

# **Cook Inlet**

## **Aquaculture Association**



# **Annual Report**

**2002**

*"Providing and Protecting Your Salmon Resource"*

## A Message from the Executive Director

In 2001, in recognition of the plight of the Cook Inlet fishing community, we developed a plan to provide long-term assistance through fisheries rehabilitation and enhancement. By working with numerous local organizations, the Kenai Peninsula Borough and Alaska's Congressional delegation, particularly Senator Ted Stevens, we received a \$1 million grant from the U.S. Fish and Wildlife Service to begin implementing that plan. That work was the focus of our activities in 2002 and it led to a very strong stocking season and the development of an additional coho smolt stocking program in Resurrection Bay and renewed interest in the development of the Paint River project.

Fish culture and physical plant improvements to both Trail Lakes Hatchery and Tutka Hatchery were the focus of our efforts early in fiscal year 2002. Hatchery and headquarters staff and the Board of Directors worked together to identify changes to improve these hatchery programs.

At Trail Lakes Hatchery fish culture improvements included modifications to our water management program, fungus control during egg incubation and improved stock inventory procedures. Physical plant improvements included indoor raceways, well field redevelopment, roof repairs and a fresh coat of paint. While some work still needs to be done, our 2002 Trail Lakes Hatchery sockeye and coho releases were the largest in number (19.4 million) and the fish released were all in excellent condition.

At Tutka Hatchery we developed a 2002 work plan that included better feed management, updated egg picking equipment, installation of a back-up pumping system, the purchase of two mobile net pens, and a new release strategy that targeted larger fish released outside the lagoon to improve survival and harvest options. Like Trail Lakes Hatchery, improvements are ongoing and others are still pending.

With favorable environmental conditions during rearing, the improvements to the Trail Lakes and Tutka Hatchery programs should result in larger returns throughout Upper and Lower Cook Inlet.

As a result of the improvements we made early in fiscal year 2002, we realized we were going to have surplus fish available; and, as the year came to a close, we began efforts to work with the Department of Fish and Game to develop a fall fry release program at Upper Paint Lake.

While our success in 2002 was the result of many people who believed in the mission of the Aquaculture Association, our staff also played a part in making the improvements that resulted in our 2002 successes. It was through their efforts that we were able to meet our goals. Our aim for 2003 is to build on our past successes.

Sincerely,



Gary L. Fandrei

# 2002 ANNUAL REPORT

## COOK INLET AQUACULTURE ASSOCIATION



**David Martin**, President

**Steve Vanek**, First Vice-President

**Buddy Harris**, Second Vice-President

**Drew Sparlin, Sr.**, Secretary

**Douglas F. Blossom**, Treasurer

**Howard Davis & Paul Shadura**, Additional Executive Committee Members

*Cook Inlet Aquaculture Association is a private non-profit corporation organized under the laws of the State of Alaska for the purpose of engaging in salmon enhancement work throughout the Cook Inlet Region. The Cook Inlet Region includes all waters of Alaska in Cook Inlet and Resurrection Bay north of Cape Douglas and west of Cape Fairfield including the Barren Islands, and all the region's freshwater drainages.*

COOK INLET AQUACULTURE ASSOCIATION

40610 KALIFORNSKY BEACH ROAD

KENAI, ALASKA 99611

Phone: (907) 283-5761

[www.ciaa.net](http://www.ciaa.net)

## **MISSION**

The Cook Inlet Aquaculture Association is a non-profit regional association which exists to: (1) protect self-perpetuating salmon stocks and the habitats upon which they depend; (2) rehabilitate self-perpetuating salmon stocks; (3) rehabilitate salmon habitat; and (4) maximize the value of the Cook Inlet (Area H) common property salmon resource by applying science and enhancement technology to supplement the value attained from protection and rehabilitation of self-perpetuating salmon stocks.

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## **GOALS**

To accomplish this mission the Board of Directors of the Cook Inlet Aquaculture Association will:

Seek protection of salmon habitat through active participation (testimony, committee work, data input, etc.) in planning, permitting and enforcement processes.

Conduct salmon rehabilitation and enhancement projects, which can be expected to significantly contribute to common property fishery harvests. A 66% harvest rate in commercial fisheries is the acceptable standard for "significant contribution". That standard can be adjusted (raised or lowered) from project to project if the project offers terminal harvest opportunities, presents special mixed-stock harvest concerns, or benefits users whose harvest methods are less efficient than the commercial fishery.

Conduct evaluation activities, which increase the effectiveness of project implementation.

Engage in research, which advances the state of enhancement/rehabilitation technology.

Be sensitive to the interests of those harvesting the Cook Inlet common property salmon resource.

Educate the public about the salmon resource and the mission, goals, and projects of the Association.

Maintain the highest standards of financial responsibility and accountability for the funds entrusted to it.

Maintain facilities, administrative practices and personnel policies, which require and encourage its staff to perform in a safe, professional, and cost-effective manner.

Comply with all statutes and regulations governing private non-profit aquaculture association activities in the State of Alaska.

Participate, within the limits for tax-exempt corporations, in the development of legislation and regulation relevant to attainment of the mission.

## BOARD OF DIRECTORS OF COOK INLET AQUACULTURE ASSOCIATION

*A Board of Directors that meets monthly controls the affairs of the association. Twenty three of the twenty-eight seats on the Board are currently filled. None of the Directors receives any compensation, per diem, or expense reimbursements from the Association for serving on the board. The Directors commitment and time to the Association's mission must not go unnoticed.*

