



2008
COSTILLA COUNTY
PROPERTY ASSESSMENT
STUDY



ROCKY MOUNTAIN
VALUATION SPECIALISTS



September 15, 2008

Mr. Mike Mauer
Director of Research
Colorado Legislative Council
Room 029, State Capitol Building
Denver, Colorado 80203

**RE: Final Report for the 2008 Colorado Property Assessment Study
for Colorado's sixty four counties**

Dear Mr. Mauer:

Rocky Mountain Valuation Specialists LLC is pleased to submit the Final Reports for the 2008 Colorado Property Assessment Study for all sixty four counties that make up the State of Colorado.

These reports represent the result of a two-part analysis and audit for each county: A procedural analysis and a statistical analysis.

The procedural analysis, for each county, included all classes of property and specifically looked at how the assessor developed economic areas, confirmed and qualified their sales, developed their time adjustments, and performed their periodic physical property inspections. The audit also reviewed the procedures for discovering, classifying and valuing agricultural outbuildings, discovering subdivision build-out and subdivision discounting procedures. Valuation methodology for residential properties and commercial properties was examined. Procedures for producing mines, oil and gas leaseholds and lands producing, producing coalmines, producing earth and stone products, severed mineral interests, and non-producing patented mining claims were also reviewed. Starting in 2007, procedural analyses of agricultural outbuildings were performed for each county.



Statistical analysis was also performed, for each county, on vacant land, residential properties, commercial/industrial properties, and agricultural land. A statistical analysis was performed to check for personal property compliance on the top 11 counties: Adams, Arapahoe, Boulder, Denver, Douglas, El Paso, Jefferson, Larimer, Mesa, Pueblo, and Weld. All other counties received a procedural study.

Throughout this project RMVS has remained committed to its belief that for an ad valorem system to be successful, values must be equitable and market-driven in all parts of Colorado. Only then is the taxpayer assured of a fair property tax.

RMVS appreciates the opportunity to be of service to the State of Colorado.

A handwritten signature in black ink, appearing to read "Mark R. Linné".

Mark R. Linné **MAI, CAE, ASA, CRE, FRICS**
Managing Director
Rocky Mountain Valuation Specialists LLC



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INTRODUCTION



Colorado

The Colorado Constitution directs that each property tax levy shall be uniform upon all real and personal property not exempt from taxation. The constitution goes on to direct that the actual value of all applicable real and personal property shall be determined under general laws, which shall prescribe such methods and regulations as shall secure just and equalized valuations (Colo. Const., Art. X, Sec. 3 (1)(a)).

In order to check that all applicable property has been valued with just and equalized valuations, the Constitution states that commencing in 1983 the general assembly shall cause a valuation for assessment study to be conducted. Such study shall determine whether or not the assessor of each county has complied with the property tax provisions of this constitution and of the statutes in valuing property and has determined the actual value and valuation for assessment of each and every class of taxable real and personal property consistent with such provisions. Such study shall sample at least one percent of each and every class of taxable real and personal property in the county (Colo. Const., Art. X, Sec. 3 (2)(a)).

The State Board of Equalization (SBOE) reviews assessments for conformance to the Constitution. The SBOE will order revaluations for counties whose valuations

do not reflect the proper valuation period level of value.

C.R.S. 39-1-104 (16)(a)(b) and (c) outlined how this was to be accomplished by stating that during each property tax year, the director of research of the legislative council shall contract with a private person for a valuation for assessment study to be conducted as set forth in this subsection (16). The study shall be conducted in all counties of the state to determine whether or not the assessor of each county has, in fact, used all manuals, formulas, and other directives required by law to arrive at the valuation for assessment of each and every class of real and personal property in the county. The person conducting the study shall sample each class of property in a statistically valid manner, and the aggregate of such sampling shall equal at least one percent of all properties in each county of the state. The sampling shall show that the various areas, ages of buildings, economic conditions, and uses of properties have been sampled. Such study shall be completed, and a final report of the findings and conclusions thereof shall be submitted to the state board of equalization, by September 15 of the year in which the study is conducted.

The legislative council sets forth two criteria that are the focus of the audit group:

To determine whether each county assessor is applying correctly the constitutional and



statutory provisions, compliance requirements of the State Board of Equalization, and the manuals published by the State Property Tax Administrator to arrive at the actual value of each class of property.

To determine if each assessor is applying correctly the provisions of law to the actual values when arriving at valuations for assessment of all locally valued properties subject to the property tax.

The property assessment audit conducts a two-part analysis: A procedural analysis and a statistical analysis.

The procedural analysis includes all classes of property and specifically looks at how the assessor develops economic areas, confirms and qualifies sales, and develops time adjustments. The audit also examines the procedures for adequately discovering, classifying and valuing agricultural outbuildings, discovering subdivision build-

out and subdivision discounting procedures. Valuation methodology for vacant land, improved residential properties and commercial properties is examined. Procedures for producing mines, oil and gas leaseholds and lands producing, producing coal mines, producing earth and stone products, severed mineral interests and non-producing patented mining claims are also reviewed.

Statistical analysis is performed on vacant land, residential properties, commercial industrial properties, agricultural land, and personal property. The statistical study results are compared with State Board of Equalization compliance requirements and the manuals published by the State Property Tax Administrator.

RMVS has completed the Property Assessment Study for 2008 and is pleased to report its findings for Costilla County in the following report.



