



**Property Tax Assistance Division**  
2023 Report

Review of  
Appraisal  
District  
Appraisal  
Standards,  
Procedures and  
Methodology

# TARGETED APPRAISAL REVIEW PROGRAM

CALLAHAN COUNTY APPRAISAL DISTRICT



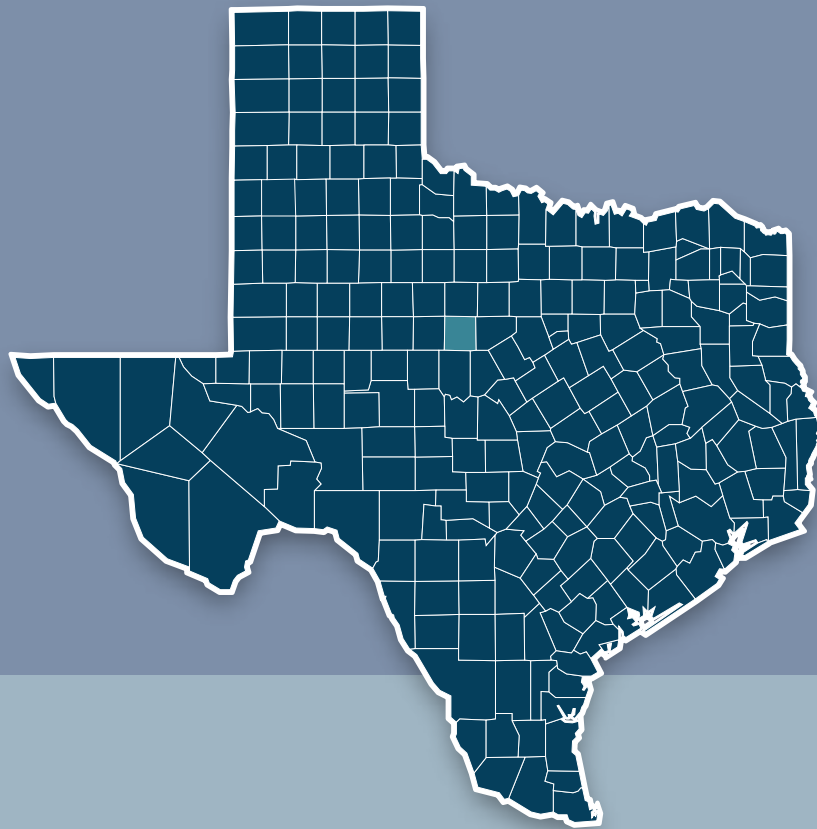
**GLENN HEGAR**  
Texas Comptroller of Public Accounts

# 2023 TARGETED APPRAISAL REVIEW

## CALLAHAN COUNTY APPRAISAL DISTRICT

Chief Appraiser: Mathew Walker

Reviewer: Rosie Skiles





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# Executive Summary

In September 2023, the Texas Comptroller of Public Accounts identified Baird Independent School District (Baird ISD), located in Callahan County, as one of 46 school districts meeting the criteria that initiates a Targeted Appraisal Review (TARP) of the appraisal district in which the school district is located. In 2023, the Property Tax Assistance Division (PTAD) conducted the review of the Callahan Central Appraisal District (Callahan).

## TARGETED APPRAISAL REVIEW PROGRAM OVERVIEW

If a school district receives invalid School District Property Value Study (SDPVS) findings for three consecutive years, Government Code Section 403.302 (k-1) requires PTAD to conduct a review of the appraisal district to determine why a school district’s values are statistically invalid and provide recommendations to the appraisal district regarding appraisal standards, procedures and methodologies.

PTAD reviewers used the [Targeted Appraisal Review Program Guidelines](#) to perform this review. This report contains the findings of the 2023 TARP review of Callahan. Over the next year, TARP reviewers will work with Callahan to address and resolve recommendations outlined in this report. **Exhibit 1** provides a timeline for the TARP cycle.

Upon substantial compliance with all recommendations, PTAD will issue a formal letter of compliance to Callahan and its board of directors.

If the appraisal district fails to comply with recommendations provided in the report and PTAD finds the appraisal district board of directors failed to take remedial action reasonably designed to ensure substantial compliance with each recommendation before the first anniversary of the date the recommendations were made, PTAD will notify the Texas Department of Licensing and Regulation (TDLR), which takes action necessary to ensure the recommendations are implemented as soon as practicable.

### EXHIBIT 1

#### TARP Process Timeline

##### NOTIFICATION

- PTAD sends TARP notification letters and preliminary data requests to affected appraisal districts.

##### REVIEWS

- Preliminary data is due to PTAD.
- TARP reviewers complete onsite visits.

##### RECOMMENDATIONS

- PTAD releases initial TARP reports.
- Appraisal districts have one year to work with their TARP reviewers to substantially comply with TARP report recommendations. PTAD mails formal compliance letters when appraisal districts have substantially implemented all recommendations.

##### REMAINING RECOMMENDATIONS

- PTAD notifies TDLR of remaining recommendations one year after the initial TARP report is released.
- Appraisal districts have one year to work with TDLR, who determines substantial compliance and reports to the chief appraiser and appraisal district board of directors.



## INVALID SCHOOL DISTRICT PROPERTY VALUATION

PTAD identified Baird ISD in Callahan as having invalid SDPVS findings for three consecutive years. **Exhibit 2** highlights the impacted school district and categories with local values that fell outside the SDPVS statistical confidence interval in the applicable three-year period. PTAD determines the confidence interval using a 5 percent or greater margin of error around PTAD's determined market value. PTAD considers local values valid, or statistically acceptable, when they are within the confidence interval. Values outside this confidence interval are statistically invalid.