**Commercial Fishermen of Cook's Inlet**

DIRECTORS: VACANT  
VACANT

**Alternates**

None  
None

**Cook Inlet Fishermen's Fund:**

DIRECTORS: DOUGLAS F. BLOSSOM  
DAVID MARTIN

Chris Garcia  
Chris Garcia

**Cook Inlet Seiners Association:**

DIRECTORS: CHARLES WALKDEN  
NATHAN WISE

John Wise  
None

**Inlet Wide Commercial Fishermen Representatives:**

DIRECTORS: BUDDY HARRIS  
DAVE JEWELL  
DREW SPARLIN, SR.  
DYER VAN DEVERE  
ROBERT MERCHANT

Steven Perrizo  
Erik Lindow  
Dennis Crandall  
Philip Squires  
None

**Kenai Peninsula Fishermen's Association:**

DIRECTORS: HOWARD DAVIS  
VACANT

Rory Rorrison  
None

**North Pacific Fisheries Association:**

DIRECTORS: JESSIE NELSON  
VACANT

Dan Winn  
None

**Northern District Set Netters of Cook Inlet:**

DIRECTORS: JEAN RING  
VACANT

Stephen Braund  
None

**United Cook Inlet Drifters Association**

DIRECTORS: JOHN EFTA  
FRANCIS DEROSSITT

Leonard Efta  
Ron Rust

**City of Homer:**

DIRECTOR: LEONARD MILLER

Al Ray Carroll

**City of Kachemak:**

DIRECTOR: PAUL JONES

Emil Nelson

**City of Seward:**

DIRECTOR: JOHN FRENCH

None

**Cook Inlet Region, Inc.:**

DIRECTOR: PAUL SHADURA

None

**Kenai Peninsula Borough:**

DIRECTOR: CHRISTOPHER MOSS

Ron Long

**Matanuska-Susitna Borough:**

DIRECTOR: JAMES CHESBRO

None

**Municipality of Anchorage:**

DIRECTOR: DICK TREMAINE

Dan Kendall

**Ninilchik Village Council:**

DIRECTOR: STEPHEN VANEK

None

**Processor Representative:**

DIRECTOR: TIMOTHY SCHMIDT

Duff Hoyt

## COMMITTEES

### EXECUTIVE COMMITTEE:

David Martin, President  
Steve Vanek, First Vice-President  
Buddy Harris, Second Vice-President  
Drew Sparlin, Sr., Secretary  
Douglas F. Blossom, Treasurer  
Howard Davis & Paul Shadura, Additional Members

### PLANNING COMMITTEE:

*Chairman: David Martin*

Douglas Blossom	Howard Davis	John Efta
Buddy Harris	Paul Shadura	Tim Schmidt
Drew Sparlin	Dyer Van Devere	Steve Vanek

### MARKETING COMMITTEE:

*Chairman: David Martin*

Douglas Blossom	Howard Davis	Tim Schmidt
Paul Shadura	Drew Sparlin	Nathan Wise
	John Wise	

### PAINT RIVER COMMITTEE:

Douglas Blossom	David Martin	Jessie Nelson
	John Wise	

### TUTKA HATCHERY COMMITTEE:

*Chairman: Nathan Wise*

Douglas Blossom	Howard Davis	David Martin
Tim Schmidt	Steve Vanek	John Wise

### EKULTNA HATCHERY COMMITTEE

*Chairman : David Martin*

Douglas Blossom	Howard Davis	Francis Derossitt
Paul Shadura	Drew Sparlin, Sr	Dyer Van Devere
Steve Vanek	John Wise	Nathan Wise

### LEGISLATIVE COMMITTEE

*Chairman: David Martin*

Doug Blossom	Howard Davis	Tim Schmidt
Paul Shadura		Steve Vanek

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### Special Mention

### REGIONAL PLANNING TEAM:


Douglas Blossom	David Martin	Steve Vanek
	Vacant (alternate)	