REGIONAL/HISTORICAL SKETCH OF COSTILLA COUNTY

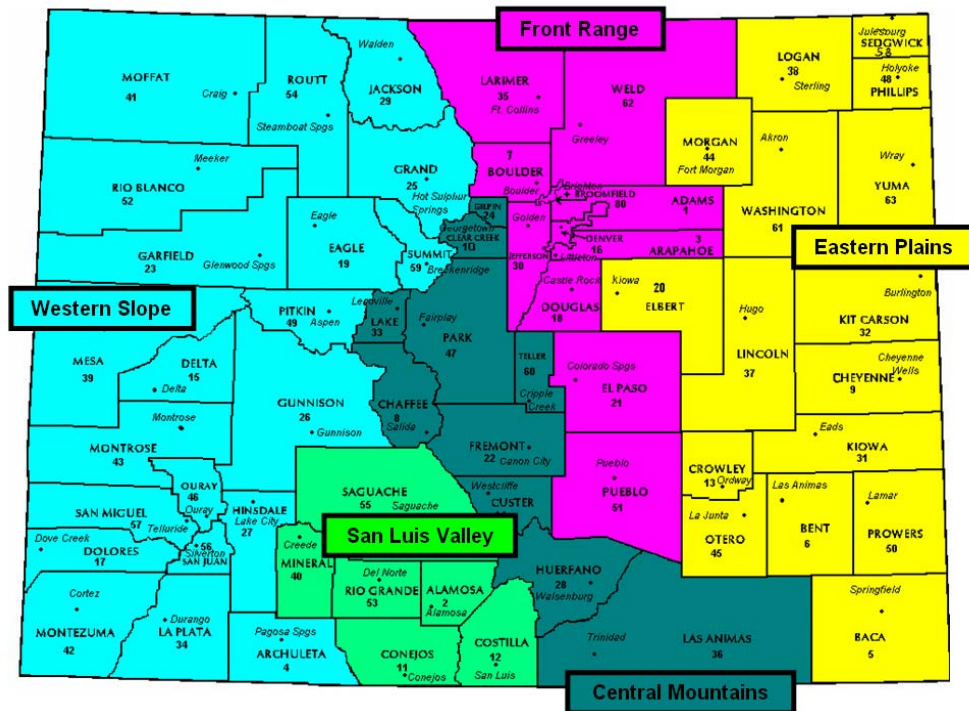
Regional Information

Costilla County is located in the San Luis Valley region of Colorado. The San Luis Valley is a large, broad, alpine valley in the Rio Grande Basin of south-central Colorado. The valley is drained to the south by the Rio Grande River which rises in the San Juan Mountains to the west of the valley and flows south into New Mexico. The valley is approximately 122 miles (196 km) long and 74 miles (119 km) wide, extending from the Continental Divide on the northwest side to the New Mexico state

line on the south. Parts of New Mexico are also considered to be part of the San Luis Valley.

The San Luis Valley includes Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache counties.

Juan Bautista de Anza traveled through the San Luis Valley in 1779, giving it its name.





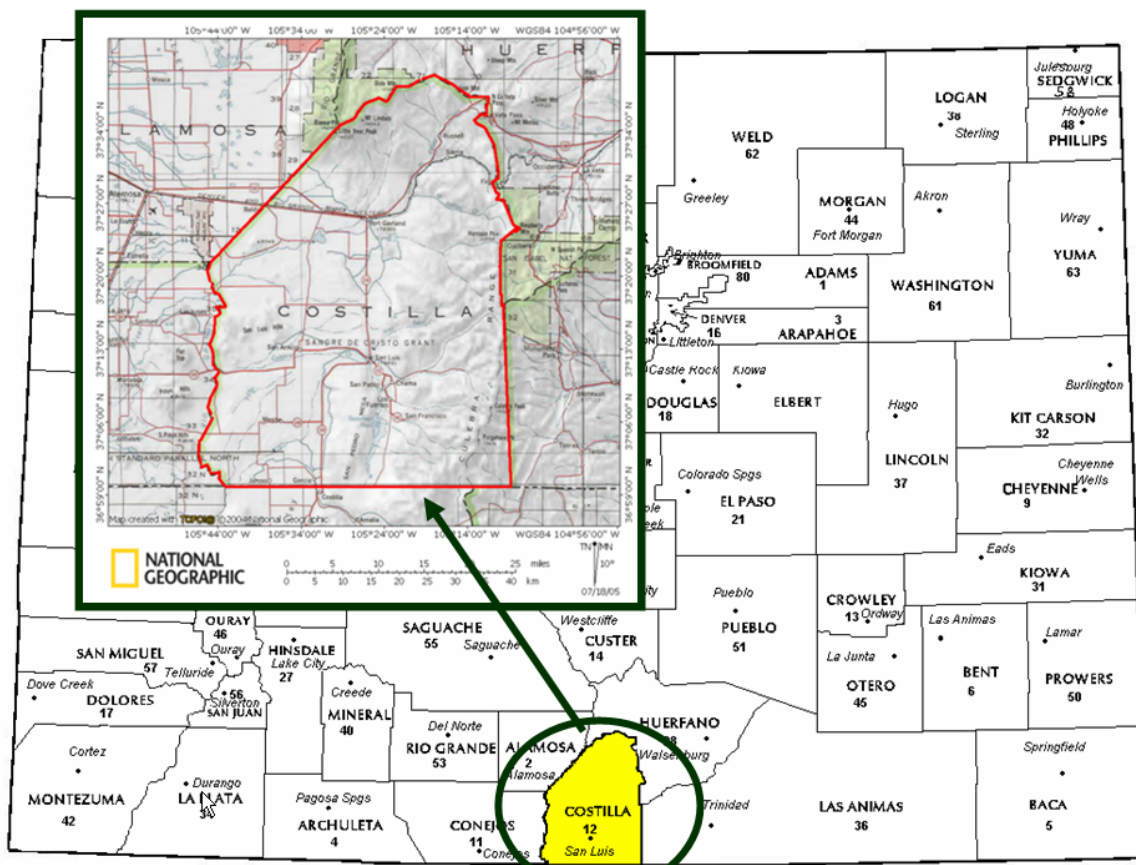
Historical Information

Costilla County has a population of approximately 3,378 people with 3 people per square mile, according to the U.S. Census Bureau's 2006 estimated population data.

The County was established in 1861 with an area of 1,213 square miles and was named for the Costilla River which means 'rib,' or the slope of a mountain range, in Spanish.

Costilla is one of Colorado Territory's original counties.

The county seat is San Luis which is believed to be the oldest town in Colorado. San Luis was on the Sangre de Cristo Land Grant and was known for many years as Culebra or San Luis de Culebra. (William Bright, Colorado Place Names, 3rd Edition, Johnson Books, 2004, p.44 and 158)





RATIO ANALYSIS

Methodology

All significant classes of properties were analyzed. Sales were collected for each property class over the appropriate sale period, which was typically defined as the 18-month period between January 2005 and June 2006. Counties with less than 30 sales typically extended the sale period back up to 5 years prior to June 30, 2006 in 6-month increments. If there were still fewer than 30 sales, supplemental appraisals were performed and treated as proxy sales. Residential sales for all counties using this method totaled at least 30 per county. For commercial sales, the total number analyzed was allowed, in some cases, to fall below 30. There were no sale quantity issues for counties requiring vacant land analysis or condominium analysis. Although it was required that we examine the median and coefficient of dispersion for all counties, we also calculated the weighted mean and price-related differential for each class of property. Counties were not passed or

failed by these latter measures, but were counseled if there were anomalies noted during our analysis. Qualified sales were based on the qualification code used by each county, which were typically coded as either "Q" or "C." The ratio analysis included all sales. The data was trimmed for counties with obvious outliers using IAAO standards for data analysis. In every case, we examined the loss in data from trimming to insure that only true outliers were excluded. Any county with a significant portion of sales excluded by this trimming method were examined further. No county was allowed to pass the audit if more than 5% of the sales were "lost" because of trimming. For the largest 11 counties, the residential ratio statistics were broken down by economic area as well.

