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LAS ANIMAS



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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: LAS ANIMAS 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.

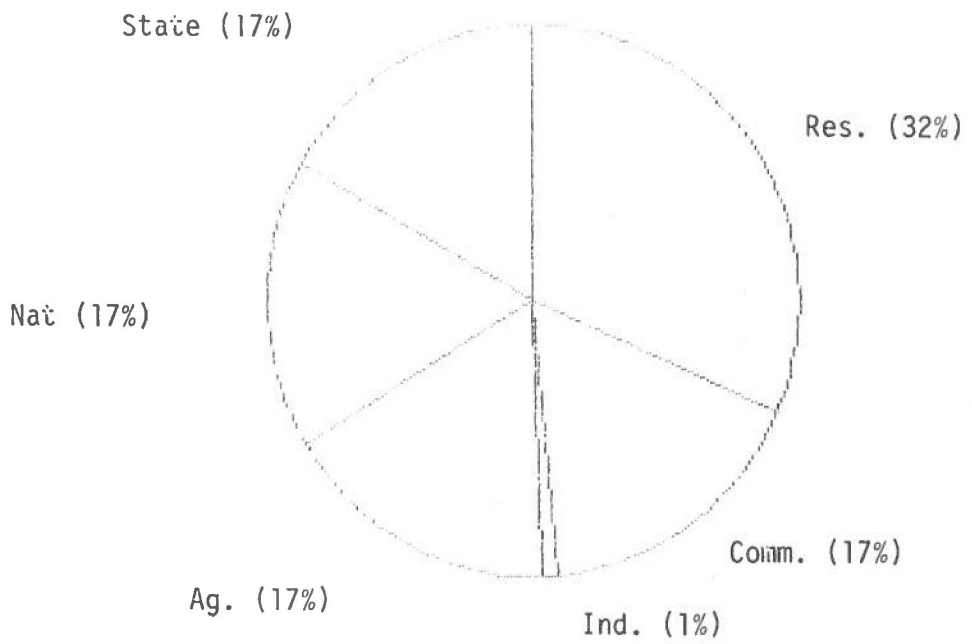
As documentation for this finding, we performed over 8,000 form appraisals using the 1977 manual issued by the state and in addition we completed over 1,000 complete appraisals, also using the state manual. These findings will be contained in the overall management report which we will be submitting 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.

LAS ANIMAS COUNTY
1982 TAX BASE



LAS ANIMAS COUNTY

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>
32	17	1	17	0	17	17

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

Yes No x

Comments: Residential, Commercial, Agricultural and Mobile Home properties were not updated to 1977 base year.

II. Market Data Analysis

	<u>Level</u>	<u>Quality</u>
A. Residential		
Single Family	51.66	53.63
Multifamily	-----	-----
Condominium	-----	-----
B. Commercial	78.30	55.05
C. Industrial	-----	-----

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

LAS ANIMAS COUNTY

III. 1% Property Record Card Audit

Complete Incomplete

Inventory:

x

Comment:

IV. Agriculture

Compliance

Non Compliance

x

Comment:

V. Natural Resources

Compliance

Non Compliance

x

Comment:

IV. Personal Property

Compliance

Non Compliance

x

Comment:

VIII. Mobile Homes

Compliance

Non Compliance

x

Comment:

OVERALL COMMENTS: Residential, Commercial, Agricultural and Mobile Home property must be done.

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 _____ No x

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 _____ No x

If the answer is yes, explain.

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 _____ No x

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 8,230
- (B). Commercial 587
- (C). Industrial 24
- (D). Agricultural 5,874
- (E). Natural Resources 2,000
- (F). Personal Property 645
- (G). Total Number of Parcels 17,360

II. Staffing by Function

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

III. Budget of Assessor's Office

- (A). Salaries 89,777
- (B). Total 121,399

IV. Work Processing

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

- (3). Automated Functions
 - (i). 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.