## Selected Historical Highlights


- 1976:** ☞ The Cook Inlet Aquaculture Association (CIAA) was organized and incorporated.
- 1977:** ☞ CIAA was found to be a "Qualified Regional Aquaculture Association" by the Commissioner of the Alaska Department of Fish and Game (ADF&G). Cook Inlet fishermen voted for a 2 percent mandatory assessment to fund CIAA.  
☞ The Cook Inlet Regional Planning Team (CIRPT) was formed.
- 1978:** ☞ The "mandatory assessment" was challenged, and CIAA placed assessment funds in trust until the legal challenge was settled.  
☞ CIAA began its first field project.
- 1979:** ☞ CIAA expanded enhancement activities and initiated hatchery feasibility studies at Eklutna.
- 1980:** ☞ Some fishermen volunteered the expenditure of approximately \$100,000 of "mandatory assessment" funds on habitat improvement projects. The 2 percent tax replaced the 2 percent assessment approved in 1978.  
☞ Habitat surveys and improvement work began over a wide area of Cook Inlet.
- 1981:** ☞ The Salmon Enhancement Tax (2 percent) was collected in Cook Inlet for the first time.
- 1982:** ☞ The Alaska Supreme Court found mandatory assessment laws unconstitutional.  
☞ Board membership of the five charter commercial fishermen's organizations was reduced from 3 to 2 seats each. The five seats so vacated were filled by an at-large election first held this year.  
☞ The Commissioner of ADF&G approved the "Cook Inlet Regional Salmon Enhancement Plan 1981 - 2000".
- 1983:** ☞ The Eklutna Salmon Hatchery permit was issued, and construction begun in 1982 was completed.  
☞ CIAA secured a court order setting the conditions under which "mandatory assessments" would be returned to fishermen.
- 1984:** ☞ More than half of the assessments were returned, and a plan was set for distribution of the remaining trust funds.
- 1985:** ☞ The Board of Directors built a headquarters for the Association's activities.  
☞ CIAA implemented the plan for distribution of the remaining assessment trust funds.
- 1986:** ☞ The "mandatory assessment" refund program drew closer to completion.  
☞ The first significant numbers of adult chum salmon returned to the Eklutna Salmon Hatchery.  
☞ The Chenik Creek fish pass was built, and a flow control structure was built at Daniels Lake.
- 1987:** ☞ A spawning channel was built at Scurvy Creek.  
☞ The first egg collection was conducted at Packers Lake.
- 1988:** ☞ The remaining two State loans totaling about 1.4 million dollars for the Eklutna Salmon Hatchery in 1982 were repaid.  
☞ CIAA took over operation of the State owned Trail Lakes Hatchery near Moose Pass under a twenty-year contract.
- 1989:** ☞ The first egg collections occurred to stock Chelatna Lake and to re-introduce sockeye salmon to Bear Lake near Seward.
- 1990:** ☞ CIAA's first cost recovery harvest occurred at Packers Lake. Research was conducted on the production of age-zero sockeye salmon smolts.  
☞ The CIAA Board adopted its first Mission/Goals Statement. The funding was secured for the Paint River Inter-tidal Fish Ladder.  
☞ CIAA underwrote the cost of the sockeye salmon production program at Crooked Creek Hatchery.
- 1991:** ☞ CIAA took over operation of the State owned Tutka Bay Lagoon Hatchery.  
☞ The construction of the Paint River fish ladder was started and completed.  
☞ Abundant returns of adult sockeye salmon to the Hidden Lake project were cause for the opening of an extraordinarily popular personal use dip net fishery, which harvested over 72,000 sockeye salmon.  
☞ The Board voted to designate two seats each for the Cook Inlet Seiners Association (CISA) and the United Cook Inlet Drift Association (UCIDA).
- 1992:** ☞ The Eklutna Salmon Hatchery was converted from chum to sockeye salmon production.  
☞ There were the first returns of sockeye salmon resulting from the reintroduction of sockeye salmon to Bear Lake near Seward.  
☞ Nine agencies and organizations including CIAA began an erosion control project at Soldotna Creek Park on the Kenai River.  
☞ CIAA assisted ADF&G with part of a larger study of Kenai River system coho salmon populations.
- 1993:** ☞ ADF&G's Big Lake Hatchery was closed, and the sockeye salmon program was transferred to CIAA's Eklutna Salmon Hatchery.  
☞ CIAA contracted with the State of Alaska to staff and operate the Crooked Creek Hatchery.  
☞ CIAA conducts ongoing project evaluation work. The first otolith-sampling program to assess the hatchery contributions to smolt out migrations at Hidden Lake and Packers Lake was done.
- 1994:** ☞ Tutka Bay Lagoon Hatchery had the first return of pink salmon large enough to provide sufficient cost recovery revenues for a full year's operation of the facility.
- 1995:** ☞ Commercial fishermen conducted the first notable harvest of sockeye salmon in Resurrection Bay as a result of the Association's project at Bear Lake.  
☞ Both the Eklutna Salmon Hatchery and the Trail Lakes Hatchery experienced operational problems and the loss of some fish as a result of flooding.
- 1996:** ☞ CIAA decided to stop operating Crooked Creek Hatchery, transfer the programs from that facility to the Trail Lakes Hatchery and the Eklutna Salmon Hatchery and return the facility to State control effective at the end of the fiscal year.  
☞ CIAA notified the State it would no longer be providing staff support for the Cook Inlet Regional Planning Team and requested that the State assume that role as it had in other areas.
- 1997:** ☞ Trail Lakes Hatchery and Eklutna Salmon Hatchery incorporated the programs they assumed with the closure of the Crooked Creek Hatchery.  
☞ Tutka Bay Lagoon Hatchery had a record return, and the cost recovery effort met its goal.  
☞ Crooked Creek Hatchery was returned to State control on July 1, 1997.  
☞ The Planning Committee was re-established to formulate a program, which would identify the program reductions necessary to bring the budget into balance.
- 1998:** ☞ Effective July 1, 1998, CIAA suspended sockeye salmon stocking projects at Paint River, Ursus Lake, Bruin Lake, Chenik Lake and sockeye salmon and coho salmon stocking at the Eklutna Salmon Hatchery tailrace.  
☞ Effective August 1, 1998, CIAA suspended operations at the Eklutna Salmon Hatchery.  
☞ A new manager was named for the Tutka Bay Lagoon Hatchery, and the hatchery had a return large enough to provide broodstock, and support cost recovery.
- 1999:** ☞ The Grouse Lake Project, located north of Seward, produced its first substantial return of sockeye salmon.  
☞ A quality control plan was created and implemented at the Trail Lakes Hatchery to enhance the hatchery's production.  
☞ Delayed egg fertilization technique, a process used to increase the survival of fertilized eggs, was introduced at Tutka Bay Hatchery.  
☞ Three loans secured by the State of Alaska were restructured by extending the maturity date and deferring interest.  
☞ Trail Lakes Hatchery's water wells were reengineered to control the contamination of process water by surface water.
- 2000:** ☞ CIAA secured an additional \$250,000 dollar loan from the State of Alaska's revolving loan fund for supplementation to shortfalls in operational budgets.  
☞ A fire destroyed a transformer supplying electrical power to the Eklutna Salmon Hatchery.  
☞ A thorough review of the Hidden Lake Project was completed and an Environmental Assessment Draft was prepared in compliance with a U.S. Fish and Wildlife Service "Special Use Permit".
- 2001:** See "2001 Historical Highlights" on page 6.


## Selected Historical Highlights

*Continued from page 5*

**2001:**  CIAA develops an assistance program offering aide for the users of the declining salmon resource in the Cook Inlet Drainage. The Kenai Peninsula Borough endorsed the program and elevated it to their priority list for federal grant consideration

 CIAA secures federal grant money with the help of the Alaska delegation in Washington D.C. The distribution of money funded current programs operated by CIAA, capital improvements to Trail Lakes Hatchery, and a feasibility study for the development of a visitor's center at Bear Creek Weir and Trail Lakes Hatchery.

 Trail Lakes Hatchery experienced its largest outbreak of the IHN virus, which virtually eliminated three out of the four sockeye stocks being reared at this facility.

 CIAA secured an additional \$350,000 loan from the State of Alaska's revolving loan fund to cover shortfalls in operational budgets.

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## 2002 Historical Highlights

Trail Lakes Hatchery demonstrated an amazing turnaround in operations. After losing nearly ninety percent of the hatchery stock in 2001 due to IHN virus, which resulted in the worst year in TLH's history, the staff accepted major operational changes, and vaulted to the best year in the hatchery's history in terms of production. Just under 21 million sockeye salmon fry were reared and released in the spring of 2002 into various Cook Inlet drainages, along with .5 million coho destined for Bear Lake and Resurrection Bay.

The Kenai Peninsula Borough authorized the conveyance of property to Cook Inlet Aquaculture Association which prior to ordinance passage, was leased from the borough. CIAA's corporate office resides on this land. Joseph Malatesta Sr. played an integral role in the conceptual design of this idea, and Mark Powell, a borough assemblyman, introduced the ordinance for consideration.

CIAA received a Saltonstall-Kennedy grant, valued at \$113,000, for the review of the existing Cook Inlet Enhancement Plan, and the initial updating process for the next twenty year plan.



Trail Lakes Hatchery underwent a major facelift this past year. The exterior of the building received a new coat of paint, and the roof had numerous repairs due to the aging process. The process water wells were redeveloped to allow for future uninterrupted flows for fish development.

## Lake Fertilization

Lake fertilization is a method to increase

the production of food resources utilized by juvenile salmon. CIAA currently conducts two lake fertilization programs in an effort to stimulate added growth to smolts produced from enhancement projects at Bear and Leisure Lakes. ADF&G limnologists closely monitor CIAA fertilization projects to ensure the natural trophic status of a lake is not altered.

