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# HUERFANO



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303/355-3547



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Max P. Arnold, F.A.S.A., President

Thomas A. Arnold, Associate  
Lenny R. Arnold, Associate

August 25, 1983

Lyle C. Kyle, Director  
Legislative Council Staff  
State Capitol Building  
Denver, Colorado 80202

RE: HUERFANO COUNTY

Dear Lyle:

We hereby submit the result of the property assessment study for the above named county. This report is divided into eight parts: Summary of Findings; Questionnaire and Office Resource Survey; Market Data Analysis; Property Record Card Audit; Agricultural Audit; Natural Resources Audit; Personal Property Review; and Mobile Home Review.

The findings in these reports are based on the results of an eight month study effort. During the study over 50,000 sales of residential and commercial properties were collected and analysed, along with over 8,000 residential and commercial property record cards which were collected and reviewed. Extensive interviews were conducted with each assessing officer both at the beginning of the project and at the end with numerous personal contacts during the course of the study. In addition, speciality audits were conducted on agricultural and natural resource properties.

These reports are being submitted with one very important and very large caveat; that is virtually none of the counties performed a complete reappraisal. Values were simply arrived at by "factoring" with total disregard to the true appraisal process.

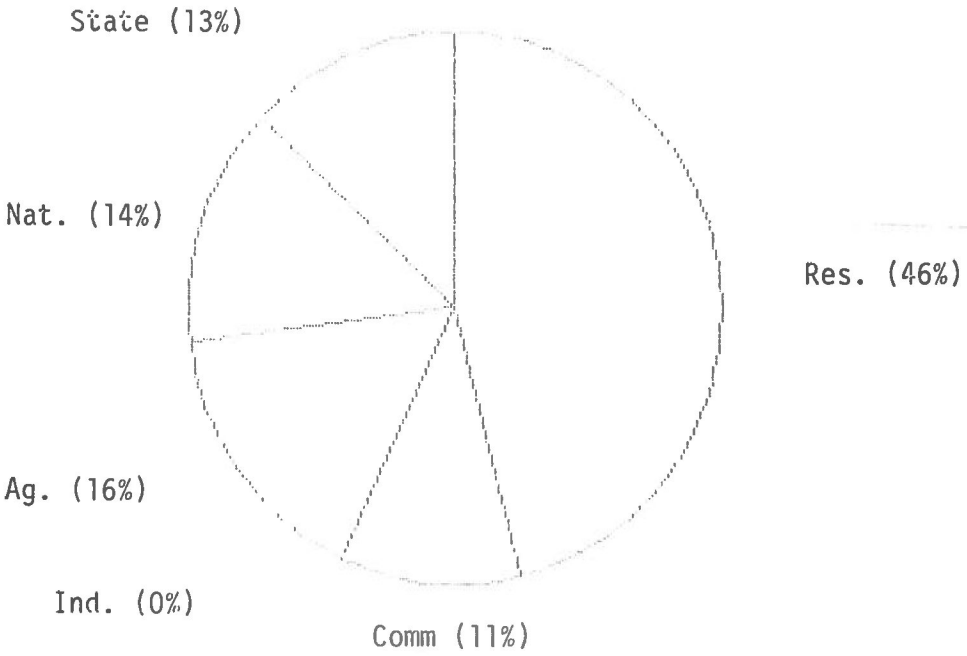
As documentation for this finding, we performed over 8,000 form appraisals using the 1977 manual issued by the state and in addition we completed over 1,000 complete appraisals, also using the state manual. These findings will be contained in the overall management report which we will be submitting to your office. It is our conclusion based on our findings that all but a handful of counties should be ordered to completely reappraise the counties. Unless this is done most counties will simply continue to compound existing imbedded inequities in perpetuity.

Very truly yours,

MAX P. ARNOLD & ASSOCIATES, INC.

Max P. Arnold, F.A.S.A.

HUERFANO COUNTY  
1962 TAX BASE



SUMMARY OF FINDINGS

1982 Tax Base

Class as a % of Total Assessed Value

<u>Res</u>	<u>Com</u>	<u>Ind</u>	<u>Agr</u>	<u>Pol Con</u>	<u>Nat Res</u>	<u>State Assd</u>
46	11	0	16	0	14	13

I. Updated all accounts from 1973 base year to 1977 base year.

Yes \_\_\_\_\_ No x \_\_\_\_\_

Comments: Agricultural properties not updated to 1977 base year.

II. Market Data Analysis

	<u>Level</u>	<u>Quality</u>
A. Residential		
Single Family	107.14	31.14
Multifamily	-----	-----
Condominium	-----	-----
B. Commercial	92.61	37.04
C. Industrial	-----	-----

Comment: Residential assessments are above 1977 levels of value; quality of assessments is unacceptable. Commercial assessments are below 1977 levels of value; quality of assessments is unacceptable.

