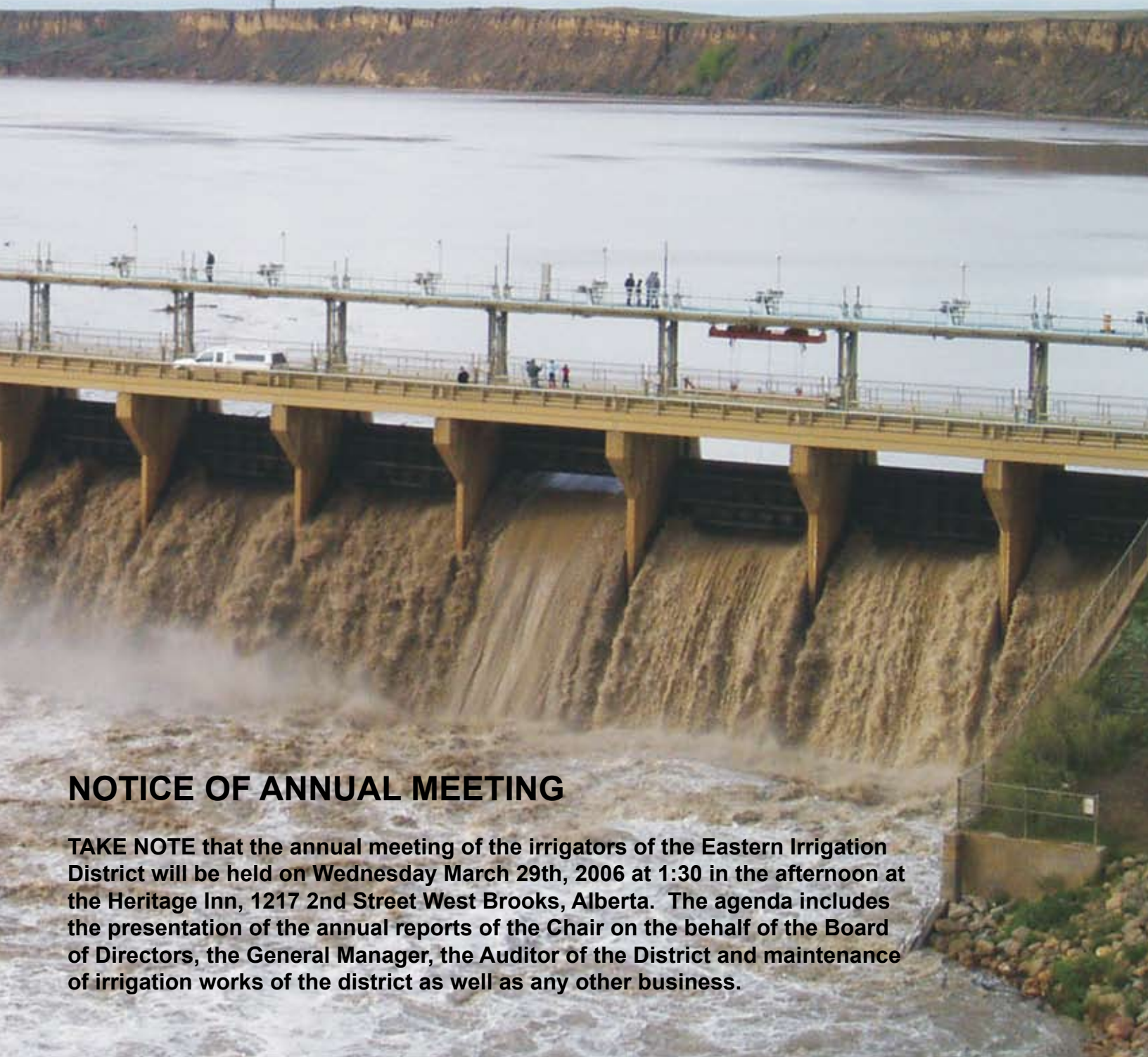


70 Years
1935 - 2005

EID

2005 Annual Report



NOTICE OF ANNUAL MEETING

TAKE NOTE that the annual meeting of the irrigators of the Eastern Irrigation District will be held on Wednesday March 29th, 2006 at 1:30 in the afternoon at the Heritage Inn, 1217 2nd Street West Brooks, Alberta. The agenda includes the presentation of the annual reports of the Chair on the behalf of the Board of Directors, the General Manager, the Auditor of the District and maintenance of irrigation works of the district as well as any other business.

Eastern Irrigation District Annual Report

For Year Ending December 31, 2005

The Eastern Irrigation District [EID] operates an extensive water supply, storage and drainage network. Water diverted from the Bow River at the Bassano Dam provides water for:

- irrigated agriculture
- household and livestock water uses
- municipal and industrial water requirements
- many recreational needs and enhanced environmental conditions

The EID was organized under Alberta legislation in 1935. The formation of the District made it possible for the irrigators to take over the irrigation project started by the Canadian Pacific Railway Company in the early 1900's. The vision of these early settlers and agricultural entrepreneurs has created a long-lasting and positive legacy for the region.

The EID is governed by a Board of Directors, elected from and by the irrigators in the District. The main office of the District is located in the City of Brooks.

In addition to the water management functions of the District, the EID owns and is responsible for the operation and management of large tracts of native and improved pasture lands. These lands are primarily used in support of the beef cattle industry.

The management of water and land resources is conducted with an integrated and sustainable approach. This approach allows the District and these important natural resources to act as a catalyst to support important regional economic development initiatives.

In the truest sense, water is more than agriculture. The Eastern Irrigation District is a place where **“WATER WORKS WONDERS”**.

Eastern Irrigation District
P.O. Bag 8, 550 Industrial Road
Brooks, Alberta, T1R 1B2, Canada
Phone: (403) 362-1400, Fax: (403) 362-6206
E-mail: eid@eidnet.org
Web: <http://www.eid.ab.ca>

Eastern Irrigation District - Board of Directors

Members of the Board of Directors are elected by the irrigators. The Eastern Irrigation District has adopted a practice of staggered elections, in which two directors are elected in one year, two directors are elected the next year and three directors are elected in the following year. This method of elections provides for long-term stability in the governance, administration and operation of the District.



Floyd George
Division 01



Tom Livingston
Division 02



Clint Henrickson
Division 03



Neil Johnson
Division 04



Allen Nielsen (Vice-Chair)
Division 05



Bob Chrumka (Chairman)
Division 06



Pat Hensing
Division 07



2005 marked the 70th Anniversary of the Eastern Irrigation District and a season that ended as one of the wettest and coolest years on record. This definitely presented different challenges for the operations of the District.

Diversion from the river amounted to 318,400 acre feet compared to a ten year average of over 605,000 acre feet. It is a staggering fact that there were absolutely no diversions from the river from June 7th through July 9th as all the reservoirs were full to summer storage capacity.

Even though the delivery systems were essentially shut down, our drainage systems were taxed beyond maximum levels. The task became keeping these systems clean enough to carry record amounts of moisture from the area.

