



Property Tax Assistance Division
2023 Report

Review of
Appraisal District
Appraisal
Standards,
Procedures and
Methodology

TARGETED APPRAISAL REVIEW PROGRAM

CLAY COUNTY APPRAISAL DISTRICT



GLENN HEGAR
Texas Comptroller of Public Accounts

2023 TARGETED APPRAISAL REVIEW

CLAY COUNTY APPRAISAL DISTRICT

Chief Appraiser: Lisa Murphy

Reviewer: Rosie Skiles

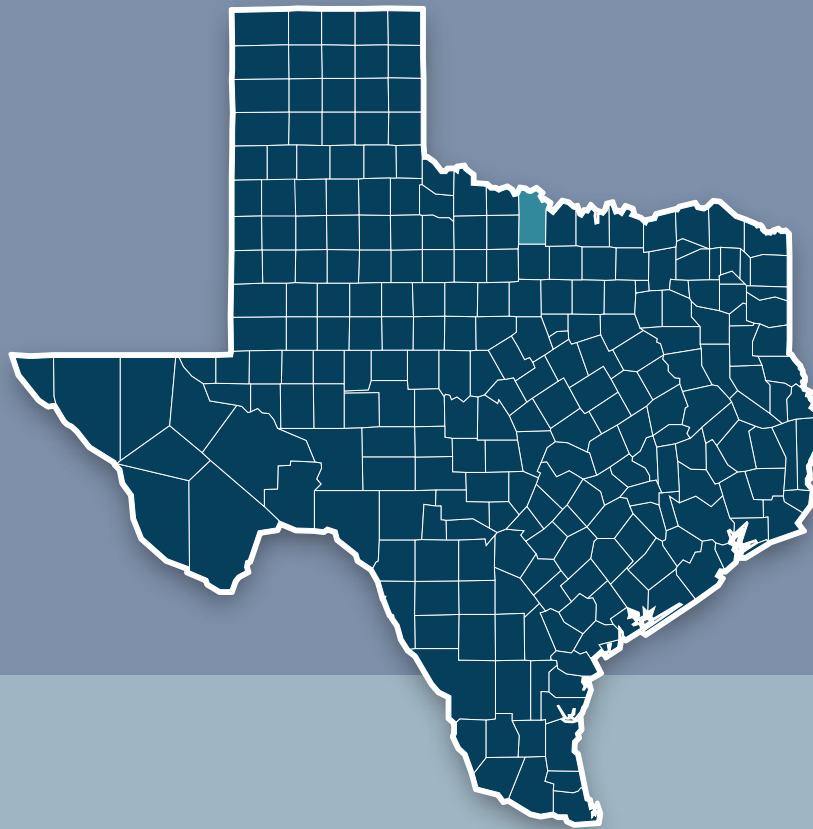




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Executive Summary

In September 2023, the Texas Comptroller of Public Accounts identified Henrietta Independent School District (Henrietta ISD), located in Clay 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 Clay County Appraisal District (Clay).

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 Clay. Over the next year, TARP reviewers will work with Clay 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 Clay 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 Henrietta ISD in Clay 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

Clay SDPVS Results 2020-2022

SDPVS Year	County	School District	Findings	Category*	Ratio
2022	Clay	Henrietta ISD	Invalid	A	0.9061
2022	Clay	Henrietta ISD	Invalid	D1	1.2511
2022	Clay	Henrietta ISD	Invalid	E	0.7288
2022	Clay	Henrietta ISD	Invalid	F	0.9234
2021	Clay	Henrietta ISD	Invalid	A	0.9059
2021	Clay	Henrietta ISD	Invalid	D1	1.1591
2020	Clay	Henrietta ISD	Invalid	A	0.8517
2020	Clay	Henrietta ISD	Invalid	E	0.8487

*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 Clay, PTAD makes the following recommendations, which are discussed in greater detail throughout this report:

- Update appraisal district maps to reflect all properties.
- Conduct ratio studies at timely intervals by market area, neighborhood, property class or stratum and make appropriate adjustments based on results.
- Use Clay's local ratio study results to make reappraisal decisions necessary to produce accurate values.
- Inspect parcels identified for appraisal in the most recent reappraisal plan timely.
- Conduct and analyze ratio studies to determine areas to address and incorporate them in the reappraisal plan.
- Follow written quality control procedures to ensure work is completed accurately and timely.
- Review and update residential cost schedules annually.
- Use properly calculated values for land designated as agricultural use.
- Review and update land schedules annually.
- Document land valuation procedures.
- Update commercial cost schedules.



