

Reserve Studies

NRED Fiscal Series, Pt. 1



Agenda

Nevada Real Estate Division

1. Introduction and Key Terms

2. Creating the Fund

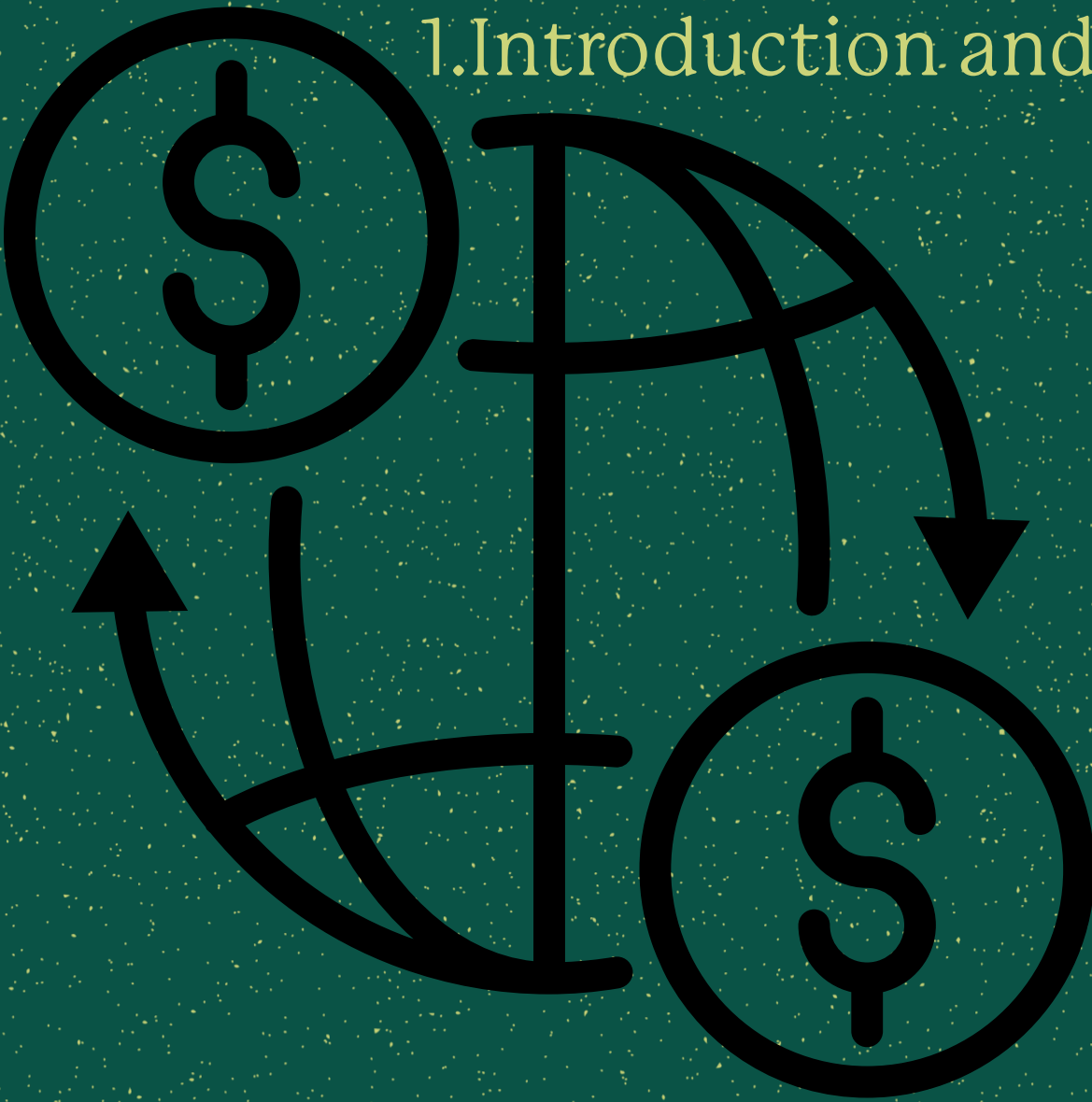
3. Reserve Study Specialist

4. Reserve Study Contents

5. Review and Notifying NRED

6. Managing the Fund

7. Knowledge Check and Q&A Session



Before we begin, you are reminded that, as training officers, we are here to provide general information and education on NRS/NAC 116, 116A & 116B, and NAC 38. We do not provide legal advice, interpret the law, or give opinions on individual circumstances.

Our goal is to help you learn, understand, and apply the relevant statutes, regulations, and your community's CC&Rs. We want to equip you with the knowledge and tools necessary to effectively manage and live within your common-interest communities.

We will have dedicated time for questions and answers towards the end of the class. Please note that the Q&A session is intended to clarify the material covered today and not to address specific issues you might be facing. Feel free to jot down any questions regarding the class that you may have as we go along, and we will address them during the Q&A period. Thank you.

Icebreaker

Name one thing you hope to learn from this class.

Learning Objectives



Learn the purpose of the Reserve Study



- Preparing to have a new Reserve Study Conducted



- Adopting and Distributing the Reserve Study



- Learning the role of the Reserve Study Specialist



- Financial considerations and examples

NRS 116 and Reserve Studies

- *The board SHALL:*
- *Have a study conducted at least every 5 years.*
 - *Period begins on the date which the on-site inspection of major components is performed.*

NRS 116.31152(1)

Why is a Reserve Study important?



- *By law, an association has the duty to provide for the maintenance, repair and replacement of the common elements (NRS 116.3107).*
- *A reserve study anticipates and prepares for major future expenses to ensure that money is available when needed.*

Reserve Study: Overview



- *The reserves may only be used for the repair, replacement and restorations of the:*
 - *Major components of the common elements and;*
 - *Any other portion of the common-interest community (CIC) that the association is obligated to maintain, repair, replace or restore.*

Reserve Studies: Components



Physical Analysis

- ❖ Analysis of the current condition of major common area components through inventory, inspection and **determination of remaining useful life.**