## Fishways

The Paint River fish ladder was not opened for operation during 2002 and only a small return of approximately 75 fish was observed in the pool below the ladder. The Chenik Creek "pool and jump" fish ladder continued to facilitate a small adult migration of approximately 4,650 fish into Chenik Lake.

## Habitat

HDR Environmental Engineering has been contracted by CIAA for channel modification work at the outlet of Big Lake. The current barrier at the outlet suppresses fluent fish passage into the lake.

CIAA annually surveys key streams for beaver dam activity that jeopardizes upstream migration for spawning adult salmon. CIAA continues to work with the Youth Restoration Corp on various habitat improvement projects around the Kenai Peninsula. Additionally, CIAA is assisting the Kenai River Watershed Forum in a project to monitor water quality in the Kenai River.

## Water Flow Control

During 2002, CIAA operated flow control structures to ensure adequate water was available for salmon migration into Daniels and Marten Lakes. The flow control structure at the outlet of Daniels Lake was checked five times to adjust flows, monitor road bank erosion into the creek, check on the progress of the bank restoration project, and observe fish migration. The Marten Lake flow control structure in the Big River Lakes area was checked twice during 2002. During a routine checkup, it was noticed the flow control structure sustained damage due to vandalism. Repairs to the structure were completed during a follow up visit. Adjustments to this structure provided the water necessary for sockeye escapement into Marten Lake

during August. CIAA continues to operate the ADF&G built Packers Lake flow control structure. Three trips were made to Packer's Lake to monitor and adjust the flow in 2002. Operation of the Packers Lake flow control structure is currently being reviewed by ADF&G.

### Project Development



Gray Fandrei, executive director of CIAA, does limnology work at the Paint River Lake system to ensure permitting requirements are met for the stocking of the excess sockeye reared at Trail Lakes Hatchery during the 2002 season.

Annually, CIAA staff undertakes tasks designed to gather important biological information about specific stocks of fish, investigate the limnology of various lakes, and identify, redesign, or decommission specific salmon rehabilitation or enhancement projects. This work is defined as project development because it describes both the potential of existing projects and the implementation of newly discovered projects.

Markets continue to grow for the sale of the unusable pink salmon eggs (due to their immaturity for hatchery use) from the Tutka Bay broodstock.

Paint River Lakes have again appeared on the radar screen. CIAA received a permit from the Alaska Department of Fish and Game to stock just over .5 million sockeye fall fry into the lake system. A smolt out migration count will be initialized in the spring of 2003.

### Ekultna Salmon Hatchery

The Eklutna Salmon Hatchery is owned by CIAA and is located on the Old Glen Highway near Palmer. The Board suspended hatchery operations on August 1, 1998. Although operations remain suspended, the hatchery is maintained and kept in a state of readiness as a reserve facility. In 2002, ADF&G continued to use the site to collect coho eggs for a sport fish enhancement project, and also used the raceways to temporarily pond king salmon smolt.

### Trail Lakes Hatchery

Trail Lakes Hatchery is a State owned and CIAA operated facility, located north of Moose Pass, Alaska on the Seward Highway. The hatchery supports a single coho salmon project and several sockeye salmon projects. While many of the hatchery's projects remain in tact, several changes in personnel have occurred this year. With the resignation of Hatchery Manager George W. Bowden, former Assistant Hatchery Manager, Robert Blankenship, took over the reigns of Trail Lakes Hatchery as the new manager. Filling Robert's spot as Assistant Hatchery Manager was CIAA veteran Mark Thomas. Currently, there are three full time employees responsible for the operation and maintenance of this facility

During the 2002 fiscal year (July 2001 through June 2002), Trail Lakes Hatchery collected 25.1 million sockeye eggs and released 19 million fry in Cook Inlet Lakes. In the fall of 2001, sockeye salmon eggs for Trail Lakes



Robert Blankenship, the new Trail Lakes Hatchery manager, surveys the outdoor raceways. The bird netting that now covers these raceways was one of the many changes implemented by the hatchery crew to increase production through proper sanitation.



Hatchery stocking projects were collected at Hidden Lake (1.332 million eggs), Tustumena Lake (12.307 million eggs), Bear Lake (6.017 million eggs), and Big Lake (6.286 million eggs). Coho salmon eggs were also collected from Bear Lake (1.052 million). In the spring of 2002, fry were released at: ➤Bear Lake 2.408 million fry, ➤Hidden Lake 980 thousand fry, ➤ Bear Creek at Tustumena Lake, 6.065 million fry ➤Leisure Lake 2.246 million fry, ➤ Hazel Lake 1.280 million fry ➤ Kirschner Lake 302 thousand fry, and ➤Big Lake 4.316 million fry, In addition, 405 thousand coho salmon fry and 124 thousand coho smolt were released into the Bear Lake (Resurrection Bay) system for the recreational fishery.

### Tutka Bay Lagoon Hatchery

Tutka Bay Lagoon Hatchery is a State owned and CIAA operated facility. Currently, two full time employees are responsible for the operation and maintenance of this facility. Personnel changes have also gone on at Tutka. Aaron VanArnum was hired in June as the new Hatchery Manager. Later, in the fall, Justin Evens came on to replace long time Assistant Hatchery Manager, Kadeon Waite

Tutka Bay Hatchery experienced a rather dismal, yet encouraging fiscal year (July 2001 – June 2002). Cost recovery fell 65% short of the revenue requirements for Tutka Bay Lagoon Hatchery operations; however, broodstock collection activities (Fall of 2001) were performed



One of the many elements the crew has to contend with at Tutka Bay Hatchery is the annual snow fall. Pictured above is the water settling tower blanketed by an eight foot snow load in mid April of 2002.

without incident and fry release (Spring 2002) was extremely successful. In 2001, 715 thousand pink salmon adults returned to Tutka Bay. 134 million pink salmon eggs were successfully collected, incubated, and reared resulting in a spring 2002 release of 99.4 million pink salmon fry. Our target release size of .5 grams per fry was again met for the second consecutive year, with some fry exceeding .8 grams.

### Cook Inlet Regional Planning Team

CIAA no longer provides staff for the Cook Inlet Regional Planning Team (CIRPT), but CIAA board members, David Martin, Steve Vanek, and Douglas Blossom, continue to serve as the association's three representatives to the CIRPT. Brent Johnson, who resigned his board seat in May, was the alternate representative.



