

NOTICE OF INTENT TO ACT UPON A REGULATION

NOTICE OF HEARING FOR THE ADOPTION, AMENDMENT OR REPEAL OF REGULATIONS OF THE NEVADA REAL ESTATE COMMISSION

LCB FILE No. R129-21

The Nevada Real Estate Commission will conduct a public hearing at **9:00 a.m. on Tuesday, December 6, 2022**. The purpose of the hearing is to receive comments from all interested persons regarding the adoption of regulations that pertain to Chapter 116 of the Nevada Administrative Code.

Members of the public can listen to the hearing and participate during the agenda items designated for public comment in person, by telephone or virtually via Webex.

WEBEX DIAL-IN NUMBER: 1-844-621-3956, 24945261865##

or via Webex.com

MEETING NUMBER (ACCESS CODE): 2494 526 1865

MEETING PASSWORD: F6MkbJMgC37

The following information is provided pursuant to the requirements of NRS 233B.060:

Information Regarding Adoption

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either prior to adoption or within 30 days thereafter, shall issue a concise statement of the principal reasons for and against its adoption, and incorporate therein its reason for overruling the consideration urged against its adoption.

1. Purpose and need of the proposed regulations

As the number of common-interest communities in Nevada continues to grow, the business and day to day operations of common-interest communities continues to evolve with changes in technology and the increased cost of business, it is imperative that the regulations that govern these associations reflect those changes. The implementation of these regulations will provide further guidance to homeowner associations, licensees and stakeholders on several areas of law as described below.

2. Terms of the proposed regulations

- Specifies what contact information an executive board must provide for each member of the board to the Real Estate Division
- Provides additional authorization for the Commission to consider the conduct of an executive board member

- Establishes standards and format to be followed when preparing financial statements of a common-interest community
- Establishes guidelines for the estimated amount of reserve funds necessary required in the next fiscal year budget
- Specifies the time period of when a full reserve study must be completed
- Amends the information included in a reserve study and revises the definition of adequately funded reserves
- Revises provisions relating to the submission of a summary of the reserve study submitted to the Real Estate Division by an executive board
- Increases the maximum amount of fees that a common-interest community may charge a unit's owner to cover the cost of collection past-due obligations
- Revises the circumstances the Real Estate Division is able to investigate financial accounts related to a common-interest community
- Establishes criteria for approval and eligibility for temporary community manager certificate
- Establishes renewal period for license
- Establishes limit on number of provisional community managers supervised by an individual supervising community manager
- Establishes time frame required for community managers to notify the Real Estate Division of changes
- Establishes requirements for request and approval of distance education courses
- Establishes
- Repeals duplicate definitions currently in the Nevada Revised Statutes
- Eliminates obsolete references to certain sections of the Nevada Administrative Code

3. Estimated Economic Effect

(a) Adverse effects:

Increases to the cost of collection of past due obligations is proposed in the regulation. While this increase will primarily affect the small number of homeowners who are delinquent in their assessments, some associations may see a small increase for professional services included in their annual budget. These monies would be recouped upon repayment of the past due obligation.

(b) Beneficial effects:

The business of running an association continues to rise. The proposed increases would help the business sustain themselves and enable them to utilize assistance from industry experts to perform the tasks of noticing, collections and legal representation. Changes to the requirements around audits and the timing of when they are adopted by associations, will help accounting and audit firms plan better, thereby reducing expenses.

(c) Immediate effect:

Executive board members of an association may find that specific guidelines for submission of financial records, audits and adoption of the reserve study helpful as they plan the annual business of the association. Ensuring that the association is in compliance should also decrease financial pitfalls caused by

unexpected expenses. Regulation of the temporary community manager certificate will all ensure that persons holding such a certificate, receive the appropriate supervision and experience in order to obtain their community manager certificate after the one-year period.

(d) Long term effects:

The reduced number of provisional community managers supervised by a single supervising community manager will allow the provisional community managers a greater opportunity for coaching, shadowing and correction during their provisional status. This increased attention during the learning phase should empower them to be more confident in their job functions once they apply for their community manager certificate.

4. Estimated Cost to the Agency.

There will be no additional cost to the agency for enforcement of LCB File No. R129-21.

5. Duplication with other Agencies:

LCB File No. R129-21 does not include any provisions which duplicate or are more stringent than federal, state or local standards.

6. Federal Law:

LCB File No. R129-21 does not include any provisions which duplicate or are more stringent than federal, state or local standards.

7. Federal Regulation:

LCB File No. R129-21 does not include any provisions which duplicate or are more stringent than federal, state or local standards.

8. New Fee Established:

LCB File No. R129-21 does include a provision which amends the amount of fees that a common-interest community may charge a unit's owner to cover the cost of collecting past due obligations.

Comments and Written Submissions

Persons wishing to comment on the proposed action of the Commission may appear at the scheduled public hearings or may address their comments, data, views or arguments, in written form to:

Nevada Real Estate Division
Attn: Shareece Bates, Administration Section Manager
3300 W. Sahara Avenue, Suite 350
Las Vegas, NV. 89102
publiccomments@red.nv.gov

Written submissions must be received by the Division no later than Friday, December 2, 2022. If no person who is directly affected by the proposed action appears to request time to make an oral presentation, the Commission may proceed immediately to act upon any written submissions.

Copies of Proposed Regulation

A copy of this notice and the proposed regulation will be on file at the State Library, 100 Stewart Street, Carson City, Nevada for inspection by members of the public during business hours. Additional copies of the notice and the proposed regulation are available on the Division website at www.red.nv.gov and at the Division office:

Real Estate Division
3300 W. Sahara Avenue, Suite 350
Las Vegas, NV. 89102

The text of each regulation will include the entire text of any section of the Nevada Administrative Code, which is proposed for amendment or repeal. This notice and the text of the proposed regulation are also available in the State of Nevada Register of Administrative Regulations which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653 and on the Internet at:

<https://www.leg.state.nv.us/Register/2021Register/R129-21.pdf>

Copies will also be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary.

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, will issue a concise statement of the principal reasons for and against its adoption and incorporate therein its reason for overruling the consideration urged against its adoption.

**REVISED PROPOSED REGULATION OF THE
COMMISSION FOR COMMON-INTEREST
COMMUNITIES AND CONDOMINIUM HOTELS**

LCB File No. R129-21

November 4, 2022

EXPLANATION – Matter in *italics* is new; matter in brackets ~~omitted material~~ is material to be omitted.

AUTHORITY: § 1, NRS 116.31031, as amended by section 2 of Senate Bill No. 72, chapter 157, Statutes of Nevada 2021, at page 711; §§ 2-5 and 14, NRS 116.615; § 6, NRS 116.31151 and 116.615; §§ 7-9, NRS 116.31152 and 116.615; § 10, NRS 116.31155; §§ 11 and 12, NRS 116.31142, 116.31144 and 116.615; § 13, NRS 116.310313 and 116.615; §§ 15, 16 and 25, NRS 116A.200; §§ 17-19, NRS 116A.200 and 116A.410; §§ 20 and 21, NRS 116A.200 and 116A.400; §§ 22 and 23, NRS 116.615, 116.665, 116A.200 and 116A.410; § 24, NRS 116A.200, 116A.400 and 116A.410; § 26, NRS 116A.200 and 116A.430; §§ 27, 28 and 31, NRS 116B.805; §§ 29 and 30, NRS 116B.580, 116B.585 and 116B.805; § 32, NRS 116B.760 and 116B.805; § 33, NRS 116.615, 116A.200 and 116B.805.

