



## RESERVE STUDY

Full Study

## Sample Association for Nevada

Final

Published - February 03, 2015

Prepared for the 2016 Fiscal Year

### Browning Reserve Group

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## Sample Association for Nevada

Final

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## **Sample Association for Nevada**

Final

### **Member Distribution Materials**

*The following Reserve Study sections, located at the end of the report, should be provided to each member.*

<i>Section</i>	<i>Report</i>
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<i>Nevada:</i>	Member Summary
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### Reserve Study Summary

A Reserve Study was conducted of Sample Association for Nevada (the "**Association**"). A **Full Study** includes an on-site review upon where the following tasks are performed:

- development of a reserve component inventory;
- condition assessment based upon on-site visual observation;
- life and valuation estimates;
- fund status;
- and a funding plan.

Sample Association for Nevada is a Planned Community with a total of 100 Lots.

### Physical Inspection

Browning Reserve Group ("**BRG**") conducted a physical inspection of the Association. The inspection encompassed those major components that the Association is required to maintain. For this study components are determined to be major components if:

1. As of the date of the study, they have a remaining useful life of less than 30 years, and a value greater than \$1,000.
2. Such additional components, if any, determined by the Board of Directors.

During the inspection, BRG utilized the services of our own construction cost estimator. In addition, independent contractors were retained to render opinions on selected components as indicated in Section VI, Included Component Listing.

Supplemental information to the physical inspection may have been obtained from the following sources:

1. Project plans where available.
2. Maintenance records of the reserve components where available.
3. Association board members, management and staff.

### Summary of Reserves

For the first year of the Reserve Study, the reserve contribution is based upon the existing budget unless otherwise noted in "*Section III, Reserve Funding Plan.*" In addition BRG relied on the Association to provide an accurate Beginning Reserve Balance.

**The status of the Association's reserves, as reflected in the following Reserve Study, is as follows:**

1. **The Expenditure Forecast of the following Reserve Study identifies the major components which the Association is obligated to repair, replace, restore or maintain, as determined in accordance with the criteria specified above, and specifies for each such component:**
  - a. **Its current estimated replacement cost;**
  - b. **Its estimated useful life; and**
  - c. **Its estimated remaining useful life.**
2. **It is estimated that the total cash reserves necessary to repair, replace, restore or maintain such major components (in the aggregate) during and at the end of their first remaining useful life is \$135,629.**
  - **[For purposes of this calculation, "necessary" is defined as the Fully Funded Balance (FFB) (Component Current Cost X Effective Age / Useful Life, including a provision for interest and inflation in future years.)]**
3. **The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain such major components as of the fiscal year ending December 31, 2016 is estimated to be \$135,303, constituting 99.8% of the total expenditures anticipated for all such major components through their first end of useful life replacement.**
4. **Based upon the schedule of annual reserve contributions necessary to defray the cost of repairing, replacing, restoring or maintaining such major components in the years such expenditures are estimated to be required, it is estimated that annual reserve contributions in the initial amount of \$45,927 [*\$38.27 per Lot per month (average)*] for the fiscal year ending December 31, 2016 (the first full fiscal year following first distribution of this report) will be necessary in order to meet all such reserve expenditures when they are projected to come due.**

**Funding Assessment**

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

Nevada statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

The board of directors does not anticipate any special assessment will be required to repair, replace, maintain or restore any major component or to provide adequate reserves.

**Percent Funded Status**

Based on paragraphs 1 - 3 above, the Association is 99.8% funded. The following scale can be used as a measure to determine the Association's financial picture whereas the lower the percentage, the higher the likelihood of the Association requiring a special assessment, or other large increases to the reserve contribution in the future.



## Methodology

The above recommended reserve contribution for the next fiscal year (and future fiscal years as outlined in *Section III, Reserve Fund Balance Forecast*) was developed using the cash flow method. This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

## Funding Goals

The funding goal employed for Sample Association for Nevada is

**Threshold Funding:** Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

## Limitations

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

## Statutory Disclosures

### Compliance

The Reserve Study was conducted pursuant to *NRS 116.31151, NRS 116.31152, and NAC 116.415-430.*

This reserve study was produced under the responsible charge of Robert Browning who holds Professional Community Association Manager (PCAM) and Reserve Specialist (RS) designations from CAI. Pursuant to Nevada regulation R145-06, Mr. Browning is a Nevada Reserve Study Specialist (RSS #5).

### Life Expectancy

**The projected life expectancy of the major components and the funding needs of the reserves of the Association are based upon the Association performing appropriate routine and preventative maintenance for each major component. Failure to perform such maintenance can negatively impact the remaining useful life of the major components and dramatically increase the funding needs of the reserves of the Association.**

## Supplemental Disclosures

### General:

BRG has no other involvement(s) with the Association which could result in actual or perceived conflicts of interest.

### Personnel Credentials:

BRG is a licensed general building contractor in California, #768851, and the owner, Robert W. Browning, holds the Reserve Specialist designation, #46 from the Community Associations Institute.

### Completeness:

BRG has found no material issues which, if not disclosed, would cause a distortion of the Association's situation.

### Reliance on Client Data:

Information provided by the official representative of the Association regarding financial, physical, quantity, or historical issues will be deemed reliable by BRG.

### Scope:

This Reserve Study is a reflection of information provided to BRG and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analysis, health and safety inspection, or background checks of historical records.

### Reserve Balance:

The actual beginning reserve fund balance in this Reserve Study is based upon information provided and was not audited.

### Reserve Projects:

Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit, quality inspection, or health and safety review.