HUERFANO COUNTY

III. 1% Property Record Card Audit

Complete

Incomplete

Inventory:

x

Comment:

IV. Agriculture

Compliance

Non Compliance

Comment:

x

V. Natural Resources

Compliance

Non Compliance

Comment:

x

IV. Personal Property

Compliance

Non Compliance

Comment:

x

VIII. Mobile Homes

Compliance

Non Compliance

Comment:

x

OVERALL COMMENTS: Agricultural property needs to be done.  
Residential and Commercial property needs to be redone.

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INITIAL QUESTIONNAIRE  
(as answered by Assessor)

Information Concerning the Residential Class

Was the Property Tax Administrator's residential appraisal manual (A.H. 513 or any other manuals approved by the Property Tax Administrator) for 1977 used by the assessor in valuing residential property effective January 1, 1983?

Yes   X                        No       

If the answer is negative or doubtful a written explanation and the necessary documentation shall be provided.

Were adjustments made to the manuals for local conditions?

Yes   X                        No       

If the answer is yes, explain.

Factor 10% down.

Information Concerning Commercial and Industrial Classes

Was the Property Tax Administrator's Commercial and Industrial Appraisal Manual (A.H. 523 or any other manuals approved by the Property Tax Administrator) for 1977 used by the assessor when valuing commercial and industrial property effective January 1, 1983?

Yes   X                        No       

Were adjustments made to the manuals for local conditions?

Yes                             No   X  

If the answer is yes, explain.

COUNTY ASSESSORS OFFICE RESOURCES  
(Information provided by County Assessor)

I. No. of property parcels by classification

- (A). Residential 5,827
- (B). Commercial 269
- (C). Industrial 5
- (D). Agricultural 1,604
- (E). Natural Resources \_\_\_\_\_
- (F). Personal Property 314
- (G). Total Number of Parcels 8,019

II. Staffing by Function

- (A). Appraisal 2
- (B). Administrative 2
- (C). Clerical 3
- (D). Automated Data Processing \_\_\_\_\_
- (E). Other \_\_\_\_\_

III. Budget of Assessor's Office

- (A). Salaries 75,460
- (B). Total 91,120

IV. Work Processing

- (A). Manual System yes
- (B). Automated Data Processing none
  - (1). Hardware Manufacturer \_\_\_\_\_
  - (2). Software Resources and Language \_\_\_\_\_

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(3). Automated Functions

(1). Appraisal \_\_\_\_\_

(ii). Accounting \_\_\_\_\_

(iii). Mapping \_\_\_\_\_

(iv). Inventory \_\_\_\_\_

(v). Other \_\_\_\_\_

(4). Centralized System within County \_\_\_\_\_

(5). Other Features \_\_\_\_\_

(6). Combined System \_\_\_\_\_



## MARKET DATA ANALYSIS

The contract required Max P. Arnold & Associates to obtain 1975 and 1976 sales of improved and unimproved residential, commercial and industrial properties in each county and the 1977 actual values for the properties. The sales and the 1977 actual values were gathered and analyzed according to the stratification and statistical principles outlined in the contract. From this data a median ratio and a co-efficient of dispersion was developed for improved residential, commercial and industrial property in each county according to the established economic areas. For this report only the overall county figures by economic area by class of properties presented. We can, upon request, develop median and coefficient within price ranges and with years where possible.

The purpose of this market analysis is twofold. The median ratio is an indicator of the level of values in the county as of 1977, and is a function of the relationship between the 1977 actual value as determined by the assessor and the sale price 1975 and 1976. Theoretically the level of value equals 100 (i.e., market data \$20,000; actual value \$20,000). Thus, an overall median ratio of say 115 percent would indicate an over assessment while conversely an overall ratio of 85 percent would indicate an under assessment within a particular class.

The coefficient of dispersion (C.D.) is an indicator of the quality of assessment. The coefficient of dispersion indicates the range of the individual actual values from the median. A low C. D. indicates a high degree of quality or uniformity. Parenthetically, it should be noted that it is quite possible for a county to have either a low or a high level of assessment and at the same time have achieved a high degree of quality (uniformity) of assessment.

Appraisals. As required by the contract, appraisals were to be made in counties where sales data was insufficient to determine the level of value and quality of assessment in a particular class (residential, commercial or industrial) through the market data analysis approach. Where market data is insufficient to arrive at a value the assessor must look to either the cost approach or the income approach to arrive at value. As a practical matter only the cost approach could be used in the smaller counties. Although in the larger counties an income approach may have been used if sufficient data was available.