Coho salmon smolt at Tail Lakes Hatchery are reared for release into Resurrection Bay. This program benefits the many users who participate in the Seward Silver Salmon derby held annually in Resurrection Bay.

### Public Education

Cook Inlet Aquaculture Association continues to develop educational programs revolving around the salmon resource. The Association realizes that education is an important asset in sustaining quality fish habitat, and strong salmon adult returns. The following items describe some of the methods used in the educational process. Trail Lakes Hatchery administered thirty plus tours of the hatchery to Kenai Peninsula Schools during this year's production cycle. Numerous other tours were given to visiting officials and professionals. Staff members speak to organizations around the state on the goals and mission of the Association. Board Members participate in various committees dealing with fishery related agendas.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Cook Inlet Aquaculture Association, Inc.  
Kenai, Alaska

We have audited the accompanying statements of financial position of Cook Inlet Aquaculture Association, Inc. (a nonprofit organization) as of June 30, 2002 and 2001, and the related statements of activities, statements of functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cook Inlet Aquaculture Association, Inc. as of June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Lambe, Tuttle & Wagner CPAs*

September 12, 2002

**COOK INLET AQUACULTURE ASSOCIATION, INC.**  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2002 and 2001

	<u>ASSETS</u>	<u>2002</u>	<u>2001</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 343,932	\$ 756,930
Grant receivable		236,366	-
Accounts receivable		10,000	-
Prepaid expenses		34,360	22,342
		<u>624,658</u>	<u>779,272</u>
<b>PROPERTY AND EQUIPMENT</b>			
Less accumulated depreciation		3,685,776	3,497,241
		<u>(2,179,371)</u>	<u>(2,088,248)</u>
		<u>1,506,405</u>	<u>1,408,993</u>
		<b><u>\$2,131,063</u></b>	<b><u>\$2,188,265</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 33,172	\$ 6,721
Accrued personnel expenses		73,111	82,447
Deposits advanced		-	100,000
Accrued interest		57,789	57,560
Current portion of notes payable		44,065	42,782
		<u>208,137</u>	<u>289,510</u>
<b>NOTES PAYABLE, less portion classified as current</b>			
		<u>2,264,161</u>	<u>2,171,696</u>
		<u>2,472,298</u>	<u>2,461,206</u>
<b>NET ASSETS</b>			
Unrestricted		(694,889)	(272,941)
Temporarily restricted		353,654	-
		<u>(341,235)</u>	<u>(272,941)</u>
		<b><u>\$2,131,063</u></b>	<b><u>\$2,188,265</u></b>

See notes to financial statements.

**COOK INLET AQUACULTURE ASSOCIATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2002**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Grants	\$ -	\$1,015,000	\$1,015,000
Enhancement tax proceeds	-	244,555	244,555
Terminal fish revenues	339,676	-	339,676
Interest	12,719	-	12,719
Other	57	-	57
	352,452	1,259,555	1,612,007
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	905,901	(905,901)	-
Total revenue and other support	1,258,353	353,654	1,612,007
PROJECT EXPENSES			
Tutka Hatchery	376,247	-	376,247
Trail Lakes Hatchery	655,558	-	655,558
Eklutna Hatchery	80,853	-	80,853
Field projects	211,865	-	211,865
Special projects	8,383	-	8,383
	1,332,906	-	1,332,906
GENERAL AND ADMINISTRATIVE EXPENSES	347,395	-	347,395
Total expenses	1,680,301	-	1,680,301
CHANGE IN NET ASSETS	(421,948)	353,654	(68,294)
NET ASSETS AT JUNE 30, 2001	(272,941)	-	(272,941)
NET ASSETS AT JUNE 30, 2002	<u>\$ (694,889)</u>	<u>\$ 353,654</u>	<u>\$ (341,235)</u>

**COOK INLET AQUACULTURE ASSOCIATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2001**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Grants	\$ -	\$ 469,005	\$ 469,005
Enhancement tax proceeds	625,115	-	625,115
Terminal fish revenues	-	40,000	40,000
Interest	40,811	-	40,811
Other	454	-	454
	666,380	509,005	1,175,385
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	509,005	(509,005)	-
Total revenue and other support	1,175,385	-	1,175,385
PROJECT EXPENSES			
Tutka Hatchery	486,845	-	486,845
Trail Lakes Hatchery	522,402	-	522,402
Eklutna Hatchery	112,705	-	112,705
Field projects	255,327	-	255,327
Special projects	350	-	350
	1,377,629	-	1,377,629
GENERAL AND ADMINISTRATIVE EXPENSES	386,130	-	386,130
Total expenses	1,763,759	-	1,763,759
CHANGE IN NET ASSETS	(588,374)	-	(588,374)
NET ASSETS AT JUNE 30, 2000	315,433	-	315,433
NET ASSETS AT JUNE 30, 2001	<u>\$ (272,941)</u>	<u>\$ -</u>	<u>\$ (272,941)</u>

See notes to financial statements.

**COOK INLET AQUACULTURE ASSOCIATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended June 30, 2002**

	Tutka Hatchery Operations	Trail Lakes Hatchery Operations	Eklutna Hatchery Operations	Field Projects	Special Projects	General and Administrative Expenses	Total
Wages	\$122,568	\$168,295	\$ 2,340	\$ 98,638	\$ -	\$188,939	\$ 580,780
Supplies	25,159	72,938	573	20,994	-	18,289	137,953
Payroll taxes and benefits	17,856	47,811	1,642	17,719	-	37,804	122,832
Utilities	41,024	72,812	(515)	1,620	-	5,188	120,129
Interest	-	116,178	-	637	-	29	116,844
Building and land maintenance	2,277	95,548	-	120	-	225	98,170
Depreciation	6,961	5,497	66,605	-	-	12,060	91,123
Insurance/workers compensation	26,330	16,589	6,920	488	-	28,789	79,116
Fish food	53,145	12,683	-	10,113	-	-	75,941
Equipment operation and maintenance	19,948	20,311	345	2,264	-	8,984	51,852
Fish harvesting	42,713	1,500	-	-	-	-	44,213
Aircraft and boat charters	3,622	-	-	31,442	8,033	539	43,636
Professional services	-	400	-	18,240	-	9,992	28,632
Postage and freight	3,203	10,190	-	90	-	3,616	17,099
Medication and disinfectants	7,630	7,655	-	-	-	-	15,285
Travel, lodging and meals	1,004	355	46	131	-	10,472	12,008
Telephone	1,604	2,309	1,012	1,655	-	5,301	11,881
Safety program	104	669	-	-	-	1,525	2,298
Rent	-	-	1,500	270	-	-	1,770
Other	1,099	3,818	385	7,444	350	15,643	28,739
	<u>\$376,247</u>	<u>\$655,558</u>	<u>\$ 80,853</u>	<u>\$211,865</u>	<u>\$ 8,383</u>	<u>\$347,395</u>	<u>\$1,680,301</u>