Section 1 – Overview of County Appraisal District

1.1 COUNTY HISTORY AND DEMOGRAPHICS

According to [*The Handbook of Texas Online*](#), the Texas State Legislature created Clay County in 1857 out of Cooke County. It was named in honor of Henry Clay, a famous U.S. Senator, Speaker of the U.S. House and statesman. Henrietta, established in 1860, became the county seat. Located in North Texas, Clay County is bordered by Oklahoma to the north, Montague County to the east, Wichita County to the west and Archer and Jack counties to the south.

The county includes Bellevue, Henrietta and Petrolia Independent School Districts. The county population in 2020, according to the United States Census, was 10,218. Major population centers include the cities of Henrietta, with 2,883 residents and Petrolia, with 686 residents, along with various smaller towns and rural areas.

Based on the 2020 census population, PTAD classifies Clay as Tier 3 for comparison with appraisal districts of similar population size.

Exhibit 3 shows the population brackets for each tier.

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

1.2 APPRAISAL DISTRICT ORGANIZATION AND STAFFING

Clay became active in January 1980. As of July 2024, it has five full-time positions. Clay contracts with a vendor for professional appraisal services for all property categories. **Exhibit 4** presents Clay's general organizational structure.

EXHIBIT 4

Clay Organization Structure



Source: Clay County Appraisal District

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.

Clay provides appraisal services for 16 taxing units and collection services for 11 taxing units, as shown in **Exhibit 5**.



EXHIBIT 5

Clay Taxing Units and Collections

Name of Taxing Unit	Appraisal District Collects Property Taxes
Clay County	Yes
Bellevue City	Yes
Bellevue Independent School District	Yes
Bowie Independent School District	No
Burkburnett Independent School District	No
Byers City	Yes
ESD 1	Yes
ESD 2	Yes
Goldburg Independent School District	No
Henrietta City	Yes
Henrietta Independent School District	Yes
Midway Independent School District	Yes
Petrolia CISD	Yes
Petrolia City	Yes
Windthorst City	No
Windthorst 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 Clay's 2022 budget (excluding collections) versus the Tier 3 average 2022 budget (excluding collections) to show how Clay's budget aligns with the tier average.

EXHIBIT 6

Clay 2022 Budget vs. Tier 3 Average

Clay County Appraisal District Budget (2022)	Tier 3 Average Budget (2022)
\$715,562	\$547,673

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



In 2022, Clay operated with a budget of \$715,562, which is significantly higher than the Tier 3 average budget. This budget comparison highlights the relatively larger financial resources, as reported by Clay 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 Clay's 2022 staffing (excluding collections) and the 2022 Tier 3 staffing average (excluding collections) to determine how Clay staffing and salaries compare with the tier average.

EXHIBIT 7

Clay 2022 Staffing and Salaries vs. Tier 3 Average

	2022	2022 Tier 3 Average
Full Time Staff	5	4
Part Time Staff	0	N/A
Full Time Appraisers	0	3
Lowest Appraiser Salary	\$0	\$39,505
Highest Appraiser Salary	\$0	\$48,041

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

From 2019 to 2022, Clay has maintained a full-time staff of three to five employees, aligning with the 2022 Tier 3 average of four. There have been no part-time staff members during this period. From 2019 to 2022, Clay did not have any staff appraisers and contracts out for appraisal services. All employees except for the chief appraiser are support or collections staff. A four-year staff and salary history and Tier 3 average comparison is available in **Appendix 2**.

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 Clay's annual training budget and number of trainings attended for the past three years. Clay should maintain adequate training budgets to allow for certification and continued education of staff.

EXHIBIT 8

Clay Training Budget and Number of Trainings

	2022	2021	2020
Training Budget	\$3,000	\$3,000	\$3,000
Number of Trainings Attended	3	2	1

Source: Clay County Appraisal District



In 2022, Clay’s training budget remained steady at \$3,000, consistent with the previous two years. The number of trainings attended by Clay staff increased from one to three 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 Clay’s chief appraiser.

EXHIBIT 9

Clay Chief Appraiser Information

Chief Appraiser

Is the Chief Appraiser permanent, temporary or interim?	Permanent
Does the Chief Appraiser perform appraisals?	Yes
2022 Base Salary	\$52,000
Chief Appraiser – Years at appraisal district	3
Chief Appraiser – Years as a Chief Appraiser	3
Does the Chief Appraiser receive a car allowance?	Yes
What is the amount of the car allowance? (If applicable)	\$6,000
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 Clay 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 Clay’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 alter-native 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. Clay regularly goes out for bids on contracts.