Conclusions

For this final analysis report, the minimum acceptable statistical standards allowed by the State Board of Equalization are:

ALLOWABLE STANDARDS RATIO GRID		
Property Class	Unweighted Median Ratio	Coefficient of Dispersion
Commercial/Industrial	Between .95-1.05	Less than 20.99
Condominium	Between .95-1.05	Less than 15.99
Single Family	Between .95-1.05	Less than 15.99
Vacant Land	Between .95-1.05	Less than 20.99



The results for Costilla County are:

Costilla County Ratio Grid						
Property Class	Number of Qualified Sales	Unweighted Median Ratio	Price Related Differential	Coefficient of Dispersion	Time Trend Analysis	
Commercial/Industrial	N/A	N/A	N/A	N/A	N/A	
Condominium	N/A	N/A	N/A	N/A	N/A	
Single Family	52	1.005	1.014	14.1	Compliant	
Vacant Land	711	1.000	1.065	20	Compliant	

After applying the above described methodologies, it is concluded from the sales ratios that Costilla County is in

compliance with SBOE, DPT, and Colorado State Statute valuation guidelines.

Recommendations

None



TIME TRENDING VERIFICATION

Methodology

While we recommend that counties use the inverted ratio regression analysis method to account for market (time) trending, some counties have used other IAAO-approved methods, such as the weighted monthly median approach. We are not auditing the methods used, but rather the results of the methods used. Given this range of methodologies used to account for market trending, we concluded that the best validation method was to examine the sale ratios for each class across the appropriate sale period. To be specific, if a county has considered and adjusted correctly for market trending, then the sale ratios should remain stable (i.e. flat) across the sale period. If a residual market trend is detected, then the county may or may not have addressed market trending adequately,

and a further examination is warranted. This validation methodology also considers the number of sales and the length of the sale period. Counties with few sales across the sale period were carefully examined to determine if the statistical results were valid.

Conclusions

After verification and analysis, it has been determined that Costilla County has complied with the statutory requirements to analyze the effects of time on value in their county. Costilla County has also satisfactorily applied the results of their time trending analysis to arrive at the time adjusted sales price (TASP).

Recommendations

None



SOLD/UNSOLD ANALYSIS

Methodology

Costilla County was tested for the equal treatment of sold and unsold properties to insure that “sales chasing” has not occurred. The auditors employed a multi-step process to determine if sold and unsold properties were valued in a consistent manner.

All qualified residential and commercial class properties were examined using the unit value method, where the actual value per square foot was compared between sold and unsold properties. A class was considered qualified if it met the criteria for the ratio analysis. The median value per square foot for both groups was compared from an appraisal and statistical perspective. If no significant difference was indicated, then we concluded that no further testing was warranted and that the county was in compliance in terms of sold/unsold consistency.

If either residential or commercial differences were significant using the unit value method, or if data limitations made the comparison invalid, then the next step was to perform a ratio analysis comparing the 2006 and 2008 actual values for each qualified class of property. All qualified vacant land classes were tested using this method. The sale property ratios were arrayed using a range of 0.8 to 1.5, which theoretically excluded changes between years that were due to other unrelated changes in the property. These ratios were also stratified at the appropriate level of analysis. Once the percent change was determined for each appropriate class and sub-class, the next step was to select the

unsold sample. This sample was at least 1% of the total population of unsold properties and excluded any sale properties. The unsold sample was filtered based on the attributes of the sold dataset to closely correlate both groups. The ratio analysis was then performed on the unsold properties and stratified. The median and mean ratio distribution was then compared between the sold and unsold group. A non-parametric test such as the Mann-Whitney test for differences between independent samples was undertaken to determine whether any observed differential was significant. If this test determined that the unsold properties were treated in a manner similar to the sold properties, it was concluded that no further testing was warranted and that the county was in compliance.

If a class or sub-class of property was determined to be significantly different by this method, the final step was to perform a multi-variate mass appraisal model that developed ratio statistics from the sold properties that were then applied to the unsold sample. This test compared the measures of central tendency and confidence intervals for the sold properties with the unsold property sample. If this comparison was also determined to be significantly different, then the conclusion was that the county had treated the unsold properties in a different manner than sold properties.

These tests were supported by both tabular and chart presentations, along with saved sold and unsold sample files.



Sold/Unsold Results	
Property Class	Results
Commercial/Industrial	N/A
Condominium	N/A
Single Family	Compliant
Vacant Land	Compliant

Conclusions

After applying the above described methodologies, it is concluded that Costilla County is reasonably treating its sold and unsold properties in the same manner.

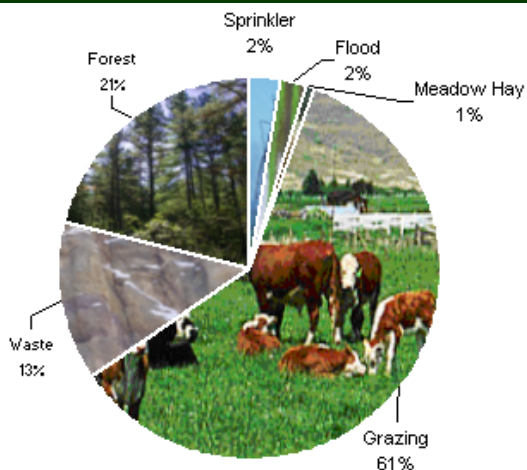
Recommendations

None

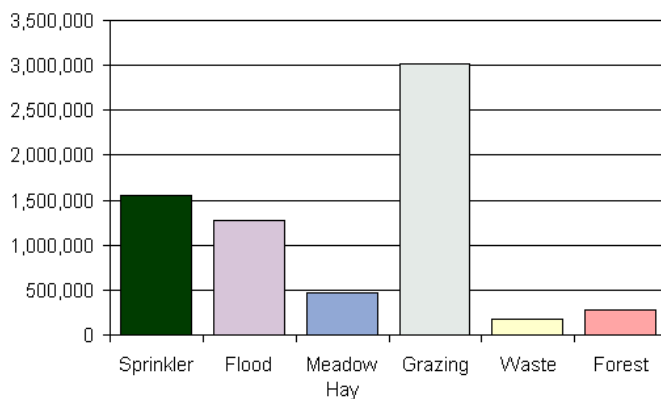


AGRICULTURAL LAND STUDY

Acres By Subclass



Value By Subclass



Agricultural Land

County records were reviewed to determine major land categories such as irrigated farm, dry farm, meadow hay, grazing and other lands. In addition, county records were reviewed in order to determine if: Aerial photographs are available and are being used; soil conservation guidelines have been used to classify lands based on productivity; crop rotations have been documented; typical commodities and yields have been determined; orchard lands have been properly classified and valued; expenses reflect a ten year average and are typical landlord expenses; grazing lands have been properly classified and valued; the number of acres in each class and subclass have been determined; the capitalization rate was properly applied. Also, documentation was required for the valuation methods used and any locally developed yields, carrying

capacities, and expenses. Records were also checked to ensure that the commodity prices and expenses, furnished by the Property Tax Administrator (PTA), were applied properly. (See Assessor Reference Library Volume 3 Chapter 5.)