A REGULATION relating to common-interest ownership; establishing provisions relating to certain violations of the provisions of the governing documents of a unit-owners' association of a common-interest community; requiring the executive boards of unit-owners' associations of common-interest communities to provide certain additional information to the Real Estate Division of the Department of Business and Industry; authorizing the Commission for Common-Interest Communities and Condominium Hotels to consider certain additional acts by a member of the executive board of a unit-owners' association of a common-interest community to determine whether the member has performed his or her duties; establishing provisions concerning the standards and format to be followed in preparing and presenting the financial statements of unit-owners' associations of common-interest communities, unit-owners' associations for condominium hotels and hotel unit owners; revising provisions relating to reserve funds required to be established by a unit-owners' association of a common-interest community for certain purposes and studies relating to such reserve funds; removing certain obsolete provisions relating to the payment of certain fees to the Real Estate Administrator by certain unit-owners' associations of common-interest communities; establishing requirements concerning audited financial statements of unit-owners' associations of common-interest communities and unit-owners' associations for condominium hotels; increasing the maximum amount of certain fees that a unit-owners' association of a common-interest community is authorized to charge

a unit's owner in connection with a notice of delinquent assessment; revising the circumstances in which the Division is able to investigate and audit all financial accounts related to a unit-owners' association of a common-interest community; revising provisions relating to certificates and temporary certificates for the management of a common-interest community; revising certain requirements concerning provisional community managers and supervising community managers; establishing provisions relating to the request and approval of distance education courses which fulfill the educational requirements for an original certificate for the management of a common-interest community; prohibiting a person from taking a course for credit to meet the requirements for continuing education more than once during a renewal period; revising the information sent to a community manager and the executive board of a unit-owners' association of a common-interest community concerning a complaint against the community manager; revising the educational requirements for registration as a reserve study specialist; revising the maximum authorized fees that hotel unit owners may charge for preparing or expediting the preparation of certain certificates; repealing provisions relating to similar fees charged by a unit-owners' association of a common-interest community; repealing certain duplicative definitions and obsolete provisions; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law authorizes the Commission for Common-Interest Communities and Condominium Hotels to adopt such regulations as are necessary to carry out the provisions of law relating to common-interest ownership, common-interest communities and condominium hotels. (NRS 116.615, 116A.200, 116B.805)

Existing law requires the Commission to adopt regulations establishing the: (1) criteria used in determining whether a violation of a provision of the governing documents of a unit-owners' association of a common-interest community poses an imminent threat of causing a substantial adverse effect on the health, safety or welfare of the units' owners or residents of the common-interest community; (2) severity of such violations; and (3) limitations on the amounts of the fines for such violations. (NRS 116.31031, as amended by section 2 of Senate Bill No. 72, chapter 157, Statutes of Nevada 2021, at page 711) **Section 1** of this regulation: (1) sets forth the circumstances in which a violation of the governing documents of an association does and does not pose an imminent threat of causing a substantial adverse effect on the health, safety or welfare of the units' owners or residents of the common-interest community; and (2) provides that the fine for such a violation must not exceed \$5,000.

Existing regulations require the executive board of a unit-owners' association of a common-interest community to provide to the Real Estate Division of the Department of Business and Industry the names, mailing addresses and telephone numbers of the executive board. (NAC 116.385) **Section 3** of this regulation specifies that an executive board is required to provide to the Division the individual mailing and electronic mail addresses of the members of the executive board.

Existing law imposes certain duties on the members of an executive board of a unit-owners' association of a common-interest community. (NRS 116.3103) Existing regulations

authorize the Commission, in determining whether a member of an executive board has performed such duties, to consider whether the member has engaged in certain acts, including whether the member has committed an act or omission which amounts to incompetence, negligence or gross negligence. (NAC 116.405) **Section 4** of this regulation additionally authorizes the Commission to consider whether the member has committed an act or omission which amounts to: (1) intentionally hindering the ability of the executive board or a member of the executive board to conduct business; or (2) acting without authority granted by the executive board to a member of the board.

Under existing regulations, the Commission has adopted by reference the *Guide to Homeowners' Associations and Other Common-Interest Realty Associations (Guide)* for the purposes of providing recommended reporting principles and practices of financial accounting for common-interest communities and unit-owners' associations for condominium hotels. (NAC 116.410, 116B.160) **Sections 5 and 28** of this regulation instead provide that the standards and format to be followed in preparing and presenting the financial statements of a unit-owners' association of a common-interest community, a unit-owners' association for a condominium hotel or a hotel unit owner must be in accordance with generally accepted accounting principles and certain accounting standards. **Sections 11, 12 and 29-31** of this regulation make conforming changes by replacing existing references to the *Guide* with references to the standards followed pursuant to **sections 5 and 28**, and **section 33** of this regulation repeals the definition of "*Guide*" for the purposes of chapters 116 and 116B of the Nevada Administrative Code. (NAC 116.0437) **Section 27** of this regulation makes a conforming change to indicate the applicability of the only remaining defined term in chapter 116B of the Nevada Administrative Code after the repeal of the definition of "*Guide*."

Existing law requires a unit-owners' association of a common-interest community to establish adequate reserves for the repair, replacement and restoration of the major components of the common elements and any other portion of a common-interest community that the association is required to maintain, repair, replace or restore. (NRS 116.3115) Existing law requires the executive board of the association to prepare a budget to provide adequate funding for such reserves. (NRS 116.31151) **Section 6** of this regulation makes changes relating to the estimated amount of reserve funds necessary in the projected fiscal year that an executive board is required to include in the budget to maintain the reserve.

Existing law requires the executive board of a unit-owners' association of a common-interest community to cause to be conducted, at least once every 5 years, a study of the reserves required to repair, replace and restore the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore. (NRS 116.31152) Existing regulations establish when the 5-year period for conducting such a reserve study commences. (NAC 116.427) **Section 8** of this regulation specifies when such a 5-year period concludes and when the next full reserve study must be conducted. **Section 7** of this regulation makes changes relating to the information included in a reserve study and revises the definition of "adequately funded reserves." (NAC 116.425) **Section 9** of this regulation revises provisions relating to the submission of a summary of a reserve study by the executive board to the Division. (NAC 116.435)

Existing law requires certain unit-owners' associations of common-interest communities to pay a fee to the Real Estate Administrator for each unit in the association. (NRS 116.31155)

Section 10 of this regulation removes certain obsolete provisions relating to the payment of such a fee. (NAC 116.445)

Existing regulations set forth certain requirements concerning audited financial statements of a unit-owners' association of a common-interest community and a unit-owners' association for a condominium hotel. (NAC 116.457, 116B.220) **Sections 11 and 29** of this regulation require the executive board of a unit-owners' association of a common-interest community or a unit-owners' association for a condominium hotel to adopt the audited financial statement of the association at a meeting not later than 100 days after receiving the initial draft of the audited financial statement.

Existing law requires the Commission to adopt regulations establishing the amount of fees that a unit-owners' association of a common-interest community may charge a unit's owner to cover the costs of collecting past due obligations. (NRS 116.310313) Existing regulations accordingly set forth the maximum amounts that an association or a person acting on behalf of an association is authorized to charge a unit's owner in connection with a notice of delinquent assessment. (NAC 116.470) **Section 13** of this regulation increases the authorized maximum amount of such fees.

Section 14 of this regulation revises the circumstances in which the Division is able to investigate and audit all financial accounts related to a unit-owners' association of a common-interest community. (NAC 116.550)

Existing regulations provide that a temporary certificate for the management of a common-interest community expires 1 year after the date on which the temporary certificate is issued, unless the person who holds the temporary certificate ceases to be employed by the unit-owners' association which made an offer of employment to the person before the completion of the 1-year period, in which case the temporary certificate expires when such employment ceases. (NAC 116A.137) **Section 17** of this regulation provides that a temporary certificate is specific to the association which made an offer of employment to the person who holds the temporary certificate and cannot be transferred to another association. **Section 17** also provides that a person who holds a temporary certificate must remain employed by the association which made an offer of employment to the person, or an agent of the association, during the 1-year period of validity in order to be eligible for a certificate for the management of a common-interest community. **Section 18** of this regulation accordingly provides that a person must meet such a requirement before the Division issues a certificate to the person. (NAC 116A.138)

Existing regulations require that a certificate for the management of a common-interest community be renewed biennially and provide that the renewal of a certificate becomes effective on the date the renewal is issued. (NAC 116A.140) **Section 19** of this regulation instead provides that a renewed certificate becomes effective on the first day of the month immediately following the date on which the previous certificate expires.

Existing regulations require a provisional community manager of a common-interest community to be supervised by a supervising community manager for at least 2 years and, after completing 2 years of active experience, submit a statement to the Division from the supervising community manager that verifies certain information relating to such experience. (NAC 116A.155) **Section 20** of this regulation specifies that a provisional community manager's 2 years of active experience must be supervised and requires a provisional community manager to submit a statement to the Division from each supervising community manager who oversaw the activity of the provisional community manager.

Existing regulations establish the qualifications and responsibilities of supervising community managers, including that a supervising community manager is responsible for supervising one or more provisional community managers or community managers. (NAC 116A.165) **Section 21** of this regulation revises certain qualifications of a community manager and authorizes a supervising community manager to be responsible for supervising: (1) not more than five provisional community managers; and (2) one or more community managers. **Section 16** of this regulation accordingly revises the definition of “supervising community manager.” (NAC 116A.090)

Existing regulations require a provisional community manager to give written notice to the Division of any change in his or her supervising community manager within 10 business days after the change occurs. (NAC 116A.340) **Section 24** of this regulation increases the period to provide such notification to 30 days. **Section 24** also requires a supervising community manager to give written notice to the Division of the termination of any provisional community manager within 10 days after the termination occurs.

