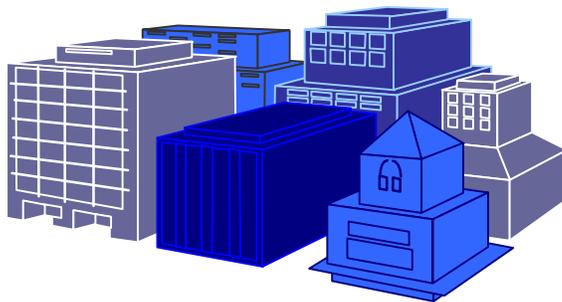


Sales Validation



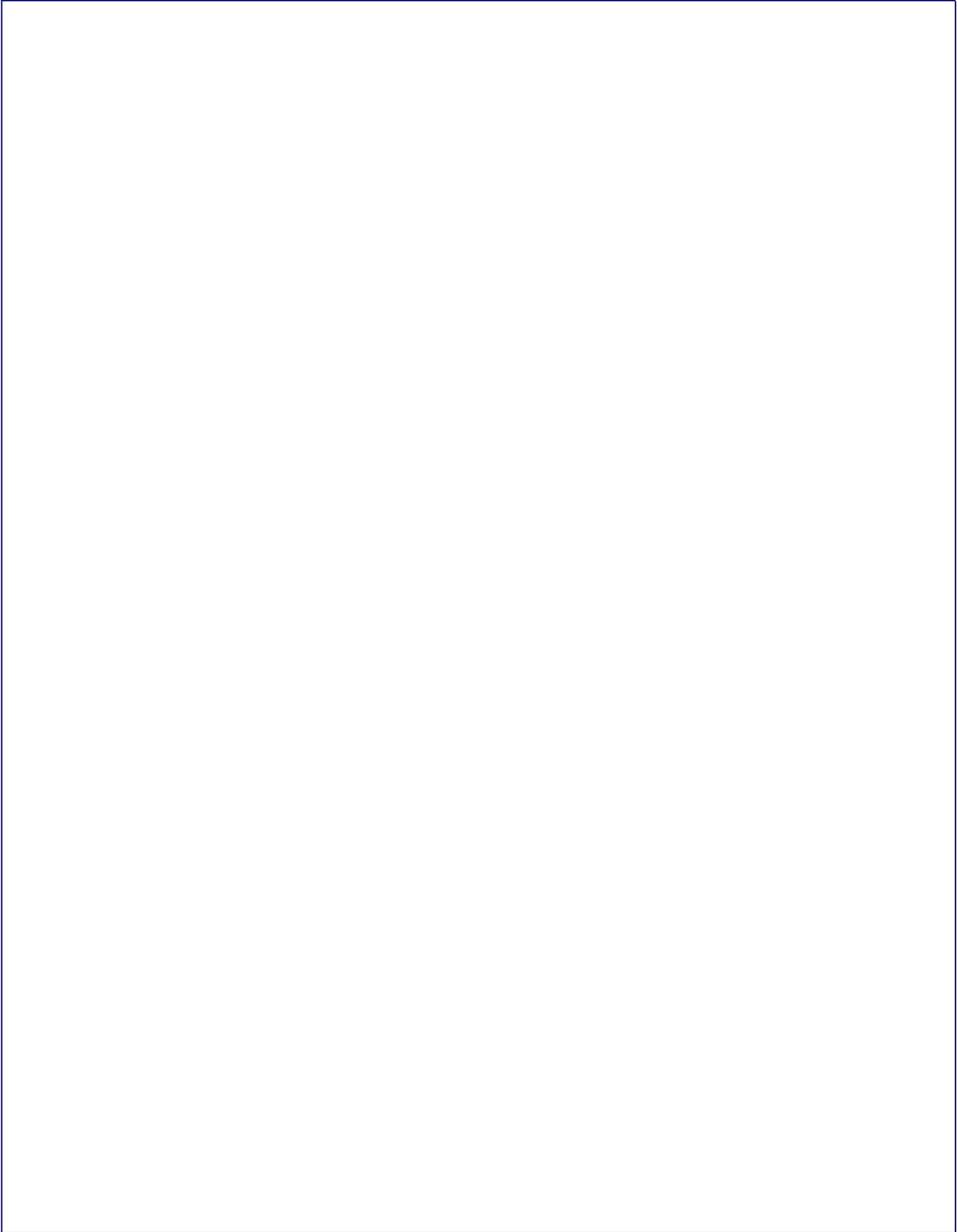
A State Oversight's Perspective

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I N T R O D U C T I O N

This booklet is written based on the premise that the oversight agency has a *sales disclosure statute* and a method for tracking all transactions that are candidates for inclusion in the ratio study. An efficient sale's validation questionnaire completed at the time of the sale will limit the number of required follow-up verifications.

The text of this booklet flows with the real estate sales validation questionnaire illustrated on *page 11* and is required to be filed at the same time the legal document (*deeds and affidavits of equitable interest*) is recorded with the jurisdiction's register of deeds (*recorder*). The register of deeds is bound by statute to refuse recording the legal instrument unless such legal instrument is accompanied by this completed questionnaire. The statutes also have fifteen exemptions for which a questionnaire does not have to accompany the recording. The filer must have the exemption or the exemption number written on the face of the legal instrument to be filed in order to receive the exemption. Any changes made to the information on the face of the questionnaire require legislative approval. No information relating to the terms for financing are permitted by statute to be asked on the questionnaire.

All sales should be considered valid unless there is **sufficient and compelling information** that is well documented to show otherwise.

Criteria for screening sales by an oversight agency for ratio study purposes are somewhat different from the criteria used for developing a jurisdiction's sales file. An example being split parcel sales. Since no value has been assigned to a split parcel as of the date of appraisal by the jurisdiction, the sale cannot be included in the oversight agency's ratio study but could be a potentially valid sale for the jurisdiction's sales file. (*The assumption being that the oversight agency is comparing current assessed values to current year sales.*) All valid sales should be included in the oversight agency's ratio study. All invalid sales should have clear and precise documentation outlining why the sale was excluded from the study. If the oversight agency performs random sampling, there would also be unvalidated sales in the database (*valid, invalid and unvalidated*).

An oversight agency's ratio study validation process should be independent from the jurisdiction being evaluated and unbiased to maintain a reliable and usable study or an audit on a sample submitted by the jurisdiction being evaluated could be made. The oversight agency has the responsibility of maintaining consistency in applying methods and procedures uniformly to all jurisdictions being evaluated. Written guidelines and procedures strictly adhered to assist in ensuring that this goal is met. The written sales validation guidelines also provide a useful tool to the many users of the statistical results and are an invaluable tool during external audits.

The validation process should be completed in a timely manner but consistent *quality* is of even more importance.

QUESTIONS TO ASK ABOUT THE SERVICE YOU PROVIDE

1. *Does the presentation and quality of each work product reflect upon your professional ability in a **positive** manner?*
2. *Does your documentation contain sufficient detail to be fully **responsive** to questions and concerns revealed by the sales validation questionnaire and discovered in your investigation of conditions surrounding the sale?*
3. *Do your validation decisions treat all jurisdictions **fairly** through the consistent application of operating guidelines, administrative rules, official positions, formal directives, and research hypothesis developed by the oversight agency?*
4. *Are your judgment calls supported with clear explanations and sound reasoning which demonstrates your ability to defend your decisions in a **firm** manner?*

As a matter of courtesy, if it is necessary to visit the jurisdiction during the sales screening process, call when you expect to be there. At least a two-day (*preferably 3 or 4 day*) notice should be given. Reconfirm at least a day prior to your appointment if the appointment was scheduled a week or more ago. Alternative plans should be made in case the jurisdiction encounters a last minute problem that would make your visit disruptive or unproductive.

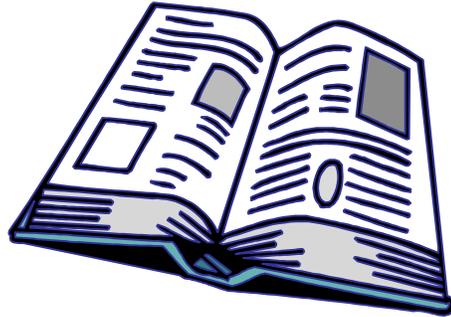


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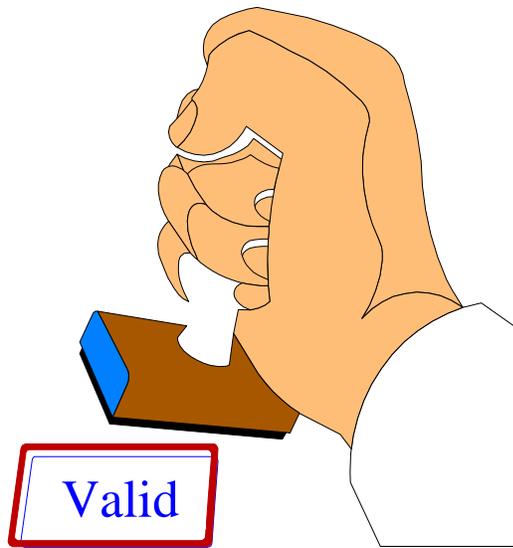
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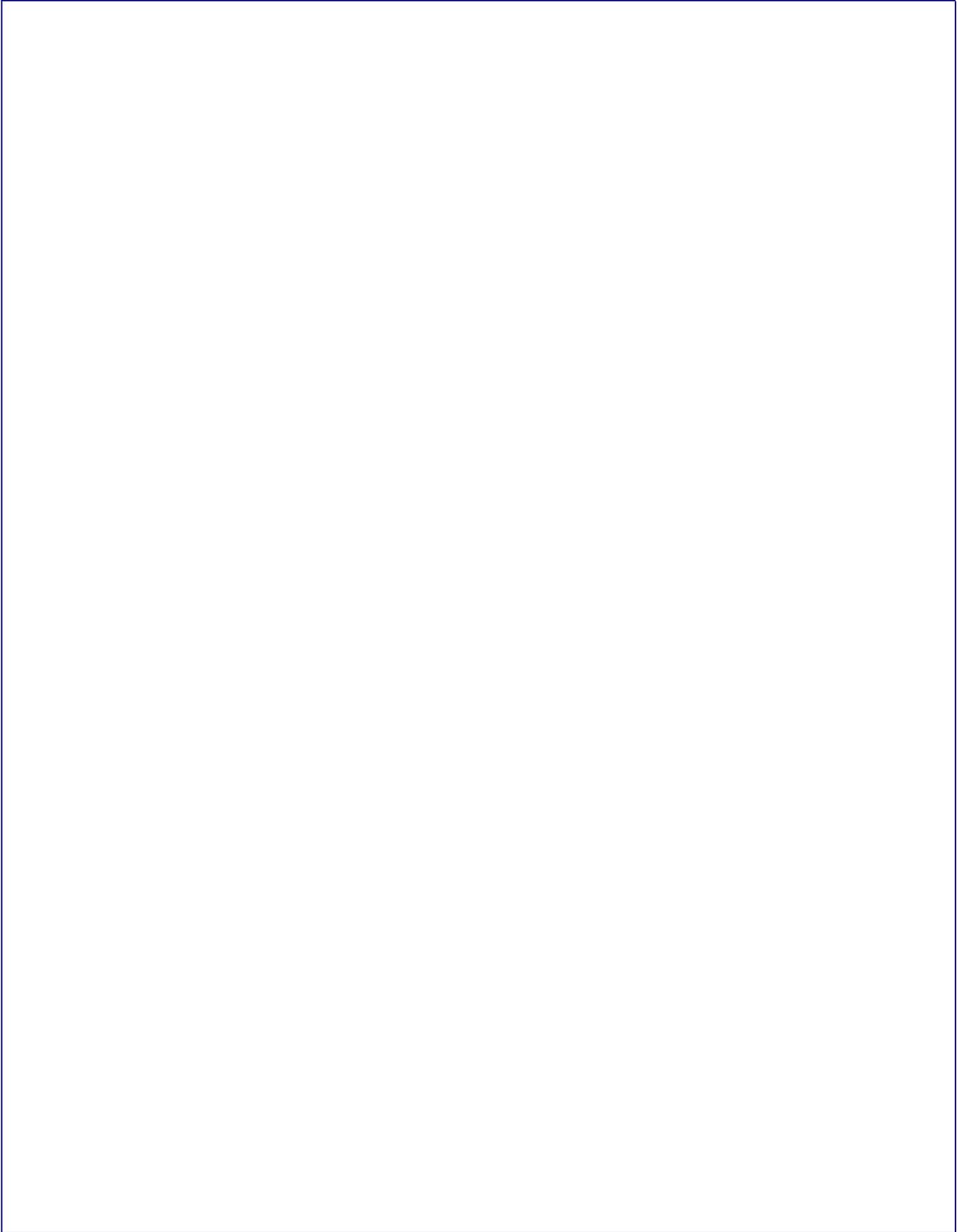
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The Validation Process





The precision and reliability of any ratio study depends on the quantity and quality of the sales data available. Sales data must be screened, edited and sale prices adjusted when necessary to ensure that the sales are, in fact, proxies of market.

Market Value (I.A.A.O. Standard on Ratio Studies, 1999)

“The most probable price (in terms of money) that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting, prudently and knowledgeably, and assuming the price is not affected by undue stimuli. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *The buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, and acting in what they consider their best interests.*
- *A reasonable time is allowed for exposure in the open market.*
- *Payment is made in terms of cash or in terms of financial arrangements comparable thereto.*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”*

Follow-up verification methods - advantages/disadvantages

In Person

- Advantages
 1. Most effective
 2. Refusals less frequent
 3. Information more reliable
 4. More unusual or special considerations revealed
- Disadvantages
 1. Most expensive
 2. Interviews should be conducted by qualified analyst or appraisers
 3. Professional staff time

Telephone

- Advantages
 1. Quick responses
 2. Opportunity for immediate clarification
- Disadvantages
 1. Inability to prove caller's identity
 2. Need for trained staff
 3. Difficulty of reaching the party called
 4. Reluctance to supply information over the telephone

**Accuracy tends to be lower than with written & signed documentation*

Validation Questionnaires

- Advantages
 1. Least Expensive

- Disadvantages
 1. No immediate responses
 2. Additional questionnaires mailed
 3. Information limited to questionnaire
 4. Must plan for printing and mailing cost
 5. Staff needed to review and process data

The telephone, like the sales questionnaire, can be a rather inexpensive and effective means of gathering sales data. The primary advantage over the sales questionnaire is that it enables the caller to clarify immediately any questions that may arise with respect to the transaction. This is particularly advantageous in the case of income-producing properties that often involve complicated financial arrangements and substantial amounts of personal property.

Gathering sales information by telephone requires an appraiser, a data analyst, or some other well-trained person. The person should have a working knowledge of real estate finance, particularly with respect to the particular type of properties being validated. In any case, the interviewer must understand the objectives of the data-gathering effort in order to recognize and pursue important circumstances of the sale not explicitly covered on the sales validation questionnaire. It facilitates the nature of the call during the interview. The interviewer must be capable of analyzing the information obtained including making adjustments and a final validity decision. The interviewer must also be a person who is comfortable using the telephone.

Telephone interviews require a brief discussion identifying yourself and the purpose of the call, i.e.,

“Hello, my name is Nancy Tomberlin and I work for the Kansas Department of Revenue. I am updating my files on property transfers that have recently occurred. I have a Kansas Real Estate Validation Questionnaire signed by you on January 25, stating that you sold property to Sam Spade at 315 W. Holiday. Is that correct? I have a few additional questions that I would like to ask you about the sale if that is all right with you?”

This is only an example. Each person holding interviews will develop an opening routine that will work best for them. Telephone calls should be kept brief, to the point and courteous. Questions relating to the transaction should be thought out prior to making the call. Be prepared to ask and respond to additional questions as the interview progresses. Historically, the majority of the people contacted are willing to assist with correct information relating to the sale. Occasionally, this will not be the case and the person to whom you are addressing may even be abusive. In a polite manner, apologize for bothering them and hang up the telephone. A system should be developed for immediately notifying supervision of the documented facts relating to interviews with angry taxpayers. If this type of system is in place, should the angry taxpayer continue the quest, supervision is aware of all the pertinent facts involved prior to the taxpayer's contact.

The jurisdiction you are evaluating may have already contacted the person you are interviewing. A brief explanation may be necessary to distinguish the need for the two verification processes. Other times the person to whom you are speaking may question that you are actually employed by the oversight agency. Provide them with a name and telephone number and suggest they call for verification of employment.

The following are a list of basic questions that should be asked and clearly documented responses recorded for every interview.