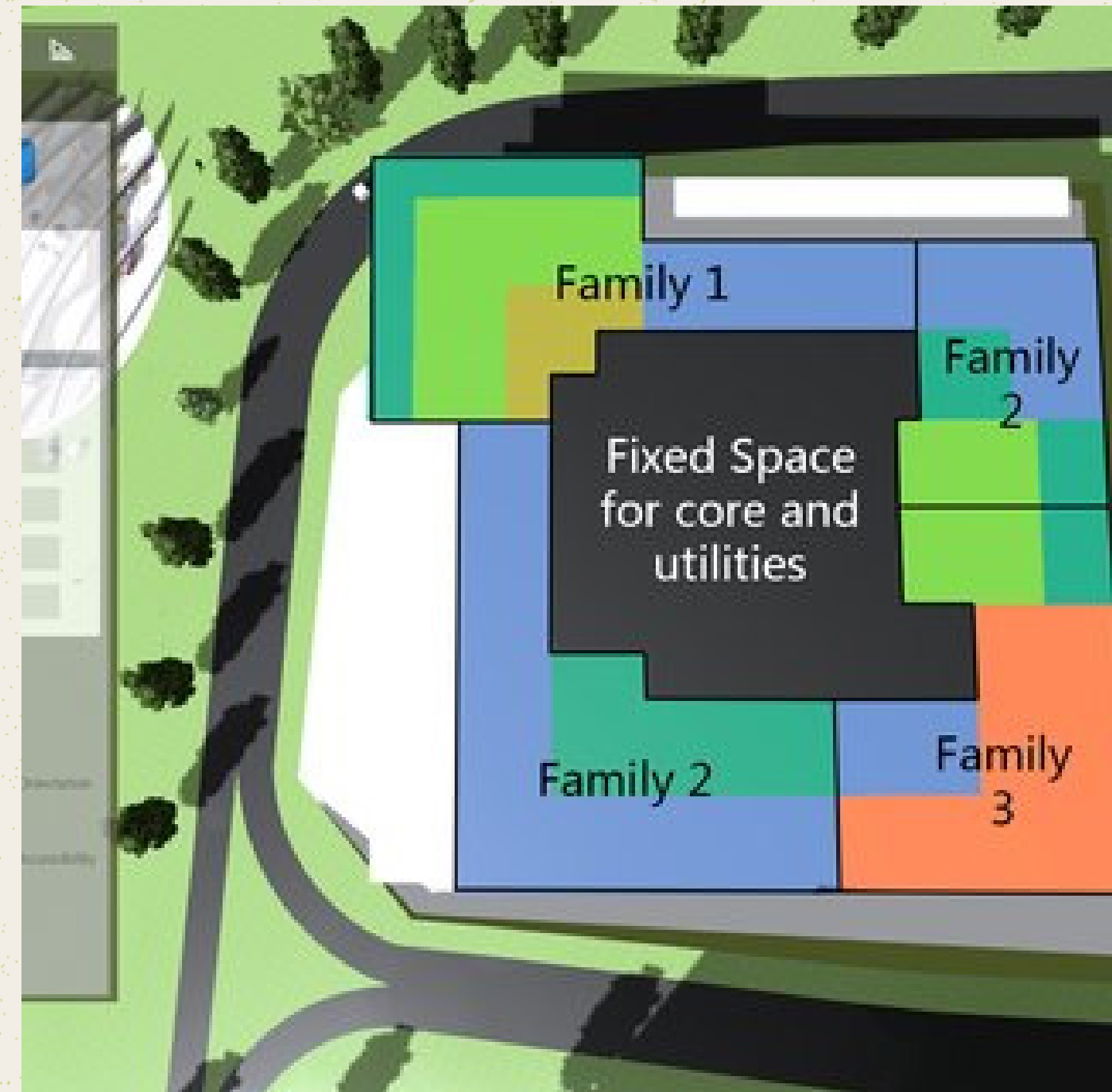


Financial Analysis

- ❖ A recommended *funding plan* created by the executive board to offset anticipated future expenses.

Major Compotents

- *Major components include, but are not limited to (NRS 116.0605):*
 - Examples include:
 - Amenities
 - Improvements
 - Furnishings
 - Fixtures
 - Finishes
 - Systems
 - Equipment



What are the Common Elements?



Common Elements: Examples

- Common elements in condominiums and coops:
 - Elevators
 - Walkways
 - Lighting in the common hallways
 - Lobbies
 - Swimming pools
 - Clubhouses
- Common elements in planned communities:
 - Tennis Courts
 - Pools
 - Clubhouses
 - Gates
 - Community Parks
 - Playgrounds
- Common elements in CICs:
 - Parks
 - Swimming Pools
 - Roads, streets, and sidewalks
 - Gates
 - Fitness Centers
 - Playgrounds

Declarant Responsibilities

Within 30 days after the units' owners, other than the declarant, may elect a majority of the members of the executive board the declarant SHALL deliver to the association (including but not limited to):

- A complete study of the reserves,
- A reserve account that contains the Declarant's share of the amounts then due, and control of the account.

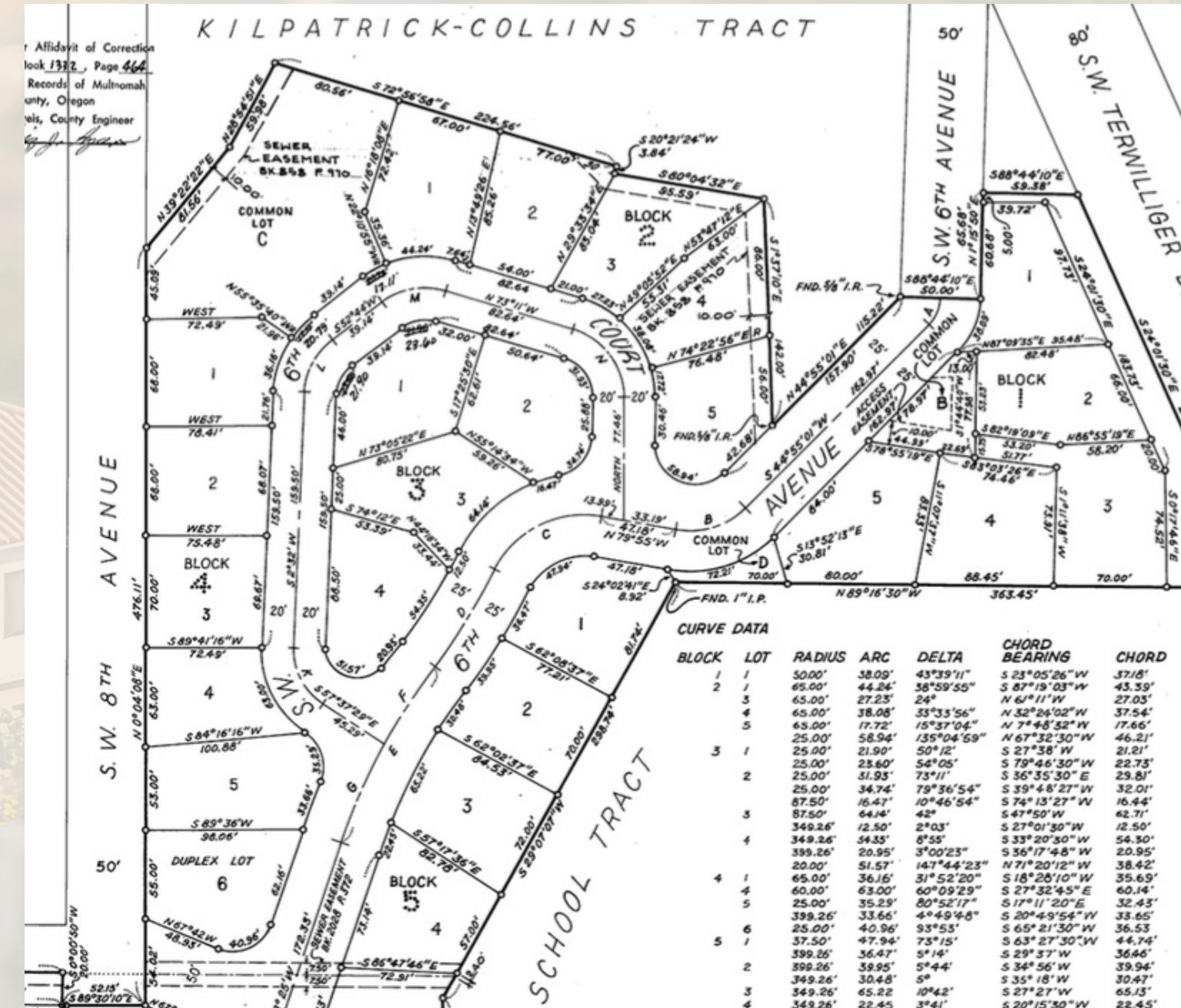
The declaration of covenants, conditions & restrictions (CC&Rs) must contain:

- **A description of any limited common elements and, in a planned community, any real estate that is or must become common elements;**
- **A description of any real estate, except real estate subject to developmental rights, that may be allocated subsequently as limited common elements, other than limited common elements specified in subsections 2 and 4 of NRS 116.2102, together with a statement that they may be so allocated (NRS 116.2105).**

Plats

Plats are a part of the declaration, must be clear and legible, and contain a certification that the plat contains all information required by this section, including (but not limited to):

- The name and a survey of the area which is the subject of the plat;
- A sufficient description of the real estate;
- The location and dimensions of limited common elements, including porches, balconies and patios, other than parking spaces and the other limited common elements.



