STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE
PHONE (317) 232-3777
FAX (317) 232-8779

INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204

RIPLEY COUNTY – RE-TRENDING DIRECTIVE

The Department of Local Government Finance (Department) passed Resolution 2007-11 on September 17, 2007, pursuant to Ind. Code § 6-1.1-4-9, finding sufficient cause to believe it necessary to re-trend real property in Ripley County, Indiana (Ripley County).

The Department published notice of a public hearing in accordance with Ind. Code § 6-1.1-4-10 and held a public hearing regarding the reassessment, or more specifically, the re-trending, on Wednesday, October 10, 2007, at 6:00 p.m., in the Ripley County Courthouse Annex, Commissioners' Room, 102 West First North Street, Versailles, Indiana.

After thorough review of all evidence and testimony before the Department, the Department now makes the following findings regarding the need for the re-trending of real property in Ripley County as of the March 1, 2006, assessment date:

WHEREAS, the Department is charged with maintaining a just and equitable valuation of real property throughout the state; and

WHEREAS, the Department finds the accurate assessment of real property to be an indispensable requirement for a fair and equitable system of property taxation; and

WHEREAS, Ind. Code § 6-1.1-31-5 states that the rules adopted by the Department are the basis for determining the true tax value of tangible property; and

WHEREAS, Ind. Code § 6-1.1-31-5 requires county assessors to comply with the rules, appraisal manuals, bulletins, and directives adopted by the Department; and

WHEREAS, Ind. Code § 36-2-15-5 requires that county assessors perform the functions assigned by statute to the county assessors; and

WHEREAS, Ind. Code § 6-1.1-9-6 requires county assessors to assess all omitted or undervalued tangible property which is subject to assessment in accordance with the provisions of the article; and

WHEREAS, the Department has adopted 50 IAC 21, an administrative rule that requires the annual adjustment of all real property values in accordance with Ind. Code § 6-1.1-4-4.5 beginning with the March 1, 2006, assessment date; and

WHEREAS, the valuation date for the March 1, 2006 assessment date is January 1, 2005 and the valuation date for the March 1, 2005 assessment date is January 1, 1999; and

WHEREAS, the assessment-to-sales ratio study submitted by the Ripley County Assessor indicated that assessments on real property in Ripley County were inaccurate, specifically:

a) Unimproved residential property assessments in Adams Township were outside the acceptable range of assessment accuracy required by 50 IAC 21; and
b) Improved commercial property assessments in Brown, Center, Delaware, Jackson, Otter Creek, Shelby, and Washington Townships were outside the acceptable range of assessment accuracy required by 50 IAC 21; and

WHEREAS, the assessment-to-sales ratio study submitted by the Ripley County Assessor indicated that assessments on real property in Ripley County were inequitable, specifically:

a) Improved residential property assessments in Shelby Township were outside the acceptable range of assessment equity required by 50 IAC 21; and
b) Improved commercial property assessments in Franklin Township were outside the acceptable range of assessment equity required by 50 IAC 21; and
c) Improved commercial property assessments in Brown, Center, Delaware, Jackson, Otter Creek, Shelby, and Washington Townships were outside the acceptable range of assessment equity required by 50 IAC 21; and

WHEREAS, the assessment-to-sales ratio study submitted by the Ripley County Assessor indicated that assessments on real property in Ripley County were regressive or progressive, specifically:

a) Improved residential property assessments in Brown and Otter Creek Townships were outside the acceptable range of assessment uniformity required by 50 IAC 21; and
b) Unimproved residential property assessments in Adams Township were outside the acceptable range of assessment uniformity required by 50 IAC 21; and
c) Improved commercial property assessments in Adams, Franklin and Johnson Townships were outside the acceptable range of assessment uniformity required by 50 IAC 21; and
d) Unimproved commercial property assessments in Ripley County were outside the acceptable range of assessment uniformity required by 50 IAC 21; and

WHEREAS, a county-wide analysis of gross assessed values on all classes of industrial parcels revealed that eighty-one percent (81%) of these parcels had no change or a decline in assessed values from the 2005 assessment year to the 2006 assessment year; and

a) Three (3) sales were reportedly used for the assessment of improved industrial property county-wide out of ninety-nine (99) total parcels; and
b) Zero (0) sale were reportedly used for the assessment of unimproved industrial property county-wide out of twenty-five (25) total parcels; and
c) No evidence was submitted before, during, or after the public hearing to show that data or information other than sales, as specified in 50 IAC 21-5-2(b), was utilized in the annual adjustment process; and

