

Orange County Appraisal District 2013 Annual Report



Michael Cedars, Chief Appraiser
Orange County Appraisal District
January 1, 2014

Executive Summary

Welcome to the second edition of the annual report of the Orange County Appraisal District. This report provides an overview of the accomplishments of the appraisal district over the 2013 appraisal year. This report will provide a summary of the goals and results of the appraisal process, results of testing performed by the Texas Comptroller of Public Accounts Property Tax Assistance Division, results of the appeals process and certified values as reported to the taxing entities.

Real Estate Market / Economy

Over the past few years, Orange County has dealt with a somewhat sluggish economy and real estate market. The average unemployment rate for the county has been in the 10% range. This has led to insecurity in the job market and resistance to invest in large ticket items such as real estate. Based on interviews with real estate professionals, data from the Orange County Multiple Listing Service and other sales sources such as deed filings, the number of real estate transactions which has shown a reduction approximately 50 – 60% over the past four years is now showing signs of a slightly improving market. Values however have remained somewhat static except for certain segments of the market such as high-end residential properties, foreclosures, and some commercial properties such as motels. When values were tested against sales, no significant adjustments were required by the District.

Appraisal Process

Inspections for 2013 were performed using a combination of the Pictometry aerial photography and on-site visits. The IAAO Standard on Mass Appraisal of Real Property, Section 3.3.5 suggests an alternative to periodic on-site inspections can be performed using high-resolution images updated no less than every six years. OCAD uses the Pictometry system in conjunction with the District's GIS mapping system to perform this task. When new construction, tear downs, or changes are found on the aerial photographs, the appraisers then visit the property to take actual measurements and inspect the property for other factors required in the appraisal. The appraisal district has budgeted to fly the aerial photographs biennially.

On years not being flown, field inspections are performed on all properties. It is important to note that the contract negotiated by the District with Pictometry, Inc. includes additional licenses for all of the taxing units served by the appraisal district. This allows these units to have the Pictometry software and GIS data on their computers to be used as they see fit at no additional charge to the entities.



OCAD has, for the past six years, employed “tablet” computers using wireless broadband internet service which are used for field data collection. This system has given the appraisers the ability to view and make any changes to an appraisal while at the property. These computers provide maps and aerial photographs and other tools which assist the appraiser in performing an accurate appraisal.

Notices of Appraised Value

The 2013 Notices of Appraised Value for residential, vacant land and commercial properties were mailed on April 10, 2013. The remainder of the properties (personal property, industrial, utility properties, and mineral accounts) were mailed on May 11, 2013. The appraisal district uses a mailing service for the real property accounts and a combination of in-house mailing for personal property and Pritchard and Abbott, Inc. for all other accounts.

Conclusion

The Orange County Appraisal District has been blessed with employees who are willing to go “above and beyond” to provide the taxpayers of Orange County a service oriented office who strive for accuracy and fairness. The District also enjoys a Board of Directors who ensure that the District has a clean and modern workplace, reasonable salaries so that knowledgeable employees can be hired and state-of-the-art tools so that the job can be done as efficiently as possible. Because of these things, our staff represents the top of the industry in expertise and new and innovative ways to perform appraisal practice. Orange County Appraisal District has always met the compliance mandates of the Comptroller in values and in methods and procedures audits and we look forward to continued success.

Michael Cedar



MISSION STATEMENT

The mission of the Orange County Appraisal District is to discover, list and appraise all property located within the boundaries of the district in an accurate, ethical and impartial manner in an effort to estimate the market value of each property and achieve uniformity and equity between classes of properties. This will be accomplished by maintaining the highest standards in appraisal practices and law, guided by the goals of providing quality service to the taxpayers and taxing entities and by developing personnel who are professional and knowledgeable.

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The Orange County Appraisal District is a political subdivision of the State of Texas created by the Texas Legislature in 1979. The operations of the appraisal district are governed by the Constitution of the State of Texas, the Texas Property Tax Code, and the rules of the Texas Comptroller's Property Tax Assistance Division.

Governance

Board of Directors

The Orange County Appraisal District is governed by a 5 member board of directors who are appointed by the incorporated cities and towns, the school district, the county and if entitled to vote, the conservation and reclamation districts that participate in the District. The primary responsibilities of the board of directors are to:

- * Establish the District's office;
- * Adopt the District's operating budget;
- * Contract for necessary services;
- * Hire the chief appraiser;
- * Appoint the Appraisal Review Board;
- * Provide advice and consent to the chief appraiser concerning the appointment of an agricultural advisory board;
- * Make general policies on the appraisal district's operations; and
- * Biennially develop a written plan for the periodic reappraisal of all property within the District's boundaries.

To be eligible to serve on the Board of Directors for OCAD, a person must have resided within the boundaries of the county for at least two years prior to their appointment. Their terms are not staggered and there are no legal limits to the number of terms a board member can serve.



The 2013 Board Members include:

Lynda Gunstream – Chairman

Hughie Allen – Vice Chairman

Laura Floyd – Secretary

Nancy Ashworth

Virginia Fawcett

Michael Cedars – Chief Appraiser

Chief Appraiser

The chief appraiser is the chief administrator of the appraisal district, and is appointed and serves at the pleasure of the board of directors. The chief appraiser must be licensed (or actively working toward licensing) as a Registered Professional Appraiser (RPA) through the Texas Department of Licensing and Regulation. The role of the chief appraiser involves the coordination and administration of the appraisal district office within the framework of the philosophy and objectives established by board policy, consistent with statutes and standards of regulatory agencies, and in accordance with administrative regulations and procedures.

Appraisal Review Board

The Orange County Appraisal Review Board consists of five members appointed by the Board of Directors of the Orange County Appraisal District. Members of the Appraisal Review Board (ARB) serve two-year staggered terms and are limited by law to serving three consecutive two-year terms. To be eligible to serve on the ARB, an individual must be a resident of the district and must have resided in the district for at least two

years. Board members are also required to attend annual training classes to be eligible to serve in any given year.

The responsibilities of the appraisal review board include:

- Determining protests initiated by property owners;
- Determining challenges initiated by taxing units;
- Correcting clerical errors in the appraisal records and the appraisal rolls;
- Acting on motions to correct appraisal rolls under Section 25.25 of the Property Tax Code;
- Determining whether exemptions and special appraisals are improperly granted; and
- Taking other actions or making other determinations authorized by the Property Tax Code.

Agricultural Advisory Board

The Agricultural Advisory Board for OCAD is a five member board appointed by the Chief Appraiser with the advice and consent of the Board of Directors. The responsibility of the Agricultural Advisory Board is to advise the Chief Appraiser on the valuation and use of land that may be designated for open-space agricultural or timber land within the District and to assist in determining typical practices and standards used in various farming operations. This board serves at the will of the Chief Appraiser.

Agricultural Advisory Board Members include:

Harry Corbett
James A. Jenkins
Royce Scales
Robert C. Armstrong
Dan Harris



Taxing Jurisdictions Served by OCAD

The Orange County Appraisal District is responsible for appraising all properties for each taxing units that have territory located within the 380 square miles of Orange County.

The list of taxing entities with territory in the appraisal district includes:

- Orange County
- Orange County Lateral Road
- Orange County Navigation and Port District
- Orange County Drainage District
- Bridge City ISD
- Little Cypress-Mauriceville CISD
- Orangefield ISD
- Vidor ISD
- West Orange-Cove CISD
- City of Orange
- City of Bridge City
- City of Pinehurst
- City of Vidor
- City of West Orange
- City of Pine Forest
- City of Rose City
- City of Port Arthur (split with Jefferson CAD)
- Emergency Service District #1
- Emergency Service District #2
- Emergency Service District #3
- Emergency Service District #4
- Water Control and Improvement District #1

Legislative Changes

The 2013, 83rd Texas Legislature produced many pieces of legislation which affect the operation of appraisal districts as well as taxpayer exemptions and rights. Below is a list of some of the most important changes:



- HB 242 – Adds five notices pertaining to special use valuations that must be sent by certified mail.
- HB 585 - Omnibus bill affecting Appraisal Review Board training, chief appraiser certification requirements and training, grants ability for Comptroller to appoint chief appraiser and determine compensation under certain conditions, changes the evidence requirements that a CAD must meet to successfully defend an appeal, adds criminal offense for communication between ARB, CAD Board of Directors and employees of the CAD, changes allocation requirements and several others.
- HB 2913 – Expands types of ownership qualifications for homestead exemptions.
- HB 1287 – Changes homestead requirements and removes the production of vehicle registration or utility bill.
- HB 2792 – Allows for closed ARB meetings if proprietary or confidential information is being disclosed.
- SB 1255 – Requires training of arbitrators on property tax law and equal and uniform requirements.
- SB 546 – Gives TDLR authority to dismiss complaint filed against the chief appraiser or a registered employee if the complaint challenges matters for which a remedy is available through the ARB or court.
- HB 97 – Tax exemption equal to a disabled veterans disability rating on the veterans homestead if it was donated by a charitable organization at no cost. Extends the exemption to the surviving spouse of a veteran who died after qualifying. The exemption can be transported to a different home.
- SB 163 – Grants total exemption on the residence homestead of a surviving spouse of a member of the armed forces killed in action.
- HB 3121 – Authorizes a taxing unit to extend the date by which Freeport goods that are aircraft parts must be transported outside the state from 175 days to 730 days after being acquired or imported into the state.

The appraisal district has a detailed list of property tax law changes enacted by the 83rd Legislature in its office which is available for inspection.

Goals and Objectives

Regression Analysis

The Orion CAMA (Computer Assisted Mass Appraisal) system used by Orange County Appraisal District has the capability to perform regression analysis as an appraisal method. This is a system which allows the computer to select comparable sales for each residential property and make appropriate adjustments to arrive at a value estimate via the market approach. The District currently uses a variant of the cost approach to estimate the value of each property. By using both methods, a more accurate appraisal estimate can be developed.

To use this approach, a significant number of sales are required. In 2013, an employee position was moved to create a “data analyst” position. It is this employee’s responsibility to make an intensive search for sales information and to verify each sale for validity and accuracy. This information will then be used to perform the market approach to value using the Orion system. This system is currently under development and is scheduled to be in use in 2014.

On-line Appeals

All appraisal districts in Texas were required to offer on-line appeals by 2013. During the 2013 protest period, Orange County Appraisal District added the ability for taxpayers to file their valuation appeals on-line. This appeal process is considerably more efficient than the other methods of appeal (informal in-office visits and formal ARB hearings). The on-line appeal process allows a taxpayer to file the appeal, submit evidence, and accept or reject any offer made by the District. If an agreement cannot be reached, a formal appeal is automatically set up. The District received and processed over 205 on-line appeals for 2013.



Geographic Information Systems

The District’s GIS Department completed the original mapping project for Orange County in 2010. This project included digital plats for each property throughout the district along with orthographic and oblique aerial photography flown at various elevations for all properties. In 2011, the GIS Department began the process of revisiting each property to align the digital maps over the photography and insert “footprint” images over the photograph of each structure.