Rare climatic event years as witnessed in 2005 go a long way in affirming the Board of Directors' position that more storage is needed. Being able to capture and store in times of abundance to utilize in times of need is extremely beneficial to everyone. Since the District has developed all feasible storage sites within our land base, the importance of the Province creating and increasing storage upstream of Bassano Dam has become a primary lobbying target. Potential locations above the City of Calgary's diversions would be most favorable as this would provide a supply for most of the Bow River license holders. The best way to gain support for this initiative is by promoting information on the obvious benefits to the large urban populous.

When storage possibilities were discussed with the Honorable Doug Horner, Minister of Agriculture and the Honorable Guy Boutilier, Minister of Environment, they were very aware and receptive, all the while very sensitive to the difficulties to overcome on the long road to completion.

One other issue that was addressed with the Minister of Agriculture was the cancellation of water charges by the Board. His response was that any assistance the District can provide to the agricultural sector in these trying times is appreciated by the Provincial Government. There will be no reduction in the infrastructure rehabilitation grant funding resulting from the extra benefits that the District is able to provide. This position is very positive for the water users within

the E.I.D.

The negotiations on the District's surface lease agreement started off poorly in mid-June, but by the end of the year we were close to ratifying an agreement that will see the District's revenues from this sector increase substantially. Details of this agreement will be discussed at rate payer meetings in early March.

The strong and booming economy in Alberta has resulted in a marked inflationary increase in the cost of construction and rehabilitation for 2006. When setting the 2006 budget, some projects may have to be delayed until cost levels moderate.

The EIDNet's venture into high speed wireless internet service has proven to be a challenge. Technology is wonderful when it works, but can be troubling when it doesn't. Speed reductions have been common with certain areas affected more adversely than others. The company that manufactures the radios is working towards solving the problems so that hopefully early in 2006 surfing the net will be trouble free. The Directors would like to apologize for any inconvenience and frustration this has caused.

Rolling Hills Reservoir Campground was very well utilized, despite the inclement weather experienced in 2005. Future improvements for early 2006 include washroom and shower facilities plus a few additional campsites.

In October, the EID Corporation was presented with an award by the Brooks & District Chamber of Commerce, in recognition of the substantial contributions and achievements in the Brooks and County of Newell regions. The staff and water users alike must be commended on such accolades as without their efforts and support, these would not be achieved.



EID Float: 2005 Kinsmen Rodeo Parade

May and the first few days in June were fairly typical with an average demand for irrigation; most farmers had irrigated or were irrigating when the rains started in June. We went from 900 parcels being irrigated using 2700 cfs to 4 parcels and diverting nothing from the river in only a few days. We did not divert any water from the river from June 7th to July 9th, something never heard of before. Total diversion was only 318,000 acre feet, less than half of our 680,000 acre foot license.

We continued our aggressive rehabilitation program, spending \$24.2 million. We rehabilitated 80 kilometers of canals, installed 66 kilometers of pipeline and 14 kilometers of lined and armoured canals. By May we will have 817 kilometers of pipeline, 299 kilometers of lined and armoured canals and 200 kilometers of main canal rehabilitated out of our 2050 kilometer canal system. The government increased our cost sharing program giving us an additional \$240,000, however with a 12% increase in PVC, very high fuel costs and a shortage of contractors, this increase in funding was eaten up along with a lot more.

With between 20" - 25" of rainfall in different areas of the District, the grass growth on the leases was well above average. We grazed 14,442 cows (40 cows per member) and have excellent carry-over grass for next year.

The oil and gas activity on our lease land was way down from previous years, partially due to wet conditions

preventing new development from being done. In 2005, 187 new leases were taken and 295 wells were drilled off existing leases. There were 154 kilometers of new pipelines installed on EID lands. Our Area Operating Agreement with EnCana came to an end in 2005. A new Area Operating Agreement was negotiated with EnCana for the next five year period. The new rate structure for compensation will result in the District's annual rentals from EnCana increasing by 32%.

The EID felt the effects of Alberta's booming economy like most employers in Alberta and Brooks in particular with a much larger staff turnover than normal. Attracting and keeping skilled people in rural Alberta is and will be a challenge over the foreseeable future.

Our planned aggressive rehabilitation program and a drop in oil and gas activities resulted in the District spending \$4.7 million more than our revenues. This dropped our cash reserves to \$39.5 million, which is more than we had two years ago. We are planning to reduce our rehabilitation program slightly and have a balanced budget for 2006.

I would like to thank the staff, water users and Board of Directors for their support in 2005 and look forward to 2006.



Bow River at Bassano Dam: 2005 Heavy Rainfall

Water Delivery Operations Report

Jim Meador, Manager of Operations



The significantly above average rainfall made the demand for irrigation the lowest in memory. Our system was used more as a drainage system than a delivery system. The high rainfall events combined with the rapid shut-offs caused considerable damage to the system with numerous sloughs.

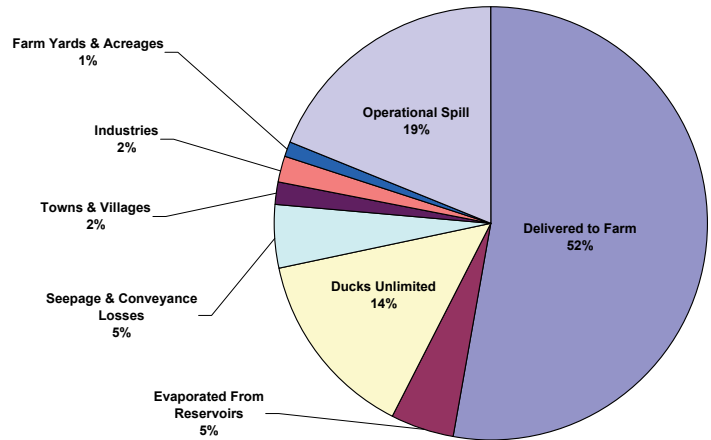
Diversion from the Bassano Dam began on April 7th, was suspended from June 7th to July 9th and was shut down on October 7th, with a total of 318,000 acre feet being diverted.

Water Balance

Diversion	318,000
Delivered to Farm	168,000
Evaporation from Reservoirs	15,000
Ducks Unlimited	45,000
Seepage & Conveyance Losses	15,000
City, Towns & Villages	5,000
Industries	6,000
Farm Yards & Acreages	4,000
Operational Spill	60,000
Measured Return Flow	110,000
Operation	60,000
Farm Spill and Run Off	50,000