Existing law requires the Commission to provide by regulation for the issuance of certificates by the Division for the management of a common-interest community. (NRS 116A.410) Existing law also requires the Commission to recommend and approve for accreditation programs of education and research relating to common-interest communities, including the management of common-interest communities. (NRS 116.665) **Section 22** of this regulation establishes provisions relating to the request and approval of distance education courses which fulfill the educational requirements for an original certificate for the management of a common-interest community. (NAC 116A.205)

Existing regulations provide that a course may not be taken for credit to meet the requirements for continuing education more than once during any two consecutive periods for renewal of a certificate for the management of a common-interest community. (NAC 116A.250) **Section 23** of this regulation instead provides that such a course may not be taken more than once during a renewal period.

Existing regulations require an investigator who is investigating a complaint concerning a community manager to send a copy of the complaint to the community manager and the executive board of any unit-owners’ association which relates to the subject of the complaint. (NAC 116A.350) **Section 25** of this regulation instead requires such an investigator to send a summary of the complaint.

Existing law requires the Commission to adopt regulations providing for the registration of reserve study specialists. (NRS 116A.430) Existing regulations authorize a person to register as a reserve study specialist if, in addition to satisfying other requirements, the person successfully completes at least 3 hours of education in certain courses approved by the Commission. (NAC 116A.420) **Section 26** of this regulation instead requires such a person to complete at least 6 hours of education in such courses, 3 hours of which must consist of instruction relating to financial matters.

Existing law previously required the Commission to adopt regulations establishing the maximum amount of the fees that a unit-owners’ association of a common-interest community could charge for: (1) preparing a certificate for a unit’s owner for the purposes of inclusion in a resale package for a purchaser; and (2) expediting the preparation of such a certificate. Assembly Bill No. 237 of the 2021 Legislative Session removes such a duty and instead provides that the fee for preparing such a certificate must not exceed \$185 and the fee for expediting the

preparation of such a certificate must not exceed \$100. (NRS 116.4109, as amended by section 7.2 of Assembly Bill No. 237, chapter 268, Statutes of Nevada 2021, at page 1406) **Section 33** accordingly repeals the provisions of existing regulations that establish the maximum amounts of such fees. Existing law authorizes a hotel unit owner to charge a residential unit owner a reasonable fee to cover the cost of preparing a similar certificate and requires the Commission to adopt regulations establishing the maximum amount of the fee that the hotel unit owner may charge. (NRS 116B.760) **Section 32** of this regulation revises the fees that a hotel unit owner may charge for preparing or expediting the preparation of such a certificate to conform with the maximum fees that an association is authorized to charge pursuant to existing law. (NAC 116B.360)

Section 33 also repeals certain definitions that duplicate those that are currently set forth in the Nevada Revised Statutes. **Sections 2 and 15** of this regulation make conforming changes to eliminate obsolete references to certain sections that were repealed.

~~**Section 1.**—Chapter 116 of NAC is hereby amended by adding thereto a new section to read as follows:~~

~~**1.**—If a violation of a provision of the governing documents of an association poses an imminent threat of causing a substantial adverse effect on the health, safety or welfare of the units' owners or residents of the common-interest community, the amount of the fine for such a violation:~~

~~**(a)**—In accordance with NRS 116.31031, as amended by section 2 of Senate Bill No. 72, chapter 157, Statutes of Nevada 2021, at page 711, must be commensurate with the severity of the violation and determined by the executive board in accordance with the governing documents; and~~

~~**(b)**—Must not exceed \$5,000 for each violation.~~

~~**2.**—A violation of a provision of the governing documents of an association poses an imminent threat of causing a substantial adverse effect on the health, safety or welfare of the units' owners or residents of the common-interest community if the violation, without limitation:~~

~~(a) Involves a lack of care or neglect which directly and immediately places one or more units' owners, residents or invitees within the common-interest community in danger or direct threat of being harmed; or~~

~~(b) Is an intentional act which has the potential of causing immediate bodily harm to one or more units' owners, residents or invitees within the common-interest community.~~

~~3. A violation of a provision of the governing documents of an association does not pose an imminent threat of causing a substantial adverse effect on the health, safety or welfare of the units' owners or residents of the common-interest community if the violation consists solely of:~~

~~(a) Using vulgar, profane or abusive language;~~

~~(b) Voicing opposition to, or support for, any matter affecting the common-interest community; or~~

~~(c) Any act committed by a unit's owner, tenant or invitee of a unit's owner or tenant which is:~~

~~(1) Permitted by this chapter or chapter 116 of NRS or any other applicable federal, state or local law, regulation or ordinance; or~~

~~(2) Considered to be a nuisance pursuant to a provision of the governing documents of the association.~~

~~4. Nothing in this section precludes an association from establishing behavioral, etiquette or anti-bullying policies in accordance with the governing documents of the association, a violation of which could result in a fine that is subject to the monetary limitations established in NRS 116.31031, as amended by section 2 of Senate Bill No. 72, chapter 157, Statutes of Nevada 2021, at page 711, if the violation does not pose an imminent threat of causing a~~

~~substantial adverse effect on the health, safety or welfare of the units' owners or residents of the common-interest community.~~

Sec. 2. NAC 116.010 is hereby amended to read as follows:

116.010 As used in this chapter, unless the context otherwise requires, the words and terms defined in NAC ~~116.013~~ **116.020** to ~~116.080~~ **116.078**, inclusive, have the meanings ascribed to them in those sections.

Sec. 3. NAC 116.385 is hereby amended to read as follows:

116.385 1. An executive board shall provide to the Division the names, **individual** mailing **and electronic mail** addresses and telephone numbers of the members of the executive board in accordance with NRS 116.625. The information required pursuant to this subsection must be kept confidential by the Division and may only be used by the Division for purposes of notifying a member of the executive board of any action or proceeding involving the association ~~or~~ **providing Division resources.**

2. The executive board **or the community manager for the association** shall:

(a) Indicate on a form prescribed by the Division any change in the contact information of a member of the executive board ~~or~~ **or any change in the community manager;** and

(b) Submit the form to the Division within 30 days of any such change.

Sec. 4. NAC 116.405 is hereby amended to read as follows:

116.405 In determining whether a member of the executive board has performed his or her duties pursuant to NRS 116.3103, the Commission may consider whether the member of the executive board has:

1. Acted outside the scope of the authority granted in the governing documents;
2. Acted for reasons of self-interest, gain, prejudice or revenge;

3. Committed an act or omission which amounts to ~~incompetence, negligence~~ :

(a) Incompetence;

(b) Negligence or gross negligence;

(c) Intentionally hindering the ability of the executive board or a member of the executive board to conduct business; or

(d) Acting without authority granted by the executive board to a member of the board;

4. Except as otherwise required by law or court order, disclosed confidential information relating to a unit's owner, a member of the executive board or an officer, employee or authorized agent of the association unless the disclosure is consented to by the person to whom the information relates;

5. Impeded or otherwise interfered with an investigation of the Division by:

(a) Failing to comply with a request by the Division to provide information or documents;

(b) Supplying false or misleading information to an investigator, auditor or any other officer or agent of the Division; or

(c) Concealing any facts or documents relating to the business of the association;

6. Kept informed of laws, regulations and developments relating to common-interest communities;

7. Cooperated with the Division in resolving complaints filed with the Division; and

8. Caused the association to:

(a) Comply with all applicable federal, state and local laws and regulations and the governing documents of the association;

(b) Uniformly enforce the governing documents of the association;

(c) Hold meetings of the executive board with such frequency as to properly and efficiently address the affairs of the association;

(d) Obtain, when practicable, at least three bids from reputable service providers who possess the proper licensing before purchasing any such service for use by the association;

(e) Consult with appropriate professionals as necessary before making any major decision affecting the association or the common elements, including, without limitation, consulting with a reserve study specialist who is registered pursuant to chapter 116A of NRS and chapter 116A of NAC when conducting the reserve study, as required by subsection 2 of NRS 116.31152 and NRS 116A.420;