*Browning Reserve Group*



**Section II**  
 Sample Association for Nevada  
**30 Year Expense Forecast - Detailed**  
 Final  
 Prepared for the 2016 Fiscal Year

Reserve Component	Current Replacement		Life Useful /		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Cost	Remaining																	
<b>01000 - Paving</b>																			
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets	12,750	7	5							14,425								17,147	
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets (2%)	4,150	7	5							4,695								5,581	
300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets	136,000	25	12															182,905	
800 - Striping Streets	915	7	5							1,035								1,231	
Total 01000 - Paving	153,815									20,156								206,864	
<b>02000 - Concrete</b>																			
200 - Walkways 22,000 Sq. Ft. Walkways (3%)	6,105	7	5							6,907								8,211	
Total 02000 - Concrete	6,105									6,907								8,211	
<b>03000 - Painting: Exterior</b>																			
100 - Surface Restoration 100 Units- Wood & Stucco	160,500	5	0	160,500						181,591					205,454				
Total 03000 - Painting: Exterior	160,500			160,500						181,591					205,454				
<b>17000 - Tennis Court</b>																			
100 - Reseal 14,400 Sq. Ft. Common Area	14,750	7	2				15,497							18,421					
Total 17000 - Tennis Court	14,750						15,497							18,421					
<b>32000 - Undesignated</b>																			
500 - Contingency Reserve Items	3,500	3	0	3,500			3,769			4,059				4,371				4,707	
Total 32000 - Undesignated	3,500			3,500			3,769			4,059				4,371				4,707	
<b>Total Expenditures Inflated @ 2.50%</b>				164,000	0	15,497	3,769	0	208,654	4,059	0	0	22,792	205,454	0	219,782	0	0	
Total Current Replacement Cost	338,670																		

