) is listed when this information is known. Some properties such as unimproved land may state only the street name since no physical address is known by the Appraisal District. Physical addresses are continually updated as they become available.

Due to limited space, Llano Central Appraisal District Property Record Cards provide a brief property description only. This description may be a full legal description or it may be in abbreviated form. No metes and bounds description is reported on the appraisal cards. However, this information is available at the Llano County Clerk when recorded. The Appraisal District has access to the Grantor/Grantee index file maintained by the Llano County Clerk. This index allows access to all real estate documents filed at the County Clerk's Office. These detailed legal descriptions are then used to maintain and update map records throughout the County.

VALUATION APPROACH MARKET VALUE

Market value as defined by the Texas Property Tax Code differs from the definition used by USPAP; therefore, a jurisdictional exception applies.

Following is the definition of market value as found in Sec. 1.04 of the Texas Property Tax Code: 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 appraisal is January 1 of each year with the exception of inventory, which may be appraised at its market value as of September 1 of the preceding year.

To receive the September 1 appraisal date, a taxpayer must file an application with the Appraisal District by July 31.

The purpose of and intended use of the appraisals performed by LCAD is to estimate market value for ad valorem tax purposes for the taxing entities or units it serves.

AREA ANALYSIS

Llano County is located in the central section of Texas and is bounded to the south by the Gillespie and Blanco Counties, to the west by Mason County, the east by Burnet County and north by San Saba County. Incorporated municipalities are Cities of Llano, Horseshoe Bay and Sunrise Beach as well several unincorporated communities such as Kingsland, Lone Grove, Valley Spring and Buchanan Dam.

The properties appraised by Llano Central Appraisal District fall only within the boundaries of Llano County. Areas of Burnet Independent School District extend into Llano County from Burnet County. The City of Horseshoe Bay and the community of Kingsland extend into Burnet County and are appraised by Burnet Central Appraisal District

LLANO CENTRAL APPRAISAL DISTRICT TAXING JURISDICTIONS

Llano Central Appraisal District currently values property for property tax purposes for a total of sixteen separate taxing entities. Following is a list of the individual taxing units or entities served by Llano Central Appraisal District:

- City of Horseshoe Bay
- City of Llano
- City of Sunrise Beach Llano County
- Llano Independent School District
- Llano County Road and Bridge
- Burnet Independent School District
- Johnson City Independent School District
- Deerhaven Water Control & Improvement District
- Llano County Water Control and Improvement District #1
- Kingsland Municipal Utility District
- Llano County Municipal Utility District #1
- Llano County Road District #1
- Llano Emergency Service District #1
- Llano Emergency Service District #2
- Llano Emergency Service District #3
- Llano Emergency Service District #4

County and subdivision maps utilized by LCAD in its valuation process are available to the public and are provided in paper, electronic formats and on the District's website.

NEIGHBORHOOD ANALYSIS

A neighborhood is a grouping of complementary land uses affected equally by the four forces that influence property value: social trends, economic circumstances, governmental regulations, and environmental conditions. These factors have an impact on the value of properties within this grouping and in turn on properties being appraised.

Individual neighborhood boundaries within the County vary according to market indications and the type of property being appraised. The boundaries of these neighborhoods may be physical, geographical or political in nature. Generally, residential neighborhoods consist of individual subdivisions or areas of similar properties located within the same city or school district. Commercial neighborhoods may be smaller areas within a city, an entire city or rural area. Industrial neighborhoods are located throughout the County.

LCAD establishes and annually monitors neighborhoods consistent with the criteria mentioned above. These neighborhoods are a useful tool in the appraisal process allowing the District to structure value differences between areas with similar characteristics.

HIGHEST AND BEST USE ANALYSIS

The highest and best use of real estate is defined as the most reasonable and probable use of land that will generate the highest return to the property over a period of time. This use must be legal, physically possible, economically feasible, and the most profitable of the potential uses. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

In order to complete the highest and best use analysis of a property, an appraiser must estimate its highest and best use as if the land were vacant. This estimate ignores the value of and the restrictions created by any existing improvements. It is the highest value the land could have if it were available for any legal, physically possible and economically feasible kind of development.

In determining highest and best use, preliminary judgments are made in the field by appraisers. The appraisers are normally aware of zoning regulations within physical boundaries of the cities.

