



COOK INLET

AQUACULTURE ASSOCIATION

ANNUAL REPORT

2007



A Message From The President

The Cook Inlet Aquaculture Association made significant contributions to salmon resources of Cook Inlet in 2007. CIAA continues to focus on key salmon stocks through responsible enhancement, habitat rehabilitation, and wild stock monitoring studies.

In 2007 CIAA once again operated weirs to enumerate juvenile and adult salmon at several lakes in the Susitna watershed. Limnology and escapement data thus gathered was very useful for fishery scientists and managers. The Association hopes to continue operating these weirs as a joint project with the Alaska Department of Fish and Game. By counting the number of adults entering a lake, studying food resources, and counting the number of smolt leaving, production problems can be pinpointed. Once they are determined, plans for remedial action can be explored.

CIAA continues to assess individual enhancement projects on a yearly basis. Evaluations include the health, size and number of fish produced in any given lake, as well as impacts on co-mingling wild stocks. Smolts were monitored at Big Lake, a sockeye stocking project that is currently on-going. In the past, Big Lake smolts have been observed with parasites. Water quality may be a contributing factor to these parasites. The information collected may help determine solutions to production problems there, or it may guide CIAA to direct efforts elsewhere. Stocking at Hidden Lake continues, as it has for almost 30 years. Smolt emigrating Tustumena Lake were monitored, they were large, healthy, and rather few. Discontinuation of the Tustumena Lake sockeye enhancement project has coincided with a significant drop in smolt production. Reasons can be attributed to other factors, but it is imperative that CIAA continues to monitor those smolt.

The most significant stocking opportunities and projects are taking place in the seine grounds of lower Cook Inlet and Resurrection Bay. CIAA has been wise to target those areas with some carefully planned projects. This is where stock segregation facilitates enhancement projects. A sockeye project at Tutka Hatchery is several years into minor production. New efforts are looking at our \$2.8 million Paint River fish ladder. It has never been opened, and it should be.

Trail Lakes Hatchery continues to operate at full capacity and water shortages there are now predictable. Eklutna Hatchery has been an instrumental facility for receiving fish when groundwater at Trail Lakes Hatchery drops in late winter and spring. The wells at Trail Lakes Hatchery are being studied and possibilities exist for improving the flow into those wells.

The best project in the lower Inlet may be to reopen Tutka Bay as a pink salmon facility. Pink salmon hatcheries in other areas of the state are enjoying great success due to the recent surge in prices. A Tutka Bay pink salmon program has the potential to establish a consistent common property fishery and a funding source for CIAA.

Sincerely,



Brent Johnson

2007 ANNUAL REPORT

COOK INLET AQUACULTURE ASSOCIATION

Brent Johnson, *President*
Mike Wiley, *First Vice President*
Steven Tvenstrup, *Second Vice President*
David Martin, *Secretary*
R. Drew Sparlin, Sr., *Treasurer*

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 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
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KENAI, ALASKA 99611
(907)283-5761**

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MISSION

Cook Inlet Aquaculture Association is a nonprofit regional association which exists to: (1) protect self-perpetuating salmon stocks and 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 where appropriate.

GOALS

To accomplish this mission the Board of Directors of 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. An average harvest rate of 50% in the common property fishery is the acceptable standard for "significant contribution". This standard does not apply during project development or to projects designed solely for cost recovery harvest.

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 Area H 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 nonprofit 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

Cook Inlet Fishermen's Fund

Director(s): Teague Vanek
David Martin

Alternate(s): Chris Garcia
Chris Garcia

Cook Inlet Seiners Association

Director(s): Charles Walkden
Nathan Wise

Alternate(s): John Wise
VACANT

Kenai Peninsula Fisherman's Association

Director(s): Brent Johnson
Mike Wiley

Alternate(s): Paul Shadura III
Jeff Beaudoin

North Pacific Fisheries Association

Director(s): Jessie Nelson
VACANT

Alternate(s): Dan Winn
VACANT

Northern District Set Netters of Cook Inlet

Director(s): Fred Thoerner III
VACANT

Alternate(s): Steve Braund
VACANT

United Cook Inlet Drifters Association

Director(s): Frankie Derossitt
Steve Tvenstrup

Alternate(s): Ron Rust
Dan Thompson

Inlet Wide Commercial Fishermen Representatives

Director(s): James Butler III
R. Drew Sparlin, Sr.
Dyer Van Devere
Wayne Wong
Rowland Maw

Alternate(s): Philip Squires
Richard D. Thompson
Robert Wolfe
Heidi Wiley-Wong
Dan Thompson

City of Homer

Director(s): Mark Roth

Alternate(s): Al Ray Carroll

City Kachemak

Director(s): Paul Jones

Alternate(s): Emil "Beaver" Nelson

City of Seward

Director(s): John French

Alternate(s): VACANT

Cook Inlet Region, Inc.