Conclusions

An analysis of the agricultural land data indicates an acceptable appraisal of this property type. Directives, commodity prices and expenses provided by the PTA were properly applied. County yields compared favorably to those published by Colorado Agricultural Statistics. Expenses used by the county were allowable expenses and were in an acceptable range. Grazing lands carrying capacities were in an acceptable range. The data analyzed resulted in the following ratios:



Costilla County Agricultural Land Ratio Grid						
Abstract Code	Land Class	Number Of Acres	County Value Per Acre	County Assessed Total Value	RMVS Total Value	Ratio
4107	Sprinkler	19,378	79.76	1,545,659	1,429,636	1.08
4117	Flood	19,886	63.76	1,268,008	1,160,316	1.09
4137	Meadow Hay	5,412	86.27	466,892	465,134	1.00
4147	Grazing	484,665	6.22	3,015,866	3,015,866	1.00
4177	Forest	170,956	1.63	279,158	279,158	1.00
4167	Waste	108,171	1.63	176,635	176,635	1.00
Total/Avg		808,468	8.35	6,752,218	6,526,745	1.03

Recommendations

None

Agricultural Outbuildings

Methodology

A sample of various use types of agricultural outbuildings with varying ages was reviewed to see if the guidelines found in the Assessor's Reference Library (ARL) Volume 3, pages 5.73 through 5.78 were being followed.

Conclusions

Costilla County has developed a written plan for the implementation of the recommended procedures provided by the Division of Property Taxation for the valuation of agricultural outbuildings.

Recommendations

None



SALES VERIFICATION

According to Colorado Revised Statutes:

A representative body of sales is required when considering the market approach to appraisal.

(8) In any case in which sales prices of comparable properties within any class or subclass are utilized when considering the market approach to appraisal in the determination of actual value of any taxable property, the following limitations and conditions shall apply:

(a)(I) Use of the market approach shall require a representative body of sales, including sales by a lender or government, sufficient to set a pattern, and appraisals shall reflect due consideration of the degree of comparability of sales, including the extent of similarities and dissimilarities among properties that are compared for assessment purposes. In order to obtain a reasonable sample and to reduce sudden price changes or fluctuations, all sales shall be included in the sample that reasonably reflect a true or typical sales price during the period specified in section 39-1-104 (10.2). Sales of personal property exempt pursuant to the provisions of sections 39-3-102, 39-3-103, and 39-3-119 to 39-3-122 shall not be included in any such sample.

(b) Each such sale included in the sample shall be coded to indicate a typical, negotiated sale, as screened and verified by the assessor. (39-1-103, C.R.S.)

The assessor is required to use sales of real property only in the valuation process.

(8)(f) Such true and typical sales shall include only those sales which have been determined on an individual basis to reflect the selling price of the real property only or which have been adjusted on an individual basis to reflect the selling price of the real property only. (39-1-103, C.R.S.)

Part of the Property Assessment Study is the sales verification analysis. RMVS has used the above-cited statutes as a guide in our study of the county's procedures and practices for verifying sales.

RMVS reviewed the sales verification procedures in 2008 for Costilla County. This study was conducted by checking selected sales from the master sales list for the valuation period. Specifically RMVS selected 30 sales listed as unqualified.

All but two of the sales selected in the sample gave reasons that were clear and supportable. Two sales had insufficient documentation.

Conclusions

Costilla County appears to be doing a good job of verifying their sales. There are no recommendations.

Recommendations

None



ECONOMIC AREA REVIEW AND EVALUATION

Methodology

Costilla County has submitted a written narrative describing the economic areas that make up the county's market areas. Costilla County has also submitted a map illustrating these areas. Each of these narratives have been read and analyzed for logic and appraisal sensibility. The maps were also compared to the narrative for consistency between the written description and the map.

Conclusions

After review and analysis, it has been determined that Costilla County has

adequately identified homogeneous economic areas comprised of smaller neighborhoods. Each economic area defined is equally subject to a set of economic forces that impact the value of the properties within that geographic area and this has been adequately addressed. Each economic area defined adequately delineates an area that will give "similar values for similar properties in similar areas."

Recommendations

None



NATURAL RESOURCES

Earth and Stone Products

Methodology

Under the guidelines of the Assessor's Reference Library (ARL), Volume 3, Natural Resource Valuation Procedures, the income approach was the primary method applied to find value for production of earth and stone products. The number of tons was multiplied by an economic location factor that represented the landlord's royalty. The landlord's share was multiplied by a recommended Hoskold factor to determine the actual value. The Hoskold factor was determined by the life of the reserves, or the lease. The value was

primarily based on two variables: life and tonnage. The operator determines these since there is no other means to obtain production data through any state or private agency.

Conclusions

County has applied the correct formulas and state guidelines to earth and stone production.

Recommendations

None



VACANT LAND

Subdivision Discounting

In 2008 subdivisions were reviewed in Costilla County. The review showed that subdivisions were discounted pursuant to the Colorado Revised Statutes in Article 39-1-103 (14) and by applying the recommended methodology in ARL Vol 3, Chap 4. Subdivision Discounting in the intervening year was accomplished by reducing the absorption period by one year. In instances where the number of sales within an approved plat was less than the absorption rate per year calculated for the

plat, the absorption period was left unchanged.

Conclusions

Costilla County has implemented proper procedures to adequately estimate absorption periods, discount rates, and lot values for qualifying subdivisions.

Recommendations

None



ROCKY MOUNTAIN
VALUATION SPECIALISTS

POSSESSORY INTEREST PROPERTIES

Costilla County is exempt from the Possessory Interest Study.