What Makes A Common Element?

- The declaration of covenants, conditions & restrictions (CC&Rs) must contain:
 - A description of any limited common elements and, in a planned community, any real estate that is or must become common elements.
(NRS 116.2105)



Limited Common Elements, Defined

“Limited common element” means a portion of the common elements allocated by the declaration for the exclusive use of one or more but fewer than all units (NRS 116.059 & NRS 116.2102).

Examples include:

- Any duct, wire, conduit, bearing wall or other fixture laying partially within and partially outside the designated boundaries of a unit and serving only that unit; and
- Any fixtures, shutters, awnings, window boxes, doorsteps, porches, balconies, patios and all exterior doors and windows designed to serve a single unit, but located outside the unit’s boundaries.

Knowledge Check 1

To determine what the common elements are, which of the association's documents should be reviewed?

- A: The Bylaws
- B: Articles of Incorporation
- C: The Plat map
- D: NRS 116

Knowledge Check 1

answer

The answer is C. To determine what the common elements are, the PLATS should be reviewed.

Knowledge Check 2

What is the difference between a physical and a financial analysis?

Knowledge Check 2 answer

A financial analysis creates a funding plan to repair the common elements. In contrast, a physical analysis determines the physical useful life of the common elements.

Knowledge Check 3

True or false: An association's swimming pool is considered a limited common element.

Knowledge Check 3 answer

False! A "limited common element" means a portion of the common elements allocated by the declaration for the exclusive use of one or more but fewer than all units. In contrast, the common elements (such as swimming pools) are allocated to all units.

Reserve Studies and board obligations

Nevada Real Estate Division

Board Obligations

The executive board shall:

- At least annually, review the results of the reserve study to determine whether those reserves are sufficient; and
- At least annually, make any adjustments to the association's funding plan which the executive board deems necessary to provide adequate funding for the required reserves.

NRS 116.31152

Assessments



Money is collected from unit owners to maintain common elements in the form of assessments. This money goes into two funds:

- The **OPERATING FUND**, which reflects the accounting transactions surrounding the normal day to day maintenance and service operations of the association; and
- The **RESERVE FUND**, which reflects accounting transactions pertaining to the long-term, major repair and replacement requirements of the association. The reserve fund can **ONLY** be used for this purpose [NRS 116.3115(2)(b)].

NAC 116.453

Special Assessments

Nevada Real Estate Division



- The executive board may use special assessments to fund the reserve, if necessary. In such scenarios, the board may impose special assessments without the approval of unit owners.
NRS 116.3115

Review and Audit

Nevada Real Estate Division

- At least once every quarter, at executive board meeting, the board SHALL review (not all inclusive):
 - A current year-to-date schedule of revenues and expenses for the reserve account, compared to the budget for the account; and
 - A current reconciliation of the reserve account.

NRS 116.31083(7)(b)&(d)



Distributing the Budget

Nevada Real Estate Division

- Unless the CC&R imposes more stringent standards, not less than 30 days or more than 60 days before the beginning of the association's fiscal year, the executive board SHALL prepare and distribute to each unit owner's designated mail OR email address:
 - A statement as to whether the executive board has determined, or anticipates, that the levy of one or more special assessments will be necessary to repair, replace or restore any major components or any portion of the CIC;
 - Or to provide adequate funding for the reserves designated for that purpose.



NRS 116.31151

Unit Owner Requests

Nevada Real Estate Division

- The executive board SHALL, upon written request of a unit's owner, make available the study of the reserves.
- The executive board SHALL provide a copy of the reserve study to a unit's owner or the Ombudsman within 21 DAYS after receiving a written request.

NRS 116.31175

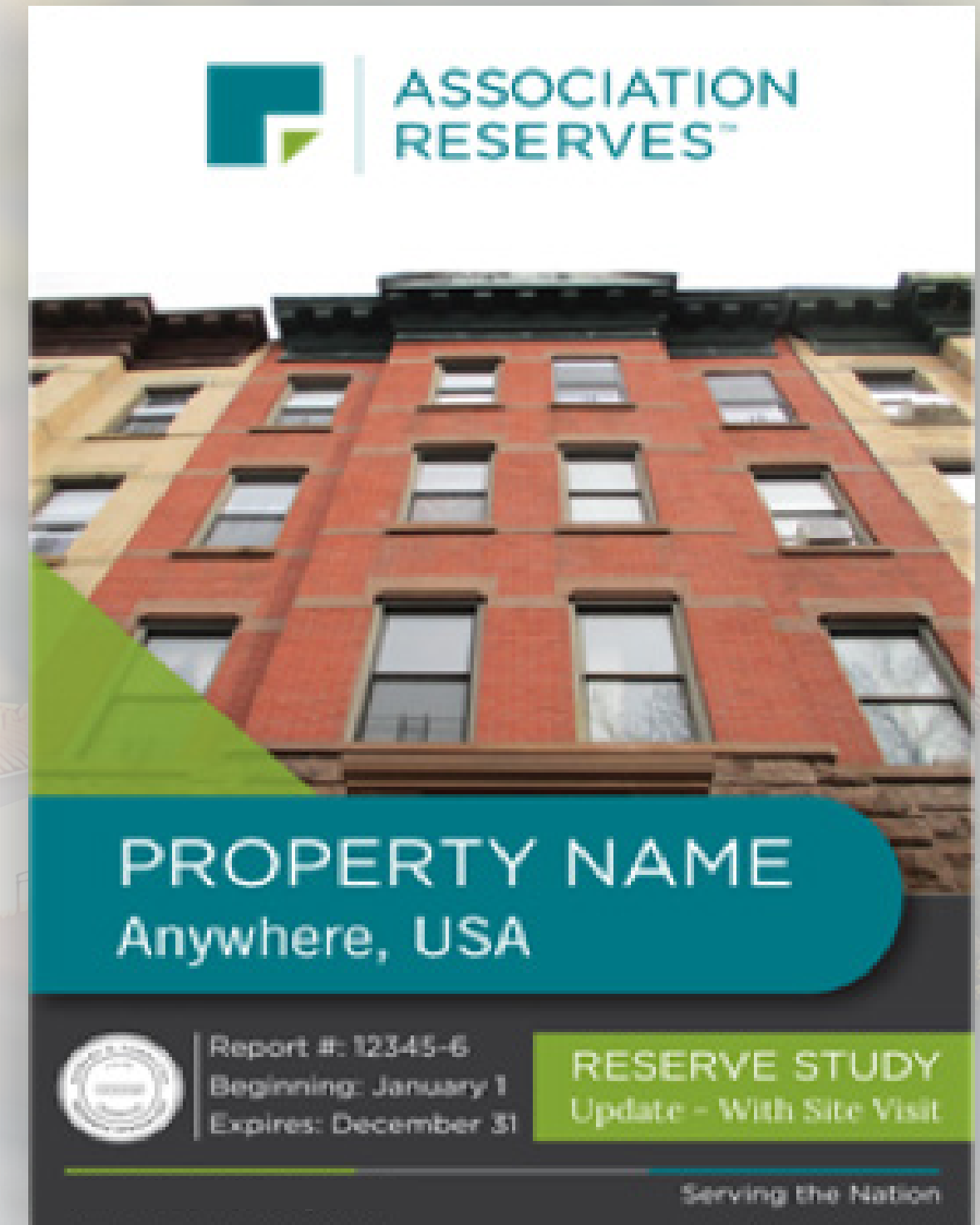
The Reserve Study Specialist

Brief Overview



- A person is qualified by training and experience to register as a reserve study specialist if the person has:
 - The ability to evaluate the items on the component inventory about normal and accelerated deterioration, deferred maintenance, remaining years of useful life and the current cost to maintain, repair, replace or restore;
 - The ability to perform necessary financial analysis, cost estimates and 30-year projections, as applicable.