Director(s): Paul Shadura II

Alternate(s): VACANT

Kenai Peninsula Borough

Director(s): Margaret Gilman

Alternate(s): Ron Long

Matanuska-Susitna Borough

Director(s): VACANT

Alternate(s): VACANT

Municipality of Anchorage

Director(s): David Wigglesworth

Alternate(s): VACANT

Ninilchik Village Council

Director(s): Stephen Vanek

Alternate(s): VACANT

Processor Representative

Director(s): Timothy Schmidt

Alternate(s): Duff Hoyt

COOK INLET AQUACULTURE ASSOCIATION COMMITTEE ASSIGNMENTS

EXECUTIVE COMMITTEE:

Chairman: Brent Johnson – President
Mike Wiley – First Vice-President
Steve Tvenstrup – Second Vice-President
David Martin – Secretary
R. Drew Sparlin, Sr. – Treasurer
James Butler III
Paul Shadura II

PLANNING COMMITTEE:

Chairman: TBA
Brent Johnson
Dyer Van Devere
Emil Nelson
Paul Shadura II

James Butler III
John French
Nathan Wise

MARKETING COMMITTEE:

Chairman: Nathan Wise
Mike Wiley
David Martin
Rowland Maw
Brent Johnson

Mark Roth
Tim Schmidt

BY-LAWS COMMITTEE:

Chairman: James Butler III
Brent Johnson

John French

SUSITNA COMMITTEE:

Chairman: Dyer Van Dever.
Teague Vanek
Rowland Maw
R. Drew Sparlin, Sr.

Beaver Nelson
Paul Shadura II

PAINT RIVER COMMITTEE:

Chairman: Beaver Nelson
Mark Roth
Frankie Derossitt

Dave Martin
Nathan Wise

REGIONAL PLANNING TEAM:

R. Drew Sparlin, Sr.
Mark Roth

Dave Martin
Stephen Vanek

SELECTED EVENTS OF ORGANIZATIONAL SIGNIFICANCE

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% 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, a stream improvement at Bishop Creek.

1979

CIAA expanded enhancement activities and initiated hatchery feasibility studies at Eklutna.

1980

Several fishermen volunteered the expenditure of approximately \$100,000 of “mandatory assessment” funds on habitat improvement projects. The 2% tax replaced the 2% assessment of 1978. Habitat surveys and improvement work began over a wide area of Cook Inlet.

1981

The Salmon Enhancement Tax (2%) was collected in Cook Inlet for the first time.

1982

The Alaska Supreme Court found the mandatory assessment of 1978 unconstitutional. Board membership of the five charter commercial fishermen’s organizations was reduced from 3 to 2 seats each. The five seats vacated were filled by an at-large election. The Commissioner of ADF&G approved the “Cook Inlet Regional Salmon Enhancement Plan 1981-2000”.

1983

The Eklutna Salmon Hatchery permit was issued, and hatchery construction 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 a plan for distribution of the remaining assessment trust funds.

1986

The first significant number of adult chum salmon returned to Eklutna Salmon Hatchery. The Chenik Creek fish pass was built, and a flow control structure was built at Daniels Lake. The “mandatory assessment” refund program drew closer to completion.

1987

A spawning channel was built at Scurvy Creek. The first egg collection was conducted at Packers Lake.

1988

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 reintroduce sockeye salmon to Bear Lake near Seward.

1990

CIAA’s first cost recovery harvest occurred at Packers Lake. The CIAA Board adopted its first Mission/Goals Statement. Funding was secured for the Paint River Fish Ladder. CIAA underwrote the cost of the sockeye salmon production program at Crook Creek Hatchery.

1991

CIAA took over operation of the State owned Tutka Bay Lagoon Hatchery. The Paint River Fish Ladder was constructed. 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. The first sockeye salmon resulting from the reintroduction to Bear Lake near Seward returned. 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 large coho population study on the Kenai River.

