



RESERVE STUDY

Full Study

Sample Association for Nevada

Final

Published - January 13, 2012

Prepared for the 2013 Fiscal Year

Browning Reserve Group

P. O. Box 60125 / Sacramento, CA 95860
Office (916) 393-0600 Fax (916) 393-0610
Bob@BrowningRG.com / www.BrowningRG.com

© *Browning Reserve Group 2012*



Sample Association for Nevada

Final

Table of Contents

<i>Section</i>	<i>Report</i>	<i>Page</i>
<i>Section I:</i>	Summary of Association Reserves	1
<i>Section II:</i>	30 Year Expense Forecast <i>Detailed</i>	5
<i>Section III:</i>	30 Year Reserve Funding Plan <i>Cash Flow Method {c}</i>	7
<i>Section III-a:</i>	30 Year Reserve Funding Plan <i>Cash Flow Method - Ending Balances Chart</i>	8
<i>Section IV:</i>	30 Year Reserve Funding Plan <i>Fully Funded Balance and % Funded</i>	9
<i>Section V:</i>	Reserve Fund Balance Forecast <i>Component Method</i>	10
<i>Section VI:</i>	Component Listing <i>Included Components</i>	12
<i>Section VII:</i>	Tabular Component Listing <i>Included Components</i>	16
<i>Section VII-a:</i>	Expenditures by Year <i>- Next 5 Years</i>	17
<i>Section VII-b:</i>	Component / Asset # X-Ref	18
<i>Section IX:</i>	Directory of Reserve Study Contractors	20
<i>Section X:</i>	Auditor Notes	21
<i>Section X-a:</i>	Supplementary Information for Auditor <i>Component Method</i>	23
<i>Section XI:</i>	Glossary <i>Reserve Study Terms</i>	24
<i>Addendum:</i>	Member Distribution Materials <i>See Page ii for Details</i>	



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>
----------------	---------------

<i>Nevada:</i>	Member Summary
----------------	----------------

Sample Association for Nevada

Final

Published - January 13, 2012

Prepared for the 2013 Fiscal Year

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 Development 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 \$219,828.**
 - **[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, 2013 is estimated to be \$210,059, constituting 95.6% 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 \$44,240 [*\$36.87 per Lot per month (average)*] for the fiscal year ending December 31, 2013 (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 95.6% 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 2013 Fiscal Year

Reserve Component	Current Replacement		Life Useful /		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Cost	Remaining																	
00010 - Grounds																			10
01000 - Paving																			
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets	12,441	7	6								14,428							17,150	
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets (2%)	4,043	7	6								4,689							5,574	
300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets	132,704	25	13															182,934	
800 - Striping Streets	895	7	6								1,038							1,234	
Total 01000 - Paving	150,083										20,155							206,892	
02000 - Concrete																			
200 - Sidewalks, Curbs & Gutters 22,000 Sq. Ft. Walkways (3%)	10,560	7	0	10,560								12,553							14,921
Total 02000 - Concrete	10,560			10,560								12,553							14,921
17000 - Tennis Court																			
100 - Reseal 14,400 Sq. Ft. Common Area	14,400	7	3				15,507								18,433				
Total 17000 - Tennis Court	14,400						15,507								18,433				
Total [Grounds] Expenditures Inflated @ 2.50%				10,560			15,507				20,155	12,553			18,433			206,892	14,921
00020 - Buildings																			20
03000 - Painting: Exterior																			
100 - Surface Restoration 100 Units- Wood & Stucco	156,500	5	2			164,423						186,029						210,475	
Total 03000 - Painting: Exterior	156,500					164,423						186,029						210,475	
Total [Buildings] Expenditures Inflated @ 2.50%						164,423						186,029						210,475	
00030 - Administrative																			30
32000 - Undesignated																			
500 - Contingency Reserve Items	3,500	3	1		3,588			3,863				4,160			4,480				4,825
Total 32000 - Undesignated	3,500				3,588			3,863				4,160			4,480				4,825
Total [Administrative] Expenditures Inflated @ 2.50%					3,588			3,863				4,160			4,480				4,825
Total Expenditures Inflated @ 2.50%				10,560	3,588	164,423	15,507	3,863	0	20,155	202,742	0	0	22,914	0	210,475	211,716	14,921	
Total Current Replacement Cost	335,043																		