Basic Questions	
1.	<i>Exactly how was the property marketed? (Realtor, Word-of-Mouth, Newspaper Ad, For Sale Sign, Etc.)</i>
2.	<i>How long was the property on the market?</i>
3.	<i>What was the asking price?</i>
4.	<i>What was the condition of the property at the time of sale? Was it livable?</i>
5.	<i>Was there an appraisal made on the property?</i>
6.	<i>If there was an appraisal made, what was the amount \$_____?</i>
7.	<i>Was any personal property included in the sale price? Was the personal property listed separately on the bill of sale or the purchase agreement?</i>
8.	<i>Are you aware of any changes in the property characteristics that may have occurred after January 1 but prior to the sale date?</i>

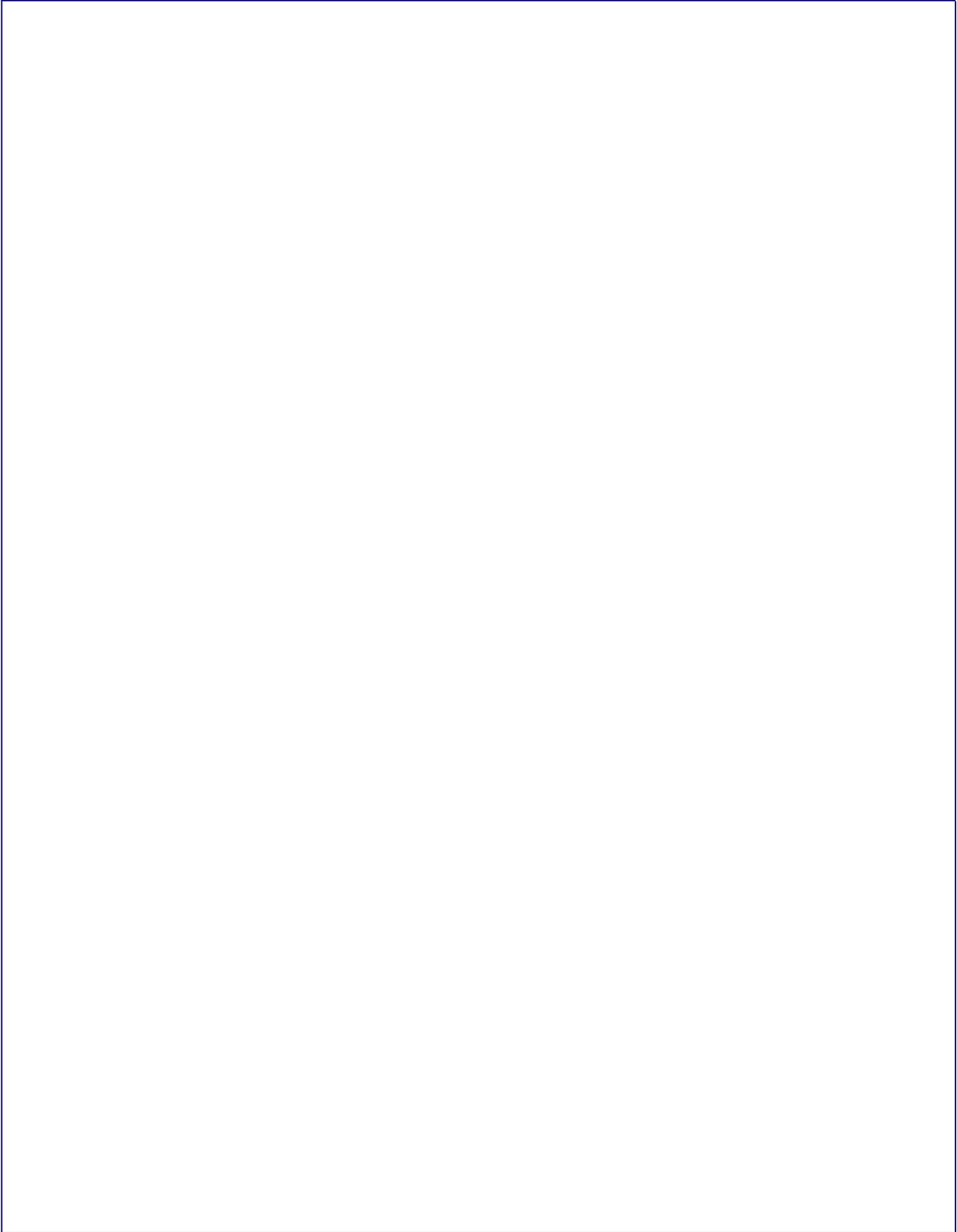
A meaningful telephone interview may limit the number of times a taxpayer may need to be contacted should the transaction be appealed by the jurisdiction being evaluated (the assumption being the appeal option is available to the jurisdiction). In some instances it may even reduce the number of appeals. Both cases represent savings in time and resources that are usually very limited. Refusals to answer the aforementioned questions should be clearly documented.

The initial step is to review the sales validation questionnaire for obvious **flags**. A flag is a signal that identifies when additional follow-up interviews should be made. All questionnaires that have a flag(s) should require a follow-up interview. A questionnaire may have many different types of flags that will be discussed in greater detail in this booklet.

Data on the questionnaire that has been *changed* by scratching out the old and something new written in should be considered an alteration and verification that this was the original entry should be made.

To maintain credibility of the questionnaire no one other than the person completing the questionnaire should write on the face of the questionnaire.





KANSAS REAL ESTATE SALES VALIDATION QUESTIONNAIRE

FOR COUNTY USE ONLY										
DEED		COV # _____	CO NO _____	MAP _____	SEC _____	SHEET _____	QTR _____	BLOCK _____	PARCEL _____	OWN _____
BOOK _____	PAGE _____									
RECORDING DATE ____/____/____	TYPE OF INSTRUMENT _____		SPLIT <input type="checkbox"/>		MO YR TY AMOUNT S V					
	CR _____ RA _____ DE _____		MULTI <input type="checkbox"/>		_____					

SELLER (Grantor) NAME _____ MAILING _____ CITY/ST/ZIP _____ PHONE NO. (____) _____	BUYER (Grantee) NAME _____ MAILING _____ CITY/ST/ZIP _____ PHONE NO. (____) _____
--	---

IF AGENT SIGNS FORM, BOTH BUYER AND SELLER TELEPHONE NUMBERS MUST BE ENTERED

BRIEF LEGAL DESCRIPTION _____ _____	Property / Situs Address _____ Name and Mailing Address for Tax Statements _____ _____
---	--

CHECK ANY FACTORS THAT APPLY TO THIS SALE. (See Instructions on back of form)

<p>1. SPECIAL FACTORS</p> <p><input type="checkbox"/> Sale between immediate family members SPECIFY THE RELATIONSHIP _____</p> <p><input type="checkbox"/> Sale involved corporate affiliates belonging to the same parent company</p> <p><input type="checkbox"/> Auction Sale</p> <p><input type="checkbox"/> Deed transfer in lieu of foreclosure or repossession</p> <p><input type="checkbox"/> Sale by judicial order (by a guardian, executor, conservator, administrator, or trustee of an estate)</p> <p><input type="checkbox"/> Sale involved a governmental agency or public utility</p> <p><input type="checkbox"/> Buyer (new owner) is a religious charitable, or benevolent organization, school or educational association</p> <p><input type="checkbox"/> Buyer (new owner) is a financial institution, insurance company, pension fund, or mortgage corporation</p> <p><input type="checkbox"/> Would the sale qualify for one of the exceptions listed on the reverse side of this form? (Please indicate #____.)</p> <p><input type="checkbox"/> Sale of only a partial interest in the real estate</p> <p><input type="checkbox"/> Sale involved a trade or exchange of properties</p> <p><input type="checkbox"/> NONE OF THE ABOVE</p> <p>2. CHECK USE OF PROPERTY AT THE TIME OF SALE</p> <table style="width: 100%;"> <tr> <td><input type="checkbox"/> Single Family Residence</td> <td><input type="checkbox"/> Agricultural Land</td> </tr> <tr> <td><input type="checkbox"/> Farm/Ranch With Residence</td> <td><input type="checkbox"/> Mineral Rights Included?</td> </tr> <tr> <td><input type="checkbox"/> Condominium Unit</td> <td><input type="checkbox"/> Yes <input type="checkbox"/> No</td> </tr> <tr> <td><input type="checkbox"/> Vacant Land</td> <td><input type="checkbox"/> Apartment Building</td> </tr> <tr> <td><input type="checkbox"/> Other (Specify) _____</td> <td><input type="checkbox"/> Commercial/Industrial Bldg.</td> </tr> </table> <p>3. WAS THE PROPERTY RENTED OR LEASED AT THE TIME OF SALE? <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>4. DID THE SALE PRICE INCLUDE AN EXITING BUSINESS? <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>5. WAS ANY PERSONAL PROPERTY (SUCH AS FURNITURE, EQUIPMENT, MACHINERY, LIVESTOCK, CROPS, BUSINESS FRANCHISE OR INVENTORY, ETC.) INCLUDED IN THE SALE PRICE? <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>If yes, please describe _____ _____</p> <p>Estimated value of all personal property items included in the sale price \$ _____</p> <p>If MOBILE HOME Year _____ Model _____</p>	<input type="checkbox"/> Single Family Residence	<input type="checkbox"/> Agricultural Land	<input type="checkbox"/> Farm/Ranch With Residence	<input type="checkbox"/> Mineral Rights Included?	<input type="checkbox"/> Condominium Unit	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Vacant Land	<input type="checkbox"/> Apartment Building	<input type="checkbox"/> Other (Specify) _____	<input type="checkbox"/> Commercial/Industrial Bldg.	<p>6. ARE YOU AWARE OF ANY CHANGES IN THE PROPERTY SINCE JANUARY 1? <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p><input type="checkbox"/> Demolition <input type="checkbox"/> New Construction <input type="checkbox"/> Remodeling <input type="checkbox"/> Additions Date Completed _____</p> <p>7. WERE ANY DELINQUENT TAXES ASSUMED BY THE PURCHASER? <input type="checkbox"/> YES <input type="checkbox"/> NO AMOUNT \$ _____</p> <p>8. METHOD OF FINANCING (check all that apply):</p> <p><input type="checkbox"/> New loan(s) from a Financial Institution</p> <p><input type="checkbox"/> Seller Financing <input type="checkbox"/> Assumption of Existing Loan(s)</p> <p><input type="checkbox"/> All Cash <input type="checkbox"/> Trade of property <input type="checkbox"/> Not Applicable</p> <p>9. WAS THE PROPERTY MADE AVAILABLE TO OTHER POTENTIAL PURCHASERS? <input type="checkbox"/> YES <input type="checkbox"/> NO If not, explain _____ (SEE #9 INSTRUCTIONS ON BACK)</p> <p>10. DOES THE BUYER HOLD TITLE TO ANY ADJOINING PROPERTY? <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>11. ARE THERE ANY FACTS WHICH WOULD CAUSE THIS SALE TO BE A NON-ARMS-LENGTH/NON-MARKET VALUE TRANSACTION? (SEE #11 INSTRUCTIONS ON BACK) <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>12. TOTAL SALE PRICE \$ _____ DEED DATE ____/____/____</p> <p>13. I CERTIFY THAT THE ADDRESS TO WHICH TAX STATEMENTS FOR THE PROPERTY ARE TO BE SENT IS CORRECT. I ALSO CERTIFY I HAVE READ ITEM NO. 13 ON THE REVERSE SIDE AND HEREBY CERTIFY THE ACCURACY OF THE INFORMATION AND THAT I AM AWARE OF THE PENALTY PROVISIONS OF K.S.A. 79-1437g.</p> <p>PRINT NAME _____</p> <p>SIGNATURE _____</p> <p><input type="checkbox"/> GRANTOR (SELLER) <input type="checkbox"/> GRANTEE (BUYER)</p> <p><input type="checkbox"/> AGENT DAYTIME PHONE NO. (____) _____</p>
<input type="checkbox"/> Single Family Residence	<input type="checkbox"/> Agricultural Land										
<input type="checkbox"/> Farm/Ranch With Residence	<input type="checkbox"/> Mineral Rights Included?										
<input type="checkbox"/> Condominium Unit	<input type="checkbox"/> Yes <input type="checkbox"/> No										
<input type="checkbox"/> Vacant Land	<input type="checkbox"/> Apartment Building										
<input type="checkbox"/> Other (Specify) _____	<input type="checkbox"/> Commercial/Industrial Bldg.										

PV-RE-21

Please place form on a hard surface and use ball point pen when completing.

(REV. 01/96)

WHITE - REGISTER OF DEEDS, PINK - PVD, YELLOW - COUNTY APPRAISER

INSTRUCTIONS FOR COMPLETING THE SALES VALIDATION QUESTIONNAIRE

- ITEM 1** Please check all boxes which pertain.
- ITEM 2** Check the box which describes the current or most recent use of the property at the time of sale. Check all boxes which are applicable if the property has multiple uses.
- ITEM 3** Check yes; if the buyer assumed any long term lease(s) (more than 3 years remaining) at the time of sale.
- ITEM 4** Check yes; if the purchase price included an operating business, franchise, trade license, patent, trademark, stock, bonds, technology, and/or goodwill.
- ITEM 5** Check yes, if any tangible and portable items of property were included in the sale price. If possible, provide a brief description and your estimate of the total value of all personal property included in the sale price.
- ITEM 6** Check yes; if the property characteristics have been changed since January 1. Indicate what type of change(s) took place by marking the appropriate box. Indicate the date the change(s) took place.
- ITEM 7** Check yes; if any delinquent taxes were assumed by the purchaser and included as part of the sale price. Do not consider any prorated taxes for the year in which the property was sold that are part of normal escrow closings.
- ITEM 8** Check the predominate method of financing used, to acquire the property. Check "Not Applicable" if no money exchanged hands or refinancing of an existing loan.
- ITEM 9** Check yes; if the property was either advertised on the open market, displayed a for sale sign, listed with a real estate agent or offered by word of mouth.
- ITEM 10** Check yes; if the buyer owns or controls the property adjoining or adjacent to the property being purchased.
- ITEM 11** Provide an explanation if you believe the buyer or seller did not act prudently, was not fully informed about the property or knowledgeable of the local market, poorly advised, did not use good judgment in the negotiations, was acting under duress, or compelled out of necessity. Use an additional sheet of paper if necessary.
- ITEM 12** Provide the total sale price and date of sale. The date should be the date that either the deed or the contract for deed was signed, not the date the deed was recorded.
- ITEM 13** Please sign the questionnaire and list your telephone number. The county appraiser may need to make a follow up call to clarify unusual terms or conditions.

K.S.A. 79-1437g. Same; penalty for violations. Any person who shall falsify the value of real estate transferred shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$500. (L. 1991, ch.162, sec 7; L. 1992, ch.159, sec. 3; April 30.)

TRANSFERS OF TITLE THAT DO NOT REQUIRE A SALES VALIDATION QUESTIONNAIRE ARE AS FOLLOWS:

- (1) Recorded prior to the effective date of this act, i.e., July 1, 1991.
- (2) made solely for the purpose of securing or releasing security for a debt or other obligation;
- (3) made for the purpose of confirming, correcting, modifying or supplementing a deed previously recorded, and without additional consideration
- (4) by way of gift, donation or contribution stated in the deed or other instruments;
- (5) to cemetery lots;
- (6) by leases and transfers of severed mineral interests;
- (7) to a trust, and without consideration;
- (8) resulting from a divorce settlement where one party transfers interest in property to the other;
- (9) made solely for the purpose of creating a joint tenancy or tenancy in common;
- (10) by way of a sheriff's deed;
- (11) by way of a deed which has been in escrow for longer than five years;
- (12) by way of a quit claim deed filed for the purpose of clearing title encumbrances;
- (13) when title is transferred to convey right-of-way or pursuant to eminent domain;
- (14) made by a guardian, executor, administrator, conservator or trustee of an estate pursuant to judicial order; or
- (15) when title is transferred due to repossession.

- (b) **When a real estate sales validation questionnaire is not required due to one or more of the exemptions provide in 1-15 above, the exemption shall be clearly stated on the document being filed.**

If you have any questions or need assistance completing this form, please call the county appraiser's office.

Review of the Real Estate Sales Validation Questionnaire

The following text on validation procedures flow with the questionnaire illustrated on page 13-14 of this booklet. Therefore, it can be utilized as a reference manual.

QUESTION NO. 1

CHECK ANY FACTORS THAT APPLY TO THIS SALE:

- Sale between immediate family members:
SPECIFY THE RELATIONSHIP _____
- Sale involved corporate affiliates belonging to the same parent company
- Auction Sale
- Deed transfer in lieu of foreclosure or repossession
- Sale by judicial order (by a guardian, executor, conservator, administrator, or trustee of an estate)
- Sale involved a government agency or public utility
- Buyer (new owner) is a religious, charitable, or benevolent organization, school or educational association
- Buyer (new owner) is a financial institution, insurance company, pension fund, or mortgage corporation
- Would this sale qualify for one of the exceptions listed on the reverse side of this form? (Please indicate # _____)
- Sale of only a partial interest in the real estate
- Sale involved a trade or exchange of properties
- NONE OF THE ABOVE**

Sales between *immediate family members* (*immediate family members to include grandparents, parents, children, aunts, uncles*) serves only as a flag and may not immediately invalidate the sale. This is especially true if your sample size is small. The I.A.A.O. *Standard on Ratio Studies*, 1999 states those sales between relatives or corporate affiliates are generally invalid. It does not state that they are always invalid.

Family sales may be considered valid only if all the following conditions apply:

- If the property was exposed on the open market
- Listed with a realtor or some other form of public notice at the time of sale (*for sale sign, newspaper, word-of-mouth, etc.*)
- The asking and selling price were within an acceptable range that any party purchasing the property would be expected to pay
- The sale meets all other criteria of being an open-market arm's-length transaction

Sales involving *corporate affiliates* belonging to the same parent company should require no additional follow-up verification if it is *obvious* on the face of the questionnaire that the names and/or addresses are the same and they are affiliated corporations. These transactions should be considered an invalid transaction. Corporate sales often require considerable research to determine legal relationships.

Auction sales that have been advertised, well attended and the *seller* has a low bid clause are very often valid sales. The sale may tend to be on the lower end of the spectrum but nevertheless, it is a valid sale. An auction where the seller is required to sell the property for whatever the bid is offered are known as **absolute** auctions and are always considered an invalid transaction. If the sale is not an absolute auction, the seller can indicate the lowest bid that will be accepted for the property or it will not be sold (*right of refusal - bid with reserve*). These auctions may be considered potentially valid transactions if all other criteria of an open market arm's-length transaction are met.