EXHIBIT 10

Clay Contracts

Type of Contract	Contract Dates	Years with Same Vendor	Does appraisal district actively monitor contract?
Appraisal of Real Property and Business Personal Property	2019-2020	6 years	Yes
Appraisal of Real Property and Business Personal Property	2020-2026	3 years	Yes
Appraisal of Minerals, Industrial, Utilities and Personal Property	2018-2023	13 years	Yes
Software	2019-2024	13 years	Yes
Mapping	2018-2023	13 years	Yes
GIS	2018-2023	13 years	Yes
Imagery	2023-2024	1 year	Yes

Source: Clay 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 Clay Parcel Information vs. Typical Parcel Per Appraiser Average

Parcel Information	Clay	Typical Parcel Per Appraiser (Rounded)
Parcel Count	20,177	10,001-70,000
Parcels per Appraisal Staff	0*	6,400**

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

* Excludes parcels for contracted appraisal services:

** Includes all property categories



Clay does not have any staff appraisers and contracts out for appraisal services.

From 2019 to 2022, Clay managed parcel counts ranging from 20,177 to 22,544 (including all properties). The total market value of certified parcels increased steadily from \$2,095,903,000 to \$2,333,560,012 between 2019 and 2022. **Appendix 3** provides the Clay's parcel data over the four-year review period.

2.2 CONTRACTED APPRAISAL SERVICES

From 2019 to 2022, Clay contracted for appraisal services for property Categories A, B, C, D1, D2, E, F1, F2, G1, J, L1, L2, M, O and S. Each year, these contracted firms appraised 100 percent of the total appraised value within Clay. The cost of these services varied, from \$50,000 to \$106,100 over the four-year period. The appraisal district also uses a geographic information system (GIS) but did not employ aerial technology systems.

Exhibit 12 lists Clay's contracted appraisal services.

EXHIBIT 12

Clay's Contracted Appraisal Services

	2022	2021	2020	2019
Appraisal Services Contract	Yes	Yes	Yes	Yes
Contracted Property Categories	A, B, C, D1, D2, E, F1, F2, G1, J, L1, L2 and M, O and S	A, B, C, D1, D2, E, F1, F2, G1, J, L1, L2 and M, O and S	A, B, C, D1, D2, E, F1, F2, G1, J, L1, L2 and M, O and S	A, B, C, D1, D2, E, F1, F2, G1, J, L1, L2, M, O and S
Percentage of total appraised value appraised by contracted appraisal firms	100%	100%	100%	100%
Appraisal Contract Cost	\$78,000	\$80,000	\$50,000	\$106,100

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

2.3 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

Clay'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.

Out of 75 sampled properties, the reviewer was unable to locate seven (9 percent) on Clay's maps.

RECOMMENDATION 1

Update appraisal district maps to reflect all properties.

2.4 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.

Exhibit 13 presents Ratio Study Uniformity Standards indicating acceptable general quality.

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.*



CLAY RATIO STUDIES

FINDING

Clay 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 and they do not use ratio study results to determine if adjustments should be made.

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 more complete 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.

Clay 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 to identify areas in which the assessment levels are too low or lack uniformity and property groups for which additional reappraisal work may be required. In such cases, it is also highly desirable to stratify on the basis of more than one characteristic simultaneously.

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.

From 2020 to 2022, Clay did not conduct ratio studies at timely intervals and by market area, neighborhood, property class or stratum. The 2021–2022 reappraisal plan identifies specific market areas for Clay County, including Henrietta ISD, Henrietta City, Henrietta Rural, Petrolia CISD, Midway ISD, Bellevue ISD, Henrietta Lake, Henrietta Arrowhead Ranch Estates, Petrolia City, Byers City, Burkburnett ISD, Bowie ISD, Goldburg ISD, Windthorst ISD and Bellevue City. However, for 2022, no ratio studies were made available for review. In 2021, ratios from a combined recap report of Categories A and E were the only ratio studies available for review. In 2020, ratios studies reviewed did not include all market areas listed in the reappraisal plan.

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 2**

Conduct ratio studies at timely intervals by market area, neighborhood, property class or stratum and make appropriate adjustments based on results.

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 Clay in 2022.