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 Crooked Creek Hatchery.

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 CIAA Bear Lake Project. Both the Eklutna Salmon Hatchery and the Trail Lakes Hatchery experienced operational problems and the loss of some fish due to flooding.

1996

CIAA no longer provided staff support for the Cook Inlet Regional Planning Team and requested that the State assume that role as it had in other areas.

1997

Tutka Bay Lagoon Hatchery had a record return, and the cost recovery goal was met. CIAA stopped operations of Crooked Creek Hatchery and transferred the programs to Trail Lakes Hatchery and Eklutna Salmon Hatchery.

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 Tail Race. Operations were later suspended at Eklutna Salmon Hatchery.

1999

The Grouse Lake Project produced its first substantial return of sockeye salmon. Delayed egg fertilization technique, a process used to increase survival of fertilized eggs, was introduced to Tutka Bay Lagoon Hatchery. Trail Lakes Hatchery's water wells were reengineered to control the contamination of process water by surface water.

2000

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

Trail Lakes Hatchery experienced its largest outbreak of the IHN virus, which virtually eliminated three out of the four sockeye stocks being reared at the facility. CIAA secured 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 at Trail Lakes Hatchery, and a feasibility study for the development of a visitor's Center at Bear Creek Weir and Trail Lakes Hatchery.

2002

Trail Lakes Hatchery released just less than 21 million sockeye, the largest production on record. The Kenai Peninsula Borough authorized the conveyance of property where the CIAA corporate office is located to CIAA.

2003

CIAA secured grants from the U.S. Fish and Wildlife Service through the help of Senator Ted Stevens totaling \$1.721 million. An additional grant of 1 million dollars was awarded to CIAA through the Pacific Coast Salmon Recovery Fund.

2004

The long standing program at Tustumena Lake was terminated, and CIAA released 6 million fry to Bear Creek for the last time. Pink salmon operations were shut down at Tutka Bay Lagoon Hatchery. CIAA operated a steep pass at Cannery Creek to allow passage of coho salmon. Broodstock for the Lower Inlet Lakes Project was switched from Tustumena stock to Hidden Lake stock.

2005

CIAA began an Internship program allowing students from outside of Alaska to participate in several of the salmon enumeration and monitoring activities conducted by the Association.

In efforts to continue the sockeye releases at Leisure, Hazel, and Kirschner Lakes, CIAA began a sockeye release program at Tutka Bay Lagoon. Smolts from Hidden Lake stock were transported from Trail Lakes Hatchery to the net pens in Tutka Bay Lagoon, held for several weeks, and released in July of 2005.

2006

CIAA continued its internship program and expanded from six students to twenty-six students.

Studies began to investigate the freshwater rearing habitat for sockeye salmon in the Susitna Drainage. CIAA conducted weir counts at six major spawning lakes within the system.

A sockeye salmon smolt emigration from Bear Lake (Seward) made the record books as nearly 1.9 million made their way through Bear Lake weir and on to Resurrection Bay.

2007

CIAA continued its internship program and hosted twenty-nine students.

Smolt emigration component of the Susitna studies was undertaken in the three year study plan. CIAA conducted smolt and adult counts at all seven major spawning lakes within the system and continued to assist ADF&G in the Susitna River project.

CIAA operated the Packers Lake adult weir and documented an escapement of 45,863 sockeye salmon.

COOK INLET AQUACULTURE ASSOCIATION PROJECT UPDATE

Lake Fertilization & Limnology

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 and add growth to smolts produced from enhancement projects at Bear and Leisure Lakes. To assure the projects do not alter the natural trophic status, CIAA collects and analyzes water samples at each lake. Although CIAA does not use fertilizer at Hidden Lake, the water quality and zooplankton population is closely monitored. CIAA continues to collect water quality and zooplankton population data on the Susitna Lakes project to better understand the system.

Fishways

The Paint River fish ladder was not opened for operation during 2007. The Chenik Creek “pool and jump” fish ladder continued to facilitate an escapement of 18,132 sockeye salmon into Chenik Lake, a CIAA crew was on site at Chenik Creek counting escapement. In addition, ADF&G enumerated the return via remote video camera. CIAA and ADF&G counts were nearly identical.