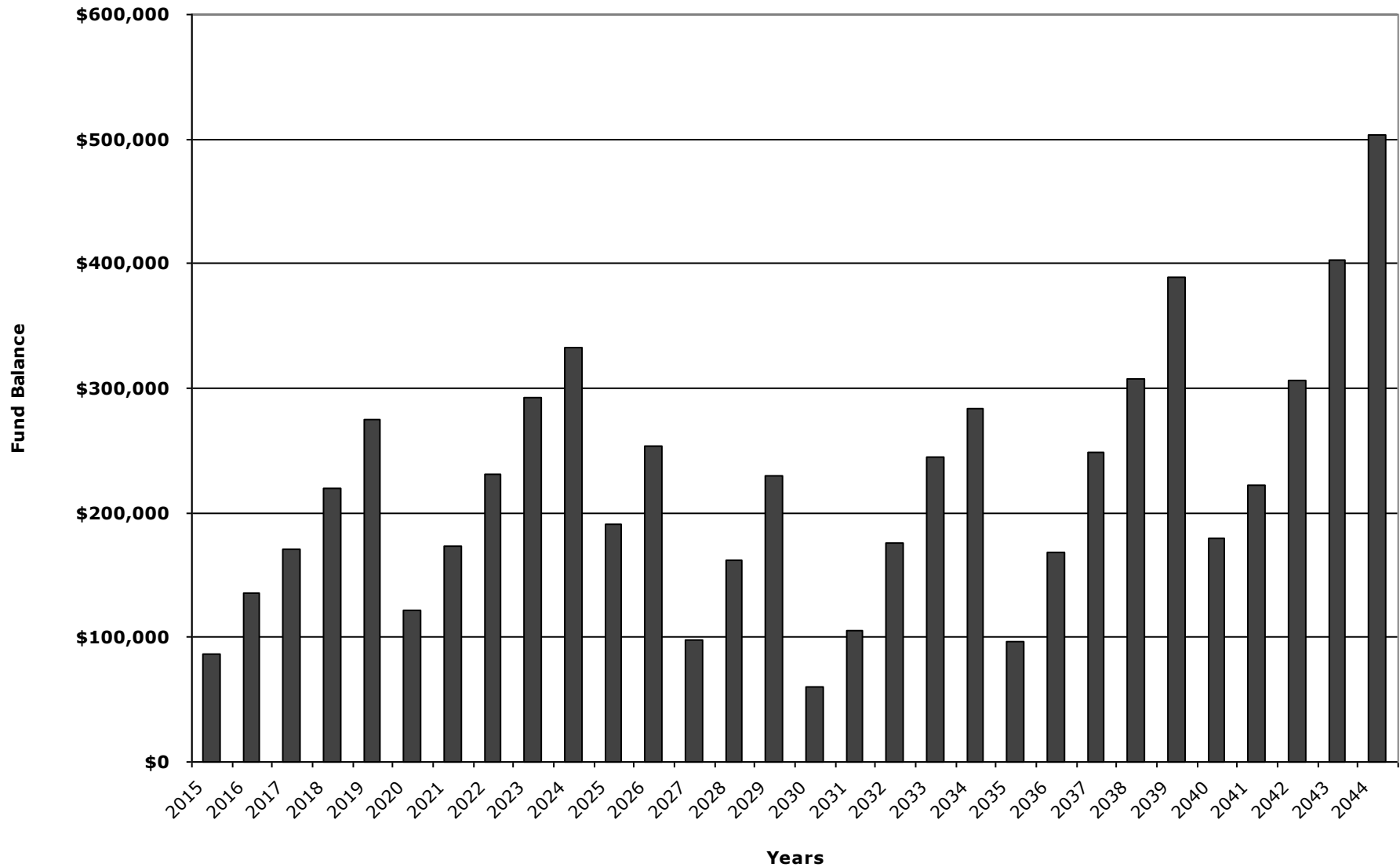


Reserve Component	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
<b>01000 - Paving</b>															
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets					20,383							24,229			
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets (2%)					6,634							7,886			
300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets															
800 - Striping Streets					1,463							1,739			
Total 01000 - Paving					28,480							33,854			
<b>02000 - Concrete</b>															
200 - Walkways 22,000 Sq. Ft. Walkways (3%)					9,760							11,601			
Total 02000 - Concrete					9,760							11,601			
<b>03000 - Painting: Exterior</b>															
100 - Surface Restoration 100 Units- Wood & Stucco	232,452					262,998					297,558				
Total 03000 - Painting: Exterior	232,452					262,998					297,558				
<b>17000 - Tennis Court</b>															
100 - Reseal 14,400 Sq. Ft. Common Area		21,896							26,028						
Total 17000 - Tennis Court		21,896							26,028						
<b>32000 - Undesignated</b>															
500 - Contingency Reserve Items	5,069			5,459			5,879			6,331			6,817		
Total 32000 - Undesignated	5,069			5,459			5,879			6,331			6,817		
<b>Total Expenditures Inflated @ 2.50%</b>	<b>237,521</b>	<b>21,896</b>	<b>0</b>	<b>5,459</b>	<b>38,240</b>	<b>262,998</b>	<b>5,879</b>	<b>0</b>	<b>26,028</b>	<b>6,331</b>	<b>297,558</b>	<b>45,455</b>	<b>6,817</b>	<b>0</b>	<b>0</b>

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Beginning Balance</b>	202,219	86,636	135,303	170,612	219,821	275,247	121,995	173,292	231,237	291,917
<b>Inflated Expenditures @ 2.5%</b>	164,000	0	15,497	3,769	0	208,654	4,059	0	0	22,792
<b>Reserve Contribution</b>	44,851	45,927	47,029	48,158	49,314	50,498	51,710	52,951	54,222	55,523
<i>Lots/month @ 100</i>	37.38	38.27	39.19	40.13	41.10	42.08	43.09	44.13	45.19	46.27
<i>Percentage Increase</i>		2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	3,566	2,740	3,777	4,820	6,112	4,904	3,646	4,994	6,459	7,707
<b>Ending Balance</b>	86,636	135,303	170,612	219,821	275,247	121,995	173,292	231,237	291,917	332,356

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Beginning Balance</b>	332,356	190,210	253,914	98,096	162,360	229,715	59,782	105,476	176,074	244,542
<b>Inflated Expenditures @ 2.5%</b>	205,454	0	219,782	0	0	237,521	21,896	0	5,459	38,240
<b>Reserve Contribution</b>	56,856	58,221	59,618	61,049	62,514	64,014	65,550	67,123	68,734	70,384
<i>Lots/month @ 100</i>	47.38	48.52	49.68	50.87	52.10	53.35	54.63	55.94	57.28	58.65
<i>Percentage Increase</i>		2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	6,451	5,483	4,346	3,216	4,840	3,574	2,040	3,476	5,193	6,515
<b>Ending Balance</b>	190,210	253,914	98,096	162,360	229,715	59,782	105,476	176,074	244,542	283,202

	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
<b>Beginning Balance</b>	283,202	96,971	168,168	248,891	307,116	388,619	179,219	221,810	306,605	402,490
<b>Inflated Expenditures @ 2.5%</b>	262,998	5,879	0	26,028	6,331	297,558	45,455	6,817	0	0
<b>Reserve Contribution</b>	72,073	73,803	75,574	77,388	79,245	81,147	83,095	85,089	87,131	89,222
<i>Lots/month @ 100</i>	60.06	61.50	62.98	64.49	66.04	67.62	69.25	70.91	72.61	74.35
<i>Percentage Increase</i>		2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	4,693	3,273	5,149	6,864	8,589	7,010	4,951	6,524	8,754	11,178
<b>Ending Balance</b>	96,971	168,168	248,891	307,116	388,619	179,219	221,810	306,605	402,490	502,890