EXHIBIT 14**PTAD's Appraisal District Ratio Study, Clay 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	238	403,540,950	0.97	18.11	42.86	76.47	1.04
B. MULTI-FAMILY RES	0	6,231,680	*	*	*	*	*
C1. VACANT LOTS	0	9,536,190	*	*	*	*	*
C2. COLONIA LOTS	0	0	*	*	*	*	*
D2. FARM/RANCH IMP	8	19,678,240	*	*	*	*	*
E. RURAL-NON-QUAL	102	212,059,240	0.97	21.42	36.27	66.67	1.06
F1. COMMERCIAL REAL	26	35,709,540	*	*	*	*	*
F2. INDUSTRIAL REAL	0	145,535,280	*	*	*	*	*
G. OIL, GAS, MINERALS	26	34,181,520	*	*	*	*	*
J. UTILITIES	12	190,157,050	0.96	7.12	83.33	91.67	0.95
L1. COMMERCIAL PER	0	27,149,410	*	*	*	*	*
L2. INDUSTRIAL PER	0	80,381,250	*	*	*	*	*
M. OTHER PERSONAL	0	19,040,610	*	*	*	*	*
O. RESIDENTIAL INV	0	962,510	*	*	*	*	*
S. SPECIAL INVENTORY	0	3,033,196	*	*	*	*	*
OVERALL	412	1,187,196,666	0.98	16.68	50.97	76.94	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

Clay 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 IAAO, 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 Clay has a good overall (0.98) median level of appraisal and in each of the studied categories.

The Coefficient of Dispersion (COD) is a measure of appraisal uniformity. **Exhibit 13** shows the IAAO suggested COD standards. **Exhibit 14** shows that Clay has a good overall COD (16.68) with a relatively high COD Category E (21.42), indicating uniformity issues in Category E properties. These figures indicate higher variability in appraisal ratios, suggesting inconsistencies in valuation. This level of dispersion suggests the average deviation of the ratios from the median is excessive, potentially affecting the reliability of the appraisal assessments for Category E properties.

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** shows the overall PRD (1.02) to be within the appropriate range, suggesting that Clay is treating higher and lower valued properties similarly. The PRDs for Category A (1.04) and Category E (1.06) are higher than the IAAO suggested PRD range, indicating regressivity or that low valued properties in those categories are relatively over-appraised. The PRD for Category J (0.95) is lower than the IAAO suggested PRD range, indicating progressivity or that high valued properties in Category J are relatively over-appraised.

Because ADRS only reviews certain property categories, Clay should perform its own ratio studies at a micro-level to determine which neighborhoods would benefit from full reappraisal or if a trend factor could be applied.

RECOMMENDATION 3

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

2.5 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

Clay does not timely inspect parcels identified for reappraisal in the most recent 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.

The 2022-2023 Clay's reappraisal plan states that for the 2022 tax year, appraisers will inspect area one consisting of Henrietta ISD. This included all real residential, commercial, commercial personal property, industrial personal property, utilities, industrial properties and minerals within the area. These properties were to be reappraised or physically inspected, data updated and photographed, regardless of any ratio study or report findings. The chief appraiser stated that properties in the city of Henrietta were not inspected on due to time restraints and were instead addressed in 2023.

Clay should complete work as specified in its reappraisal plan.

RECOMMENDATION 4

Inspect parcels identified for appraisal in the most recent reappraisal plan timely.

FINDING

Clay has not developed a reappraisal plan based on ratio study analysis to determine which areas to address.

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 complete 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 to identify areas in which the assessment levels are too low or lack uniformity and property groups for which additional reappraisal work may be required. In such cases, it is also highly desirable to stratify based on more than one characteristic simultaneously.



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.

Clay's 2023 ratio studies indicated that the problematic area of Henrietta ISD was addressed. Though the 2023–2024 reappraisal plan identifies Henrietta ISD as a problematic area, Clay did not perform and analyze ratio studies by property category to determine which categories should be addressed.

Performing ratio studies analysis is essential in determining reliable market trends and developing market values. The appraisal district's reappraisal plan should identify the problematic areas based on ratio analysis to determine the market areas for the county.

RECOMMENDATION 5

Conduct and analyze ratio studies to determine areas to address and incorporate them in the reappraisal plan.

2.6 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

Clay has a written quality control process but does not use it to verify the accuracy and uniformity of property valuations.