Habitat

CIAA annually surveys key streams for beaver dam activity that jeopardizes the upstream migration of adult sockeye salmon. Several key areas, including Shell Lake, were severely blocked by beaver dams. Shell Lake beaver dams were notched by CIAA staff to allow upstream passage of adult sockeye salmon. Bishop Creek was checked one time and a beaver dam was notched to facilitate fish passage. The CIAA staff has noted that the beaver activity has heightened over the past seven years and increased salmon mortality has resulted due to migration impediment.

CIAA continued its partnership with the Kenai Watershed Forum (KWF) by assisting with the collection of water samples on the Kenai River. Additionally, CIAA provided the Youth Restoration Corps (YRC) with funds to help with the restoration efforts on the Resurrection River.

Water Flow Control

During 2007 CIAA operated flow control structures to ensure adequate water was available for salmon migration into Daniels, Marten, Packers and Bear Lakes. The flow control at the outlet of Daniels Lake was checked four times to adjust flows, monitor road bank erosion into the creek, and observe fish migration. The Marten Lake flow control structure in the Big River Lakes system was checked two times. Adjustments to this structure provided the water flow necessary for sockeye to enter the lake during August. The Packer’s and Bear Lakes flow control structure was monitored and adjusted by the weir crew.

Susitna Project

In 2006 CIAA began a three year project to evaluate the production of several lakes within the Susitna River Drainage. In 2007 CIAA once again saw a successful season on the Susitna River. Smolt enumerations were conducted at Byers, Chelatna, Hewitt, Judd, Larson, Shell, and Stephan Lakes for the first time under the three year study plan. In June ADF&G contacted CIAA and asked if Swan Lake could substitute for Hewitt Lake in the adult escapement counts. CIAA transitioned to Swan Lake and continued counts at the other aforementioned six lakes. The projects are proposed to continue through 2009 if funding is available.

Project Development

Annually, CIAA staff undertakes tasks to gather information on specific stocks of fish, investigate the water quality of various lakes, pursue new cost recovery opportunities, and identify, redesign, or decommission specific salmon rehabilitation or enhancement projects. This work is defined as project development as it evaluates the objective of existing projects, and the implementation of newly discovered projects.

Trail Lakes Hatchery

Trail Lakes Hatchery is a State-owned and CIAA-operated facility, located on the Seward Highway, north of Moose Pass. The hatchery supports sockeye and coho salmon programs. Currently there are three full time employees responsible for the operation of the facility: Hatchery Manager, Tom Prochazka; Assistant Hatchery Manager, Mark Thomas; and Maintenance Technician, Edward Mears.

Summary of releases and egg collection at Trail Lakes Hatchery in 2007:

Sockeye fry were released at: Bear Lake (2.4 million), Hidden Lake (658,000), Big Lake (3.8 million), Leisure Lake (2.3 million), Hazel Lake (1.4 million), and Kirschner Lake (254,000).

Sockeye pre-smolts were released at Big Lake (703,000)

Sockeye smolts were released at Bear Lake (619,000), Big Lake (316,000), and Tutka Bay Lagoon (144,000).

Coho fry were released at Bear Lake (521,000).

Coho smolts were released at Bear Lake (237,000), "Nick Dudiak Fishing Hole" on the Homer Spit (101,000), and Seldovia (97,000).

Sockeye eggs were collected at Bear Lake (6.0 million), Hidden Lake (5.6 million), Big Lake (4.9 million), and English Bay Lakes (510,000).

Coho eggs were collected at Bear Lake (748,000).

Eklutna Salmon Hatchery

The Eklutna Salmon Hatchery, located on the Old Glenn Highway near Palmer, is owned by CIAA. The Board of Directors suspended hatchery operations in 1998. The hatchery, however, is maintained and kept in a state of readiness as a reserve facility. In 2007 the hatchery was once again utilized when low aquifer levels at Trail Lakes Hatchery caused the wells to run at critically low levels. CIAA was forced to transport some of the Bear Lake and Big Lake sockeye salmon to Eklutna Salmon Hatchery. Daniel Frisbie was appointed Hatchery Manager. Mark Thomas and Ron Carlson served as the Assistant Hatchery managers on a rotational basis. The fish were housed and fed at ESH for several months. In the spring, the fish were transported from the hatchery to their regularly scheduled sites of release. CIAA implemented improvements to the hatchery by installation of a shower facility.

