

Lakeside Park Association, Inc.
Explanation of Accounting and Assessment Changes
January 8, 2021

During the spring of 2020, a group of members requested that the Board of Directors review member assessments for accuracy and fairness. In response, the Board of Directors compared the current member assessment allocation methods to the terms of the Articles of Incorporation and By-laws. As a result, the Board of Directors have approved the modification of the calculation of member assessments from being based exclusively on water usage to each member’s specific usage of Lakeside Park Association, Inc. services and assets. This change is reflected on the January 1, 2021 bi-monthly billing. Below is a summary intended to provide a history and explanation for the assessment methodology modification.

Lakeside Park Association, Inc. (Association) was formed in 1938 as a non-profit corporation to provide public services (water distribution, sewer processing and trash disposal) which were not available at the time and to create and maintain recreational facilities for the benefit of members. All Association services and recreational facilities were intended for the exclusive use of members and did “not contemplate pecuniary profit or gain for the members thereof.” Usage and assessments for each member were roughly the same until the late 1950’s when certain member properties were converted from residential to commercial use.

Subsequently, the Association applied for and received tax exempt status from the Internal Revenue Service as a social welfare organization under Code section 501 (c) (4), which states that in order to qualify for such status, “an organization must not be organized for profit and must be operated exclusively for social welfare.”

To this end, the By-laws state that “the granting of a membership to a FULL MEMBER conveys a proportionate interest in the use of all property owned in the name of the Association, in all activities undertaken by the Association, and participation in all membership meetings thereof.” Additionally, in order to provide for the continued funding of services and maintenance of all desired recreational facilities, “Membership fees and assessments may be levied by the Board of Directors under conditions determined by them and **shall be based on the benefits derived by each FULL MEMBER** or upon such other conditions as shall hereafter be determined by the Board of Directors.”

From 1938 until 2004, members were provided exclusive use of Association assets and each member was assessed based upon the cost of Association services and recreational facilities used. During 2004, as a measure to offset the costs relating to the construction of the water plant and lawsuits between the Association and South Lake Tahoe Public Utility District and the Lakeside Yacht and Harbor Club, the Board of Directors, in lieu of increasing member assessments, established paid public access to the beach and leased the marina to Action Watersports.

From 2004 on, despite each member’s right to participate proportionally in all activities undertaken by the Association, the revenues from paid public access to the beach and marina lease were erroneously combined with the cost of processing and distributing water to calculate total member assessments, as shown on the left below. During this time, only member assessments relating to the marina continued to be based upon usage.

Beginning January 1, 2021, based upon the terms of the Articles of Incorporation and By-laws, water, beach, and marina costs will be allocated based upon each member’s specific usage, while all revenue and loan and settlement costs will be allocated proportionally to each of the 126 Lakeside Park Association members as shown on the right below. Proportionate allocations occur when no specific member impacts the earning of revenue or the incurrence of costs more than any other member.

	<u>Current Allocation</u>	<u>Correct Allocation</u>
Water Processing and Distribution Costs	Water Usage	Usage
Beach Operating and Maintenance Costs	Water Usage	Usage
Marina Slip and Buoy Rental	Usage	Usage
Marina Revenues	Water Usage	Proportionate
Beach Revenues	Water Usage	Proportionate
Loans and Settlement Costs	Water Usage	Proportionate

As a result of these accounting and allocation changes, each member will be billed a bi-monthly Base Membership Assessment in the amount of \$104.00, which includes connection to the Lakeside Park Association water distribution system, the allocation of all marina and beach revenues, the allocation of all loan, settlement, and reserve contribution costs, and one hundred (100) beach passes per year. Additional water, beach and marina usage will be assessed separately as defined below.

Water usage assessments only include the actual cost of processing and distributing water. Each member's water usage assessment will be calculated based upon the number of units, type of units and ancillary uses built upon the property. Below is the bi-monthly amount assessed for each of the unit types and ancillary uses. Please note that one unit is included in the Base Membership Assessment.

Base Membership Assessment	\$104.00
One Bedroom, One Bath	54.00
One Bedroom, One Bath, Kitchen	67.00
Multi-bedroom Apartment or Condo, Kitchen	80.00
Retail	50.00
Laundry per Ten (10) Rooms	50.00
Pool	25.00
Hot Tub	15.00
Restaurant	55.00
Brewery	\$210.00

Beach usage assessments are discretionary and will only occur after a member has used the one hundred (100) annual beach passes included as part of the Base Membership Assessment. Intended for the exclusive use of members or overnight guests, each member will have the opportunity to purchase additional passes at the Association's historic cost per beach attendee, \$5.00, or to receive a pass that grants the right to access the beach at current daily rates, which is \$25.00 for adults and \$15.00 for children. There is no limit on the number of such additional passes a member can purchase or use, but, again, the additional passes are for the exclusive use of members and overnight guests.

Marina usage assessments are discretionary and are assessed based upon actual slip or buoy rental or daily boat access.

Should you have any questions relating to the accounting and assessment modifications, please e-mail Judi Goddard at judi@lpatahoe.com.