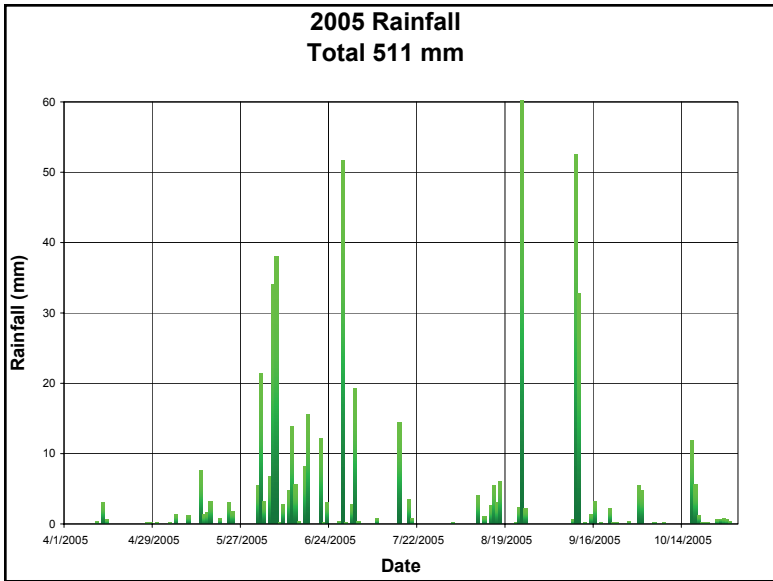


Trash Rack Cleaner: 26 Rolling Hills

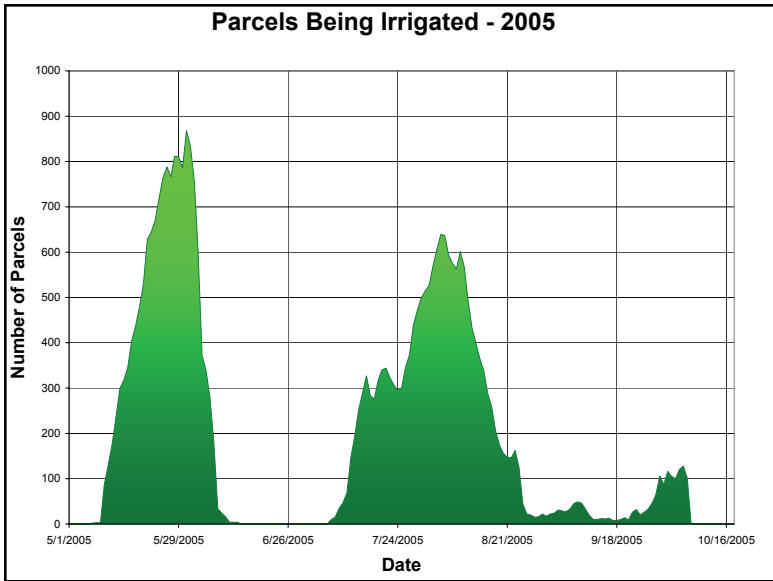


2005 System Water Delivery Summary

Block	Irrigated Area (acres)	Volume Delivered (ac-ft)	Water Use Per Acre (ac-ft/ac)	Block	Irrigated Area (acres)	Volume Delivered (ac-ft)	Water Use Per Acre (ac-ft/ac)
D1 (Leland)	19,447.00	11,563.29	0.59	S1 (Syvret)	13,207.00	9,038.01	0.68
D2 (Bunney)	13,883.00	7,831.53	0.56	S2 (Reimer)	10,832.00	6,728.09	0.62
D3 (Senneker)	14,712.00	11,191.26	0.76	S3 (Bobinski)	11,826.00	6,166.59	0.52
D4 (Slomp)	16,185.00	11,767.53	0.23	S4 (Jackson)	12,502.00	6,801.30	0.54
D5 (Tryhorn)	13,638.00	18,616.91	1.35	S5 (Harink)	10,563.00	6,815.36	0.65
E1 (Marshall)	16,604.00	13,270.17	0.97	S6 (Canning)	13,605.00	7,256.56	0.53
E2 (Wirachowsky)	18,630.00	11,435.78	0.69	S7 (Neufeld)	15,993.00	8,269.09	0.52
E3 (Boettcher)	11,078.00	13,118.45	0.70	S8 (Schroeder)	18,801.00	10,824.95	0.58
E4 (Getz)	14,216.00	8,170.52	0.57	S9 (Stout)	14,322.00	8,441.77	0.59
Totals				261,644.00 168,096.41 0.64			



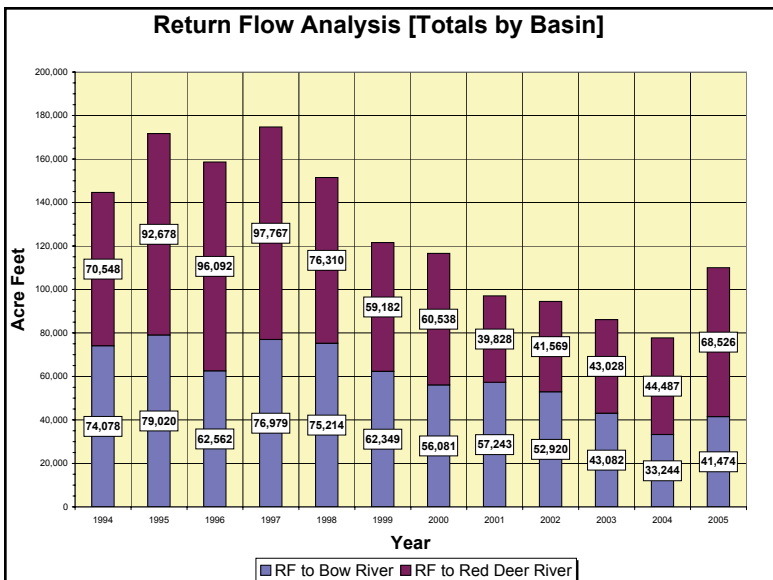
Flax Field: Gem Area



Rolling Hills Reservoir Campground:
Grand opening



Rolling Hills Reservoir Campground:
Grand Opening - Sand Castle Building



Return Flow to Bow River

Maintenance of Irrigation Works Report

The extreme wet conditions in 2005 resulted in very low demand which saved us a lot on pumping and chemical use; however, the rapid draw-down of canals and the surcharging of drains resulted in a lot of damage. The District spent \$2,010,532 on maintenance in 2005 compared to \$2,002,586 in 2004.

Maintenance Item	2001	2002	2003	2004	2005	Average
Canal cleaning, bank leveling and seeding	30 km	50 km	42 km	25 km	10 km	29.4 km
Drain cleaning, bank leveling and seeding	25 km	23 km	18 km	15 km	15 km	19.2 km
Drain and canal clipping	80 km	84 km	108 km	86 km	124 km	96.4 km
Drain relocations	4 km	5 km	2 km	2 km	3 km	3.2 km
Gravel armour placed on canal side-slopes	4 km	3.2 km		3 km	1 km	2.2km
Gravel placed on canal banks	35 km	40 km	32 km	45 km	30 km	36.4 km
Canals fenced	5 km	12 km	12 km	6 km	10 km	9.0 km
Chemical weed control on canal banks	2,362 km	2,405 km	2,100 km	1,972 km	1,521 km	2072.0 km
Mowing of canal banks	370 km	338 km	338 km	520 km	370 km	387.2 km
Canal liner installed	3 km	1.2 km	2.2 km	1 km	0 km	1.5 km
Road crossing repairs and replacements	12	15	10	6	11	11
Replacement of farm turnouts	15	22	15	14	11	15
Flood well to riser conversions [on pipelines]	0	22	29	18	9	16
Maintenance Costs						
Maintenance Costs	2001	2002	2003	2004	2005	Average
Heavy equipment	\$1,076,191	\$1,026,262	\$907,715	\$931,596	\$939,015	\$976,156
Labour	\$514,602	\$573,683	\$617,215	\$651,521	\$641,611	\$599,726
Materials [culverts, gates, fence posts, etc.]	\$175,265	\$219,020	\$164,563	\$170,560	\$206,652	\$187,212
Chemical for broad leaf weed control	\$73,786	\$69,368	\$74,714	\$48,093	\$51,298	\$63,452
Vehicles	\$132,600	\$132,600	\$140,400	\$140,400	\$140,400	\$137,280
Repairs to pump stations and control structures	\$36,981	\$46,294	\$36,246	\$43,992	\$12,712	\$35,245
Maintenance of building and grounds	\$20,559	\$18,288	\$20,199	\$16,424	\$18,844	\$18,863
Cost of operating vehicles and heavy equipment [in excess of charge out rates to Capital Construction Projects]	\$0	\$0	\$0	\$0	\$0	\$0
Total Costs:	\$2,029,984	\$2,085,515	\$1,961,052	\$2,002,586	\$2,010,532	\$2,017,934