A follow-up verification is required to answer three important questions that should be asked of the buyer, seller or auctioneer regarding auction sales.

Auction Sales - Questions
<ol style="list-style-type: none"> 1. Was the auction well advertised? 2. Was the auction well attended? 3. Did the seller have the right of refusal, a low bid clause or was the bid with reserve?

If the answer was “Yes” to all of the questions listed above, it should be included as a valid sale in the ratio study. Contacting the seller and/or auctioneer in auction sales is usually the best source as the buyer is often unaware whether there was a low bid clause. Often local statutes dictate that all auctions have the right of refusal unless otherwise specified.

The same guidelines may be adopted for property selling by sealed bids, but the questions will be slightly different than those required for auction sales.

Sealed Bids - Questions
<ol style="list-style-type: none"> 1. Was it well advertised? 2. How was it advertised? 3. How many bids were received? 4. Was there a low bid clause, did the seller have the right of refusal or was the bid with reserve?

If the seller had the right of refusal (*with reserve, minimum bid*) and the sale meets all the criteria for an arm's-length transaction, it may be validated as a potentially valid transaction. Guidelines by the oversight agency as

to the number of bids required to be received may be set, but generally, if the seller had a low bid clause in affect or if a fee appraisal was made on the property in the range of the bid amount, the sale could be considered a potentially valid sale on one bid. This is especially true when a fee appraisal is made on the property and the sale fell within the range of the appraisal.

Property being marketed on the internet is becoming an issue. If the sale meets all the criteria of being an open market, arm's-length transaction, it should be included as a valid sale. To fulfill the definition of market value in addition to the questions listed above for bids, the following question should be asked.

Was the buyer an informed buyer?

It would be very difficult to set specific guidelines for this type sale. Each sale will require a follow-up to determine whether the sale was a proxy of market value.

A deed transfer in lieu of foreclosure simply means that the deed has been transferred back to the original owner prior to the property being foreclosed on and should be considered an invalid transaction.

Sale by judicial order (by a guardian, executor, conservator, administrator, or trustee of an estate) government or public utility sales should be verified to see if they meet the criteria for an open market transaction. A follow-up verification should be made prior to including the sale in the ratio study.

A conveyance by an executor or trustee under power granted in a will may not represent market value especially if the sale takes place soon after the will is filed and admitted to probate in order to satisfy the decedents debts or the wishes of an heir.

Estate sales where the seller is the estate may be a valid arm's-length transaction. Sales where the buyer is an executor or trustee of an estate are usually non-market sales at nominal consideration.

Governmental sales are often forced sales such as condemnation or tax sales.

Sales involving *charitable, religious, or educational* institutions are often full or partial gifts and this would make them an invalid sale.

All of the aforementioned sales should require a follow-up verification prior to including as a valid sale in the ratio study. Obtaining answers to the basic list of questions (*page 11*) will assist in making a determination as to whether the sale meets the definition of an open market transaction.

Buyer (new owner) is a financial institution, insurance company, pension fund, or mortgage corporation.

When this box is checked, further validation is required because this could possibly be a repossession, in which case, the sale should not be included as valid in the ratio study.

Bank sales should not be automatically considered an invalid transaction especially if you do not have an abundant supply of sales. Typically, values will be on the low end of the value range, but they may be considered valid transactions and included in the ratio study if all other criteria for being an open market arm's-length transaction are met.

Sales of only a partial interest in the real estate should be considered invalid sales *unless all the interests in the real property have sold*. If all the interests have sold, a follow-up verification is necessary to confirm whether or not the sale price is the total sale price or whether it is only the price paid for an interest in the property. When all the interests are known, only one of the questionnaires should be adjusted for total sale price and validated as valid if the transaction meets all other requirements to be considered a valid sale. The remaining interest sales should be invalidated and not included in the statistical analysis.

Sale involved a trade or exchange of properties. Generally, sales involving a trade should be excluded from sales analysis. In situations where the trade is a pure trade (*there is no cash or financing involved*) the sale should be excluded from the study. If the sale involves both money and traded property, it may be possible to include the sale as a potentially valid sale if the value of the traded property is stipulated, an accurate estimate can be made or the value is small in comparison to the total sale price.

None of the Above specifies that nothing in Question 1 raises a flag and no follow-up interview is required.

QUESTION NO. 2

2. CHECK USE OF PROPERTY AT THE TIME OF SALE:

- | | |
|--|--|
| <input type="checkbox"/> Single Family Residence | <input type="checkbox"/> Agricultural Land |
| <input type="checkbox"/> Farm/Ranch With Residence | Mineral Rights Included? |
| <input type="checkbox"/> Condominium Unit | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Vacant Land | <input type="checkbox"/> Apartment Building |
| <input type="checkbox"/> Other: (Specify) | <input type="checkbox"/> Commercial/Industrial Bldg. |

This question informs the reviewer of the subclass of property involved in the transaction. If properly completed, the box checked describes the *current or most recent use of the property at the time of sale*. Care should be taken as often this section is improperly completed.

Sales with **mixed subclasses** (*uses*) of property must be examined very carefully prior to proceeding with the validation process.

The problem that arises from mixed subclass sales involves value allocation. In other words, it is not possible to determine how the sale price will be divided among each subclass. In most cases, the buyer and seller are unable to do this because the property sold as a whole.

Typically, when there is only a minimal appraised value (*usually 10% or less*) attributable to one of the subclasses of property, a minimal amount of the sale price is attributable to that subclass. If the transaction meets all the other criteria of an arm's-length transaction, the sale *may* be included as valid in the ratio study analysis. Otherwise, the sale may be considered as invalid or a separate category may be established for valid mixed-use sales greater than 10%. Mixed-use sales that include agricultural property that has been valued by the jurisdiction based on the property's use value and selling by market value should be invalidated or included in the separate category or a caveat be added to this effect. In keeping with the premise that all valid sales are included in the study, a separate category should be established to include valid mixed-use sales where the additional use(s) are more than minimal. For consistency purposes, the oversight agency may want to set a guideline as the 10% cited above.

QUESTION NO. 3

3. WAS THE PROPERTY RENTED OR LEASED AT THE TIME OF SALE? YES NO

If the **YES** box is checked, the terms of the lease should be requested during the interview especially for commercial property. Should the oversight agency not be restricted by local statute, consideration should be given for requesting the terms of the lease on the questionnaire itself. Long term leases over three years or more can affect the sale price (*income approach*). If after reviewing a verifiable market rent study (*benchmark*) an adjustment for a lease is warranted (*conversion of the price to a better market value indicator of the property on the date of sale*), it should be applied.

In order to calculate the present value of the difference between the current rent and market rent both the current and market rent must be known along with the current discount rate.

Lease Adjustment - Example

Retail Store - Contains 2,000 sq. ft.
 Existing Lease - 12 years, 2 years remaining
 Current Rent - \$1.00 per square foot
 Market Rent - \$1.25 per square foot
 Current Discount Rate - 9%
 Sale Price \$250,000

The present value of the difference between the current rent (existing lease terms) and market rent would be:

$\$1.25$ (Market Rent) - $\$1.00$ (Current Rent) = $\$.25$ difference x 2,000 square foot = $\$500$
 x 21.889146 (present worth of 1 per period for 2 years @ 9%) = $\$10,945$ (rounded)

(Present worth of the difference between market and current rent) $\$10,945$ + (Sale Price)
 $\$250,000$ = $\$260,945$ (Adjusted Sale Price)

Should contract or current rent exceed market rent, the value attributable to the difference in rent would then be subtracted from the sale price.

Care should be taken when applying *non-supportable* adjustments because it will jeopardize the integrity of the ratio study by making it appear subjective.

QUESTION NO. 4

4. DID THE SALE PRICE INCLUDE AN EXISTING BUSINESS?
 YES NO

Existing business is often referred to as *going concern, business enterprise, or goodwill* and is considered intangible personal property. The pool of intangible assets can usually be placed in the following three groups.

Group 1 - Assets Non-Severable from the Business Enterprise

- Assemblage of land, buildings, furniture, fixtures and equipment into a productive unit
- Trained staff
- Operating systems, controls methods and procedures
- Absorbed start-up losses
- Customer base
- Advertising accomplishments
- Local reputation for service, value, quality, and dependability

Group 2 - Assets Non-Severable from the Personnel

- Reputation of owner or staff with the general public
- Special skills of staff (technical know-how, sales ability, financial acumen)
- General leadership, administration, customer relations, & PR skills of management

Group 3 - Assets Severable from the Business

- Brand names, trademarks, trade names, trade secrets (formulas, recipes, methods)
- Copyrights, patents, and technical libraries
- Licenses, franchises, rights (film, recording, water, etc.)
- Covenants not to compete, lists (mailing, subscription, customer)
- Contracts (purchase, advertising, employment, sales) or a favorable lease

If the buyer or seller cannot identify or place a value on any of the items described above, the sale probably did not include a *significant* amount of intangible personal property.

I.A.A.O. Standard on Ratio Studies, 1999

"... Ordinarily, however, it is not necessary to consider goodwill, going-concern value, business enterprise value, or the like, unless the value of these intangible assets has been itemized in a sales contract or a formal appraisal has been prepared by either party."

Going concern value

Items listed in Group 1 or 2 that attach value to the tangible assets of an assembled or established business. This does not imply that the business must be profitable. It only implies that the total enterprise value is greater than the sum of its parts.

Goodwill

Intangible value of a business enterprise is measured by some excess profit. Income beyond that required providing an economic return on the assets required by the business to function is considered excess profit.

Blue sky

A term that pertains to speculative schemes that often involve fraudulent expectations. This term should not be associated with legitimate business enterprise sales.

Other intangibles

The items listed in Group 3 above.

If the **YES** box is marked, the intangible value will need to be verified using specified guidelines outlined by the oversight agency for consistent application. If this amount has been included in the sale price, it should be deducted from the sale price. The intangible personal property component is often minimal. Valid commercial sales do not typically require an adjustment or removal from the ratio study because of intangible personal property unless the value of the intangible assets have been itemized in a sales contract or a formal appraisal has been prepared by either party.

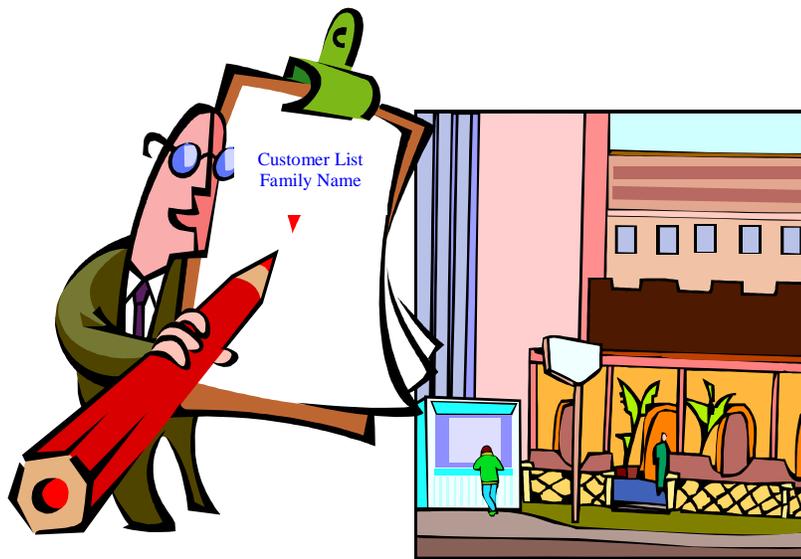
Intangible Personal Property

1. Were the intangibles listed separately on the contract or the appraisal
2. What was the amount listed

For consistency purposes, guidelines for adjustments should be established by the oversight agency.

Commercial Intangible Personal Property (Example)

- A. A minimal amount of intangible personal property less than 2% will not require an adjustment.
- B. If the amount of intangible personal property listed on the questionnaire is 2% to 50% of the total sale price, verification with **both** the buyer and seller is required **or the sale shall not be adjusted for intangible personal property.**
- C. Transactions involving intangible personal property in excess of 50% of the total sale price **which have been confirmed by both buyer and seller** shall be invalidated as excessive intangible personal property. If the county appraiser can present written documentation or an appraisal of the business assets during the review or appeal phase, a sale adjustment may be considered.



QUESTION NO. 5

5. WAS ANY PERSONAL PROPERTY (SUCH AS FURNITURE, EQUIPMENT, MACHINERY, LIVESTOCK, CROPS, BUSINESS FRANCHISE OR INVENTORY, ETC.) INCLUDED IN THE SALE PRICE? YES NO

If yes, please describe _____

Estimated value of all personal property items included in the sale price \$ _____

If **Mobile Home** Year _____ Model _____

Guidelines should be established by the oversight agency when tangible personal property is included in the sale price. The following serve as examples only that allow consistent application for all jurisdictions being evaluated by the oversight agency.

Tangible Personal Property Adjustment
Total Sale Price Including PP Amount minus PP Amount = Adjusted Real Estate Sale Price

Growing Crops (Example)

Growing crops are considered personal property and not part of the real estate.

If a valid agriculture sale includes a value for crops, a deduction should be made. If the value estimate is stated on the questionnaire, it should be used. It is not necessary to make a follow-up verification call unless the value represents more than 25% of the total sale price.





**Residential Tangible Personal Property
Other Than Mobile Homes (Example)**

- A. If the personal property value on the questionnaire is **less than 2%** of the total sale price, the sale price will not require an adjustment.
- B. If the personal property amount listed on the questionnaire is **2% to 10%** of the total sale price, verification with either the buyer **or** seller is required.
- C. A personal property amount listed at **11% to 50%** of the total sale price must be confirmed by both the buyer **and** seller or the sale shall be invalidated if these requirements are not met. If a large discrepancy exists which cannot be resolved between the buyer and seller as to the actual dollar amount of personal property included in the total sale price, the sale shall be invalidated.
- D. Transactions containing personal property amounts in excess of **50%** of the total sale price shall be invalidated as excessive personal property.

Stoves, refrigerators, dishwashers, ceiling fans and ordinary window treatments typically are included for residential property and not separated out in the purchase agreement and/or sales contract. Generally, no adjustment should be made for these items unless verification has been made that the amounts were separated in the contract.

I.A.A.O. Standard on Ratio Studies, 1999

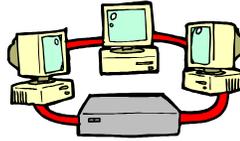
"...Ordinary window treatments, outdated models of free-standing appliances, and common-grade used furniture do not usually influence the sale price of real property and do not require adjustment..."



Mobile Home Adjustments: *(Example)*

- A. Residential lots containing mobile homes that are listed as personal property are in the **residential** subclass of property and should not be listed in the vacant subclass of property for ratio study purposes.
- B. A mobile home lot with utility hookups only should not be listed in the residential subclass. It should be listed in the **vacant** subclass.
- C. Sales where the land and mobile home sells and the county has the mobile home appraised as personal property shall require further follow-up by the appraiser and/or research analyst. The value the jurisdiction has placed on the personal property rolls for the mobile home shall be written and highlighted in yellow in the comment section of the COVPVD2 (data entry form). For residential sampling counties it must also be written on the residential sampling data entry sheet in the comment section. This amount will be added to the county's real estate appraised value involved in the sale during the data entry phase of the ratio study program and should not be adjusted by the field appraiser and/or research analyst.
- D. Sales with mobile homes assessed as real estate shall be validated because values taken from the Mobile Home Guide should have been adjusted by the county to reflect the market in their area.





Commercial Tangible Personal Property (Example)

- A. A minimum amount of tangible personal property less than 2% of the total sale price shall not require an adjustment.
- B. If the amount of tangible personal property listed on the questionnaire is 2% to 10% of the total sale price, verification with either the buyer or seller is required. If the tangible personal property cannot be verified with the buyer or seller, no adjustment shall be made.
- C. Tangible personal property 11% to 50% of the total sale price shall follow these guidelines. If a copy of the contract is available or should the buyer, seller or agent read from the contract, no additional contact will be necessary to obtain tangible personal property information. If the contract is not available and verification cannot be made with both the buyer and the seller, an adjustment shall not be made nor shall the sale be invalidated.
- D. Tangible personal property verified by both the buyer and seller, contributing greater than 50% of the total sale price shall be invalidated. If a copy of the contract is available or should the buyer, seller or agent read from the contract, no additional contact will be necessary to obtain tangible personal property information. If the contract is not available and verification cannot be made with both the buyer and the seller, an adjustment shall not be made nor shall the sale be invalidated.

Commercial/industrial property typically sells with personal property included in the sale price. Guidelines should be established that clearly states when the amount of personal property becomes excessive. This guideline must be applied uniformly.

Excessive Personal Property (Example)

A verified combination of adjustments for tangible and intangible personal property totaling greater than 50% of the sale price shall cause the sale to be invalidated.

QUESTION NO. 6

6. ARE YOU AWARE OF ANY CHANGES IN THE PROPERTY SINCE JAN. 1? YES NO

Demolition New Construction Remodeling Additions

Date Completed _____

Question no. 6 relates to any changes that may have occurred in the property characteristics after the date of appraisal and prior to the date of sale. An additional flag to support property characteristic changes are building permits. Changes resulting from data collection errors (*grades, CDU's, measurements, etc.*) by the taxing entity should not warrant removal of the sale from the study because of a property characteristic change. Keep in mind the ratio study serves as the jurisdiction's performance measurement tool. During the verification process, the following questions should be asked in addition to the list of basic questions (*page 11*).

