



Property Tax Assistance Division
2023 Report

Review of
Appraisal
District
Appraisal
Standards,
Procedures and
Methodology

TARGETED APPRAISAL REVIEW PROGRAM

STEPHENS COUNTY APPRAISAL DISTRICT



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2023 TARGETED APPRAISAL REVIEW

STEPHENS COUNTY APPRAISAL DISTRICT

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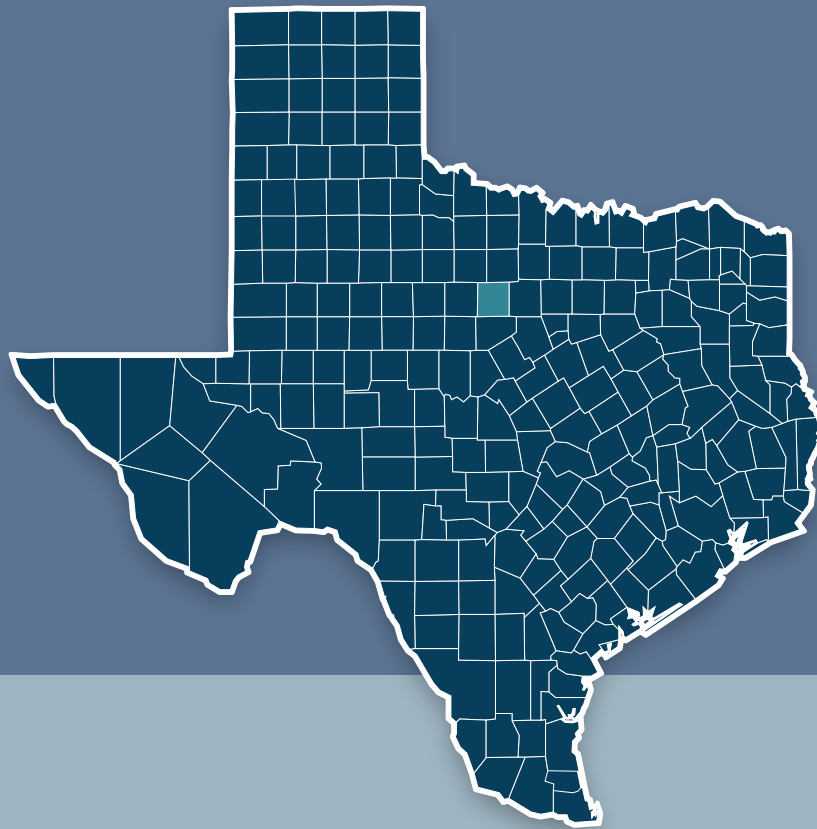




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Executive Summary

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

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 Stephens. Over the next year, TARP reviewers will work with Stephens 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 Stephens 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 Breckenridge ISD in Stephens 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

Stephens SDPVS Results 2020-2022

SDPVS Year	County	School District	Findings	Category*	Ratio
2020	Stephens	Breckenridge ISD	Invalid	A	0.7514
2020	Stephens	Breckenridge ISD	Invalid	D1	1.3573
2020	Stephens	Breckenridge ISD	Invalid	E	0.8673
2020	Stephens	Breckenridge ISD	Invalid	F1	0.839
2020	Stephens	Breckenridge ISD	Invalid	J	0.9447
2021	Stephens	Breckenridge ISD	Invalid	D1	1.8995
2021	Stephens	Breckenridge ISD	Invalid	E	0.7957
2021	Stephens	Breckenridge ISD	Invalid	F1	0.8244
2021	Stephens	Breckenridge ISD	Invalid	J	1.3741
2022	Stephens	Breckenridge ISD	Invalid	A	0.8298
2022	Stephens	Breckenridge ISD	Invalid	D1	1.6326
2022	Stephens	Breckenridge ISD	Invalid	E	0.6892
2022	Stephens	Breckenridge ISD	Invalid	F1	0.9131

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

- Hire a full-time chief appraiser to adequately support the appraisal district operations.
- Evaluate the chief appraiser annually.
- Categorize property correctly according to the *Texas Property Tax Assistance Property Classification Guide*.
- Authorize and train staff to fully use the appraisal software system.
- Update appraisal district maps to reflect all properties.
- Ensure mapping changes are updated in a timely manner.
- Conduct ratio studies at timely intervals by market area, neighborhood, property class or stratum and make appropriate adjustments based on results.
- Use Stephens' local ratio studies to make reappraisal decisions necessary to produce accurate values.
- Address problematic areas listed in reappraisal plan.
- Follow quality control procedures as written to ensure that work earmarked for review is complete and updated.