In 2013, the district purchased software which converted all drawings of each structure in the districts appraisal system (CAMA) to a standardized drawing program and which

also geo-referenced these drawings and allowed them to be automatically placed in the GIS maps on the correct property. This information will be used to help the appraisers in the discovery process by immediately showing any additions, new construction, tear downs, manufactured home movement that has occurred at a glance. The GIS tools also allow the appraisers to measure changes in many cases. With this information, it can be readily determined if changes are made to a property by looking at the drawing as it relates to the photos. Any additions or removal of improvements can be readily seen by an appraiser and can be scheduled for a revisit to the property for correction.



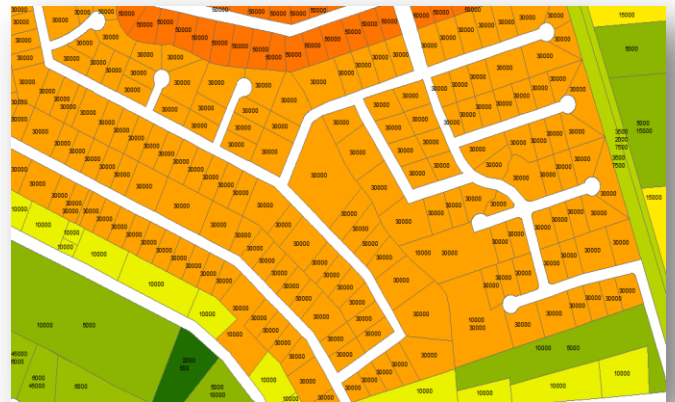
Appraisal Inspections

Each time the District has new aerial photos flown (Pictometry), the appraisers perform the inspections for the following year using this information. This allows the appraiser to view all properties from the front and rear of the home and facilitate a better understanding of what the property consists of than by using a “from the road” inspection only. OCAD has the Pictometry photos flown as near to the January 1 appraisal date as possible on a biennial basis.

Land Schedules

The Orange County Appraisal District uses GIS maps as its land schedule. To do this, the GIS Department has developed a system which color codes each property based on its assigned value on a per acre, per front foot or per square foot basis. Anyone viewing the maps can see if the values in an area are uniform. Any properties appraised outside the norm show up as a different color. Each property also shows the price per unit amount on the map so that comparable areas can be checked to see if values are similar in like neighborhoods.

The State Property Tax Code requires that schedules for timber and in some cases agricultural properties be delineated based on soil types. In 2013, the GIS department prepared maps showing the various USDA soil types and lease information that has been submitted to the District. Any new applications can be searched using the GIS information and soil types for the tract in question. This helps the appraiser determine which schedule to use.



Appraisal Process

Beginning in August of 2012, the District's appraisers began the inspection process for tax year 2013. This process utilized the work of six (6) real and personal property appraisers over a period of eight months. The discovery process also utilized a combination of on-site inspections and the District's aerial software. Each real property was checked to

determine if the improvements had changed in size or condition, if the improvement classification was correct, if any new improvements had been added or if any improvements had been removed, and if any adjustments were necessary due to influences from outside the subject property.

Unimproved real estate was also inspected. Appraisers were responsible for determining the amount of frontage on roads, configuration, whether easements (utility, drainage, etc.) had an influence on the property and if the property was affected by negative or positive influences outside the subject property.

Personal property (furniture, fixtures, machinery, equipment and inventory) at local businesses was inspected via an on-site visit. Inspections enabled the appraiser to meet with owners and discuss business trends, issues affecting their personal property and the rendition process. It also allowed the appraiser to see the quality, quantity and condition of the personal property.

In all, the District's appraisers were instrumental in appraising approximately 55,700 property accounts. This amounted to an average of 11,140 accounts per appraiser.

Beginning in early March, 2013, the Chief Appraiser and Deputy Chief Appraiser began the process of determining how much, if any, adjustment would be necessary to the District's schedules. This was accomplished by running reports comparing 2012 values against sales occurring during the appraisal year. These reports were prepared for all classes of property together and separately, appraisal district-wide and by school district. It was determined that property sales throughout the District had remained relatively static in relation to District appraisals and the residential schedules were not changed.



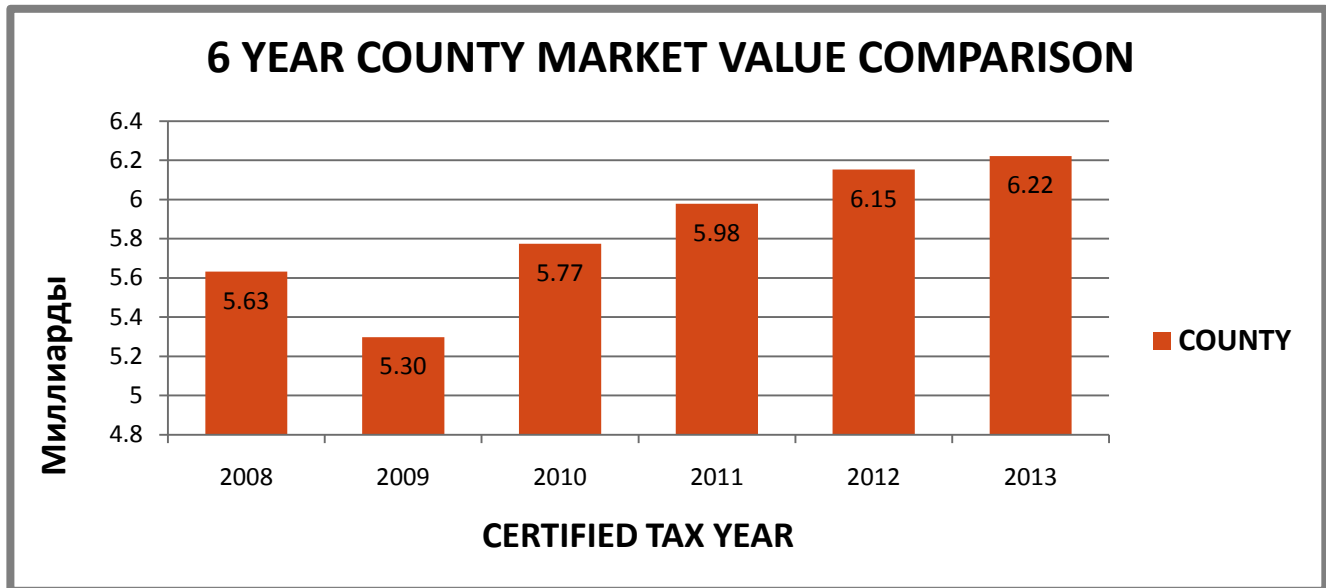
Over the appraisal year, the District's appraisers reviewed land values and compared them with known sales. Changes to these values were made as necessary. Significant changes to land values were made in some areas. These were primarily in commercial areas.

Commercial properties are typically appraised using a combination of the Marshall and Swift costing service and the income approach. This service is a nationally recognized appraisal service specializing in commercial properties and is integrated within the District's CAMA (Computer Assisted Mass Appraisal) system. Once the improvements of a property are coded for use, type construction, size, amenities and condition, the CAMA system calculates an estimate of value which is adjusted for location and date of appraisal. Each year, the appraiser reviews the appraisal to determine if any of the variables have changed, if any significant condition factors need adjustment or if any outside influences should be considered. If necessary, changes are made and a new value calculated. As the District is able to confirm income and expense data for various types of commercial properties, market rent and expense schedules are used to perform a direct capitalization income approach to value. When applicable, the District also uses a "Gross Rent Multiplier" version of the income approach.

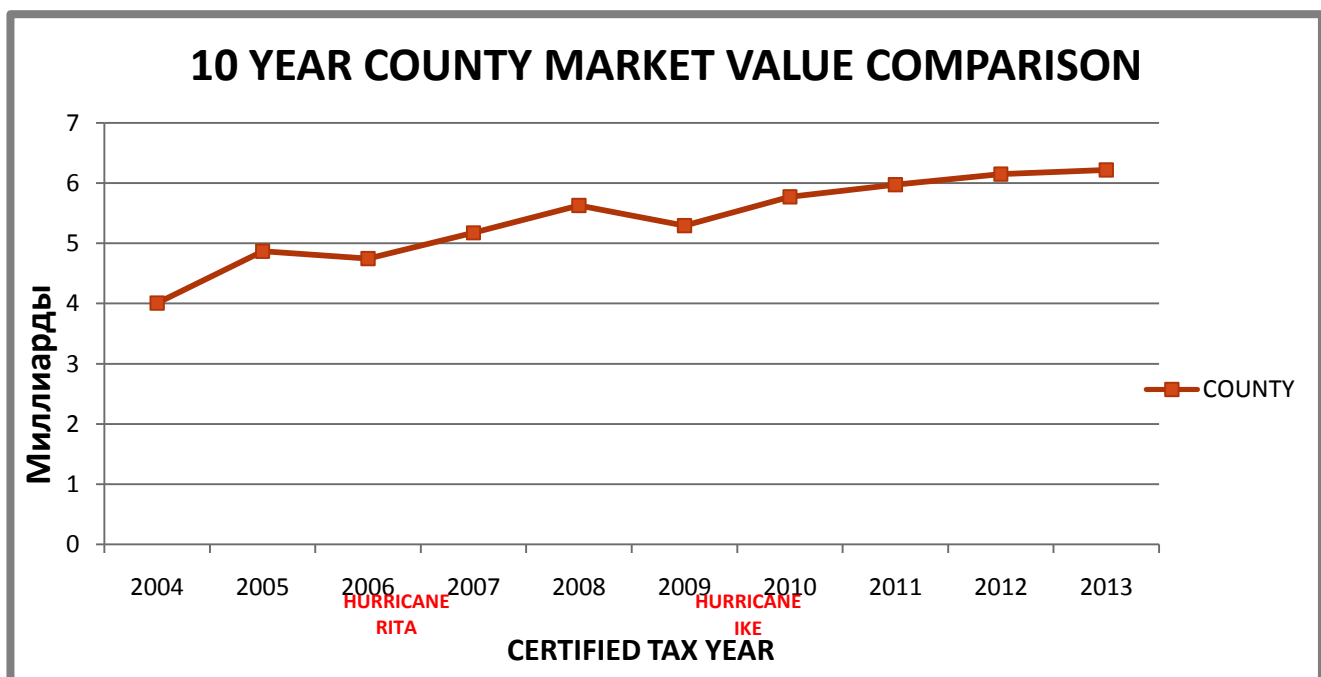
Industrial properties (including improvements and personal property) and minerals are inspected annually and appraised by the District's contracted industrial appraisers. These accounts consist of 1,369 industrial and utility properties and 17,753 mineral properties. Pritchard and Abbott, Inc. are recognized as one of the largest industrial appraisal firms in Texas who specialize in appraisals for tax purposes. Each year, appraisers from P&A inspect all of the industrial properties and many commercial properties with specialized equipment and inventory. This firm is also responsible for the appraisal of natural resources (minerals) and utilities.