(f) Deposit all funds of the association for investment in government securities that are backed by the full faith and credit of the United States or in a financial institution whose accounts are insured by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, the Securities Investor Protection Corporation or a private insurer approved pursuant to NRS ~~678.755;~~ 672.755;

(g) Maintain current, accurate and properly documented financial records;

(h) Establish policies and procedures for the disclosure of potential conflicts of interest and the appropriate manner by which to resolve such conflicts;

(i) Establish policies and procedures that are designed to provide reasonable assurances in the reliability of financial reporting, including, without limitation, proper maintenance of accounting records, documentation of the authorization for receipts and disbursements, verification of the integrity of the data used in making business decisions, facilitation of fraud detection and prevention, and compliance with the applicable laws and regulations governing financial records;

(j) Prepare interim and annual financial statements that will allow the Division, the executive board, the units' owners and the accountant or auditor to determine whether the financial position of the association is fairly presented in accordance with the provisions of NAC 116.451 to 116.461, inclusive;

(k) Make the financial records of the association available for inspection by the Division in accordance with the applicable laws and regulations of this State;

(l) Cooperate with the Division in resolving complaints filed with the Division ~~H~~, *including, without limitation, by abiding by any previous decision, determination or instruction provided in writing by the Division or the Office of the Ombudsman for Owners in Common-Interest Communities and Condominium Hotels;* and

(m) Adopt and fairly enforce the collection policies of the association.

Sec. 5. NAC 116.410 is hereby amended to read as follows:

116.410 1. For purposes of providing recommended reporting principles and practices of financial accounting for common-interest communities, the Commission hereby adopts by reference the *Guide to Homeowners' Associations and Other ~~Common-Interest~~ Realty Associations*. A copy of the publication may be obtained ~~for the price of \$222~~ from ~~Practitioners Publishing Company, Thomson Reuters P.O. Box 966, Fort Worth, TX 76101-0966, P.O. Box 115008, Carrollton, TX 75011-5008~~ by telephone at (800) 431-

9025 or at the Internet address

~~<http://ppc.thomson.com/SiteComposer2/Index.cfm?numProdClassID=201&txtFuse=dspShellProductDetail&numSiteID=2&numTaxonomyTypeID=29&numTaxonomyID=232>~~
~~<https://store.tax.thomsonreuters.com/accounting/Audit-and-Accounting/PPCs-Guide-to-Homeowners-Associations-and-Other-Realty-Associations/p/100200130>~~

2. If the publication adopted by reference in subsection 1 is revised, the Commission will

review the revision to determine its suitability for this State. If the Commission determines that the revision is not suitable for this State, the Commission will hold a public hearing to review its determination and give notice of that hearing within 90 days after the date of the publication of the revision. If, after the hearing, the Commission does not revise its determination, the Commission will give notice that the revision is not suitable for this State within 90 days after the hearing. If the Commission does not give such notice, the revision becomes part of the publication adopted by reference pursuant to subsection 1.

Sec. 6. NAC 116.415 is hereby amended to read as follows:

116.415 An executive board shall, in addition to the requirements set forth in paragraph (b) of subsection 1 of NRS 116.31151, include in the budget to maintain the reserve:

1. An estimate of the amount of reserve funds necessary in the projected fiscal year, based on industry standards, to complete the maintenance, repairs, replacement or restoration of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore as recommended in the *most recent* study of reserves conducted pursuant to NRS 116.31152 ~~or~~ *the most recently updated study of reserves that includes the information described in NAC 116.425*; and

2. If the projected balance of the reserve account at the end of the budgeted fiscal year is less than the amount required to adequately fund the reserves on a reasonable basis at the end of the budgeted fiscal year, as determined by the *most recently conducted or updated* study of reserves ~~conducted pursuant to NRS 116.31152;~~ *as described in subsection 1:*

- (a) The reason for the difference; and
- (b) How this difference is proposed to be resolved by the executive board.

Sec. 7. NAC 116.425 is hereby amended to read as follows:

116.425 1. A reserve study must, in addition to the requirements set forth in NRS 116.31152, include:

- (a) A 30-year schedule which shows:
 - (1) The actual or projected beginning balance of the reserve fund;
 - (2) The projected increase in reserve contributions to the reserve fund, adjusted for inflation, that will be required in any given year to provide adequately funded reserves;
 - (3) The estimated interest income, net of projected federal income tax, earned in the reserve fund;
 - (4) The projected expenditures from the reserve fund; and
 - (5) The projected ending balance of the reserve fund;
- (b) The names and credentials of any consultants and other persons with expertise used to assist in the preparation of the reserve study;
- (c) Any written reports prepared by consultants and other persons with expertise;
- (d) If there are any conflicting recommendations of the consultants or other persons with expertise while preparing the reserve study, a written explanation as to which recommendations were selected and the reasons for their selection;
- (e) The number of units in the association;
- (f) A general statement describing the current status of the reserve fund;
- (g) A general statement describing the overall status of the reserves of the association;
- (h) The beginning and ending dates for which the reserve study is prepared;

(i) A general statement describing the reconciliation, development or computation of the initial balance of the reserve fund;

(j) A listing and detailed description of each major component of the common elements;

(k) A table showing the remaining useful life of each major component of the common elements from the time of each component's initial or last installation, maintenance, repair, replacement or restoration;

(l) Using the current replacement cost, a 30-year table that reflects the projected ending reserve fund balance for each year as compared to the fully funded balance for that year;

(m) A general statement describing the objectives of the funding plan that is designed to allocate the costs for the maintenance, repair, replacement and restoration of the major components of the common elements and the methods used in projecting the 30-year funding plan, using the following terms and discussing, where applicable:

(1) Full funding;

(2) Threshold funding; and

(3) Baseline funding;

(n) A statement identifying the sources relied upon to obtain an estimate for the cost to maintain, repair, replace or restore a major component of the common elements;

(o) A detailed description of the type of reserve study that was performed and the level of service accorded to the reserve study, including whether the reserve study was:

(1) A full reserve study in which the following tasks were performed:

(I) An inventory and ~~measurement~~ *quantification* of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore;

(II) An assessment of the condition of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore, which is based upon on-site visual observations if such components and portions are reasonably accessible for such observation;

(III) Estimates of the remaining useful life and valuation of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore;

(IV) Financial analysis of data and the status of the reserve fund; and

(V) Development of a funding plan;

(2) An update to a previous reserve study made pursuant to a visit to the site of the common-interest community in which the following tasks were performed:

(I) A verification of a previous inventory of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore. Unless new major components of the common elements have been added, or the existing inventory of major components of the common elements has changed, since the last reserve study, a quantification of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore is not required;

(II) An assessment of the condition of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore, which is based upon on-site visual observations if such components and portions are reasonably accessible for such observation;

(III) Estimates of the remaining useful life and valuation of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore;

(IV) Financial analysis of data and the status of the reserve fund; and

(V) Development of a funding plan; or

(3) An update to a previous reserve study made without a visit to the site of the common-interest community in which the following tasks were performed:

(I) Estimates of the remaining useful life and valuation of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore;

(II) Financial analysis of data and the status of the reserve fund; and

(III) Development of a funding plan;

(p) The disclosures set forth in NAC 116.430; and

(q) A statement, prominently displayed, which reads substantially as follows:

(1) 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.

(2) Material issues which are not disclosed to the person conducting the study of the reserves would cause the condition of the association to be misrepresented.

2. As used in this section, “adequately funded reserves” means the funds sufficient to maintain the common elements ~~{}~~ *described in the governing documents:*

(a) At the level described in the governing documents and in a ~~reserve~~ *most recently conducted or updated* study ~~{}~~ *of reserves;* and

(b) Without using the funds from the operating accounts or without special or reserve assessments, except for occurrences that are a result of unforeseen catastrophic events.

Sec. 8. NAC 116.427 is hereby amended to read as follows:

116.427 **1.** For the purposes of paragraph (a) of subsection 1 of NRS 116.31152, the 5-year period for conducting a reserve study commences on the date on which the on-site inspection of the major components is performed ~~{}~~ *and concludes upon the adoption of the reserve study by the executive board at a meeting conducted pursuant to NRS 116.31083. For the purposes of this section, the adoption of the reserve study must take place before the culmination of 5 years after the date that the executive board last adopted a full reserve study that includes the information described in NAC 116.425.*

2. After a full reserve study is conducted, the next full reserve study must be commenced on, or before ~~or as close as practicable to,~~ the same month and date that the previous on-site inspection of the major components was performed.