IAAO's *Standard on Mass Appraisal*, Section 3 .3 .2 .5, Data Collection Quality Control, states a quality control program is necessary to ensure data accuracy standards are achieved and maintained. The appraisal should perform independent quality control inspections immediately after the data collection phase begins. The inspections should review random samples of finished work for completeness and accuracy and keep tabulations of items coded correctly or incorrectly so that the appraisal district can use the statistical tests to determine whether accuracy standards have been achieved. Stratification by geographic area, property type, or individual data collector can help detect patterns of data error.

IAAO's *Standard on Mass Appraisal*, Section 5, Model Testing, Quality Assurance and Value Defense, states mass appraisal allows for model testing and quality assurance measures that provide feedback on the reliability of valuation models and the overall accuracy of estimated values. Clay staff must be familiar with these diagnostics to evaluate valuation performance properly and make improvements where needed.

IAAO's *Standard on Data Quality*, Section 3, Data Quality Management, states 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.

The standard states the appraisal district should document all data quality management functions as part of a broader enterprise-level quality management framework that contains quality assurance and quality control elements related to (1) the quality of the data itself, (2) the quality of data collection and (3) the quality of data analysis:



Clear, up-to-date policy and procedures documentation that includes:

- i. Specifications for the data elements to be collected and stored;
- ii. Standard definitions for all data elements and related terms
- iii. Acceptable methods for the uniform collection and recording of all assessment data;
- iv. Controls on the output for each data-related process or subprocess;
- v. Standards for the ongoing testing and maintenance of existing data as they age;
- vi. Policy compliance testing and reporting function; and
- vii. Regular procedural reviews.

In 2020, Clay contracted with a new appraisal firm due to work not being performed by the previous contractor. Clay is gradually implementing new quality control procedures with an updated cost schedule. The review of quality control procedures includes a process for reviewing the completion of work designated through ratio studies. While the quality control plan mentions ratios, the focus has been on implementing cost schedule changes. A review of Clay’s ratios indicated that it did not review the completed work on identified market areas for 2020–2022.

Proper quality control analysis is essential in determining reliable market trends and developing market values. The appraisal district should follow written procedures and perform a proper quality analysis of appraisers’ work to ensure no room for error in the general process. This will also ensure work earmarked for review each year is completed and records are updated.

RECOMMENDATION 6

Follow written quality control procedures to ensure work is completed accurately and timely.

Section 3 – Categories of Valuation in the SDPVS

PTAD found Henrietta ISD’s Categories A, D1, E and F 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, G, J and L1 in Henrietta 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
Henrietta	A and E	A and D1	A, D1, E and F

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.



FINDING

Clay does not update residential cost schedules.

IAAO's *Standard on Mass Appraisal*, Section 4.2, The Cost Approach states the cost approach applies to virtually all improved parcels and, if used properly, can produce accurate valuations. The cost approach is more reliable for newer standard materials, design and workmanship structures. It produces an estimate of the value of the fee simple interest in a property.

Reliable cost data are imperative in any successful application of the cost approach. The data must be complete, typical and current. Current construction costs should be based on the cost of replacing a structure with one of equal utility, using current materials, design and building standards. In addition to specific property types, cost models should include the cost of individual construction components and building items to adjust for features that differ from base specifications. The appraisal district should incorporate these costs into a construction cost manual and related computer software. The software can perform the valuation function. The appraisal district can use the manual when nonautomated calculations are required and provide additional documentation.

Clay did not provide ratio studies to determine what changes to make to the cost schedules. The contracted appraisal services firm systematically implemented its own improvement schedules for 2022. Clay did not provide the ratios to the reviewer from 2022.

Collecting sales data and performing ratio studies analysis on a regular basis is essential for determining reliable market trends and updating cost schedules to reflect market values. Despite limited sales data, Clay should still update cost schedules using available resources including published cost information or builder information. Multiple years of sales data can be combined to obtain a more accurate picture of current market values. Cost schedules should be adjusted to reflect 100 percent of market value, even if it requires substantial increases.

RECOMMENDATION 7

Review and update residential cost schedules annually.

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.

FINDING

Clay does not use properly calculated values for land designated as agricultural use.

Tax Code Section 23.41 states land designated for agricultural use is appraised at its value based on the land's capacity to produce agricultural products. The value of land based on its capacity to produce agricultural products is determined by capitalizing the average net income the land would have yielded under prudent management from production of agricultural products during the five years preceding the current year.