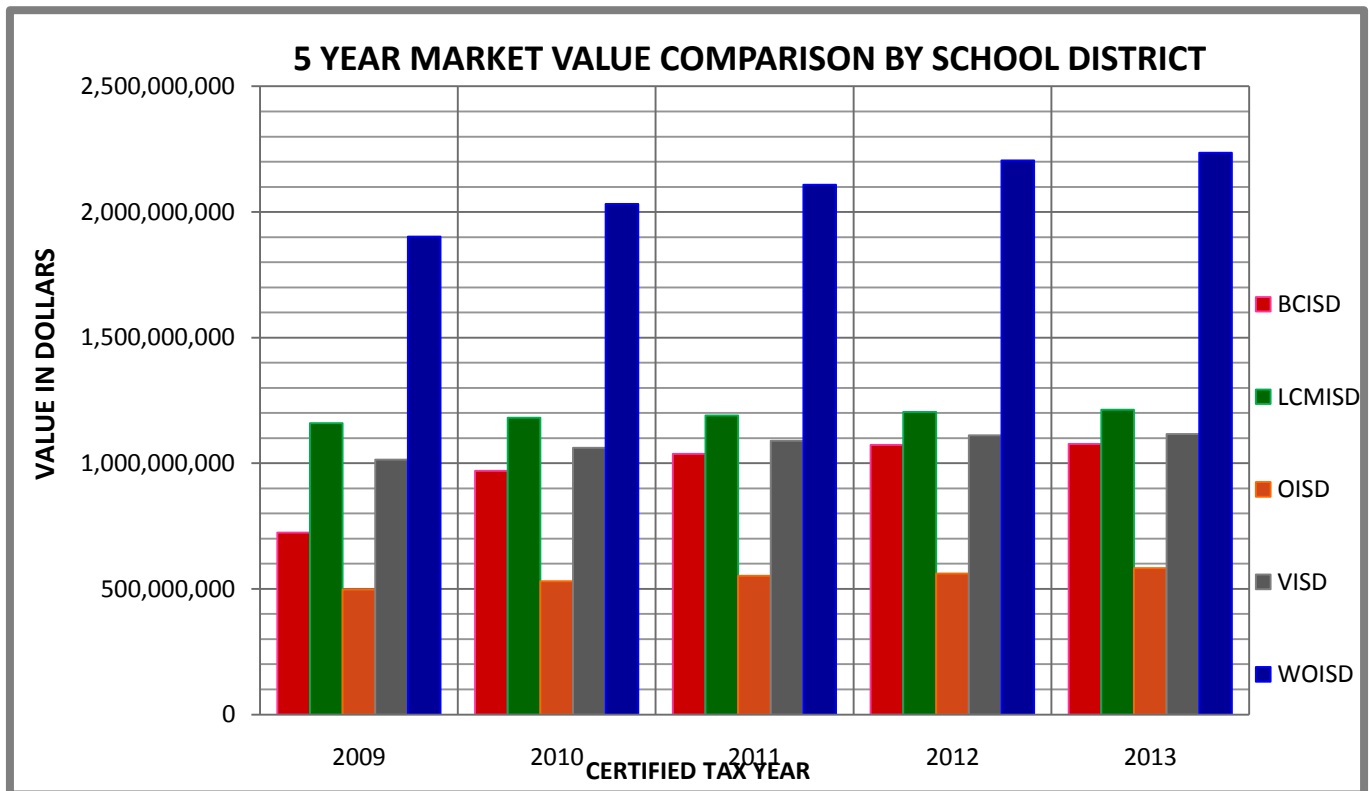
The following charts and graphs visually describe results of the District's appraisal process:



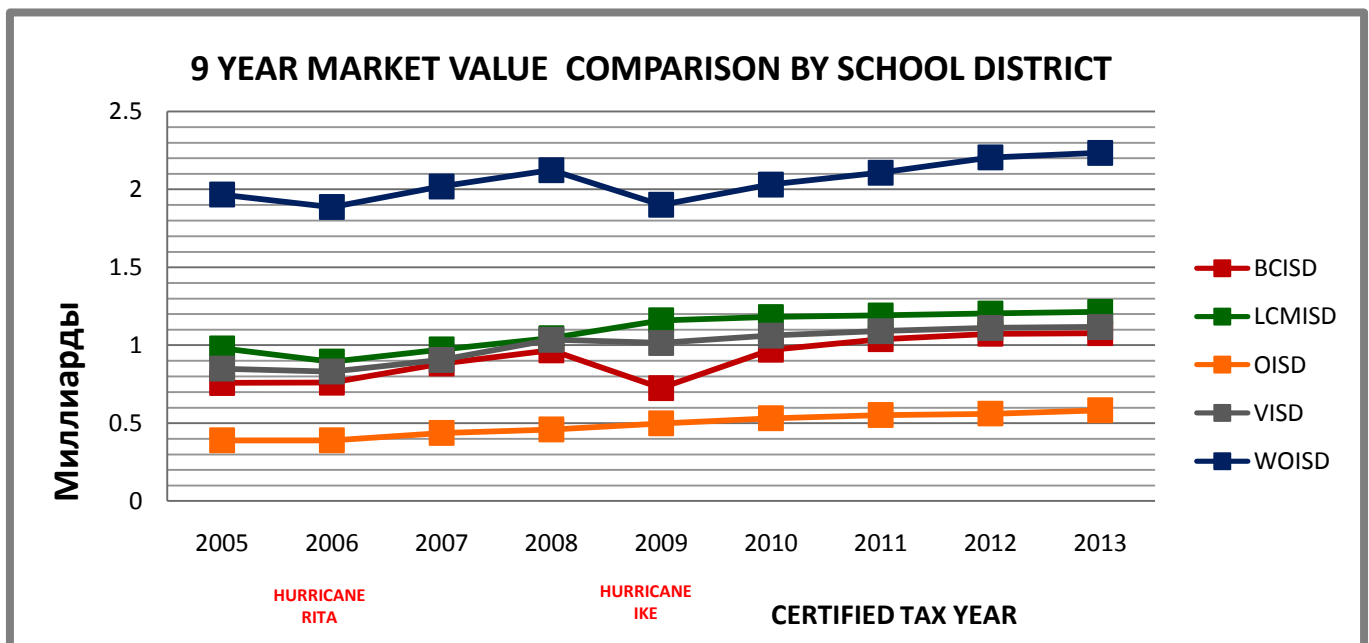
In this 6-year comparison, the effect of Hurricane Ike, which took place in September of 2008, is shown in the 2009 tax year. The values were significantly reduced in 2010 for both real properties and industrial properties. Over the six year period, overall values increased by 10%. This was primarily due to increased value of industrial properties and new construction.



This 10-year comparison shows a significant change between 2004 and 2005, which increased from 4 billion to 4.9 billion. This was due to a reappraisal of all properties which took place in 2005. The effects of Hurricane Ike and Rita can also be seen. Over this 9 year period, values increased from 4 billion to 6.22 billion or 56%.

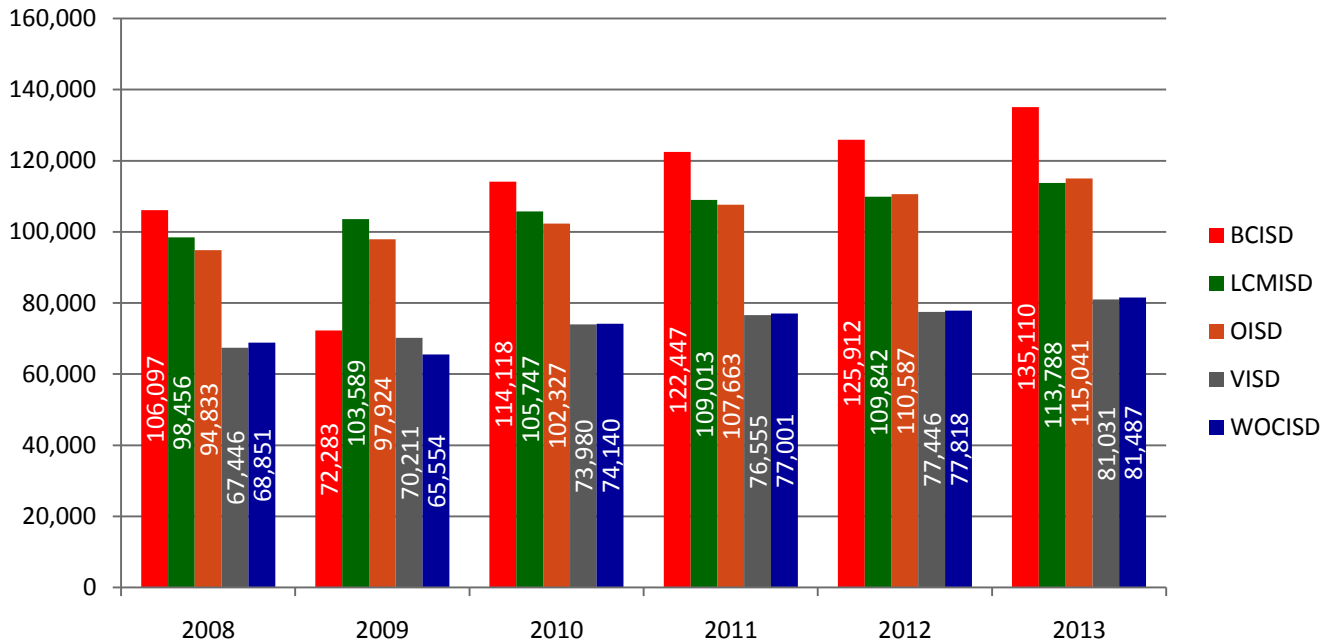


The graph above shows value trends over the past five years by school district. Since 2009, the increase by school district has ranged from 4% in LCM to 17% in WOC. In September of 2008, Hurricane Ike caused significant property value loss primarily in BCISD and WOCCISD. Values in the BC school district fell approximately 250 million. As seen in the graph, those values were back to pre-storm numbers in 2010.



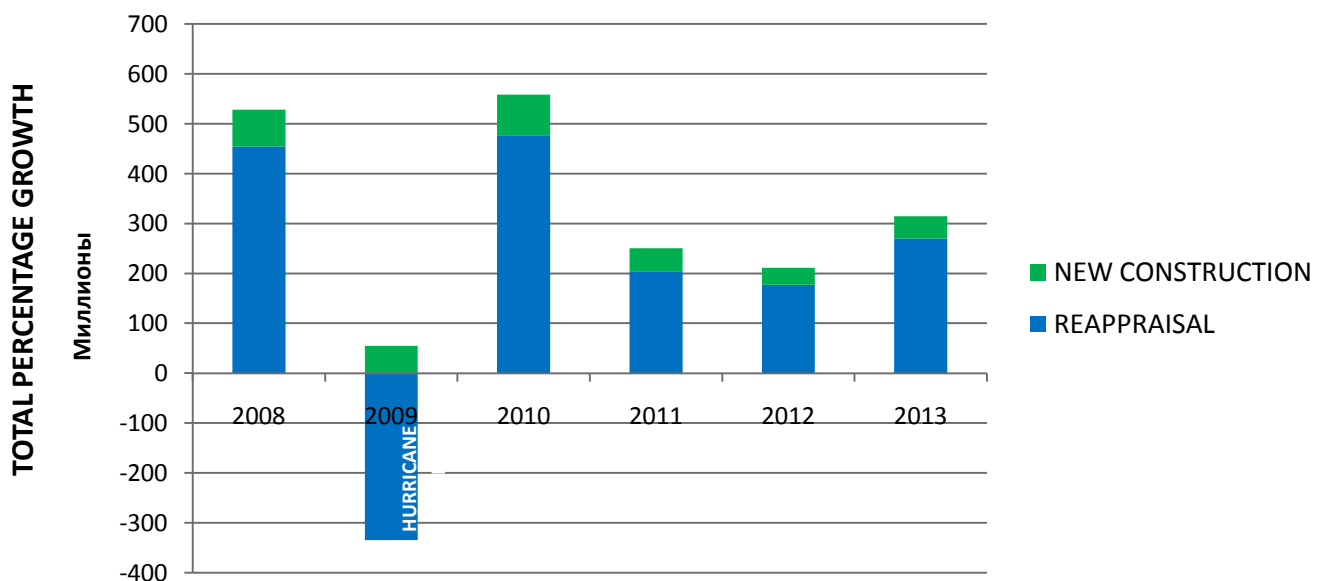
This graph shows value trends over the past nine years by school district. Overall, all of the districts have experienced increases ranging from 22% in LCM to 50% in Orangefield.