NAC 116A.420



The Reserve Study Specialist

Initial Meeting

After a Reserve Study Specialist (RSS) is chosen and hired by the association at a board meeting, the board may consider coordinating an initial meeting with the specialist before work on the study commences.

- The board may consider preparing a thorough checklist, including all of the common elements and any other components that the association has an obligation to maintain. This checklist can be provided to the specialist.

Initial Walkthrough

Onsite Inspection:

- The executive board may consider designating a representative from the association who is familiar with the community to be present with the specialist while they conduct the onsite inspection.
 - Depending on the size of the community, this inspection with the RSS could require several days.



License Lookup

The screenshot shows the 'Search for a License' form on the Nevada Real Estate Division website. The form includes a 'Search Criteria' section with fields for License Number, Company Name/DBA, First Name, Maiden Name, City, Zip, and County. A vertical list of license types is displayed on the right side of the form. Two red boxes with arrows point to specific elements: one points to the 'License Number' dropdown menu, and the other points to the 'RSS' option in the license type list. The 'RSS' option is highlighted in blue. At the bottom right, there are 'Search' and 'Clear Form' buttons. The footer text reads 'Office of the Ombudsman for CICCH'.

Search for a License

Search Criteria

Note: Hover over any field to display help

License Number:

Company Name/DBA:

First Name:

Maiden Name:

City:

Zip:

County:

License Types:

- A
- AMC
- ASM
- ASMP
- ASSN
- ATMP
- B
- BS
- BUSB
- CAM
- CAMP
- CE
- COOP
- EA
- EX
- IOS
- LSP
- OWN
- PL
- PM
- POST
- PREL
- PROV
- RE
- RSS**
- S
- SE
- TS
- TSP
- TSRS

Select License number drop down.

Select RSS

Search

Clear Form

Office of the Ombudsman for CICCH

<https://red.prod.secure.nv.gov/Lookup/LicenseLookup.aspx>

RSS Standards of Practice

- The RSS must comply with all applicable provisions of NRS 116, NRS 116A or NRS 116B and all applicable adopted regulations (NAC 116, NAC 116A);
 - Comply with the relevant, lawful provisions of the governing documents of each client;
 - Agree to perform only those reserve studies which the person can reasonably expect to perform with professional competence.



NAC 116A.425

RSS Standards of Practice, continued

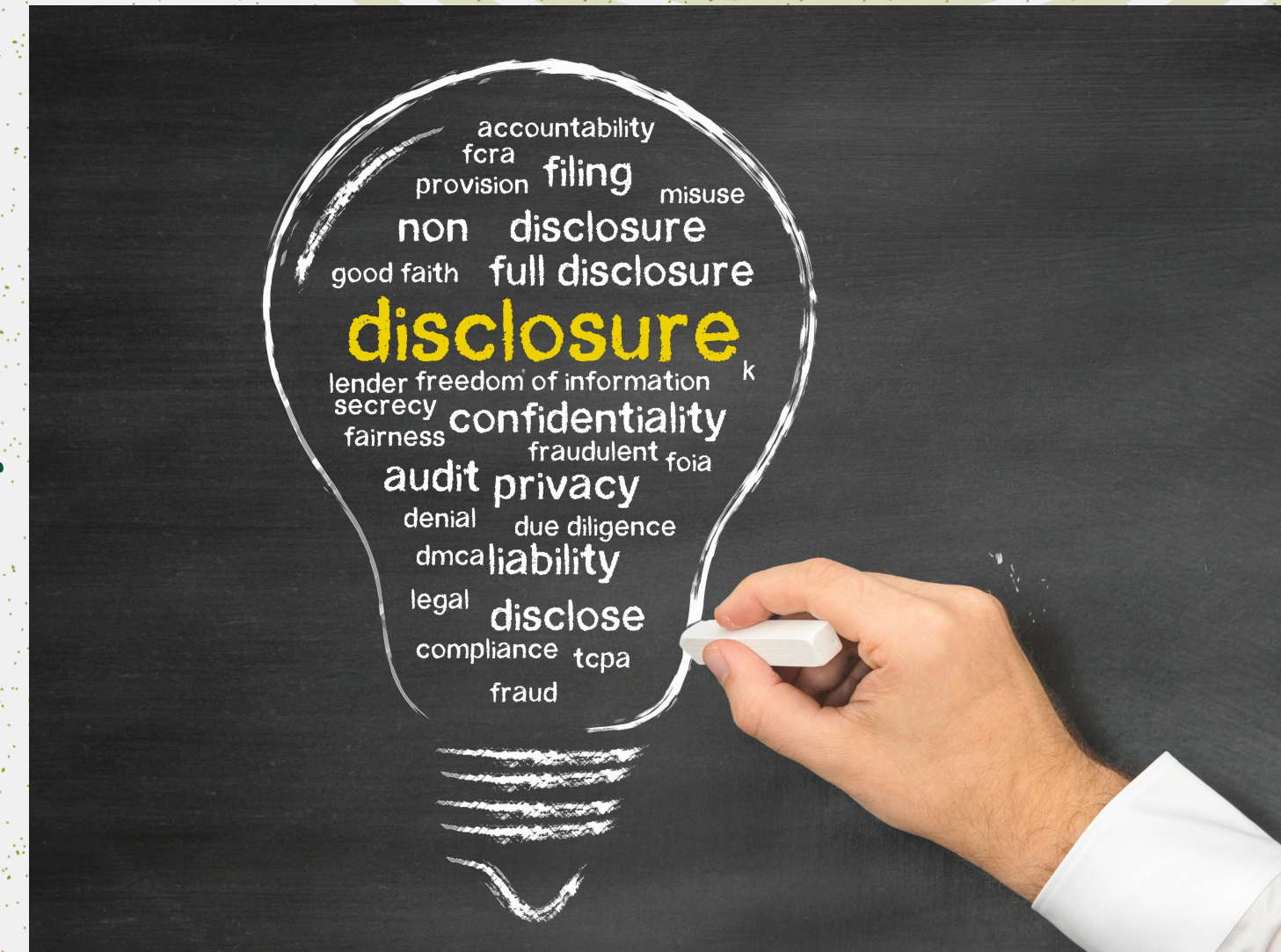
- A Reserve Study Specialist who prepares a reserve study shall:
 - Ensure that the information used to prepare a reserve study is complete based upon information provided by the client, the specialist's experience and background, and from data reasonably available from industry sources;
 - Maintain insurance covering professional liability or a surety bond with a minimum coverage of \$1,000,000.