Sec. 9. NAC 116.435 is hereby amended to read as follows:

116.435 ~~{}~~ *Not later than 210 days after the executive board receives a draft of the reserve study, the* ~~The~~ *executive board or a person acting on behalf of the executive board shall submit a summary of the reserve study to the Division pursuant to subsection 4 of NRS 116.31152 by filing, electronically if possible, the summary on ~~Form 609 as~~ a form prescribed by the Division. ~~{}~~ the summary of the results of the reserve study with the Division. The*

~~Division may post the summary of the results of the reserve studies filed with the Division on its website.~~

Sec. 10. NAC 116.445 is hereby amended to read as follows:

116.445 ~~1.—Before July 1, 2016, the amount of the fee that an association is required to pay pursuant to NRS 116.31155 is \$3 for each unit in the association.~~

~~—2.~~ On and after July 1, 2016, the amount of the fee that an association is required to pay pursuant to NRS 116.31155 is \$4.25 for each unit in the association.

Sec. 11. NAC 116.457 is hereby amended to read as follows:

116.457 1. The audited financial statement of an association must:

(a) Include a full presentation of accrual-basis accounting prepared in accordance with generally accepted accounting principles which includes, at a minimum:

(1) A balance sheet for the operating fund and reserve fund, presenting assets, liabilities and fund balances;

(2) A statement of revenues and expenses for the operating fund and reserve fund which presents information about all assessments, revenues and expenses;

(3) A statement of changes in fund balances which reconciles beginning and ending fund balances with results of operations;

(4) A statement of cash flows;

(I) Any note disclosures as required by the *Guide*; and

(5) The following unaudited supplementary information:

(I) Any reserve disclosures as required by the *Guide* and NRS 116.31152; and

(II) An accompanying schedule which compares details of the actual expenses of the association to the budgeted amounts of the association.

(b) Be prepared and completed not later than 210 days after the end of the fiscal year for the association.

(c) Be made available to the Division not later than 30 days after requested by the Division.

(d) Include on the annual registration form with the Division the following information:

(1) The amount of budgeted revenues;

(2) Whether the financial statements were audited or reviewed and, if so, the date on which the audit or review of the financial statements was completed; and

(3) Whether the audit opinion is qualified or unqualified or whether the review report is modified or unmodified.

2. In addition to the requirements set forth in paragraph (b) of subsection 1, the executive board shall adopt the audited financial statement of an association at a meeting conducted pursuant to NRS 116.31083 not later than 100 days after receiving the initial draft of the audited financial statement.

3. An auditor performing the annual audit for an association must:

(a) Be a certified public accountant licensed pursuant to chapter 628 of NRS.

(b) Be independent of the association as set forth in the **Guide**.

Sec. 12. NAC 116.461 is hereby amended to read as follows:

116.461 1. The review of the financial statements of an association must be performed in accordance with the *Guide*. The financial statements must include a full presentation of accrual-basis accounting prepared pursuant to subsection 1 of NAC 116.457. The supplementary information may be compiled or reviewed.

2. An auditor performing the annual review for an association must:

(a) Be a certified public accountant licensed pursuant to chapter 628 of NRS.

(b) Be independent of the association as set forth in the *Guide*.

Sec. 13. NAC 116.470 is hereby amended to read as follows:

116.470 1. Except as otherwise provided in subsection 5, to cover the costs of collecting any past due obligation of a unit's owner, an association or a person acting on behalf of an association to collect a past due obligation of a unit's owner may not charge the unit's owner fees in connection with a notice of delinquent assessment pursuant to paragraph (a) of subsection 1 of NRS 116.31162 which exceed a total of ~~1,950~~ **2,925**, plus the costs and fees described in subsections 3 and 4.

2. An association or a person acting on behalf of an association to collect a past due obligation of a unit's owner may not charge the unit's owner fees in connection with a notice of delinquent assessment pursuant to paragraph (a) of subsection 1 of NRS 116.31162 which exceed the following amounts:

- (a) Demand or intent to lien letter~~150~~ **240.00**
- (b) Notice of delinquent assessment lien~~325~~ **520.00**
- (c) Intent to notice of default letter~~90~~ **145.00**

(d) Notice of default	400 640.00
(e) Intent to notice of sale letter	90 145.00
(f) Notice of sale.....	275 440.00
(g) Intent to conduct foreclosure sale.....	25 40.00
(h) Conduct foreclosure sale	125 200.00
(i) Prepare and record transfer deed	125 200.00
(j) Payment plan agreement - One-time set-up fee	30 50.00
(k) Payment plan breach letter	25 40.00
(l) Release of notice of delinquent assessment lien	30 50.00
(m) Notice of rescission fee	30 50.00
(n) Bankruptcy package preparation and monitoring.....	100 160.00
(o) Mailing fee per piece for demand or intent to lien letter, notice of delinquent assessment lien, notice of default and notice of sale.....	2 3.20
(p) Insufficient funds fee	20 30.00
(q) Escrow payoff demand fee	150 240.00
(r) Substitution of agent document fee.....	25 50.00
(s) Postponement fee	75 120.00
(t) Foreclosure fee	150 240.00

3. If, in connection with an activity described in subsection 2, any costs are charged to an association or a person acting on behalf of an association to collect a past due obligation by a person who is not an officer, director, agent or affiliate of the community manager of the association or of an agent of the association, including, without limitation, the cost of a trustee's sale guarantee and other title costs, recording costs, posting and publishing costs, sale costs,

mailing costs, express delivery costs and skip trace fees, the association or person acting on behalf of an association may recover from the unit's owner the actual costs incurred without any increase or markup.

4. If an association or a person acting on behalf of an association is attempting to collect a past due obligation from a unit's owner, the association or person acting on behalf of an association may recover from the unit's owner:

(a) Reasonable management company fees *for services, including, without limitation, mailing or delivering by electronic transmission a notice or informing each unit's owner or his or her successor in interest that he or she may be entitled to certain protections if the person is a servicemember or a dependent of a servicemember in accordance with NRS 116.311625,* which may not exceed a total of ~~[\$200;]~~ **\$325;** and

(b) Reasonable attorney's fees and actual costs, without any increase or markup, incurred by the association *or a person acting on behalf of the association* for any legal services which do not include an activity described in subsection 2.

5. If an association or a person acting on behalf of an association to collect a past due obligation of a unit's owner is engaging in the activities set forth in NRS 116.31162 to 116.31168, inclusive, with respect to more than 25 units owned by the same unit's owner, the association or person acting on behalf of an association may not charge the unit's owner fees to cover the costs of collecting a past due obligation which exceed a total of ~~[\$1,950]~~ **\$2,925** multiplied by the number of units for which such activities are occurring, as reduced by an amount set forth in a resolution adopted by the executive board, plus the costs and fees described in subsections 3 and 4.

6. For a one-time period of 15 business days immediately following a request for a payoff amount from the unit's owner or his or her agent, no fee to cover the cost of collecting a past due obligation may be charged to the unit's owner, except for the fee described in paragraph (q) of subsection 2 and any other fee to cover any cost of collecting a past due obligation which is imposed because of an action required by statute to be taken within that 15-day period.

7. As used in this section, "affiliate of the community manager of the association or of an agent of the association" means any person who controls, is controlled by or is under common control with a community manager or such agent. For the purposes of this subsection:

(a) A person "controls" a community manager or agent if the person:

- (1) Is a general partner, officer, director or employer of the community manager or agent;
- (2) Directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote or holds proxies representing, more than 20 percent of the voting interest in the community manager or agent;
- (3) Controls in any manner the election of a majority of the directors of the community manager or agent; or
- (4) Has contributed more than 20 percent of the capital of the community manager or its agent.

(b) A person "is controlled by" a community manager or agent if the community manager or agent:

- (1) Is a general partner, officer, director or employer of the person;
- (2) Directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote or holds proxies representing, more than 20 percent of the voting interest in the person;

(3) Controls in any manner the election of a majority of the directors of the person; or

(4) Has contributed more than 20 percent of the capital of the person.

(c) Control does not exist if the powers described in this subsection are held solely as security for an obligation and are not exercised.

Sec. 14. NAC 116.550 is hereby amended to read as follows:

116.550 1. The Division may investigate and audit all financial accounts related to an association if the Division has reasonable cause to believe that the accounts or records of the association have not been properly maintained and the Division ~~is~~:

~~—(a) Has reasonable cause to believe or has received a credible complaint that the association is insolvent or is in any financial condition or has engaged in any financial practice which creates a substantial risk of insolvency; or~~

~~—(b) Determines~~ *determines* that ~~{the investigation and}~~ *an* audit ~~{are}~~ *is* reasonably necessary to assist the Division in administering or enforcing any other provision of this chapter, chapter 116 of NRS or any other statute that the Division is charged with administering or enforcing.