WHEREAS, a county-wide analysis of gross assessed values on all classes of commercial parcels revealed that seventeen percent (17%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year; and

a) Thirty-three (33) sales were reportedly used for the assessment of improved commercial property county-wide out of seven hundred twenty-nine (729) total parcels; and
b) Three (3) sales were reportedly used for the assessment of unimproved commercial property county-wide out of one hundred twenty-six (126) total parcels; and
c) No evidence was submitted before, during, or after the public hearing to show that data or information other than sales, as specified in 50 IAC 21-5-2(b), was utilized in the annual adjustment process; and

WHEREAS, a county-wide analysis of gross assessed values on all classes of residential parcels revealed that eighteen percent (18%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year; and

a) One hundred twenty-four (124) sales were reportedly used for the assessment of unimproved residential property county-wide out of one thousand five hundred twelve (1,512) total parcels; and

WHEREAS, 50 IAC 21-5-2(b) provides that if assessing officials determine there are insufficient sales of commercial or industrial improved property in a township or county to determine an annual adjustment factor, the county shall use other data or information to derive annual adjustment factors or modify the values of commercial and industrial property, including, but not limited to:

- Marshall and Swift cost and depreciation tables from the first quarter of the calendar year preceding the assessment date; and

- Income data, rental data, market value appraisals, and other relevant evidence adjusted, as applicable to the January 1, 2005 valuation date; and

WHEREAS, it is the judgment of the Department that re-trending is necessary to correct these problems with Ripley County's valuations for the March 1, 2006, assessment date; and

WHEREAS, the Department has concluded based on the evidence and testimony presented that a review and re-trending of industrial properties is warranted; and

WHEREAS, the review of industrial real property for Ripley County will proceed more efficiently and effectively if the County Assessor utilizes Marshall and Swift cost and depreciation tables, income data, market value appraisals, or other information and data as described in 50 IAC 21-5-2(b) as additional methodologies and means to determine whether and to what extent industrial real properties should be further adjusted to the January 1, 2005 valuation date, subject to supervision by the Department; and

WHEREAS, testimony was presented at the public hearing on October 4, 2007 by a member of the county council the potential cost of the re-trending to the county, which the vendor agreed to conduct at no additional cost to the county, except for the cost of purchasing updated cost information; the state representative for the county regarding legislative changes that will be

proposed in the next legislative session; and various taxpayer questions and concerns about the property tax system.

NOW THEREFORE, in light of the above findings, the Department finds that a full reassessment is not appropriate for the Ripley County March 1, 2006, assessments. However, the Department may find it necessary to order a partial reassessment under Ind. Code § 6-1.1-4-9 if the issues discussed above are not addressed by the County Assessor. As an acceptable alternative and in lieu of a partial reassessment order, the Department directs the County Assessor to follow her statutory duty under Ind. Code § 6-1.1-9 and implement the following process:

Review for Undervalued or Omitted Property

1. In order to maintain a just and equitable valuation of real property, the County Assessor should perform a review of all industrial real property in Ripley County for the March 1, 2006, assessment date, subject to approval by the Department. This review should be performed for the purposes of detecting and correcting undervalued and omitted property as required by Ind. Code § 6-1.1-9. The actions suggested for this review are explained in detail below.

2. The review of industrial real property in Ripley County, including adjustments to assessed values and a Department-approved ratio study, should be completed by **December 31, 2007**. A request for an extension, if necessary, shall be made to the Department in writing. Any changes to assessed values shall be made in accordance with Ind. Code § 6-1.1-9-5.

3. The valuation date for purposes of valuing undervalued and omitted properties under this directive shall be January 1, 2005, and the assessment date is March 1, 2006.

4. The County Assessor shall promptly provide any assistance requested by the Department and produce any documents, records, or other work product within three (3) business days of a written request by the Department.

5. In accordance with Ind. Code § 6-1.1-9-6, the Township Assessors in Ripley County and the Ripley County Auditor (County Auditor) shall promptly provide all records and assistance requested by the County Assessor for this review.

6. The re-trending of industrial real property shall be completed in an expedited manner.

Combination of Parcels

7. Pursuant to the requirements of Ind. Code § 6-1.1-5-16, the County Assessor shall consolidate more than one (1) existing contiguous parcel into a single parcel if the assessing official has knowledge that an improvement to the real property is located on or otherwise significantly affects the parcels.

Authority to Retain a Professional Appraisal Firm

8. The County Assessor may either utilize the current professional appraiser contracted by her office or retain a new certified professional appraiser to perform the re-trending, subject to the

approval of the Department. All work conducted by a certified professional appraiser is subject to the approval and supervision of the Department.

9. If the County Assessor chooses to retain a new certified professional appraiser to perform the re-trending under this directive, the Department expressly authorizes him to retain a certified professional appraiser to perform the re-trending through Special Procurement and without employing the provisions of Ind. Code § 6-1.1-4-17. A contract between the County Assessor and a certified professional appraiser shall be reviewed for approval by the Department under Ind. Code § 6-1.1-4-18.5.