Residential1. Single Family Improved

<u>Econ Area</u>	<u>No. Sales</u>	<u>Median</u>	<u>Adj. Median</u>	<u>C.D.</u>
A	1	14.00	N/A	N/A
B	3	34.78	N/A	N/A
C	241	53.08	52.52	61.35
D	1	112.14	N/A	N/A
Overall	246	52.94	51.66	53.63

2. Multi-Family

<u>Econ Area</u>	<u>No. Sales</u>	<u>Median</u>	<u>Adj. Median</u>	<u>C.D.</u>
C	2	131.22	N/A	N/A
Overall	2	131.22	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>
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NOT APPLICABLE

Commercial

<u>Econ Area</u>	<u>No. Sales</u>	<u>Median</u>	<u>Adj. Median</u>	<u>C.D.</u>
A	1	69.33	N/A	N/A
B	0	N/A	N/A	N/A
C	14	87.75	78.30	58.79
D	1	112.40	N/A	N/A
Overall	16	87.75	78.30	55.05

Industrial

<u>Econ Area</u>	<u>No. Sales</u>	<u>Median</u>	<u>Adj. Median</u>	<u>C.D.</u>
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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</u> <u>Imp</u>	<u>Res</u> <u>Unimp</u>	<u>Com</u> <u>Imp</u>	<u>Com</u> <u>Unimp</u>	<u>Ind</u> <u>Imp</u>	<u>Ind</u> <u>Unimp</u>
47	41	4	1	1	1

<u>No. Cards Reviewed</u>	<u>Improved</u>	<u>Unimproved</u>
Residential	47	41
Commercial	6	2
Industrial	0	0

<u>Improved Properties</u>	<u>No. Complete</u>	<u>No. Incomplete</u>
Residential	47	0
Commercial	6	0
Industrial	0	0

Comments:

Residential: Appraisal cards not updated.

Commerical: Appraisal cards not updated.

AGRICULTURAL LAND AND IMPROVEMENTS

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

During an interview the Assessor, Ernest Abeyta, stated that the agricultural land had been classified during the mid 1970's by Division of Property Taxation staff members. Agricultural improvements have not been totally inspected and valued for many years.

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 then compared with the U.S. Soil Conservation Service Land Use Maps to determine the quality of the classifications for assessment purposes. On-site field inspections were conducted where necessary.

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 _____ When _____ No X _____

B. Dry farm land

Yes _____ When _____ No X _____

C. Meadow hay land

Yes _____ When _____ No X _____

D. Grazing Land

Yes _____ When _____ No X _____

E. Orchard land - NONE

Yes _____ When _____ No _____

F. Other

Yes _____ When _____ No X _____

Remarks

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

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

Yes _____

No X _____

Remarks

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 _____

No X _____

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 _____

No X _____

Remarks

Summary

It appears that a great deal of time and money has been spent by the Division of Property Taxation in the past 10 years on the appraisal of agricultural land in Las Animas County. The results of this work have not been applied. To comply with existing State statutes pertaining to the valuation of agricultural land and improvements, the assessor should:

1. Classify all agricultural land on the most recent aerial photos using data gathered by the Division of Property Taxation, personal interviews and USDA Soil Conservation Service information where available.
2. Compile data for production, expenses and commodity prices for the most recent 10 year period.
3. Capitalize resulting net income at 11-1/2% for each land class.
4. Transfer all land classes and values to new appraisal cards.
5. Inspect and compute (from the Property Tax Administrators 1977 Manual or other approved manual) all agricultural improvements.

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.

 75%

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

 My assistant or myself

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?

 All the work involved does not bring in enough money

NATURAL RESOURCES PROPERTY

As requested, we have conducted a 1% audit of natural resources property located in Las Animas County, Colorado. These resources fall into the categories of coal (producing 1,290 acres, non-producing 5,910 acres, depleted 2,220 acres) and severed mineral interests (coal 250 acres, oil and gas 129,210 acres and ther 514,290 acres).

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

The Assessor, Ernest Abeyta, stated that in the producing category there are three mines, two of which are owned by C.F.&I. and are presently shut down. The third is owned by a private individual and will begin production this year.

As a result of the 1% sample, I find the following:

1. The three mines are presently being assessed as non-producing and valued the same as surrounding grazing lands.
2. Severed mineral interests in all categories are assessed at \$1.00 per acre.

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

Best information available showing items that are not there and then they bring in a list.

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

Yes

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 _____ No X

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

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

We are using form AR102 1/78. They are assessed at current year. Mobile home age, total value, percent good, and current actual value.

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

Yes X No _____