- Review and update residential cost schedules annually based on ratio study results.
- Develop valuation procedures and cost schedules for manufactured homes and use ratio study results to annually review and update the schedules.
- Maintain market value for vacant land properties and review and update land schedules annually.
- Review and update commercial cost schedules annually.

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 Stephens County in 1858. Stephens County is located in north central Texas and is bordered to the north by Young and Throckmorton Counties, to the west by Shackelford County, to the south by Eastland County and to the east by Palo Pinto County.

The county includes Breckenridge and Woodson Independent School Districts.

The county population in 2020, according to the United States Census Bureau, was 9,101. The major population center is the city of Breckenridge, having 5,344 residents and smaller towns and unincorporated areas.

Based on the 2020 census population, PTAD classifies Stephens 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

Stephens became active in January 1980. As of July 2024, it has four full-time staff positions of which two positions are supervisory and one position is a full-time appraiser. Stephens contracts with a vendor for professional appraisal services. **Exhibit 4** presents Stephens' 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.

Stephens provides appraisal services for nine 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

Stephens Organization Structure



Source: Stephens County Appraisal District



EXHIBIT 5

Stephens Taxing Units and Collections

Name of Taxing Unit	Appraisal District Collects Property Taxes
Albany Independent School District	No
Breckenridge Independent School District	No
City of Breckenridge	No
Graham Independent School District	No
Hospital District	No
Moran Independent School District	No
Ranger Independent School District	No
Stephens County	No
Woodson 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 recourses and necessary data.

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

EXHIBIT 6

Stephens 2022 Budget vs. Tier 3 Average

Stephens County Appraisal District Budget (2022)	Tier 3 Average Budget (2022)
\$462,450	\$547,673

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

In 2022, Stephens operated with a budget of \$462,450, slightly lower than the Tier 33 average budget of \$547,673. This budget comparison highlights relatively smaller financial resources compared to other Tier 3 appraisal districts, as reported by Stephens 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 Stephens' 2022 staffing and the Tier 3 average (excluding collections) to determine how Stephens' staffing and salaries compare with the tier average.

EXHIBIT 7

Stephens 2022 Staffing and Salaries vs. Tier 3 Average

	2022	2022 Tier 3 Average
Full Time Staff	4	4
Part Time Staff	0	N/A
Full Time Appraisers	1	3
Lowest Appraiser Salary	\$72,000	\$39,505
Highest Appraiser Salary	\$72,000	\$48,041

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

From 2019 to 2022, Stephens has maintained a full-time staff from two to four employees, similar to the 2022 Tier 3 average of four. There have been no part-time staff members during this period. The appraisal district employed one full-time appraiser in 2022, lower than the 2022 Tier 3 average. The appraiser salary was \$72,000 in 2022, significantly higher than the 2022 Tier 3 average of \$39,505. 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 Stephens' 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

Stephens Training Budget and Number of Trainings

	2022	2021	2020
Training Budget	\$2,300	\$3,050	\$2,000
Number of Trainings Attended	1	1	0

Source: Stephens County Appraisal District

In 2020 to 2022, Stephens' training budget varied from \$2,000 to \$3,050 and trainings increased from zero to one over the three-year review period. The appraisal district has one employee registered with TDLR receiving training for continuing education in 2021 and 2022.



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 Stephens's chief appraiser.