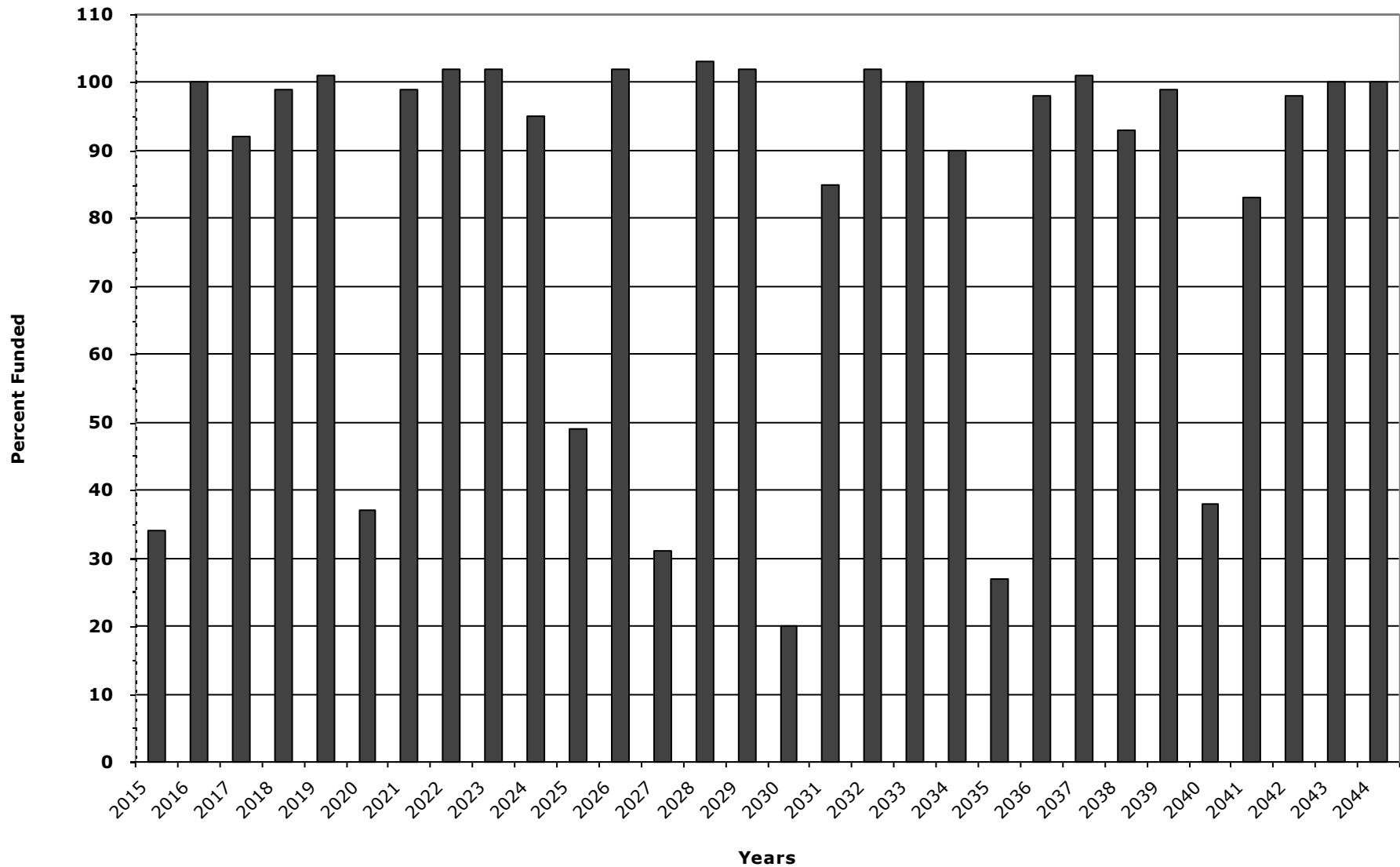


**30 Year Reserve Funding Plan Including Fully Funded Balance and % Funded**

Final

Prepared for the 2016 Fiscal Year

Year	Beginning Balance	Fully Funded Balance	Percent Funded	Inflated Expenditures @ 2.50%	Reserve Contribution	Special Assessments & Other Contributions	Interest	Ending Balance
2015	202,219	252,090	34.4%	164,000	44,851	0	3,566	86,636
2016	86,636	135,629	99.8%	0	45,927	0	2,740	135,303
2017	135,303	185,490	92.0%	15,497	47,029	0	3,777	170,612
2018	170,612	221,875	99.1%	3,769	48,158	0	4,820	219,821
2019	219,821	272,381	101.1%	0	49,314	0	6,112	275,247
2020	275,247	329,234	37.1%	208,654	50,498	0	4,904	121,995
2021	121,995	174,888	99.1%	4,059	51,710	0	3,646	173,292
2022	173,292	227,677	101.6%	0	52,951	0	4,994	231,237
2023	231,237	287,260	101.6%	0	54,222	0	6,459	291,917
2024	291,917	349,680	95.0%	22,792	55,523	0	7,707	332,356
2025	332,356	391,680	48.6%	205,454	56,856	0	6,451	190,210
2026	190,210	248,917	102.0%	0	58,221	0	5,483	253,914
2027	253,914	314,625	31.2%	219,782	59,618	0	4,346	98,096
2028	98,096	158,187	102.6%	0	61,049	0	3,216	162,360
2029	162,360	224,639	102.3%	0	62,514	0	4,840	229,715
2030	229,715	294,315	20.3%	237,521	64,014	0	3,574	59,782
2031	59,782	123,875	85.1%	21,896	65,550	0	2,040	105,476
2032	105,476	171,831	102.5%	0	67,123	0	3,476	176,074
2033	176,074	245,112	99.8%	5,459	68,734	0	5,193	244,542
2034	244,542	316,354	89.5%	38,240	70,384	0	6,515	283,202
2035	283,202	357,545	27.1%	262,998	72,073	0	4,693	96,971
2036	96,971	171,200	98.2%	5,879	73,803	0	3,273	168,168
2037	168,168	245,601	101.3%	0	75,574	0	5,149	248,891
2038	248,891	329,791	93.1%	26,028	77,388	0	6,864	307,116
2039	307,116	391,359	99.3%	6,331	79,245	0	8,589	388,619
2040	388,619	476,656	37.6%	297,558	81,147	0	7,010	179,219
2041	179,219	267,627	82.9%	45,455	83,095	0	4,951	221,810
2042	221,810	313,880	97.7%	6,817	85,089	0	6,524	306,605
2043	306,605	403,046	99.9%	0	87,131	0	8,754	402,490
2044	402,490	503,636	99.9%	0	89,222	0	11,178	502,890