Field cards contain information regarding lot size and frontage; therefore, appraisers normally make judgments on the physically possible uses of the sites in the field. Economically feasible and most profitable uses are determined by observing surrounding property. However, changes in property use require a more detailed and technical highest and best use analysis. These studies are usually performed in the office.

PROPERTY CLASSIFICATION GUIDE

State Property Classification Guide

Code	Category Name	Description
A -	Real Property: Single Family	Houses, Condominiums, and mobile homes located on land owned by property owner
B -	Real Property: Multi-family Residential	Residential structures with two or more dwellings. Ex. Duplexes, Triplexes, and Apartments, but not motels or hotels
C1 -	Real Property: Vacant lots and Tracts	Unimproved land parcels usually located
C2 -	Real Property: Colonia Lots and Land Tracts	Chapter 232 of the Texas Local Government: Code prohibits the sale of certain properties often referred to as "colonials"
D1 -	Real Property: Qualified Agricultural Land	All acreage qualified for productivity valuation under Texas Constitution, Article VIII, 1-d or 1-d-1.
D2 -	Real Property: Farm and Ranch Improvements on Qualified Open-Space Land	Improvements, other than residences, associated with land reported as Category D1, these improvements include all barns, Sheds, silos, garages and other improvements associated with farming, ranching
E -	Real Property: Rural Land, not Qualified for Open-Space Appraisal, and Residential Improvements	Rural land that is not qualified for productivity valuation and the improvements including residential, on the land.
F1 -	Real Property: Commercial	Land and improvements associated with businesses that sell goods or services to the general public. This doesn't include utility property included in Category J.
F2 -	Real Property: Industrial and Manufacturing	Land and improvements devoted to the development, manufacturing, fabrication processing or storage of a product, except for utility property included in Category J.
G -	Oil, Gas and Other Minerals	Producing and non-producing wells, all other minerals and mineral interests and equipment used to bring the oil and gas to the surface, not including surface rights
H -	Tangible Personal Property: Non-business Vehicles	Privately owned automobiles, motorcycles and light trucks not used to produce income.
J -	Real and Personal Property: Utilities	All real and tangible personal property of railroads, pipelines, electric companies, gas companies, telephone companies, water systems, cable TV companies and other utility companies.
L1 -	Personal Property: Commercial	All tangible personal property used by a commercial business to produce income, including fixtures, equipment and inventory.
L2 -	Personal Property: Industrial	All tangible personal property used by an industrial business to produce income, including fixtures, equipment and inventory.
M -	Mobile Homes and Other Tangible Personal Property	A mobile home on land owned by someone other than the owner of the mobile home. Other categories may include privately owned aircraft, boats, travel trailers, motor homes and mobile homes on rented or leased land.
N -	Intangible Personal Property	All taxable intangible property not otherwise classified.
O -	Real Property: Residential Inventory	Residential real property inventory held for sale and appraised as provided by Tax Code Section 23.12.
S -	Special Inventory	Certain property inventories of business that provide items for sale to the public. State law requires the appraisal district to appraise these inventory items based on business's total annual sales in the prior tax year. This includes dealers' motor vehicle inventory, dealers' heavy equipment inventory, dealers' vessel and outboard motor inventory and retail manufacturing housing inventory.
X -	Totally Exempt Property	Exempt property must have the qualifications found in law, mainly the Tax Code.

EXEMPT PROPERTY CODES

EX-XA	11.111 Public property for housing indigent persons
EX-XB	11.145 Income Producing Tangible Personal Property valued under \$500
EX-XC	11.146 Mineral interest property valued under \$500
EX-XD	11.181 Improving property for housing with volunteer labor
EX-XE	11.182 Community Housing Development Organizations
EX-XF	11.183 Assisting ambulatory health care centers
EX-XG	11.184 Primarily performing charitable functions
EX-XH	11.185 Developing model Colonia subdivisions
EX-XI	11.19 Youth spiritual, mental and physical development organizations
EX-XJ	11.21 Private schools
EX-XL	11.231 Organizations Providing Economic Development Services to Local Community
EX-XM	11.25 Marine cargo containers
EX-XN	11.252 Motor vehicles leased for personal use
EX-XO	11.254 Motor vehicles for income production and personal use
EX-XP	11.271 Offshore drilling equipment not in use
EX-XQ	11.29 Intracoastal waterway dredge disposal site
EX-XR	11.30 Nonprofit water or wastewater corporation
EX-XS	11.33 Raw cocoa and green coffee held in Harris County
EX-XT	11.34 Limitation on taxes in certain municipalities
EX-XU	11.23 Miscellaneous Exemptions
EX-XV	Other exemptions (including public property, religious organizations, charitable organizations, and other property not reported elsewhere)

Property Tax Assistance Division Property Classification Guide Publication #96-313 February 2014.