### EXHIBIT 2

#### Callahan SDPVS Results 2020-2022

SDPVS Year	County	School District	Findings	Category*	Ratio
2020	Callahan	Baird ISD	Invalid	A	0.8997
2020	Callahan	Baird ISD	Invalid	D1	0.8496
2020	Callahan	Baird ISD	Invalid	E	0.9262
2020	Callahan	Baird ISD	Invalid	J	1.0779
2021	Callahan	Baird ISD	Invalid	D1	0.8355
2021	Callahan	Baird ISD	Invalid	E	0.9258
2022	Callahan	Baird ISD	Invalid	A	0.8713
2022	Callahan	Baird ISD	Invalid	E	0.8381
2022	Callahan	Baird ISD	Invalid	J	0.8834

\*Categories are defined in the [Texas Property Tax Assistance Property Classification Guide](#).

Source: Texas Comptroller of Public Accounts, [School District Property Value Study](#)

## RECOMMENDATIONS

Based on our findings in the TARP review of Callahan, PTAD makes the following recommendations, which are discussed in greater detail throughout this report:

- Establish an organizational structure that ensures appropriate coverage of all critical tasks, even when key personnel are absent or unexpectedly leave the appraisal district.
- Hire sufficient support staff to enable appraisers to focus solely on appraisal functions.
- Ensure the board of directors reviews and votes to adopt contracts.
- Authorize and train staff to fully use the appraisal software system.
- Update appraisal district maps to reflect all properties.
- Capture sales and document them in the CAMA appraisal software system.
- Conduct ratio studies at timely intervals by market area, neighborhood, property class or stratum.
- Use Callahan's local ratio study results to make reappraisal decisions necessary to produce accurate values.
- Ensure that reappraisal of accounts is completed according to the schedule outlined in the reappraisal plan.
- Ensure that the appraisal district reviews and completes ratio studies for all identified market areas.
- Maintain market value for vacant land properties by conducting ratio studies and review and update land schedules annually.
- Document land valuation procedures.



# Section 1 – Overview of County Appraisal District

## 1.1 COUNTY HISTORY AND DEMOGRAPHICS

According to *The Handbook of Texas Online*, the Texas State Legislature established Callahan County in 1858 and named after James Hughes Callahan, a survivor of the Goliad Massacre. From 1858 to 1877, Callahan County was attached successively to Bexar County, Travis County and Eastland County for administrative and judicial purposes. In 1877 the residents, more than 150 strong, signed a petition requesting the organization of Callahan County.

Callahan County is bordered by Shackelford County to the north, Jones County to the northwest, Taylor County to the west, Coleman and Brown Counties to the south and Eastland County to the east. Callahan County includes the Baird, Cisco, Clyde Consolidation, Cross Plains, Eula and Moran Independent School Districts.

The population of Callahan County in 2020, according to the United States Census Bureau, was 13,708. The major population center is the city of Clyde, having 3,739 residents. Other significant communities include Baird, the county seat, having 1,396 residents and Cross Plains, having 973 residents.

Based on the 2020 census population, PTAD classifies Callahan as Tier 3 for comparison with appraisal districts of similar population size. **Exhibit 3** shows the population brackets for each tier.

## 1.2 APPRAISAL DISTRICT ORGANIZATION AND STAFFING

Callahan became active in January 1980. As of July 2024, it has six full-time staff positions, including the chief appraiser and one part-time position, of which two positions are supervisory and four positions are full-time appraisers. Callahan contracts with a vendor for professional appraisal services. **Exhibit 4** presents Callahan’s general organizational structure.

## 1.3 TAXING UNITS

Local taxing units, including the school districts, counties, cities, junior colleges and special districts, decide how much money they require to effectively provide public services. They adopt property tax rates based upon taxing unit financial needs (budget). Some taxing units have access to other revenue sources, such as a local sales tax. School districts must rely on the local property tax, in addition to state and federal funds.

Callahan provides appraisal services for 11 taxing units, as shown in **Exhibit 5** and does not perform collection services.

EXHIBIT 3

County Population by Tier	
Tier	Total Population Range
1	120,000 +
2	Less than 120,000 to 20,000
3	Less than 20,000

Source: Texas Comptroller of Public Accounts

EXHIBIT 4



Source: Callahan County Appraisal District



## EXHIBIT 5

**Callahan Taxing Units and Collections**

Name of Taxing Unit	Appraisal District Collects Property Taxes
Baird Independent School District	No
Callahan County	No
Cisco Independent School District	No
City of Baird	No
City of Clyde	No
City of Cross Plains	No
City of Putnam	No
Clyde Consolidated Independent School District	No
Cross Plains Independent School District	No
Eula Independent School District	No
Moran Independent School District	No

Source: Texas Comptroller of Public Accounts

**1.4 APPRAISAL DISTRICT BUDGET INFORMATION**

Taxing units fund the appraisal district through an annual budgeting process. Tax Code Section 6.06 requires the chief appraiser to develop the budget and the board of directors to hold a public hearing to consider the budget. Each participating taxing unit in the appraisal district must contribute a portion of the budget amount equal to the proportional amount of taxes levied in the taxing unit.

Chapter 5 of the International Association of Assessing Officer's (IAAO's) *Assessment Administration* explains that the budget is the crucial link in an appraisal district's ability to make set rational priorities. A budget typically details how resources will be used to accomplish the appraisal district's goals and objectives. IAAO's *Standard on Property Tax Policy* states that to accomplish its responsibilities in a fair and professional manner, the appraisal district should have a budget that provides for a well-organized staff, sufficient computing resources and necessary data.

**Exhibit 6** provides a comparison between Callahan's 2022 budget versus the Tier 3 average 2022 budget (excluding collections) to show how Callahan's budget aligns with the tier average.

## EXHIBIT 6

**Callahan 2022 Budget vs. Tier 3 Average**

Callahan County Appraisal District Budget (2022)	Tier 3 Average Budget (2022)
\$613,687	\$547,673

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

In 2022, Callahan operated with a budget of \$613,687 slightly higher than the 2022 Tier 3 average budget of \$547,673. This budget comparison highlights relatively larger financial resources compared to other tier 3 appraisal districts, as reported by Callahan in the 2022 *Appraisal District Operation Survey*. A four-year budget history and tier average comparison is available in **Appendix 1**.