**Section V**

Sample Association for Nevada

**Reserve Fund Balance Forecast Component Method**

Final

Prepared for the 2016 Fiscal Year

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>Estimated Future Replacement Costs</i>	<i>Per Year</i>	<i>2015 Fully Funded Balance</i>	<i>2016 Fully Funded Balance</i>	<i>% Per Year Straight Line</i>	<i>2016 Line Item Contribution based on Cash Flow Method</i>
<b>01000 - Paving</b>									
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets	12,750	7	5	14,425	2,061	3,643	5,601	4.42%	2,028
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets (2%)	4,150	7	5	4,695	671	1,186	1,823	1.44%	660
300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets	136,000	25	12	182,905	7,316	70,720	78,064	15.68%	7,201
800 - Striping Streets	915	7	5	1,035	148	261	402	0.32%	146
Sub-total [01000 - Paving]	153,815			203,061	10,196	75,810	85,890	21.85%	10,035
<b>02000 - Concrete</b>									
200 - Walkways 22,000 Sq. Ft. Walkways (3%)	6,105	7	5	6,907	987	1,744	2,682	2.11%	971
<b>03000 - Painting: Exterior</b>									
100 - Surface Restoration 100 Units- Wood & Stucco	160,500	5	0	160,500	32,100	160,500	32,903	68.79%	31,594
<b>17000 - Tennis Court</b>									
100 - Reseal 14,400 Sq. Ft. Common Area	14,750	7	2	15,497	2,214	10,536	12,959	4.74%	2,179
<b>32000 - Undesignated</b>									
500 - Contingency Reserve Items	3,500	3	0	3,500	1,167	3,500	1,196	2.50%	1,148
<b>Totals</b>	<b>338,670</b>			<b>389,465</b>	<b>46,663</b>	<b>252,090</b>	<b>135,629</b>	<b>100.00%</b>	<b>45,927</b>
						[A]	[B]		
						[EndBal]	[EndBal]		
<b>Percent Funded</b>						<b>34.37%</b>	<b>99.76%</b>		

**01000 - Paving**

100 - Asphalt: Sealing	Useful Life 7	Remaining Life 5
82,940 Sq. Ft. Streets	Quantity 82,940	Unit of Measure Square Feet
	Cost /SqFt \$0.154	
	% Included 100.00%	Total Cost/Study \$12,750
Summary	Replacement Year 2020	Future Cost \$14,425

This is to prepare the surface and apply a single coat asphalt emulsion product. If a second coat is desired the cost is generally 10% to 20% higher.

2013- Sealed for \$11,600 (\$0.14/sf) by Holbrook Asphalt.

Typical street condition.



Costing provided by Holbrook Asphalt

General Ledger Acct 5100

**01000 - Paving**

200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets (2%)	Useful Life 7    Remaining Life 5 Quantity 82,940 Cost /SqFt \$3.34 % Included 1.50%	Unit of Measure Square Feet Qty * \$/SqFt \$276,667 Total Cost/Study \$4,150 Future Cost \$4,695
Summary	Replacement Year 2020	

This is for miscellaneous repairs including crackfill, skin patching and minor dig out & fill. Cracks 1/4" or wider should be filled when observed.

2013- \$3,750 was expended for minor repair and crackfill.  
 2006- \$2,950 was expended for repair.



Costing provided by Holbrook Asphalt  
 General Ledger Acct 5100

300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets	Useful Life 25    Remaining Life 12 Quantity 82,940 Cost /SqFt \$1.64 % Included 100.00%	Unit of Measure Square Feet Total Cost/Study \$136,000 Future Cost \$182,905
Summary	Replacement Year 2027	

This is to apply a Petromat overlay on top of the existing asphalt surface along with 1-1/2" of new hot asphalt. Generally this includes edge grinding and utility box extensions.

2015- \$1.64/square foot estimate per APP.  
 2002- The streets were placed in service.



Costing provided by American Pavement Preservation  
 General Ledger Acct 5100



**01000 - Paving**

800 - Striping	Useful Life 7	Remaining Life 5	
Streets	Quantity 1	Unit of Measure	Lump Sum
	Cost /LS \$915		
	% Included 100.00%	Total Cost/Study	\$915
Summary	Replacement Year 2020	Future Cost	\$1,035

This is to restripe the roadway to match existing plan.

- 2- Crosswalks
- 4- Stop bars
- 4- Handicap stalls
- 42- Parking stalls

2013- restriped for \$849.



Costing provided by American Pavement Preservation  
 General Ledger Acct 5100

**02000 - Concrete**

200 - Walkways	Useful Life 7	Remaining Life 5
22,000 Sq. Ft. Walkways (3%)	Quantity 22,000	Unit of Measure Square Feet
	Cost /SqFt \$9.25	Qty * \$/SqFt \$203,500
	% Included 3.00%	Total Cost/Study \$6,105
Summary	Replacement Year 2020	Future Cost \$6,907

This is to repair, replace or grind failed concrete walkways to remove abrupt elevation changes and maintain functionality. Since the concrete useful life exceeds the scope of this study, this component provides for repair only and not full replacement. Minor repairs are performed by staff.

2013- 130 linear feet of front entry area was replaced.



General Ledger Acct 5400

**03000 - Painting: Exterior**

100 - Surface Restoration	Useful Life 5	Remaining Life 0
100 Units- Wood & Stucco	Quantity 100	Unit of Measure Unit
	Cost /Ut \$1,605	
	% Included 100.00%	Total Cost/Study \$160,500
Summary	Replacement Year 2015	Future Cost \$160,500

This is to prepare, power wash, sand, scrape, caulk and paint the building exterior surfaces except unit fencing with a 100% premium acrylic paint. Owners are responsible for repairs. Minor touchup is performed by staff.

2015- \$160,500 (\$1,605/unit) was expended.  
 2010- \$149,000 (\$1,400/unit) was expended.



Costing provided by Design Works Custom Painting, Inc

General Ledger Acct 5310

**03000 - Painting: Exterior**

**17000 - Tennis Court**

100 - Reseal	Useful Life 7	Remaining Life 2
14,400 Sq. Ft. Common Area	Quantity 14,400	Unit of Measure Square Feet
	Cost /SqFt \$1.02	
	% Included 100.00%	Total Cost/Study \$14,750
Summary	Replacement Year 2017	Future Cost \$15,497

This is to reseal and restripe the tennis courts.