COLLECTION OF FIELD DATA FOR REAPPRAISAL

LCAD currently conducts an annual analysis of all real and personal property resulting in a reappraisal of a majority of all property in our area of responsibility. During this reappraisal period properties are analyzed and updated. Each year reports of new properties are obtained from the County, cities and other sources in the form building/development and septic permits. This information is entered in the appraisal software to await scheduled inspection and measurement by the field appraisal staff. Once the completed information is entered in the appraisal software it becomes part of the appraisal role. Individual properties are also reappraised as needed due to changes to the condition of the property such as fire, remodeling, or an addition or demolition of a portion or all of the improvement.

The appraisers performing reappraisals in the field have field cards that contain specific information regarding the property being appraised. These cards contain brief legal descriptions, ownership interests, property use codes, property addresses, and land size or area, sketches of improvements as well as detailed information of any improvements. These cards are updated continually allowing appraisers to have current information at all times.

Field inspections require the appraisers to check all information on the field cards and to update the information. If physical inspections of the property indicate changes to improvements are necessary, the appraiser notes these changes in the field. Examples of types of changes that may be made are condition, age of improvements or additions to the improvements. New improvements are also added at this time.

MARKET ANALYSIS

Economic trends, as well as national, regional and local trends affect the property appraised in Llano County. An awareness of social, economic, governmental and environmental conditions is essential in understanding, analyzing and identifying local trends that affect the real estate market.

Market analysis is performed throughout the year. Both general and specific data is collected and analyzed.

Examples of sources of general data include "Trends" published by The Real Estate Center at Texas A&M University, "Valuation Insights & Perspectives" published by the Appraisal Institute, as well as financing information from local lending institutions. Information on zoning, demographics, labor statistics and transportation is also obtained.

Sales information of property is received from various sources. These sources include local real estate appraisers, agents and brokers. In addition to these sources, from deed transactions, the District mails a sales survey to the purchasers in an effort to obtain additional sales information that may not be otherwise discovered.

DATA COLLECTION/VALIDATION

LCAD value schedules or tables include land, residential improved, commercial improved and personal property. Data sources currently used by LCAD include cost information from Marshall and Swift Valuation Service, cost data obtained from local contractors and renditions provided by the property owners. Marshall and Swift Valuation Service is a nationally based cost manual that is generally accepted throughout the nation by the real estate appraisal industry. This cost manual is based on cost per unit or square foot and also uses the unit in place method. The unit in place method involves the estimated cost by using actual building components. This national based cost information service provides the base price of buildings by classification with modifications for equipment and additional items. The District's schedule is then modified for time and location.

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

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

Although LCAD schedules are formulated primarily from sales information, cost information is a valuable comparative tool or primarily used when sales information is not available.

Data on individual properties is also collected from the field, compiled and analyzed. Buildings and other improvements are inspected in the field, measured and classified. The appraiser estimates the age and condition of the improvements. This data is used to compile depreciation (loss of value) tables that are used in the form of "percent good" or "functional" adjustments. Any notes pertaining to the improvements are made on the field card during inspection.

Currently, single family residential dwellings are classified for quality of construction. The range of quality is low, fair, average, good, very good and excellent. Commercial and light industrial classifications are more detailed and are based on a variety of building styles and uses. The classification schedules with values for each quality and/or type and size within each quality are modified annually for residential and commercial properties, therefore, are not included in this report but are available at any time

The number of quality classes and schedules are continually monitored in an effort to refine and reduce the number of residential classes to conform to accepted appraisal practices. The quality classes are without exception low, fair, average, good, very good and excellent.

The age of buildings is based on effective age and is used to estimate depreciation or as mentioned above, percent good or functional adjustments. Effective age is the age the property appears due to maintenance and upkeep. Effective age for a house that is properly maintained may be its actual or chronological age; however, if a structure suffers from deferred maintenance due to neglect, its effective age may be older than the actual age. In contrast, if a house is an older structure and has been remodeled or updated, its effective age may be less than its actual age. Effective age is not directly used to value property but is a very beneficial tool in the valuation process and should be understood by all appraisal related staff.