Snow Geese

Crop and Irrigation Statistics - 2005

Crop Class	Crop Type	Acres
Cereals	Barley	19,830
	CPS Wheat	6,089
	Durum Wheat	1,726
	Grain Corn	265
	Hard Spring Wheat	34,393
	Malt Barley	69
	Oats	2,073
	Rye	1,957
	Soft Wheat	2,275
	Triticale	4,266
	Winter Wheat	1,024
Total Cereals:		73,967
Oil Seeds	Canola	18,528
	Flax	5,296
	Mustard	135
Total Oil Seeds:		23,959
Forage Crops	Alfalfa 2 Cut	63,674
	Alfalfa 3 Cut	0
	Alfalfa Hay	1,167
	Alfalfa Silage	4,034
	Barley Silage	7,289
	Barley Silage Under Seed	1,516
	Brome Hay	163
	Corn Silage	6,071
	Grass Hay	7,036
	Green Feed	8,776
	Milk Vetch	30
	Millet	138
	Native Pasture	689
	Oats Silage	1,213
	Sorghum Sudan Grass	199
	Tame Pasture	58,861
Timothy Hay	4,510	
Total Forages:		165,366

Crop Class	Crop Type	Acres
Specialty Crops	Alfalfa Seed	8,802
	Carrots	461
	Dry Beans	2,297
	Dry Peas	597
	Faba Beans	295
	Fresh Peas	129
	Grass Seed	355
	Hemp	383
	Market Gardens	289
	Nursery	449
	Potato	3,064
	Small Fruit	2
	Sugar Beets	1,074
	Sunflower	778
Total Specialty Crops:		18,975
Non-Irrigated [2004]	Miscellaneous	
	Non Crop	166
	Summer Fallow	1,273
Total Non-Irrigated:		1,439
Total of All Crops:		
Summary:	Cereals	73,967
	Oil Seeds	23,959
	Forages	165,366
	Specialty Crops	18,975
	Non-Irrigated	1,439
		282,267





2005 Rehabilitation

In 2005, \$24.2 million was spent rebuilding the District’s water delivery infrastructure.

30 large scale projects were constructed during the year, including the completion of 15 projects from the 2004/2005 construction period and 15 projects started in the winter 2005 construction period.

Irrigation Rehabilitation Program [IRP]

This is an Alberta Government sponsored program for irrigation districts in southern Alberta. It is a cost-shared program based on a 75:25 cost sharing agreement.

In 2005 the Province provided \$4,692,077 (75%) and the District invested \$1,564,025 (25%). The 2005 expenditures amount to approximately \$6.6 million. Some of the unused funds carried over from previous years were spent in 2005. In the 2005/2006 winter construction period, the District will complete the installation of 36 km of pipeline under the IRP Program.

Project	Description	Engineer	Contractor	2005 Project Cost	Total Project Cost
Spring					
10B Springhill	10 km pipeline	EID	EID	\$519,000	\$3,425,000
18 Rolling Hills	2.4 km pipeline	EID	EID	\$75,000	\$477,000
Sec G Springhill	6 km plastic-lined canal and 1.7 km pipeline	MPE	Caliber Systems Inc.,	\$1,847,000	\$3,159,000
Lower North Branch	7.3 km plastic-lined canal	EID	EID	\$195,000	\$1,100,000
Fall					
R North Bantry	36 km pipeline	UMA	EID	\$3,957,000	\$7,772,000
Total:				\$6,593,000	\$15,933,000

R North Bantry Pipeline



Construction of North Bantry Stilling Pond

EID Capital Construction Program

EID Capital Construction Program

Funds for this program are provided entirely from the District's Irrigation Works Reserve Fund. The 2005 expenditures amount to approximately \$17.6 million. In the 2005/2006 winter construction period, the District will complete the installation of 29 km of pipeline and 14 km of lined canal with Reserve Funds.

Spring Projects

Project	Description	Engineer	Contractor	2005 Project Cost	Total Project Cost
Sec. G Springhill Pipeline	11 km pipeline	MPE	EID	\$1,963,000	\$2,187,000
26 & 27 Rolling Hills	5 km pipeline	EID	EID	\$100,000	\$600,000
R Tilley	1.5 km pipeline	EID	CanDoo Excavating	\$293,000	\$335,000
4H West Bantry	3 km pipeline	EID	CanDoo Excavating	\$456,000	\$598,000
Long Pump Canal	8 km pipeline	EID	EID	\$989,000	\$1,693,000
Sec A & B North Branch	28 km pipeline	EID	EID	\$3,897,000	\$5,672,000
01-Antelope Creek	2.5 km pipeline and 1 km plastic-lined canal	EID	EID	\$451,000	\$973,000
2004/05 Structures	Various structures replacements and upgrades	EID	EID	\$119,000	\$126,000
10 Rolling Hills	Precast check structure and 0.5 km pipeline	EID	EID	\$41,000	\$74,000
J-01 North Bantry	1 km pipeline	EID	EID	\$60,000	\$60,000
Springhill Pressure System Upgrade	Upgrade electrical equipment	MPE	various	\$42,000	\$72,000
Rolling Hills Campground	Various campground improvements	EID	EID	\$118,000	
Dam Safety Audit	Engineering inspections of various reservoir dams	MPE	EID	\$133,000	\$133,000
2004 Projects	Additional work on 2004 projects	EID	EID	\$18,000	
Total:				\$8,680,000	

