

Assessment Bulletin

Phone: 780-422-1377
Fax: 780-422-3110
aismail@gov.ab.ca
www.gov.ab.ca/ma
15th Floor Commerce Place
10155 - 102 Street
Edmonton, AB T5J 4L4

EQUALIZED ASSESSMENT PANEL TECHNICAL COMMITTEE

EAP Technical Committee Recommendation

Item: 10

Title: Stratification Methodology for the Annual Audit and Equalization Process

EAP Recommendation: 6Ai

Executive Summary:

The Equalized Assessment Panel (EAP) Technical Committee has been issuing bulletins to municipalities and assessors on a frequent basis since its first meeting in August 2001. The bulletins set out the committee's approved recommendations on implementing the ASSET system and other recommendations of the EAP.

Starting in January 2003, the EAP Technical Committee recommendations will be preceded by an executive summary. The executive summary is intended primarily for municipal chief administrative officers (CAOs) and other administrators who may not need to know specific details, but should have a basic understanding of the adjustments being made in the assessment reporting, auditing and equalization processes.

An executive summary paper is also being prepared on the committee's recommendations prior to January 2003. The paper will provide a general overview and some contextual background to the committee's previous recommendations and will be issued under separate cover as a reference for municipal CAOs.

The following is an overview of the EAP Technical Committee's recommendation on *Item 10: Stratification Methodology for the Annual Audit and Equalization Process*.

* * *

In its July 2000 report, the Equalized Assessment Panel indicated improvements were needed in the province's assessment auditing methods and in the corresponding standards to be met by municipal assessments.

To this end, the EAP Technical Committee has assisted Alberta Municipal Affairs in developing a standard methodology for the "stratification" of municipal assessments.

Stratification methodology is used in audit tests to verify the assessment levels, by subgroups of properties, in each municipality. (When assessors speak of the "assessment level," they are referring to the overall relationship between the *assessed value* and the *actual market value* of property in a subgroup.)

The standard procedure endorsed by the committee has built-in flexibility to accommodate all sizes and types of municipalities.

Beginning this year (2003), assessors will be responsible for ensuring municipal assessments meet this quality test. However, the ASSET system will do a great deal of the work. After the assessor submits property assessment data into the ASSET system, ASSET will calculate local assessment levels using the standard stratification methodology. If the results do not meet the provincial standard, the assessor will need to make adjustments and resubmit the data into ASSET before declaring the municipal assessment complete and ready for auditing and equalization.

The standard stratification procedure will clarify the audit requirements for Alberta's assessment profession. The outcome will be improved quality in the property assessment process, consistency in auditing practices, and fairness in determining equalized assessments.