2. The Commission may, after notice and hearing, take action pursuant to NRS 116.785 if the Division finds that a person has committed a violation of this chapter or chapter 116 of NRS.

~~{3. As used in this section, “insolvent” or “insolvency” means a condition in which an association is unable to meet its, or a community manager is unable to meet his or her, liabilities as those liabilities become due in the regular course of the association’s or community manager’s business and which creates a substantial risk of harm to the association.}~~

Sec. 15. NAC 116A.005 is hereby amended to read as follows:

116A.005 As used in this chapter, unless the context otherwise requires, the words and terms defined in NAC ~~116A.010~~ **116A.015** to 116A.095, inclusive, have the meanings ascribed to them in those sections.

Sec. 16. NAC 116A.090 is hereby amended to read as follows:

116A.090 “Supervising community manager” means a community manager who:

1. Meets the qualifications set forth in NAC 116A.165; and

2. ~~Is~~ **May be** responsible for the supervision of ~~one or~~ :

(a) Not more than five provisional community managers ~~or~~ ; and

(b) One or more community managers.

Sec. 17. NAC 116A.137 is hereby amended to read as follows:

116A.137 1. ***A temporary certificate that is issued to a person is specific to the association which made an offer of employment to the person and is not transferable to another association.*** Except as otherwise provided in subsection 2, a temporary certificate expires 1 year after the date on which the temporary certificate is issued. ***The person who holds the temporary certificate must remain employed by the association which made an offer of employment to the person, or an agent of the association, during the 1-year period that the temporary certificate is valid to be eligible for a certificate issued pursuant to NAC 116A.138.***

2. If a person who holds a temporary certificate obtained the temporary certificate by submitting the material described in paragraph (b) of subsection 3 of NAC 116A.112 and the person ceases to be employed by the association which made an offer of employment to the person ~~+~~, ***or an agent of the association, before the completion of the 1-year period during which the temporary certificate is valid:***

(a) The temporary certificate expires as of the time that the employment of the person *with the association which made an offer of employment to the person, or an agent of the association*, ceases; ~~and~~

(b) Not later than 10 days after the person ceases to be employed by the association or *an* agent of ~~an~~ *the* association, the association or agent shall notify the Division that the employment of the holder of the temporary certificate has ceased ~~and~~; *and*

(c) *The person must complete the requirements for a provisional community manager before becoming a community manager.*

3. A temporary certificate may not be renewed, and no person may obtain another temporary certificate after the temporary certificate issued to that person has expired.

Sec. 18. NAC 116A.138 is hereby amended to read as follows:

116A.138 Upon the expiration of a temporary certificate ~~and~~ *pursuant to subsection 1 of NAC 116A.137*, the Division shall issue a certificate to the person who held the temporary certificate if the person : ~~has:~~

1. ~~Completed~~ *Remained employed by the association which made an offer of employment to the person, or an agent of the association, during the 1-year period that the temporary certificate was valid;*

2. *Has completed* not less than 18 hours of instruction relating to the Uniform Common-Interest Ownership Act as set forth in this chapter, chapter 116 of NAC and chapters 116 and 116A of NRS;

~~2.—Satisfied~~

3. *Has satisfied* the requirements of NAC 116A.110, 116A.115 and 116A.125; and

~~3.—Not~~

4. *Has not* been the subject of any disciplinary action pursuant to this chapter, chapter 116 of NAC or chapter 116 or 116A of NRS.

Sec. 19. NAC 116A.140 is hereby amended to read as follows:

116A.140 1. A certificate must be renewed biennially. *A renewed certificate becomes effective on the first day of the month immediately following the date on which the previous certificate expires.*

2. Except as otherwise provided by subsection ~~5.~~ 4, the Division shall renew a certificate if the applicant submits to the Division before the expiration of the certificate:

(a) A completed application on a form prescribed by the Division;

(b) The statement described in NRS 116A.440;

(c) The fee required by NAC 116A.515 for renewal; and

(d) Documentation of the successful completion by the applicant of at least 18 hours of continuing education in courses approved by the Commission within the 2 years immediately preceding the date on which the certificate expires. At least 3 hours of the continuing education must consist of instruction relating to this chapter, chapter 116 of NAC and chapters 116, 116A and 116B of NRS, with an emphasis on recent changes to those chapters.

3. ~~The renewal of a certificate is effective on the date on which the renewal is issued.~~

~~4.~~ If the holder of a certificate fails to complete the required hours of continuing education or fails to file an application for the renewal of the certificate before it expires, the holder may not engage in the management of a common-interest community until the certificate is reinstated.

~~5.~~ 4. The Division may refuse to renew a certificate if:

(a) The applicant has been convicted of, or entered a plea of guilty or nolo contendere to, forgery, embezzlement, obtaining money under false pretenses, larceny, extortion, conspiracy to

defraud or possessing for the purpose of sale any controlled substance or any crime involving moral turpitude;

(b) The applicant fails to complete, sign and submit the statement required pursuant to NRS 116A.440;

(c) The Division receives a copy of a court order issued pursuant to NRS 425.540 that provides for the suspension of all professional certificates and permits issued to the applicant; or

(d) The applicant has engaged in conduct which is grounds for disciplinary action pursuant to NAC 116A.355 and has been disciplined by the Division or Commission.

~~16.1~~ **5.** If the Division, after an application to renew a certificate in proper form has been filed, accompanied by the proper fees, refuses to renew the certificate, it shall give notice of this fact to the applicant within 15 days after the ruling, order or decision. The applicant may file a written request for a hearing before the Commission pursuant to the procedures set forth in NAC 116A.135.

~~17.1~~ **6.** If the Division refuses to renew a certificate because it receives a copy of a court order issued pursuant to NRS 425.540 that provides for the suspension of all professional certificates and permits issued to the applicant, the Division shall reinstate the certificate if the Division receives a letter issued by the district attorney or other public agency pursuant to NRS 425.550 to the person whose certificate was suspended stating that the person has complied with the subpoena or warrant or has satisfied the arrearage pursuant to NRS 425.560.

Sec. 20. NAC 116A.155 is hereby amended to read as follows:

116A.155 1. A provisional community manager must:

(a) Be supervised by a supervising community manager for a minimum of 2 years; and

(b) Except as otherwise provided in NAC 116A.160, within 2 years after the issuance of the certificate granting provisional status, obtain 3,120 hours of active experience in the following areas:

- (1) Financial management of an association;
- (2) Property and facilities management;
- (3) Specific duties relating to the management of a common-interest community as provided in this chapter, chapter 116 of NAC and chapters 116 and 116A of NRS;
- (4) Governance of an association;
- (5) Insurance coverage; and
- (6) Building a sense of community within an association.

2. Except as otherwise provided in subsection 3, upon obtaining 2 years of *supervised*, active experience in this State, a provisional community manager is entitled to act as a community manager without being supervised by a supervising community manager if the provisional community manager submits to the Division:

(a) A statement, on a form prescribed by the Division, completed and signed by ~~the~~ *each* supervising community manager ~~that verifies:~~ *who oversaw the activity of the provisional community manager, verifying:*

- (1) The extent of the active experience gained in each of the areas set forth in subsection 1; and
- (2) That the provisional community manager has met the active experience requirements set forth in subsection 1;

(b) A certificate of completion for the 18 hours of continuing education required pursuant to NAC 116A.140; and

(c) The fee required by NAC 116A.515 for the renewal of a certificate.

3. A provisional community manager may submit to the Division evidence of any other education or experience that the Division may deem to be equivalent to the requirements of this section.

Sec. 21. NAC 116A.165 is hereby amended to read as follows:

116A.165 1. A community manager is qualified to act as a supervising community manager if he or she:

(a) Submits to the Division, on a form prescribed by the Division, an application to act as a supervising community manager;

(b) Has been actively engaged in the full-time management of a common-interest community *as a community manager* in this State, another state or the District of Columbia for at least 4 years immediately preceding becoming a supervising community manager, with at least 2 of the 4 years of experience obtained in this State;

(c) Is in good standing with the Division or any state or the District of Columbia where he or she is licensed or certified; and

(d) Is competent to engage in the management of a common-interest community and the supervision of community managers in a manner which will safeguard the interests of the public.