**COOK INLET AQUACULTURE ASSOCIATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended June 30, 2001**

	Tutka Hatchery Operations	Trail Lakes Hatchery Operations	Eklutna Hatchery Operations	Field Projects	Special Projects	General and Administrative Expenses	Total
Wages	\$154,293	\$149,544	\$ 8,240	\$ 98,801	\$ -	\$212,048	\$ 622,926
Supplies	25,445	76,823	2,473	21,271	-	12,705	138,717
Payroll taxes and benefits	28,798	38,992	949	11,858	-	36,234	116,831
Utilities	23,644	57,200	(246)	1,608	-	4,600	86,806
Interest	-	114,902	-	-	-	-	114,902
Building and land maintenance	9,454	6,602	-	-	-	882	16,938
Depreciation	17,283	8,732	88,109	-	-	17,119	131,243
Insurance/workers compensation	25,235	16,499	8,612	-	-	33,626	83,972
Fish food	43,559	7,704	-	4,548	-	-	55,811
Equipment operation and maintenance	45,114	26,709	1,005	11,791	-	8,794	93,413
Fish harvesting	84,958	-	-	50,000	-	-	134,958
Aircraft and boat charters	972	-	-	29,006	-	350	30,328
Professional services	650	2,210	-	16,261	-	19,177	38,298
Postage and freight	14,624	6,848	416	2,038	-	2,151	26,077
Medication and disinfectants	4,144	2,528	-	-	-	-	6,672
Travel, lodging and meals	4,152	619	127	67	-	6,297	11,262
Telephone	1,865	2,889	660	2,721	-	5,896	14,031
Safety program	1,592	937	-	168	-	748	3,445
Rent	-	-	1,600	5,040	300	2,882	9,822
Other	1,063	2,664	760	149	50	22,621	27,307
	<u>\$486,845</u>	<u>\$522,402</u>	<u>\$112,705</u>	<u>\$255,327</u>	<u>\$ 350</u>	<u>\$386,130</u>	<u>\$1,763,759</u>

See notes to financial statements.

**COOK INLET AQUACULTURE ASSOCIATION, INC.**

**STATEMENTS OF CASH FLOWS**

**Years ended June 30, 2002 and 2001**

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and contracts	\$ 778,634	\$ 40,000
Cash received from terminal fish revenue	229,676	815,204
Cash received from enhancement tax proceeds	244,555	469,005
Cash received from other sources	57	454
Interest received	12,719	40,811
Interest paid	(116,615)	-
Cash paid to suppliers and employees	<u>(1,467,237)</u>	<u>(1,558,439)</u>
Net cash used by operating activities	<u>(318,211)</u>	<u>(192,965)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(52,035)	(22,932)
Performance bond redeemed	-	1,000
Net cash used for investing activities	<u>(52,035)</u>	<u>(21,932)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term financing	-	350,000
Principal payments on long-term financing	<u>(42,752)</u>	-
Net cash (used) provided by financing activities	<u>(42,752)</u>	<u>350,000</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(412,998)	135,103
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>756,930</u>	<u>621,827</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><b>\$ 343,932</b></u>	<u><b>\$ 756,930</b></u>

RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES

	<u>2002</u>	<u>2001</u>
CHANGE IN NET ASSETS	\$ (68,294)	\$ (588,374)
ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET CASH USED BY OPERATIONS		
Depreciation	91,123	131,243
Increase in accrued interest	229	57,560
(Increase)/decrease in accounts receivable	(10,000)	90,089
Increase in notes payable	-	57,342
Increase in prepaid expenses	(12,018)	(12,180)
Increase/(decrease) in accounts payable	26,451	(25,529)
Decrease in accrued personnel expenses	(9,336)	(3,116)
(Decrease)/increase in deposits payable	(100,000)	100,000
Increase in grant receivable	<u>(236,366)</u>	-
	<u>(249,917)</u>	<u>395,409</u>
	<u><b>\$ (318,211)</b></u>	<u><b>\$ (192,965)</b></u>

SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES:

	<u>2002</u>	<u>2001</u>
Deferred interest on notes payable to State of Alaska	<u><b>\$ -</b></u>	<u><b>\$ 57,342</b></u>

During the year ended June 30, 2002, the Association financed the purchase of property as follows:

Bear lake property	\$ 137,500
Down payment	<u>(1,000)</u>
Note payable to State of Alaska	<u><b>\$ 136,500</b></u>

See notes to financial statements.

# COOK INLET AQUACULTURE ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cook Inlet Aquaculture Association, Inc. is an Alaskan regional nonprofit corporation established under Alaska Statutes and operated for the enhancement of salmon in Alaska.

The accounting policies that affect the more significant elements of the financial statements of the Association are summarized as follows:

#### a. Method of Accounting

The Association reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted amounts are those currently available at the discretion of the Board for use in the Association's operations.

Temporarily restricted amounts are those that are stipulated by donors or grantors for specific operating purposes.

Permanently restricted amounts are those for which the principal is stipulated by donors or grantors to be invested in perpetuity.

#### b. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor or grantor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

#### c. Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful life. Depreciation is computed using the straight line method.

#### d. Income Tax

The Internal Revenue Service has determined that the Association is exempt from federal and applicable state income tax under Section 501(c)(3) of the Internal Revenue Code.

#### e. Enhancement Tax

Cook Inlet commercial fishermen voted in 1981 to assess a 2% tax on gross value of the salmon harvest from Cook Inlet. The tax is collected by the State of Alaska from salmon processors and then paid to the Association by the state in the form of a grant. The proceeds are to be used for enhancement and development of the salmon fishery with a goal of stabilizing the salmon runs and producing sufficient fish to meet the needs of all user groups. The enhancement tax revenue is a major source of funding for the Association.

