

VILLAGE OF HEISLER
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Village of Heisler is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within this Financial Report. Management believes that the financial statements present fairly the village's financial position as at December 31, 2025 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

The village Council carries out its responsibilities for review of the financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Audit Committee with and without the presence of management. The village Council has approved the financial statements.

The financial statements have been audited by Brian King Professional Corporation, Chartered Professional Accountant, independent external auditors appointed by the village. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the village's financial statements.



Chief Administrative Officer

April 24, 2026
Village of Heisler

Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Village of Heisler:

Report on the Financial Statements

Opinion

I have audited the financial statements of the Village of Heisler (the Entity), which comprise the statement of financial position as at December 31, 2025, and the results of its operations, changes in its net financial assets and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Village of Heisler as at December 31, 2025, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- **Debt Limit Regulation:**
In accordance with Alberta Regulation 255/2000, I confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 6.
- **Supplementary Accounting Principles and Standards Regulation:**
In accordance with Alberta Regulation 313/2000, I confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 10.

M.D. of Wainwright

April 24, 2026



Brian King Professional Corporation

Chartered Professional Accountant

VILLAGE OF HEISLER

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2025

	<u>2025</u>	<u>2024</u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	704,175	613,308
Taxes and grants in place of taxes (Note 3)	23,876	34,076
Trade and other receivables	20,786	19,334
Receivable from other governments	408,981	323,559
	<u>1,157,818</u>	<u>990,277</u>
LIABILITIES		
Accounts payable and accrued liabilities	14,656	21,020
Deferred revenue (Note 4)	510,579	381,055
	<u>525,235</u>	<u>402,075</u>
NET FINANCIAL ASSETS	<u>632,583</u>	<u>588,202</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	2,606,991	2,584,137
Inventory held for resale	14,072	14,072
	<u>2,621,063</u>	<u>2,598,209</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>3,253,646</u>	<u>3,186,411</u>

Commitments and contingencies - See Note 11

APPROVED ON BEHALF OF VILLAGE COUNCIL



Mayor

VILLAGE OF HEISLER

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget (unaudited)	2025	2024
REVENUE			
Net municipal property taxes (Schedule 3)	204,511	204,511	199,770
User fees and sales of goods	155,552	143,822	126,291
Penalties and costs on taxes	9,602	4,803	7,422
Licenses and permits	4,347	1,090	1,652
Franchise and concession contracts	17,510	17,224	16,961
Investment income	20,600	21,473	32,190
Rentals	3,105	3,015	3,015
Government transfers for operating	66,742	61,592	61,592
Other	515	2,546	1,825
	<u>482,484</u>	<u>460,076</u>	<u>450,718</u>
EXPENSES			
Legislative	9,894	7,519	5,718
Administration	157,281	138,906	128,837
Protective services	21,735	21,126	22,956
Transportation	144,020	122,730	124,121
Water supply and distribution	63,701	59,567	60,303
Wastewater treatment and disposal	31,301	22,725	30,062
Waste management	25,152	24,709	24,551
Public health and welfare	1,350	1,350	1,283
Planning and development	2,700	136	1,547
Recreation	11,424	8,423	7,222
Culture	3,925	3,924	4,041
Amortization	106,090	109,476	105,727
	<u>578,573</u>	<u>520,591</u>	<u>516,368</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(96,089)	(60,515)	(65,650)
OTHER			
Government transfers for capital (Schedule 4)	-	127,750	261,172
EXCESS OF REVENUE OVER EXPENSES	(96,089)	67,235	195,522
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>3,186,411</u>	<u>3,186,411</u>	<u>2,990,889</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>3,090,322</u></u>	<u><u>3,253,646</u></u>	<u><u>3,186,411</u></u>

VILLAGE OF HEISLER

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget (unaudited)	2025	2024
EXCESS OF REVENUE OVER EXPENSES	<u>(96,089)</u>	<u>67,235</u>	<u>195,522</u>
Acquisition of tangible capital assets	-	(132,330)	(259,265)
Amortization of tangible capital assets	<u>106,090</u>	<u>109,476</u>	<u>105,727</u>
	<u>106,090</u>	<u>(22,854)</u>	<u>(153,538)</u>
INCREASE IN NET FINANCIAL ASSETS	10,001	44,381	41,984
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>588,202</u>	<u>588,202</u>	<u>546,218</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>598,203</u>	<u>632,583</u>	<u>588,202</u>