## 1.5 APPRAISAL DISTRICT STAFF INFORMATION

The geographic size of the appraisal district and number of parcels to be appraised directly reflect the number of staff necessary to perform the appraisal district's responsibilities. The complexity of the appraisals and the experience and expertise of the staff also impact appraisal district needs.

**Exhibit 7** provides a comparison between Callahan's 2022 staffing and the Tier 3 average (excluding collections) to determine how Callahan staffing and salaries compare with the tier average.

### EXHIBIT 7

#### Callahan 2022 Staffing and Salaries vs. Tier 3 Average

	2022	2022 Tier 3 Average
Full Time Staff	5	4
Part Time Staff	1	N/A
Full Time Appraisers	4	3
Lowest Appraiser Salary	\$28,477	\$39,505
Highest Appraiser Salary	\$28,477	\$48,041

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

From 2019 to 2022, Callahan has consistently maintained a full-time staff of five employees, slightly above the 2022 Tier 3 average of four. There has been one part-time staff member during this period. The appraisal district employed between three to four full-time appraisers from 2019 to 2022, slightly higher than the 2022 Tier 3 average. The lowest appraiser salary increased from \$26,800 in 2019 to \$28,477 in 2022, significantly below the 2022 Tier 3 average of \$39,505. The highest appraiser salary rose from \$26,800 in 2019 to \$28,477 in 2022, also significantly below the 2022 Tier 3 average of \$48,041. A four-year staff and salary history and Tier 3 average comparison is available in **Appendix 2**.

## FINDING

Callahan does not have an organizational structure to ensure appropriate coverage of all critical tasks, especially when key personnel are absent or abruptly leave the appraisal district.

IAAO's *Introduction to Assessment Administration*, Chapter 1, defines organizing as one of the essential managerial functions. Organizing requires deciding how to structure and staff the organization. Organizing requires developing an organizational structure that shows the allocation of resources, the organization's authority relationships and its structure, including its staffing pattern.

During the onsite visit, the chief appraiser acknowledged that in his absence, the deputy chief appraiser would assume his duties. However, no other cross-training is implemented in the office.

The chief appraiser must oversee the appraisal district's operations and establish an organizational structure that ensures the continuity of critical tasks during personnel absences or departures. Employees should be cross-trained to cover essential appraisal functions, with each role having a designated backup. Without cross-training, the appraisal district will struggle to manage critical tasks if personnel are absent or leave unexpectedly.





## RECOMMENDATION 1

**Establish an organizational structure that ensures appropriate coverage of all critical tasks, even when key personnel are absent or unexpectedly leave the appraisal district.**



## FINDING

Callahan requires additional staff to perform administrative functions so that appraisers can focus on appraising property.

IAAO's *Standard on Mass Appraisal*, Section 6.2.1, Staffing, states that the staff should be a mix of individuals skilled in general administration, supervision, appraisal, mapping, data processing and clerical functions. It also highlights the importance of flexibility in the staffing structure, as the staffing needs can vary significantly based on factors such as the frequency of reappraisals.

The chief appraiser confirmed that Callahan is currently hiring an additional appraiser to assist with appraisal functions. However, the district also lacks sufficient staff to support district operations.

An appraisal district must maintain adequate appraisal staffing levels to ensure the timely and accurate completion of appraisal tasks. Insufficient staffing can lead to deficiencies in the daily operations of the district, contributing to issues such as the SDPVS results being out of range.



## RECOMMENDATION 2

**Hire sufficient support staff to enable appraisers to focus solely on appraisal functions.**

### 1.6 TRAINING

IAAO's *Standard on Professional Development* follows the principle that "assessment jurisdictions benefit when they have knowledgeable and adequately trained personnel to preserve the public's trust; therefore, it is of the utmost importance." **Exhibit 8** provides Callahan's annual training budget and number of trainings attended for the past three years. Appraisal districts should maintain adequate training budgets to allow for certification and continued education of staff.

#### EXHIBIT 8

#### Callahan Training Budget and Number of Trainings

	2022	2021	2020
Training Budget	\$21,800	\$15,800	\$15,800
Number of Trainings Attended	5	5	4

Source: Callahan County Appraisal District

In 2022, Callahan's training budget rose from \$15,800 to \$21,800 and the number of trainings increased from four to five over the three-year review period.



## 1.7 CHIEF APPRAISER

The board of directors is responsible for hiring and periodically evaluating the chief appraiser, who coordinates and oversees appraisal district operations. In organizing and administering an appraisal district, the chief appraiser is responsible for hiring, firing and training personnel; for ensuring compliance with a wide range of legal requirements; and for maintaining policies and procedures for the effective operation of the appraisal district. **Exhibit 9** provides detailed information regarding Callahan’s chief appraiser.

EXHIBIT 9

### Callahan Chief Appraiser Information

#### Chief Appraiser

Is the Chief Appraiser permanent, temporary or interim?	Permanent
Does the Chief Appraiser perform appraisals?	Yes
2022 Base Salary	\$62,600
Chief Appraiser – Years at appraisal district	8
Chief Appraiser – Years as a Chief Appraiser	3
Does the Chief Appraiser receive a car allowance?	No
What is the amount of the car allowance? (If applicable)	\$0
Does the Chief Appraiser receive retirement benefits?	Yes
Does the Chief Appraiser receive medical insurance benefits?	Yes

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey* and Callahan County Appraisal District

## 1.8 APPRAISAL DISTRICT CONTRACTS

PTAD reviews appraisal district contracts for compliance according to IAAO’s *Standard on Contracting for Assessment Services*. **Exhibit 10** lists Callahan’s contracts, which are discussed in more detail in throughout this report.

Project control is important for the stakeholders of both the government agency and the contractor. Having control can help the project manager/program manager compare actual performance against planned performance. The project manager can identify potential problems, evaluate alternative actions and plan for appropriate corrective action.

Project leaders typically create a project plan that includes the tasks to be performed, the project timeline, a budget and project resources. By monitoring the plan and the actual work performed, the project manager can measure both qualitative and quantitative progress.