#### f. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**COOK INLET AQUACULTURE ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**June 30, 2002 and 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

g. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

2. GRANT RECEIVABLE

Grant receivable consists of the following:

	<u>Total</u> <u>Award Amount</u>	<u>Receivable at</u> <u>June 30, 2002</u>
U.S. Fish and Wildlife Service	<u>\$1,000,000</u>	<u>\$ 236,366</u>

3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2002 and 2001, is as follows:

	<u>2002</u>	<u>2001</u>
Tutka Lagoon Hatchery	\$ 129,871	\$ 81,428
Eklutna Hatchery and equipment	2,636,555	2,636,555
Trail Lakes Hatchery and equipment	232,822	232,381
Bear Lake property	137,500	-
Headquarters building	314,951	314,871
Field equipment	165,056	165,056
Office equipment	59,385	57,314
Warehouse equipment	<u>9,636</u>	<u>9,636</u>
	3,685,776	3,497,241
Less accumulated depreciation	<u>(2,179,371)</u>	<u>(2,088,248)</u>
	<u>\$1,506,405</u>	<u>\$1,408,993</u>

The Association operates the facilities owned by the State of Alaska at Tutka Lagoon and Trail Lakes. Title of the physical properties is retained by the State of Alaska and the costs of the physical plants are not reflected in the financial statements of the Association.

The Association provides minimal operations at its Eklutna Hatchery to ensure the safekeeping of hatchery property owned by the Association until such time as the Board of Directors determine to reopen the hatchery.

4. DEPOSITS ADVANCED

Deposits advanced of \$100,000 at June 30, 2001, consist of cash received from processors for the acquisition of surplus fish from planned terminal recovery harvests.

5. NOTES PAYABLE

Notes payable at June 30, 2002 and 2001, consist of the following:

	<u>2002</u>	<u>2001</u>
Note payable including deferred interest to the Dept. of Commerce and Economic Development, State of Alaska, Division of Investments, secured by an assignment of future revenues and proceeds of sales of surplus fish and eggs, with interest at 9.5% beginning December 20, 1994, and payable in equal annual installments of \$36,874 including deferred interest beginning January 1, 2002.	\$ 361,111	\$ 375,317

**COOK INLET AQUACULTURE ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**June 30, 2002 and 2001**

5. NOTES PAYABLE (cont.)

	<u>2002</u>	<u>2001</u>
Note payable including deferred interest to the Dept. of Commerce and Economic Development, State of Alaska, Division of Investments, secured by an assignment of future revenues and proceeds of sales of surplus fish and eggs, with interest at 9.5% beginning December 20, 1994, and payable in equal annual installments of \$13,909 including deferred interest beginning January 1, 2002.	136,202	141,561
Note payable including deferred interest to the Dept. of Commerce and Economic Development, State of Alaska, Division of Investments, secured by all property now owned or hereafter acquired and an assignment of future revenues and proceeds of sales of surplus fish and eggs, with interest at 9.5% beginning September 9, 1998, and payable in equal annual installments of \$107,918 including deferred interest beginning January 1, 2002.	1,075,182	1,097,600
Note payable to the Dept. of Commerce and Economic Development, State of Alaska, Division of Investments, secured by all property now owned or hereafter acquired and an assignment of future revenues and proceeds of sales of surplus fish and eggs, with interest at 9.5% beginning April 4, 2006, and payable in equal annual installments of \$28,904 including interest beginning January 1, 2007.	249,981	250,000
Note payable to the Dept. of Commerce and Economic Development, State of Alaska, Division of Investments, secured by all property now owned or hereafter acquired and an assignment of future revenues and proceeds of sales of surplus fish and eggs, with interest at 9.5% beginning May 7, 2007, and payable in equal annual installments of \$40,465 including interest beginning January 1, 2008.	349,250	350,000
Note payable to the Dept. of Commerce and Economic Development, State of Alaska, Division of Investments, secured by real property and by all property now owned or hereafter acquired and an assignment of future revenues and proceeds of surplus fish and eggs, with interest at 6% beginning June 18, 2008, and payable in equal annual installments of \$12,333 including interest beginning January 1, 2009.	136,500	-
	<u>2,308,226</u>	<u>2,214,478</u>
Less current portion	<u>(44,065)</u>	<u>(42,782)</u>
	<u><b>\$2,264,161</b></u>	<u><b>\$2,171,696</b></u>

**COOK INLET AQUACULTURE ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**June 30, 2002 and 2001**

5. NOTES PAYABLE (cont.)

Following are maturities of long-term debt for each of the next five years:

2003	\$ 44,065
2004	46,346
2005	48,844
2006	51,578
2007	54,573

6. ANNUAL LEASES

The Association entered into a long-term lease with the federal government on July 22, 1982, for lease of approximately two acres for the Eklutna Hatchery. The lease is for a period of 30 years with right of renewal. Lease payments are \$1,200 per year and can be adjusted every five years to reflect current market value. The annual lease payments were \$1,500 for years ended June 30, 2002 and 2001. This amount is included with Eklutna Hatchery expenses.

On July 7, 1985, the Association entered into a lease with the Kenai Peninsula Borough on 4.9 acres of land which is the site of a new headquarters complex. The lease was for a period of 30 years with right to renewal. Annual lease payments were set at 5% of the current year assessed value of the land. The annual lease payment for the year ended June 30, 2001, was \$2,632 and is included in general and administrative expenses. During the year ended June 30, 2002, the Kenai Peninsula Borough transferred the land that is the site of the headquarters complex to the Association with the special restriction that the property be used solely for the operation of Association authorized purposes. The Association may remove the restriction by paying the Borough fair market value for the land.

On February 15, 1991, the Association entered into a lease with the State of Alaska on 4.68 acres of land, which is the site of the Paint River fish ladder. The lease is for a period of 55 years with right to renewal. Annual lease payments are \$200. Total lease payments for the years ended June 30, 2002 and 2001, were \$200. This amount is included with special projects expenses.

Future minimum rental payments in aggregate for all leases:

2003	\$ 1,700
2004	1,700
2005	1,700
2006	1,700
2007	1,700

7. COMMITMENTS AND CONTINGENCIES

On December 8, 1994, the Association entered into a memorandum of agreement with the Seward Silver Salmon Derby-Fish Restoration Fund whereby the Association agreed to produce and stock 150,000 or more silver salmon smolt yearly for a ten-year period for a fee of \$15,000 per year. The Association received \$15,000 in 2002 and \$40,000 in 2001.

8. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2002, the Association paid \$43,127 to a board member under a contract to harvest fish for the Association's Hatchery Cost Recovery program.

**COOK INLET AQUACULTURE ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**June 30, 2002 and 2001**

9. FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Association to concentration of credit risk consist principally of temporary cash investments. The Association places its temporary cash investments with money market funds through McDonald Investments, Inc.

10. RETIREMENT COSTS

The Association sponsors a defined contribution retirement plan that covers all regular employees. Contributions to the plan are based on a percentage of the employee's base salary that is established from time to time by the Board. There is no retirement expense for 2002 and 2001.

11. MAJOR FUNDING SOURCES

The Association receives a substantial portion of its annual funding through a U.S. Fish and Wildlife Service grant and the State of Alaska Enhancement Tax proceeds. The funding received from these two sources totaled \$1,244,555 and \$469,005 for the years ended June 30, 2002 and 2001, respectively.

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**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION**

Board of Directors  
Cook Inlet Aquaculture Association, Inc.  
Kenai, Alaska

Our report on our audits of the basic financial statements of Cook Inlet Aquaculture Association, Inc. (a nonprofit corporation) at and for the years ended June 30, 2002 and 2001, appears on page 10. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The following schedule on field and special projects expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lambe, Tutu & Wagner CPA's*

September 12, 2002

**COOK INLET AQUACULTURE ASSOCIATION, INC.  
SCHEDULE OF FIELD AND SPECIAL PROJECTS EXPENSES  
Years ended June 30, 2002 and 2001  
See Auditor's Report on Supplementary Information**

	<u>2002</u>	<u>2001</u>
<u>Field Projects</u>		
Bear Lake	\$ 56,034	\$ 55,395
Tustumena Lake	52,261	28,114
Hidden Lake	30,847	28,223
Big Lake	27,229	6,995
Leisure Lake	14,616	-
Lower Cook Inlet Lakes	14,340	18,382
Grouse Lake	13,900	88,304
Packers Lake	2,639	29,914
 <u>Special Projects</u>		
Habitat Survey	8,033	-
Paint River	350	350
	<u>\$220,249</u>	<u>\$255,677</u>

# COOK INLET AQUACULTURE ASSOCIATION PERSONNEL

## FULL-TIME EMPLOYEES January 1, 2003

### HEADQUARTERS:

Executive Director	Gary Fandrei
Special Project Manager	Lani Eggertsen-Goff
Special Projects Manager	Mark Matarrese
Project Technician	Trenten Dodson
Administrative Assistant	Judy A. Miller
Administrative Assistant	Susan Swartz

### TRAIL LAKES:

Hatchery Manager	Robert Blankenship
Assistant Hatchery Manager	Thomas Prochazka
Assistant Hatchery Manager	Mark Thomas

### TUTKA BAY LAGOON HATCHERY:

Hatchery Manager	Aaron VanArnum
Assistant Hatchery Manager	Justin Evans

### SEASONAL / TEMPORARY EMPLOYEES

Alger M. Aleck	Ann E. Gaule	Jeff J. Pike
Lindsay N. Anderson	Brandon C Grover	Annie R. Rice
Tammy M. Bittle	Jeriel R. Hillman	Robert J. Roberts
Patrick L. Bell	Christian R. Hurst	Amanda M. Shahan
Patricia S. Bowden	Terry M. Magee	Andy Sheets
Ronald E. Carlson	Charles R. Mansfield	Carol L. Smith
Brandon R. Chamberlin	Johnathan F. Mast	Christine M. Starkweather
Cathy L. Cline	Christopher C. Miller	Michael W. Stracco
Anna B. Denney	Josh T. Obert	Susan U. Swartz
Jennifer L. Dulmage	Julia R. Oliver	Deanna M. Thomas
Robert Z. Edwards	Timothy Overgraad	John J. Tri
Virginia Estes	Tanya M. Parker	Christy V. Arnum
Aaron D. Fergola	Jan A. Perlberg	Ryall J. Waite
Brandon B. Fontes		Nancy J. Yandell
Kasha M. Forgette		Steven J. Zakelj

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*CIAA Headquarters* is located at mile 16.5 Kalifornsky Beach Road, between Kenai and Soldotna

*Trail Lakes Hatchery* is located at Mile 32.5 Seward Highway, just north of Moose Pass.

*Tutka Bay Hatchery* is located on the southwest side of Kachemak Bay, in Tutka Bay

*Bear Creek Weir* is located east of mile 10 on the Seward Highway.

## A Message from The President

The Cook Inlet Aquaculture Association (CIAA), Cook Inlet fishermen and the industry continue to face troubled times. Struggling economies and competition from the growing farmed fish industry have presented new financial challenges to us all as we work to define our position in the world. I am confident as we work with our local, state and federal leaders we can meet these new challenges.

Last year CIAA received a big boost to its goal of providing long-term assistance to the Cook Inlet fishery. We received a one million dollar grant from the Federal government. This grant was the result of the combined efforts of CIAA staff, the Kenai Peninsula Borough Mayor, the Kenai Peninsula Borough Assembly and numerous local organizations that spoke in favor of CIAA's efforts to provide and protect Cook Inlet's salmon resource. Most importantly, Alaska's delegation in Washington D.C., Senator Ted Stevens, Senator Frank Murkowski (now Governor Murkowski) and Representative Don Young, also recognized the problems facing the Cook Inlet fishery and supported CIAA's efforts. Special thanks go to these individuals.

The results of our efforts have been promising. Improvements at Trail Lakes Hatchery have resulted in improved hatchery releases for existing projects; and, the unexpected benefit of surplus fish for additional releases at Upper Paint River Lake and the Homer Spit has also been realized. During the past year, CIAA also received a Federal Saltonstall-Kennedy grant to develop a new 20 year salmon enhancement plan. While these successes may seem small at first they are the types of programs that we can build on to support ourselves and the Cook Inlet fishery. And that is why I see promise in the Association's future.

Many people are working to correct the problems facing the Cook Inlet fishery. CIAA facilities are staffed by competency, dedication and professionalism. These qualities led to the improvements we saw in 2002. The State of Alaska also elected a new governor that recognizes the importance of Alaska's fishing industry and has pledged to see it continue to be an important part of our lives. We all need to work together to meet the challenges of the future.

There is light at the end of the tunnel and CIAA is positioned to be a major part of that light

*David R. Martin*

A handwritten signature in cursive script that reads "David R. Martin".

*President*