Average Homestead Market Value

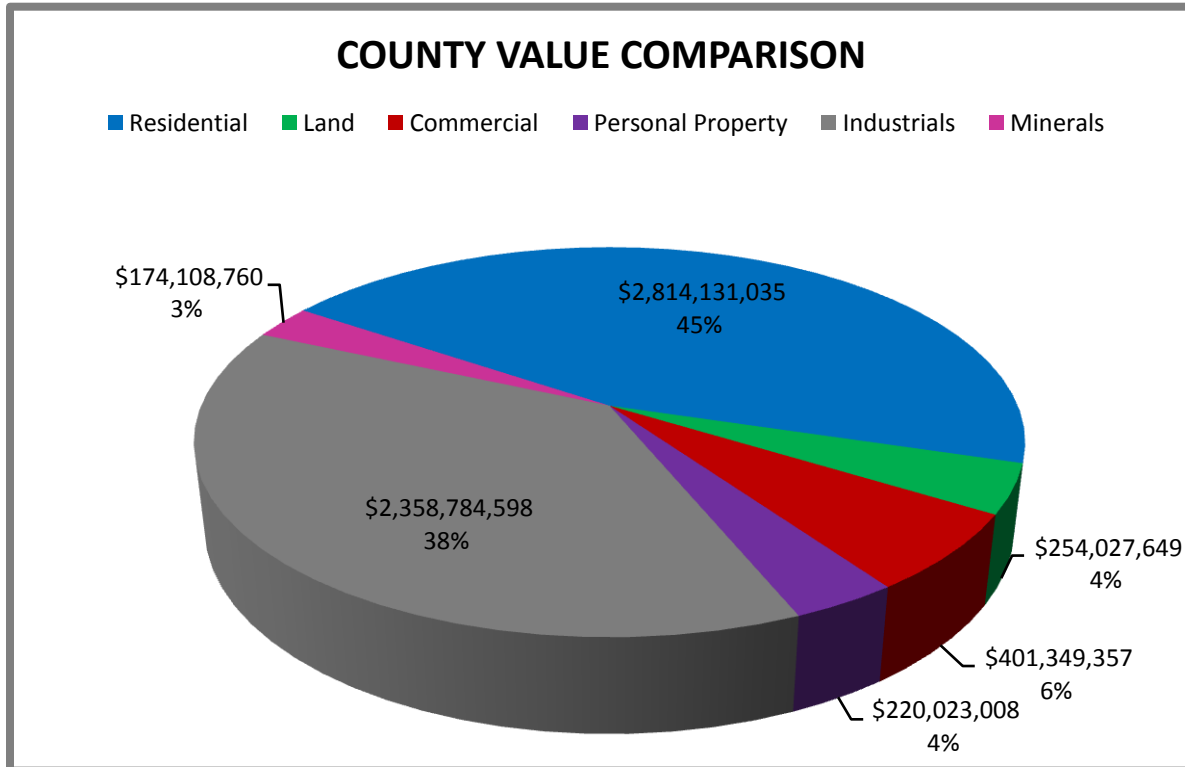
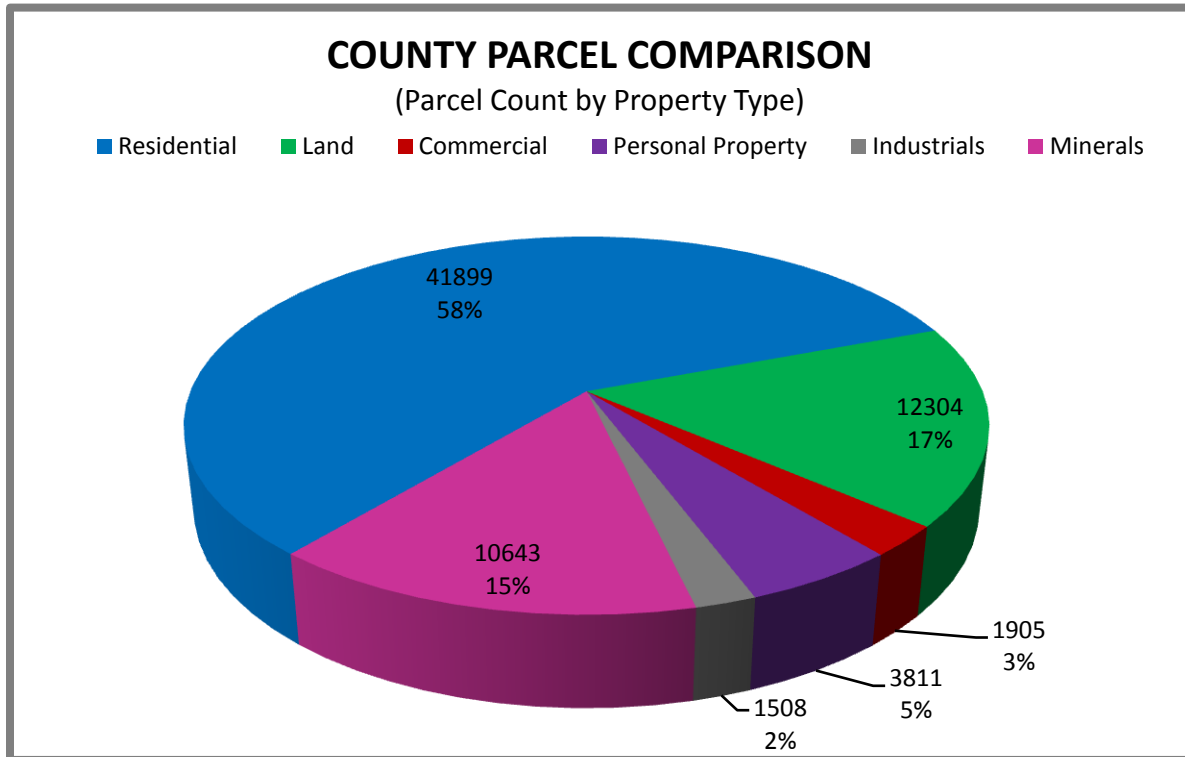


Looking at the average prices of residential homesteads shows a steady but slight increase over the last 5 years. The effect of Hurricane Ike appears to have caused a two-fold change in the average homestead value in Bridge City ISD. In 2009 the average value dropped by approximately 32%. These homes, in large part were not only repaired, but in many cases, significantly improved which was indicated in sales. A steady increase in average value has taken place since that time. Because only a portion of West Orange – Cove was affected by the storm, the overall reduction was not as significant. It should also be noted that the economy over the past five years has caused a significant decrease in the number of sales throughout the county. Typically the lack of demand would cause a reduction of value. As can be seen in this graph, property values have actually increased in spite of the market.

COUNTY REAPPRAISAL GROWTH AND NEW CONSTRUCTION

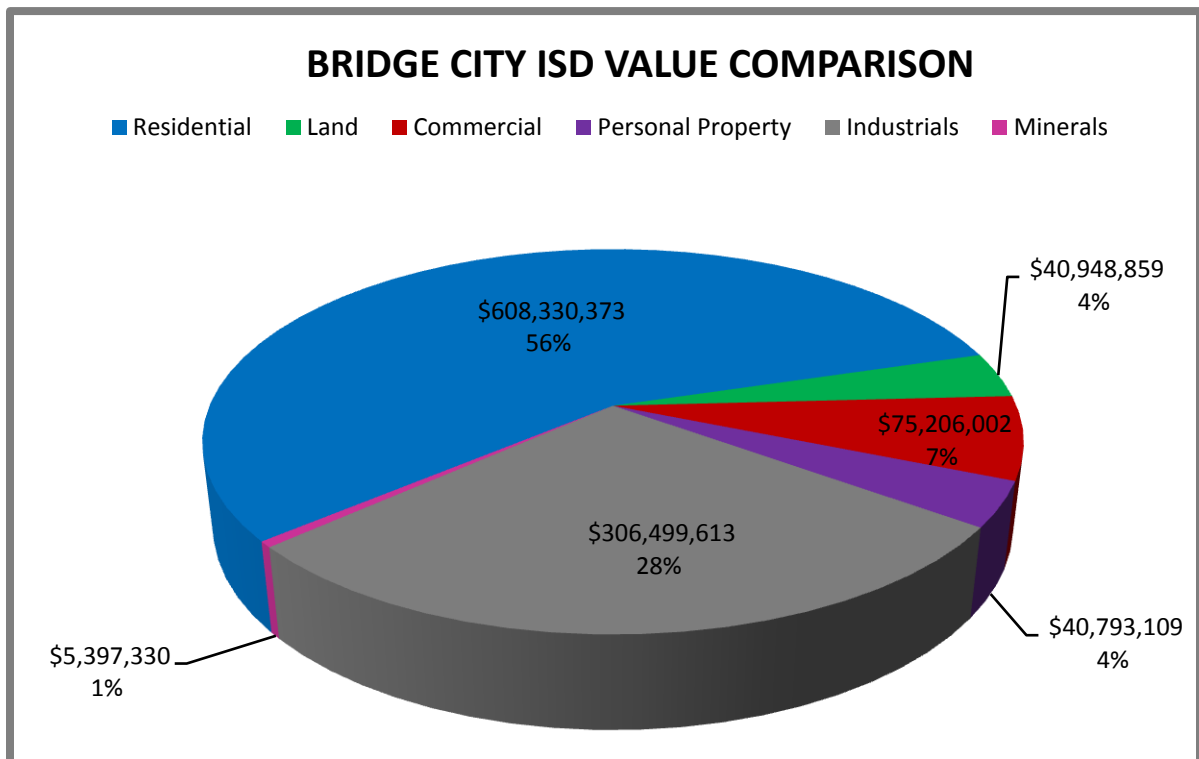
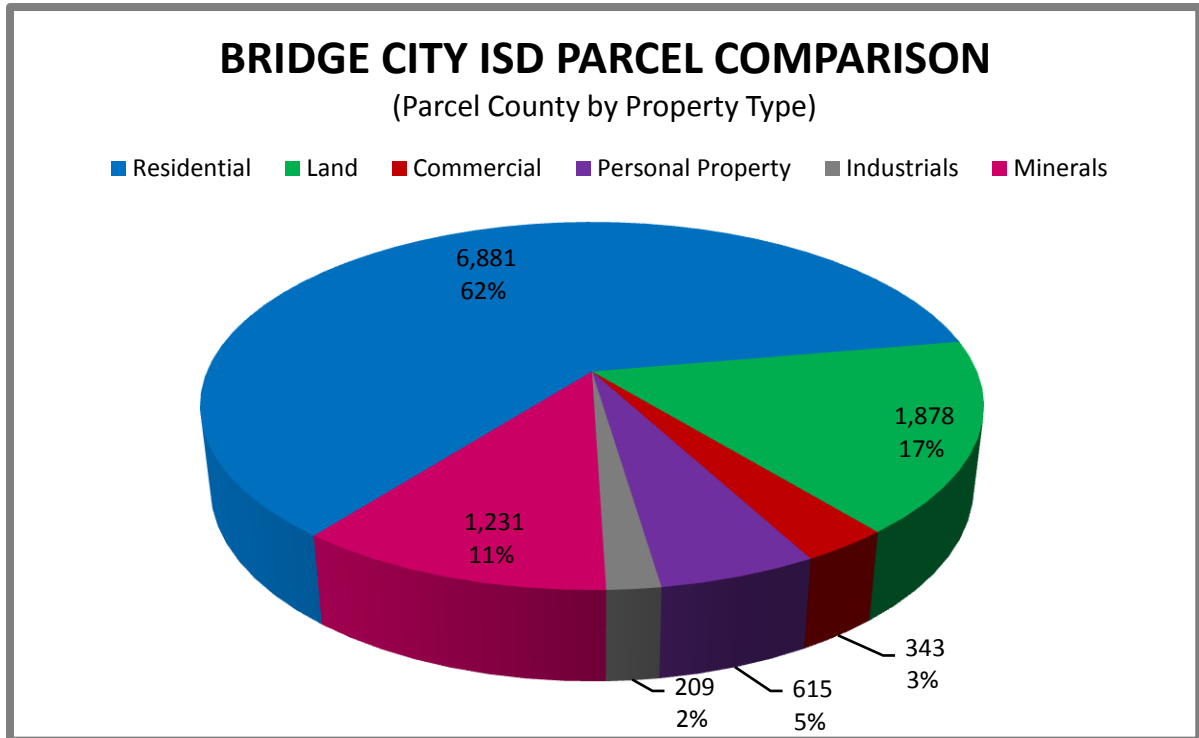