If the project is deviating from the project timeline, corrective action may be necessary. Deviations can be caused by a number of issues such as change in the project scope or project resources or other setbacks. The corrective plan should be created with input from all project stakeholders.

An appraisal district is a political subdivision of the State of Texas and is subject to the same requirements and has the same purchasing and contracting authority as a municipality under Chapter 252, Local Government Code.



## EXHIBIT 10

## Callahan Contracts

Type of Contract	Contract Dates	Years with Same Vendor	Does appraisal district actively monitor contract?
Appraisals of Minerals, Industrial, Utility and Personal Property	2018-2023	17 years	Yes
Appraisal of Real Property	2019-2025	8 years	Yes
Software	2021-2025	17 years	Yes
Mapping	2019- 2023	6 years	Yes

Source: Callahan County Appraisal District

## Section 2 – Appraisal Administration

### 2.1 APPRAISAL DISTRICT PARCEL DATA

PTAD collects appraisal district parcel data to determine the ratio of appraisers to parcel count and to compare it with the typical parcel per appraiser average in **Exhibit 11**.

## EXHIBIT 11

## 2022 Callahan Parcel Information vs. Typical Parcel Per Appraiser Average

Parcel Information	Callahan	Typical Parcel Per Appraiser (Rounded)
Parcel Count	47,292	10,001 – 70,000
Parcels per Appraisal Staff	360*	6,400**

Source: Texas Comptroller of Public Accounts, *Electronic Appraisal Roll Submission*

\* Excludes parcels for contracted appraisal services:

\*\* Includes all property categories

In 2022, Callahan managed 17,665 parcels placing it on the low side of appraisal districts with 10,001-70,000 parcels. Callahan contracts for appraisal services in Categories A, B, C, D1, D2, E, F, G1, J and L2. Parcels in these categories are removed from the total parcel count to determine the parcels per appraiser of 360. This indicates that Callahan's parcels per appraiser is considerably lower than the typical parcel per appraiser average, which includes all property categories.

From 2019 to 2022, Callahan managed parcel counts ranging from 17,665 to 18,780 (including all property categories) and the parcels assigned per appraiser for properties appraised in house ranged from 360 to 488. The total market value of certified parcels increased from \$1,906,214,034 to \$2,617,551,988 between 2019 and 2022. **Appendix 3** provides the appraisal district's parcel data over the four-year review period.



## 2.2 CONTRACTED APPRAISAL SERVICES

From 2019 to 2022, appraisal district staff appraised 5 to 7 percent of the total appraised value within the appraisal district, specifically for Categories M, O and S. From 2019 to 2022, Callahan contracted for appraisal services for property Categories A, B, C, D1, D2, E, F, G1, J and L2. Each year, these contracted firms appraised 93 to 95 percent of the total appraised value within the appraisal district. The cost of these services varied from \$82,000 to \$87,000 over four years. Additionally, the appraisal district uses a geographic information system (GIS), but not an aerial technology system.

Callahan's contracted appraisal services are listed in **Exhibit 12**.

### EXHIBIT 12

#### Callahan's Contracted Appraisal Services

	2022	2021	2020	2019
Appraisal Services Contract	Yes	Yes	Yes	Yes
Contracted Property Categories	A, B, C, D1, D2, E, F, G1, J and L2	A, B, C, D1, D2, E, F, G1, J and L2	A, B, C, D1, D2, E, F, G1, J and L2	A, B, C, D1, D2, E, F, G1, J and L2
Percentage of total appraised value appraised by contracted appraisal firms	95%	93%	95%	94%
Appraisal Contract Cost	\$87,000	\$87,000	\$83,000	\$82,000

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

## FINDING

Callahan did not have the board of directors vote on or adopt contracts from 2020 to 2022.

IAAO's *Standard on Contracting for Assessment Services*, Section 4.2, Legal Considerations, advises that all parties and decision-making entities should carefully review the contract, obtain legal guidance and review and sign only when fully satisfied that the contract adequately addresses the project as contemplated. The contract must stand independently; the board of directors or appraisal district personnel should avoid verbal agreements and understandings altogether.

A review of board of directors' minutes revealed no recorded vote to adopt contracts for the CAMA system or mapping/GIS services.

An appraisal district must obtain legal guidance and secure board approval for contracts. The board of directors should review and formally vote to adopt proposed contracts.

## RECOMMENDATION 3

**Ensure the board of directors reviews and votes to adopt contracts.**



## 2.3 COMPUTER ASSISTED MASS APPRAISALS (CAMA)

IAAO's *Standard on Mass Appraisal*, Section 6.3.2, Software, explains the appraisal district can internally develop CAMA software, adapted from software developed by other public agencies, or purchased (in whole or in part) from private vendors. The appraisal district must tailor it to adapt externally developed software to the requirements of the user's environment. Each alternative has advantages and disadvantages. The appraisal district should have software designed to be easily modified and well-documented at both the appraiser/user and programmer levels.

CAMA software works simultaneously with various general-purpose software, typically including word processing, spreadsheet, statistical and GIS programs. These programs and applications must be able to share data and work together cohesively.

### FINDING

Callahan staff is not authorized to perform queries, ratio studies, or quality control reports using the CAMA software. This is a duty only performed by management.

Callahan has contracted with the same CAMA software provider since 2007. According to Callahan's chief appraiser, only himself and the deputy chief appraiser can run appraisal queries, ratio studies and quality control reports.

It is important for all staff to be proficient in using the CAMA system to complete job duties efficiently. Insufficient training on using the CAMA software can cause inefficiency and a lack of understanding of the ratio study program among appraisers. This can hinder the appraisal district's ability to identify, sort, stratify and analyze sales data and central tendencies, which are essential for assigning accurate appraised values. This can result in inaccurate analysis, affecting property values.