2. A supervising community manager is responsible for:

(a) ~~Supervising one or more provisional community managers or community managers;~~
~~(b)~~ Determining the competency of the provisional community managers or community managers who are supervised by him or her to perform delegated tasks of managing a common-interest community;

~~(e)~~ (b) Teaching the provisional community managers and community managers who are supervised by him or her the fundamentals of managing a common-interest community and the ethics of the profession;

~~(d)~~ (c) Supervising the activities and operation of managing a common-interest community;

~~(e)~~ (d) Establishing the policies, rules, procedures and systems that will allow the supervising community manager to review, oversee and manage any business conducted by the provisional community managers or community managers who are supervised by him or her, including any other employees;

~~(f)~~ (e) Establishing reasonable procedures and safeguards for the filing, storage, handling and maintenance of documents that may have a material effect upon the rights or obligations of the parties to the management agreement and the association affected by the management agreement; and

~~(g)~~ (f) Establishing reasonable procedures and safeguards for the handling of any money received on behalf of a client.

3. *A supervising community manager may be responsible for supervising:*

(a) *Not more than five provisional community managers; and*

(b) *One or more community managers.*

4. In establishing the policies, rules, procedures and systems pursuant to subsection 2, a supervising community manager shall consider the number of community managers and other employees associated with the supervising community manager and the number and location of branch offices operated or managed by the supervising community manager.

~~4.4~~ 5. The supervising community manager shall appoint for each branch office a supervising community manager to supervise and oversee the activities and operations of the branch office.

Sec. 22. NAC 116A.205 is hereby amended to read as follows:

116A.205 1. *A school that requests approval of a distance education course to fulfill the educational requirements for an original certificate must demonstrate to the satisfaction of the Commission that the proposed distance education course satisfies the following requirements:*

(a) The course must be designed to ensure that students actively participate in the instructional process by utilizing techniques that provide students with the opportunity for continuous audio and visual communication with the approved instructor during the presentation of the course.

(b) The proposed methods of instruction used in the course must be appropriate to the proposed learning objectives of the course, and the scope and depth of the instructional materials must be consistent with the proposed learning objectives.

(c) The school must utilize procedures which reasonably ensure that a student who receives credit for completing the course actually performed all the work required to complete the course. The school must retain any records of student participation together with all other course records maintained, pursuant to Division guidance.

(d) The school must provide appropriate technical support to enable students to complete the course satisfactorily.

(e) An approved instructor must be reasonably available to respond timely to questions submitted by students concerning the subject matter of the course and direct students to additional sources of information. For the purposes of this paragraph, a response by an

approved instructor is timely if the response is made within 2 business days after the question is submitted.

2. If the Commission approves a school to give a course of study which fulfills the educational requirements for an original certificate and ~~{the school offers}~~ the course ~~{by correspondence,}~~ *is a distance education course*, the school shall ~~{~~

~~—1.—Require}~~ *require* each student to:

(a) Pass a closed-book final examination with a minimum score of 75 percent and with a proctor present at a location designated by the school in its application for approval filed with the Commission;

(b) Take two progress examinations or quizzes in addition to the final examination;

(c) Prove his or her identity before he or she is allowed to take any examination; and

(d) Complete each course within an established minimum and maximum time.

~~{2.—Certify}~~

3. *A school that is approved to give a course of study which fulfills the educational requirements for an original certificate must certify* the completion of only the number of hours for which the course has been approved by the Commission. A portion of a course does not satisfy the requirements for an original certificate.

Sec. 23. NAC 116A.250 is hereby amended to read as follows:

116A.250 1. A course may not be taken for credit to meet the requirements for continuing education more than once during ~~{any two consecutive periods for}~~ *a* renewal ~~{of a certificate.}~~ *period.*

2. Courses taken to satisfy requirements for renewal or reinstatement of a certificate must be completed within 2 years immediately before the latest date for renewing or reinstating the certificate.

3. A holder of a certificate may receive credit for continuing education only upon certification by the sponsor that the holder of the certificate has attended and completed at least 90 percent of the course.

4. The sponsor shall determine whether a final examination is required for the completion of a course.

Sec. 24. NAC 116A.340 is hereby amended to read as follows:

116A.340 1. A community manager shall give written notice to the Division of any change of name, address or association within 10 business days after the change occurs and pay the appropriate fee required by NAC 116A.515.

2. A ~~provisional~~ *supervising* community manager shall give written notice to the Division of ~~any change of his or her supervising~~ *the termination of any provisional* community manager within 10 business days after the ~~change~~ *termination* occurs .

3. *A provisional community manager shall give written notice to the Division of any change of his or her supervising community manager within 30 business days after the change occurs* and pay the appropriate fee required by NAC 116A.515.

~~3.~~ 4. Failure to give notice as required by this section constitutes cause for the involuntary inactivation of the certificate or temporary certificate.

Sec. 25. NAC 116A.350 is hereby amended to read as follows:

116A.350 1. If a person who alleges that a community manager is guilty of misconduct sends the allegations of misconduct in writing to the community manager in an attempt to

resolve the issue without filing a complaint with the Division, the community manager shall, in good faith, acknowledge and respond in writing to the person making the allegations within 12 working days after he or she receives the allegations.

2. A complaint about a community manager must:

(a) Be submitted to the Division on a form provided by the Division;

(b) Be signed by the person submitting the complaint; and

(c) Include, without limitation:

(1) The identity of the community manager who is alleged to have violated a provision of this chapter or chapter 116 of NRS, and the nature of the alleged violation;

(2) All evidence supporting the allegations, including, without limitation, as appropriate, corroborating statements by other persons or specific information as to persons who may be contacted to provide such corroboration;

(3) The name, address and telephone number of the person submitting the complaint;

(4) Documents that evidence an attempt by the person submitting the complaint to resolve the issue with the executive board or the community manager, including, without limitation, any written response of the executive board or the community manager to the allegations of the person submitting the complaint; and

(5) If filed by a tenant of a unit's owner, ratification of the complaint by the unit's owner without the use of a power of attorney by the tenant.

3. Upon receipt of a complaint that complies with subsection 2, the Division shall forward the complaint to an investigator. The investigator:

(a) Shall send a ~~copy~~ *summary* of the complaint to the community manager and the executive board of any association which relates to the subject of the complaint;

(b) Within 12 working days after the receipt of the allegations, shall attempt to obtain a response in writing from the person who is the subject of the complaint;

(c) May make such inquiries and investigation into matters relating to the allegations in the complaint as the investigator deems appropriate; and

(d) Shall submit to the Administrator a written report that summarizes the findings and conclusions of the investigator.

4. Upon review of the written report of the investigator, if the Administrator determines that grounds for disciplinary action against the community manager exist, the Administrator may take one or more of the following actions as he or she deems appropriate:

(a) Issue a letter of censure to the community manager who is the subject of the complaint;

(b) Levy an administrative fine of:

(1) For the first offense, not more than \$1,000; and

(2) For the second offense, not more than \$5,000;

(c) Require the community manager to obtain additional education relating to the management of a common-interest community;

(d) Refer the matter to the Commission;

(e) Refer the matter to the Real Estate Commission; or

(f) Refer the matter to the Attorney General of this State.

5. The Administrator may initiate an investigation, audit or inspection of the records of any community manager or any person who performs the duties of a community manager in this State.

6. Any action taken by the Administrator pursuant to subsection 4 may be appealed by the community manager upon written request to the Commission within 30 days after the Administrator takes such action.

7. As used in this section, “investigator” means a person whom the Division deems to be impartial and qualified with respect to the matter in a complaint and who is designated by the Division to investigate a complaint pursuant to this section.

Sec. 26. NAC 116A.420 is hereby amended to read as follows:

116A.420 1. A person is qualified by training and experience to register as a reserve study specialist if the person has:

- (a) A good reputation for honesty, trustworthiness and integrity;
- (b) The ability to evaluate the items on the component inventory with regard to normal and accelerated deterioration, deferred maintenance, remaining years of useful life and the current cost to maintain, repair, replace or restore;
- (c) The ability to perform necessary financial analysis, cost estimates and 30-year projections, as applicable;
- (d) The ability to review improvement plans and specifications, maintenance histories, recorded plats and governing documents of the association in order to compile a complete component inventory and to consult with the executive board to ascertain and confirm that the component inventory is complete;
- (e) The ability to gather and analyze relevant financial data, including, without limitation, monthly assessment fees per unit, the current reserve accounts, the anticipated tax rates on earnings, the anticipated interest rate on reserves, and the anticipated inflation and maximum increases in assessment fees;

(f) Successfully completed at least ~~3~~ 6 hours of education in courses approved by the Commission relating to chapters 116, 116A and 116B of NRS ~~[and the regulations adopted pursuant thereto, with an emphasis on recent changes to those chapters and regulations;]~~, 3 *hours of which must consist of instruction relating to financial matters;* and

(g) The background and knowledge pertinent to all areas to be addressed by the reserve study.