Sample Association for Nevada
30 Year Expense Forecast - Detailed
Final

Prepared for the 2013 Fiscal Year

Reserve Component	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
00010 - Grounds															10
01000 - Paving															
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets						20,386						24,233			
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets (2%)						6,625						7,876			
300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets															
800 - Striping Streets						1,467						1,743			
Total 01000 - Paving						28,478						33,851			
02000 - Concrete															
200 - Sidewalks, Curbs & Gutters 22,000 Sq. Ft. Walkways (3%)							17,736							21,083	
Total 02000 - Concrete							17,736							21,083	
17000 - Tennis Court															
100 - Reseal 14,400 Sq. Ft. Common Area			21,911							26,046					
Total 17000 - Tennis Court			21,911							26,046					
Total [Grounds] Expenditures Inflated @ 2.50%			21,911			28,478	17,736			26,046		33,851		21,083	
00020 - Buildings															20
03000 - Painting: Exterior															
100 - Surface Restoration 100 Units- Wood & Stucco			238,133					269,426				304,831			
Total 03000 - Painting: Exterior			238,133					269,426				304,831			
Total [Buildings] Expenditures Inflated @ 2.50%			238,133					269,426				304,831			
00030 - Administrative															30
32000 - Undesignated															
500 - Contingency Reserve Items		5,196			5,595		6,025			6,489				6,988	
Total 32000 - Undesignated		5,196			5,595		6,025			6,489				6,988	
Total [Administrative] Expenditures Inflated @ 2.50%		5,196			5,595		6,025			6,489				6,988	
Total Expenditures Inflated @ 2.50%	0	5,196	260,045	0	5,595	28,478	17,736	275,451	0	26,046	6,489	0	338,682	28,071	0

30 Year Reserve Funding Plan Cash Flow Method

Final

Prepared for the 2013 Fiscal Year

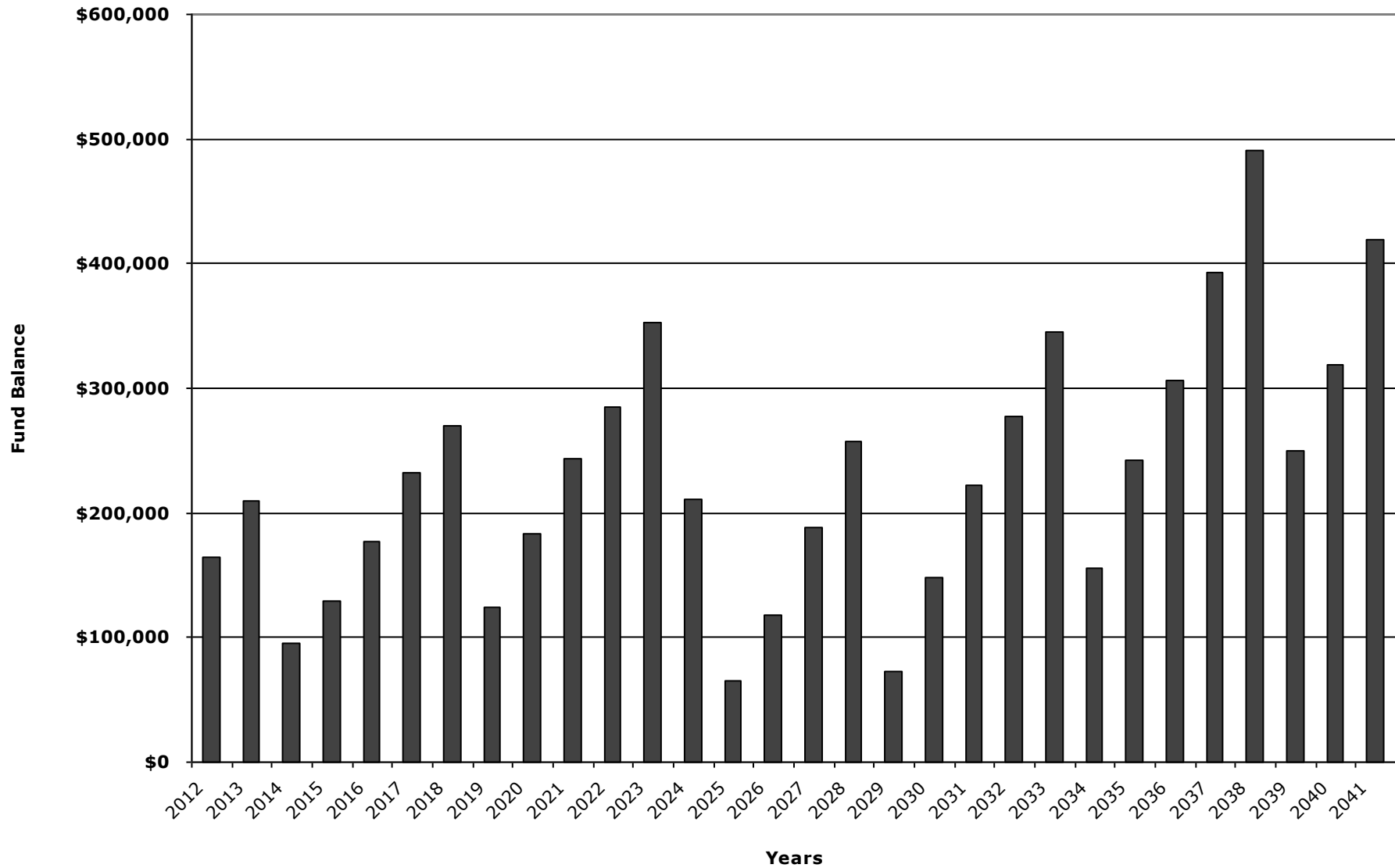
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Beginning Balance	130,000 ¹	164,779	210,059	94,969	129,163	177,427	232,277	269,604	124,553	182,757
Inflated Expenditures @ 2.5%	10,560	3,588	164,423	15,507	3,863	0	20,155	202,742	0	0
Reserve Contribution	41,700	44,240	45,567	46,934	48,342	49,792	51,286	52,825	54,410	56,042
<i>Lots/month @ 100</i>	34.75	36.87	37.97	39.11	40.28	41.49	42.74	44.02	45.34	46.70
<i>Percentage Increase</i>		6.1%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	3,639	4,628	3,766	2,767	3,785	5,058	6,196	4,866	3,794	5,269
Ending Balance	164,779	210,059	94,969	129,163	177,427	232,277	269,604	124,553	182,757	244,069