Tutka Bay Lagoon Hatchery

Tutka Bay Lagoon Hatchery is a State-owned and CIAA-operated facility. In March of 2004, the CIAA Board of Directors made the decision to terminate pink salmon activities at the hatchery. The hatchery was closed and maintained in a “mothball” condition. During the winter two care takers stayed on site to keep up the facility and grounds. During the spring of 2007, 144,000 sockeye salmon smolts were transported to the CIAA net pen complex in Tutka Bay Lagoon. Before moving the fish to Tutka, the smolts were treated at Trail Lakes Hatchery with the Marical Seaready™ process, allowing them to be reared in salt water. A two-man CIAA crew stayed at the hatchery to rear the fish for several weeks and release them in July.

Cook Inlet Regional Planning Team

CIAA no longer provides staff for the Cook Inlet Regional Planning Team (CIRPT). However, CIAA board members, David Martin, R. Drew Sparlin, Sr., and Mark Roth continue to serve as the Association’s three representatives to the CIRPT. In 2007 the team completed the salmon enhancement plan (2006-2025) and the document was approved by the ADF&G commissioner.

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 production. Several schools from the Tri-Borough region visited and toured Trail Lakes Hatchery and Bear Creek Weir. CIAA also donated fish to area Native Tribes and the Senior Center in Seward. In 2007, CIAA continued its internship program targeted towards students studying fisheries, biology, and natural resources. The internship program provides students exposure to Alaska’s extraordinary employment opportunities in natural resources, to gain field work experience, and provide CIAA the ability to form relationships with future employees.

COOK INLET AQUACULTURE ASSOCIATION PERSONNEL

2007 FULL TIME EMPLOYEES

HEADQUARTERS:

Executive Director	Gary Fandrei
Senior Biologist	Vacant
Special Projects Manager	Vacant
Field Biologist (Susitna Studies)	Paul Blanche
Field Biologist	Daniel Frisbie
Project Technician	Ron Carlson
Administrative Assistant	Dawne Schmidt

TRAIL LAKES HATCHERY:

Manager	Tom Prochazka
Assistant Manager	Mark Thomas
Maintenance Technician	Edward Mears
Fish Culturist	Vacant

2007 SEASONAL / PART TIME EMPLOYEES

Robert Aster	Ruth D'Amico	Terry Magee
Matt Backs	Kevin Duby	Jennifer Mevissen
Theodora Berglund	Terry Estes	Jeff Pike
Brian Bohman	Josh Fosdick	Linda Roth
Lisa Brisbois	Jennifer Hillman	Mark Roth
Laura Chartier	Kevin Lauscher	Christine Starkweather
Cathy Cline	Kathryn Lynn	

2007 INTERNS

Max Bader	Nichole McManus	Amanda Thyssen
Sterling Baker	Jennifer Norris	Francesca Tocco
Casey Brandys	Dan Rapp	Nathan Troyan
Brett DeLong	Charles Reece	Allen Veller
Jennifer Grew	Nate Reif	Nathan Weber
Jessica Hazel	Phillip Rushton	Jason Woodhull
Andrew Jasonowicz	Jacob Shea	Christopher Woodley
Amber Jones	Leah Shuman	Kevin Yoder
Jeff Lautenslager	Kevin Stone	
Amber Masters	Sam Stratton	

INDEPENDENT AUDITOR'S REPORT

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

Ladies and Gentlemen:

I have audited the accompanying statement of financial position of Cook Inlet Aquaculture Association, Inc., as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Cook Inlet Aquaculture Association, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cook Inlet Aquaculture Association, Inc. as of June 30, 2007, and the changes in its net assets and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated August 31, 2007, on my consideration of the Cook Inlet Aquaculture Association, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of Cook Inlet Aquaculture Association, Inc. taken as a whole. The accompanying schedule of State financial assistance is presented for purposes of additional analysis as required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits, and is not a required part of the basic financial statements of Cook Inlet Aquaculture Association, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Brad Cage, CPA
August 31, 2007

Assets

Current assets:

Cash and cash equivalents	\$ 303,802
Grants and contracts receivable	636,064
Other receivable	28,093
Prepaid expenses	<u>118,254</u>
Total current assets	<u>1,086,213</u>

Property and equipment, net 2,249,999

Total assets \$ 3,336,212

Liabilities and Net Assets

Liabilities:

Current liabilities:

Accounts payable	\$ 89,463
Accrued personnel expenses	155,149
Accrued interest	31,900
Notes payable, current	<u>93,948</u>
Total current liabilities	370,460