In addition, although not required under the contract, appraisals were made in those counties where high growth occurred since 1977 and in counties where present economic conditions may have indicated a lower level of value than those that existed in 1977.

MARKET DATA COLLECTION

Economic Areas

There is one economic area for the entire County, though some consideration was given to splitting off the Town of La Veta vicinity from the remainder of the County.

Market Data Collection

A sales list of improved residential and commercial properties was supplied by the Assessor. The sales list was augmented by reception book research which produced approximately 50 percent of the total number of sales found, principally unimproved residential.

Number of Sales Gathered

	<u>Improved</u>	<u>Unimproved</u>
A. Residential		
1. Single Family	170	284
2. Multi-Family	5	0
3. Condominium	0	0
B. Commercial	27	0
C. Industrial	0	0

Number of Appraisals Required

Residential: None  
 Commercial: None  
 Industrial: None

Residential

1. Single Family Improved

<u>Econ Area</u>	<u>No. Sales</u>	<u>Median</u>	<u>Adj. Median</u>	<u>C.D.</u>
A	102	108.02	107.14	31.14

2. Multi-Family

<u>Econ Area</u>	<u>No. Sales</u>	<u>Median</u>	<u>Adj. Median</u>	<u>C.D.</u>
A	4	158.47	N/A	N/A

3. Condominium

<u>Econ Area</u>	<u>No. Sales</u>	<u>Median</u>	<u>Adj. Median</u>	<u>C.D.</u>
NOT APPLICABLE				

Commercial

<u>Econ Area</u>	<u>No. Sales</u>	<u>Median</u>	<u>Adj. Median</u>	<u>C.D.</u>
A	20	93.04	92.61	37.04

Industrial

<u>Econ Area</u>	<u>No. Sales</u>	<u>Median</u>	<u>Adj. Median</u>	<u>C.D.</u>
NOT APPLICABLE				

PROPERTY RECORD CARD AUDIT

As required by the contract, Max P. Arnold & Associates has reviewed one percent of the improved and unimproved residential, commercial and industrial property record cards in each county for compliance with the 1977 Colorado Manual. The one percent figure was based on one percent of the 1981 parcel count as noted in the 1981 annual report of the Colorado Division of Property Taxation.

It should be noted that in some counties the residential unimproved property cards reviewed were less than the one percent of the 1981 parcel count. In our opinion the number actually collected and reviewed was an accurate representative sample. We have noted if the number of cards of unimproved residential property collected and reviewed was less than one percent.

Improved Property Audit

All improved property record cards were audited to determine if the inventory and data included on the card was sufficient to arrive at a value through cost approach. In addition, for a representative sampling of the cards in each county, we developed a replacement cost new using the 1977 Colorado Manual. In addition, each card was reviewed to determine the last date of physical inspection of the property.

The purpose of the audit was twofold: 1) to determine whether a cost approach could be developed based on the information contained on the cards using any manual and 2) to determine if the data on the cards was reasonably current.

We are aware that in a number of counties the cards had not been updated to show current costs at the time of collection. Therefore, a comparison between costs using the 1977 manual and the 1977 costs arrived at by the assessor was not possible in some cases.

Unimproved Property Audit

Property record cards of unimproved property was reviewed for compliance with the 1977 manual.

PROPERTY RECORD CARD AUDIT

Number of Cards Selected  
(Based on 1%)

<u>Res Imp</u>	<u>Res Unimp</u>	<u>Com Imp</u>	<u>Com Unimp</u>	<u>Ind Imp</u>	<u>Ind Unimp</u>
21	34	2	1	1	1

<u>No. Cards Reviewed</u>	<u>Improved</u>	<u>Unimproved</u>
Residential	21	34
Commercial	2	1
Industrial	1	0

<u>Improved Properties</u>	<u>No. Complete</u>	<u>No. Incomplete</u>
Residential	21	0
Commercial	2	0
Industrial	1	0

Comments:

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## AGRICULTURAL LAND AND IMPROVEMENTS

As requested, we have conducted a 1% audit of agricultural land and improvements in Huerfano County, Colorado for the purpose of determining the current status of the assessment of said properties.

During an interview the Assessor, Virginia Aragon, stated that agricultural classes were established in 1976 by staff members of the Division of Property Taxation. The assessor intends to review all classifications with a committee of local agribusiness men in 1983. She is currently sending questionnaires to each farmer and rancher to establish current 10 year averages for production, expenses and commodity prices. Agricultural improvements have been reinspected during 1982 and 1983 and are currently valued from the Property Tax Administrators 1977 Manuals.