1) Beginning balance per the 2011 year end financial review.

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Beginning Balance	244,069	285,415	352,749	210,466	65,229	117,532	188,224	257,456	72,477	148,326
Inflated Expenditures @ 2.5%	22,914	0	210,475	211,716	14,921	0	5,196	260,045	0	5,595
Reserve Contribution	57,723	59,455	61,239	63,076	64,968	66,917	68,925	70,993	73,123	75,317
<i>Lots/month @ 100</i>	48.10	49.55	51.03	52.56	54.14	55.76	57.44	59.16	60.94	62.76
<i>Percentage Increase</i>	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	6,537	7,879	6,953	3,404	2,256	3,775	5,502	4,073	2,726	4,580
Ending Balance	285,415	352,749	210,466	65,229	117,532	188,224	257,456	72,477	148,326	222,628

	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Beginning Balance	222,628	277,143	345,452	156,118	242,565	306,454	393,424	490,856	249,560	318,513
Inflated Expenditures @ 2.5%	28,478	17,736	275,451	0	26,046	6,489	0	338,682	28,071	0
Reserve Contribution	76,823	78,359	79,926	81,525	83,156	84,819	86,515	88,245	90,010	91,810
<i>Lots/month @ 100</i>	64.02	65.30	66.61	67.94	69.30	70.68	72.10	73.54	75.01	76.51
<i>Percentage Increase</i>	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	6,170	7,686	6,192	4,922	6,778	8,640	10,917	9,141	7,013	9,110
Ending Balance	277,143	345,452	156,118	242,565	306,454	393,424	490,856	249,560	318,513	419,433