PERSONAL PROPERTY AUDIT

Costilla County was studied for its procedural compliance with the personal property assessment outlined in the Assessor's Reference Library (ARL) Volume 5, and in the State Board of Equalization (SBOE) requirements for the assessment of personal property. The SBOE requirements are outlined as follows:

Use ARL Volume 5 including current discovery, classification, and documentation procedures, and including current economic lives table, cost factor tables, depreciation table, and level of value adjustment factor table.

The personal property audit standards narrative must be in place and current. A listing of businesses that have been audited by the assessor within the twelve-month period reflected in the plan is given to the auditor. The audited businesses must be in conformity with those described in the plan.

Aggregate ratio will be determined solely from the personal property accounts that have been physically inspected. The minimum assessment sample is one percent or ten schedules, whichever is greater, and the maximum assessment audit sample is 100 schedules.

For the counties having over 100,000 population, RMVS selected a sample of all personal property schedules to determine whether the assessor is correctly applying the provisions of law and manuals of the Property Tax Administrator in arriving at the assessment levels of such property. This sample was selected from the personal property schedules audited by the assessor. In no event was the sample selected by the contractor less than 30 schedules. The

counties to be included in this study are Adams, Arapahoe, Boulder, Denver, Douglas, El Paso, Jefferson, Larimer, Mesa, Pueblo, and Weld. All other counties received a procedural study.

Costilla County is compliant with the guidelines set forth in ARL Volume 5 regarding discovery procedures, using the following methods to discover personal property accounts in the county:

- Public Record Documents
- Local Telephone Directories, Newspapers or Other Local Publications
- Personal Observation, Physical Canvassing or Word of Mouth

The county uses the Division of Property Taxation (DPT) recommended classification and documentation procedures. The DPT's recommended cost factor tables, depreciation tables and level of value adjustment factor tables are also used.

Costilla County submitted their personal property written audit plan and was current for the 2008 valuation period. The number and listing of businesses audited was also submitted and was in conformance with the written audit plan. The following audit triggers were used by the county to select accounts to be audited:

- Accounts with obvious discrepancies
- New businesses filing for the first time
- Businesses with no deletions or additions for 2 or more years



- Non-filing Accounts - Best Information Available

Conclusions

Costilla County has employed adequate discovery, classification, documentation,

valuation, and auditing procedures for their personal property assessment and is in statistical compliance with SBOE requirements.

Recommendations

None



RMVS AUDITOR STAFF

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Carl W. Ross, *Agricultural Coordinator and Supervisor for RMVS*

Cathie E. Ross, *General Audit Support Administrative Assistant*

Katie Linné, *Administrative Assistant*



APPENDICES



STATISTICAL ANALYSIS COSTILLA COUNTY 2008

I. OVERVIEW

Costilla County is located in the San Luis Valley region of southern Colorado. Based on the 2008 data submitted by the County, there are a total of 45,729 parcels. The breakdown by property type is listed in the table below.

PROPERTY TYPE

	Frequency	Percent
VACANT LAND	40,200	87.9
RESIDENTIAL	1,867	4.1
COMMERCIAL	140	.3
INDUSTRIAL	8	.0
AGRICULTURAL	1,499	3.3
NATURAL RESOURCES	15	.0
PRODUCING MINES	1	.0
EXEMPT	1,453	3.2
MISSING ABSTRACT CODE	546	1.2
Total	45,729	100.0

Vacant Land

The vacant land class of properties has a total of 40,200 parcels. The majority (97%) of these parcels fall into the residential (100,1112) use category. The remaining vacant parcels have a subclass code that is delineated by the acreage of the parcel.

SUBCLASS CODE

	Frequency	Percent
100 Residential Lots	38,759	96.4
530 5.0 to 9.99 ACRES	107	.3
540 10.0 to 34.99 ACRES	325	.8
550 35.0 to 99.99 ACRES	206	.5
551 35.0 to 99.99 ACRES	324	.8
552 35.0 to 99.99 ACRES	186	.5
1112 Single Family Residence Land	293	.7
Total	40,200	100.0



Residential

The residential subclass category has a total of 1,867 parcels. Over 69% of the parcels have a single-family subclass code of 1212. The remaining parcels in this category are mobile homes (1235).

SUBCLASS CODE

	Frequency	Percent
1212 Single Family Residence	1,298	69.5
1235 Manuf Housing (Mobile Homes)	569	30.5
Total	1,867	100.0

Commercial/Industrial

The commercial/industrial subclass category has a total of 148 parcels. This category represents less than 1% of the total inventory. The majority (94%) of these parcels have a commercial use. The breakdown by subclass code is listed below.

SUBCLASS CODE

	Frequency	Percent
2112 Merchandising	1	.7
2120 Offices	1	.7
2130 Special Purpose	11	7.4
2135 WareHouse/Strg	2	1.4
2212 Merchandising	23	15.5
2215 Lodging	7	4.7
2220 Offices	13	8.8
2230 Special Purpose	54	36.5
2235 WareHouse/Strg	17	11.5
2240 Multi-Use (3+)	11	7.4
3125 Refining/Petrol	3	2.0
3215 Manuf/Processing	1	.7
3220 Manuf/Milling	4	2.7
Total	148	100.0



Agricultural

The agricultural subclass code category has a total of 1,499 properties. There are 333 parcels that have farm/ranch residences. The remaining parcels in this category have a variety of agricultural uses.

SUBCLASS CODE

	Frequency	Percent
4115 - 4168 AG Use	1,161	77.5
4177 Forest Land	4	.3
4277 Farm/Ranch Residences	333	22.2
4280 All Other AG Property [CRS 39-1-102]	1	.1
Total	1,499	100.0

Natural Resources

There are 15 parcels that have a subclass code in the natural resources category. All of these parcels are described as severed mineral interests.

SUBCLASS CODE

	Frequency	Percent
5170 Severed Mineral Interests	15	100.0

Producing Mines

There is one parcel that is listed as a producing mine. The subclass code of this property is 6133.

Exempt

There are 1,453 parcels that have a 9000 series subclass code. The majority (74%) of these parcels have a subclass code of 9999.

Missing Abstract Codes

There are a total of 546 parcels that do not have an improved or vacant abstract code.



II. SALES FILE

The sale file provided by the Costilla County Assessor's Office contained 2,899 sales. These sales had a sale date range of July 2001 thru June 2006. The breakdown of sales activity by sale month and year is as follows:

Count		SALE YEAR						Total
		2001	2002	2003	2004	2005	2006	
SALE MONTH	January	0	5	3	4	92	145	249
	February	0	0	3	3	93	146	245
	March	0	7	1	3	121	146	278
	April	0	5	1	1	81	150	238
	May	0	7	7	3	164	172	353
	June	0	4	5	4	188	146	347
	July	2	3	5	1	170	0	181
	August	9	3	5	9	202	0	228
	September	7	2	10	6	192	0	217
	October	7	6	6	6	203	0	228
	November	4	4	4	3	174	0	189
	December	5	2	1	4	134	0	146
	Total	34	48	51	47	1,814	905	2,899

Once the sales were edited to keep the most recent sale, transactions that were coded as unqualified by the county were excluded from the analysis. The following table provides a breakdown of the qualified and unqualified sales.