Property Characteristic Change

1. *Were any substantial changes made to the property from the date of appraisal and prior to the sale?*
2. *What type of change was made? (Repair, Remodeling or Addition)*
3. *The amount of the cost involved? (Labor & Materials)*
4. *Why were the changes made?*
5. *Did a change in use take place?*
6. *Was the work performed by a professional or the property owner?*

Normal maintenance, i.e., carpet, paint, etc. do not typically constitute enough of a change to invalidate the sale. It will, however, have an affect on lower dollar sales. The oversight agency may wish to set a percent of change (*dollar amount of change ÷ jurisdiction's appraised value*). These sales should be closely scrutinized. In certain situations with the appropriate data, these sales may be adjusted and included in the study as a valid transaction depending on the type of change(s) that occurred.

Changes that occur **after the sale** *should not* invalidate the sale. Likewise, changes that occurred **prior to the date of appraisal** *should not* invalidate the sale.

QUESTION NO. 7

7. WERE ANY **DELINQUENT TAXES** ASSUMED BY THE
PURCHASER? YES NO AMOUNT \$ _____

If delinquent taxes were assumed by the purchaser, a follow-up verification should be made when the amount listed is more than a minimal amount of the total sale price. For consistency purposes, a minimal amount should be set by the oversight agency. An example would be two percent (2%) which is not an unreasonable percentage. Delinquent tax representing less than a minimal amount of the total sale price should not require a follow-up verification nor should an adjustment be applied to the sale price.

This question is often answered "yes" on the questionnaire but during the verification process it is discovered to be only the amount of prorated property tax for the current year and not delinquent tax. Delinquent tax greater than a minimal amount and whether buyer or seller paid the tax should be confirmed with the proper taxing entity being evaluated. Delinquent taxes in addition to real estate taxes include, but are not limited to, personal property, business, etc.

After confirmation has been made on the amount of delinquent tax paid by the *buyer*, a follow-up interview is required with a party to the sale to verify whether or not the sale price listed on the questionnaire includes the amount of delinquent tax. Delinquent tax paid by the *seller* requires no adjustment.

Delinquent Tax Questions

1. What type of delinquent tax was included in the transaction?
2. Did the sale price of \$ _____ stated on the questionnaire include the delinquent tax amount or was an additional amount paid for the delinquent tax?

If delinquent taxes greater than a minimal amount of the total sale price were included in the *bundle* in order to purchase the real estate (*paid by the buyer*) but were not included in the sale price listed on the questionnaire, the sale price must be adjusted upward.

Delinquent Tax Adjustment

$$\text{Sale Price} + \text{Delinquent Taxes} = \text{Total Adjusted Sale Price}$$

The theory being that the buyer in order to purchase the real estate was willing to pay *all* encumbrances associated with the subject property.



QUESTION NO. 8

8. METHOD OF FINANCING (check all that apply):

- New loan(s) from a Financial Institution
 Seller Financing Assumption of Existing Loan(s)
 All Cash Trade of Property Not Applicable

Some important facts typical for interest rates:

Financing

New Loans From a Financial Institution = Market Rates
Seller Financing = Possibly Higher Rates
Cash = Possibly Lower Rates (Sale Price)

Typically, sales involving a *trade of property* should be excluded from further sales analysis unless the medium of exchange was a commodity traded on the open market (*stocks, bonds, gold futures*) and could be converted to a cash value on the date of sale. In situations where the trade is a pure trade (*no cash or financing involved*), the sale should be *excluded* from the study as a valid sale. Sales that involve both money and property may be included in the study if the value of the traded property is known and is small in comparison to the total consideration.

Transactions that have ***assumption of existing loan*** checked require additional research. Many times the selling price listed on the questionnaire represents only the remaining balance of the loan. Further verification is required to answer the following question.

Assumption of Existing Loan

Was the sale price of \$ _____ listed on the questionnaire the total sale price or was this the loan balance?

Should the interviewee say that it was only the remaining loan balance, respond with the following question.

Assumption of Existing Loan

Did you pay an amount in addition to the balance of the loan? If so, what was the amount?

If the contact stated that an additional amount was *not* paid, then care should be taken to make sure the sale is a proxy of market value and that the grantor was under no undue pressure to sell the property resulting from other outside forces (*foreclosure, employment relocation, etc.*).

If an additional amount was paid, the sale price should be adjusted upward and included as a potential valid transaction if all other criteria for an open market transaction have been met. Assumed mortgages are similar to seller financing and are addressed in a similar manner. However, unlike seller financing, when a mortgage is assumed, there may be an *assumption fee* that should be added to the sale price. Certain governmental agencies will charge a flat fee while conventional lenders generally charge a small percentage of the total sale price.

Assumption of loan adjustment - Example

Sale Price \$150,000

Down payment \$50,000

Assumption \$100,000

Market Rate of Interest 8%

Current Mortgage Rate of Interest 6%

Remaining Term on Mortgage 10 Years

Assumption Fee 1%

$\$100,000 \text{ (Assumption)} \times .012133 \text{ (monthly loan constant - partial payment factor for 10 years @ 8\%)} = \1213.30

$\$100,000 \text{ (Assumption)} \times .011102 \text{ (monthly loan constant - partial payment factor for 10 years @ 6\%)} = \underline{\$1110.20}$

Difference = \$ 103.10

The present value of the difference in the amount of monthly payments is:

$\$103.10 \times 82.421481 \text{ (present worth of one per period for 10 years @ 8\%)} = \$8,497.65 \text{ Rounded } \$8,500$

\$8,500 is the indicated present worth to the buyer considering the assumption at a lower rate

Sale Price - Present Worth to Buyer + Loan Assumption = Adjusted Sale Price

$\$150,000 - \$8,500 = \$141,500 + \$1,000 = \$142,500$

If the current assumed rate of interest would have been larger than actual market rate on the example above, the sale price would be adjusted upward because this is what the buyer was actually willing to pay to acquire the property.

When **Not Applicable** is checked, further verification should be made to confirm whether there actually was an exchange of money or if the transaction is only a refinancing of an existing loan.

New loans usually do not require further verification for financing because they usually are given at current market rates.

Adjustments should be made for **seller financing**, when defensible documentation to support a discrepancy between actual and market rates and the term of the loan is available. Again, applying non-supportable adjustments will jeopardize the integrity of the ratio study by making it appear subjective. The interest rate and term of the loan may be requested on the sales validation questionnaire if local statutes do not prohibit its inclusion.

Seller financing adjustment (Example)	
	<i>Consider the following</i>
<i>Sale Price</i>	<i>\$120,000</i>
<i>Down Payment</i>	<i>\$ 20,000</i>
<i>Seller Financing</i>	<i>\$100,000</i>
<i>Market Rate of Interest</i>	<i>8.5%</i>
<i>Actual Rate of Interest</i>	<i>10.0%</i>
<i>Term of the Loan</i>	<i>20 years</i>
<p style="text-align: center;">Actual \$100,000 x .009650 (<i>partial payment factor for 20 years @ 10%</i>)= \$965.00 Market \$100,000 x .008678 (<i>partial payment factor for 20 years @ 8.5%</i>) = <u>\$867.80</u> Difference \$97.20</p> <p style="text-align: center;">The present value of the difference in the amount of monthly payments: \$97.20 x 103.624619 (<i>present worth of 1 per period for 20 years @ 10%</i>) = \$10,072.31 = \$10,000 (<i>rounded</i>) \$120,000 (<i>sale price</i>) + \$10,000 (<i>present worth to the seller for higher interest rate</i>) = \$130,000</p>	

NOTE: Remember to apply the Monthly Compound Interest and Annuity Tables for the computation.

QUESTION NO. 9

9. WAS THE PROPERTY MADE AVAILABLE TO OTHER POTENTIAL PURCHASERS? YES NO If not, explain _____

Was the property made available to other potential purchasers or in other words was it exposed on the open market?

Market Value--I.A.A.O. Standard on Ratio Studies, 1999

“The most probable price (in terms of money) that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting, prudently and knowledgeably, and assuming the price is not affected by undue stimuli. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *The buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, and acting in what they consider their best interests.*
- *A reasonable time is allowed for exposure in the open market.*
- *Payment is made in terms of cash or in terms of financial arrangements comparable thereto.*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”*

This question is the first question that should be asked and is the single most important question relating to all sales validation. If **NO** is checked, a follow-up verification may not be required unless the explanation written on the questionnaire indicates that the sale could be potentially valid.

The ideal case would be to have the luxury of holding a follow-up verification on all the questionnaires when **no** is marked for open market. Budget and staff restrictions generally will not allow for this luxury. The oversight agency should perform a follow-up verification on any sale appealed by the jurisdiction if a follow up interview was not made prior to the appeal.

This question has undergone numerous revisions on the sales validation questionnaire in an attempt to make the public understand the nature of the question. While the question may seem quite simple to appraisers and assessors, the public does not always understand what is being asked. Be prepared to provide a follow-up explanation. To assist in determining whether or not a sale was exposed to the open market, ask the basic list of questions (*page 11*). If all the answers were provided, it should be easy to determine if the sale was exposed on the open market.

When ***word-of-mouth*** is the method of marketing used, additional questions should be asked and well documented. To simply state that “*the property was marketed by word-of-mouth*” and provide no further documentation is insufficient. This type of marketing is typically more prevalent for rural areas and rarely occurs in urbanized areas. The following questions along with the basic list (*page 11*) should be asked in a follow-up verification in determining whether the transaction meets the criteria of an open market transaction.

Word of mouth marketing

1. How did you find out the property was for sale?
2. How big an area knew the property was for sale?
3. Is word of mouth typical exposure for the area?
4. Where were other offers made on the property?
5. How did you arrive at the sales price?
6. Was an appraisal made on the property? If so, what was the amount?
7. Condition of the property at the time of sale?
8. Was the seller actively marketing the property at the time of sale?

QUESTION NO. 10

10. DOES THE BUYER HOLD TITLE TO ANY ADJOINING PROPERTY?

YES NO

If Question no. 10, *does the buyer hold title to any adjoining property* is checked, a follow-up verification should be required to determine whether or not the buyer possibly paid significantly more or less than the asking price. In some cases, because of the neighbor's relationship with the adjoining property owner, the buyer may receive a *deal* on the property while in other cases the buyer may be willing to pay more because the property abuts his property. By asking the basic questions (*page 11*), the aforementioned questions should be answered.

QUESTION NO. 11

11. ARE THERE ANY FACTS WHICH WOULD CAUSE THIS SALE TO
BE A NON-ARMS LENGTH/ NON-MARKET VALUE TRANSACTION?

(SEE #11 INSTRUCTION ON BACK)

YES NO

This question is provided in order that the individual completing the document may provide additional insight to the transaction.

For example, if a transaction satisfies all the qualifications of a valid sale other than on the questionnaire it states *seller is forced to sell their property prior to entering a nursing home*, it creates a flag that a follow-up verification is required. This instance being, "*was there undue duress to sell*"?

Another example is when *uninformed* buyer or seller is written in. This again, acts as a flag for further verification.

Uninformed seller questions

1. Was the property listed or advertised?
2. How did you arrive at a sale price?
3. Was there an appraisal made on the property? If so, amount \$_____.
3. Were there any local offers?
4. Was there any undue compulsion to sell?
5. How long was the property on the Market?

Uninformed buyer questions

1. Did you look at other property in the area?
2. Are you aware of the market in the area?
3. Did you ask around?
4. Was the property appraised for loan purposes? If so, amount \$_____.
5. Did you talk to realtors?
6. How long did you search for property in the area?
7. Any undue compulsion to buy?

New custom-built homes for a homeowner should not be included in the ratio study as a valid sale. These homes are built to the specification requirements of the buyer. This type of home will not typically be exposed on the open market. That is, usually only when the *deal* falls through will it be put on the open market.

Homes *constructed for speculation* and listed or marketed for sale should be validated as valid sales if they meet all the criteria of an open market arm's-length transaction.

QUESTION NO. 12

12. TOTAL SALE PRICE \$ _____
DEED DATE ____/____/____

The *total sale price* and *deed date* is recorded here.

The *most reliable* source for the actual date of sale is the date on the *contract*. Because these are rarely available or are impossible to obtain, our next best source of actual date of sale is the deed itself. Care should be taken not to use the date the deed was recorded when there was a delay in filing, but instead the date of the transaction or deed date. Refer to the example below in the case of a **General Warranty Deed** being filed.

General Warranty Deed	
<i>THIS DEED, made this 20th day of December 1999, between</i> _____ and _____ <i>of _____ County, in the State of Kansas as first part and</i> _____ and _____	
<i>STATE OF KANSAS</i> _____ County <i>This instrument was filed for record on the</i>	
<i>3rd day of January 2000 at 10:55 O'clock</i> <i>a.m. and duly recorded in book 235 of Deeds</i> <i>at page 375</i>	

This is the date the deed was recorded not the deed date.

When an *affidavit of equitable interest* is filed, the date thereon is the actual date of the transaction.

Affidavit of Equitable Interest	
_____ and _____, husband and wife, the undersigned, duly sworn under oath, dispose and state as follows:	
1. That the undersigned are the purchasers of the following described real estate, located in _____ County, Kansas:	
Lots One (1) and Two (2), Block Twelve (12), park addition to the City of _____	
2. This Affidavit is given for the purpose of providing notification that the undersigned has an equitable interest in said property arising by reason of a Contract of Sale dated 19th day of August 2000 .	

This would be the actual date

When the contract has been fulfilled and another sales validation questionnaire is filed to transfer the deed to the buyer, the date of sale would still be the date on the affidavit of equitable interest. In the illustration above, the date would be August 19, 2000.

A contract for deed sale with *no flags* dated within the ratio study period being analyzed should be included in the ratio study as a *valid* transaction.

QUESTION NO. 13

13. I CERTIFY THAT THE ADDRESS TO WHICH TAX STATEMENTS FOR THE PROPERTY ARE TO BE SENT IS CORRECT.

I ALSO CERTIFY I HAVE READ ITEM NO. 13 ON THE REVERSE SIDE AND HEREBY CERTIFY THE ACCURACY OF THE INFORMATION AND THAT I AM AWARE OF THE PENALTY PROVISIONS OF K.S.A. 79-1437g.

PRINT NAME _____

SIGNATURE _____

GRANTOR (SELLER) GRANTEE (BUYER)
 AGENT DAYTIME PHONE NO. (____) _____

The buyer, seller or an agent thereof for this illustration may sign the questionnaire. An agent was defined as anyone acting as a *representative* of either the buyer and/or the seller. If an agent of the buyer or seller signs the questionnaire, telephone numbers for both the buyer and seller should be completed. A problem that is often created by the questionnaire being completed by an agent is that the buyer and/or seller never see the document other than it is another piece of paper to sign during closing.



Other Adjustments and Pertinent Information Relating to Sales not Covered on the Questionnaire

Adjustments to Sales Prices (I.A.A.O. Standard on Ratio Studies, 1999)

- “.....If adjustments for more than one purpose are to be made, they should be made in the following order
1. Adjustments that develop or isolate the price paid for taxable real property. These include adjustments for personal property received by the buyer, property taken in trade by the seller, the combination of partial interest sales, and incomplete or unbuilt common property.
 2. Adjustments that convert the price to a better representation of the market value of the property on the date of sale. These include adjustments for financing and assumed leases.
 3. Adjustments for differences in market value levels between the date of sale and the date of analysis....”

Loan Origination Fees & Repair Allowances

If the seller agrees to pay expenses normally paid by the buyer as loan origination fees and repair allowances, the amount should be *deducted* from the sale price.

Outlier ratios

Outlier ratios are extreme ratios that are atypical when compared to the sample as a whole. Historically, follow-up verification on outlier ratios qualifies the data and reduces the number of informal appeals from the jurisdiction being evaluated. These aberrant sales must be identified and closely scrutinized for data errors as they have a very damaging affect on some performance measures that are not considered a robust statistic. The International Association of Assessing Officer's measure of uniformity, the *COD* is severely affected by outlier ratios. Specific guidelines should be developed for further verifying outlier ratios by the oversight agency. The oversight agency may also want to consider applying a trimming procedure for statistical analysis.

Trimming References

Tomberlin, 1997. *Trimming Small Samples* (Rev. 2001)
I.A.A.O. Standard on Ratio Studies, 1999. Table 1, *A distribution-free method for locating outliers and extreme outliers*

Outlier Ratio Verification - Example

A follow-up verification is required on all sales (*with the exception of those sales containing agricultural use*) that are potentially valid and have a ratio of less than 50% or greater than 150%.

Points

Points are charges made by the lender for making money available to the borrower. These charges arise because of interest rate limitations on federal lending institutions and, in some states, on home loans in general. When the market rate of interest rises above these legal limitations, lending institutions compensate by charging points either to the seller or to the buyer.

When the lender charges the seller points (*a percentage of the loan amount*) for making money available to the purchaser/borrower, the sale price should be *adjusted downward* by the value of the points. This is because, under the market-value assumption of informed buyers and sellers, the seller must put his property on the market at a higher price in order to realize the same amount of money for it. Alternatively, the buyer is willing to *overpay* for the property in order to procure an attractive financing plan. (*VA and FHA will charge the points to the seller.*)

Points Paid By Seller - Example				
Sale Price	minus	Points	=	Adjusted Sales Price
\$50,000	-	\$2,000	=	\$48,000

Points paid by the *buyer* are part of the closing costs. *No adjustment* should be made to the sale price.

Special assessments

Special assessments are used to finance capital improvements and or provide services adjacent to the property. The property owner typically makes annual payments of principal and interest to a local unit of government over a specified period of time. The sale price must be adjusted upward to account for the remaining amount of the lien if it is a significant amount or the effect on market value can be ascertained.