NAC 116A.425

Disclosures

- BEFORE entering a contract to perform a study, a specialist shall disclose, in writing, to the prospective client any material and relevant information that the specialist knows or should know relates to the performance of the contract for the reserve study, including, without limitation, any matters which may affect his or her ability to comply with the provisions of chapter 116, 116A or 116B of NRS, or any regulation.



Disclosures, continued

The Reserve Study Specialist must disclose:

- The method or methods for determining the common area components.
- Industry sources used for determining the life of a major component and associated costs.
- If known, any guarantees provided by a component manufacturer or service provider.
- The source of the initial reserve fund balance presented in the study.



NAC 116A.420

Disclosures, continued

A person conducting a reserve study and any consultant assisting in the studies preparation SHALL include the following disclosures in the study:

- The method or methods for determining the common area components based on:
- An actual on-site inspection of the common elements with representative sampling;
- Any inventory and material information provided by the client;
- A previous reserve study and the date of that study; or
- Plats, governing documents or any other additional industry resources used by the person conducting or assisting in the preparation of the reserve study.

NAC 116.430



Required Notices

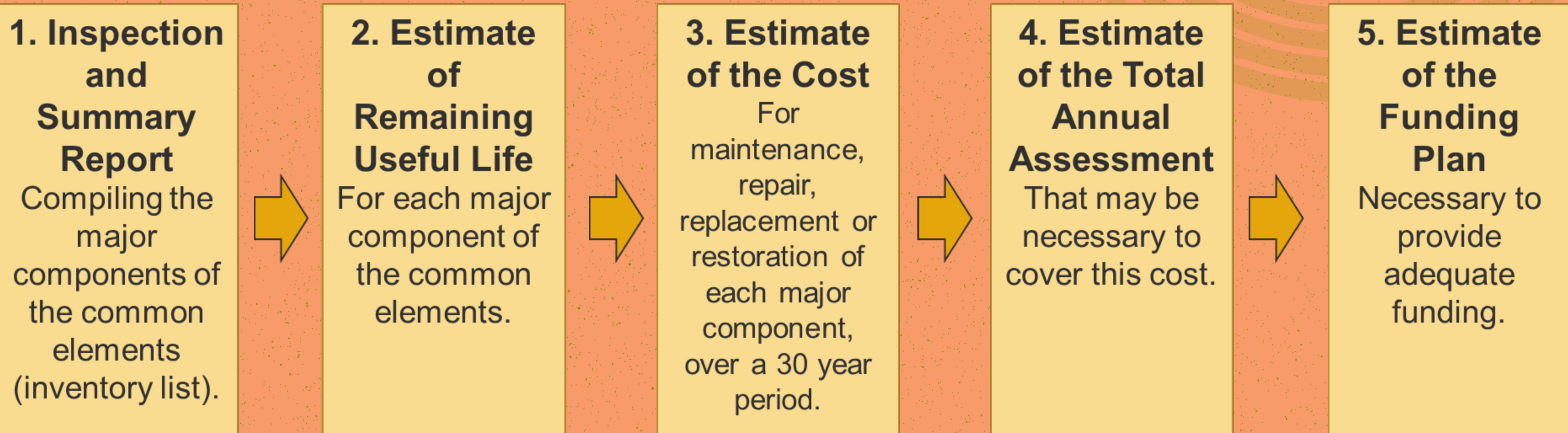
- Information provided to the preparer of a reserve study by an official representative of the association regarding financial, historical, physical, quantitative or reserve project issues will be deemed reliable by the preparer. A reserve study will be a reflection of information provided to the preparer of the reserve study. The total of actual or projected reserves required as presented in the reserve study is based upon information provided that was not audited.
- A reserve study is not intended to be used to perform an audit, an analysis of quality, a forensic study or a background check of historical records. An on-site inspection conducted in conjunction with a reserve study should not be deemed to be a project audit or quality inspection.

NAC 116.430

Reserve Study: Components



Reserve Study: components



NAC 116.425

Components, continued

- The study of the reserves **MUST** include a 30-year schedule which shows:
 - The actual or projected beginning balance of the reserve fund;
 - The projected expenditures from the reserve fund; and
 - The projected ending balance of the reserve fund.

Components, continued

- The study of the reserves **MUST** include:
 - The number of units in the association;
 - A general statement describing the current status of the reserve fund;
 - A general statement describing the overall status of the reserves of the association;
 - The beginning and ending dates for which, the reserve study is prepared.

NAC 116.425

Types of Funding

Full Funding	The projected balance is equal to the fully funded balance of 100%; all money required to carry out reserve projects for that year is in the reserve account, ready to be spent.
Threshold Funding	Establishing a reserve funding goal of keeping the reserve balance above a specified percent funded amount [Ex. 75%]; less stringent than full funding and allows room to adjust the funding plan.
Baseline Funding	Objective of keeping the reserve cash balance at least above zero; most dangerous type of funding and typically leads to special assessments.

NAC 116.425

Knowledge Check 3

The specialist must include, as part of the study, a disclosure that they have professional liability insurance with coverage in the amount of at least \$_____.

Answer: Knowledge Check 3

The specialist must include, as part of the study, a disclosure that they have professional liability insurance with coverage in the amount of at least \$1,000,000.

Knowledge Check 4

True or False: The Reserve Study Specialist does not need to be registered with NRED in order to conduct a study.

Answer: Knowledge Check 4

False, an RSS needs to be registered with the Division conduct a Reserve Study in NV.

Examples



How well-funded is the reserve account?

Nevada Real Estate Division

“Percent Funded” is calculated by dividing (as of a particular date, typically the beginning of each fiscal year) the actual current fund balance (determined by bank statements) by the amount that the reserve study predicted would be sufficient for that year.

Examples:

# Component	Useful Life (yrs)	Remaining Useful Life (yrs)	Current Average Cost	Future Average Cost
201 Asphalt - Resurface	20	5	\$35,500	\$41,154
202 Asphalt - Seal/Repair	5	4	\$4,263	\$4,797
403 Mailboxes - Replace	15	2	\$2,425	\$2,573
404 Patio Furniture - Replace	6	0	\$2,813	\$3,358
703 Intercom - Replace	8	2	\$2,725	\$2,891
705 Vehicle Gate Mechanics - Replace	8	4	\$2,500	\$2,814
1107 Iron Fence - Repaint	6	0	\$4,325	\$5,164
1112 Masonite Siding - Repaint	8	2	\$27,750	\$29,440
1115 Stucco - Repaint	16	2	\$22,500	\$23,870
1116 Wood Surfaces/Trim - Repaint	4	2	\$24,975	\$26,496
1202 Pool - Resurface	10	3	\$4,400	\$4,808
1203 Spa - Resurface	5	3	\$1,500	\$1,639
1207 Pool Filter - Replace	10	4	\$950	\$1,069
1207 Spa Filter - Replace	10	2	\$900	\$955
1208 Pool Heater - Replace	10	2	\$2,250	\$2,387
1208 Spae Heater - Replace	10	2	\$2,025	\$2,148
1305 Wood Shingle Roof - Replace	20	13	\$379,500	\$557,309
17 Total Funded Components				

Understanding Recommendations

Fund Status

Report Start Date:	1/1/2019
Reserve Fund Balance (as of start date):	\$781,730
Ideal Accumulated Reserve:	\$907,129
Deficit Below Accumulated Reserve:	\$125,399
Percentage Funded:	86%
Current Replacement Cost:	\$1,668,501

Funding Plan(s)

Approved 2018 Funding

First Fiscal Year:	22,675
Per Unit Per Month:	13.12

Full Funding

First Fiscal Year:	129,613
Per Unit Per Month:	75.01

70% Threshold Funding

First Fiscal Year:	125,482
Per Unit Per Month:	72.62

Impacts of Funding, Current Funding

Association cannot afford to maintain common elements with current funding plan, beginning 2028.