### RECOMMENDATION 4

**Authorize and train staff to fully use the appraisal software system.**

## 2.4 MAPPING AND/OR AERIAL PHOTOGRAPH

IAAO's *Standard on Digital Cadastral Maps and Parcel Identifiers* (2015), Section 3.7, states basic information contained on maps should include parcel boundaries, identifiers, dimensions and area, subdivision or plat information, block and lot numbers, jurisdictional boundaries, locations and names of streets, railroads, rivers, lakes and other geographic features, situs addresses and geographic boundaries.

Comptroller Rule 9.3002 requires all appraisal offices and tax offices appraising property for ad valorem purposes to develop and maintain a system of tax maps covering the entire area of the taxing units for whom each office appraisees property.

Tax maps should be drawn to scale and delineated for lot lines or property lines or both, with dimensions or areas and identifying numbers, letters, or names for all delineated lots or parcels. Each parcel must be assigned parcel identification numbers (PIN) and the PIN recorded on the corresponding appraisal card. The tax map system should be updated annually.

### FINDING

Callahan's maps do not provide the information specified in IAAO's *Standard on Digital Cadastral Maps and Parcel Identifiers*.

IAAO's *Standard on Digital Cadastral Maps*, Section 2, Introduction, states cadastral maps for the entire jurisdiction, regardless of taxable status or ownership, are essential to the performance of assessment functions. Digital cadastral maps enable the assessor to access parcel location and information, reveal geographic relationships that affect property value and provide a platform for the visualization of data layers and analytical results more efficiently.



IAAO's *Standard on Digital Cadastral Maps*, Section 3.4, Parcel Identifiers, recommends that each parcel polygon should be attributed with a unique identifier. The parcel identifier provides a common index for all property records. Each parcel should be keyed to a unique identifier or code that links the cadastral layer with files containing such data as ownership, building and land value, use and zoning.

IAAO's *Standard on Digital Cadastral Maps*, Section 3.5, Map Products, advises the appraisal district to maintain a variety of additional map overlays which support the appraisal district's work and other users such as municipalities or other taxing units.

Callahan's maps include school district boundaries, abstract names, subdivision names, street names, highways, parcel identifiers and scale; however, they lack parcel dimensions and a north arrow. Out of 75 sampled properties, the reviewer was unable to locate seven (9 percent) on Callahan's maps.

## RECOMMENDATION 5

**Update appraisal district maps to reflect all properties.**

### 2.5 RATIO STUDIES

An appraisal district should perform ratio study analyses to evaluate appraisal performance. Per IAAO's *Standard on Ratio Studies*, there are several key uses of ratio studies including: measurement and evaluation of the level and uniformity of mass appraisal models, internal quality assurance and identification of appraisal priorities, determination of whether administrative or statutory standards have been met, determination of time trends and adjustment of appraised values between reappraisals. Ratio Study Uniformity Standards indicating acceptable general quality are presented in **Exhibit 13**.

EXHIBIT 13

#### Ratio Study Uniformity Standards

Type of property - General	Type of property - Specific	COD Range*
Single-family residential (including residential condominiums)	Newer or more homogeneous areas	5.0 to 10.0
Single-family residential	Older or more heterogeneous areas	5.0 to 15.0
Other residential	Rural, seasonal, recreational, manufactured housing, 2-4 unit family housing	5.0 to 20.0
Income-producing properties	Larger areas represented by large samples	5.0 to 15.0
Income-producing properties	Smaller areas represented by smaller samples	5.0 to 20.0
Vacant land	N/A	5.0 to 25.0
Other real and personal property	N/A	Varies with local conditions

Source: IAAO's *Standard on Ratio Studies*

*These types of property are provided for guidance only and may not represent jurisdictional requirements.*

*\* Coefficient of Dispersion (CODs) lower than 5.0 may indicate sales chasing or non-representative samples.*



## CALLAHAN RATIO STUDIES

### FINDING

Callahan does not identify and capture all property sales transfers.

IAAO's *Standard on Verification and Adjustment of Sales*, Section 3.1, Real Estate Transfer Documents, states the appraisal district should complete the real estate transfer documents, including deeds, sales contracts and transfer affidavits (i.e., land contracts, contract for deed), at the time of sale. In the sale verification process, the appraisal district must review the transfer document for the type of interest transferred; the rights conveyed and other conditions that could affect the arm's-length nature of the sale.

Callahan failed to provide the source of sales for all reviewed sample properties. Sales documentation was available for 19 out of 25 sample properties, with missing documentation noted in Categories: C, D1, E and F. All sales documentation for Category A sample properties was reviewed.

An appraisal district must gather available real estate transfer documents and use third-party sources to collect sales information for ratio studies. Proper collection of sales data provides a reliable basis for ratio studies.

### RECOMMENDATION 6

**Capture sales and document them in the CAMA appraisal software system.**

### FINDING

Callahan does not conduct ratio studies at timely intervals during the valuation process. They do not run ratio studies by market area, neighborhood, property class or stratum.

IAAO's *Standard on Ratio Studies and Frequency of Ratio Studies*, Section 4.2, recommends that the appraisal district conduct at least four ratio studies to establish the following:

- i. a baseline of current appraisal performance
- ii. preliminary values so that they can correct any significant deficiency
- iii. values used in assessment notices sent to taxpayers
- iv. final values after completion of the first informal phase of the appeals process

The appraisal district can use the final study to plan for the following year. In addition, it can conduct ratio studies as needed to evaluate appraisal procedures, investigate a discrimination complaint, or answer a specific question.

IAAO's *Standard on Ratio Studies*, Section 2.3, Uses of Ratio Studies, states the critical uses of ratio studies are as follows:

- i. measurement and evaluation of the level and uniformity of mass appraisal models
- ii. internal quality assurance and identification of appraisal priorities
- iii. determination of whether the appraisal district has met administrative or statutory standards
- iv. determination of time trends
- v. adjustment of appraised values between reappraisals

IAAO's *Standard on Ratio Studies*, Section 3.3, Stratification states: Stratification divides all the properties within the scope of the study into two or more groups or strata. Stratification facilitates a completer and detailed picture of appraisal performance and can enhance sample representativeness.