30 Year Reserve Funding Plan Cash Flow Method - Ending Balances



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

Final

Prepared for the 2013 Fiscal Year

Year	Beginning Balance	Fully Funded Balance	Percent Funded	Inflated Expenditures @ 2.50%	Reserve Contribution	Special Assessments & Other Contributions	Interest	Ending Balance
2012	130,000	181,203	90.9%	10,560	41,700	0	3,639	164,779
2013	164,779	219,828	95.6%	3,588	44,240	0	4,628	210,059
2014	210,059	267,688	35.5%	164,423	45,567	0	3,766	94,969
2015	94,969	153,040	84.4%	15,507	46,934	0	2,767	129,163
2016	129,163	189,343	93.7%	3,863	48,342	0	3,785	177,427
2017	177,427	239,699	96.9%	0	49,792	0	5,058	232,277
2018	232,277	296,513	90.9%	20,155	51,286	0	6,196	269,604
2019	269,604	335,360	37.1%	202,742	52,825	0	4,866	124,553
2020	124,553	189,327	96.5%	0	54,410	0	3,794	182,757
2021	182,757	248,790	98.1%	0	56,042	0	5,269	244,069
2022	244,069	311,107	91.7%	22,914	57,723	0	6,537	285,415
2023	285,415	352,898	100.0%	0	59,455	0	7,879	352,749
2024	352,749	420,658	50.0%	210,475	61,239	0	6,953	210,466
2025	210,466	275,849	23.6%	211,716	63,076	0	3,404	65,229
2026	65,229	127,657	92.1%	14,921	64,968	0	2,256	117,532
2027	117,532	179,023	105.1%	0	66,917	0	3,775	188,224
2028	188,224	248,555	103.6%	5,196	68,925	0	5,502	257,456
2029	257,456	316,125	22.9%	260,045	70,993	0	4,073	72,477
2030	72,477	125,832	117.9%	0	73,123	0	2,726	148,326
2031	148,326	199,036	111.9%	5,595	75,317	0	4,580	222,628
2032	222,628	270,087	102.6%	28,478	76,823	0	6,170	277,143
2033	277,143	321,254	107.5%	17,736	78,359	0	7,686	345,452
2034	345,452	386,550	40.4%	275,451	79,926	0	6,192	156,118
2035	156,118	191,207	126.9%	0	81,525	0	4,922	242,565
2036	242,565	275,252	111.3%	26,046	83,156	0	6,778	306,454
2037	306,454	336,682	116.9%	6,489	84,819	0	8,640	393,424
2038	393,424	421,725	116.4%	0	86,515	0	10,917	490,856
2039	490,856	517,627	48.2%	338,682	88,245	0	9,141	249,560
2040	249,560	270,912	117.6%	28,071	90,010	0	7,013	318,513
2041	318,513	338,592	123.9%	0	91,810	0	9,110	419,433

Reserve Fund Balance Forecast Component Method

Final

Prepared for the 2013 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>2012 Fully Funded Balance</i>	<i>2013 Fully Funded Balance</i>	<i>% Per Year Straight Line</i>	<i>2013 Line Item Contribution based on Cash Flow Method</i>
00010 - Grounds									
01000 - Paving									
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets	12,441	7	6	14,428	2,061	1,777	3,643	4.29%	1,900
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets (2%)	4,043	7	6	4,689	670	578	1,184	1.40%	617
300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets	132,704	25	13	182,934	7,317	63,698	70,731	15.24%	6,744
800 - Striping Streets	895	7	6	1,038	148	128	262	0.31%	137
Sub-total [01000 - Paving]	150,083			203,089	10,197	66,181	75,821	21.24%	9,398
02000 - Concrete									
200 - Sidewalks, Curbs & Gutters 22,000 Sq. Ft. Walkways (3%)	10,560	7	0	10,560	1,509	10,560	1,546	3.14%	1,390
17000 - Tennis Court									
100 - Reseal 14,400 Sq. Ft. Common Area	14,400	7	3	15,507	2,215	8,229	10,543	4.62%	2,042
Sub-total Grounds	175,043			229,156	13,920	84,969	87,910	29.00%	12,830
00020 - Buildings									
03000 - Painting: Exterior									
100 - Surface Restoration 100 Units- Wood & Stucco	156,500	5	2	164,423	32,885	93,900	128,330	68.51%	30,308
Sub-total Buildings	156,500			164,423	32,885	93,900	128,330	68.51%	30,308
00030 - Administrative									
32000 - Undesignated									
500 - Contingency Reserve Items	3,500	3	1	3,588	1,196	2,333	3,588	2.49%	1,102
Sub-total Administrative	3,500			3,588	1,196	2,333	3,588	2.49%	1,102