Depreciation is also estimated by condition of improvements. Condition ranges from poor, fair, average, good and very good. Appraisers in the field typically inspect structures from the exterior perspective. The interior condition is assumed, unless otherwise known, to be similar to the exterior. However, if the taxpayer requests an interior inspection this will be made by appointment.

Additional depreciation may be estimated for a variety of reasons including functional obsolescence resulting from, for example, an inferior floor plan or out of date construction methods. Economic obsolescence results from a loss of value to a property due to adverse influences from outside the physical boundaries of the property. Examples of economic obsolescence may be proximity to commercial or industrial property or heavy traffic patterns. These are noted by “functional” or “economic” percent adjustments.

VALUATION ANALYSIS

LCAD valuation schedules or tables are divided into four main classifications: Residential, Commercial, Land and Personal Property. These schedules are based on the most appropriate data available. Miscellaneous special categories such as mobile homes, special inventory, and agricultural land are appraised using different techniques, which will be addressed later in this report. The Residential and Commercial Schedules are available upon request from the Appraisal District.

RESIDENTIAL SCHEDULES

Residential valuation schedules are market-based tables using analysis of sales data of residential properties gathered throughout the year. Sales of existing residential property as well as new residential construction are grouped according to quality and size. Location as it relates to value is addressed in the "Neighborhood Analysis" section. This grouped data is analyzed with the results producing a value per square foot of the base improved portion of the property for each quality and size. This process is performed annually.

Residential schedules are based on quality of construction and size of the structure. Age, condition of structure, contributory value of extra items and land value are variables that have a direct impact on the value of a property. Following is an example of each of the variables and how they may affect market value.

1. **Quality of construction:** Residential construction may vary greatly in quality of construction. The type of construction affects the quality and cost of the materials used in the construction process, the quality of the workmanship, as well as the attention paid to detail. The cost and subsequent value of residential property will vary greatly depending on the quality of construction. As stated above, LCAD residential schedules currently class residences based on quality of construction. This classification is supported by Marshall and Swift Valuation Service which classifies single family residential structures according to the following categories; low quality, fair quality, average quality, good quality, very good quality and excellent quality.
2. **Size of structure:** The size of a building or structure also has a direct impact on its value as well as its cost. Within the same quality range the larger the building, the less the cost is per square foot, while the smaller the structure is, the greater the value is per square foot. LCAD schedules are graduated in size increments.
3. **Condition of Improvements:** LCAD rates conditions from poor to very good. These conditions are given percent adjustments, stated as "percent good", ranging from a low of about 10% to a high of 98%. Properties that, in the opinion of the appraiser, are in poorer condition would have a low "percent good" while a structure in very good condition would have a high "percent good".
4. **Age of Structure:** Presently, due to the lack of data concerning the actual or chronological age of structures, the percent good adjustment, mentioned above, considers the age of the structure as it relates to value.
5. **Extra Items:** As stated above, extra items are valued according to their contributory value to the whole structure and subsequently to the whole property. Examples of extra items include covered porches and patios, screened or enclosed porches, additional bathrooms, fireplaces storage buildings and swimming pools.
6. **Land Value:** LCAD values land based on market transactions. Units of comparison depend on the type of the property purchased. For example, large acreage tracts are usually purchased based on the price paid per acre. Commercial tracts are typically purchased based on the price per square foot, and residential properties are purchased based on either a per acre basis for larger tracts and price per square foot or whole lot value for smaller tracts. Adjustment factors are used to modify values according to market indicators. Land prices vary throughout the County; therefore, their values are dependent upon homogenous areas. Land schedules for residential, commercial and agricultural land are discussed later in this report. Due to the great number of land schedules they are not included in this report but are available upon request from the Appraisal District.

COMMERCIAL SCHEDULES

Commercial valuation schedules are market-modified, cost-based tables. Market research indicates that the common unit of comparison for new, commercial construction is the price paid per square foot. The value of extra items is based on their contributory value to the property. This value may be estimated by the price per square foot or by a value of the item as a whole. Commercial schedules are formulated from local cost of new, commercial construction when the data is available, or in cases where local cost data is not available schedules are tested against Marshall & Swift Valuation Service.

Commercial schedules are designed to reflect size within each quality of construction. Age and condition of the structure is stated as a percent good or functional adjustment. Contributory value of extra items and land value are other components of value of each whole property.