VILLAGE OF HEISLER

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	67,235	195,522
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	109,476	105,727
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	10,200	(4,586)
Decrease (increase) in trade and other receivables	(1,452)	3,871
Decrease (increase) in receivable from other governments	(85,422)	14,176
Increase (decrease) in accounts payable and accrued liabilities	(6,364)	2,602
Increase (decrease) in deferred revenue	129,524	(9,933)
	223,197	307,379
CAPITAL		
Acquisition of tangible capital assets	(132,330)	(259,265)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(46,707)	(17,760)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	44,160	30,354
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	521,063	490,709
CASH AND CASH EQUIVALENTS, END OF YEAR	565,223	521,063
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	75	75
Cash in bank	704,100	613,233
Less: restricted portion of cash and temporary investments (Note 2)	(138,952)	(92,245)
	565,223	521,063

VILLAGE OF HEISLER

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2025 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2025	2024
BALANCE, BEGINNING OF YEAR	386,413	215,861	2,584,137	3,186,411	2,990,889
Excess (deficiency) of revenues over expenses	67,235	-	-	67,235	195,522
Unrestricted funds designated for future use	(5,000)	5,000	-	-	-
Current year funds used for tangible capital assets	(132,330)	-	132,330	-	-
Annual amortization expense	109,476	-	(109,476)	-	-
Change in accumulated surplus	39,381	5,000	22,854	67,235	195,522
BALANCE, END OF YEAR	<u>425,794</u>	<u>220,861</u>	<u>2,606,991</u>	<u>3,253,646</u>	<u>3,186,411</u>

VILLAGE OF HEISLER

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2025 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2025	2024
COST:								
Balance - beginning of year	9,504	178,210	112,730	3,817,245	360,368	25,500	4,503,557	4,255,048
Acquisition of tangible capital assets	-	7,812	-	91,518	33,000	-	132,330	259,265
Disposal of tangible capital assets	-	-	-	-	-	-	-	(10,756)
Balance - end of year	<u>9,504</u>	<u>186,022</u>	<u>112,730</u>	<u>3,908,763</u>	<u>393,368</u>	<u>25,500</u>	<u>4,635,887</u>	<u>4,503,557</u>
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	75,239	98,322	1,486,917	233,442	25,500	1,919,420	1,824,449
Annual amortization	-	7,654	1,921	75,106	24,795	-	109,476	105,727
Accumulated amortization on disposals	-	-	-	-	-	-	-	(10,756)
Balance - end of year	<u>-</u>	<u>82,893</u>	<u>100,243</u>	<u>1,562,023</u>	<u>258,237</u>	<u>25,500</u>	<u>2,028,896</u>	<u>1,919,420</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>9,504</u>	<u>103,129</u>	<u>12,487</u>	<u>2,346,740</u>	<u>135,131</u>	<u>-</u>	<u>2,606,991</u>	<u>2,584,137</u>
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>9,504</u>	<u>102,971</u>	<u>14,408</u>	<u>2,330,328</u>	<u>126,926</u>	<u>-</u>	<u>2,584,137</u>	

VILLAGE OF HEISLER

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2025 (Schedule 3)

	Budget (Unaudited)	2025	2024
TAXATION			
Real property taxes	213,840	213,840	206,575
Linear property taxes	17,458	17,458	17,078
	<u>231,298</u>	<u>231,298</u>	<u>223,653</u>
REQUISITIONS			
Alberta School Foundation	25,317	25,317	22,448
Flagstaff Regional Housing Group	1,470	1,470	1,435
	<u>26,787</u>	<u>26,787</u>	<u>23,883</u>
NET MUNICIPAL TAXES	<u>204,511</u>	<u>204,511</u>	<u>199,770</u>

VILLAGE OF HEISLER

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2025 (Schedule 4)