Sample Association for Nevada
Reserve Fund Balance Forecast Component Method
Final
Prepared for the 2013 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>2012 Fully Funded Balance</i>	<i>2013 Fully Funded Balance</i>	<i>% Per Year Straight Line</i>	<i>2013 Line Item Contribution based on Cash Flow Method</i>
						[A]	[B]		
Totals	335,043			397,166	48,001	181,203	219,828	100.00%	44,240
						[EndBal]	[EndBal]		
Percent Funded						[A]	[B]		
						90.94%	95.56%		

00010 - Grounds

01000 - Paving

<p>100 - Asphalt: Sealing 82,940 Sq. Ft. Streets</p>	<p>Useful Life 7 Remaining Life 6 Quantity 82,940 Unit of Measure Square Feet Cost /SqFt \$0.150 % Included 100.00% Total Cost/Study \$12,441 Replacement Year 2018 Future Cost \$14,428</p>
--	--

Summary

This is to prepare the surface and apply a single coat asphalt emulsion product. Last sealed for \$11,600 (\$0.14/sf) in 2011.

Typical street condition.



Costing provided by American Engineering & Asphalt, Inc.

General Ledger Acct 5100

<p>200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets (2%)</p>	<p>Useful Life 7 Remaining Life 6 Quantity 82,940 Unit of Measure Square Feet Cost /SqFt \$3.25 Qty * \$/SqFt \$269,555 % Included 1.50% Total Cost/Study \$4,043 Replacement Year 2018 Future Cost \$4,689</p>
---	--

Summary

This is for miscellaneous repairs including crackfill, skin patching and minor dig out & fill. \$2,950 was expended in 2005 and \$3,750 in 2011.



Costing provided by American Engineering & Asphalt, Inc.

00010 - Grounds

01000 - Paving

General Ledger Acct 5100

300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets	Useful Life 25 Remaining Life 13 Quantity 82,940 Unit of Measure Square Feet Cost /SqFt \$1.60 % Included 100.00% Total Cost/Study \$132,704 Replacement Year 2025 Future Cost \$182,934
Summary	

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. The streets were constructed in 1999.



Costing provided by American Engineering & Asphalt, Inc.

General Ledger Acct 5100

800 - Striping Streets	Useful Life 7 Remaining Life 6 Quantity 1 Unit of Measure Lump Sum Cost /LS \$895 % Included 100.00% Total Cost/Study \$895 Replacement Year 2018 Future Cost \$1,038
Summary	

This is to re-stripe the roadway to match existing plan. Last striped for \$849 in 2011.

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



Costing provided by J&S Asphalt

00010 - Grounds

01000 - Paving

General Ledger Acct 5100

02000 - Concrete

200 - Sidewalks, Curbs & Gutters	Useful Life 7	Remaining Life 0
22,000 Sq. Ft. Walkways (3%)	Quantity 22,000	Unit of Measure Square Feet
	Cost /SqFt \$16.00	Qty * \$/SqFt \$352,000
	% Included 3.00%	Total Cost/Study \$10,560
Summary	Replacement Year 2012	Future Cost \$10,560

This is to repair, replace or grind failed concrete sidewalks, curbs and gutters 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. 130 linear feet of front entry area was replaced during 2008.



Costing provided by Draeger (LV) Construction

General Ledger Acct 5400

17000 - Tennis Court

100 - Reseal	Useful Life 7	Remaining Life 3
14,400 Sq. Ft. Common Area	Quantity 14,400	Unit of Measure Square Feet
	Cost /SqFt \$1.00	
	% Included 100.00%	Total Cost/Study \$14,400
Summary	Replacement Year 2015	Future Cost \$15,507

This is to reseal and re-stripe the tennis courts.

General Ledger Acct 5950

00020 - Buildings

03000 - Painting: Exterior

100 - Surface Restoration	Useful Life 5	Remaining Life 2	
100 Units- Wood & Stucco	Quantity 100	Unit of Measure Unit	
	Cost /Ut \$1,565		
	% Included 100.00%	Total Cost/Study \$156,500	
Summary	Replacement Year 2014	Future Cost \$164,423	

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. Last painted by Jackpot Painting for \$149,000 (\$1,400/unit) in 2008.