EXHIBIT 9

Stephens Chief Appraiser Information

Chief Appraiser Interim / Chief Appraiser in Training

Is the Chief Appraiser permanent, temporary or interim?	Interim	In Training
Does the Chief Appraiser perform appraisals?	Yes	Yes
2022 Base Salary	\$26,000	\$72,000
Chief Appraiser – Years at appraisal district	6	3
Chief Appraiser – Years as a Chief Appraiser	4	2
Does the Chief Appraiser receive a car allowance?	No	No
What is the amount of the car allowance? (If applicable)	N/A	N/A
Does the Chief Appraiser receive retirement benefits?	N/A	N/A
Does the Chief Appraiser receive medical insurance benefits?	N/A	N/A

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

FINDING

Stephens failed to employ a full-time chief appraiser for the past five years and has relied on an interim chief appraiser under contract since 2019.

Tax Code, Section 6.05(c), explains that the chief appraiser is the chief administrator of the appraisal office. Except as provided by Section 6.0501, the chief appraiser is appointed by and serves at the pleasure of the appraisal district board of directors.

Discussions with the interim chief appraiser indicate that he has served in this capacity since 2019. Stephens has been without a full-time chief appraiser in place since the previous chief appraiser passed away in 2018. The current interim chief appraiser is present in office only once per month. Stephens also employs a staff member who began training for the chief appraiser role in 2021 but is new to property tax and has a background in banking.

RECOMMENDATION 1

Hire a full-time chief appraiser to adequately support the appraisal district operations.

FINDING

The Stephens board of directors does not annually evaluate the chief appraiser.



Evaluations for the interim chief appraiser and the chief appraiser in training were reviewed for 2021, 2022. However, an evaluation was not completed in 2020.

IAAO’s *Introduction to Assessment Administration*, Chapter 3, Organization for Assessment Administration, specifies that evaluating each employee’s performance is necessary and important in office administration. Organizations and employees benefit from a regular performance evaluation process.

Chief appraisers should regularly evaluate staff to ensure work completion and correct performance issues. Similarly, the board of directors should evaluate the chief appraiser’s performance to ensure adequate performance of the position’s duties and responsibilities.

RECOMMENDATION 2

Evaluate the chief appraiser annually.

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 Stephens’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. Stephens will go out for new contract bids as necessary.

EXHIBIT 10

Stephens Contracts

Type of Contract	Contract Dates	Years with Same Vendor	Does appraisal district actively monitor contract?
Appraisal of Real Property	2012-2025	12 years	Yes
Appraisal of Minerals, Industrial, Utilities and Properties	2022-2025	3 years	Yes
Software	2011-2024	13 years	Yes
Mapping	2022- 2024	3 years	Yes

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

Parcel Information	Stephens	Typical Parcel Per Appraiser (Rounded)
Parcel Count	38,095	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

In 2022, Stephens managed 38,095 parcels placing with appraisal districts in its typical parcel per appraiser range of 10,001 to 70,000 parcels. Stephens contracts for appraisal services for all appraisal work each year.

From 2019 to 2022, Stephens managed parcel counts ranging from 38,095 to 53,972 (including all property categories) and the parcels assigned per appraiser for properties appraised in house are zero. The total market value of certified parcels increased from \$1,593,681,415 to \$2,030,226,098 between 2019 and 2022. **Appendix 3** provides the appraisal district's parcel data over the four-year review period.

2.2 PROPERTY CLASSIFICATION

Appraisal districts should consider current property use to determine the appropriate property classification. Misclassified property leads to inaccurate taxable value estimates. Appraisal districts should review property classifications annually and make corrections within their systems prior to submitting their EARS to PTAD. PTAD publishes the *Texas Property Tax Assistance Property Classification Guide* that includes property categories and examples.

FINDING

Stephens incorrectly categorizes property according to the *Texas Property Tax Assistance Property Classification Guide*.

The *Texas Property Tax Assistance Property Classification Guide* assists appraisal districts in classifying property for value analysis and use in the biennial SDPVS. EARS, a process of submitting appraisal roll data on electronic media, has improved reporting accuracy. Proper use of the classification guide also improves reporting accuracy.

In conducting the SDPVS and estimating value, PTAD analyzes property by category. Appraisal district reporting of misclassified local value – value reported in the wrong category – may lead to inaccurate taxable value estimates. The Texas Education Agency (TEA) uses the Comptroller's taxable value estimates in determining state funding for school districts. Consequently, misclassification by appraisal districts impact school funding.