	Budget (Unaudited)	2025	2024
TRANSFERS FOR OPERATING			
Federal Government	3,150	-	-
Provincial Government	60,592	60,592	60,592
Local Governments	3,000	1,000	1,000
	66,742	61,592	61,592
TRANSFERS FOR CAPITAL			
Federal Government	-	96,102	5,531
Provincial Government	-	31,648	255,641
	-	127,750	261,172
TOTAL GOVERNMENT TRANSFERS	66,742	189,342	322,764

VILLAGE OF HEISLER

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2025 (Schedule 5)

	Budget (Unaudited)	2025	2024
Expenditures			
Salaries, wages and benefits	210,832	204,260	184,066
Contracted and general services	136,598	94,184	107,605
Purchases from other governments	3,000	-	3,316
Materials, goods and utilities	95,942	87,212	85,259
Provision for allowances	2,500	1,750	2,903
Transfers to other governments	6,183	6,183	7,389
Transfers to local boards and agencies	16,566	16,565	15,622
Bank charges and short term interest	412	511	331
Other expenditures	450	450	4,150
Amortization of tangible capital assets	106,090	109,476	105,727
	<u>578,573</u>	<u>520,591</u>	<u>516,368</u>

VILLAGE OF HEISLER

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2025 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal property taxes (Schedule 2)	204,511	-	-	-	-	-	-	204,511
User fees and sales of goods	1,105	16,482	325	119,722	-	-	6,188	143,822
Penalties and costs on taxes	4,803	-	-	-	-	-	-	4,803
Licenses and permits	-	1,005	-	-	-	85	-	1,090
Franchise and concession contracts	17,224	-	-	-	-	-	-	17,224
Investment income	21,473	-	-	-	-	-	-	21,473
Rentals	3,015	-	-	-	-	-	-	3,015
Government transfers	60,592	-	-	-	-	-	1,000	61,592
Other	546	-	1,000	-	-	-	1,000	2,546
	<u>313,269</u>	<u>17,487</u>	<u>1,325</u>	<u>119,722</u>	<u>-</u>	<u>85</u>	<u>8,188</u>	<u>460,076</u>
EXPENSES								
Salaries, wages and benefits	101,123	-	53,641	49,496	-	-	-	204,260
Contracted and general services	38,682	3,136	7,123	41,501	-	136	3,606	94,184
Materials, goods and utilities	4,359	966	61,966	16,004	-	-	3,917	87,212
Provision for allowances	1,750	-	-	-	-	-	-	1,750
Transfers to other governments	-	6,183	-	-	-	-	-	6,183
Transfers to local boards and agencies	-	10,841	-	-	1,350	-	4,374	16,565
Bank charges and short term interest	511	-	-	-	-	-	-	511
Other expenditures	-	-	-	-	-	-	450	450
	<u>146,425</u>	<u>21,126</u>	<u>122,730</u>	<u>107,001</u>	<u>1,350</u>	<u>136</u>	<u>12,347</u>	<u>411,115</u>
NET REVENUE, BEFORE AMORTIZATION	<u>166,844</u>	<u>(3,639)</u>	<u>(121,405)</u>	<u>12,721</u>	<u>(1,350)</u>	<u>(51)</u>	<u>(4,159)</u>	<u>48,961</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	617	1,303	43,496	56,406	-	-	7,654	109,476
NET REVENUE	<u><u>166,227</u></u>	<u><u>(4,942)</u></u>	<u><u>(164,901)</u></u>	<u><u>(43,685)</u></u>	<u><u>(1,350)</u></u>	<u><u>(51)</u></u>	<u><u>(11,813)</u></u>	<u><u>(60,515)</u></u>

VILLAGE OF HEISLER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Heisler are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Significant aspects of the accounting policies adopted by the village are as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the village are, therefore accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

VILLAGE OF HEISLER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Valuation of Financial Assets and Liabilities

The village's financial assets and liabilities are measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost or amortized cost
Short term investments	Amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Loans receivable and debt charges recoverable	Amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Bank indebtedness and long term debt	Amortized cost

e) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

f) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

g) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

h) Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

VILLAGE OF HEISLER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

j) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

k) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the village has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

l) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

m) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

VILLAGE OF HEISLER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Buildings	15-50
Engineered structures - other	25
Engineered structures - water system	45-75
Engineered structures - wastewater system	45-75
Land improvements	20-40
Machinery and equipment	10-15
Vehicles	6-25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

n) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to Canadian public sector accounting standards. The village will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, certain standards must be adopted concurrently.