The types of commercial buildings vary greatly depending on the intended or current use of the property. Any special use type categories of commercial properties are valued using other methods including Marshall & Swift Valuation Service. On the following page is a list of commercial property classes, their descriptions and their respective class codes.

Class Description	Class Code
AIRCRAFT HANGAR	HNG
APARTMENT	20
ASSISTED LIVING	82
AUTO DEALER	91
AUTOMOTIVE CENTER	92
BANK OR SAVINGS AND LOAN	70
BAR	930
BARBER/BEAUTY SHOP	40
CAR WASH	200
CHURCH	600
CLINIC	81
COMMUNITY CENTER	COMC
CONVENIENCE STORE	42
DAY CARE CENTER	R3
DISCOUNT STORE	43
DOCK/LOADING	LD
DRY CLEANERS	40
ELEMENTARY SCHOOL	ESCH
FIRE STATION	R2
FUNERAL HOME	500
GROCERY	41
STORE/SUPERMARKET	
HEALTH/FITNESS CENTER	81
HIGH SCHOOL	HSCH
HOTEL	32
INDUSTRIAL BUILDING	100
JAIL	55
LAUNDROMAT	210
LIBRARY	54
MEDICAL OFFICE	81
MIDDLE SCHOOL	MSCH
MOTEL	30
NURSING HOME	80
OFFICE BUILDING	50
POST OFFICE	600
RESTAURANT	61

RESTAURANT/FAST FOOD	60
RETAIL STORE	40
SELF STORAGE FACILITY	920
SERVICE STATION	90
SHOPPING CENTER	44
VETERINARY HOSPITAL	81
WAREHOUSE	926

The quality for most commercial building types varies from low to very good, but, unlike residential structures in the Llano County area commercial structure quality varies to a lesser degree with the majority in the average quality range. Therefore, commercial schedules have fewer quality ranges.

Age of Structure: LCAD's commercial schedules are adjusted for age, as it compares to condition, by use of the percent good and adjustment modifiers.

LCAD rates condition for commercial properties as poor, fair, average, good and very good. These conditions are recognized by the percent good and adjustments.

LAND SCHEDULES

Land schedules are market driven valuation tables primarily based on sales of vacant land. Sales are procured throughout the year from available sources, primarily buyer letters. The sales are divided and grouped according to type and size. The main types of land in the Llano County area are rural farm and ranch, residential and commercial. Typically, larger rural land tracts are valued by the acreage method, reducing the schedules to a value per acre basis ranging from smaller to larger tracts. Larger residential land is generally acreage based while smaller tracts such as city lots and subdivisions are square foot or front foot based and in some cases on a per lot basis. Commercial land schedules generally are based on square footage but in some cases by acreage. Due to the many variables such as terrain and access any adjustments to land values are made independent of the schedules on a per tract basis. For example, it would be expected that tracts of land with limited access would not sell or be valued the same as similar tracts with good access. This type of adjustment would be in the form of a defined or functional adjustment on a per tract basis. Location is the most influential indicator of value. Land located a greater distance from growth areas generally will sell at a lesser price than land located in or near growth areas. In most cases land schedules in all types range from smaller tracts having greater value per unit (acreage or square foot) to larger tracts with less values per unit. Agricultural land valuation is based on methods prescribed by the State of Texas and will be discussed later in this report. Land schedules, due to the great number, are not included in this report but are on file and are available upon request from the Appraisal District.

REAL PROPERTY INVENTORY VALUATION

Section 23.12 (a) of The Texas Property Tax Code states:

...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. An inventory shall include residential real property which has never been occupied as a residence and is held for sale in the ordinary course of a trade or business, provided that the residential real property remains unoccupied, is not leased or rented, and produces no income.

It is not the policy of Llano Central Appraisal District (LCAD) to automatically grant inventory valuation. Since there are many variables we review on a case-by-case basis. Furthermore, we require the owner or owner's agent to supply the needed discounted cash flow variables. LCAD does not have a prescribed form but the use of the State's form 50-143 is acceptable and is recommended. The deadline to file is April 15th. The State's form can be found on the Texas Comptrollers website:

<http://www.comptroller.texas.gov/forms/50-143.pdf> or on LCAD's, website <http://www.llanocad.net>
Then go to FORMS find 50-143.