One Tree Check Structure



Exposed Gas Line: Secondary B North Branch



Project	Description	Engineer	Contractor	2005 Project Cost	Total Project Cost
Tilley Canal	2 km plastic-lined canal	EID	EID	\$825,000	\$870,000
Lower Bow Slope Pump	New lift pump station	MPE	Charmar	\$497,000	\$550,000
17G Springhill	15 km pipeline	MPE	Mini-Dig	\$1,822,000	\$2,800,000
Antelope Creek Canal	9 km plastic-lined canal	MPE	EID	\$1,802,000	\$2,100,000
13 East Branch	2 km pipeline	EID	EID	\$188,000	\$400,000
4 Bow Slope	Lift pump station and 6.3 km pipeline	EID	EID	\$135,000	\$890,000
03 North Branch	2.8 km pipeline	EID	EID	\$10,000	\$250,000
9H West Bantry	1 km pipeline	EID	EID	\$289,000	\$370,000
S Tilley	2 km pipeline and 1.2 km plastic-lined canal	EID	EID	\$708,000	\$730,000
One Tree Creek	Five cast-in-place structures	MPE	Charmar	\$38,000	\$472,000
North Bantry Surge Pond	Pond and channel to divert canal spill to One Tree Creek	EID	Top Notch/ EID	\$613,000	\$1,000,000
North Bantry Canal	2 km plastic-lined canal	Due South	Top Notch/ EID	\$878,000	\$1,300,000
2005/06 Structures	Four precast structures	EID	EID	\$8,000	\$176,000
Automation	Upgrade automation of control structures	MPE	MPE	\$46,000	\$280,000
Farm Improvements	Projects throughout the year	EID	EID	\$101,000	
2006 Projects	Preliminary work on several projects	EID/ MPE	various	\$109,000	
Land Acquisition	Legal surveys and purchases of right-of-way	EID	EID	\$830,000	
Total:				\$8,899,000	

S Tilley Rehabilitation



Upgrading Pumps on Long Pump Lateral

Land Administration Report

Grazing Operations Report

The overall lease condition was very good at the start of 2005. We enjoyed above average rainfall and had a very good grass growing year. A total of 14,442 cows (40 head per member) were turned out in May. The cattle went home on October 15 making a total of 72,210 AUM of grazing. There is good carry over grass for 2006.

The District continued its capital improvement on the leases by installing 18 kilometers of waterline and 9 water troughs in the Eyremore Grazing Association. We completed our fourth tame grass restoration project. Two thousand two hundred acres in the Kinbrook Field and Scandia Field were broken up and re-seeded last fall.

Oil and Gas

2005 had a lot less new development on District land than in recent years. The wet conditions prevented work from being done numerous times during the year.

There were 187 new leases taken and 295 wells twinned on existing leases in 2005. Approximately 154 kilometers of pipeline (576 acres of R.O.W.) were installed on District land.

Irrigation Assessment

We continue to see irrigators converting from flood irrigation and wheel move irrigation to low pressure pivots. We added 314 acres to the assessment roll in 2005, bringing it up to 283,769 acres. Of the 314 acres added, 219 were on existing parcels where the landowner converted to a more efficient method of irrigation, and 53 acres were new acres below Lake Newell and 42 acres below Crawling Valley Reservoir.

Method of Irrigation		
Low Pressure Pivot	105,437 Ac.	37.2%
High Pressure Pivot	40,448 Ac.	14.3%
Wheel Move	45,674 Ac.	16%
Other Sprinkler	999 Ac.	0.4%
Flood Irrigation (Leveled)	75,130 Ac.	26.5%
Flood Irrigation (Not Leveled)	16,018 Ac.	5.7%
<i>Note: percentages shown are the percentage of total irrigation.</i>		



Irrigated Pasture



Grass Growth Due to Abundant Rains in 2005



Pivot Irrigation: Gem Area



Wild Deer at Dinosaur Provincial Park



The Eastern Irrigation District operates under the authority of the Irrigation Districts Act [c. I-11, RSA 2000]. Each year the District appoints an auditor to prepare an audit of the District's financial statements. The audit is prepared in accordance with the form and the reporting standards for not for profit organizations as recommended by the Canadian Institute of Chartered Accountants.

The auditor reports to the Board of Directors. A copy of the District's financial statements and the auditors' report are subsequently provided to the Irrigation Council as required under the Irrigation Districts Act.

Auditors' Report

To the Board of Directors of the Eastern Irrigation District

We have audited the balance sheet of the Eastern Irrigation District as at December 31, 2005 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Eastern Irrigation District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Eastern Irrigation District as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brooks, Alberta
February 21, 2006
Bevan, Halbert, Gerrard and Mossey
Chartered Accountants

EASTERN IRRIGATION DISTRICT
BALANCE SHEET
December 31, 2005

	General Fund	Irrigation Works Fund	2005 Total	2004 Total
ASSETS				
Current				
Cash	\$2,316,861	\$83,757	\$2,400,618	\$7,772,115
Short term deposits (Note 4)	4,718,691	2,522,492	7,241,183	7,217,195
Accounts receivable (Note 5)	560,465	625,662	1,186,127	1,651,656
Materials and supplies	1,195,785	0	1,195,785	969,985
Prepaid expenses	411,585	0	411,585	155,218
	<u>9,203,387</u>	<u>3,231,911</u>	<u>12,435,298</u>	<u>17,766,169</u>
Investments (Note 6)	0	39,473,056	39,473,056	38,064,349
Trust funds held (Note 14)	69,646	0	69,646	69,646
	<u>9,273,033</u>	<u>42,704,967</u>	<u>51,978,000</u>	<u>55,900,164</u>
Property and Equipment (Note 7)				
Buildings and equipment, net	7,353,316	1,287,417	8,640,733	7,851,690
Irrigation works, net	0	261,966,226	261,966,226	247,162,834
Land (Note 2)	0	345,358	345,358	345,358
	<u>7,353,316</u>	<u>263,599,001</u>	<u>270,952,317</u>	<u>255,359,882</u>
	<u>\$16,626,349</u>	<u>\$306,303,968</u>	<u>\$322,930,317</u>	<u>\$311,260,046</u>
LIABILITIES				
Current				
Accounts payable	\$1,239,501	\$1,351,004	\$2,590,505	\$1,545,536
Deferred oil well lease compensation and EIDNet revenue	7,892,336	0	7,892,336	7,899,028
	<u>9,131,837</u>	<u>1,351,004</u>	<u>10,482,841</u>	<u>9,444,564</u>
Trust funds held (Note 14)	69,646	0	69,646	69,646
Deferred grants and contributions, net (Note 7)	125,855	113,879,124	114,004,979	114,042,179
	<u>9,327,338</u>	<u>115,230,128</u>	<u>124,557,466</u>	<u>123,556,389</u>
FUND BALANCES				
Invested in property and equipment (Notes 7 & 8)	7,227,461	149,719,877	156,947,338	141,317,703
Unrestricted (Note 8)	0	0	0	0
Internally restricted, to be used for future community pasture development (Notes 2 & 8)	71,550	0	71,550	51,450
Internally restricted, to be used for future irrigation works additions (Notes 2 & 8)	0	39,485,553	39,485,553	44,260,247
Externally restricted by the Province of Alberta, to be used for future irrigation works additions (Notes 2 & 8)	0	1,868,410	1,868,410	2,074,257
	<u>7,299,011</u>	<u>191,073,840</u>	<u>198,372,851</u>	<u>187,703,657</u>
	<u>\$16,626,349</u>	<u>\$306,303,968</u>	<u>\$322,930,317</u>	<u>\$311,260,046</u>

EASTERN IRRIGATION DISTRICT
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
Year Ended December 31, 2005