Financial Statement Presentation

PS1202, Financial Statement Presentation, will replace PS1201 and sets out the general and specific requirements of the presentation of financial information and is based on the concepts in the conceptual

VILLAGE OF HEISLER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

2. CASH AND TEMPORARY INVESTMENTS

	2025	2024
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 4)		
Municipal Sustainability Initiative - capital	21,352	44,607
Canada Community Building Fund	117,600	47,638
	138,952	92,245
 Total restricted cash and term deposits	 138,952	 92,245

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2025	2024
Current taxes and grants in place of taxes	13,746	18,641
Arrears taxes	4,948	935
Property held by the village as a result of tax forfeiture	13,888	38,134
	32,582	57,710
Less: allowance for doubtful accounts	(8,706)	(23,634)
	23,876	34,076

4. DEFERRED INCOME

Deferred income consists of the following:	2025	2024
Canada Community Building Fund	117,600	155,503
Municipal Sustainability Initiative - capital	21,352	44,607
Local Government Fiscal Framework	367,314	175,129
Prepaid property taxes	4,313	5,816
	510,579	381,055

5. EMPLOYEE BENEFIT OBLIGATIONS

	2025	2024
Vacation and overtime	3,927	2,381

Vacation and overtime: The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

VILLAGE OF HEISLER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

6. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Village of Heisler be disclosed as follows:

	<u>2025</u>	<u>2024</u>
Total debt limit	<u>690,114</u>	<u>676,077</u>
Total debt	<u>-</u>	<u>-</u>
Surplus debt limit	<u>690,114</u>	<u>676,077</u>
Debt servicing limit	<u>115,019</u>	<u>112,680</u>
Debt servicing	<u>-</u>	<u>-</u>
Surplus debt servicing	<u>115,019</u>	<u>112,680</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities, which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2025</u>	<u>2024</u>
Tangible capital assets (Schedule 2)	<u>4,635,887</u>	<u>4,503,557</u>
Accumulated amortization (Schedule 2)	<u>(2,028,896)</u>	<u>(1,919,420)</u>
	<u>2,606,991</u>	<u>2,584,137</u>

VILLAGE OF HEISLER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

8. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	<u>2025</u>	<u>2024</u>
Unrestricted surplus	<u>425,794</u>	<u>386,413</u>
Restricted surplus		
Administration	14,000	14,000
Community land	1,032	1,032
Fire department	35,539	35,539
General	97,397	97,397
General contingency	13,634	13,634
Public works	22,130	21,130
Recreation and culture	3,427	3,427
Sewer	8,800	6,800
Water	10,200	8,200
Waste disposal	14,702	14,702
	<u>220,861</u>	<u>215,861</u>
Equity in tangible capital assets	<u>2,606,991</u>	<u>2,584,137</u>
	<u>3,253,646</u>	<u>3,186,411</u>

9. SEGMENTED DISCLOSURE

The Village of Heisler provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6)

VILLAGE OF HEISLER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

10. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer as required by Alberta Regulation 313/2000 is as follows:

	2025			2024
	Salary	Benefits & Allowances	Total	Total
Kovacs A	600	-	600	-
Kovacs B	2,400	-	2,400	1,840
Martz	2,900	-	2,900	1,920
Stewart	1,000	-	1,000	1,840
CAO	58,679	9,373	68,052	64,857
Designated Officer (2)	5,740	-	5,740	6,460

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

11. CONTINGENCIES

The village is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the village could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The village is a member of the Flagstaff Regional Solid Waste Management Association. Under the terms of the membership, the town could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the association. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

12. FINANCIAL INSTRUMENTS

The Village's financial instruments consist of cash and temporary investments, accounts receivable, investments, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the village is not exposed to significant interest or currency risks arising from these financial instruments.

The village is subject to credit risk with respect to taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the village provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the fair value of these financial instruments approximates their fair value.

VILLAGE OF HEISLER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

13. CONTAMINATED SITES LAIBILITY

The village did not identify any financial liabilities in the current or prior year as a result of contaminated sites.

14. COMPARITIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

15. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.