The graph on the previous page is a depiction of the effect of growth (reappraisal) and new construction county wide. In all years, except for 2009 (Hurricane Ike), the primary cause for increases has been reappraisal.



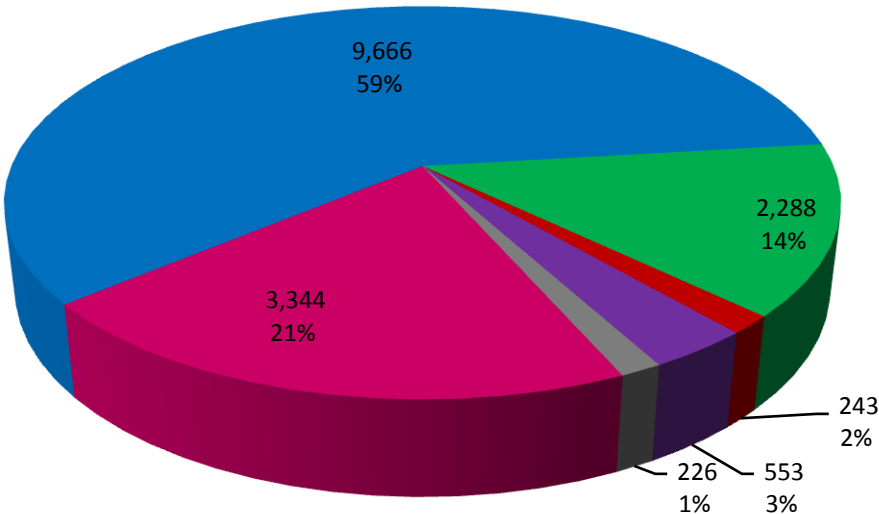
As can be seen in the graphs on page 17, residential properties make up the largest portion of the total number of properties and the largest portion of the total market value. Although industrial properties only account for 2% of the total accounts, they make up 38% of the total value.

The graphs on pages 17 – 21 describe the same information as shown above for the various school districts.



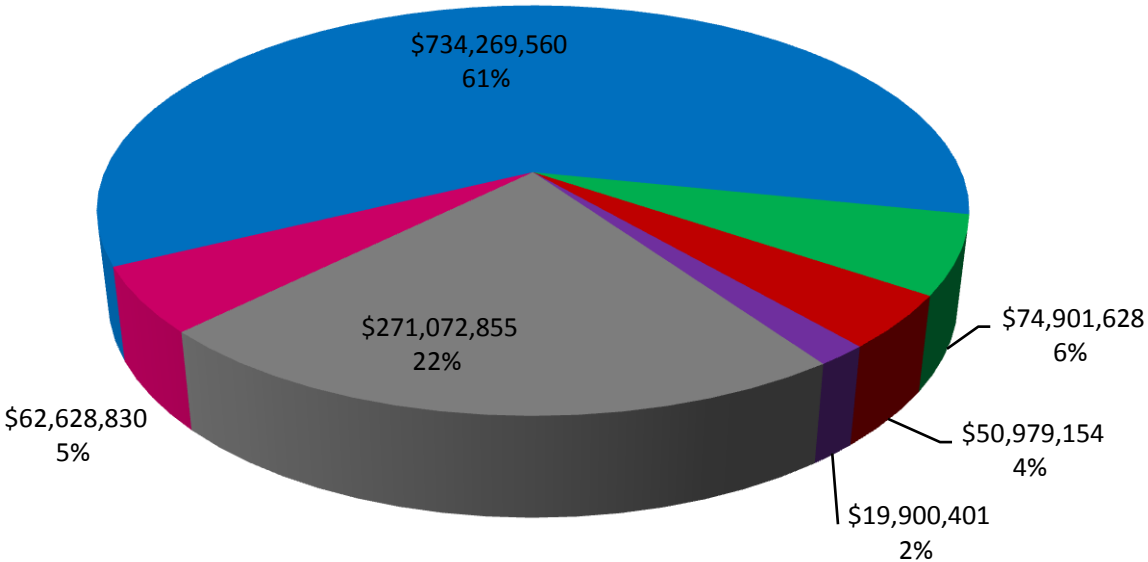
LITTLE CYPRESS-AURICEVILLE CISD PARCEL COMPARISON
(Parcel County by Property Type)

■ Residential ■ Land ■ Commercial ■ Personal Property ■ Industrials ■ Minerals



LITTLE CYPRESS-AURICEVILLE CISD VALUE COMPARISON

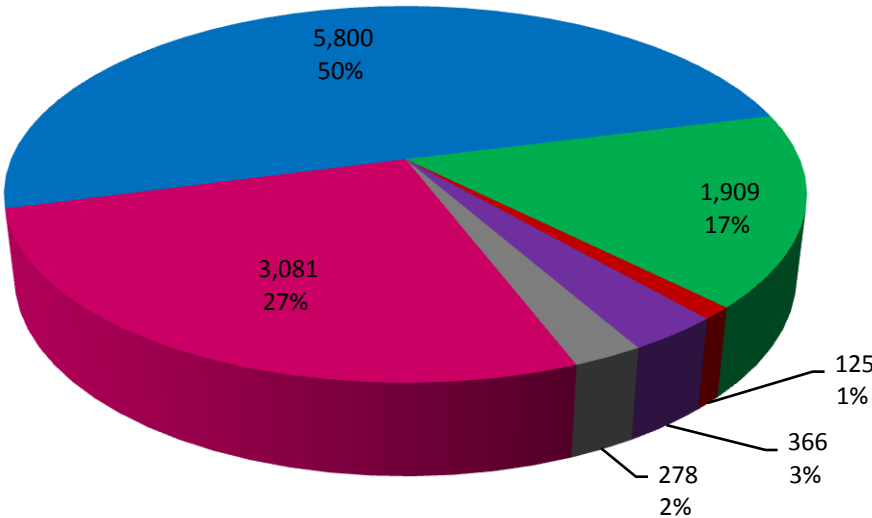
■ Residential ■ Land ■ Commercial ■ Personal Property ■ Industrials ■ Minerals



ORANGEFIELD ISD PARCEL COMPARISON

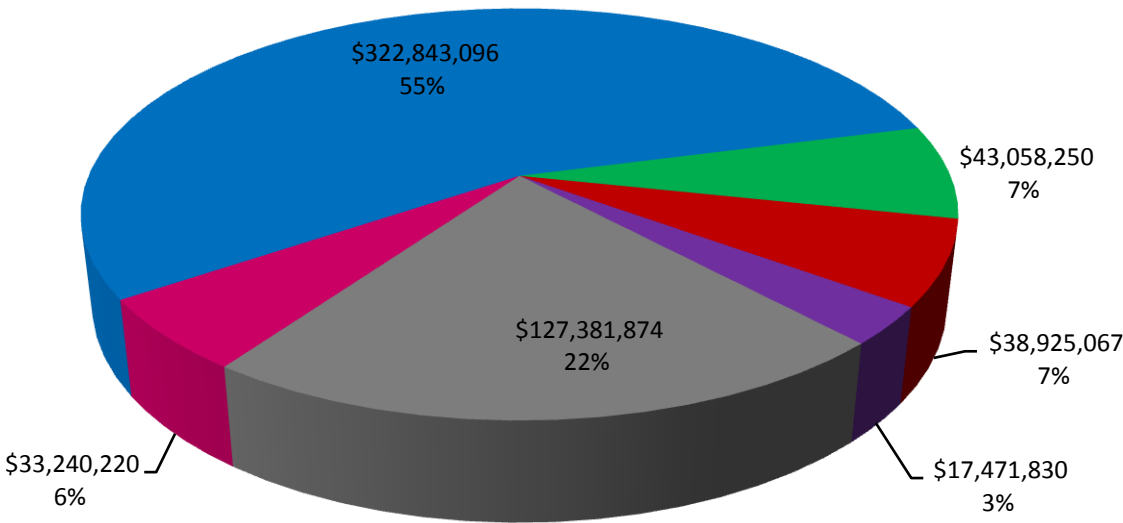
(Parcel Count by Property Type)

Residential Land Commercial Personal Property Industrials Minerals



ORANGEFIELD ISD VALUE COMPARISON

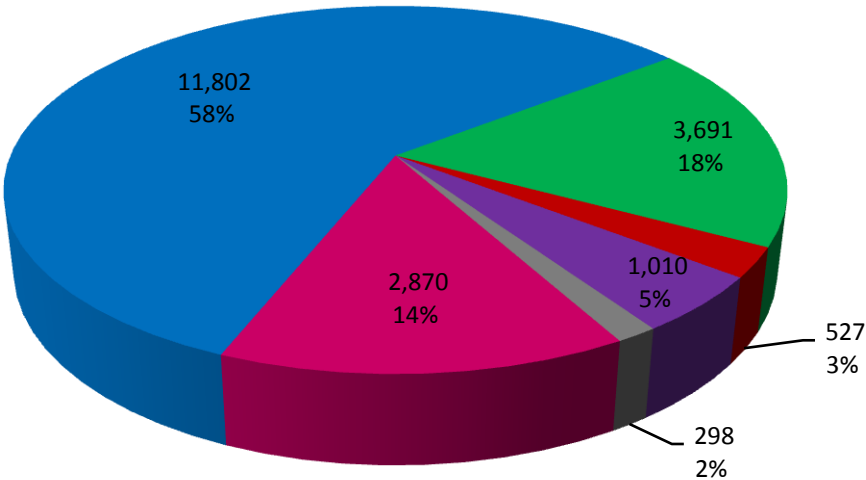
Residential Land Commercial Personal Property Industrials Minerals