	General Fund	Irrigation Works Fund	2005 Total	2004 Total
REVENUE				
WATER EARNINGS				
Irrigation Rates (Note 9)	\$0	\$0	\$0	\$0
Water conveyance agreements	323,034	0	323,034	309,711
Oil and gas drilling water	819,750	0	819,750	1,562,717
Penalties	3,423	0	3,423	4,282
	1,146,207	0	1,146,207	1,876,710
Less discounts allowed	(775)	0	(775)	(299)
	1,145,432	0	1,145,432	1,876,411
LEASE REVENUE AND COMPENSATION				
Oil and gas well leases	13,260,282	0	13,260,282	12,935,602
Right of entry and initial consideration	2,460,321	0	2,460,321	5,361,504
Oil and gas administration fees	37,600	0	37,600	136,400
Community grazing leases	841,224	0	841,224	785,004
Rock Lake silage revenue	10,925	0	10,925	21,208
Agricultural grants	0	0	0	647,453
Private grazing leases	130,710	0	130,710	124,259
Irrigated leases	123,517	0	123,517	119,404
Other lease revenues	75,853	0	75,853	68,886
OTHER REVENUE				
Capital asset charges	0	442,200	442,200	180,366
Gravel royalties and miscellaneous	0	144,715	144,715	181,424
Gain (loss) on sale of land, equipment & buildings	105,157	20,978	126,135	1,758,682
Investment income	165,591	2,348,551	2,514,142	2,534,395
Amortization of deferred grants & contributions	0	4,703,168	4,703,168	4,587,116
	18,356,612	7,659,612	26,016,224	31,318,114
EXPENSES				
Operations and administration (Schedule 1)	4,712,238	0	4,712,238	4,757,826
Community grazing expenses (Note 10)	749,682	0	749,682	682,612
Amortization of irrigation works & buildings	0	9,513,000	9,513,000	8,938,886
	5,461,920	9,513,000	14,974,920	14,379,324
Excess of revenue over expenses, before special projects	12,894,692	(1,853,388)	11,041,304	16,938,790
Special projects, net (Note 12)	(73,687)	0	(73,687)	(96,169)
EIDNet, net (Note 13)	(298,423)	0	(298,423)	(287,523)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	12,522,582	(1,853,388)	10,669,194	16,555,098
TRANSFER TO IRRIGATION WORKS FUND	(11,631,276)	11,631,276	0	0
FUND BALANCES, BEGINNING OF YEAR	6,407,705	181,295,952	187,703,657	171,148,559
FUND BALANCES, END OF YEAR	\$7,299,011	\$191,073,840	\$198,372,851	\$187,703,657

EASTERN IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2005

	General Fund	Irrigation Works Fund	2005 Total	2004 Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Revenue from water operations	\$1,145,432	\$0	\$1,145,432	\$1,876,411
Compensation from oil and gas operations	15,758,203	0	15,758,203	18,433,506
Revenue from lease operations	1,182,229	0	1,182,229	1,766,214
Capital asset charges	0	442,200	442,200	180,366
Cash receipts from gravel royalties and miscellaneous	0	144,715	144,715	181,424
Operations and administration expenses	(4,712,238)	0	(4,712,238)	(4,757,826)
Community grazing expenses	(749,682)	0	(749,682)	(682,612)
Add: Amortization in expenses, not using cash	1,087,479	0	1,087,479	978,852
Net cash expenditure on special projects	(73,687)	0	(73,687)	(96,169)
Net cash expenditure on EIDNet	(248,844)	0	(248,844)	(272,491)
Investment income received	165,591	628,092	793,683	776,088
Inventory write down	(58,353)	0	(58,353)	0
Change in non-cash current assets and liabilities	380,654	(72,622)	248,032	(49,074)
	13,876,784	1,142,385	14,959,169	18,334,689
CASH FLOWS FROM FINANCING AND INVESTING ACTIVITIES				
Grants from Province of Alberta	0	4,692,077	4,692,077	4,305,298
Grants from other governments	0	0	0	161,309
Proceeds on sale of land, buildings and equipment	531,443	467,808	999,251	2,075,714
Purchase of land, buildings and equipment	(1,778,856)	(84,399)	(1,863,255)	(2,054,208)
Pasture development and reseeding (Note 11)	(244,489)	0	(244,489)	(183,451)
Grazing water pipeline and improvements (Note 11)	(352,855)	0	(352,855)	(236,963)
Farm improvement program	0	(101,411)	(101,411)	(113,400)
Expenditures on irrigation works	0	(24,521,357)	(24,521,357)	(20,320,158)
Proceeds on sale of investments	0	5,378,464	5,378,464	12,040,612
Purchase of investments	0	(5,066,712)	(5,066,712)	(10,676,497)
Change in irrigation works accounts payable	0	713,609	773,609	(349,374)
	(1,844,757)	(18,521,921)	(20,306,678)	(15,351,118)
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	12,032,027	(17,379,536)	(5,347,509)	2,983,571
Cash and term deposits, beginning of year	6,634,801	8,354,509	14,989,310	12,005,739
Transfer from general fund	(11,631,276)	11,631,276	0	0
CASH AND TERM DEPOSITS, END OF YEAR	\$7,035,552	\$2,606,249	\$9,641,801	\$14,989,310
Cash is comprised of:				
Cash	\$2,316,861	\$83,757	\$2,400,618	\$7,772,115
Short term deposits	4,718,691	2,522,492	7,241,183	7,217,195
	\$7,035,552	\$2,606,249	\$9,641,801	\$14,989,310

EASTERN IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

1. Purpose of the Organization

The Eastern Irrigation District is charged with the responsibility of efficient and economical distribution of water to users in the District and operates as a not-for-profit organization under the Irrigation Districts Act, Chapter I -11, Revised Statutes of Alberta 2000.

2. Accounting Policies

The financial statements have been prepared in accordance with the deferral method of fund accounting. Significant accounting policies include:

Fund Accounting

The activities of the District have been disclosed as two distinct funds - the General Fund and the Irrigation Works Fund:

General Fund - Discloses the water management and delivery operations, EIDNet operations and land lease operations of the District, as well as certain special projects as designated by the Board of Directors from time to time. The general fund includes management of equipment and personnel, the costs of which are billed to the irrigation works fund to the extent they relate to construction activities.

Irrigation Works Fund - Discloses receipts and expenditures for new irrigation works and interest earned on such monies. Costs incurred in constructing new irrigation works and in replacing and rehabilitating existing structures are provided for from this fund. The Province of Alberta contributes to this fund 75% of the expenditures on projects approved by the Irrigation Council.

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Property and Equipment

Property and equipment are recorded at cost. Amortization of buildings and equipment is provided using the declining balance method at rates intended to amortize the cost of these assets over their estimated useful lives. The annual rates are as follows:

Computer and radio equipment	25%
Mobile equipment	20%
Grazing pasture reseeding	20%
Agricultural equipment	15%
Buildings	10%
Other equipment	10%

Irrigation works assets are recorded at cost to the District. Additions to irrigation works are capitalized only if the cost of the individual project exceeds \$10,000. Items capitalized include the cost of easements and rights of way purchased. Irrigation works are amortized on a straight-line basis over their estimated average useful lives of 40 years.

Land

Land is recorded at cost to the District. Approximately 574,000 acres of land that was transferred from the Canadian Pacific Railway Company in 1935 are recorded at zero cost.

Materials and Supplies

Materials and supplies are carried at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Investments and Short Term Deposits

Investments and short term deposits are recorded at the lower of cost or market value, except where a decrease in market value is considered to be temporary.