SALE INVESTIGATION CODE

	Frequency	Percent
C:QUALIFIED	769	30.4
Q:UNQUALIFIED	1	.0
U:UNQUALIFIED	558	22.0
V:UNQUALIFIED	1,204	47.6
Total	2,532	100.0

Note: In the unqualified category, there are a total of 204 sales that had no consideration for sale prices (i.e. NetPrice = 0).

There were 769 sales that were classified as qualified. The breakdown of the sale property type is listed below.



CURRENT PROPERTY TYPE

	Frequency	Percent
VACANT LAND	711	92.5
RESIDENTIAL	52	6.8
COMMERCIAL	6	.8
Total	769	100.0

Note: Since there was no vacant/improved indicator in the sale file, the current use of the property determined the appropriate analysis grouping.

III. RESIDENTIAL SALES RESULTS

For the residential analysis, 52 sales between the dates July 2001 thru June 2006 were analyzed. A breakdown of the sales by subclass is listed below.

SUBCLASS CODE

	Frequency	Percent
11120	36	69.2
11130	5	9.6
11140	9	17.3
11150	2	3.8
Total	52	100.0

These sales were used to perform a sales ratio analysis to determine whether the statutory guidelines for the level and quality of the assessments have been satisfied. In order to perform a sales ratio analysis all sales must reflect market conditions as of June 30, 2006.

Based on an examination of the sales file, the County did not apply any time adjustments to the sales during this time period.

The following table outlines sales ratio statistics for all residential properties in Costilla County.



Ratio Statistics

Mean	.986
Median	1.005
Weighted Mean	.972
Minimum	.627
Maximum	1.331
Price Related Differential	1.014
Coefficient of Dispersion	.141

RATIO = CURRENT ASMT / TASP

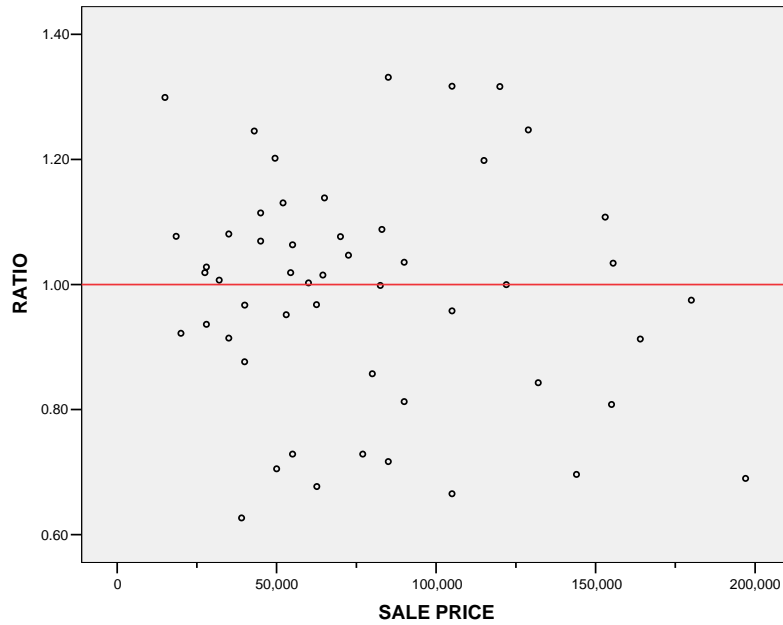
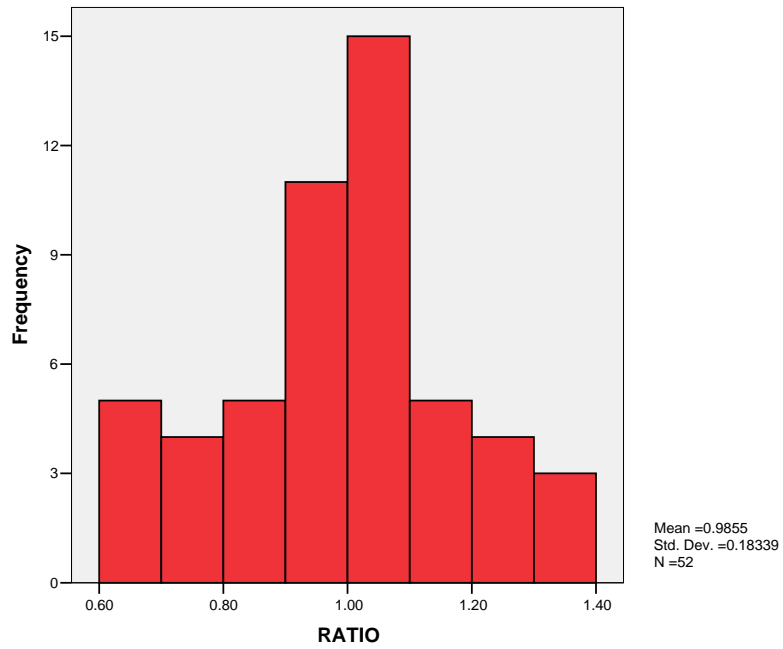
A breakdown of the sales ratio statistics by residential subclass is described in the table below.

Ratio Statistics

Group	Mean	Median	Weighted Mean	Price Related Differential	Coefficient of Dispersion
11120	.960	.971	.956	1.004	.165
11130	1.010	1.077	.992	1.019	.083
11140	1.066	1.015	1.051	1.014	.091
11150	1.028	1.028	1.036	.992	.059
Overall	.986	1.005	.972	1.014	.141

RATIO = CURRENT ASMT / TASP

The above ratios are in compliance with the standards set forth by the Colorado State Board of Equalization (SBOE) for the overall sales. The following graphical exhibits describe further the sales ratio distribution for all of these properties:



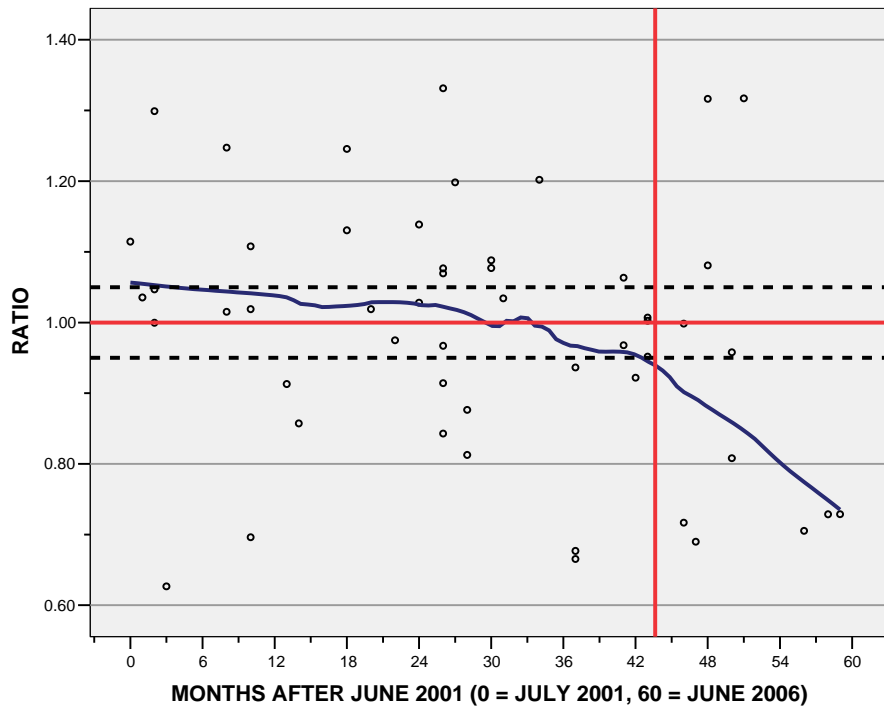
The above graphs indicate the distribution of the sale ratios are within state mandated limits, and that there are no significant price related differential issues.



Residential Market Trend Analysis

The following graph illustrates the trend of sales ratios during the 60-month study period. This analysis can be divided into two time periods. The first time period represents the first 42 months (July 2001 – Dec 2004). Sales ratios in this time period are gradually decreasing. The second time period shows a significant decline. The decline in the second time period is attributed to the influence of the three 2006 sales in the sample. If these sales were removed from the analysis, the gradual decline in sales ratios would continue. Since the overall ratios in both time periods are within the state mandated limits, no corrective action is necessary. However, (assuming that more than 18 months of sales are used) if the sales ratios continue to decline a time adjustment will be necessary for the next revaluation year.

Sale Ratio by Months



RATIO ANALYSIS BY TIME PERIOD

RATIO		
TIMEPERIOD	Median	N
July 2001 - Dec 2004	1.0280	37
Jan 2005 - June 2006	.9517	15
Total	1.0048	52



Sold/Unsold Analysis

For the 2007 revaluation year audit, an analysis was performed that confirmed that the average unit values of the sold and unsold residential properties were similar. Since tax year 2008 is the intervening year, this relationship should not change. If there is no change in either category, the conclusions from the 2007 audit would also be applicable to the current year.

2007 - 2008 PERCENT CHANGE

CHANGE			
SUBCLASS CODE	CATEGORY	Median	N
1212 Single Family Residence	SOLD	.0000	52
	UNSOLD	.0000	1,245

The above median percent change table of sold and unsold residential properties indicates there is no change in the residential subclass category. Therefore, we can conclude that the analysis performed for the 2007 audit is also applicable for the 2008 tax year.

IV. COMMERCIAL/INDUSTRIAL SALES RESULTS

The commercial qualified and improved sales file totaled only 6 sales, spanning the period July 2001 to June 2006.

In the 2007 valuation year a procedural analysis was performed. This analysis included a review of all sales, a comparison with the valuation of those sold parcels, and questioning of how the assessor valued all commercial sales for the valuation period of 2007. The overall assessment level is listed below.

Ratio Statistics

Mean	.659
Median	.616
Weighted Mean	.646
Minimum	.502
Maximum	.916
Price Related Differential	1.019
Coefficient of Dispersion	.145

RATIO = CURRENT ASMT / TASP

The conclusion of the 2007 audit was to find Costilla County in compliance due to the lack of substantive data to make a revaluation decision.



Since tax year 2008 is the intervening year, the same conclusion would hold if there is no change to commercial property values.

2007 - 2008 PERCENT CHANGE

CHANGE		
CATEGORY	Median	N
SOLD	.0000	6
UNSOLD	.0000	142
Total	.0000	148

V. VACANT LAND SALE RESULTS

For the vacant land analysis, 711 sales between the dates of January 2005 and June 2006 were analyzed.

In order to perform a sales ratio analysis all vacant land sales must reflect market conditions as of June 30, 2006. Based on an examination of the sales file, the County did not apply any time adjustments to the sales during this time period.

The following table outlines sales ratio statistics for all vacant land properties in Costilla County.

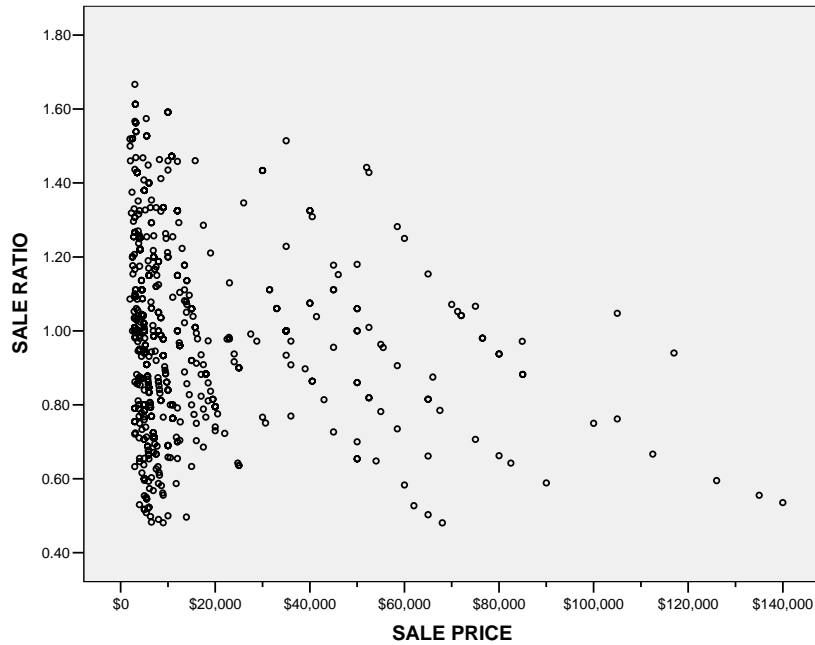
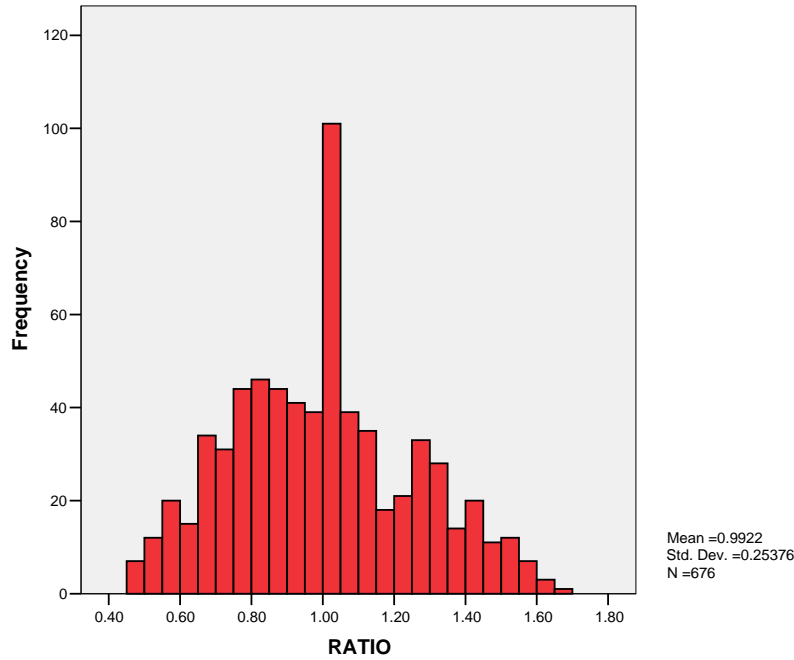
Ratio Statistics