Each type of property subject to a distinct level of assessment could constitute a stratum. Other property groups, such as market areas, school districts and tax units, could constitute additional strata.

The appraisal district should choose strata consistent with factors in the mass appraisal model. When the study's purpose is to evaluate appraisal quality, flexibility in stratification is essential. The general goal is for the appraisal district to identify areas where the assessment levels are too low or lack uniformity and property groups for which the appraisal district may require additional reappraisal work. In such cases, it is also highly desirable to simultaneously stratify based on more than one characteristic.

Stratification can help identify differences in appraisal levels between property groups. In large jurisdictions, stratification by market areas is generally more appropriate for residential properties. In contrast, stratification of commercial properties by either geographic area or property subtypes (e.g., office, retail and warehouse/industrial) can be more effective.

In 2022, ratio studies were conducted from January through May 7, 2022, while appraisal notices were sent out on May 17, 2022. For 2021, ratio studies were conducted from March through April 6, 2021, with appraisal notices sent out on April 16, 2021. In 2020, ratio studies were conducted in September 2019, January 2020 and April 9, 2020, with appraisal notices sent on April 22, 2020. This review indicates that ratio studies are not conducted at timely intervals during the valuation process.

For 2022, no ratio reports were made available to review for Moran ISD and Cisco ISD. For 2021, no ratio reports for all market areas were made available to review, only by property class. In 2020, ratio reports were available for Clyde ISD and the total county ratio. A review of ratios studies from 2020 to 2022 indicates they were not conducted by market area, neighborhood, property class or stratum.

It is crucial to collect regular sales data, conduct ratio studies and evaluate cost schedules based on these findings to accurately assess reliable market trends and establish developing market values.

## RECOMMENDATION 7

**Conduct ratio studies at timely intervals by market area, neighborhood, property class or stratum.**

### **PTAD'S APPRAISAL DISTRICT RATIO STUDY (ADRS)**

Tax Code Section 5.10 requires PTAD to conduct a ratio study to measure the performance of each appraisal district in Texas at least once every two years and to publish the results.

The purpose of the Appraisal District Ratio Study (ADRS) is to measure the uniformity and median level of appraisals performed by an appraisal district within each major category of property.

To conduct the ADRS, PTAD applies appropriate standard statistical analysis techniques to data collected through the SDPVS required by Government Code Section 403.302.

The published report provides ratio study results for each appraisal district studied that year and includes:

- the median levels of appraisal for each major property category.
- the coefficient of dispersion (COD) around the median level of appraisal for each major property category; and
- other appropriate statistical measures.

**Exhibit 14** shows the data from PTAD's Appraisal District Ratio Study for Callahan in 2022.



## EXHIBIT 14

## PTAD's Appraisal District Ratio Study, Callahan 2022

Category	Number of Ratios**	2022 CAD Reported Appraisal Value	Median Level of Appraisal	Coefficient of Dispersion	% Ratios within (+/-) 10 % of Median	% Ratios within (+/-) 25 % of Median	Price - Related Differential
A. SINGLE-FAMILY RES	200	309,289,230	0.88	20.01	34.00	65.50	1.05
B. MULTI-FAMILY RES	0	5,177,340	*	*	*	*	*
C1. VACANT LOTS	0	4,469,370	*	*	*	*	*
C2. COLONIA LOTS	0	0	*	*	*	*	*
D2. FARM/RANCH IMP	0	21,878,760	*	*	*	*	*
E. RURAL-NON-QUAL	80	328,835,690	0.74	33.60	18.75	48.75	1.11
F1. COMMERCIAL REAL	48	55,491,410	*	*	*	*	*
F2. INDUSTRIAL REAL	0	512,602,300	*	*	*	*	*
G. OIL, GAS, MINERALS	0	9,491,042	*	*	*	*	*
J. UTILITIES	3	325,982,800	*	*	*	*	*
L1. COMMERCIAL PER	9	35,604,512	*	*	*	*	*
L2. INDUSTRIAL PER	0	20,110,270	*	*	*	*	*
M. OTHER PERSONAL	0	26,875,100	*	*	*	*	*
O. RESIDENTIAL INV	0	0	*	*	*	*	*
S. SPECIAL INVENTORY	0	15,446,500	*	*	*	*	*
OVERALL	340	1,671,254,324	0.89	21.38	33.82	67.94	1.02

Source: Texas Comptroller of Public Accounts, *Appraisal District Ratio Study 2022 Tax Year Findings*

\* Category result not calculated. Calculation requires a minimum of five ratios from either of the following:

- Categories representing at least 25 percent of total appraisal district category value.
- Five school districts or half the school districts in the appraisal district, whichever is less.

\*\* Statistical measures may not be reliable when the sample is small.

## FINDING

Callahan is not appraising property uniformly or equitably.

Ratio Study standards provide a means of measuring whether appraisal efforts have met appropriate expectations. To determine reappraisal priorities, appraisal districts should use ratio studies to measure the level of appraisal and uniformity of appraisal for the overall jurisdiction, for individual mass appraisal neighborhoods or market areas, by types of properties, or any other significant segment that assists in that determination.

The median measures the accuracy of an appraisal district's appraisals in relation to the standard of 100 percent of market value. According to AAO, the median is the appropriate measure of central tendency for evaluating appraisal performance. The median level of appraisal standard is 0.95-1.05 to indicate accurate market value appraisals. **Exhibit 14** shows Callahan has a low overall median level of appraisal (0.89) and a low median level of appraisal in Categories A (0.88) and E (0.74).



The Coefficient of Dispersion (COD) is a measure of appraisal uniformity. **Exhibit 13** shows the IAAO suggested COD standards. **Exhibit 14** shows that Callahan has a high COD in Category E (33.60), indicating significant issues with uniformity in this category, meaning excessive variability in appraisal ratios. For Category A, the COD is 20.01, also above the IAAO-recommended standards, suggesting inconsistent appraisals among single-family residences. The overall COD is 21.38, which is higher than the acceptable range (typically below 20 percent for residential properties and below 25 percent for other property types), indicating a lack of uniformity across the Callahan's appraisals.