EASTERN IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

2. Accounting Policies (continued)

Financial Instruments

The District's financial instruments consist of cash, short term deposits, accounts receivable, investments and accounts payable. The carrying amounts of these instruments approximates their fair value. It is management's opinion that the District is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Deferred Oil and Gas Well Lease Compensation

Annual compensation related to oil and gas well leases is charged to the lessor at the beginning of each lease year. These monies are recognized as revenue on a straight-line basis over the succeeding twelve months. At year-end, the unamortized portion of such leases is reflected on the balance sheet as deferred oil well lease compensation.

Pension Plan

The District is a member of the Local Authorities Pension Plan, a multi-employer defined benefit pension plan. This Plan is accounted for as a defined benefit plan.

Deferred Grants and Contributions

Grants and contributions from third parties received to finance construction of irrigation works and the EIDNet towers and sector radios are deferred and amortized to income on the same basis as the irrigation works and the EIDNet assets to which they relate. Amortization of deferred grants related to irrigation works is provided on a straight-line basis over a 40 year period. Amortization of deferred grants related to EIDNet assets is provided using the declining balance method (sector radios at 25%; towers at 10%).

Use of Estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the year. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant. Significant areas requiring use of management estimates relate to the useful lives of assets for amortization purposes and the amount of allowance required for uncollectible accounts receivable.

Internally Restricted Net Assets

The future use of a portion of the District's net assets has been restricted by the Board of Directors. Monies have been allocated to the following areas:

Irrigation works additions - monies to be used for future irrigation works additions and rehabilitation, including the District's 25% commitment to Province of Alberta Cost Share Projects.

Community pasture development - monies to be used for future improvements or expansion of community grazing pastures.

Externally Restricted Net Assets

Funds received from the Province of Alberta must be used for specific cost shared irrigation projects. These monies and interest earned on their investment are disclosed separately as externally restricted net assets.

3. Local Authorities Pension Plan

Employees of the Eastern Irrigation District participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 153,036 people and 404 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. The District is required to make current service contributions to the Plan of 7.4% of pensionable earnings up to the Canada Pension Plan's Maximum Pensionable Earnings and 10.14% for the excess. Total current service contributions by the District to the Local Authorities Pension Plan in 2005 were \$300,905 (2004 - \$260,026). Total current service contributions by the employees of the District to the Local Authorities Pension Plan in 2005 were \$263,776 (2004 - \$223,646). At December 2004, the Plan disclosed an actuarial deficiency of \$1.29 billion.

EASTERN IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

4. Short Term Deposits

Short term deposits maturing in the next year include GICs and term deposits at interest rates varying from 2.75% to 3.55% (2004 - 2.20% to 2.63%). At year end these deposits have an average interest rate of 3.23% and will mature within the next 194 days.

5. Accounts Receivable

Accounts receivable consist of:

	2005	2004
Reclassification agreements	\$547,759	\$510,644
Lease rentals and seismic	275,392	477,374
Water conveyance agreements	149,918	178,009
Sundry debtors	121,824	236,942
Gravel and dirt	65,669	96,213
Property and equipment	27,099	159,114
Water rates and charges	4,329	3,699
Less: Allowance for doubtful accounts	(5,863)	(10,339)
	\$1,186,127	\$1,651,656

6. Investments

Investments consist of:

	2005	2004
Term Deposits	\$11,404,149	\$9,566,076
Chinook Credit Union Ltd.- patronage account	46,606	37,876
Provincial Government Bonds	7,737,447	8,570,086
Provincial Utility Bonds	11,172,243	10,565,796
Government of Canada Bonds	3,950,336	5,464,906
Corporate Bonds	5,162,275	3,859,609
	\$39,473,056	\$38,064,349
Approximate market value at December 31	\$41,303,000	\$39,817,000

Investments have an average yield of 5.68%. The net book value of investments maturing in 2006 is \$5,141,027 (yield: 7.7%); in 2007 is \$4,116,365 (yield 6.7%); in 2008 is \$4,706,287 (yield 3.7%); in 2009 is \$6,697,862 (yield 3.8%); in 2010 is \$2,923,214 (yield 5.7%); in 2011 is \$3,129,028 (yield 5.2%); and in 2013 is \$7,016,192 (yield 5.7%); in 2014 is \$3,417,518 (yield 5.6%); in 2015 is \$2,278,957 (yield 5.4%). The credit union patronage account of \$46,606 has no set interest rate or maturity date. Investment income includes amounts received of \$793,683 (2004 - \$771,920) plus amortization of discounts and other miscellaneous items.

EASTERN IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

7. Property and Equipment

	2005		2004	
	Cost	Accumulated Amortization	Net	Net
General Fund:				
Equipment	\$12,370,310	\$5,724,530	\$6,645,780	\$5,975,270
Community pasture reseeded	803,367	95,831	707,536	532,949
Irrigation Works Fund:				
Buildings	5,921,287	4,633,870	1,287,417	1,343,471
Irrigation works	377,774,171	115,807,945	261,966,226	247,162,834
Land	345,358	0	345,358	345,358
	<u>\$397,214,493</u>	<u>\$126,262,176</u>	270,952,317	255,359,882
Deferred grants and contributions	<u>(\$188,538,037)</u>	<u>(\$74,533,058)</u>	(114,004,979)	(114,042,179)
Net assets invested in property and equipment			<u>\$156,947,338</u>	<u>\$141,317,703</u>

Changes in irrigation works assets, net of amortization are as follows:

	2005	2004
Beginning of year	\$247,162,834	\$235,524,307
Additions to irrigation works		
District projects	16,771,544	11,707,287
Province of Alberta cost shared projects	6,570,114	7,890,691
Survey costs and easements	830,376	835,580
Amortization	(9,368,642)	(8,795,031)
End of year	<u>\$261,966,226</u>	<u>\$247,162,834</u>

Changes in deferred grants and contributions, net of amortization are as follows:

	2005	2004
Beginning of year	\$114,042,179	\$114,172,033
Contributions from third parties	4,692,077	4,466,607
Amortization	(4,729,277)	(4,596,461)
	<u>\$114,004,979</u>	<u>\$114,042,179</u>

Current year additions to irrigation works are as follows:

	District	Province of Alberta Cost Sharing	2005	2004
External Charges:				
Contract Services	\$2,325,554	\$1,330,599	\$3,656,153	\$3,848,594
Contract Services - Engineering	634,041	444,701	1,078,742	694,002
Equipment and other services	3,297,453	629,591	3,927,044	2,886,666
Materials and supplies	8,442,388	3,488,436	11,930,824	9,610,351
Internal Charges:				
Equipment recovery	1,892,947	341,804	2,234,751	2,090,623
Labour recovery - Engineering	318,496	119,271	437,767	514,836
Labour recovery - Other	691,041	215,712	906,753	788,486
	<u>\$17,601,920</u>	<u>\$6,570,114</u>	<u>\$24,172,034</u>	<u>\$20,433,558</u>