Approved 2018 Funding

Fiscal year beginning January

Fiscal Year	Beginning Cash Balance	Annual Contribution	Annual Interest Earned	Annual Disbursements	Ideal Accumulated Reserves	Percentage Funded
2019	781,730	22,675	767	51,260	907,129	86.2%
2020	753,913	23,582	758	14,556	991,269	76.1%
2021	763,697	24,525	775	2,427	1,119,029	68.2%
2022	786,571	25,506	771	57,016	1,266,507	62.1%
2023	755,831	26,527	671	195,976	1,365,673	55.3%
2024	587,053	27,588	581	38,786	1,328,283	44.2%
2025	576,437	28,691	575	32,075	1,455,382	39.6%
2026	573,628	29,839	557	62,596	1,597,022	35.9%
2027	541,428	31,032	537	40,591	1,715,405	31.6%
2028	532,496	32,274	41	1,015,040	1,864,052	28.6%
2029	(450,320)	33,565	0	4,704	1,017,647	-44.3%
2030	(421,459)	34,907	0	719,487	1,190,791	-35.4%
2031	(1,106,039)	36,303	0	54,766	637,326	-173.5%
2032	(1,124,502)	37,756	0	42,239	756,476	-148.7%
2033	(1,128,985)	39,266	0	334,913	896,797	-125.9%
2034	(1,424,633)	40,836	0	48,920	744,706	-191.3%
2035	(1,432,716)	42,470	0	35,249	887,606	-161.4%
2036	(1,425,496)	44,169	0	88,421	1,054,001	-135.2%
2037	(1,469,748)	45,935	0	15,123	1,175,904	-125.0%
2038	(1,438,935)	47,773	0	366,053	1,382,401	-104.1%
2039	(1,757,216)	49,684	0	85,365	1,239,239	-141.8%
2040	(1,792,898)	51,671	0	163,393	1,386,663	-129.3%
2041	(1,904,619)	53,738	0	35,283	1,464,086	-130.1%
2042	(1,886,165)	55,887	0	23,678	1,681,909	-112.1%
2043	(1,853,955)	58,123	0	414,909	1,924,527	-96.3%
2044	(2,210,741)	60,448	0	69,149	1,777,952	-124.3%
2045	(2,219,442)	62,866	0	16,406	1,989,804	-111.5%
2046	(2,172,982)	65,380	0	91,784	2,269,229	-95.8%
2047	(2,199,385)	67,996	0	435,102	2,486,496	-88.5%
2048	(2,566,492)	70,715	0	460,396	2,363,975	-108.6%

Current Funding projects the Association' current or projected funding level over the thirty year report. An annual increase of 4.0% has been added to each years annual contribution to keep up with anticipated future costs.

Impacts of Funding, Full Funding

Association can afford to maintain common elements with full funding plan, indefinitely.

Full Funding

Fiscal year beginning January

\$75.01 per unit per month.

Fiscal Year	Beginning Cash Balance	Annual Contribution	Annual Interest Earned	Annual Disbursements	Ideal Accumulated Reserves	Percentage Funded
2019	781,730	129,613	821	51,260	907,129	86.2%
2020	860,904	134,798	921	14,556	991,269	86.8%
2021	982,067	140,189	1,051	2,427	1,119,029	87.8%
2022	1,120,881	145,797	1,165	57,016	1,266,507	88.5%
2023	1,210,826	151,629	1,189	195,976	1,365,673	88.7%
2024	1,167,668	157,694	1,227	38,786	1,328,283	87.9%
2025	1,287,804	164,002	1,354	32,075	1,455,382	88.5%
2026	1,421,085	170,562	1,475	62,596	1,597,022	89.0%
2027	1,530,526	177,384	1,599	40,591	1,715,405	89.2%
2028	1,668,918	184,480	1,254	1,015,040	1,864,052	89.5%
2029	839,611	191,859	933	4,704	1,017,647	82.5%
2030	1,027,699	199,533	768	719,487	1,190,791	86.3%
2031	508,513	207,515	585	54,766	637,326	79.8%
2032	661,846	215,815	749	42,239	756,476	87.5%
2033	836,171	224,448	781	334,913	896,797	93.2%
2034	726,486	233,426	819	48,920	744,706	97.6%
2035	911,811	199,524	994	35,249	887,606	102.7%
2036	1,077,080	207,505	1,137	88,421	1,054,001	102.2%
2037	1,197,300	215,805	1,298	15,123	1,175,904	101.8%
2038	1,399,280	224,437	1,328	366,053	1,382,401	101.2%
2039	1,258,993	233,415	1,333	85,365	1,239,239	101.6%
2040	1,408,375	242,751	1,448	163,393	1,386,663	101.6%
2041	1,489,182	252,462	1,598	35,283	1,464,086	101.7%
2042	1,707,958	262,560	1,827	23,678	1,681,909	101.5%
2043	1,948,668	273,062	1,878	414,909	1,924,527	101.3%
2044	1,808,699	283,985	1,916	69,149	1,777,952	101.7%
2045	2,025,451	295,344	2,165	16,406	1,989,804	101.8%
2046	2,306,554	307,158	2,414	91,784	2,269,229	101.6%
2047	2,524,343	319,444	2,467	435,102	2,486,496	101.5%
2048	2,411,152	332,222	2,347	460,396	2,363,975	102.0%

Full Funding is designed to establish a funding goal of attaining and maintaining reserves at or near 100% funded. An annual increase of 4.0% has been added to each years annual contribution (except year 2035) to keep up with anticipated future costs.

Impacts of Funding, Threshold Funding

Nevada Real Estate Division

Percentage funded
never falls below 70.

70% Threshold Funding

Fiscal year beginning January

Fiscal Year	Beginning Cash Balance	Annual Contribution	Annual Interest Earned	Annual Disbursements	Ideal Accumulated Reserves	Percentage Funded
2019	781,730	125,482	819	51,260	907,129	86.2%
2020	856,771	130,501	915	14,556	991,269	86.4%
2021	973,631	135,721	1,040	2,427	1,119,029	87.0%
2022	1,107,966	141,150	1,150	57,016	1,266,507	87.5%
2023	1,193,250	146,796	1,169	195,976	1,365,673	87.4%
2024	1,145,239	152,668	1,202	38,786	1,328,283	86.2%
2025	1,260,324	158,775	1,324	32,075	1,455,382	86.6%
2026	1,388,348	165,126	1,440	62,596	1,597,022	86.9%
2027	1,492,317	171,731	1,558	40,591	1,715,405	87.0%
2028	1,625,014	178,600	1,207	1,015,040	1,864,052	87.2%
2029	789,781	185,744	880	4,704	1,017,647	77.6%
2030	971,702	193,174	709	719,487	1,190,791	81.6%
2031	446,097	200,901	519	54,766	637,326	70.0%
2032	592,751	208,937	676	42,239	756,476	78.4%
2033	760,124	208,937	697	334,913	896,797	84.8%
2034	634,845	208,937	715	48,920	744,706	85.2%
2035	795,577	208,937	882	35,249	887,606	89.6%
2036	970,147	208,937	1,030	88,421	1,054,001	92.0%
2037	1,091,693	208,937	1,189	15,123	1,175,904	92.8%
2038	1,286,695	208,937	1,208	366,053	1,382,401	93.1%
2039	1,130,787	208,937	1,193	85,365	1,239,239	91.2%
2040	1,255,551	208,937	1,278	163,393	1,386,663	90.5%
2041	1,302,373	208,937	1,389	35,283	1,464,086	89.0%
2042	1,477,416	208,937	1,570	23,678	1,681,909	87.8%
2043	1,664,245	208,937	1,561	414,909	1,924,527	86.5%
2044	1,459,834	208,937	1,530	69,149	1,777,952	82.1%
2045	1,601,152	208,937	1,697	16,406	1,989,804	80.5%
2046	1,795,380	208,937	1,854	91,784	2,269,229	79.1%
2047	1,914,387	208,937	1,801	435,102	2,486,496	77.0%
2048	1,690,023	208,937	1,564	460,396	2,363,975	71.5%