Notes payable, less portion classified as current 2,672,868

Total liabilities 3,043,328

Net assets - Unrestricted 292,884

Total liabilities and net assets \$ 3,336,212

Changes in unrestricted net assets:	
Support and revenues:	
Grants and contracts	\$ 984,140
Terminal fish revenues	204,016
Interest	32,350
Other	<u>192,577</u>
<i>Total unrestricted revenues and gains</i>	<u>1,413,083</u>
Net assets released from restrictions	<u>656,099</u>
<i>Total unrestricted revenues, gains and other support</i>	<u>2,069,182</u>
Expenses:	
Supporting Services - Management and general	512,951
Program services:	
Trail Lakes Hatchery	695,820
Tutka Hatchery	108,034
Eklutna Hatchery	165,145
Field projects	532,009
Special projects	<u>19,095</u>
<i>Total expenses</i>	<u>2,033,054</u>
<i>(Decrease) Increase in unrestricted net assets</i>	<u>36,128</u>
Changes in temporarily restricted net assets:	
Enhancement tax proceeds	656,099
Net assets released from restrictions	<u>(656,099)</u>
<i>Decrease in temporarily restricted net assets</i>	-
Change in net assets	36,128
Net assets, beginning of year	<u>256,756</u>
Net assets, end of year	<u><u>\$ 292,884</u></u>

Cash flows from operating activities:	
Increase in net assets	\$ 36,128
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	102,999
(Increase) decrease in:	
Increase in grants receivable	(5,463)
Decrease in other receivable	133,206
Decrease in prepaid expense	1,018
Increase (decrease) in:	
Increase in accounts payable	32,718
Decrease in accrued personnel expenses	(3,590)
Increase in accrued interest	4,241
<i>Net cash provided by operating activities</i>	<u>301,257</u>
 Cash flows from investing activities -	
Purchases of property and equipment	<u>(175,277)</u>
 Cash flows from financing activities -	
Repayment of debt	<u>(81,936)</u>
<i>Net increase (decrease) in cash</i>	44,044
 Cash and cash equivalents, beginning of year	<u>259,758</u>
Cash and cash equivalents, end of year	<u><u>\$ 303,802</u></u>
 Supplemental data:	
 Interest paid	\$ 64,589

State Grant Title	Grant Number	Grant Award	July 1, 2006,		June 30, 2007	
			Receivable	Receipts	Expenses	Receivable
Department of Commerce Community and Economic Development:						
Salmon Enhancement Tax*	FY 07	\$ 656,099	-	656,099	656,099	-
Northern Cook Inlet Salmon Investigation & Evaluation*	07-DC-071	200,000	-	76,023	186,866	110,843
<i>Total Department of Commerce and Economic Development</i>		856,099	-	732,122	842,965	110,843
Total state expenses		\$ 856,099	-	732,122	842,965	110,843

*Program was audited as a major program as per *State of Alaska Single Audit Guide and Compliance Supplement for State Single Audits*.

The above schedule was prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Cook Inlet Aquaculture Association, Inc. is an Alaskan regional nonprofit organization established under Alaska Statutes and operated for the enhancement of salmon in Alaska. Cook Inlet Aquaculture Association, Inc. receives revenues from State granting agencies as well as fish hatchery cost recovery and fish stocking revenues.

Basis of Accounting

The financial statements of Cook Inlet Aquaculture Association, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant revenues, payables, and other liabilities.

Basis of Presentation

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board's Statement (SFAS) No. 117, "Financial Statements for Not-for-Profit Organizations". Under SFAS No. 117, standards for financial statements provided by a not-for-profit organization require that those financial statements provide certain basic information and that net assets and related revenues, expenses, gains or losses be classified by the nature of any donor-imposed restrictions.

Cash and Cash Equivalents

For purposes of cash flows, Cook Inlet Aquaculture Association defines "cash and cash equivalents" to include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Under SFAS 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations", marketable securities with readily determinable fair values and all investments in debt securities are reportable at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investments for which there is no readily determinable fair value are recorded at the lower of cost or market, if applicable.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management considers all accounts receivable at year end to be collectible and as such, does not consider an allowance necessary.