Mean	.992
Median	1.000
Weighted Mean	.931
Minimum	.481
Maximum	1.667
Price Related Differential	1.065
Coefficient of Dispersion	.200

RATIO = Current Land Value / TASP

Note: Using the same methodology as used in the valuation year, 5% of the sales (2.5% of the top and bottom) were removed from the analysis. Application of the trim removed 35 sales from the calculation of the ratio statistics. If the ratio trim was not applied, the COD standard for vacant land (<21) would not have been achieved.

The above ratios are in compliance with the standards set forth by the Colorado State Board of Equalization (SBOE) for the overall sales. The following graphical exhibits describe further the sales ratio distribution for all of these properties:

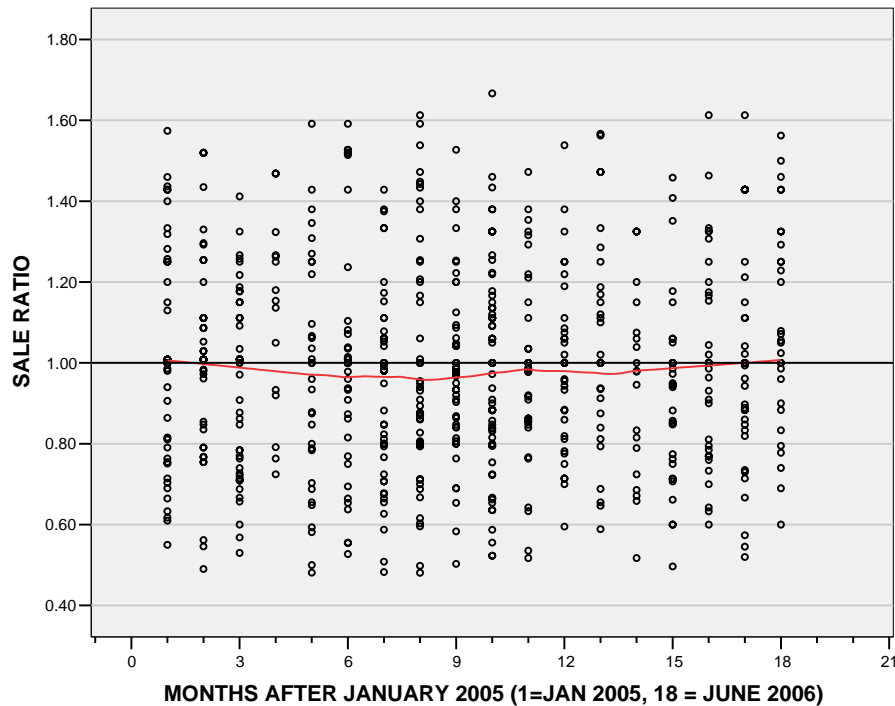


The above graphs indicate that the distribution of the sale ratios was within state mandated limits. However, based on the value of the price related differential (1.065) and confirmed by the visualization of the graph above, the sales ratios are regressive. In other words, as sale prices increase the corresponding sale ratios decrease.



Vacant Land Market Trend Analysis

We verified that market trending was accounted for in the vacant land valuations by analyzing the sale ratios over the 18 month time period. The following graph illustrates a relatively horizontal pattern indicating no significant changes in sale ratios during this time period.



Sold/Unsold Analysis

For the 2007 revaluation year audit, an analysis was performed that confirmed that the median change in value between sold and unsold land was consistent. Since tax year 2008 is the intervening year, this relationship should not change. If there is no change in either category, the conclusions from the 2007 audit would also be applicable for the current year.

2007 - 2008 PERCENT CHANGE

CHANGE		
CATEGORY	Median	N
SOLD	.0000	711
UNSOLD	.0000	39,430
Total	.0000	40,141

The above median percent change table of sold and unsold vacant land indicates that there is no change in either category. Therefore, we can conclude that the analysis performed for the 2007 audit is also applicable for the 2008 tax year.



VI. AGRICULTURAL IMPROVEMENTS ANALYSIS

For the 2007 revaluation year audit, a comparison was made between the improvement value per square foot of agricultural residential improvements and the rates assigned to single-family residential improvements in Costilla County. This analysis concluded that the county valued its agricultural residential improvements in a manner consistent with at least a subset of single-family residential improvements. Since tax year 2008 is the intervening year, this relationship should not change. If there is no change in the improvement values for both categories, the conclusions from the 2007 audit would also be applicable for the current year.

2007 - 2008 IMPROVEMENT CHANGE

IMPCHANGE		
SUBCLASS CODE	Median	N
1212 Single Family Residence	.0000	1,297
4277 Farm/Ranch Residences	.0000	332

Since single family and agricultural improvement values did not change, we can conclude that the analysis performed for the 2007 audit is applicable for the 2008 tax year.

VII. CONCLUSIONS

Based on this statistical analysis, there were no intervening year compliance issues concluded for Costilla County.