A review of a random sample for Breckenridge ISD of 15 properties each from Categories A, D, E, F and J indicates the appraisal district is not in compliance with the *Texas Property Tax Assistance Property Classification Guide*. **Exhibit 12** shows the incorrectly categorized property found in the review.



EXHIBIT 12

Incorrectly Categorized Property

Category	No. of Accounts	Misclassification
D	1	• account 15529 improvement E
E	1	• account 39748 land classified as D, improvement E

Source: Stephens Appraisal Cards

 **RECOMMENDATION 3**
Categorize property correctly according to the *Texas Property Tax Assistance Property Classification Guide*.

2.3 CONTRACTED APPRAISAL SERVICES

From 2019 to 2022, appraisal district staff did not appraise any of the appraised value in Stephens. From 2019 to 2022, Stephens contracted for appraisal services for all property Categories. Each year, these contracted firms appraised all of the total appraised value within the appraisal district. The cost of these services varied from \$80,000 to \$84,500 over four years. Additionally, the appraisal district uses a geographic information system (GIS) and aerial technology systems.

Exhibit 13 lists Stephens' contracted appraisal services.

EXHIBIT 13

Stephens' 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, G, J, L1, L2, M, O and S	A, B, C, D1, D2, E, F 2, G, J, L1, L2, M, O and S	A, B, C, D1, D2, E, F2, G, J, L1, L2, M, O and S	A, B, C, D1, D2, E, F1, F2, G, J, L1 and L2
Percentage of total appraised value appraised by contracted appraisal firms	100%	100%	100%	100%
Appraisal Contract Cost	\$84,500	\$84,500	\$80,000	\$80,000

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey***2.4 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

Stephens' 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. Discussions with the chief appraiser in training revealed that all but two employees can run appraisal queries, ratio studies and change reports. One employee hired on Jan. 1, 2024, and another employed since 2011, cannot perform these tasks.

RECOMMENDATION 4

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

2.5 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 appraises 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

Stephens' 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.

Stephens' 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 10 (13 percent) on Stephens' maps.

RECOMMENDATION 5

Update appraisal district maps to reflect all properties.



FINDING

Stephens fails to update mapping changes in a timely manner.

IAAO's *Standard on Digital Cadastral Maps*, Section 5.1, Ownership Maintenance, states that the current owner and parties of interest for each parcel should be identified. In addition, the basis of ownership (recorded deed, contract, court decree and so on) should be documented, should cite an instrument number, record book, page, volume and so on of the source document and should be linked to the cadastral parcel via a unique parcel identifier. A record of prior ownership (ownership history) should be maintained. Deeds and other ownership documents should be processed within two weeks of recording. Ownership information should then be published. Procedure manuals should provide detailed step-by-step instruction.

A review of 10 sample properties requiring mapping changes revealed that some updates were not completed within 180 days. Two properties in the sample (47056, 47215) were updated after 180 days of receipt.

Appraisal districts must promptly update their maps to reflect changes, as delays can result in important property changes not being reflected, leading to inaccuracies in the data.

RECOMMENDATION 6

Ensure mapping changes are updated in a timely manner.

2.6 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 14 presents Ratio Study Uniformity Standards indicating acceptable general quality.

EXHIBIT 14

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.



STEPHENS RATIO STUDIES

FINDING

Stephens 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 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 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.

From 2020 to 2022, Stephens did not conduct proper ratio study analyses. The market area of Breckenridge ISD was missing ratio studies conducted for 2020 to 2022. The appraisal district tracked sales using spreadsheets.

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 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 15 shows the data from PTAD's Appraisal District Ratio Study for Stephens in 2021.