Property and Equipment

Property and equipment, with an original cost of more than \$5,000, is recorded at cost or, if donated, at its estimated fair value at the date of the contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the property, which range from three

years for equipment to forty years for buildings. Expenses for repairs and maintenance are charged against operations as incurred. Total depreciation expense for the year was \$102,999.

Contributions and Promises to Give

Cook Inlet Aquaculture Association, Inc. reports gifts of cash and other assets as unrestricted support, unless specifically restricted by the donor or grantor. When a donor restriction is accomplished, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed professional services are recognized if the services received: (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

Net Assets

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those classes of net assets. 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 restrictions. At year end, none of the net assets for Cook Inlet Aquaculture Association were classified as restricted.

Income taxes

Cook Inlet Aquaculture Association, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service code. However, any income derived from unrelated business activities is subject to the requirement of filing Federal Income Tax Form 990-T and a tax liability may be determined on these activities.

Enhancement tax

Cook Inlet commercial fisherman 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.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Description of Programs and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Trail Lakes Hatchery – Accounts for the activities associated with the administration of the Trail Lakes Hatchery.

Tutka Hatchery – Accounts for the activities associated with the administration of the Tutka Hatchery.

Eklutna Hatchery – Accounts for the activities associated with the administration of the Eklutna Hatchery.

Field Projects – Accounts for the activities associated with various field projects around Southeast Alaska

General and Administrative – Accounts for all of the activities of the Organization which are not directly identifiable with the programs noted above. These costs account for the activities associated with the management of the Organization and the above programs.

NOTE 2 – CASH AND CASH EQUIVALENTS

The majority of the Association's cash is maintained in checking and savings accounts at local banking institutions. Cook Inlet Aquaculture Associations' bank and book balances at June 30, 2007, were \$328,369 and \$303,802, respectively. Of the bank balance, \$100,000 was insured under Federal Depository Insurance, the remainder was collateralized under a repurchase agreement.

NOTE 3 – ACCOUNTS AND GRANTS RECEIVABLE

The accounts and grants receivables for the Association consist of both grant and hatchery cost recovery receivables. The following is a summary of grant and account receivables at year end:

Alaska Department of Fish and Game contracts	\$ 525,221
Cook Inlet Salmon Evaluation Grant	110,843
	<hr/>
	636,064
Cost recovery receivable	<hr/>
	28,093
	<hr/>
	\$ 664,157

None of the accounts or grant receivables are considered uncollectible, as such, there is no allowance associated with any of these receivables.

NOTE 4 – CAPITAL ASSETS

The following is a summary of property and equipment at year end:

Tutka Lagoon Hatchery	\$ 160,611
Eklutna Hatchery and equipment	2,636,455
Trail Lakes Hatchery and equipment	420,879
Bear Lake property	137,250
Headquarters building	314,951
Vehicles and equipment	265,037
	<u>3,935,183</u>
Accumulated depreciation	<u>(1,685,184)</u>
Total assets, net	<u>\$ 2,249,999</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. Activities at the Tutka Lagoon Hatchery have been reduced to minimal operations.

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 determines to reopen the hatchery.

NOTE 5 – NOTES PAYABLE

Noted payable at June 30, 2007 consist of the following:

Note payable including deferred interest to the Department 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 5%, payable in equal annual installments of \$29,993 including principal, interest and deferred interest, matures January 1, 2018	\$ 270,784
Note payable including deferred interest to the Department 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 5%, payable in equal annual installments of \$11,313 including principal, interest and deferred interest, matures January 1, 2018	62,519
Note payable including deferred interest to the Department 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 5%, payable in equal annual installments of \$79,594 including principal, interest and deferred interest, matures January 1, 2023	908,995

NOTE 5 – NOTES PAYABLE, continued

Note payable to the Department 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 5%, payable in equal annual installments of \$21,385 including principal and interest, matures January 1, 2025	237,518
Note payable to the Department 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 5% beginning May 7, 2007, and payable in equal annual installments of \$40,465 including interest beginning January 1, 2008, matures January 1, 2025	350,000
Note payable to the Department 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 5% beginning June 19, 2008, and payable in equal annual installments of \$12,333 including interest beginning January 1, 2009, matures January 1, 2033	137,000
Note payable to the Department 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 5% beginning June 19, 2008, and payable in equal annual installments of \$12,333 including interest beginning January 1, 2009, matures January 1, 2033	<u>800,000</u>
	2,766,816
Less current maturities	<u>(93,948)</u>
	<u>\$ 2,672,868</u>

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

Year ending June 30,

2008	\$ 93,948
2009	117,206
2010	122,063
2011	126,927
2012	124,228
Thereafter	<u>2,182,444</u>
	<u>\$ 2,766,816</u>

Total interest costs charged to expense during the fiscal year were \$64,589.