General Ledger Acct 5950

**32000 - Undesignated**

500 - Contingency	Useful Life 3	Remaining Life 0
Reserve Items	Quantity 1	Unit of Measure Lump Sum
	Cost /LS \$3,500	
	% Included 100.00%	Total Cost/Study \$3,500
Summary	Replacement Year 2015	Future Cost \$3,500

This is for major unanticipated reserve component repairs.

2015- \$3,500 was expended to permanently remove the tennis court equipment building.  
 2012- \$690 was expended to permanently remove an unused concrete pad.

General Ledger Acct 5950

<i>Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>Quantity</i>	<i>Cost/ U of M</i>	<i>Treatment</i>	<i>Location</i>	<i>General Ledger Acct</i>
<b>01000 - Paving</b>								
100 - Asphalt: Sealing	\$12,750	7	5	82,940	\$.15/SqFt		Streets	5100
200 - Asphalt: Ongoing Repairs	\$4,150	7	5	82,940	\$3.34/SqFt (2%)		Streets	5100
300 - Asphalt: Petromat Overlay	\$136,000	25	12	82,940	\$1.64/SqFt		Streets	5100
800 - Striping	\$915	7	5	1	\$915/LS		Streets	5100
<b>02000 - Concrete</b>								
200 - Walkways	\$6,105	7	5	22,000	\$9.25/SqFt (3%)		Walkways	5400
<b>03000 - Painting: Exterior</b>								
100 - Surface Restoration	\$160,500	5	0	100	\$1,605/Ut		Units- Wood & Stucco	5310
<b>17000 - Tennis Court</b>								
100 - Reseal	\$14,750	7	2	14,400	\$1.02/SqFt		Common Area	5950
<b>32000 - Undesignated</b>								
500 - Contingency	\$3,500	3	0	1	\$3,500/LS		Reserve Items	5950

<i>Reserve Component</i>	<i>Life Useful</i>	<i>Current Replacement Cost</i>	<i>Forecast Inflated Cost @ 2.50%</i>
<b>2015</b>			
<b>03000 - Painting: Exterior</b>			
100 - Surface Restoration 100 Units- Wood & Stucco	5	160,500	
<b>32000 - Undesignated</b>			
500 - Contingency Reserve Items	3	3,500	
Total 2015:		164,000	
<b>2017</b>			
<b>17000 - Tennis Court</b>			
100 - Reseal 14,400 Sq. Ft. Common Area	7	14,750	15,497
Total 2017:		14,750	15,497
<b>2018</b>			
<b>32000 - Undesignated</b>			
500 - Contingency Reserve Items	3	3,500	3,769
Total 2018:		3,500	3,769
<b>2020</b>			
<b>01000 - Paving</b>			
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets	7	12,750	14,425
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets (2%)	7	4,150	4,695
800 - Striping Streets	7	915	1,035
Total 01000 - Paving:		17,815	20,155
<b>02000 - Concrete</b>			
200 - Walkways 22,000 Sq. Ft. Walkways (3%)	7	6,105	6,907
<b>03000 - Painting: Exterior</b>			
100 - Surface Restoration 100 Units- Wood & Stucco	5	160,500	181,591
Total 2020:		184,420	208,653
<b>2021</b>			
<b>32000 - Undesignated</b>			
500 - Contingency Reserve Items	3	3,500	4,059
Total 2021:		3,500	4,059

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This report is intended to assist the auditor while preparing the audit, review or compilation of Sample Association for Nevada's (the "Association") financial documents.

Browning Reserve Group ("BRG") prepared a reserve study for the Association during the 2015 fiscal year. This was done to help determine the Association's reserve contribution for the next fiscal year (2016) and future fiscal years. In addition, BRG prepared the proper statutory disclosures for distribution to the Association members.

This Reserve Study is a Full Study. A **Full Study** includes an on-site review upon where the following tasks are performed:

- development of a reserve component inventory;
- condition assessment based upon on-site visual observation;
- life and valuation estimates;
- fund status;
- and a funding plan. Please note, in order to complete these study tasks, one or more visits were conducted by BRG to Sample Association for Nevada.

For BRG reserve studies, the year in which the study is being conducted, is the first year of the study. For example, this study is being prepared during 2015 and is the Association's first year in the study. This enables BRG to use a starting point which ties to the last audited financial statement, December 31, 2014. You will notice in Section III, Reserve Fund Balance Forecast, a Beginning Reserve Balance of \$202,219 is being used which ties to the last completed audit or review of the Association's financial statements. BRG then re-builds the first year of the study, in this case 2015, and estimates an ending reserve fund balance. Again, see Section III and the 2015 ending reserve balance estimate of \$86,636.

"Re-building" the first year of the study as mentioned above simply means using the 2015 adopted budget for the 2015 reserve contribution. Finally, the 2015 reserve expenses both actual and projected are estimated.

We find by using the above method a more accurate reserve study is possible because the beginning reserve fund balance ties directly to the Association's audited financial statement or, in the absence of an audit or review, the year end balance sheet. There is no need to rely on others for determining mid year reserve balances or estimating current year ending reserve balances. This approach forces all involved, to look at the current year's reserve fund activities so a more accurate ending reserve fund balance can be estimated.

With respect to the reserve component Percent Funded values on the next page(s), here are the calculations:

$$\text{FFB} = \text{Year Cost} \times \text{Year Effective Age} / \text{Useful Life}$$
$$\% \text{ Funded} = \text{Year Estimated Ending Reserve Balance} / \text{Year FFB}$$

Please see Section V - Reserve Fund Balance Forecast.