EXHIBIT 15**PTAD's Appraisal District Ratio Study, Stephens 2021**

Category	Number of Ratios**	2021 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	63	278,595,927	*	*	*	*	*
B. MULTI-FAMILY RES	0	5,734,542	*	*	*	*	*
C1. VACANT LOTS	0	6,564,905	*	*	*	*	*
C2. COLONIA LOTS	0	0	*	*	*	*	*
D2. FARM/RANCH IMP	8	6,068,520	*	*	*	*	*
E. RURAL-NON-QUAL	53	149,480,725	0.96	12.36	66.04	84.91	1.03
F1. COMMERCIAL REAL	48	47,016,114	*	*	*	*	*
F2. INDUSTRIAL REAL	0	5,087,850	*	*	*	*	*
G. OIL, GAS, MINERALS	58	52,116,218	0.98	1.94	100.00	100.00	0.99
J. UTILITIES	6	42,766,460	*	*	*	*	*
L1. COMMERCIAL PER	0	19,027,810	*	*	*	*	*
L2. INDUSTRIAL PER	0	27,881,680	*	*	*	*	*
M. OTHER PERSONAL	0	4,164,010	*	*	*	*	*
O. RESIDENTIAL INV	0	0	*	*	*	*	*
S. SPECIAL INVENTORY	0	961,225	*	*	*	*	*
OVERALL	236	645,465,986	0.97	12.31	65.25	83.47	0.98

Source: Texas Comptroller of Public Accounts, *Appraisal District Ratio Study 2021 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

Stephens is not appraising property uniformly.

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 15** shows Stephens has an overall median level of appraisal (0.97) slightly below the standard of 1.00. This is due primarily to lower median level of appraisal in Category E (0.96).

The Coefficient of Dispersion (COD) is a measure of appraisal uniformity. **Exhibit 14** shows the IAAO suggested COD standards. **Exhibit 15** shows Category E has a COD of 12.36, indicating moderate variability in appraisals. Category G (1.94) has a low COD, reflecting high uniformity.

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 15** shows the PRD for Category E (1.03) is within the acceptable range of 0.98-1.03.

Other categories with insufficient data, such as Categories A, F1 and J, were not included in detailed calculations. Overall, the appraisal district's performance aligns with the standards set by the International Association of Assessing Officers (IAAO) for most variables, but specific categories like E require further refinement to improve uniformity and equity.

RECOMMENDATION 8

Use Stephens' local ratio studies to make reappraisal decisions necessary to produce accurate values.

2.7 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

Stephens does not address problematic or critical areas of need listed in the reappraisal plan.

IAAO's *Standard on Mass Appraisal*, Section 4.8, Frequency of Reappraisals, states the analysis of ratio study data can suggest groups or strata of properties in greatest need of physical review. Market adjustments can effectively maintain equity when appraisals are uniform within strata and recalibration can provide even greater accuracy. However, only physical reviews can correct data errors and as stated in Sections 3 .3 .4 and 3 .3 .5, property characteristics data should be reviewed and updated at least every four to six years. The appraisal district can accomplish this in at least three ways:

- i. Reinspecting all property at periodic intervals (i.e., every 4 to 6 years)
- ii. Reinspecting properties on a cyclical basis (e.g., one-fourth or one-sixth each year)
- iii. Reinspecting properties on a priority basis as indicated by ratio studies or other considerations while ensuring that they examine properties at least every sixth year.



Stephens' 2023 to 2024 reappraisal plan references problematic areas generally but does not specifically identify them. Breckenridge ISD is not specifically addressed, which is a problematic area. Sales are listed in Excel spreadsheet by state code and stratum. Breckinridge ISD is not listed and studied independently to address this problematic area.

It is imperative to maintain and implement an effective reappraisal plan that addresses problematic areas.

RECOMMENDATION 9

Address problematic areas listed in reappraisal plan.

2.8 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

Stephens does not follow its quality control procedures as written to ensure that work earmarked for review is complete and updated.

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.

Stephens' quality control procedures include a process for reviewing the completion of work designated through ratios. While the plan mentions ratios, there are no data or ratios to indicate appraisal district staff is following the procedures.

Performing ratio study analyses is essential in determining reliable market trends and developing market values.

RECOMMENDATION 10

Follow quality control procedures as written to ensure that work earmarked for review is complete and updated.



Section 3 – Categories of Valuation in the SDPVS

PTAD found Breckenridge ISD's Categories A, D1, E, F1 and J to be invalid in the years indicated in **Exhibit 16**. 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, F2, G and L1 in Breckenridge ISD to be valid and they are *not* included in the scope of this TARP review.