Costing provided by Jackpot Painting, Inc.

General Ledger Acct 5310

00030 - Administrative

32000 - Undesignated

500 - Contingency	Useful Life 3	Remaining Life 1	
Reserve Items	Quantity 1	Unit of Measure Lump Sum	
	Cost /LS \$3,500		
	% Included 100.00%	Total Cost/Study \$3,500	
Summary	Replacement Year 2013	Future Cost \$3,588	

This is for major unanticipated reserve component repairs. \$690 was expended to permanently remove an unused concrete pad in 2011.

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>
00010 - Grounds								
01000 - Paving								
100 - Asphalt: Sealing	\$12,441	7	6	82,940	\$.15/SqFt		Streets	5100
200 - Asphalt: Ongoing Repairs	\$4,043	7	6	82,940	\$3.25/SqFt (2%)		Streets	5100
300 - Asphalt: Petromat Overlay	\$132,704	25	13	82,940	\$1.60/SqFt		Streets	5100
800 - Striping	\$895	7	6	1	\$895/LS		Streets	5100
02000 - Concrete								
200 - Sidewalks, Curbs & Gutters	\$10,560	7	0	22,000	\$16.00/SqFt (3%)		Walkways	5400
17000 - Tennis Court								
100 - Reseal	\$14,400	7	3	14,400	\$1.00/SqFt		Common Area	5950
00020 - Buildings								
03000 - Painting: Exterior								
100 - Surface Restoration	\$156,500	5	2	100	\$1,565/Ut		Units- Wood & Stucco	5310
00030 - Administrative								
32000 - Undesignated								
500 - Contingency	\$3,500	3	1	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>
2012			
00010 - Grounds			
02000 - Concrete			
200 - Sidewalks, Curbs & Gutters 22,000 Sq. Ft. Walkways (3%)	7	10,560	
Total 2012:		10,560	
2013			
00030 - Administrative			
32000 - Undesignated			
500 - Contingency Reserve Items	3	3,500	3,588
Total 2013:		3,500	3,588
2014			
00020 - Buildings			
03000 - Painting: Exterior			
100 - Surface Restoration 100 Units- Wood & Stucco	5	156,500	164,423
Total 2014:		156,500	164,423
2015			
00010 - Grounds			
17000 - Tennis Court			
100 - Reseal 14,400 Sq. Ft. Common Area	7	14,400	15,507
Total 2015:		14,400	15,507
2016			
00030 - Administrative			
32000 - Undesignated			
500 - Contingency Reserve Items	3	3,500	3,863
Total 2016:		3,500	3,863



Section VII-b

Sample Association for Nevada

Component / Asset # Cross Reference

Final

Prepared for the 2013 Fiscal Year

Asset # - to - Reserve Components

<i>Level</i>		<i>General Ledger Acct</i>
<i>Major</i>		
<i>Sub-Component</i>		
00010 - Grounds		
01000 - Paving		
100 - Asphalt: Sealing	82,940 Sq. Ft. Streets	5100
200 - Asphalt: Ongoing Repairs	82,940 Sq. Ft. Streets (2%)	5100
300 - Asphalt: Petromat Overlay	82,940 Sq. Ft. Streets	5100
800 - Striping	Streets	5100
02000 - Concrete		
200 - Sidewalks, Curbs & Gutters	22,000 Sq. Ft. Walkways (3%)	5400
17000 - Tennis Court		
100 - Reseal	14,400 Sq. Ft. Common Area	5950
00020 - Buildings		
03000 - Painting: Exterior		
100 - Surface Restoration	100 Units- Wood & Stucco	5310
00030 - Administrative		
32000 - Undesignated		
500 - Contingency	Reserve Items	5950

Asset # - to - Reserve Components

General Ledger Acct
Reserve Component

Level

5100

01000 - Paving	100 - Asphalt: Sealing	82,940 Sq. Ft. Streets	00010 - Grounds
01000 - Paving	200 - Asphalt: Ongoing Repairs	82,940 Sq. Ft. Streets (2%)	00010 - Grounds
01000 - Paving	300 - Asphalt: Petromat Overlay	82,940 Sq. Ft. Streets	00010 - Grounds
01000 - Paving	800 - Striping	Streets	00010 - Grounds