NOTE 6 – ANNUAL LEASES

The Association entered into a long-term lease with the federal government on July 22, 1982, for the lease of approximately two acres for the Eklutna Hatchery. The lease is for the period of 30 years with the right of renewal. Lease payments are \$1,500 per year and can be adjusted every five years to reflect current market value. The annual lease payments were \$1,500 for the year ended June 30, 2007 and are included with Eklutna Hatchery expenses.

On February 15, 1991, the Association entered into a lease with the State of Alaska of 4.68 acres of land, which is the site of the Paint River fish ladder. The lease is for the period of 55 years with right to renewal. Annual lease payments are \$200. Total lease payments for the year ended June 30, 2007 was \$200 and is included with special project expenses.

Future minimum rental payments in aggregate for all leases are as follows:

Year ending June 30,

2008	\$ 1,700
2009	1,700
2010	1,700
2011	1,700
2012	200
Thereafter	<u>6,600</u>
	<u>\$ 13,600</u>

NOTE 7 – MAJOR FUNDING SOURCES

The Association receives a substantial portion of its annual funding through the State of Alaska Enhancement Tax proceeds and a contract with the Alaska Department of Fish and Game. The funding received from these sources totaled \$1,640,239 for the year ended June 30, 2007.

NOTE 8 – CONTINGENCIES

Cook Inlet Aquaculture Association participates in several State of Alaska financial assistance programs. Although the programs have been audited in accordance with the State of Alaska Single Audit Regulations through June 30, 2007, these programs are still subject to a desk review of the organization-wide audit report by the State agencies and final closeout of the program awards. The amount of expenses which may be questioned by granting agencies cannot be determined at this time, although management expects such amount, if any, to be immaterial.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

During the audit, it was noted that the prior year's accumulated depreciation was overstated by \$937,291. As a result, the prior year's accumulated depreciation was decreased by \$937,291 and the beginning net assets were increased by the same amount.

A Message From The Executive Director

In 2007, as in previous years, the Association made significant contributions to the Cook Inlet salmon resource. Early in the year, the Association forwarded to the Alaska Department of Fish and Game (ADF&G) a request to amend both the Trail Lakes Hatchery and Eklutna Salmon Hatchery Basic Management Plans. The purpose of this request was to improve our ability to rear sockeye salmon smolt for release to Resurrection Bay and Big Lake. We also submitted a proposal to the Board of Fisheries to minimize disturbance to sockeye salmon smolt being reared in Tutka Bay Lagoon. These fish are being reared to provide a future broodsource for other sockeye salmon projects in lower Cook Inlet. We believe the Resurrection Bay and Tutka Bay Lagoon programs will contribute significant salmon resources to the common property fishery and the Association through cost recovery harvest.

The Susitna River project continued in 2007. Through this project we are working to identify and correct issues that may be limiting salmon productivity in the Susitna River drainage. The Association has received community wide recognition as a partner with ADF&G in this cooperative project and that recognition was apparent at the Upper Cook Inlet Board of Fisheries meeting. We are committed to completing the Susitna River project and open to the opportunity of expanding the project in the future.

In 2007, the Association expanded its internship program. Through this program we have access to enthusiastic people eager to bring their talents to the Association. Since its inception in 2005, over 60 student interns have participated in the program. The Association hopes to foster a better understanding among new college graduates of Cook Inlet salmon enhancement, and encourage new graduates to consider the career opportunities Alaska has to offer. To date, over 8% of the Association's interns are currently pursuing career opportunities in Alaska.

The Association also witnessed several staff changes in 2007. Three long-time employees, after careful consideration, elected to pursue other interests. While it was sad to see these people leave for new challenges, the Association was fortunate in having other employees who could easily step into these roles.

The Cook Inlet Aquaculture Association continues to move forward with several new efforts to enhance and protect the salmon resources of the Cook Inlet drainage. These efforts are expected to provide additional fish to common property fisheries as well as provide the information required to better manage the salmon resource.

Sincerely,



Gary Fandrei



COOK INLET AQUACULTURE ASSOCIATION

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