EASTERN IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

8. Continuity of Fund Balances

	Invested in Property and Equipment	Unrestricted Funds	Internally Restricted Funds - Pasture Development	Internally Restricted Funds - Irrigation Works	Externally Restricted Funds - Province of Alberta	Total Fund Balances
Beginning of year	\$141,317,703	\$0	\$51,450	\$44,260,247	\$2,074,257	\$187,703,657
Assets received from Province of Alberta	(4,692,077)	0	0	0	4,692,077	0
District contribution to cost share projects	0	0	0	(1,564,025)	1,564,025	0
Additions to property and equipment, net	26,268,602	(2,008,267)	0	(17,690,221)	(6,570,114)	0
Excess of revenue over expenses allocated	(5,946,890)	13,659,643	0	2,848,276	108,165	10,669,194
Transfer to community pasture development reserve	0	(20,100)	20,100	0	0	0
Transfer to irrigation works fund from operations	0	(11,631,276)	0	11,631,276	0	0
End of year	\$156,947,338	\$0	\$71,550	\$39,485,553	\$1,868,410	\$198,372,851

The Board of Directors has authorized the transfer of \$11,631,276 from current year operations to internally restricted funds to be used for future irrigation works additions and \$20,100 for community pasture development. As well, authorization was given to use \$1,564,025 of internally restricted funds to pay for the District's 25% share of Province of Alberta cost share projects.

9. Irrigation Rates

Irrigation rates consist of:

	2005	2004
268,545 Acres at \$0 per acre	\$0	\$2,000,955
15,161 Acres at \$0 per acre terminable	0	126,233
Minimum parcel rates and adjustments	0	5,255
Water rates forgiven	0	(2,132,443)
	\$0	\$0

10. Community Grazing Expenses

Community grazing expenses consist of:

	2005	2004
Fencing, fire and cattle guards	\$188,815	\$221,889
Property taxes and water rates	156,171	167,667
Amortization of equipment, pipelines	137,125	92,894
Pump power and maintenance	83,615	18,662
Management and lease rider fees	75,024	79,319
Fertilizer and chemicals	50,753	28,011
Miscellaneous	21,995	16,922
Dugouts and pond maintenance and digging	16,736	39,708
Irrigation equipment maintenance	15,768	9,634
Dugouts - pumping and filling	3,680	7,906
	\$749,682	\$682,612

EASTERN IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

11. Community Grazing Property and Equipment Expenditures

Property and equipment expenditures include:	2005	2004
Grazing water pipeline and improvements	\$352,855	\$236,963
Pasture development and reseeding	244,489	183,451
	\$597,344	\$420,414

12. Special Projects

Revenue:	2005	2004
Rolling Hills Reservoir Campground	\$70,794	\$48,607
Expenses:		
Partners In Habitat Development	(75,000)	(75,000)
Rolling Hills Reservoir Campground	(68,237)	(64,026)
Grass Carp	0	(5,750)
Water Resources Management Initiatives	(11)	0
Environmental remediation - Modern Auto property	(1,233)	0
	(\$73,687)	(\$96,169)

13. EIDNet

Revenue:	2005	2004
Wireless subscription revenue	\$226,927	\$25,045
Dial-up subscription and operating revenue	53,525	108,601
Amortization of deferred grant	26,109	9,345
Customer installation fees	134,542	143,241
Total Revenue	441,103	286,232
Expenses:		
Telecommunications and bandwidth	(162,474)	(107,232)
Wages and administration	(112,911)	(79,271)
Amortization	(75,688)	(24,377)
Customer installation expenses	(388,453)	(362,875)
Total Expenses	(739,526)	(573,755)
Deficiency	(\$298,423)	(\$287,523)

14. Trust Funds Held

Trust funds held include \$69,646 in the Carl Anderson fund. Interest earned on the funds is distributed to local libraries annually.

15. Land Sale - Lake Newell Developments

In prior years the District entered into an agreement to sell land bordering Lake Newell to a developer in exchange for mortgages on the land. Due to the nature of the sale agreement, the land sale will be recognized only when receipt of mortgage principal payments are reasonably assured. Interest payments of \$70,706 (2004 - \$65,902) were recorded in the year.

16. Uncompleted Contract Commitments

The District has commitments in an estimated amount of \$920,792 (2004 - \$1,803,350) in respect of uncompleted work under contract on approved projects.

17. Comparative Amounts

Certain of the comparative amounts presented in these financial statements have been reclassified to conform to the presentation adopted in the current year.

18. Approval of Financial Statements

These financial statements were approved by Management and the Board of Directors.

EASTERN IRRIGATION DISTRICT
SCHEDULE OF OPERATIONS AND ADMINISTRATION EXPENSES
 Year ended December 31, 2005

	Equipment Pool	Maintenance	Water Delivery	EID Land Administration	Administration and General	Total 2005	Total 2004
Salaries and benefits							
Salaries	\$ 1,031,902	\$687,829	\$1,130,793	\$215,719	\$833,036	\$3,899,279	\$4,110,261
Pension plans	103,894	38,331	138,760	44,738	112,168	437,891	397,764
Group insurance	43,479	16,726	59,314	18,353	37,620	175,492	169,571
Employment insurance and WCB	30,522	12,070	40,386	15,284	27,639	125,901	130,473
Equipment							
Amortization of equipment	853,449	0	0	0	84,248	937,697	885,959
Heavy equipment expense	714,877	0	0	0	0	714,877	585,083
Equipment rent	(504,681)	939,015	14,081	0	0	448,415	430,940
Vehicle expense (recovery), net	(119,318)	140,400	239,978	47,730	75,974	384,764	407,884
Other							
Materials and supplies	54,420	243,965	51,906	0	0	350,291	298,319
Buildings and grounds	57,712	11,839	51,930	0	81,606	203,087	126,703
Insurance	92,937	7,005	22,652	0	43,740	166,334	167,407
Office supplies and maintenance	0	0	0	18,000	110,722	128,722	129,484
Irrigation pumps and structures	0	12,712	104,611	0	0	117,323	169,427
Professional fees	0	0	0	14,824	69,751	84,575	34,629
Telephone	11,951	4,344	30,453	7,658	23,411	77,817	84,507
Directors per diems	0	0	0	0	76,550	76,550	74,925
Advertising and promotion	0	0	0	2,087	59,228	61,315	32,471
Association fees	0	0	0	0	59,422	59,422	55,093
Tools and light equipment	47,088	4,115	520	0	0	51,723	40,974
Miscellaneous and freight	310	5,526	1,222	0	31,545	38,603	29,988
Directors expenses	0	0	0	0	29,203	29,203	23,728
Travel	244	0	0	414	12,232	12,890	9,420
Water quality testing	0	0	10,297	0	0	10,297	15,307
Total expenses	2,418,786	2,123,877	1,896,903	384,807	1,768,095	8,592,468	8,410,317
Less: Recovery from capital construction	(2,529,783)	(113,346)	(705,710)	(962)	(530,429)	(3,880,230)	(3,652,491)
	(\$110,997)	\$2,010,531	\$1,191,193	\$383,845	\$1,237,666	\$4,712,238	\$4,757,826

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Eastern Irrigation District 2005 Annual Report

Layout: Eastern Irrigation District
Printing: Robins Southern Printing

Cover Photo

Bassano Dam
Bow River High Water Flows: June 8, 2005
Photo Credit: Eastern Irrigation District