VIDOR ISD PARCEL COMPARISON

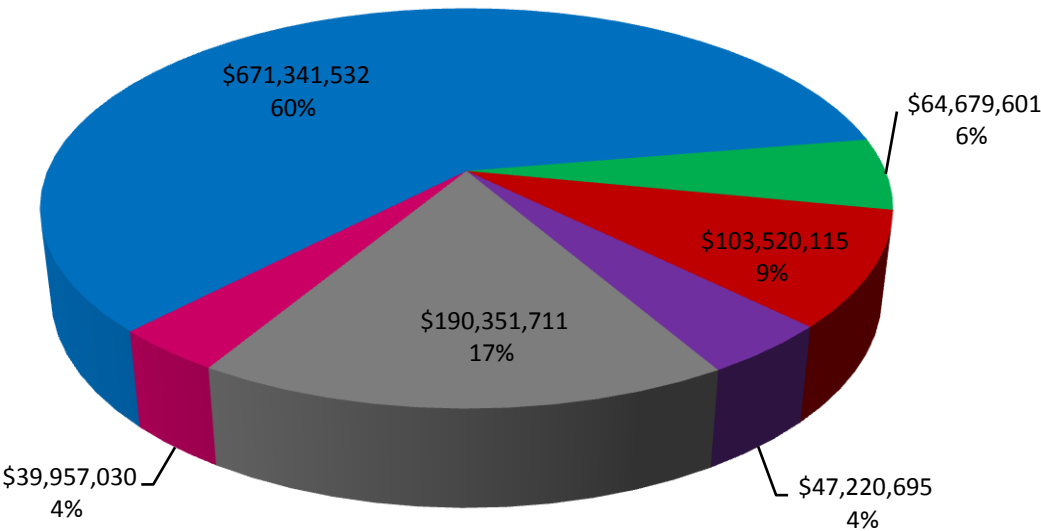
(Parcel Count by Property Type)

■ Residential ■ Land ■ Commercial ■ Personal Property ■ Industrials ■ Minerals



VIDOR ISD VALUE COMPARISON

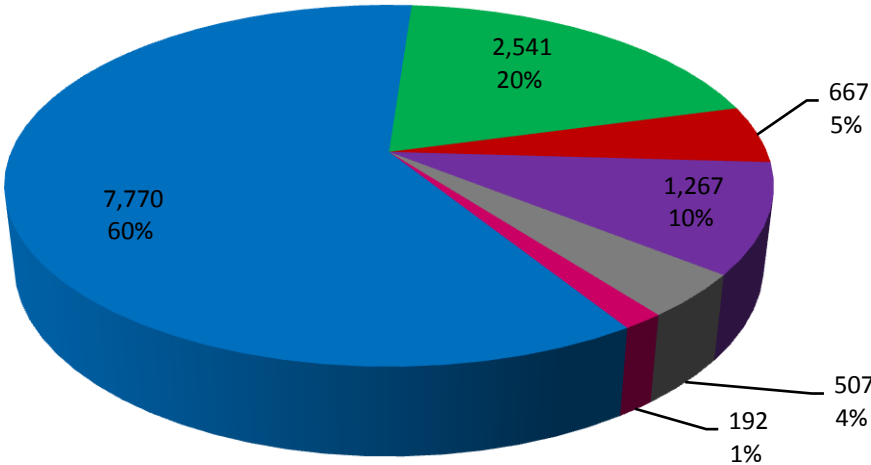
■ Residential ■ Land ■ Commercial ■ Personal Property ■ Industrials ■ Minerals



WEST ORANGE-COVE CISD PARCEL COMPARISON

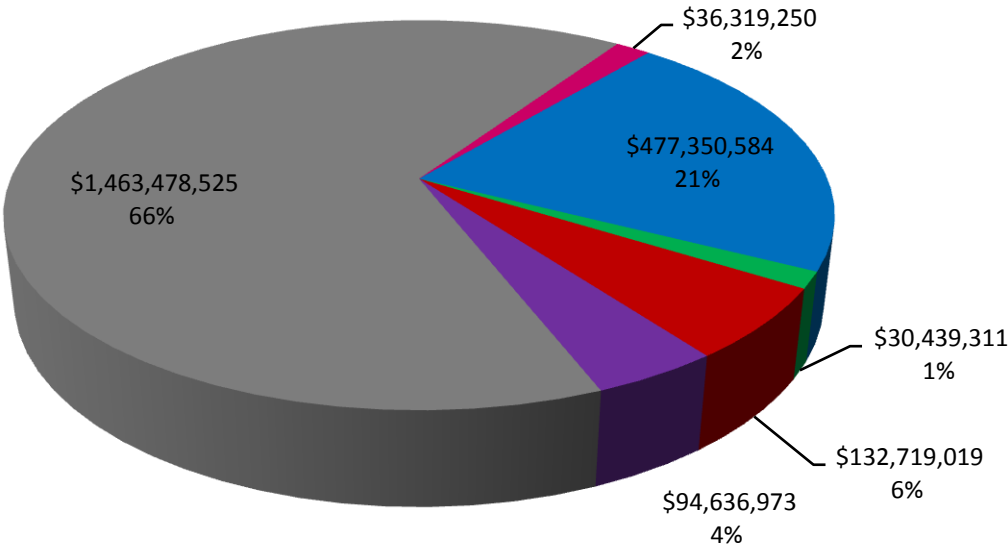
(Parcel County by Property Type)

Residential Land Commercial Personal Property Industrials Minerals



WEST ORANGE-COVE CISD VALUE COMPARISON

Residential Land Commercial Personal Property Industrials Minerals



Exemption Data

The Orange County Appraisal District is responsible for the administration of all property tax exemptions granted countywide as described in Chapter 11 of the Property Tax Code. The most common exemptions granted by the taxing units in Orange County pertain to homesteads. These exemptions include mandated

homestead exemptions, optional homestead exemptions, over-65 exemptions, disability exemptions, disabled veteran exemptions and 100% disabled veteran exemptions. Over the past several years, the Orange County Appraisal District has embarked on a process to ensure the accuracy of its exemption rolls. Beginning with the disability exemptions, district employees mail out letters to all current recipients of this exemption asking for current documentation of their disability. In performing this audit, the District determined that in 2009, county-wide, a total of 1,675 homesteads were granted a disability exemption. After completion of the audit, the District currently has a total of 1,109 disability exemptions. This was a reduction of 566 properties or approximately 34%. The primary reason for the removal of the exemptions was the inability of the applicant to provide current disability information.

The District employees are now working on auditing the Over-65 exemptions. In reviewing the exemption files, any applications missing information are mailed a request to provide a new application with the necessary information. Death records are reviewed on a regular basis to determine if any owners receiving the exemption are no longer living. If not included in the District's files, information pertaining to the spouse is requested. District employees also work with the various cities to determine if utilities are being paid by the owners of the property. This process has allowed the District to determine if further questions should be asked as to who is occupying the property. Although not causing a significant reduction in the number of Over-65 exemptions, the District's records reflect more accurate information. Approximately 10% of the exemptions were removed and in some cases for up to five of the previous years where the original applicants were no longer alive or had moved and heirs were receiving the exemptions erroneously.

Beginning in 2010, the Texas Legislature and the Texas voters approved an exemption for veterans who are 100% disabled or a percentage disabled and unemployable. This exemption is a total exemption which is applicable to all taxing entities. This exemption is in addition to the original disabled veteran exemption which allows up to \$12,000 in



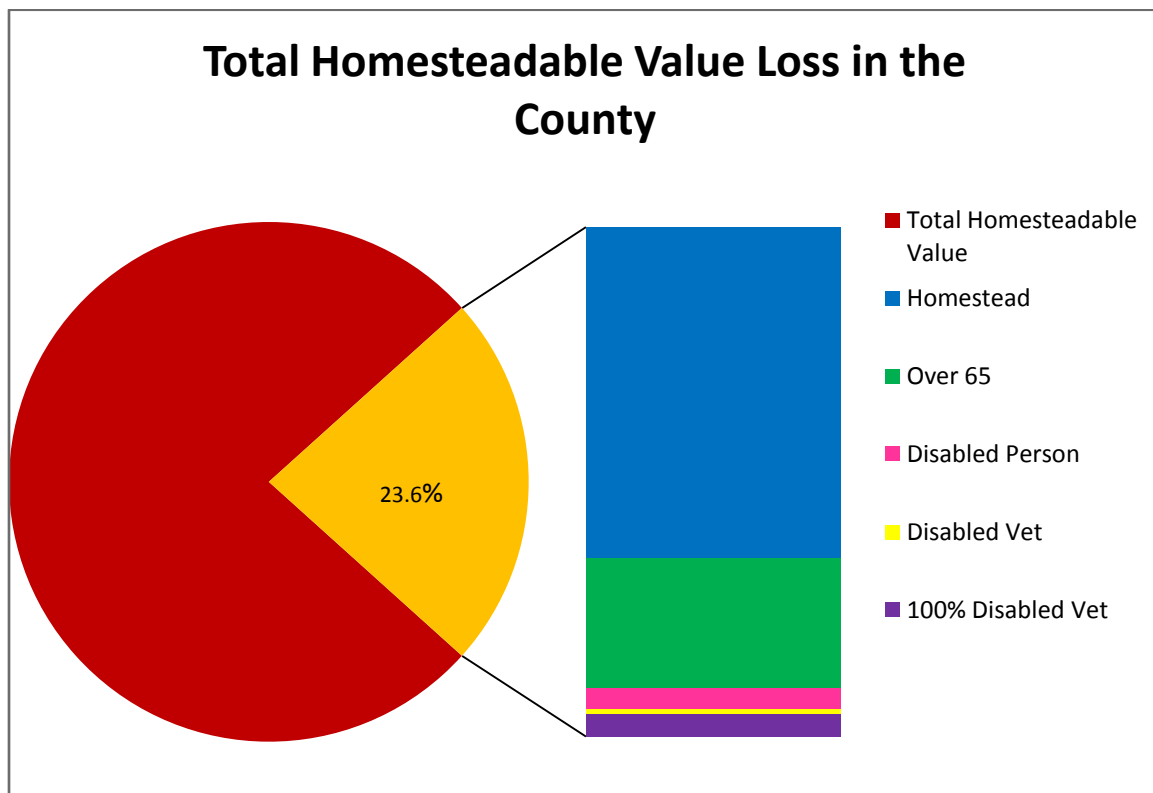
valuation to be exempted. The District currently has a total of 312 properties totally exempted for 100% disabled veterans and 640 partially disabled veteran exemptions. These exemptions currently amount to \$38,977,330 in valuation loss. District employees are also reviewing the files to ensure that all homestead exemptions have proper documentation in the District's files. Beginning in 2011, the Legislature passed a law requiring that applicants must provide a current driver's license or other State of Texas identification with an address that is the same as the property being applied for. Other forms of documentation can be provided if the applicant does not drive or own a vehicle. Although somewhat more time consuming for the taxpayer, the applications are more reliable.