6.5.6 Special Assessments (I.A.A.O. Standard on Ratio Studies, 1999)

“Special assessments are used to finance capital improvements or provide services adjacent to the properties they directly benefit. Typically, the property owner is obligated to make annual payments of principal and interest to a local unit of government over a specified number of years. The sale price of a property encumbered by such a special assessment may require adjustment if the current balance of the defrayed amount is significant. the sale price can be adjusted upwards to account for this lien. As with other financing adjustments, the collection and analysis of data can be time-consuming, and it may be difficult to determine the extent to which the market actually capitalizes this assessment (see section 6.5.2). If the effect on market value can be ascertained, an adjustment should be made.”

Time Adjustments

There should be a system for tracking changes in price levels over time and adjusting sale prices for time as required. Time adjustments must be based on market analysis and supported with appropriate documentation. Time adjustment is particularly important if the ratio study is being conducted for equalization purposes.

6.5.4 Adjustment for Time (I.A.A.O. Standard on Ratio Studies, 1999)

“...It is particularly important to monitor changes in price levels over time in ratio studies made for equalization purposes where the objective of the study is to estimate the level of appraisal on a specific assessment date. If sales prices have generally been rising, ratios for sales that occurred after the assessment date will tend to understate the overall level of appraisal. Similarly, sales ratios for sales that occurred before the assessment date will tend to overstate the level of appraisal. If prices are generally declining, an opposite pattern will result....”



Trending

A good 5% time trend could raise the median ratio as much as 2%

A good 5% time trend could lower the COD from .3% to .4% of a point

Sales Verification Purpose (Summary)

- Sales are true proxies of market value
- The sale price reflects only the market value of the real estate (*no financing, personal property, delinquent taxes, etc.*)
- Only those sales are used which occurred during the designated timeframe
- All sales are considered valid unless substantial and compelling documentation is available for removal from the study

* * * * *

Sales *generally* but not always invalid for Ratio Study purposes

- Sales involving government agencies and public utilities
- Sales involving charitable, religious, or educational institutions
- Sales involving financial institutions
- Sales between relatives or corporate affiliates
- Sales of convenience
- Sales settling an estate
- Forced sales
- Sales of doubtful title

** * * *

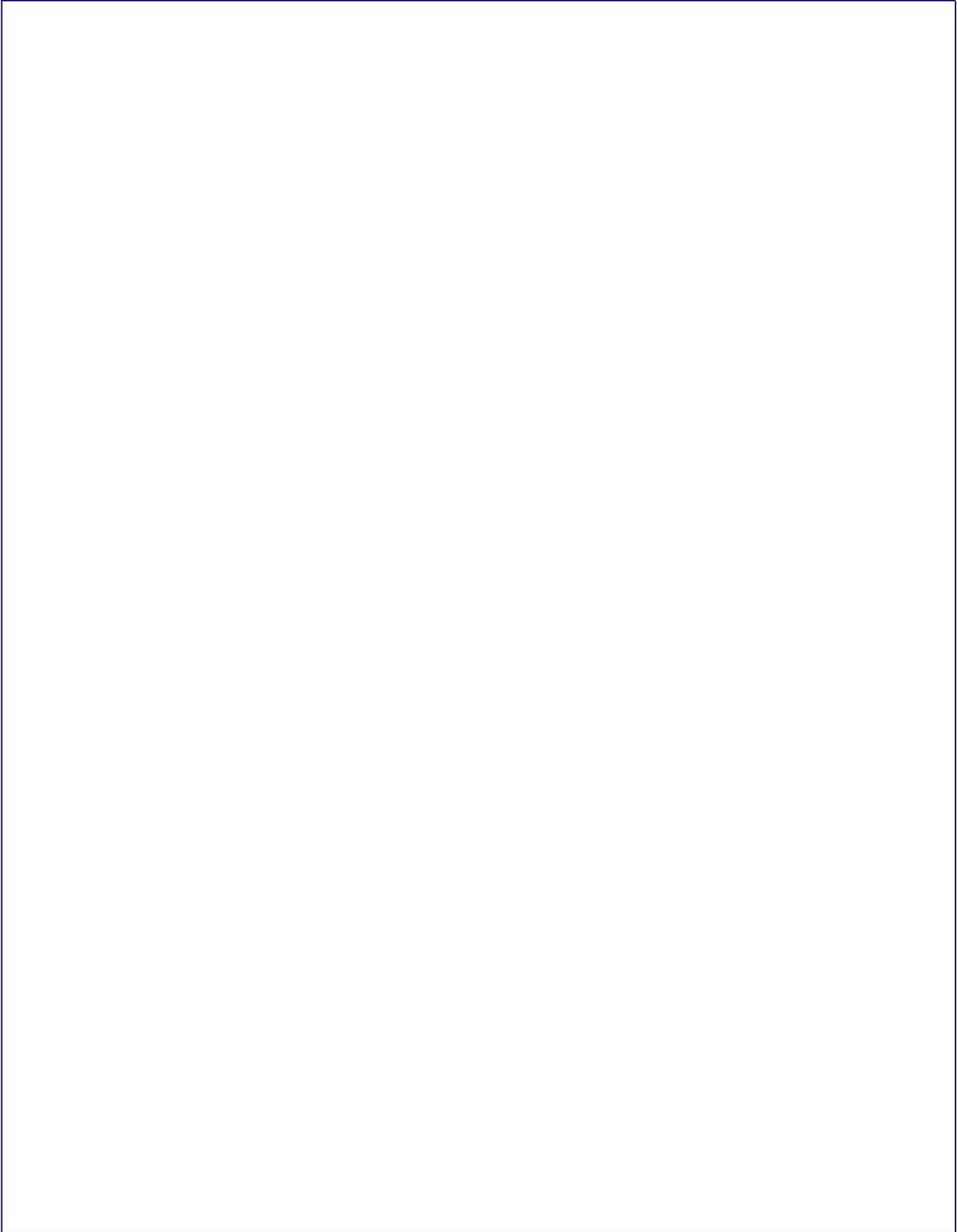
Sales with *Special Conditions*

- Trades
- Partial interests
- Land contracts
- Incomplete or unbuilt common property
(*Sales of such properties should be examined to determine whether prices might be influenced by promises to add or complete common elements at some later date. Sales whose prices are influenced by such promises should either be excluded from the analysis or the sale price should be adjusted to reflect only the value of the improvements or amenities in existence on the assessment date.*)
- Auctions

* * * *

6.5.1 Adjustments for Personal Property (I.A.A.O. Standard on Ratio Studies, 1999)

"...When evidence of the value of personal property is not provided, no adjustment is necessary. If the stated value of personal property is more than 5 percent of the total sale price for residential property or more than 25% for commercial property, the sale should be excluded unless the sale sample is small and there is strong evidence to support the value estimate of the personal property."



Sales Documentation Record

Clear, precise and thoroughly completed documentation records have proven an invaluable asset during the appeal process and also during external audits. A blank copy of a clear, precise and complete documentation record is located on the previous two pages.

A sales documentation record should be completed for all potentially invalid sales and/or those sales that have flags whereby a follow-up validation is made. The Sales Documentation Record should be *stapled* to the back of the sales validation questionnaire.

Paper clipping the documentation record to the questionnaire or placing the record directly behind the questionnaire should be unacceptable. Documentation records tend to get *lost in the shuffle* unless securely attached. The documentation records must be neat and legible. Electronic versions of documentation record eliminate poor penmanship and present a more professional document. Specific colors of ink should be assigned for staff and reviewers. For instance, the staff members completing the documentation records could use a black or blue ink pen while supervisory and/or review staff red. This allows for any changes that are made to the document to be clearly visible. The usage of *felt tip pens* on the documentation record should be discouraged.

The backside of the document may be designed for additional comments. Also, note that page 2 of the documentation record illustrated has been designed for ease of use during the informal and formal hearing process (*legal folders*).

The following guidelines will flow through the sales documentation record by section.

Parcel identification

Sales Documentation Record							
CO. NO.	MAP	SEC	SHEET	QTR.	BLOCK	PARCEL	OWN

The *parcel identification* number located in the upper right-hand corner of the Real Estate Sales Validation Questionnaire should be entered on the documentation record in the upper left-hand corner of the record. The

documentation record must have a tie back to the questionnaire with a unique parcel identification number or code.

Jurisdiction/county name & number

County Name _____ (Jurisdiction)
COV No. _____ (Questionnaire No.)

The oversight agency's documentation record must have the name and/or number of the jurisdiction and also the unique number applied to the questionnaire as analysis must be performed for each jurisdiction. Both of these items are required on a documentation record because a parcel often sells more than once in any given ratio study period.

Contacts

Person Contacted	_____
Buyer/Seller (Phone)	_____
Other: (Phone)	_____
Person Contacted	_____
Buyer/Seller (Phone)	_____
Other: (Phone)	_____

The *person contacted* should be the name of the person you either attempted or actually interviewed and the telephone number.

Attempts

Attempt	Date	Time	Result
1st			
2nd			
3rd			
1st			
2nd			
3rd			

For consistency purposes, specific guidelines should be developed.

This section is completed on all potentially valid commercial/industrial sales that require a follow-up interview. This is beneficial data extracted to a commercial/industrial sales database. If this data were not collected during the sales validation process, an additional interview would be required.

When the question "*If yes, how was it marketed?*" is asked and you are told that it was through a realtor or realty company, ask for the name of the realtor or the company involved. Often, during the appeal process additional information may be required from the realtor. By requesting this information during the initial interview a second interview with the buyer and seller may not be necessary.

When "*Was a fee appraisal prepared for the buyer or seller in conjunction with this sale?*" is asked and the answer is "yes" to either, ask the amount. If the amount of the appraisal is provided, it can be documented in the comment section of the documentation record.

Ratio study source codes

Source code examples			
0 Residential Sample	4 Interview Unsuccessful	8 Buyer/Seller/Agent	PVD RATIO
3 Sale Questionnaire	7 Appeal Documentation	9 Multi-Parcel	SOURCE CODE _____

Source codes afford the user the ability to extract like data from the database for further stratification. Not only does this afford the user the ability to extract data relating to the sales but also staffing information is attainable. For instance, number of follow-ups achieved, unsuccessful attempts and number of sales appealed by the jurisdiction are only a few uses of the source codes. If source codes are used, a written priority list should be adopted for uniform application. If uniform application is not performed, the data extracted will be meaningless.

Source code priority listing (Example)

The source codes for residential sampling (0) and multi-parcel sales (9) always take precedence over sales questionnaire (3), interview unsuccessful (4), and buyer/seller/agent (8). Since residential sampling does not include multi-parcel sales as valid, it never becomes an issue whether residential sampling or multi-parcel takes precedence. The Ratio Study Supervisor and/or Coordinator use source code 7, Appeal Documentation, only during the appeal process.

Along with the priority list written documentation with thorough explanations for meaning and usage of source codes should be provided. The following thoroughly explain the aforementioned source codes.

A **source code 3** indicates that the validation was performed from the questionnaire with no additional contacts. Validation from the questionnaire can transpire when one or more of the following reasons are apparent.

Use of a source code 3

- *The questionnaire contains no flags*
- *The questionnaire was an automatically invalid sale*

Source code 4, interview unsuccessful, is an important code. As discussed above, at least six attempts (three to the buyer and three to the seller) are made for further verification of the sale. At times all attempts will be unsuccessful and this is when source code 4 is used. Computer selectabilities are run during the quality control phase and further attempts for verification can be made at that time.

Source code 8, buyer/seller/agent, should be used anytime an additional follow-up interview was held with the exception of multi-parcel sales and residential sampling sales. By examining the source code, it can easily be detected that a follow-up verification was successfully performed.

Source code 9, multi-parcel sale, should be used on all multi-parcel sales. If a follow-up interview was performed or whether it did not require a follow-up, the proper source code to use would be 9. A **multiple parcel sale** generally consists of two or more parcels with the same COV number but with different parcel identification numbers. Occasionally, a multiple parcel sale will have a questionnaire completed on each parcel but the selling price will be the total for all the parcels involved. A follow-up interview should be required to ensure the sale price represents the total sale price of the property. Care should be taken by the oversight agency to include the appraised value of all parcels included in the multi-parcel sale.

Multi-parcel valid sale - combining appraised values (Example)					
Parcel I. D. Number	Class	Questionnaire	Source	Validity	Appraised Value
011-222-09-0-00-00-00500-0-01	VR	004669	9	0	1500
011-222-09-0-00-00-00600-0-01	VR	004669	9	1	2000
011-222-09-0-00-00-00700-0-01	VR	004669	9	1	1000
Combined Appraised Value ÷ Sale Price = Appraisal/Sales Ratio					4500
$\$4,500 / \$5,000 = .90$ or 90%					

Conclusions/comments

Conclusions/comments _____

_____ (Additional Space on Back)
_____ Continued on Back <input type="checkbox"/>

The results of the follow-up verification or **conclusions** should be written neatly, precisely and completely. Too much information is better than insufficient documentation. Incomplete documentation on the follow-up interview is especially evident during the appeal process when additional telephone calls are required. The same contacts must be re-interviewed. Buyers and sellers often question the reason for callbacks and the impression they are left with is sometimes unfavorable. Questions asked but not documented properly are not beneficial. Have your thoughts in focus prior to initiating the telephone call. Transfer the responses neatly, precisely and completely. Electronic documentation records eliminate poor penmanship and provide an electronic filing system. Be prepared to ask additional questions as the interview progresses.

Professionalism is important when completing documentation records. The appeal process, outside audits and other users of the completed documentation record indicate a wide spectrum of readers. The following are only a few statements considered unacceptable on a documentation record.

Documentation record - unacceptable statements (Examples)

What a jerk!
Per conversation, this is not an arm's-length transaction.
Sold on the open market.

Abbreviations should be unacceptable in the conclusions/comments section of the documentation form. Again, because of the broad spectrum of users outside of the industry that may or may not know the meaning of the abbreviation. (For example, *F.S.B.O. meaning for sale by owner, etc.*)

The results of *all* questions asked during the interview should be specifically, precisely and neatly written.

In the situation above where the statement was made it was not an arm's-length transaction, it should be more thoroughly documented as to why it was not an arm's-length transaction.



Example documentation - non-open market transaction

The seller of the property, Mary Smith, stated the subject property was not listed or advertised. A friend of hers knew she was interested in selling her home. Her friend approached her and made an offer. The property was not offered to anyone else. Buyer approached seller.



Example documentation - buyer religious organization

The grantor, Mr. Jones, during a telephone interview on 3/1/99 stated that the sale price was not lowered because the grantee was a church. In fact, there were other offers on the property but accepted the church's offer because it was the closest offer to the asking price of \$75,000. The selling price was \$73,000. The property was listed with Max Realty here in town for less than a year. The property was in good condition at the time of sale. A fee appraisal was made by a certified appraiser, George Day, with a value range of \$70,000 to \$75,000. No personal property was included in the sale price. The personal property sold under a separate contract. No changes were made to the property after 1/1/99 (the date of appraisal) and prior to the sale date.

If it is discovered the sale was not exposed on the open market, the interview is completed. No further verification is required as it is no longer a potential valid sale. The example where the buyer is a religious organization is a potentially valid sale and all of the basic questions should be asked and fully documented as shown above.

Word-of-mouth advertising/marketing is quite controversial. It is highly important that the results of the interview be precisely documented.



Example documentation - word-of-mouth marketing

Mr. Jones, the seller stated that several of his friends around town knew he was looking for a house for his daughter. Several had approached him asking if he was aware that this property was for sale. Almost all the property in Here, Kansas, sells by word-of-mouth because the nearest realtor is 20 miles away. Four other families in town had also looked at the property and two of them also made an offer. My offer was within \$200 of what the seller was asking for the property, so he accepted. The grantor set his price according to what houses were selling close around his property. No actual appraisal was done on the property. No personal property was included in the sale price. The seller also stated that all the changes in the property were made five years ago and that he had been trying to sell since his wife passed away about eight months ago. There was no undue pressure to sell.

The word-of-mouth example is also a potentially valid transaction and all basic questions should be answered. Because the seller stated he has been trying to sell since the loss of his wife it became necessary to also inquire if he was under any undue pressure to sell.

When conducting an interview or writing conclusions from the interview, you should always ask yourself, “Are there any unanswered questions that could come up regarding this sale?” If “yes” is the response, your validation verification is not complete.



Ratio Study Validity Codes

Validity Codes - Example					
0	Valid	3	Property Changed After 1/1	7	Technical Criteria
X	Adj Sale Price (Valid)	4	Split	8	Date Outside Range
1	Multi-Parcel	5	Governmental Resale	9	Discounted Vacant lot
2	Not Open Market	6	Suspect Conditions		
					PVD RATIO
					VALIDITY CODE _____

Even more important than the source codes are the *validity codes*. Validity codes determine whether or not the sale will or will not be included in the statistical analysis utilized in the ratio study. As all sales (except unvalidated sales if sampling is used) are reviewed but only the valid are included, care should be taken in properly entering the validity code of the transaction on the documentation record.

Written documentation with thorough explanations for each validity code and their application is extremely important. As an example, the following thoroughly explain the aforementioned validity codes.

All valid transactions shall be coded with either a 0 or an X validity code

Validity code 0 is the typical validity code used to indicate an open market, arm's-length transaction when no adjustments have been made to the sale price listed on the sales validation questionnaire.

Validity code X is applied when the transaction is an open market, arm's-length transaction but an *adjustment* has been made to the sale price listed on the sales validation questionnaire. In other words, when the sale price differs from the sale price listed on the questionnaire and the sale is valid, the validity code of X is used.