EXHIBIT 16

SDPVS Invalid Property Categories 2020-22

ISD	2020	2021	2022
Breckenridge	A, D1, E, F1 and J	D1, E, F1 and J	A, D1, E and F1

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

Stephens does not annually review and update residential cost schedules based on ratio study results.

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 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.

Stephens did not use the CAMA system to run or adjust ratio studies. Instead, changes and updates were manually tracked using a spreadsheet of stored sales information. While changes from 2020 to 2022 were reviewed, it was not possible to determine if these changes reflected ratio studies.

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, an appraisal district 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 11

Review and update residential cost schedules annually based on ratio study results.



FINDING

Stephens does not have procedures in place for the valuation of mobile/manufactured homes.

IAAO's *Standard on Mass Appraisal*, Section 4.6.2, Manufactured Housing, states the appraisal district can value manufactured or mobile homes in several ways depending on the local market and ownership status. Often, mobile homes are purchased separately and situated in a rented space in a mobile home park. In this case, the best strategy is to model the mobile homes separately from the land. At other times, mobile homes are situated on individual lots and bought and sold similarly to stick-built homes. The mobile homes may be intermixed with stick-built homes, particularly in rural areas. In these cases, they can be modeled like that for other residential properties and included in the same models, if the model includes variables to distinguish them and recognize any relevant differences from other homes (e.g., mobile homes may appreciate at a rate different from that for stick-built homes).

Stephens' property appraisal manual includes classifications and descriptions for mobile homes; however, these are not current with its updated schedule. Stephens updated the schedules in 2022 and maintained them in Excel spreadsheets, but the method for deriving values remains unclear.



RECOMMENDATION 12

Develop valuation procedures and cost schedules for manufactured homes and use ratio study results to annually review and update the schedules.

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.

Stephens' Category D1 property values were statistically invalid in 2020 to 2022. Stephens is in a three-neighborhood market, made up of two lakes, suburban and rural. In the current Texas market, rural and lake property is very active and appreciating greatly every year. However, suburban property is not very active. Agricultural values in Stephens are mainly derived from native pasture producing good rates from hunting and lease agreements.

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

Stephens does not conduct ratio studies regularly for vacant land properties and 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.

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.

Stephens did not conduct ratio studies for vacant land in 2022. Review of land schedules indicates no adjustments were made in 2022. The report titled "2021 Land Sales" is an Excel spreadsheet including account numbers, dates of sale, grantees, land acres, sales prices and prices per acre. The sales are grouped by increments of 0-10 acres, 10-20 acres, 20-50 acres, 50-100 acres, 101-320 acres, 320 acres and greater. The report does not include the category of properties. For 2020, Stephens only conducted a ratio report for the whole county, which was run on Sept. 22, 2021.

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

RECOMMENDATION 13

Maintain market value for vacant land properties and review and update land schedules annually.

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

Stephens does not annually review and update commercial 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.

A review of commercial sales maintained in a spreadsheet revealed insufficient information to determine how values were derived. 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. 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.

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.

RECOMMENDATION 14

Review and update commercial cost schedules annually.

3.5 CATEGORY J – REAL AND 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.

Stephens' Category J property values were statistically invalid in 2020 and 2021. The same appraisal services contractor has appraised Stephens' utility properties for three years. Stephens 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)	\$462,450	\$365,000	\$364,661	\$354,961	\$512,391	\$547,673
Total Property Taxes Levied (All Jurisdictions)	\$14,457,448	\$13,637,563	\$10,241,861	\$13,494,224	\$60,025,749	\$50,052,925
Does the appraisal district collect taxes?	No	No	No	No	N/A	N/A
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	4	4	2	2	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	1	0	0	0	3	3
Lowest Appraiser Salary	\$72,000	\$0	\$0	\$0	\$40,079	\$39,505
Highest Appraiser Salary	\$72,000	\$0	\$0	\$0	\$46,417	\$48,041

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



APPENDIX 3

Appraisal District Parcel Information

Stephens	2022	2021	2020	2019
Parcel Count*	38,095	51,058	52,179	53,972
Number Taxing Units	9	9	9	9
Parcels per Appraisal Staff**	0	0	0	0
Total Market Value Certified	\$2,030,226,098	\$1,803,159,081	\$1,505,349,033	\$1,593,681,415

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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