The Price-Related Differential (PRD) is a measure of vertical equity, comparing the appraisal of higher valued properties to the appraisal of lower valued properties. IAAO states that anything outside of the PRD range of 0.98-1.03 indicates vertical inequity or treating higher and lower priced properties differently. **Exhibit 14** indicates potential issues with vertical equity, particularly in Category E with a PRD of 1.11. A PRD above 1.00 suggests appraisal regressivity, where higher-valued properties are appraised at a lower percentage of market value compared to lower-valued properties. The overall PRD (1.02) only slightly above 1.00, indicating mild regressivity but within acceptable IAAO limits.

Other statistical measures, such as the percentage of ratios within  $\pm 10$  percent and  $\pm 25$  percent of the median, reveal low performance in achieving close-to-market appraisals. Only 33.82 percent of the ratios fall within  $\pm 10$  percent of the median in Callahan, highlighting substantial deviations from market value appraisals. The percentage within  $\pm 25$  percent is 67.94 percent, still below the desired 90 percent range, further supporting the need for improvement in uniformity.



## RECOMMENDATION 8

**Use Callahan's local ratio study results to make reappraisal decisions necessary to produce accurate values.**

## 2.6 REAPPRAISAL PLAN

Tax Code Section 6.05(i) requires the appraisal district board of directors to develop a biennial reappraisal plan in even numbered years and to hold a public hearing to adopt the plan. The plan must indicate how the appraisal district will comply with Tax Code Section 25.18 which requires the reappraisal of all real and personal property in the appraisal district at least once every three years to ensure that all property is appraised at 100 percent of market value on Jan. 1.

## FINDING

Callahan did not complete inspections timely according to their reappraisal plan.

Tax Code Section 25.18 states:

- (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 appraisal 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 appraisal district;
  - (4) identifying property characteristics that affect property value in each market area, including:
    - (A) the location and market area of property;
    - (B) physical attributes of property, such as size, age and condition;



- (C) legal and economic attributes; and
- (D) easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;
- (5) developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics;
- (6) applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
- (7) reviewing the appraisal results to determine value.

Callahan's reappraisal plan requires appraisers to physically inspect all properties in area one (Clyde CISD) by March 31. A review of sample properties revealed that inspections were not completed on time. The following sample properties had inspection dates later than March 31: 8286, 2384, 17521, 17396, 18718.

An appraisal district must adhere to the schedule specified in the reappraisal plan or they should modify the plan to address problematic areas.

## RECOMMENDATION 9

**Ensure that reappraisal of accounts is completed according to the schedule outlined in the reappraisal plan.**

## 2.7 QUALITY CONTROL

An appraisal district should follow a quality control process to ensure that accuracy standards are achieved and maintained. Proper quality control analysis is essential in determining reliable market trends and developing market values. An appraisal district should have written procedures outlining how to perform a proper quality analysis to prevent errors in the process.

## FINDING

Callahan did not complete work in identified market areas for each year reviewed.

IAAO's *Standard on Data Quality*, Section 3, Data Quality Management, states that monitoring and reviewing data quality is fundamental to a successful mass appraisal process. The rate at which the quality of assessment data erodes is highly variable. However, the gap between what exists in the world and what is in the appraisal district's records grows over time. In addition to maintaining data to a specified standard and determining areas of strength and/or weakness of data, the results may be used to determine how raw data, stratification of data, data sources, or data collection efforts can be enhanced to produce better future performance.

Regardless of the source, the appraisal district needs to have quality assurance and control mechanisms in place to ensure the quality of assessment data and detect and correct deficiencies in the quality of data prior to valuation. These components provide confidence in the appraisal product when built into the regular reappraisal cycle.

A review of ratio studies for 2020 to 2022 indicated that work on all identified market areas was not completed. Specifically, Callahan did not provide ratio studies for Moran ISD or Cisco ISD.

Conducting ratio studies is essential for determining reliable market trends and developing accurate market values.

## RECOMMENDATION 10

**Ensure that the appraisal district reviews and completes ratio studies for all identified market areas.**



## Section 3 – Categories of Valuation in the SDPVS

PTAD found Baird ISD's Categories A, D1, E and J to be invalid in the years indicated in **Exhibit 15**. Because these property categories had invalid ratios in at least one of the three review years, these property categories are the basis of this TARP review.

PTAD found Categories B, C1, F, G and L1 in Baird ISD to be valid and they are *not* included in the scope of this TARP review.

### EXHIBIT 15

#### SDPVS Invalid Property Categories 2020-22

ISD	2020	2021	2022
Baird	A, D1, E and J	D1 and E	A, E and J

Source: Texas Comptroller of Public Accounts, [School District Property Value Study Final Findings](#)

### 3.1 CATEGORY A – SINGLE-FAMILY RESIDENTIAL PROPERTY VALUATION

The Comptroller's [Texas Property Tax Assistance Property Classification Guide](#) states Category A property includes single-family residential improvements and land on which the improvements are situated. They may or may not be within the city limits or in close proximity to a city.

Callahan's Category A property values were statistically invalid from 2020 to 2022. Callahan undervalued appraisals during the rapidly appreciating market from 2022 to 2022. Callahan did not run ratio studies effectively and did not implement indicated changes. A recommendation related to this category can be found earlier in this report under the Ratio Studies section

### 3.2 CATEGORY (D) D1 – QUALIFIED OPEN-SPACE LAND PROPERTY VALUATION AND CATEGORY D2 – FARM AND RANCH IMPROVEMENTS SPECIAL USE VALUATION

The Comptroller's [Texas Property Tax Assistance Property Classification Guide](#) states Category D1 includes all acreage qualified for productivity valuation under Texas Constitution, Article VIII, 1-d or 1-d-1 and Tax Code Chapter 23, Subchapters C, D, E and H.

It also states Category D2 includes 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 or ranching.