The remaining validity codes *serve as an example only* for coding invalid transactions. The main purpose of having different validity codes for these transactions is to further stratify invalid transactions based on why they are considered invalid transactions. The codes also assist in staff quality control.

Validity code 1 is assigned to multi-parcel sales. It identifies all the parcels included in the multi-parcel sale, but are not considered to be the main parcel. If a transaction consisted of three parcels and the sale was determined to be a potentially valid transaction, it would be coded as follows:

Valid multi-parcel sale - validity code 1 demonstration					
Parcel I.D.	Class	Type	Source	Validity	
038-156-23-0-10-14-002.00 0	RU	2	9	0	
038-156-23-0-10-14-001.00 0	RU	2	9	1	
038-156-23-0-10-14-003.000	RU	2	9	1	

If the transaction consisted of three parcels and the sale was determined to be an invalid transaction because it was not exposed to the open market, it would be coded as follows:

Invalid multi-parcel sale - validity code 1 demonstration				
Parcel I.D.	Class	Type	Source	Validity
038-156-23-0-10-14-002.00 0	RU	2	9	2
038-156-23-0-10-14-001.00 0	RU	2	9	1
038-156-23-0-10-14-003.00 0	RU	2	9	1

In the above examples, the main parcel in the multi-parcel sale is shaded. The first example indicates the sale is a valid multi-parcel transaction because of the source code 9 (*used on all multi-parcel sales*) and the validity code of 0. Note in both examples all other parcels involved in the transaction are also coded with a source code of 9 but the validity code is 1. Through computer generated selectability reports the validity code 1 permits the sale to be counted only once. A system should be used to account for a multi-parcel sale only once or the count on total number of sales will be arbitrarily high.

Validity code 2 is assigned to all sales that have been validated as not being open market transactions. In other words, the property has not been offered to the public. It was never exposed on the open market. An open market is defined by I.A.A.O. as a "A freely competitive market in which any buyer or seller may trade and in which prices are determined by competition".

Validity code 3, property changed after 1/1 (date of appraisal by jurisdiction). This code refers to significant changes that occurred to the property after the jurisdictions date of appraisal of the current study year and prior to the sale. In the conclusion section of the *Documentation Record*, it should be well documented in detail the type of changes and costs involved along with the verification of the date the actual changes occurred. Refer to the documentation relating to Question No. 6, *page 21*. Substantial changes prior to the date of appraisal or after the sale do not warrant removal of the sale from the study.

Historically, during the informal appeal process, sales are appealed for property characteristic changes by the jurisdiction. Further verification identifies that the changes actually occurred prior to the date of appraisal or after the date of sale. In both of these examples, if the sale meets the definition of an arm's-length transaction, it is a potentially valid sale and should remain in the ratio study. The jurisdiction prior to posting the current appraised value should have picked up changes occurring prior to the date of appraisal. Changes occurring after the sale do not have an affect on the ratio study performed by the oversight agency. For ratio study purposes, the property should be a mirror image of the property as it was on the date of appraisal. Errors that are made by the jurisdiction during data collection and listing should not be considered a change.

For sales that actually did have a significant property characteristic change after the date of appraisal and prior to the sale date, it is important these sales be invalidated. The ratio study compares the sales price to the appraised value set by the jurisdiction as of the date of appraisal. If significant changes have occurred during this time, mirror imaged properties would not be compared. *(It would be like comparing apples and oranges.)* This type of sale could be a potentially valid sale for the jurisdiction but not for the oversight agency's official ratio study.

Validity code 4 specifies split parcels or those sales that would not have an appraised value certified by the jurisdiction, i.e. state assessed properties. Again, while the *child* that is a split-off portion of the parcel, may be a potentially valid sale for the taxing jurisdiction, it cannot be included in the oversight agency's ratio study. As in the case of validity code 3, you would not be comparing the property which sold to a replica of the property which was appraised as of the date of appraisal. The child parcel would not carry a value placed on it by the taxing jurisdiction until the following year.

All split parcel sales should be verified with the jurisdiction that a split did occur. Verification may be performed through an examination of the deeds, maps or assessment administration file data.

Validity code 5 pertains to government re-sales. This is an automatic invalid transaction with no further verification required (*an administrative decision*). The seller is a governmental agency on the following list.

<i>Governmental Lending Institutions</i>
Federal Housing Administration
Veteran's Administration
Department of Housing & Urban Development
Resolution Trust Corporation
Small Business Association
Federal National Mortgage Association
Federal Home Loan Mortgage Corporation
Farm Credit Administration
Federal Land Bank
Federal Land Credit Association
Farm Credit Bureau
Governmental National Mortgage Association
Mortgage Guarantee Insurance Corporation
Federal Savings & Loan Insurance Corporation
Federal Deposit Insurance Corporation
Farmer's Home Administration

(Validity code 5 above provides an illustration where a local administrative decision differs from I.A.A.O. in that I.A.A.O. states that "Sales in which a financial institution is the seller should be viewed cautiously but may be valid if made on the open market").

Validity code 6 is designed for appraisal judgment. This category is used when compelling information has been collected, all relevant facts have been considered and the sale is invalidated because it is suspect. An extremely high or low ratio can suggest a validity problem, but it is not sufficient or compelling information by itself. Possible *data collection errors* or *clerical errors* on the part of the county do not constitute sufficient or compelling documentation. Comparable sales (*comp sheets*) provided by the jurisdiction seldom provide substantial documentation because they can reflect modeling, data collection or selection criteria deficiencies.

If an interview with the buyer or seller is not successful, a heavier burden will be placed upon supporting documentation such as sales maps, physical inspection by the field appraiser, photographs and selectability printouts. Before using validity code 6, a concerted effort must be made to contact the buyer, seller, relatives, bankers and agents. These attempts should be well documented. Telephone attempts should span over several days and into the evening hours.

Since validity code 6 will seldom be applicable and can involve very time consuming research, the field appraiser should call and discuss concerns with ratio study supervision before beginning the fact gathering process. All validity code 6 decisions should be subject to a close review by ratio study supervision. If the evidence has little substance or cannot support the validation conclusion, it should be overturned.

Validity code 7, Invalid Technical Criteria, should be utilized for invalid sales due to *technical, statutory or administrative* reasons and not otherwise assigned a specific code. *An example would be excessive personal property.*

Validity code 8, date outside range, indicates that the sale did not occur within the timeframe of the current ratio study. A documentation record may not be required for a validity code 8.

Validity code 9, discounted vacant lots, are applied to those lots where the jurisdiction has obtained an annual report from the builder requesting a discount. (*The jurisdiction must have documentation available to support the discounts.*) These lots are invalid for ratio study purposes because the appraised value does not represent the market value of the lots only a discounted value.

The following chart ranks the validity codes in their order of importance. The chart was designed to *take the guesswork out* of making a decision on the proper validity code to use when more than one code might apply. The chart is set up in ranking from highest to lowest priority.

Validity code importance ranking (Example)	
1	Multi-parcels - not the main parcel
8	Out-of-date range
9	Discounted vacant lot
4 & 5	Splits and governmental re-sales
7	Technical criteria
2 & 3	Not exposed on the open market & property characteristic changes
6	Suspect condition

For example, a multi-parcel sale that contained excessive personal property and was never exposed to the open market would be coded with a validity code on the main parcel of **7** and on all other parcels of the multi-parcel sale with a **1**.

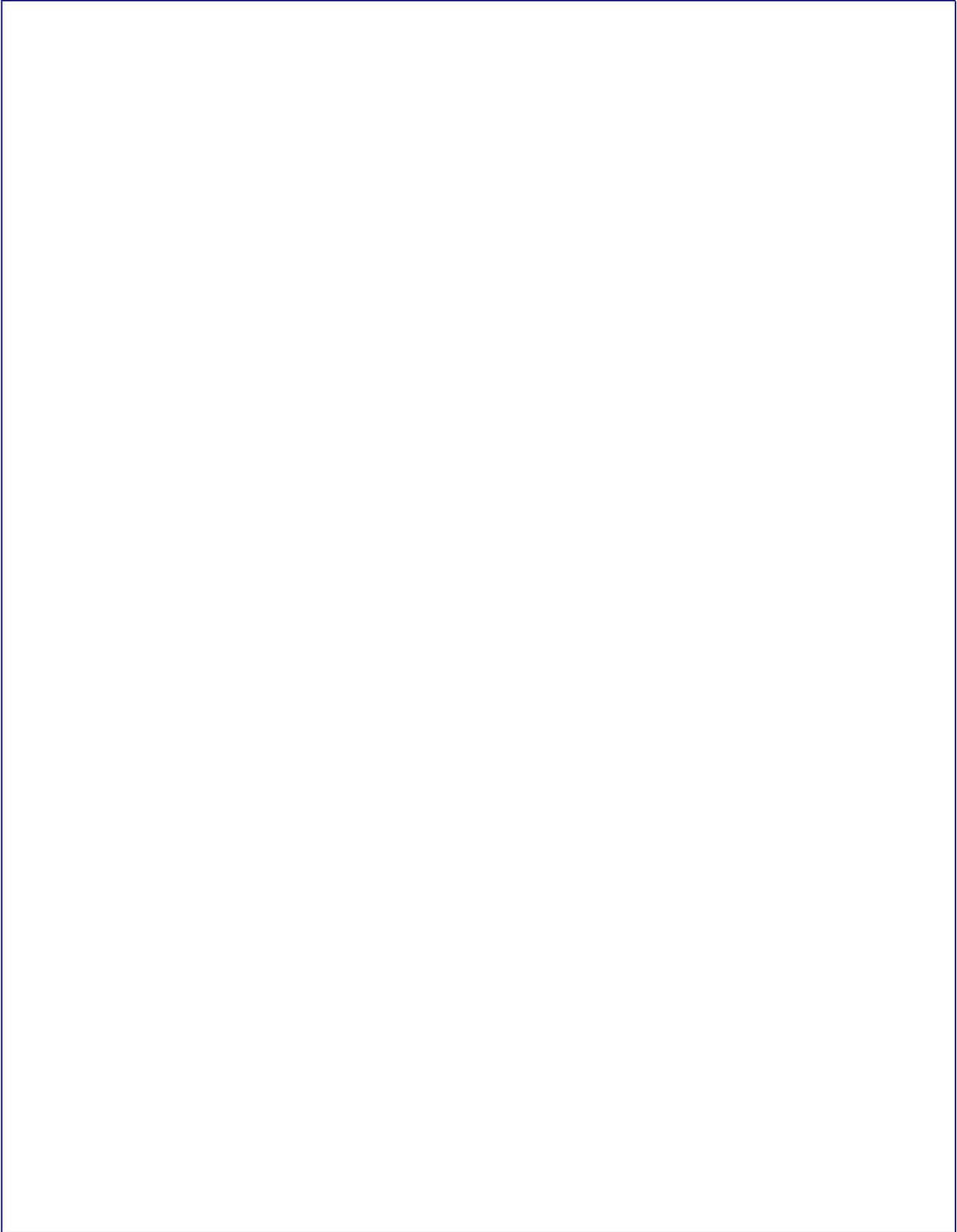
In the same example had the sale date not have been within the study year, the validity code would have been **8** on the main parcel and all other parcels involved in the multi-parcel sale would have been coded with a **1**.

Suspect condition has the lowest priority ranking because it should only be applied when all other reasons for excluding the sale from the study have been exhausted. It is highly recommended all suspect condition sales require ratio supervision's approval. During the quality control phase, reports are generated to ensure no validity code 6's have been applied without approval by the ratio study supervisor. Historically, only one or two of these appear during any ratio study period.

Signatures

_____	_____	_____
RESEARCH ANALYST SIGNATURE	APPRAISER SIGNATURE	DATE FORM COMPLETED

The documentation record should be dated at the time the signature is affixed. It is recommended that the documentation record be completed as soon as your interview is completed while information and facts discovered during the interview are still fresh in your mind. If you fail to complete the documentation record immediately, relevant facts relating to the sale may fail to be entered on the documentation record causing additional telephone interviews during the hearing process.



Certification Report (Example)

County Name: _____

Timeframe: _____ through _____ Questionnaires: _____ to _____
(Month) (Month) (COV Range)

The PVD Appraiser has performed the following tasks:

- ___ 1. All official county validation (COV) numbers not entered in the appraiser CAMA file have been accounted for and examined. The total number of COV numbers not on CAMA: ____. The PVD appraiser has determined that said transfers are not valid sales and cannot be used in the Official Ratio Study. *(For the time period)*
- ___ 2. All sale amounts and dates have been checked against the PVD questionnaire copy to verify data entry accuracy and all corrections have been made to the official "COVPVD2" Report.
- ___ 3. A PVD Sales Documentation Record has been prepared for sales with a validity code of "X" and "6" and all remaining validity codes when applicable per PVD guidelines.
- ___ 4. A PVD appraiser has signed each PVD sales documentation record.
- ___ 5. All PVD validation decisions and adjustments have been posted to the official COVPVD2 report.
- ___ 6. No unvalidated sales appear on the official COVPVD2 report except the residential subclass for residential sampling counties.
- ___ 7. All invalid sales due to property characteristic changes have been examined and characteristic changes have been determined to be salient, objective and reflect more than an incidental value.
- ___ 8. Each multiple parcel transfer has been examined and considered for inclusion in the study if the parcels can be appraised as a unit or no discounting is evident. *(Residential sampling counties are not to include multiple parcel sales for the residential subclass.)*
- ___ 9. Multiple parcel forms have been completed on potentially valid multiple parcel sales and grouped together. The forms have NOT been attached to the questionnaire.
- ___ 10. All reported splits for residential and commercial parcels have been verified through an examination of the deeds, maps **OR** assessment administration file data.
- ___ 11. The enclosed COVPVD2 report was generated on the same date as the PVDEXT report.

PVD Appraiser _____
(Signature)

(Date)

Completion Tasks

Sales Ratio Certification Report

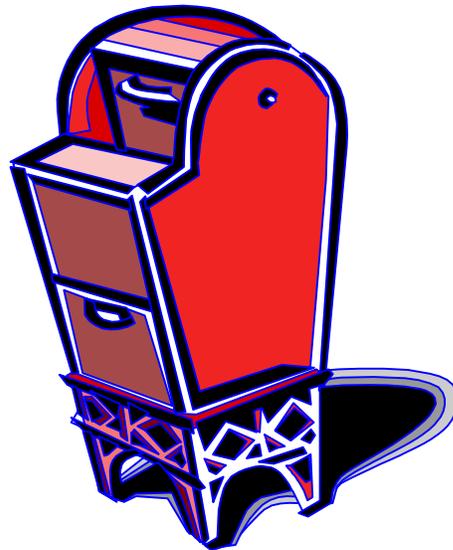
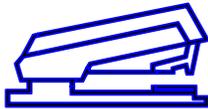
An example of a *Sales Ratio Certification Report* on the previous page is another important and useful document that should be completed by the validation staff. This document should accompany all completed questionnaires. The Sales Ratio Certification Report also may serve as the routing document initialed and dated for each phase of the ratio study after the validation process has been completed. The document is particularly useful in quickly identifying the staff member responsible for the validation phase. The appraiser signs off on each phase.

A list of final tasks to be completed by the staff screening and validating sales should be provided.

Validation Completion Tasks (Example)

Review the following steps prior to mailing:

- *All Documentation Records are properly completed, attached and accounted for*
- *The Kansas Real Estate Sales Validation Questionnaires are in sequential COV number order*
- *Validity Code 6's have been clearly identified*
- *All decisions have been entered clearly, precisely and completely on the COVPVD2 (data entry form)*
- *Multiple Parcel Data Entry Form have been completed for all potentially valid multiple parcel sales*
- *The COVPVD2 (data entry form) and PVDEXT (extract for electronic transmission of data) have been clearly identified and initialed by the field appraiser*
- *A completed and signed Sales Ratio Certification Report is enclosed*



Quality Control Phases

Quality control of the validation process by a review appraiser must be an on-going process. This ensures methods and procedures are consistently applied between the appraiser validation staff. It quickly highlights problems that can be immediately corrected as opposed to reviewing the data at the end of the cycle and discovering consistent validation errors by certain staff members throughout the ratio study period. In addition to reviewing the validation procedure and final validity decisions, it is important the documentation utilized for data entry also be thoroughly reviewed. The reviewer should be given the authority to make changes and corrections. Alterations made by the reviewer should be initialized.

Validation staff members should be notified of consistent errors. Completed validation packets containing numerous errors should be returned to the staff member. Additional training may be required.

The validation review should be made prior to data entering the data. Once the data entry has been made, an additional quality control should be made for data entry.

Quality control reports in-office should be generated each time prior to updating the jurisdiction on sales status during the study year.

All of the aforementioned steps enhance the quality and reliability of the data and reduce the number of informal appeals made by the jurisdiction.

The Informal Hearing Process

A well-designed informal appeal process that is offered to the jurisdiction by the oversight agency can play an important role in *quality control*. A list of the potentially valid sales the oversight agency intends to include in the current year study should be provided to the jurisdiction for their review at different intervals of the study period.

By holding the informal appeal process in writing rather than in person, it eliminates the need for the appraiser/assessor to schedule and attend a hearing in person. Many of the sales appealed will need additional follow-up and decisions cannot be made immediately. Historically, the process has proven to be more effective and efficient using the following written method.

Substantial and compelling documentation must accompany the written request for an informal appeal if a sale is being challenged.

Informal appeal documentation requirements from jurisdiction (*Example*)

1. Cover letter
2. Name, telephone number, date and time of the follow-up interview
3. A complete account of the information received through the interview
4. Supporting documentation, such as fee appraisal reports, closing statements, etc.