This funding plan is designed to keep the funding percentage above 70%. An annual increase of 4.0% has been added to each years annual contribution from 2020 to 2032 to maintain a funding percentage at or above 70%.

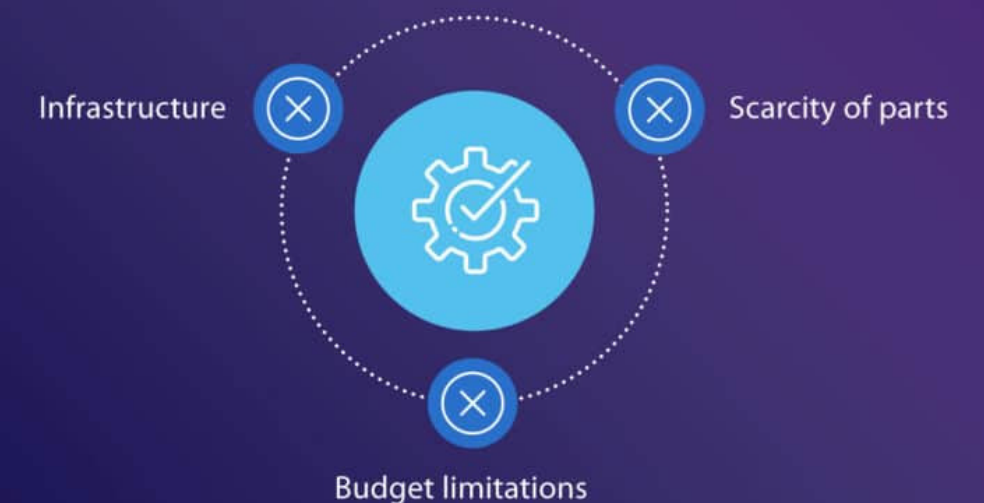
Examples:

# Component	Useful Life (yrs)	Remaining Useful Life (yrs)	Current Average Cost	Future Average Cost
201 Asphalt - Resurface	20	5	\$35,500	\$41,154
202 Asphalt - Seal/Repair	5	4	\$4,263	\$4,797
403 Mailboxes - Replace	15	2	\$2,425	\$2,573
404 Patio Furniture - Replace	6	0	\$2,813	\$3,358
703 Intercom - Replace	8	2	\$2,725	\$2,891
705 Vehicle Gate Mechanics - Replace	8	4	\$2,500	\$2,814
1107 Iron Fence - Repaint	6	0	\$4,325	\$5,164
1112 Masonite Siding - Repaint	8	2	\$27,750	\$29,440
1115 Stucco - Repaint	16	2	\$22,500	\$23,870
1116 Wood Surfaces/Trim - Repaint	4	2	\$24,975	\$26,496
1202 Pool - Resurface	10	3	\$4,400	\$4,808
1203 Spa - Resurface	5	3	\$1,500	\$1,639
1207 Pool Filter - Replace	10	4	\$950	\$1,069
1207 Spa Filter - Replace	10	2	\$900	\$955
1208 Pool Heater - Replace	10	2	\$2,250	\$2,387
1208 Spae Heater - Replace	10	2	\$2,025	\$2,148
1305 Wood Shingle Roof - Replace	20	13	\$379,500	\$557,309
17 Total Funded Components				

Options If Underfunded

- Once a common element is damaged or destroyed, it must be repaired or replaced promptly by the association, unless 80% of the unit owners, including every affected owner, vote not to rebuild [NRS 116.31135(1)(c)].
 - The executive board may also be able to defer certain reserve projects and expenses until a later date if the upkeep is not yet necessary.

Understanding Deferred Maintenance



Example of Deferred Maintenance

Nevada Real Estate Division

Fiscal Year	2026	2027	2028	2029	2030
Starting Reserve Balance	\$383,998	\$474,757	\$574,535	\$619,777	\$714,364
Annual Reserve Contribution	\$86,693	\$89,294	\$91,080	\$92,902	\$94,760
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$8,580	\$10,484	\$11,933	\$13,330	\$15,122
Subtotal	\$479,272	\$574,535	\$677,547	\$726,008	\$824,246
# Component					
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$0	\$8,665
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
404 Patio Furniture - Replace	\$0	\$0	\$0	\$0	\$5,717
703 Intercom - Replace	\$0	\$0	\$0	\$0	\$0
705 Vehicle Gate Mechanics - Replace	\$4,515	\$0	\$0	\$0	\$0
1107 Iron Fence - Repaint	\$0	\$0	\$0	\$0	\$8,792
1112 Masonite Siding - Repaint	\$0	\$0	\$0	\$0	\$0
1115 Stucco - Repaint	\$0	\$0	\$0	\$0	\$0
1116 Wood Surfaces/Trim - Repaint	\$0	\$0	\$47,855	\$0	\$0
1202 Pool - Resurface	\$0	\$0	\$0	\$8,684	\$0
1203 Spa - Resurface	\$0	\$0	\$0	\$2,960	\$0
1207 Pool Filter - Replace	\$0	\$0	\$0	\$0	\$1,931
1207 Spa Filter - Replace	\$0	\$0	\$1,724	\$0	\$0
1208 Pool Heater - Replace	\$0	\$0	\$4,311	\$0	\$0
1208 Spae Heater - Replace	\$0	\$0	\$3,880	\$0	\$0
1305 Wood Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
Subtotal	\$4,515	\$0	\$57,770	\$11,644	\$25,105
Ending Reserve Balance	\$474,757	\$574,535	\$619,777	\$714,364	\$799,141

Measuring the "strength" of the Fund

Nevada Real Estate Division

By law, the reserve fund must be “adequately funded,” meaning sufficient to maintain the common elements:

- At the level described in the governing documents and a reserve study;
- Without using operating funds; and
- Without the use of special reserve assessments, except for occurrences that are a result of unforeseen catastrophic events.

NAC 116.425

Reserve Study: Resale Packages

- Upon the request of a unit's owner, authorized agent, or upon the request of a purchaser to whom the unit's owner has provided a resale package, the association shall make the entire study of the reserves of the association reasonably available for the unit's owner, purchaser or authorized agent to inspect, examine, photocopy and audit ((NRS 116.4109(6))).