*Browning Reserve Group*



Sample Association for Nevada  
**Schedule of Supplementary Information for Auditor  
 Component Method**

Final  
 Prepared for the 2016 Fiscal Year

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2015 Fully Funded Balance</i>	<i>2016 Fully Funded Balance</i>	<i>2016 Line Item Contribution based on Cash Flow Method</i>
<b>01000 - Paving</b>						
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets	12,750	7	5	3,643	5,601	2,028
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets (2%)	4,150	7	5	1,186	1,823	660
300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets	136,000	25	12	70,720	78,064	7,201
800 - Striping Streets	915	7	5	261	402	146
<b>02000 - Concrete</b>						
200 - Walkways 22,000 Sq. Ft. Walkways (3%)	6,105	7	5	1,744	2,682	971
<b>03000 - Painting: Exterior</b>						
100 - Surface Restoration 100 Units- Wood & Stucco	160,500	5	0	160,500	32,903	31,594
<b>17000 - Tennis Court</b>						
100 - Reseal 14,400 Sq. Ft. Common Area	14,750	7	2	10,536	12,959	2,179
<b>32000 - Undesignated</b>						
500 - Contingency Reserve Items	3,500	3	0	3,500	1,196	1,148
<b>Totals</b>	<b>338,670</b>			<b>252,090</b>	<b>135,629</b>	<b>45,927</b>
				[A]	[B]	
				[EndBal]	[EndBal]	
				[A]	[B]	
<b>Percent Funded</b>				<b>34.37%</b>	<b>99.76%</b>	



This report includes information from the reserve study prepared for Sample Association for Nevada, to assist in the preparation and submission of Nevada Form 609. This is provided as a courtesy and the user should ensure that all data used from this abstract is complete and accurate. Unfortunately Browning Reserve Group does not have available all data required by the form so not all blanks on Form 609 are executed here. The user should seek the counsel of a qualified accountant or attorney during the execution of this form if there are areas that are not within the expertise of the user.

Full Study: Physical inspection of common elements with representative sampling:  
(Required every 5 years)

**DESCRIPTION OF ASSOCIATION PROPERTY**

- The association is  
**a Planned Community**
- If a Planned Community, the following type(s) of units are included:
  - Single Family Dwelling
  - Condominium
  - Duplex
  - Townhouse
  - Manufactured Housing

**RESERVE STUDY INFORMATION**

Date of previous reserve study with site inspection: (mo./day/yr.) **01/13/2012**

Date of most current reserve study with site inspection: (mo./day/yr.) **2/3/2015**

Adoption date of most recent full reserve study with site inspection: (mo./day/yr.)

**BRG does not track this**

Name of Reserve Specialist (person) who conducted study:

**Robert W. Browning** Registration #: **005**

**ADDITIONAL INFORMATION**

Are there major components in this reserve study that with site inspection that was not previously identified?

Yes  No If yes, explain and attach supporting documents, if appropriate.

BRG does not always have access to the complete previous reserve if it was done by another firm. If BRG is aware of any material differences, they will be listed here:

- **No known differences.**

**FINANCIAL/FUNDING INFORMATION**

**Accounting fiscal year end:**

**Reconciliation of Reserve Fund Account: (NRS 116.31151) December 31, 2015**

Reserve account balance at beginning of current fiscal year:	<b>\$202,219</b>
Plus: Current year budgeted reserve transfer:	<b>\$44,851</b>
Plus: Current year projected investment income:	<b>\$3,566</b>
Plus: Anticipated reserve assessment, if any (**provide info below):	<b>\$0.00</b>
Less: Current year projected major repairs and replacements:	<b>\$164,000</b>
Other reconciling items: (indicate + or - dollar amounts)	<b>\$0.00</b>
Projected reserve account balance at the end of current fiscal year end:	<b>\$86,636</b>
Required reserve account balance at end of current fiscal year based upon this full study:	<b>\$86,636</b>

Is there a difference between the projected and required balances? If so, list the reason(s) for the difference:

**It is common to have small differences caused by project delays, investment income variances and/or other conditions beyond control of the association.**

- **N/A**

**RESERVE STUDY INFORMATION**

Total estimated current replacement costs of the major component inventory: **\$338,670**

Funding plan selected: **Threshold**

Additional Information from BRG:

- **The board of directors does not anticipate any special assessment will be required to repair, replace, maintain or restore any major component or to provide adequate reserves.**

## Terms & Definitions CAI

**CASH FLOW METHOD:** A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

**COMPONENT INVENTORY:** The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate representative(s) of the association or cooperative.

**COMPONENT METHOD:** A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. See "Cash Flow Method."

**COMPONENT:** The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

**CONDITION ASSESSMENT:** The task of evaluating the current condition of the component based on observed or reported characteristics.

**CURRENT REPLACEMENT COST:** See "Replacement Cost."

**DEFICIT:** An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.

**EFFECTIVE AGE:** The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

**FINANCIAL ANALYSIS:** The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

**FULLY FUNDED BALANCE (FFB):** Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association total. Two formulae can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

$$\text{FFB} = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$$

or

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) + \\ [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Interest Rate}) ^ \text{Remaining Life}] - \\ [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Inflation Rate}) ^ \text{Remaining Life}]$$

**FULLY FUNDED:** 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

**FUND STATUS:** The status of the reserve fund as compared to an established benchmark such as percent funding.

**FUNDING GOALS:** Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

**Baseline Funding:** Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.

**Full Funding:** Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.

**Statutory Funding:** Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.

**Threshold Funding:** Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

**FUNDING PLAN:** An association's plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

**FUNDING PRINCIPLES:**

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

**LIFE AND VALUATION ESTIMATES:** The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

**PERCENT FUNDED:** The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the *actual (or projected)* Reserve Balance to the *Fully Funded Balance*, expressed as a percentage.