Exceptions to this would be splits, clerical errors, informal and hearing officer panel changes, etc. The data should be placed in questionnaire number order and stapled together by questionnaire number prior to mailing to the oversight agency. The parcel identification and questionnaire number for the sale(s) being appealed should be included in the cover letter. It is recommended that all questions relating to an appeal should be addressed to ratio study supervision and not the staff conducting the validation process.

All documentation relating to the sale(s) under appeal should be reviewed. Should a controversy arise between the jurisdiction and oversight agency's documentation, additional contacts should be made to the parties involved in the transaction. The jurisdiction should be notified as soon as possible the decision by the oversight agency on all sales that are appealed.

Informal Hearing Response Form (Example)						
Jurisdiction <u>014 Clay County</u>						
Reviewer <u>Nancy Tomberlin</u>	Date Reviewed: <u>6/30/99</u>	Data Entered: <u>6/30/99</u>	Date Mailed: <u>6/30/99</u>			
<i>Ratio Study Coordinator</i>						
<i>COV No.</i>	<i>Parcel ID No.</i>	<i>Invalid</i>	<i>Adjusted</i>	<i>No Change</i>	<i>Comments</i>	<i>Source Validity</i>
<i>013065</i>	<i>01406827000000100</i>	<i>X</i>			<i>The jurisdiction provided documentation through an interview with the seller that the sale was not exposed on the open market. As the questionnaire had no flags no additional follow-up was made. A follow-up interview has been made to the buyer since the appeal. Mr Jones stated it was a private sale and the property was not exposed on the open market. The sale has been removed from the study.</i>	<i>7 2</i>

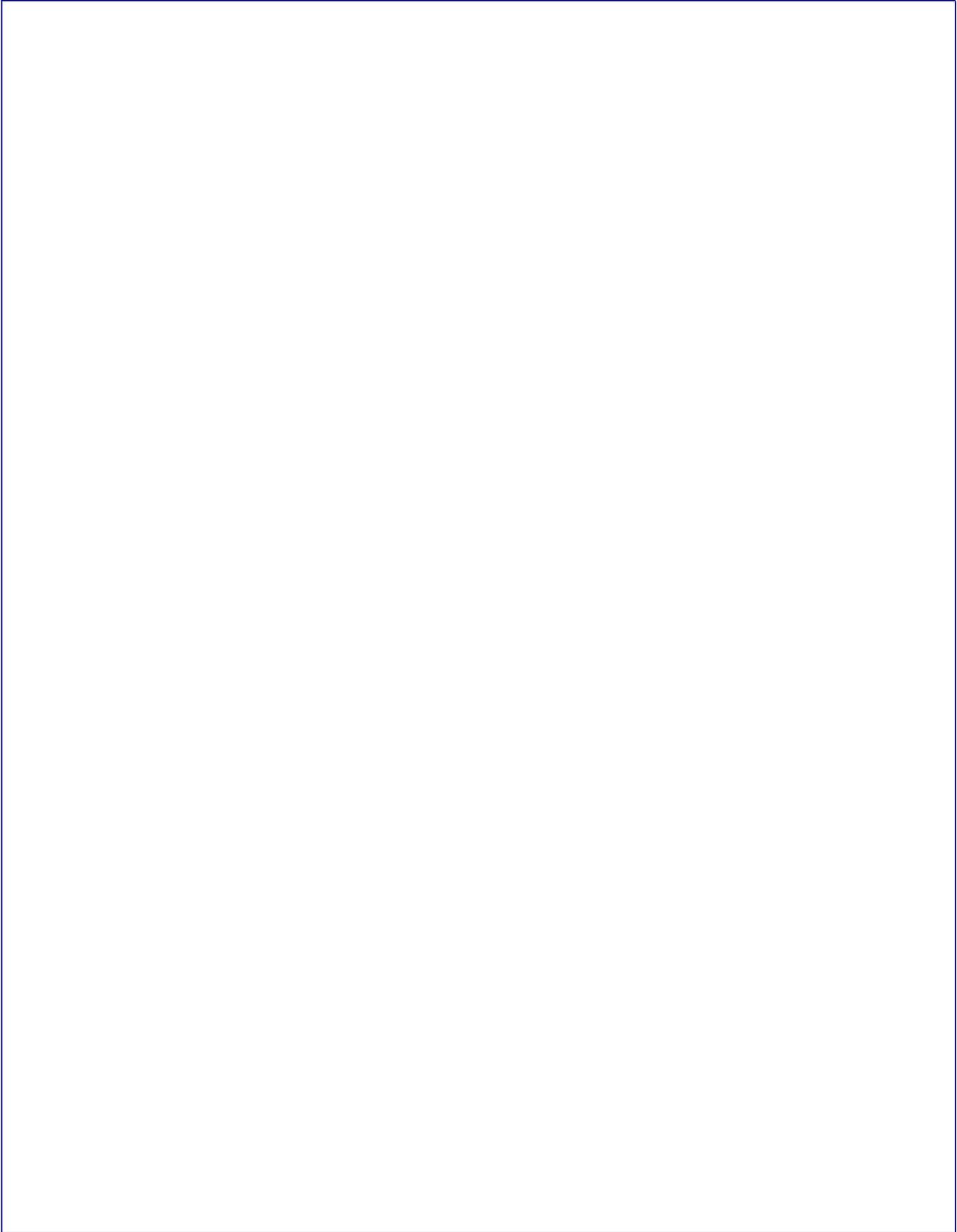
If additional information is discovered or presented after the initial informal hearing decision is made but prior to the final ratio study being certified, the jurisdiction should be allowed to informally appeal the sale based on the discovery of the new documentation. Only the new documentation needs to be submitted along with a cover letter explaining the nature of the request and aforementioned data.

This phase of quality control minimizes the need by the jurisdiction for formal appeals which are both costly and time consuming.

Providing workshops for the jurisdiction on the ratio study informal appeal process (*Highly recommend these same workshops be presented to validation staff*)

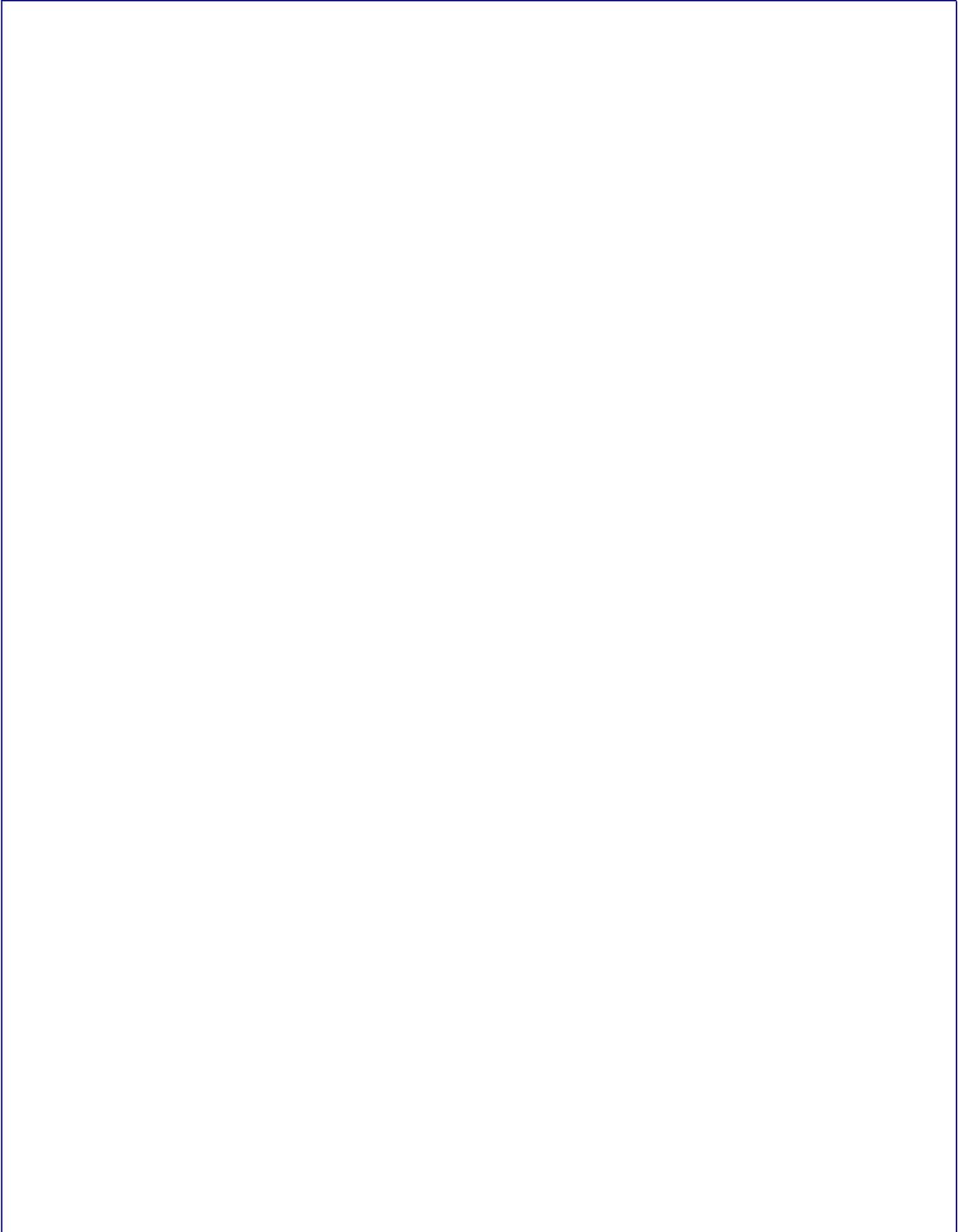
- creates a better working relationship between the oversight agency and the jurisdictions
- reduces the number of needless appeals (*time saving for both the jurisdiction and oversight agency*)
- produces a better data—a more reliable and usable ratio study





Reference Material





Affidavit of Equitable Interest (Example)

Timothy H. Jones and Linda Jones, the undersigned, being first duly sworn under oath. Dispose and state as follows:

1. That the undersigned are the purchasers under contract of the following described real estate:
Lots 24, 25 and 26, Block 57, City of Parsons, Labette County, Kansas
2. This affidavit is given for the purpose of providing notification pursuant to K.S.A. 79-3102(s) that the undersigned has an equitable interest in said property arising by reason of a contract of sale dated the 12th day of April, 1999, between Tom's Auto Parts, Inc., a corporation, (Seller) and Timothy H. Jones and Linda Jones, (Purchasers).
3. Said agreement is currently held in escrow by Seller.

Timothy H. Jones
Timothy H. Jones

Linda Jones
Linda Jones

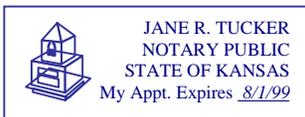
STATE OF KANSAS, COUNTY OF LABETTE, SS:

BE IT REMEMBERED, that on this 9th day of May, 1999, before me, the undersigned, a Notary Public, in and for the aforesaid county and state, came Timothy H. Jones and Linda Jones, husband and wife, who are personally known to me to be the same persons who executed the above and foregoing Affidavit of Equitable Interest, and who duly acknowledged the execution of the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires:

Jane R. Tucker
Notary Public





SHERIFF'S DEED (*Example*)

This deed made the 30th day of November 1998, between Clifford Hacker, Sheriff of Lyon County, Kansas, Grantor herein, and John Doe, Olpe, Kansas, Grantee herein.

RECITALS:

1. On May 19, 1998, in the District Court of Lyon County, Kansas in the case of Tom Hicks, et al., Plaintiffs vs. Ruth M. Stands, et al., Defendants, Case No. 15 B 138, the Court ordered partition of the following interests in the following described property in Lyon County, Kansas:

An undivided one-half (1/2) interest in the minerals in and under the following described tract in Lyon County, Kansas:

North Half of the Southwest Quarter (N/2 SW/4) of Section 19, Township 21 South, Range 11 East of the 5th P.M., Lyon County, Kansas.

2. On June 20, 1998, the District Court of Lyon County, Kansas, ordered the above-described property to be sold at Sheriff's sale.

3. After having given notice of the time and place of the sale by publication in the Emporia Gazette, a newspaper printed in Lyon County, Kansas on April 7, 14 and 21, 1998, Grantor did on November 2nd, 1998, at Emporia, Kansas, sell said real estate to John Doe, Olpe, Kansas, for the sum of \$1050.00, which was the highest and best bid.

4. The Court, having examined Grantor's proceedings in making said sale and being satisfied that the same were made in all respects in conformity with law, no exceptions having been filed nor any objections having been made, confirmed and approved said proceedings in all respects and entered a journal entry on November 30th, 1998. The Sheriff of Lyon County, Kansas was ordered to make, execute and deliver to John Doe, Olpe, Kansas a good and sufficient Certificate of Purchase for the property.

By virtue of the foregoing and in consideration of the purchase price, receipt of which is hereby acknowledged, Grantor does hereby convey and grant unto John Doe, Olpe, Kansas

successors and assigns, all right, title and interest in the real estate described above, free of all claims of defendants, together with all improvements thereon and appurtenances thereto.

IN WITNESS WHEREOF, I, Clifford Hacker, Sheriff of Lyon County, Kansas, have executed this deed on the date first above written, by virtue of the authority vested in my as directed by the Court in the referenced case.

Clifford Hacker
Lyon County Sheriff
Clifford Hacker

STATE OF KANSAS)
) ss.
COUNTY OF LYON)

The foregoing instrument was acknowledged before me this 3rd day of January, 1999, by above, Lyon County Sheriff Clifford Hacker.

Daniel Deeds
Notary Public

My Commission Expires March 3rd, 1999

EXECUTORS' DEED

THIS EXECUTORS' DEED made this 25th day of May 1994, by and between Corrine Eaton and William Claussen as Executors of the Estate of Victor W. Claussen, deceased, as grantors, and Kansas Department of Wildlife and Parks, State of Kansas, as grantees. Victor W. Claussen was not survived by any spouse at the time of his death. Wilmetta C. Claussen died on April 4, 1993. Grantors, acting under express powers granted by the last Will and Testament of Victor W. Claussen, deceased, and by virtue of an order of sale issued by the district court of Ford County, Kansas, dated April 28, 1994, has sold the real property hereinafter described in consideration of the sum of \$79,500.00, the receipt of which is hereby acknowledged. Grantors by these presents grant, bargain, sell and convey unto Kansas Department of Wildlife and Parks, State of Kansas, their successors and assigns, all right, title and interest of Victor W. Claussen, deceased, discharged from liability of his debts, in and to all of the following described real property situated in Ford County, Kansas:

Southeast Quarter (SE/4) of Section Eighteen (18), Township Twenty-six (26) South, Range Twenty-two (22) West of the 6th P.M.

EXCEPT AND SUBJECT TO: Easements, rights-of-way, and mineral reservations of record, if any, and any discrepancies an accurate survey would reveal.

TO HAVE AND TO HOLD the above granted real property, together with the appurtenances and hereditaments and every part thereof, unto the grantees, their successors, heirs, and assigns.

IN WITNESS WHEREOF, Grantors have signed this instrument the day and year first above written.

Corrine Eaton
CORRINE EATON

William Claussen
WILLIAM CLAUSSEN

Executors of the Estate of Victor W. Claussen,
Deceased.

EXECUTRIX'S DEED

This Indenture made this 28th day of November, 1994, by and between VIRGINIA L. SNOW, Executrix of the Estate of Mary Palumbo, deceased, Grantor, and RANDY BOLE and JOYCE BOLE, husband and wife, Grantee.

Grantor, pursuant to the provisions in the Last Will and Testament of Mary Palumbo, granting to Executrix the power to sell said real estate, the Executrix having sold the real estate hereinafter described in conformity with said power, and the sale thereof having been confirmed as provided by law, in consideration of the sum of TEN THOUSAND (\$10,000.00) DOLLARS, which is not less than three-fourths of the appraised value of the real estate hereinafter described, the receipt of which is acknowledged, does by these presents, grant, bargain, sell and convey unto RANDY BOLE and JOYCE BOLE, husband and wife, Grantee's heirs and assigns, all right, title and interest of Mary Palumbo, deceased, discharged from liability for decedent's debts, in and to all of the following described real estate situated in Cherokee County, Kansas, to-wit:

Lots Eleven (11) and Twelve (12) in Block Two (2), Original Plat of the City of Roseland, EXCEPT all coal and mineral under the surface of Lot Twelve (12) and the right to take out and remove the same and the said grantors and their heirs and assigns shall not be liable for any damage in said premises

TO HAVE AND TO HOLD the above granted premises, together with the appurtenances and hereditaments and every part thereof, unto RANDY BOLE and JOYCE BOLE, Grantee's heirs and assigns.

081-11-0-10-06-004.000 and 005

Virginia L. Snow, Executrix
Virginia L. Snow, Executrix

STATE OF KANSAS)
) SS.
CHEROKEE COUNTY,)

The foregoing instrument was acknowledged before me this 28th day of November, 1994, by Virginia L. Snow as Executrix of the Estate of Mary Palumbo, deceased.

Melba Sills
Melba Sills - Notary Public

My Appointment Expires: February 14, 1996

State of Kansas Cherokee County, as
This instrument was filed for record on
The 3rd day of January AD 1995
At 10:50 o'clock a.m. and duly recorded

In Book 235 Page 373 - 374 Fee \$8.00
Carolyn McKee
Carolyn McKee

CO-EXECUTORS' DEED

This Indenture made this 15th day of February, 1995, by and between CARL ED MARTIN and MARY ANN MARTIN, Co-Executors of the Estate of Lucille Tappero, also known as Frances I. Tappero and Frances Lucille Tappero, deceased, Grantor, and GALEN L. KING and KATHLEEN S. KING husband and wife, Grantee.