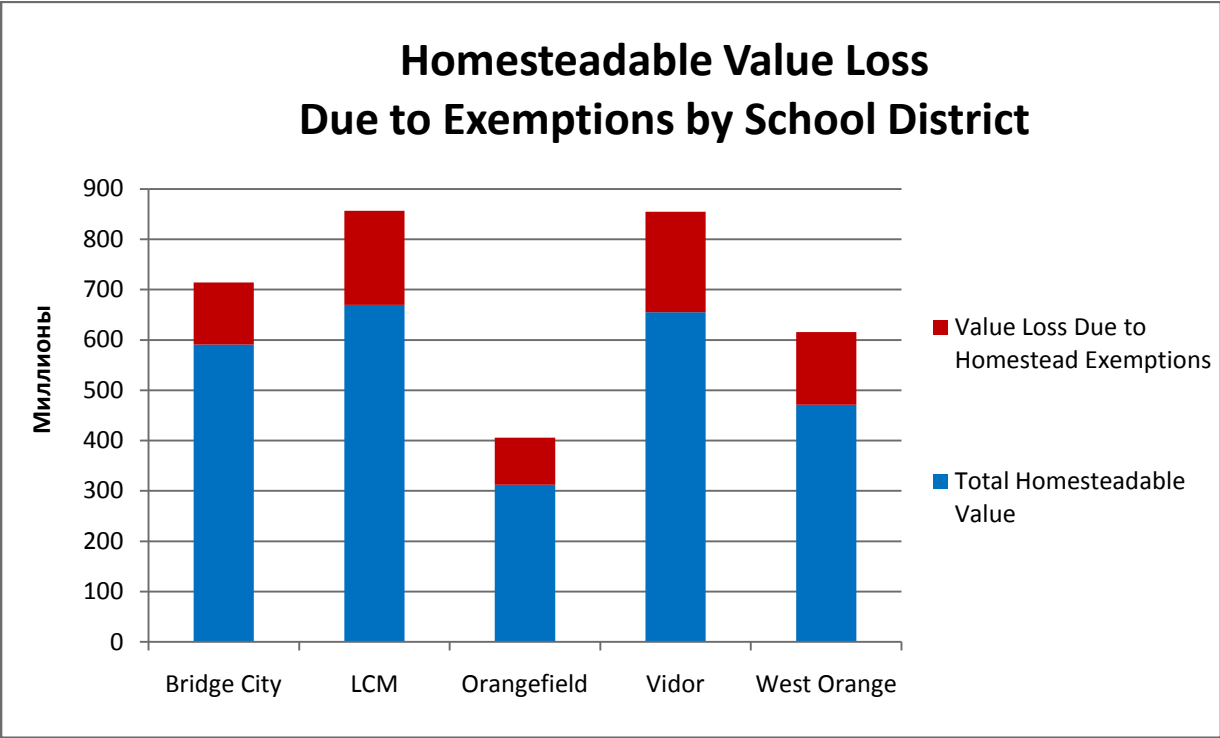
| ORANGE COUNTY 2013 RATE AND EXEMPTION CHART | | | | | | | | |
|--|--------------------|---------|-----------|----------------|---------|----------------|------------|----------------|
| TAXING ENTITY | | RATE | Homestead | | Over 65 | | Disability | |
| | | | 2013 | State Mandated | 2013 | State Mandated | 2013 | State Mandated |
| COUNTY WIDE | COUNTY | .538430 | 20% | 0 | 25,000 | 0 | 25,000 | 0 |
| | F/M | .00557 | 20% | 3,000 | 25,000 | 0 | 25,000 | 0 |
| | TOTAL COUNTY RATE | .54400 | | | | | | |
| | DRAIN | .10726 | 20% | 0 | 22,000 | 0 | 22,000 | 0 |
| | PORT | .00790 | 20% | 0 | 25,000 | 0 | 25,000 | 0 |
| CITY | BRIDGE CITY | .48345 | 20% | 0 | 22,000 | 0 | 22,000 | 0 |
| | ORANGE | .69000 | 20% | 0 | 15,000 | 0 | 15,000 | 0 |
| | PINE FOREST | .14798 | 20% | 0 | 20,000 | 0 | 20,000 | 0 |
| | PINEHURST | .69799 | 20% | 0 | 10,000 | 0 | 10,000 | 0 |
| | PORT ARTHUR | .79200 | 20% | 0 | 25,000 | 0 | 25,000 | 0 |
| | ROSE CITY | .42309 | 20% | 0 | 5,000 | 0 | 5,000 | 0 |
| | VIDOR | .73218 | 20% | 0 | 15,000 | 0 | 15,000 | 0 |
| | WEST ORANGE | .42500 | 20% | 0 | 17,000 | 0 | 17,000 | 0 |
| SPECIAL DIST | ESD #1 | .10000 | 0 | 0 | 10,000 | 0 | 5,000 | 0 |
| | ESD #2 | .10000 | 0 | 0 | 15,000 | 0 | 15,000 | 0 |
| | ESD #3 / Fire #3 | .06000 | 0 | 0 | 10,000 | 0 | 10,000 | 0 |
| | ESD #4 / Fire #4 | .03000 | 0 | 0 | 5,000 | 0 | 5,000 | 0 |
| | WCID #1 | .41962 | 0 | 0 | 10,000 | 0 | 5,000 | 0 |
| SCHOOL | BRIDGE CITY I.S.D. | 1.19000 | 10% | 15,000 | 10,000 | 10,000 | 0 | 10,000 |
| | LCM C.I.S.D. | 1.16521 | 15% | 15,000 | 0 | 10,000 | 0 | 10,000 |
| | ORANGFIELD I.S.D. | 1.17000 | 20% | 15,000 | 0 | 10,000 | 0 | 10,000 |
| | VIDOR I.S.D. | 1.22366 | 15% | 15,000 | 0 | 10,000 | 0 | 10,000 |
| | WOC C.I.S.D. | 1.42774 | 20% | 15,000 | 0 | 10,000 | 0 | 10,000 |

The appraisal district currently has two employees who have dual rolls of exemption clerk and receptionist. These employees have been trained to be courteous to our customers and to be knowledgeable and fair in their processing of all exemptions. They also understand that their duty is to follow the Property Tax Code to grant any exemptions properly applied for and to deny any that do not qualify.

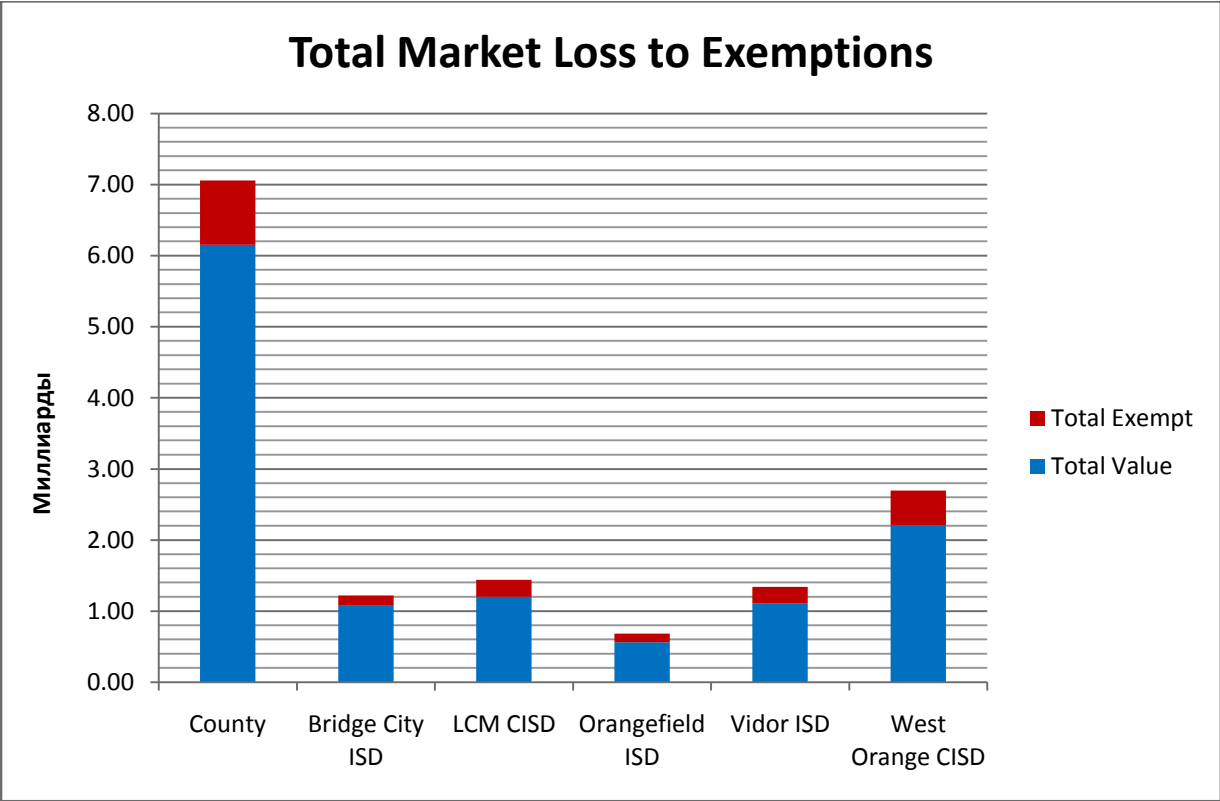
As shown on page 23, all entities in Orange County grant the various homestead related exemptions mandated by law. The County of Orange, all of the schools and all of the cities also grant the optional percentage exemptions and allow for the over-65 and disability tax ceiling (freeze) as allowed by the Property Tax Code. The tax ceilings prohibit increased taxes on the homestead on existing improvements. Significant new structures or additions to existing improvements will cause the ceiling to be recalculated for the subsequent tax year.

The following charts/graphs show the effect of these exemptions as they relate to the total value eligible for homestead.





The following charts/graphs show the relationship between the total market value of the County and school districts and the value lost to all exemptions and productivity values (Ag/timber).



Notice and Equalization Process

On April 8, 2013, the Orange County Appraisal District mailed all real property appraisal notices to the taxpayers of Orange County. Industrial and mineral notices were mailed on May 11, 2013 and personal property notices were mailed on May 25, 2013. Approximately 73,882 parcels were mailed to property owners and those with multiple parcels were mailed together. This was done using a combination of a mail service for real property, Pritchard and Abbott for mineral and industrial properties and in-house printing and mailing for personal property accounts. The appeal deadline for real property was May 31st. Due to the fact that personal property is given until April 15 to file their renditions and that a mandatory extension of 30 days and a “good cause” extension of an additional 15 days are available, personal property notices cannot be mailed until after May 15. The appeal deadline for personal property was June 25, 2013. Many of the industrial properties include inventory and other personal property which again require a later notice. The appeal deadline for industrial and mineral properties was July 2, 2013. All of the notice deadlines set by the property tax code were met by the District.