10. Any professional appraiser retained by the County Assessor shall use as much information as already has been compiled by the assessing officials as is useful in completing the re-trending.

Scope of Work – Land Valuation

11. The County Assessor shall evaluate industrial real property land values.

12. The County Assessor shall use the methodologies approved by the Department in 50 IAC 2.3 and 50 IAC 21 to make a determination in regard to the accuracy of current land values.

13. The County Assessor is required to establish new land base rates if the existing base rates are inaccurate.

14. The evaluation of land values shall not be considered complete until the Department has reviewed the proposed land values and provided written approval of a sales ratio study for each township.

Scope of Work – Cost Approach

15. The County Assessor shall develop an annual adjustment factor using updated cost and depreciation tables that reflect property values for January 1, 2005, and shall apply the factor to either the individual components or the overall improvement value.

16. The annual adjustment factors developed under the cost approach must be approved in writing by the Department before they are applied to the value of any property. If the Department rejects the annual adjustment factors, the County Assessor shall develop new factors.

Scope of Work – Sales Approach

17. The County Assessor shall evaluate the validity of each sale from the 2004 and 2005 sales disclosure file database, and where applicable, generate and apply an annual adjustment factor.

18. The annual adjustment factors developed under the sales approach must be approved in writing by the Department before they are applied to the value of any property. If the Department rejects the annual adjustment factors, the County Assessor shall develop new factors.

Scope of Work – Reconciliation of Cost and Sales Approaches

19. Once the factors have been determined under the cost and sales approaches, those factors shall be compared and reconciled in accordance with generally accepted appraisal practices to develop a final annual adjustment factor.

20. The final annual adjustment factors developed under the cost and sales approaches must be approved in writing by the Department before they are applied to the value of any property. If the Department rejects the annual adjustment factors, the County Assessor shall develop new factors.

21. Once the final annual adjustment factors have been developed by the County Assessor, the County Assessor shall provide a report for data entry into a CAMA system. Once the final annual adjustment factors have been developed by the County Assessor, the county Assessor shall ensure that the data is entered into a CAMA system, either by the assessing officials or otherwise.

Scope of Work – Income Approach

22. The County Assessor may use the income approach to develop assessed values as she deems appropriate. Any assessment changes resulting from application of the income approach must be approved in writing by the Department before they are applied to the value of any property.

23. If the Department rejects the income approach assessed values, the County Assessor shall develop assessed values for those properties using the cost and sales approaches. The final annual adjustment factors developed under the cost and sales approaches must be approved in writing by the Department before they are applied to the value of any property. If the Department rejects the annual adjustment factors, the County Assessor shall develop new factors.

Scope of Work – Final Ratio Study

24. Once all industrial property has been reviewed and final annual adjustment factors have been applied, a sales-assessment ratio study shall be completed by the County Assessor.

25. The final ratio study shall be performed using the methods or combination of methods acceptable under the Standard on Ratio Studies published by the International Association of Assessing Officers ("IAAO") or other acceptable appraisal methods approved by the Department in 50 IAC 21.

Review and Approval by the Department

26. The Department shall review the final ratio study to determine whether the re-trending work has resulted in accurate and equitable assessments.

27. If the Department finds errors in the accuracy or equity of assessment, the Department may reject the proposed assessments and direct the County Assessor to take any corrective action the Department deems necessary to achieve accurate and equitable assessments.

28. Pursuant to the requirements of 50 IAC 21, the ratio study prepared under this directive shall be approved in writing by the Department before the assessed values are rolled to the County Auditor. The Department may direct the County Assessor to take any corrective actions the Department deems necessary to achieve accurate and equitable assessments.

29. In a continued effort to avoid an order of partial reassessment under Ind. Code § 6-1.1-4-9, the Department requests that:

a) The County Assessor provide weekly status reports in writing detailing the progress of the review and correction of undervalued property; and

b) If the Department finds errors in assessments developed under this directive and the Department rejects the proposed assessments, the County Assessor shall take any corrective action the Department deems necessary to achieve accurate and equitable assessments.

Property Tax Billing and Payment Issues

30. The re-trending to be completed pursuant to this directive does not require invalidation of previously established tax rates for Ripley County. All taxpayers will be required to pay their 2006-pay-2007 tax bills as calculated by the County Treasurer.

31. If the County Assessor believes any taxable real property has been omitted from or undervalued on the assessment rolls or the tax duplicate for any year or years, the County Assessor shall give written notice to the taxpayer, by mail, of the amount of the assessment or increase in assessment. Ind. Code § 6-1.1-9-1; Ind. Code § 6-1.1-4-22.