Grantor, pursuant to the provisions in the Last Will and Testament of Lucille Tappero, also known as Frances Lucille Tappero, granting to Co-Executors the power to sell said real estate, the Co-Executors having sold the real estate hereinafter described in conformity with said power, and the sale thereof having been confirmed as provided by law, in consideration of the sum of FORTY-ONE THOUSAND FIVE HUNDRED (\$41,500.00) DOLLARS, which is not less than three-fourth (3/4th) of the appraised value of the real estate hereinafter described, the receipt of which is acknowledged, does by these presents, grant, bargain, sell and convey unto GALEN L. KING and KATHLEEN S. KING, husband and wife, Grantee's heirs and assigns, all right, title and interest of Lucille Tappero, also known as Frances Lucille Tappero and Frances L. Tappero, deceased, discharged from liability for decedent's debts, in and to all of the following described real estate situated in Cherokee County, Kansas, to-wit:

136-14-0-30-01-001.00-0

Lot One (1) and the North Fifteen (15') feet of Lot Two (2), all in Block One (1), in Lash's Addition to the City of Columbus, according to the recorded plat thereof.

TO HAVE AND TO HOLD the above premises, together with the appurtenances and hereditaments and every part thereof, unto GALEN L. KING and KATHLEEN S. KING, Grantee's heirs and assigns.

Carl Ed Martin
Carl Ed Martin, Co-Executor

Mary Ann Martin
Mary Ann Martin, Co-Executor

STATE OF KANSAS)
) ss:
CHEROKEE COUNTY,)

The foregoing instrument was acknowledged before me, this 15th day of February 1995, by Carl Ed Martin and Mary Ann Martin as Co-Executors of the Estate of Lucille Tappero, also known as Frances Lucille Tappero and Frances L. Tappero, deceased.

Melba Sills
Melba Sills - Notary Public

My Appointment expires: February 14, 1996

State of Kansas Cherokee County, as
This instrument was filed for record on
The 28th day of February, 1995 at 11:10
O'clock a.m. and duly recorded in Book
235 Page 643 - 644 Fee \$8.00
Carolyn McKee
Register of Deeds
Carolyn McKee

General Warranty Deed

THIS INDENTURE, Made this 28th day of December A.D., 1994, between
Harl v. and Imogene A. Irwin, husband and wife of Cherokee County, In the State of
Kansas of the first part, and Nancy Derryberry and Dennis Irwin, as joint-tenants
with rights of survivorship and not as tenants in common of Montgomery County, in
the State of Kansas of the second part:

WITNESSETH, That said parties of the first part, in consideration of the sum
of \$35,000.00 and 00 Dollars the receipt of which is hereby acknowledged, does by
these presents, Grant, Bargain, Sell, and convey unto said parties of the second part
their heirs and assigns, all the following-described real estate, situated in Cherokee
County and State of Kansas, to wit:

STATE OF KANSAS)	
Cherokee County)	
This instrument was filed for record on the 11 th day of <u>April</u> A.D. 1995, at <u>9:00</u> O'Clock <u>A.M.</u> and duly recorded in Book <u>236</u> of Deeds, at page <u>45</u> .	
<u>Carolyn McKee</u> Carolyn McKee--Register of Deeds By _____ Deputy	
Fees Register of Deeds for recording <u>\$8.00</u>	
Entered in Transfer Record _____	
In my office, this _____	
Day of _____ A.D., 19 _____	
_____ County Clerk	

Lots 6 and 7 in Block one (1) Manns Addition, commonly known as
1108 Washington, Baxter Springs, Kansas 66713
221-01-0-10-22-003.000

TO HAVE AND TO HOLD THE SAME, Together with all and singular the tenements, hereditaments and appurtenances thereunto belong or in anyway appertaining, forever,

And said Harl V. and Imogena A. Irwin for themselves, their heirs, executors or administrators, does hereby covenant, promise and agree, to end with said part ies of the second part, that at the delivery of these presents are lawfully seized in their own right, of an absolute and indefeasible estate of inheritance, in fee simple, of and in all and singular the above granted and described premises, with the appurtenances; that the same are free, clear discharged and unencumbered of and from all former and other grants, titles, charges, estates, judgements, taxes assessments and encumbrance's, of what nature or kind soever; and that they will warrant and forever defend the same unto said parties of the second part, their heirs and assigns, against said parties of the first part, their heirs, and all and every person or persons whomsoever, lawfully claiming or to claim the same.

IN WITNESS WHEREOF, the said parties of the first part have hereunto set their hands, the day and year first above written.

Harl V. Irwin
Harl V. Irwin

Imogene A. Irwin by Nancy Derryberry
Imogene A Irwin by Nancy Derryberry

Attorney in fact

STATE OF KANSAS, Cherokee County, ss.

BE IT REMEMBERED, That on this 28th day of Dec, 1994, before me, the undersigned, a notary public in and for the County and State aforesaid, came Harl V. Irwin, a married parson and Imogene A. Irwin by Nancy Derryberry who are personally known to me to be the same person attorney in fact

KANSAS TOD DEED

As owner, of the County of _____, State of Kansas,

TRANSFERS ON-DEATH to

Of the County of _____, State of _____ as grantee beneficiaries, the following described real estate, situated in the County of _____, State of _____, to wit:

THIS TRANSFER ON DEATH DEED IS REVOCABLE. IT DOES NOT TRANSFER ANY OWNERSHIP UNTIL THE DEATH OF THE OWNER. IT REVOKES ALL PRIOR BENEFICIARY DESIGNATIONS BY THIS OWNER FOR THIS INTEREST IN REAL ESTATE. Pursuant to KSA 79-1437e as amended.

EXCEPT AND SUBJECT TO: the easements for roads and public utilities, and if there be, other easements of record in the Office of the Register of Deeds of said county.

Consideration:

Dated this _____ day of _____, 19 _____

Printed Name

Printed Name

STATE OF KANSAS)
) ss.
COUNTY OF _____)

Reserved for Register of Deeds

Be it remembered that on this ___ day of _____ 19 ___, before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared.

To me personally known to be the same person(s) who executed the above and foregoing instrument of willing and duly acknowledged the execution of the same.

In Testimony Whereof, I have hereinto subscribed my hand and Notarial Seal on the day and year last above written.

NOTARY PUBLIC

MY APPOINTMENT EXPIRES:

Land Use Codes (Example)

100 Vacant Residential Land	333 Steel Fabricating
111 Single Family Residential	334 Automobile - Manufacturing
112 Duplex	335 Aircraft - Manufacturing
113 Triplex	336 Instrument, High Tech - Manufacturing
114 Fourplex	340 Machinery, Except Electrical - MFG
116 Condominium - Common Element	341 Electrical Equipment - MFG
117 Mobile Home Site (Not Mobile Home Park)	399 Other Industrial Uses N.E.C.
118 Mobile Home Park or Court	
119 Garden Apartment - 1 to 3 stories	400 Vacant Transportation, Communication Utility Land
120 Walk-Up Apartment - 1 to 4 stories	411 Railroad Transportation
121 Mid-Rise Apartment - 4 to 7 stories, Limited Elevator Service	422 Motor Freight Transportation
122 High-Rise Apartment - 7 stories and over Full Elevator Service	423 Bus Transportation
123 Group Quarters-Rooming House	424 Taxicabs
124 Residential Dwelling Converted to Apartments	431 Airports and Flying Fields
	441 Marine Terminals
	458 Street (Private)
170 Hotel-Motel with Restaurant	460 Automobile Parking (Open)
171 Hotel-Motel without Restaurant	461 Automobile parking Garage
172 Hotel-Motel - High-Rise - 5 stories and up	471 Telephone Communications
173 Resort Hotel-Motel	472 Telegraph Communications
174 Health Resort	473 Radio Broadcast Studio
199 Other Residential uses N.E.C.	474 Television Broadcast Studio
	475 Radio & Television (Combined Systems)
200 Vacant Industrial Land	476 Radio - Television - Microwave Transmission Facility
211 Meat Products - Manufacturing	481 Electric Utility
212 Dairy Products - Manufacturing	482 Gas Utility
214 Grain Mill Products - Manufacturing	483 Water Utility and Irrigation
215 Bakery Products - Manufacturing	484 Sewage Disposal
218 Beverage - Manufacturing	485 Solid Waste Disposal
229 Textile Mill Products - Manufacturing	486 Salvage - Reclamation Yard
236 Leather & Leather Products - Manufacturing	499 Other Transportation, Communication, Utility Uses N.E.C.
238 Textile Products (Clothing) - Manufacturing	
241 Timber - Forest Products - Manufacturing	500 Vacant Commercial Land
242 Sawmills and Planing Mills	511 Warehouse, Distribution or Storage Facility
243 Millwork, Veneer, Plywood, etc. - Manufacturing	512 Warehouse - Office Strip or Complex Comb
259 Furniture and Fixtures - Manufacturing	513 Warehouse - Retail Combination
262 Paper - Manufacturing	514 Warehouse - Office Combination
265 Paperboard Containers and Boxes - Manufacturing	515 Mini-Storage
271 Newspapers - Publishing and Printing	516 Cold Storage Facility
272 Periodicals - publishing and Printing	517 Truck Terminal - Transit Warehouse
274 Commercial Printing	518 Grain Storage (Elevator)
281 Industrial Chemicals - Manufacturing	521 Lumber Yard - Building Supply Center
282 Plastic Materials, etc. - Manufacturing	522 Nursery - Greenhouse - Garden Center
283 Drugs - Manufacturing	531 Downtown Row-Type Store
285 Paints, Varnishes, Lacquers, etc. - Manufacturing	532 Retail Store (Free Standing - Single Use)
291 Petroleum Refining	535 Discount Chain Store
292 Paving and Roofing Materials - Manufacturing	536 Department Store
	537 Convenience Store
319 Rubber Products - Manufacturing	538 Convenience Retail Center
321 Flat Glass - Manufacturing	539 Supermarket (Free-Standing)
322 Glass and Glassware - Manufacturing	540 Neighborhood Shopping Center
323 Cement (Hydraulic) - Manufacturing	541 Community Shopping Center
326 Concrete, Gypsum, and Plaster Products - Manufacturing	542 Regional Shopping Center
327 Cut Stone and Stone Products - Manufacturing	
332 Iron and Steel Foundries	

543 Super Regional Shopping Center	699 Other Institutional - Service Uses N.E.C.
544 Retail Condominium Units	
551 Automobile Dealership (Full Service)	700 Vacant Cultural, Entertainment, Recreational
552 Automobile Dealership (Car Lot)	708 Sports Arenas - Playing Fields - Baseball Diamond
553 Mobile Home - Motor Home Dealership	709 Gymnasiums - Dance Schools
554 Farm Implement dealership	710 Health Clubs - Racquetball Clubs
555 Tractor - Trailer Dealerships	711 Museums
556 Marine Dealership	712 Library
557 Motorcycle Dealership (New and Used)	713 Art Gallery
581 Restaurant (Free Standing)	714 Zoo - Aquarium
582 Drive-In Restaurant	715 Motion Picture Theater
583 Fast Food Restaurant 9Franchise or Chain)	716 Cinema Complex - 2 or More Projection Screens
584 Bar - Lounge - Disco - Club - Tavern	717 Legitimate Theater
585 Night Club - Dinner Theater	718 Drive-In Theater
	692 Amphitheater
611 Bank - Savings and Loan (Full Service)	720 Auditorium
612 Branch Bank - Savings and Loan with Drive-Up Facility	721 Race Track
613 Bank - Remote Facility Only	722 Fairground
624 Funeral Home	723 Amusement Park
631 Office Building - Low Rise - 1 to 4 Stories	724 Family Arcade - Game Center
632 Office Building - High Rise - 5 Stories and Up	725 Bowling Alley
633 Strip Office Center - Professional Center	726 Skating Rink
634 Office Condominium Unit	727 Tennis Court
635 Medical - Dental Office	728 Golf Course with County Club
636 Veterinary Office	729 Golf Course without County Club
637 Stockyard	730 Driving Range
638 Automobile Service Garage	731 Miniature Golf
639 Automobile Service Center (National Chain)	732 Playground
640 Full Service Station	733 Swimming Pool
642 Self-Service Station	734 Marina
643 Car Wash (Automatic)	735 General Recreation Park - Wildlife Reserve
644 Car Wash (Self Service)	736 Leisure - Ornamental Park
645 Contract Construction Service	738 Campground
	739 Fishing-Hunting Camp
650 Vacant Institutional - Service Land	740 Indian Reservations
651 Governmental Offices	799 Other Cultural, Entertainment, Recreational N.E.C.
652 Post Offices	
653 Police Station	800 Farm - Ranch Land - No Improvements
654 Fire Station	811 Farm - Ranch with Residential and Farm Imps.
655 Correctional Institution	812 Farm - Ranch with Farm Improvements Only
656 Military Base or Reservation	813 Feedlot - Commercial Feed Yards
657 Hospital	814 Orchards
658 Surgical Clinic - Health Center	815 Tree Farms - Nursery - Grass or Turf Farm
659 Convalescent Home - Nursing Home	816 Poultry Confinement Facility
660 Cemetery	817 Swine Confinement Facility
661 Day Care - Learning Center	818 Cattle Confinement Facility
662 Preschool - Nursery School	
663 Elementary School	900 Vacant Resource Production and Extraction
664 Junior High School - Middle School	911 Metal Ore Mining
665 High School	912 Coal Mining
666 Junior College	913 Crude Petroleum Production
667 College - University	914 Natural Gas Production
668 Vocational - Trade School	915 Quarries - Stone, Gravel, Limestone, Sandstone, etc.
670 Church - Place of Worship	916 Sand Pit
671 Religious School	932 Lake
673 Religious Living Quarters	990 Non-Severed Mineral Rights
680 Charitable Institution	991 Severed Mineral Rights
681 Civic Club	999 Other Resources Production and Extraction N.E.C.
682 Union Hall	
683 Fraternal Institution	
692 Social Service Facility	

County Name & Number (*Example*)

001 Allen	052 Leavenworth
002 Anderson	053 Lincoln
003 Atchison	054 Linn
004 Barber	055 Logan
005 Barton	056 Lyon
006 Bourbon	057 Marion
007 Brown	058 Marshall
008 Butler	059 McPherson
009 Chase	060 Meade
010 Chautauqua	061 Miami
011 Cherokee	062 Mitchell
012 Cheyenne	063 Montgomery
013 Clark	064 Morris
014 Clay	065 Morton
015 Cloud	066 Nemaha
016 Coffey	067 Neosho
017 Comanche	068 Ness
018 Cowley	069 Norton
019 Crawford	070 Osage
020 Decatur	071 Osborne
021 Dickinson	072 Ottawa
022 Doniphan	073 Pawnee
023 Douglas	074 Phillips
024 Edwards	075 Pottawatomie
025 Elk	076 Pratt
026 Ellis	077 Rawlins
027 Ellsworth	078 Reno
028 Finney	079 Republic
029 Ford	080 Rice
030 Franklin	081 Riley
031 Geary	082 Rooks
032 Gove	083 Rush
033 Graham	084 Russell
034 Grant	085 Saline
035 Gray	086 Scott
036 Greeley	087 Sedgwick
037 Greenwood	088 Seward
038 Hamilton	089 Shawnee
039 Harper	090 Sheridan
040 Harvey	091 Sherman
041 Haskell	092 Smith
042 Hodgeman	093 Stafford
043 Jackson	094 Stanton
044 Jefferson	095 Stevens
045 Jewell	096 Sumner
046 Johnson	097 Thomas
047 Kearny	098 Trego
048 Kingman	099 Wabaunsee
049 Kiowa	100 Wallace
050 Labette	101 Washington
051 Lane	102 Wichita
	103 Wilson
	104 Woodson
	105 Wyandotte

Example

**CONSTITUTION OF THE STATE OF KANSAS
Article II.-§ 1. Nov. 3, 1992**

System of taxation; classification: exemption.

- (a) The provisions of this subsection shall govern the assessment and taxation of property on and after January 1, 1993, and each year thereafter.....

Class 1 shall consist of real property. Real Property shall be further classified into seven subclasses. Such property shall be defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of value:

- (1) Real property used for residential purposes including multi-family residential real property and real property necessary to accommodate a residential community of mobile or manufactured homes including the real property upon which some homes are located **11.5%**
(KSCAMA Suffix Codes RR, RU, FR, FU)
- (2) Land devoted to agricultural use that shall be valued upon the basis of its agricultural income or agricultural productivity pursuant to section 12 of article 11 of the constitution **30%**
(KSCAMA Suffix Codes AU, AR)
- (3) Vacant Lots **12%**
(KSCAMA Suffix Codes VU, VR)
- (4) Real property which is owned and operated by a not-for-profit organization not subject to federal income taxation pursuant to section 501 of the federal internal revenue code, and which is included in this subclass by law **12%**
(KSCAMA Suffix Codes NR, NU)
- (5) Public utility real property, except railroad real property that shall be assessed at the average rate that all other commercial and industrial property **33%**
(KSCAMA Suffix Codes UL, UU)
- (6) Real property used for commercial and industrial purposes and buildings and other improvements located upon land devoted to agricultural use **25%**
(KSCAMA Suffix Codes CU, CR, AU & AR with agricultural improvements)
- (7) All other urban and rural real property not otherwise specifically subclassified **30%**
(KSCAMA Suffix Codes OU, OR)