5310

03000 - Painting: Exterior	100 - Surface Restoration	100 Units- Wood & Stucco	00020 - Buildings
----------------------------	---------------------------	--------------------------	-------------------

5400

02000 - Concrete	200 - Sidewalks, Curbs & Gutters	22,000 Sq. Ft. Walkways (3%)	00010 - Grounds
------------------	----------------------------------	------------------------------	-----------------

5950

32000 - Undesignated	500 - Contingency	Reserve Items	00030 - Administrative
----------------------	-------------------	---------------	------------------------

5950

17000 - Tennis Court	100 - Reseal	14,400 Sq. Ft. Common Area	00010 - Grounds
----------------------	--------------	----------------------------	-----------------

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 2012 fiscal year. This was done to help determine the Association's reserve contribution for the next fiscal year (2013) 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 2012 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, 2011. You will notice in Section III, Reserve Fund Balance Forecast, a Beginning Reserve Balance of \$130,000 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 2012, and estimates an ending reserve fund balance. Again, see Section III and the 2012 ending reserve balance estimate of \$164,779.

"Re-building" the first year of the study as mentioned above simply means using the 2012 adopted budget for the 2012 reserve contribution. Finally, the 2012 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 information on the next page/s, here are the calculations:

$$\begin{aligned} \text{FFB} &= \text{Current Cost} \times \text{Effective Age} / \text{Useful Life} \\ \% \text{ Funded} &= \text{First Year Estimated Ending Reserve Balance} / \text{FFB} \end{aligned}$$

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 2013 Fiscal Year

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2012 Fully Funded Balance</i>	<i>2013 Fully Funded Balance</i>	<i>2013 Line Item Contribution based on Cash Flow Method</i>
00010 - Grounds						
01000 - Paving						
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets	12,441	7	6	1,777	3,643	1,900
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets (2%)	4,043	7	6	578	1,184	617
300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets	132,704	25	13	63,698	70,731	6,744
800 - Striping Streets	895	7	6	128	262	137
02000 - Concrete						
200 - Sidewalks, Curbs & Gutters 22,000 Sq. Ft. Walkways (3%)	10,560	7	0	10,560	1,546	1,390
17000 - Tennis Court						
100 - Reseal 14,400 Sq. Ft. Common Area	14,400	7	3	8,229	10,543	2,042
Sub-total Grounds	175,043			84,969	87,910	12,830
00020 - Buildings						
03000 - Painting: Exterior						
100 - Surface Restoration 100 Units- Wood & Stucco	156,500	5	2	93,900	128,330	30,308
Sub-total Buildings	156,500			93,900	128,330	30,308
00030 - Administrative						
32000 - Undesignated						
500 - Contingency Reserve Items	3,500	3	1	2,333	3,588	1,102
Sub-total Administrative	3,500			2,333	3,588	1,102
Totals	335,043			181,203	219,828	44,240
				[A]	[B]	
				[EndBal] [A]	[EndBal] [B]	
Percent Funded				90.94%	95.56%	

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 - January 13, 2012

Prepared for the 2013 Fiscal Year

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

Professionally managed by

ABC Management
(916) 555-1234



Browning Reserve Group

www.BrowningRG.com

January 13, 2012

This is a summary of the Reserve Study that has been performed for the Association. This study was done in compliance with Nevada *NRS 116.31151 and NRS 116.31152*. This summary 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, 2013 - December 31, 2013 fiscal year.

Sample Association for Nevada is a Planned Development 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 2.5% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.5% 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 2013 Fiscal Year

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2012 Fully Funded Balance</i>	<i>2013 Fully Funded Balance</i>	<i>2013 Line Item Contribution based on Cash Flow Method</i>
01000 - Paving	150,083	7-25	6-13	66,181	75,821	9,398
02000 - Concrete	10,560	7-7	0-0	10,560	1,546	1,390
03000 - Painting: Exterior	156,500	5-5	2-2	93,900	128,330	30,308
17000 - Tennis Court	14,400	7-7	3-3	8,229	10,543	2,042
32000 - Undesignated	3,500	3-3	1-1	2,333	3,588	1,102
Totals	\$335,043			\$181,203	\$219,828	\$44,240
Estimated Ending Balance				\$164,779	\$210,059	\$36.87
Percent Funded				90.9%	95.6%	/Lot/month @ 100