When all information has been received it will be reviewed and any applicable discount applied.

AGRICULTURAL LAND VALUATION

The valuation of agricultural or open space land utilizes potential gross income and expenses capitalized by a rate provided annually by the Property Tax Division of the State of Texas Comptroller's office. Each year income and expense data is gathered from local sources related to the agriculture industry and from the five member Agricultural Appraisal Advisory Board. This board is composed of land owners involved in agriculture in Llano County. The valuation process uses an average of income and expense for a five year period ending two years from the current year. The process takes into consideration the various land types as they relate to soil types and their ability to produce varying quantities of agricultural products or the number of acres required to graze animals. For example, land with better soil types would logically produce a greater quantity of an agriculture product or support a greater number of animals for grazing purposes than lesser quality soil types, therefore, the better soil types would result in a greater value than lesser quality soil types. This valuation process and subsequent appraised value is independent of market value for qualified land. The agricultural valuation process and field inspections are typically performed by staff other than field appraisers. Land qualified as open space or agricultural land is also eligible for wildlife management. This special use is appraised and receives the same value as if it were utilized for agricultural land.

BUSINESS PERSONAL PROPERTY

Business Personal Property valuations include furniture, fixtures, and equipment as well as inventory that are taxable by law. Values generally are calculated based on cost less depreciation. Depreciation schedules are updated each year and compared various sources including cost manuals. Sales information of personal property or inventory is difficult to obtain due to the lack of a local organized database. Due to the extensive numbers of types of business personal property no formal schedules exist. Each item is compared to the respective type all similar businesses. Sources for specific valuations are NADA, Just Texas the density schedules.

STATISTICAL ANALYSIS

The use of statistics is a way to analyze data and study the characteristics of a collection of properties. In general it is not feasible to study the entire population; therefore, statistics are introduced into the process to study smaller samples that will extend to larger populations. Llano Central Appraisal District statistical analysis for real estate is based on measures of central tendency and measures of dispersion. The measure of central tendency determines the center of a distribution. The measure of central tendency utilized is a software-based analysis that generates the mean, median, mode and the weighted mean. The measure of dispersion calculated is the coefficient of dispersion. This analysis is used to indicate spread from the measure of central tendency. Statistical bias is measured by the price related differential (PRD). The PRD indicates how high-priced properties are appraised in relation to low-priced properties.

INDIVIDUAL VALUE REVIEW PROCEDURES

In order for comparable sales data to be considered reliable it must contain a sales date, sales price, financing information, tract size, and details of the improvements. Commercial sales are often confirmed from the buyer and/or seller involved, including brokers. Confirmation of sales from local real estate appraisers is also considered reliable.

Sales information includes vacant land, subdivision lots, improved residential dwellings, commercial properties as well as industrial properties. Sales data is compiled and the improved properties are physically inspected and photographed. These sales are compared to the existing data on the field cards and changes are made as indicated. These changes include age and condition as well as any improvements made to the property before the sale takes place. When sales data indicates a difference in the improvement's square footage, the buildings are measured again.

These sales may indicate upward or downward trends in the market as well as changes in property uses. Multiple sales of the same property over a period of several years are usually reliable indicators of changes in the market over time.

Individual sales are analyzed to meet the test of market value. Only arm's length transactions are considered. Examples of reasons sales may be deleted or not considered are:

1. Properties acquired through foreclosures or auctions.
2. Properties sold between relatives.
3. The buyer or seller is under duress and may be compelled to sell or purchase.
4. Financing may be non-typical or below or above prevailing market rates.
5. Considerable improvements or remodeling have been completed since the date of the sale and the appraiser is unable to make judgements on the property's condition at the time of the transaction.
6. Sales may be unusually high or low when compared with typical sales located in the market area. Some sales may be due to relocation or through divorce proceedings.
7. Conversations with parties involved indicate that they believe they paid above or below current market value due unusual circumstances.
8. Properties are purchased by individual investors or investment companies for immediate resale.
9. The property is purchased through an estate sale.
10. The sale involves personal property that is difficult to value.
11. There are value-related data problems associated with the sale;
i.e., incorrect land size or square footage of living area.
12. Property use changes occur after the sale.
13. Adjoining or contiguous property is purchased.

After the sales have been inspected and analyzed, a sales ratio is derived by dividing the appraised value of the property by its actual sales price. These ratios are used to estimate current values and are good indicators of any changes that may be taking place in the market.