Reserves: Overview Summary

Nevada Real Estate Division

- The reserves may only be used for the repair, replacement and restoration of:
 - The major components of the common elements and
 - Any other portion of the common-interest community (CIC) that the
 - Association is obligated to maintain, repair, replace or restore, including:
 - roofs,
 - roads and
 - sidewalks, etc.
- Reserves must NOT be used for daily (routine) maintenance or operating expenses.

Adopting and Applying the Study



Review of the Study

- The executive board receives the first draft of the reserve study from the specialist.
 - It is then the executive board's responsibility to review the study to ensure that all the major components of the common elements are included in the study.
- If there are any omissions in the study, the board should respectfully communicate the need for an amended study to the specialist who prepared the study.
 - Amendments to the study are conducted by the specialist, who then submits an amended study to the board for adoption.

NAC 116.435 & NRS 116.31152



Review of the Study

- The executive board must adopt the reserve study (at an executive board meeting) and provide a summary to the Division (Form 609) within 210 days of receiving a first draft from the specialist.
- If the board adopts the reserve study earlier, a summary of the study must be provided to the Division within 45 days of adoption.

NAC 116.435

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY - REAL ESTATE DIVISION
OFFICE OF THE OMBUDSMAN FOR COMMON-INTEREST COMMUNITIES AND CONDOMINIUM HOTELS

3300 W. Sahara Avenue, Suite 350 * Las Vegas, NV 89102
(702) 486-4480 * Toll free: (877) 829-9907 * Fax: (702) 486-4520
E-mail: HOARRegistrations@red.nv.gov <http://red.nv.gov/>

RESERVE STUDY SUMMARY FORM (NRS 116.31152)

The executive board shall: at least once every 5 years cause to be conducted a study of the reserves [with an on-site inspection] required to repair, replace and restore the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore; at least annually, review the results of that study to determine whether those reserves are sufficient; and at least annually, make any adjustments to the association's funding plan which the executive board deems necessary to provide adequate funding for the required reserves. A summary of the study of the reserves must be submitted to the Division no later than 45 days after the date that the executive board adopts the results of the study, using this form.

Association's legal name: _____

(As it appears in the Articles of Incorporation/Secretary of State's website)

Subdivision name(s) for the Association: _____

(As it appears on the County Assessor's website)

Nevada Secretary of State (SOS) entity number: _____ SOS original filing date: ____/____/____

(For SOS Filing information, visit <http://nvsos.gov/sosentitysearch/>)

Is the Association identified as a Master or sub-association, per the CC&Rs: ☐ Master ☐ Sub-Association ☐ Neither

If identified as a sub-association, please indicate the name of the Master Association: _____

CURRENT BILLING INFORMATION

Mailing/billing address: _____

City: _____ State: _____ Zip: _____ County the association is located in: _____

Management company name (if applicable): _____

Address of Management Company: ☐ same as above _____

City: _____ State: _____ Zip: _____ Name of Community Manager: _____

Email address for Community Manager: _____ Custodian of Records: _____

DESCRIPTION OF ASSOCIATION PROPERTY

Is the association a...?

- ☐ Condominium ☐ Cooperative
☐ Condominium Hotel ☐ Planned Community

If a planned community, indicate type(s) of units:

- ☐ Single Family Dwelling ☐ Condominium
☐ Duplex ☐ Townhouse ☐ Manufactured Housing

Approximate age of development: _____ Number of current annexed units: _____

Max.(total) # of units declarant reserves right to annex as indicated in the CC&Rs: _____

RESERVE STUDY INFORMATION

Pursuant to [NAC 116.425\(1\)\(o\)](#), was the reserve study that was most recently adopted by the executive board (check one):

- ☐ (1) A full reserve study
☐ (2) An update to a previous reserve study made pursuant to a site visit
☐ (3) An update to a previous reserve study made without a site visit

Date on which the on-site inspection of the most recent reserve study was commenced (M/D/YR.): ____/____/____

Adoption date of most recent reserve study (M/D/YR.): ____/____/____ Commencement date of previous study (M/D/YR.): ____/____/____

Pursuant to [NAC 116.405\(8\)\(c\)](#), name of specialist who conducted the study: _____ RSS # _____

In the most recent reserve study, were any components identified that were **not** identified in a previous study? ☐ Yes ☐ No

If yes, provide an explanation and attach any supporting documents: _____

Association's Accounting Fiscal Year End Date (Mo./day): ____/____

FINANCIAL/FUNDING INFORMATION FROM CURRENT RESERVE STUDY

Estimated replacement costs of the complete major component inventory: \$ _____

Recommended annual reserve contribution in current fiscal year: \$ _____

Recommended special reserve assessment (if any): \$ _____

Timeframe for special reserve assessment (if any): _____

1 Actual reserve account balance at the beginning of the fiscal year: \$ _____

2 Current fiscal year budgeted reserve contribution: + \$ _____

3 Current fiscal year projected investment income (i.e. interest, dividends): + \$ _____

4 Current fiscal year budgeted special reserve assessment (if any): + \$ _____

5 Total projected reserve account balance (add lines 1-4) = \$ _____

6 Current fiscal year budgeted reserve expenditures: - \$ _____

7 Projected reserve account balance at end of current fiscal year (subtract line 6 from 5) = \$ _____

8 Projected fully-funded (100% funded) balance from Reserve Study: \$ _____

9 Projected percent funded (line 7 divided by line 8): = % _____

Is there a difference between the budgeted and recommended annual contributions? ☐ Yes ☐ No

If yes, explanation for the difference: _____

If yes, how does the executive board propose to adequately fund the reserves? _____

Provide an explanation for the need of a special reserve assessment (i.e. how the association arrived to this financial state):

Are the reserve funds held in separate accounts? ☐ Yes ☐ No

If no, why not? _____

Funding plan selected by executive board: ☐ Full funding ☐ Threshold funding ☐ Baseline funding

"I declare under penalty of perjury under the law of the State of Nevada that the foregoing, to the best of my knowledge and belief, is true and correct."

Person authorized to sign form: ☐ Board Member (Title: _____) ☐ Community Manager (License # _____) ☐ Declarant

Knowledge Check 5

Nevada Real Estate Division

How many signatures are required to withdraw funds from the reserve account?

Knowledge Check 5, answer.

At least two signatures are required to
withdraw funds from the reserve
account.

Knowledge Check 6

When is a reserve account considered "adequately funded"?

- a. When the account is at least 75% funded.
- b. When an account is funded at the level described in the reserve study and the governing documents.
- c. When unit owners have to pay any assessments to fund the reserves
- d. When the board decides the reserves are sufficiently funded.

Knowledge Check 6, answer

“Adequately funded,” meaning sufficient to maintain the common elements:

At the level described in the governing documents and a reserve study;

Without using operating funds; and

Without the use of special reserve assessments, except for occurrences that are a result of unforeseen catastrophic events.

Before we move on to the Q&A session, I'd like to remind everyone that we are here to provide general information and guidance. We cannot give legal advice, interpret the law, or provide opinions on individual circumstances.



OFFICE OF THE OMBUDSMAN

FOR OWNERS IN COMMON-INTEREST COMMUNITIES AND CONDOMINIUM HOTELS

The purpose of this Q&A session is to help clarify the material covered in today's class. Please keep your questions focused on understanding and the application of the statutes, regulations, and CC&Rs relevant to your roles within your community.

For specific legal concerns or individual issues, please consult with a qualified attorney.



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Thank you

Andrei Tcacenco & Dre Anderson
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phone: 702-486-4480