The District began hearing informal appeals on April 10th. Informal appeals allow the property owner an opportunity to meet with an appraisal district appraiser and discuss the appraisal on their property. The owner is given an opportunity to present evidence to the appraiser and to see how their property was appraised. If an error is discovered or if evidence is presented that changes the opinion of value, the appraiser has the ability to make a change to the appraisal. If an agreement is reached between the appraiser and the property owner, a Settlement Waiver of Protest is signed and the appeal process is complete. If an agreement is not reached, a formal appeal is signed and the property owner is scheduled for a hearing with the Appraisal Review Board.

Orange County Appraisal District began providing for on-line appraisal appeals on real property accounts beginning in 2012. Using this process, the taxpayer is given an opportunity to file a protest and present evidence to the District for review. The information is then considered and an offer is made to settle or the taxpayer is informed that no change will be made and the account will be scheduled for a formal hearing with the Appraisal Review Board. When compared with the informal hearing process, the results were very similar but did allow the taxpayer a method to be heard without having to physically come to the District's office.

The Orange County Appraisal Review Board (ARB) is a quasi-judicial body appointed by the Orange County Appraisal District Board of Directors. Members are charged with the function of providing an impartial review of the appraisal records prepared by the

District. The ARB is empowered to hear taxpayer appeals through scheduled hearings for taxpayers who dispute the appraised value, the equality of their appraisal with similar properties, the application of exemptions and special appraisals and any other action of the District that may affect taxpayer liability. The ARB members do not work for the appraisal district but rather, arbitrate between the taxpayer and the District. The five members of the ARB are appointed by the District's Board of Directors and serve two year terms.

The 2013 Appraisal Review Board Members consisted of the following members:

Vicki Bingham

Jerry Windham

John Martin

Weldon Townsend

Formal appeals for tax year 2013 began on May 14, 2013. A total of 13 hearing days were scheduled and 1044 formal protests were placed on the ARB calendar to be heard. The results of the 2013 appeals process are as follows:

| Results | Formal | Informal | Online | Total |
|-----------------------|--------|----------|--------|-------|
| Closed to open formal | 0 | 22 | 96 | 118 |
| Cancelled | 72 | 0 | 4 | 76 |
| Clerical error | 2 | 0 | 0 | 2 |
| Appeal denied | 1 | 0 | 0 | 1 |
| No Action | 4 | 370 | 9 | 383 |
| No Show | 245 | 0 | 0 | 245 |
| Withdrew | 171 | 49 | 1 | 221 |
| CAD No Change/SW | 121 | 77 | 3 | 201 |
| CAD Change/SW | 316 | 749 | 42 | 1,107 |
| ARB No Change | 116 | 0 | 0 | 116 |
| ARB Change | 110 | 0 | 0 | 110 |
| | 1,158 | 1,267 | 155 | 2,580 |

Public Service

The Orange County Appraisal District strives to provide the taxpayers and taxing entities of Orange County an open and honest appraisal district. This has been accomplished in part, by providing timely and important press releases to the media regarding appraisal operations and deadlines as well as through the use of the District's website:

www.orangecad.net.

The Chief Appraiser, Michael "Mike" Cedars has volunteered on numerous occasions to speak on various topics pertaining to the operations of the district as well as topics of interest to senior citizens, service organizations and public entities. Topics have included: general operations, exemptions, protest procedures and new legislation. This has given these citizens an opportunity to put a "face" with the appraisal district and an opportunity to ask questions one-on-one. The Chief Appraiser has also been involved with several service organizations such as Rotary, United Way, Red Cross and Little Cypress – Mauriceville Education Foundation in an attempt to involve the District as part of the community.



The District's employees have also been involved in several public service activities outside the day-to-day business activities. They have been involved annually in helping meet the goal set for United Way contributions, collecting Christmas gifts for children whose families are having financial difficulties. Just as important is the way our employees treat our customers, the taxpayers. The District's employees go above and beyond to provide a courteous and helpful atmosphere. The District is a member of the Orange County Board of Realtors allowing it to be part of the multiple listing service and the Chief Appraiser typically speaks to the group annually. The District maintains a close relationship to the entities and makes a point to be present at meetings when requested. Reports

involving litigation are prepared and sent to all entities at least twice per year. During the entities budget process, the District sends the estimated appraisal information as early as possible while also doing its best to ensure accurate estimates.

As soon as the appraisal roll is certified, the information is presented to the Tax Assessor-Collector so that effective tax rates can be calculated. The Chief Appraiser also makes himself available to answer any questions from the Tax Assessor-Collector or from the entities concerning the roll.

The District's website went on line in 2006. Since that time, the site has had over 850,000 visits. The website provides appraisal information on all properties, a historical listing of values over 10 years, exemption information and ownership. The site also provides:

- General Information which includes contact information, members of the Board of Directors, Appraisal Review Board and Agricultural Committee members and hours of operation.
- News, which includes exemption information, agricultural use valuation information, personal property requirements and the low income housing capitalization rate.
- Frequently Asked Questions include many of the questions that are asked of our employees and give quick access to many of the answers to those questions.
- The site also provides:
 1. Taxing unit information;
 2. A listing of subdivisions and abstracts;
 3. A link to the current Texas Property Tax Code;
 4. Current tax rate;
 5. The District's current budget and reappraisal plan;
 6. A link to the Tax Office payment information;
 5. Exemption Information and Applications;
 6. Agricultural open-space and timber guidelines;
 7. On-Line GIS Maps and tutorial;
 8. Business Personal Property depreciation schedule;
 9. Comptroller arbitration information, rendition requirements and the "Appealing Your Value" video; and
 10. On-line protest access.
 11. Conflict of Interest information and forms.

The website is reviewed several times annually to update information as necessary and to add items that might be of interest to users.



Accomplishments

2011 – 2013 was a busy time for the Orange County Appraisal District. Several changes put in place by the Legislature were implemented and the results were published. Due to the hard work of the District's employees, we met or exceeded all requirements.

2013 Methods and Assistance Program

In 2009, the Texas Legislature enacted a new law that required the Comptroller of Public Accounts to review appraisal districts every two years. The reviews inspect the governance, taxpayer assistance, operating procedures and the appraisal standard, procedures and methodology of each appraisal district. Mandatory requirements for each appraisal district include having up-to-date appraisal maps, having property inspections match the District's records, requiring written procedures, being able to reproduce the values using the procedures and appraisal records and the ability to timely produce requested data. The requirements were made up of over 78 items, many of which had multiple parts to each question.

To acquire an "Exceeds" score, the District must receive a rating of over 100%. Orange County Appraisal District not only met the requirements but exceeded them in all possible categories.



This review is designed to determine whether appraisal districts are meeting minimum requirements for performing statutory and appraisal duties. This review is conducted in accordance with Tax Code Section 5.102(a), effective Jan. 1, 2010, and related Comptroller rule 9.301. The Comptroller is required by statute to review appraisal districts for governance; taxpayer assistance; operating procedures; and appraisal standards and methodology.

Details concerning the actual activities performed by the CAD can be found in the remainder of the report. Because of the diversity of land within Texas, some parts of the MAP may not be applicable to a county. If questions or a section of questions do not apply, such as when a county has no timber, the question or questions will be marked as "Not Applicable" or "NA" and the final score will not be negatively impacted by these questions.

| Mandatory Requirements | PASS/FAIL |
|---|-----------|
| 1. Does the appraisal district have up-to-date appraisal maps from which property may be located pursuant to Comptroller Rule 9.3002? | PASS |
| 2. Do property inspections match appraisal district records? | PASS |
| 3. Does the appraisal district have written procedures for appraisal? | PASS |
| 4. Are values reproducible using the written procedures and appraisal records? | PASS |
| 5. Were all appraisal district documents requested by PTAD made available to the reviewer by the required date? | PASS |

| Appraisal District Activities | RATING |
|---|---------|
| Governance | EXCEEDS |
| Taxpayer Assistance | EXCEEDS |
| Operating Procedures | EXCEEDS |
| Appraisal Standards, Procedures and Methodology | EXCEEDS |

Appraisal District Ratings:

Exceeds - The total point score exceeds 100.

Meets - The total point score ranges from 90 to 100.

Needs Improvement - The total point score ranges from 75 to less than 90.

Unsatisfactory - The total point score is less than 75.

Property Value Study

The property tax code requires that the Comptroller conduct a study in each appraisal district to determine the degree of uniformity of and the median level of appraisals within each major property category at least once every two years. Due to the fact that the Orange County Appraisal District has been able to maintain the required ratios and uniformity, this study is currently being performed every other year. 2014 will be the next Property Value Study Year for the OCAD. To date, our appraisal district has never been out of compliance with this study.

Educational Requirements

The Orange County Appraisal District has been fortunate to maintain an appraisal staff that are all licensed by the Texas Department of Licensing and Regulation and designated as **Registered Professional Appraisers**. New licensing requirements mandate that these appraisers maintain a minimum of 30 hours of training in any given year and must be recertified every two years on the anniversary date of their original certification. The District's Board of Directors has ensured that the budget includes adequate funding to allow for the required training. In addition, requirements contained in the Methods and Assistance Program audit call for additional training of non-licensed employees in the area of public service and records retention. All of these requirements have been met or exceeded.

Deadlines

The Texas Property Tax Code requires that several important deadlines be met each year. These include: 1) Preliminary estimates; 2) Appraisal Review Board approval of the appraisal roll; and 3) Certification of the appraisal roll. OCAD has met all deadlines in each of the past 10 years.

Exemptions

OCAD is responsible for the administration of all property tax exemptions provided for in the property tax code. In an attempt to maintain accuracy in this effort, the District has revised its procedures to review these exemptions on a periodic schedule. During 2011 – 2013, the District's exemption department reviewed all of the disability exemptions. During this process, current documents were requested showing the qualification for this exemption. A large number of the exemptions no longer qualified and were removed from the roll. The department also began its review of over-65 exemptions. To date, a large number of the exemptions have been removed due to non-qualification. The District has made an effort to work with the various city water and sewer departments in an effort to determine if homestead exemptions are being granted to homes being rented or that do not qualify for other reasons. This effort is being made to help ensure the accuracy of the appraisal roll.

Open-Space Special Appraisal

The District has worked in conjunction with the Agricultural Committee to determine guidelines for the various types of agricultural uses of property in Orange County. These guidelines were used to question property owners who had applied for the special appraisal in previous years but did not fall into the guideline criteria. The property tax code allows the Chief Appraiser to require new applications when warranted and properties that were outside the guidelines were required to reapply. During this process, approximately 50% of the questioned properties were denied the special appraisal. In most cases this was done voluntarily by the property owner.

Ove the past year, the District's mapping department has worked to provide digital maps showing all properties currently receiving either open-space or timber appraisal. USDA soil types are also shown. As lease information is acquired, the properties under lease are shown on the maps as well.

For more information, visit our Website:

www.orangecad.net

For additional copies write:

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