Statistical analyses and paired sales analyses are performed to update or modify schedules. The details of these analyses were discussed in the valuation section of this report.

A majority of the data received from all sources are single-family residential sales. Historically there are no accessible commercial databases located within Llano County. Attempts to organize these services have met with little enthusiasm from local commercial brokers as well as independent appraisers. This information is considered confidential. Therefore, reliable commercial sales data as well as income and expense information is difficult to obtain and is not generally available. The State of Texas is known as a non-disclosure state. The buyer or seller is under no obligation to report sales prices on deed transactions. Deeds filed typically state the consideration as "ten dollars and other consideration" and when financing is secured for the purchase a loan amount is stated in the Warranty Deed With Vendors Lien. These are not reliable indicators of actual sale prices as amounts financed for example can vary greatly.

PERFORMANCE TESTS

Sales ratio studies are used to evaluate the District's mass appraisal performance. These studies not only provide a measure of performance, but also are an excellent means of improving mass appraisal performance. LCAD uses ratio studies not only to aid in the reappraisal of properties, but also to test the State Comptroller's Property Tax Assistance Division Annual Property Value Study results.

The ratio study usually begins in March of each year with the compilation of all sales that are grouped by type for each school district. Sales that fall outside the grouping of the majority of sale prices are termed outliers. Outliers are characterized as having low or high ratios. They can result from an erroneous or unrepresentative sale price, an error in the appraisal or a mismatch between the property sold and the property appraised. These properties are inspected in the field to determine any factor that affected the sale price. Should no reliable information be discovered or determined the sale is deemed unreliable and is not used. Field cards indicating results of inspections are available for each individual sale to further aid the analysts in making decisions regarding outliers.

The remaining sales are then correlated to indicate comparable neighborhoods within each school district. The sales from each comparable neighborhood are grouped (stratified) according to classification. The median ratio indicated by the sales is then compared to the desired ratio. The coefficient of dispersion is also studied to indicate how tight the ratios are in relation to the measures of central tendency. The median and coefficient of dispersion are good indicators of the types of changes to be made if any are necessary. The use of market modifiers is the predominant method of adjusting sales for location and time to indicate market values. Market modifiers are methods of adjusting property values to equal the market with little or no change to the respective schedule.

STATEMENT OF LIMITED CONDITIONS

1. The Appraisal District will not be responsible for matters of a legal nature that affect property being appraised or title to it. The Appraisal District assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.
2. The Appraisal District has provided a sketch on the appraisal field card to show approximate dimensions of the improvements and the sketch is included only to assist the reader in visualizing the property and understanding the Appraisal District's determination of its size.
3. The Appraisal District employees will not give testimony in court because they have made an appraisal of the property in question unless specific arrangements to do so have been made beforehand.
4. Due to the large number of properties in Llano County, time restraints and budget restraints, the Appraisal District's appraisal staff typically performs property inspections from an exterior perspective. The interior of the buildings are assumed to be similar in condition to the exterior.
5. The staff obtains information, estimates, and opinions from sources that we consider reliable and believe them to be true and correct. The Appraisal District does not assume responsibility for the accuracy of such items that were furnished by other parties.
6. Llano Central Appraisal District is a public agency and political subdivision of the State of Texas. Appraisal districts operate according to the Texas Property Tax Code enacted into law by the 66th Texas Legislature in 1979. Jurisdictional exceptions to USPAP (Uniform Standards of Professional Appraisal Practice) may apply when these standards conflict with the Texas Property Tax Code.
7. Sales and expense data for commercial and industrial transactions are difficult to obtain due to the lack of organized databases in the County. This factor in conjunction with limited time and budgetary restraints experienced by the Appraisal District restricts or limits the use of the income approach to value.
8. Renditions and sales data received by the Appraisal District is confidential and not open to public inspection. Sales data is only accessible to property owners and only if the data is used in establishing the appraised value of their property.

CERTIFICATION

We certify that, to the best of our knowledge and belief:

The statements of fact contained in this report are true and accurate.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinions, and conclusions.

We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

Our compensation is not contingent on a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

No one provided significant professional assistance to the persons signing this report.

The appraisal assignment is not based on: a requested minimum valuation, a specific valuation, or the approval of a loan.

The appraiser signing this report did personally inspect the property.

As of the date of this report we have completed the requirements under the continuing education program of the State Property Tax Code.