Tax Code Section 23.51(4) states that the chief appraiser shall calculate net to land by considering the income that would be due to the owner of the land under cash lease, share lease, or whatever lease arrangement is typical in that area for that category of land and all expenses directly attributable to the agricultural use of the land by the owner shall be subtracted from this owner income and the results shall be used in income capitalization.

A review of sample properties designated as agricultural use indicated Clay did not use properly calculated productivity values for all Category D1 properties.

An appraisal district should use properly calculated values on properties designated for agricultural use.

RECOMMENDATION 8

Use properly calculated values for land designated as agricultural use.

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

Clay does not review and update land schedules.

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.

A review of land data onsite indicated that while Clay updated land schedules in 2022, no updates were made in 2020 or 2021. Clay was not able to provide any documentation to show that land schedules were reviewed during this period.

The appraisal district should annually review and adjust values. 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

RECOMMENDATION 9

Review and update land schedules annually.

FINDING

Clay does not clearly document land valuation procedures.



IAAO's *Property Assessment Valuation*, Chapter 7, 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.

The Clay appraisal manual notes some components of the land valuation process; however, it does not clearly document the full process. Clay's procedures do not address what years of sales are used or appraisal of land in areas with few vacant land sales.

RECOMMENDATION 10

Document land valuation procedures.

3.4 CATEGORY F1 – COMMERCIAL REAL PROPERTY VALUATION

The Comptroller's [*Texas Property Tax Assistance Property Classification Guide*](#) states Category F property includes land and improvements associated with businesses that sell goods or services to the public. Businesses considered commercial businesses include wholesale and retail stores, shopping centers, office buildings, restaurants, hotels and motels, gas stations, parking garages and lots, auto dealers, repair shops, finance companies, insurance companies, savings and loan associations, banks, credit unions, clinics, nursing homes, hospitals, marinas, bowling alleys, golf courses and mobile home parks.

FINDING

Clay does not annually review and update commercial cost schedules.

IAAO's *Standard on Mass Appraisal*, Section 4.2, The Cost Approach states that the cost approach applies to virtually all improved parcels and, if used properly, can produce accurate valuations. The cost approach is more reliable for newer standard materials, design and workmanship structures. It produces an estimate of the value of the fee simple interest in a property.

Reliable cost data is imperative in any successful application of the cost approach. The data must be complete, typical and current. Current construction costs should be based on the cost of replacing a structure with one of equal utility, using current materials, design and building standards.

In addition to specific property types, cost models should include the cost of individual construction components and building items to adjust for features that differ from base specifications. Clay should incorporate these costs into a construction cost manual and related computer software. The software can perform the valuation function. Clay can use the manual when nonautomated calculations are required and provide additional documentation.

The appraisal district can develop construction cost schedules in-house based on a systematic study of local construction costs, obtained from firms specializing in such information, or custom-generated by a contractor. The appraisal district should verify the cost schedules for accuracy by applying them to recently constructed improvements of known cost. The appraisal district should also update construction costs before each assessment cycle.

A review of commercial accounts in the CAMA system indicates that changes made in 2022 reflected a change in contract services. Clay contracted with a new appraisal service firm in 2020 that is implementing new cost schedules.

RECOMMENDATION 11

Update commercial cost schedules.



APPENDICES

APPENDIX 1

Appraisal District Budget

	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Total Budget (Excluding Collections)	\$715,562	\$600,200	\$561,046	\$428,926	\$512,391	\$547,673
Total Property Taxes Levied (All Jurisdictions)	\$18,921,390	\$18,781,259	\$18,281,390	\$16,782,256	\$60,025,749	\$50,052,925
Does the appraisal district collect taxes?	Yes	Yes	Yes	Yes	N/A	N/A
Number of Taxing Units Appraisal District Collects For (If Applicable)	11	11	11	11	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	3	3	3	4	4
Part Time Staff	0	0	0	0	N/A	N/A

Appraisal Staff						
	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Full Time Appraisers	0	0	0	0	3	3
Lowest Appraiser Salary	0	0	0	0	\$40,079	\$39,505
Highest Appraiser Salary	0	0	0	0	\$46,417	\$48,041

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



APPENDIX 3

Appraisal District Parcel Information

Clay	2022	2021	2020	2019
Parcel Count*	20,177	21,731	22,200	22,544
Number Taxing Units	16	16	16	16
Parcels per Appraisal Staff**	0	0	0	0
Total Market Value Certified	\$2,333,560,012	\$2,221,183,825	\$2,179,320,909	\$2,095,903,000

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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