After the interview, a sampling of 1% of the total number of acres in each of the major land classes i.e., irrigated farm, dry farm, and grazing was pulled from the assessors records. Care was taken to abstract a sample from each of the major production areas in the county. The samples were compared to existing data to determine quality of the classifications for assessment purposes.

In conjunction with the land sampling, 1% of the agricultural improvements were also pulled from the assessors records to determine the present assessment practices for rural improvements.

As required in State of Colorado Bid No. GB-RFP-149, our findings are as follows

1. By utilizing representative field inspections, as well as reviewing records in the assessor's office, the study shall determine if all agricultural lands have been classified according to use.

A. Irrigated farm land

Yes   x   When   1976   No       

B. Dry farm land

Yes   x   When   1976   No       

C. Meadow hay land

Yes   x   When   1976   No       

D. Grazing Land

Yes   x   When   1976   No       

E. Orchard land - none

Yes        When        No       

F. Other - none

Yes        When        No       

Remarks

Land classifications should be reviewed and plotted on the most recent aerial photos.

2. Has the assessor maintained an accurate, up-to-date file on commodity prices for farm and ranch products, farm and ranch operating costs (landlord's share), and have both prices and costs been averaged over the required ten-year period?

Yes        No   x  

Remarks

The assessor is in the process of gathering current data.



Huerfano

3. Has the 11 1/2 percent capitalization rate been applied correctly?

Yes \_\_\_\_\_

No x \_\_\_\_\_

Remarks

The 11 1/2% capitalization rate has been applied to obsolete data.

4. By utilizing representative field inspections as well as reviewing records in the assessor's office, the study shall determine if all agricultural building improvements not included in the valuation of the agricultural unit (as prescribed by law) are listed on an appraisal card including an accurate, up-to-date description of physical features necessary to appraise the property?

Yes x \_\_\_\_\_

No \_\_\_\_\_

Remarks

5. Was the Property Tax Administrator's Commercial and Industrial Manual (Section III on Special purposes Structures for 1977) used by the assessor in valuing agricultural improvements effective January 1, 1983?

Yes x \_\_\_\_\_

No \_\_\_\_\_

Remarks

Summary

To comply with existing state statutes pertaining to the valuation of agricultural land the assessor should:

1. Review land classifications and plot same on the most recent aerial photos.
2. Compile production, expenses and commodity price data for the most recent 10 year period.
3. Capitalize resulting net income at 11 1/2% for each land class.

NATURAL RESOURCES

As requested, we have conducted a 1% audit of natural resources property located in Huerfano County, Colorado. These resources fall into the major categories of coal, metalliferous, non-metallic, and oil and gas. There has been production in all three mining categories in the past. At the present all mines have ceased operation. 1983 will be the first year for oil and gas production.

To sample these properties we were allowed to review the necessary declaration schedules.

As a result of the review, we find the following:

1. All mining categories are being assessed as non-producing and valued from \$1.40 to \$6.70 per acre.
2. Severed minerals are valued at \$2.00 per acre with a minimum value per schedule of \$30.00.

PERSONAL PROPERTY AUDIT QUESTIONNAIRE  
(as answered by Assessor)

1. Do you require the taxpayer to furnish an itemized list of the price paid for each item and the date of acquisition?

Yes  X  No

2. If the answer is yes, indicate the percent of taxpayers in your county who comply with the confidential report (39-5-120) required by statute.

65%

3. What is the number of employees assigned to your personal property department?

1

4. Do you conduct a physical audit annually of selected taxpayers?

Yes  X  No

5. Do you calculate personal property values according to trend tables and life tables for depreciation?

Yes  X  No

6. What do you consider to be the major problem in assessments of personal property for your county?

Assessments are going up too much instead of depreciating.

7. How do you handle taxpayers who do not comply with proper listing of personal property returns?

Assess on best information available or go make a physical inspection.

8. Do you charge a penalty to taxpayers who do not file or do not file a proper return?

I assess 50% over what they had the year before plus the late filing fee according to the law on late filing then I send an N.O.V.

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MOBILE HOME AUDIT QUESTIONNAIRE  
(as answered by Assessor)

Recognizing that recent changes in law and regulation have required a new method of valuing mobile homes, we hope you will answer the following questions. With your help, we hope to provide an accurate reflection of the manner in which mobile homes are assessed.

- (1). Are mobile homes being valued in the manner prescribed for 1983 by the Property Tax Administrator?

Yes  X  No

If answer is no, please answer the next two questions.

- (2). If no, please explain briefly how you are assessing mobile homes.

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- (3). If no, do you intend to follow the published guidelines for mobile home valuation in subsequent years?

Yes   No