**PHYSICAL ANALYSIS:** The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

**REMAINING USEFUL LIFE (RUL):** Also referred to as "Remaining Life" (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have "zero" Remaining Useful Life.

**REPLACEMENT COST:** The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

**RESERVE BALANCE:** Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts and Cash Reserves. Based upon information provided and not audited.

**RESERVE PROVIDER:** An individual that prepares Reserve Studies.

**RESERVE STUDY:** A budget planning tool which identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis.

**RESPONSIBLE CHARGE:** A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services which directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a reserve study of which he was in responsible charge. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; except for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

**SPECIAL ASSESSMENT:** An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

**SURPLUS:** An actual (or projected) Reserve Balance greater than the Fully Funded Balance. See "Deficit."

**USEFUL LIFE (UL):** Total Useful Life or Depreciable Life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

*The above terms and definitions are from the Community Associations Institute (CAI) national standards.*

## Terms & Definitions BRG

Browning Reserve Group reserve studies use several terms that are unique to our reports. Our specialized systems have been developed to offer flexibility in many areas of our reporting. Please see below for definitions of abbreviations and symbols used in many of our reserve studies.

**NR-1 (LIMITED RECURRENCE, 1 TIME):** This signifies a major reserve component recurs for only a fixed number of cycles. Most often used to display a cost in a specific year only, NR-1 signifies the component only occurs one time. An NR-2 means the component will display for two cycles and so on. This makes it easy to enter one-time costs that pop up from time to time, or to display a cost that may be unique at one replacement date only.

**SE-2 (SPREAD EVENLY OVER 2 YEARS):** This signifies the major component, when replaced is spread evenly over 2 or more years. For example if a component will be replaced in year 8 of the study, and there is a SE-2, then the component will be replaced over 2 years, year 8 and year 9. Although the component is split over 2 or more years, each subsequent year will increase by the study's inflation factor. An SE-3 signifies the component is split over three years and so on.

**NSE-2 (SPREAD NON-EVENLY OVER 2 YEARS):** Similar to above, but the spread is not equal in each year. The spread is entered at a different amount for each year in the spread. The total of the spread will always equal 100% of the total replacement cost, excluding inflation.

**% (PERCENT TO INCLUDE):** This signifies that the component is being replaced at less than 100 percent of its replacement cost or quantity. Perhaps a component is replaced partially at each replacement year. Another example would be to do a small portion of the work at each replacement year. Oftentimes wood fencing is replaced over several cycles, and the study will display a percentage of the fence at each replacement cycle.

**DELAYED START (REMAINING LIFE GREATER THAN USEFUL):** In many instances a component's replacement cycle may not begin immediately, so the replacement cycle start is delayed. Delay is accomplished by setting the remaining life greater than the useful life.

**ZERO REMAINING LIFE:** Zero remaining life signifies that the component is replaced in the year which the study is prepared. All replacements are reflected in their replacement year, and the year in which the study is prepared is no different than any other year.



**RESERVE STUDY**  
Member Distribution Materials

**Sample Association for Nevada**

*Full Study*

Final

Published - February 03, 2015

Prepared for the 2016 Fiscal Year

<i>Section</i>	<i>Report</i>	<i>Page</i>
	<i>Nevada: Member Summary</i>	1

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**Browning Reserve Group**

[www.BrowningRG.com](http://www.BrowningRG.com)

February 03, 2015

This is a summary of the Reserve Study that has been performed for Sample Association for Nevada, (the "Association"). This study was conducted in compliance with Nevada *NRS 116.31151 and NRS 116.31152* and is being provided to you as a member of the Association. A full copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Browning Reserve Group prepared this Full Study for the January 1, 2016 - December 31, 2016 fiscal year.

Sample Association for Nevada is a Planned Community with a total of 100 Lots.

At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 2.50% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.50% per year.

The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

This reserve study was produced under the responsible charge of Robert W. Browning who, pursuant to Nevada regulation R145-06, is a Nevada Reserve Study Specialist (RSS #5).

## **Funding Assessment**

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

Nevada statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

The board of directors does not anticipate any special assessment will be required to repair, replace, maintain or restore any major component or to provide adequate reserves.



Sample Association for Nevada  
Nevada Member Summary  
Final  
Prepared for the 2016 Fiscal Year

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2015 Fully Funded Balance</i>	<i>2016 Fully Funded Balance</i>	<i>2016 Line Item Contribution based on Cash Flow Method</i>
<b>01000 - Paving</b>	<b>153,815</b>	<b>7-25</b>	<b>5-12</b>	<b>75,810</b>	<b>85,890</b>	<b>10,035</b>
<b>02000 - Concrete</b>	<b>6,105</b>	<b>7-7</b>	<b>5-5</b>	<b>1,744</b>	<b>2,682</b>	<b>971</b>
<b>03000 - Painting: Exterior</b>	<b>160,500</b>	<b>5-5</b>	<b>0-0</b>	<b>160,500</b>	<b>32,903</b>	<b>31,594</b>
<b>17000 - Tennis Court</b>	<b>14,750</b>	<b>7-7</b>	<b>2-2</b>	<b>10,536</b>	<b>12,959</b>	<b>2,179</b>
<b>32000 - Undesignated</b>	<b>3,500</b>	<b>3-3</b>	<b>0-0</b>	<b>3,500</b>	<b>1,196</b>	<b>1,148</b>
Totals	<b>\$338,670</b>			<b>\$252,090</b>	<b>\$135,629</b>	<b>\$45,927</b>
Estimated Ending Balance				<b>\$86,636</b>	<b>\$135,303</b>	<b>\$38.27</b>
Percent Funded				<b>34.4%</b>	<b>99.8%</b>	/Lot/month @ 100