32. If any omitted or undervalued real property is assessed or its assessed valuation is increased, the County Assessor shall file with the County Auditor a written statement which contains: (1) the reasons why the action was taken; and (2) the facts or evidence on which the reasons are based (Form 122). Ind. Code § 6-1.1-9-1; Ind. Code § 6-1.1-9-2.

33. The process to correct errors in the tax duplicate shall be followed, including each property owners' right to petition to correct errors through use of the Form 133. Ind. Code § 6-1.1-15-12.

Assessment Appeals

34. All assessment appeals for the March 1, 2006, assessment date shall be processed by the local assessors in accordance with Ind. Code § 6-1.1-15.

35. If the County Assessor modifies an assessment under this directive that is under appeal, the County Assessor must send the notice required by Ind. Code § 6-1.1-9-1. Any appeal by the taxpayer shall be taken from Ind. Code § 6-1.1-9.

Cost of Review

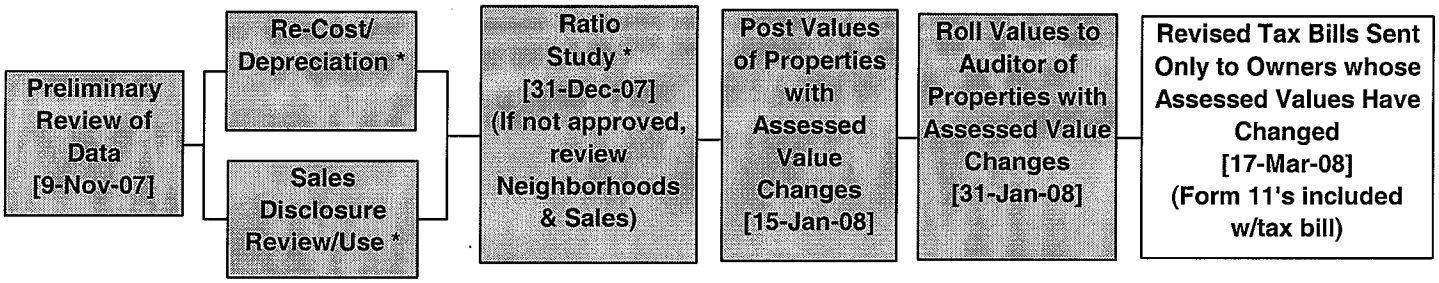
36. Pursuant to Ind. Code § 6-1.1-9, all costs incurred in reviewing and adjusting undervalued properties shall be paid from county funds. Unencumbered monies in the county reassessment fund may be used for the purposes of this review.

Effect on 2008 Budget Order

37. While the County Assessor is re-trending 2006-pay-2007 assessed valuations for industrial properties in accordance with this directive, the County Assessor is hereby directed to begin and follow through with the annual adjustment process for 2007-pay-2008 assessed valuations using 2005 and 2006 sales data, and the cost, income, and other approaches to value in accordance with 50 IAC 21-5-2(b). The resulting annual adjustment, or trending, factors shall then be applied accordingly to 2006-pay-2007 and 2007-pay-2008 assessed valuations.

38. Because the assessed values determined using the process above may affect both the tax rates and levies for taxes first due and payable in 2008, the Department will not certify the 2008 Budget Order, including budgets, tax rates and tax levies, for Ripley County until the process described above has been completed. Ind. Code § 6-1.1-17.

Suggested Timeline

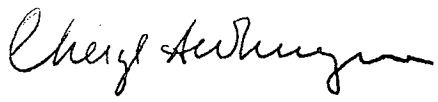


*** DLGF Review and Approval Process**
**** Report on how Neighborhoods are defined**

WHEREFORE, the Department has determined that the abovementioned assessment inaccuracies occurred in Ripley County for the March 1, 2006, assessment date. According to Ind. Code §§ 36-2-15-5 and 6-1.1-31-5, the County Assessor must perform the functions assigned by statute to county assessors and comply with the rules, appraisal manuals, bulletins, and directives adopted by the Department. Ind. Code § 6-1.1-9-6 requires the County Assessor to assess all omitted or undervalued tangible property according to the provisions of the article. In lieu of ordering a partial reassessment, the Department directs the County Assessor to fulfill her statutory

duty under Ind. Code § 6-1.1-9. Following the process outlined by the Department above avoids the necessity for the Department to issue further directives or orders.

Signed this 18th day of October, 2007.



Cheryl A.W. Musgrave, Commissioner
Department of Local Government Finance

Distribution:

The Honorable Shawna Bushhorn
Ripley County Assessor
PO Box 382
Versailles, IN 47042

The Honorable Mary Ann McCoy
Ripley County Auditor
PO Box 235
Versailles, IN 47042

The Honorable Earline Copeland
Ripley County Treasurer
PO Box 176
Versailles, IN 47042