Callahan's Category D1 property values were statistically invalid from 2020 to 2021. Discussion with current chief appraiser indicates net to land calculated values for 2020 and 2021 conducted by prior chief appraiser were never implemented in the CAMA system. The current chief appraiser, hired in 2021, identified the error and corrected the calculation values in 2022. The review of 2022 net to land calculations found that the correct values are implemented in CAMA.

### 3.3 CATEGORY E – RURAL LAND, NOT QUALIFIED FOR OPEN-SPACE APPRAISAL PROPERTY VALUATION

The Comptroller's [Texas Property Tax Assistance Property Classification Guide](#) states Category E includes only rural land that is not qualified for productivity valuation and the improvements on that land, including residences. Appraisal districts may report any size tract in Category E.



As always, primary use is the determining factor in classifying property. If the land is used as residential inventory, commercial, industrial, or other purposes, classify the property by that use. Likewise, if the land qualifies as open-space land for productivity appraisal, the use determines its classification as Category D1. If the land does not fit in these other categories, report it in Category E.

## FINDING

Callahan does not conduct ratio studies regularly for vacant land properties and does not clearly document land valuation procedures.

IAAO's *Standard on Mass Appraisal*, Section 4.5, Land Valuation, states that state or local laws may require the appraisal district to separate the value of an improved parcel into land and improvement components. When the appraisal district uses the sales comparison or income approach, an independent land value estimate can be subtracted from the total property value to obtain a residual improvement value. Some computerized valuation techniques separate total value into land and building components.

The appraisal district should annually review and adjust values. Each appraisal office must implement the plan for periodic reappraisal of property and the plan must provide for the reappraisal activities for all real and personal property in the appraisal district at least once every three years. The sales comparison approach is the primary approach to land valuation and is always preferred when sufficient sales are available. In the absence of adequate sales, the appraisal district can use other techniques in land appraisal including allocation, abstraction, anticipated use, capitalization of ground rents and land residual capitalization.

Callahan failed to conduct consistent ratio studies for vacant land from 2020 to 2022. In 2020, no sales ratios were available to review for Baird ISD: only the county and Clyde ISD ratios were provided. In 2021, ratio studies were not available for Baird ISD; only Eula ISD and Cross Plains ISD. In 2022, the ratios reviewed for Baird ISD were limited to tract sizes of one to five acres (consisting of D and E properties) and 21 to 1000 acres (consisting of one category E property).

Collecting sales data and performing ratio studies analysis regularly is essential for determining reliable market trends and developing market values.

## RECOMMENDATION 11

**Maintain market value for vacant land properties by conducting ratio studies and review and update land schedules annually.**

## FINDING

Callahan does not clearly document land valuation procedures.

IAAO's *Property Assessment Valuation*, Chapter 7 on Land Valuation, states that land valuation is a vital step in the assessment process. Accurate land values form the base of an effective appraisal system. In the cost approach, land values are determined separately and added to estimated building values to produce an appraisal. In the sales comparison and income approaches, the appraisal district should use land values to allocate the total estimated value between land and improvement.

Although Callahan's land appraisal procedures and reappraisal plan mention some aspects of the land valuation process, they do not specify the years of sales used. The appraisal district failed to clearly document its land valuation procedure.

## RECOMMENDATION 12

**Document land valuation procedures.**



### 3.4 CATEGORY J – REALAND PERSONAL PROPERTY: UTILITIES PROPERTY VALUATION

The Comptroller's [\*Texas Property Tax Assistance Property Classification Guide\*](#) states Category J property includes the real and personal property of utility companies and co-ops. Usually, utility companies supply continuous or repeated services through permanent physical connections between a plant and a consumer.

Callahan's Category J property values were statistically invalid in 2020 and 2022. The same appraisal services contractor has appraised Callahan's utility property for 17 years. Callahan should actively monitor the proposed market values produced by the appraisal contractor to ensure the contractor is performing appraisal and related services for the appraisal district and that such appraisal services comply with Tax Code Section 23.01 relating to the Uniform Standards of Professional Appraisal Practice (USPAP) as it applies to the described properties in the appraisal services contract.





# APPENDICES

## APPENDIX 1

### Appraisal District Budget

	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Total Budget (Excluding Collections)	\$613,687	\$609,600	\$579,953	\$538,193	\$512,391	\$547,673
Total Property Taxes Levied (All Jurisdictions)	\$28,349,925	\$20,256,922	\$18,446,497	\$17,164,149	\$60,025,749	\$50,052,925
Does the appraisal district collect taxes?	No	No	No	No	No	No
Number of Taxing Units Appraisal District Collects For (If Applicable)	N/A	N/A	N/A	N/A	N/A	N/A

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

## APPENDIX 2

### Appraisal District Staffing

Appraisal District Staff						
	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Full Time Staff	5	5	5	5	4	4
Part Time Staff	1	1	1	1	N/A	N/A

Appraisal Staff						
	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Full Time Appraisers	4	4	3	3	3	3
Lowest Appraiser Salary	\$28,477	\$27,295	\$28,055	\$26,800	\$40,079	\$39,505
Highest Appraiser Salary	\$28,477	\$31,931	\$28,055	\$26,800	\$46,417	\$48,041

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*



## APPENDIX 3

## Appraisal District Parcel Information

Callahan	2022	2021	2020	2019
Parcel Count*	17,665	17,853	18,354	18,780
Number Taxing Units	11	11	11	11
Parcels per Appraisal Staff**	360	369	488	481
Total Market Value Certified	\$2,617,551,988	\$2,005,658,083	\$1,956,768,693	\$1,906,214,034

## Parcels per Appraisal Staff Averages

Parcels	Parcels/Appraiser
Under 10,000	5,300 parcels/appraiser
10,001 – 70,000	6,400 parcels/appraiser
70,001 – 200,000	6,700 parcels/appraiser
Over 200,000	7,100 parcels/appraiser

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey and Electronic Appraisal Roll Submission*

\* Parcel count includes contracted appraisal services.

\*\*Parcels per appraiser does not include contracted appraisal services.

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