



## "Your Future Is Our Business"

Courtesy of RSI, the following contains excerpts of the most current Nevada Revised Statutes Chapter 116 sections that apply to Reserve Studies:

**Section 1.** Chapter 116 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 13, inclusive, of this act.

### **Section 3.**

1. Except as otherwise provided in subsection 2 and unless the declaration of a common-interest community imposes more stringent standards, the executive board of an association shall, not less than 30 days or more than 60 days before the beginning of the fiscal year of the association, prepare and distribute to each unit's owner a copy of:

- (b) The budget to maintain the reserve required by paragraph (b) of subsection 2 of NRS 116.3115. The budget must include, without limitation:
  - (1) The current estimated replacement cost, estimated remaining life and estimated useful life of each major component of the common elements;
  - (2) As of the end of the fiscal year for which the budget is prepared, the current estimate of the amount of cash reserves that are necessary, and the current amount of accumulated cash reserves that are set aside to repair, replace or restore the major components of the common elements;
  - (3) A statement as to whether the executive board has determined or anticipates that the levy of one or more special assessments will be required to repair, replace or restore any major component of the common elements or to provide adequate reserves for that purpose; and
  - (4) A general statement describing the procedures used for the estimation and accumulation of cash reserves pursuant to subparagraph (2), including, without limitation, the qualifications of the person responsible for the preparation of the study required by section 4 of this act.

### **Section 4.**

1. The executive board of an association shall:

- (a) Cause to be conducted at least once every 5 years, a study of the reserves required to repair, replace and restore the major components of the common elements;
- (b) Review the results of that study at least annually to determine if those reserves are sufficient; and
- (c) Make any adjustments it deems necessary to maintain the required reserves.

2. The study required by subsection 1 must be conducted by a person qualified by training and experience to conduct such a study, including a member of the executive board, a unit's owner or the property manager of the association who is qualified. The study must include, without limitation:

- (a) A summary of an inspection of the major components of the common elements the association is obligated to repair, replace or restore;
- (b) An identification of the major components of the common elements that the association is obligated to repair, replace or restore which have a remaining useful life of less than 30 years;
- (c) An estimate of the remaining useful life of each major component identified pursuant to paragraph (b);
- (d) An estimate of the cost of repair, replacement or restoration of each major component identified pursuant to paragraph (b) during and at the end of its useful life; and
- (e) An estimate of the total annual assessment that may be required to cover the cost of repairing, replacement or restoration the major components identified pursuant to paragraph (b), after subtracting the reserves of the association as of the date of the study.

3. The administrator shall adopt by regulation the qualifications required for conducting a study required by subsection 1.

**Section 5.** Money in the reserve account of an association required by paragraph (b) of subsection 2 of NRS 116.3115 may not be withdrawn without the signatures of at least two members of the executive board or the signatures of at least one member of the executive board and one officer of the association who is not a member of the executive board.

## Section 6.

6. At least once every 90 days, unless the declaration or bylaws of the association impose more stringent standards, the executive board shall review at one of its meetings:
  - (b) A current reconciliation of the reserve account of the association;
  - (c) The actual revenues and expenses for the reserve account, compared to the budget for the account for the current year;
  - (d) The latest account statements prepared by the financial institutions in which the accounts of the association are maintained;
  - (e) An income and expense statement, prepared on at least a quarterly basis, for the operating and reserve accounts of the association;

## Section 13.

1. The executive board of an association shall maintain and make available for review at the business office of the association or other suitable location:
  - (c) The study of the reserves of the association required to be conducted pursuant to section 4 of this act.

## Section 16.

2. This chapter does not apply to:
  - (a) Associations created for the limited purpose of maintaining:
    - (1) The landscape of the common elements of a common-interest community;
    - (2) Facilities for flood control; or
    - (3) A rural agricultural residential common-interest community.
  - (b) A planned community in which all units are restricted exclusively to nonresidential use unless the declaration provides that the chapter does apply to that planned community. This chapter applies to a planned community containing both units that are restricted exclusively to nonresidential use and other units that are not so restricted, only if the declaration so provides or the real estate comprising the units that may be used for residential purposes would be a planned community in the absence of the units that may not be used for residential purposes.

**Section 21.** NRS 116.31038 is hereby amended to read as follows: Within 30 days after units' owners other than the declarant may elect a majority of the members of the executive board, the declarant shall deliver to the association all property of the units' owners and of the association held by or controlled by him, including:

3. A complete study of the reserves of the association, conducted by a person qualified by training and experience to conduct such a study. At the time the control of the declarant ends, he shall:
  - (a) Except as otherwise provided in this paragraph, deliver to the association a reserve account that contains the declarant's share of the amounts then due, and control of the account. If the declaration was recorded before October 1, 1999, and, at the time the control of the declarant ends, he has failed to pay his share of the amounts due, the executive board shall authorize the declarant to pay the deficiency in installments for a period of 3 years, unless the declarant and the executive board agree to a shorter period.
  - (b) Disclose, in writing, the amount by which he has subsidized the association's dues on a per unit or per lot basis. The provisions of this subsection do not apply to a time share or time-share project governed by the provisions of chapter 119A of NRS.

**Section 27.** NRS 116.3115 is hereby amended to read as follows: 1. Until the association makes an assessment for common expenses, the declarant shall pay all common expenses. After an assessment has been made by the association, assessments must be made at least annually, based on a budget adopted at least annually by the association in accordance with the requirements set forth in section 3 of this act. Except for an association for a time-share project governed by the provisions of chapter 119A of NRS, and unless the declaration imposes more stringent standards, the budget must include a budget for the daily operation of the association and the money for the reserve required by paragraph (b) of subsection 2.

2. Except for assessments under subsections 4 to 7, inclusive:
  - (a) All common expenses, including a reserve, must be assessed against all the units in accordance with the allocations set forth in the declaration pursuant to subsections 1 and 2 of NRS 116.2107.
  - (b) The association shall establish an adequate reserve, funded on a reasonable basis, for the repair, replacement and restoration of the major components of the common elements. The reserve may be used only for those purposes, including, without limitation, repairing, replacing and restoring roofs, roads and sidewalks, and must not be used for daily maintenance.