2. If the Division finds that a person who has submitted a registration to the Division is not qualified by training and experience to register as a reserve study specialist, the Division shall:

(a) If the Division has not yet registered the person, refuse to register the person as a reserve study specialist.

(b) If the Division has registered the person, revoke the registration.

Sec. 27. NAC 116B.030 is hereby amended to read as follows:

116B.030 ~~["Reserve"]~~ *As used in this chapter, unless the context otherwise requires, "reserve study" means:*

1. For the major components of the common elements, the study required pursuant to paragraph (a) of subsection 1 of NRS 116B.605; or

2. For the major components of the shared components and the major components of the hotel unit, the study required pursuant to paragraph (a) of subsection 1 of NRS 116B.610.

Sec. 28. NAC 116B.160 is hereby amended to read as follows:

116B.160 1. For purposes of providing recommended reporting principles and practices of financial accounting for common-interest communities, the Commission hereby adopts by reference the *Guide to Homeowners' Associations and Other ~~Common-Interest~~ Realty Associations*. A copy of the publication may be obtained ~~for the price of \$222~~ from ~~Practitioners-~~

~~Publishing Company, Thomson Reuters P.O. Box 966, Fort Worth, TX 76101-0966, P.O. Box 115008, Carrollton, TX 75011-5008~~ by telephone at (800) 431-

9025 or at the Internet address

~~<http://ppc.thomson.com/SiteComposer2/Index.cfm?numProdClassID=201&txtFuse=dspShellProductDetail&numSiteID=2&numTaxonomyTypeID=29&numTaxonomyID=232>~~
~~<https://store.tax.thomsonreuters.com/accounting/Audit-and-Accounting/PPCs-Guide-to-Homeowners-Associations-and-Other-Realty-Associations/p/100200130>~~

2. If the publication adopted by reference in subsection 1 is revised, the Commission will review the revision to determine its suitability for this State. If the Commission determines that the revision is not suitable for this State, the Commission will hold a public hearing to review its determination and give notice of that hearing within 90 days after the date of the publication of the revision. If, after the hearing, the Commission does not revise its determination, the Commission will give notice that the revision is not suitable for this State within 90 days after the hearing. If the Commission does not give such notice, the revision becomes part of the publication adopted by reference pursuant to subsection 1.

Sec. 29. NAC 116B.220 is hereby amended to read as follows:

116B.220 1. The audited financial statement of an association must:

(a) Be prepared in accordance with generally accepted accounting principles which includes, at a minimum:

(1) A balance sheet for the operating fund and reserve fund, presenting assets, liabilities and fund balances;

(2) A statement of revenues and expenses for the operating fund and reserve fund which presents information about all revenues and expenses;

(3) A statement of changes in fund balances which reconciles beginning and ending fund balances with results of operations;

(4) A statement of cash flows;

(5) Any note disclosures as required by the *Guide*; and

(6) The following unaudited supplementary information:

(I) Any reserve disclosures as required by the *Guide* and NRS 116B.605; and

(II) An accompanying schedule which compares details of the actual operating and reserve revenues and expenses of the association to the budgeted amounts of the association.

(b) Be prepared and completed not later than 210 days after the end of the fiscal year for the association.

2. In addition to the requirements set forth in paragraph (b) of subsection 1, the executive board shall adopt the audited financial statement of an association at a meeting conducted pursuant to NRS 116B.525 not later than 100 days after receiving the initial draft of the audited financial statement.

3. The person performing the annual audit for an association must:

(a) Be a certified public accountant licensed pursuant to chapter 628 of NRS.

(b) Be independent of the association as set forth in the *Guide*.

Sec. 30. NAC 116B.240 is hereby amended to read as follows:

116B.240 1. The review of the financial statements of an association must be performed in accordance with the *Guide*. The financial statements must include a full presentation of accrual-basis accounting prepared pursuant to subsection 1 of NAC 116B.220. The supplementary information may be compiled or reviewed.

2. The person performing the annual review for an association must:

(a) Be a certified public accountant licensed pursuant to chapter 628 of NRS.

(b) Be independent of the association as set forth in the *Guide*.

Sec. 31. NAC 116B.330 is hereby amended to read as follows:

116B.330 1. The audited financial statements of the hotel unit owner must:

(a) Be prepared in accordance with generally accepted accounting principles and must include, at a minimum:

(1) A comparative balance sheet for the operating fund and reserve fund which presents assets, liabilities and fund balances;

(2) A comparative statement of revenues and expenses for the operating fund and reserve fund which presents information about all revenues and expenses;

(3) A comparative statement of changes in fund balances which reconciles beginning and ending fund balances with results of operations;

(4) A comparative statement of cash flows;

(5) Any note disclosures as may be required by the *Guide*; and

(6) The following unaudited supplementary information:

(I) Any disclosures regarding the reserves pursuant to NRS 116B.605 and as may be required by the *Guide*;

(II) An accompanying schedule which compares details of the actual operating revenues and expenses of the hotel unit owner against the budgeted amounts; and

(III) An accompanying schedule comparing the details of the actual reserve revenues and expenses of the hotel unit owner associated with the major components of the shared components or major components of the hotel unit against the budgeted expenses for the shared components or the applicable components of the hotel unit.

(b) Be prepared and completed not later than 210 days after the end of the fiscal year of the hotel unit.

(c) Be made available to the Division not later than 30 days after a request from the Division.

(d) Include on the annual registration form filed with the Division the following information:

(1) The amount of budgeted expenses, including both shared expenses and total expenses;

(2) The date on which the most recent audit of the financial statements was completed;

and

(3) Whether the audit opinion is qualified or unqualified.

2. In addition to the requirements set forth in paragraph (b) of subsection 1, the executive board shall adopt the audited financial statement of an association at a meeting conducted pursuant to NRS 116B.525 not later than 100 days after receiving the initial draft of the audited financial statement.

3. The person performing the annual audit for an association must:

(a) Be a certified public accountant licensed pursuant to chapter 628 of NRS.

(b) Be independent of the association as set forth in the *Guide*.

Sec. 32. NAC 116B.360 is hereby amended to read as follows:

116B.360 1. Except as otherwise provided in subsections 2 and 3, a hotel unit owner may not charge more than ~~116B.360~~ ~~\$160~~ ~~\$185~~ for preparing the certificate required by subsection 3 of NRS 116B.760.

2. If a unit's owner or the authorized agent of the unit's owner requests that the certificate described in subsection 1 be provided sooner than 3 business days after the date of the request, the hotel unit owner may, in addition to the fee set forth in subsection 1, charge a fee not to exceed ~~116B.360~~ ~~\$125~~ ~~\$100~~ to expedite the preparation of the certificate.

3. In addition to the fees set forth in subsections 1 and 2, the hotel unit owner may charge a reasonable fee for additional copies or any other service.

Sec. 33. NAC 116.013, 116.030, 116.033, 116.040, 116.043, 116.0437, 116.046, 116.050, 116.080, 116.465, 116A.010, 116A.030, 116A.045, 116A.065, 116A.070, 116A.085, 116B.010 and 116B.020 are hereby repealed.

TEXT OF REPEALED SECTIONS

116.013 “Administrator” defined. “Administrator” means the Real Estate Administrator.

116.030 “Commission” defined. “Commission” means the Commission for Common-Interest Communities and Condominium Hotels created by NRS 116.600.

116.033 “Common elements” defined. “Common elements” means the common elements of a common-interest community.

116.040 “Division” defined. “Division” means the Real Estate Division of the Department of Business and Industry.

116.043 “Executive board” defined. “Executive board” has the meaning ascribed to it in NRS 116.045.

~~**116.0437 “Guide” defined.** “Guide” means the *Guide to Homeowners’ Associations and Other Common Interest Realty Associations*, as adopted by reference in NAC 116.410.~~

116.046 “Major components” defined. “Major components” means the major components of the common elements, whether real or personal property, which the association is responsible for maintaining, repairing, replacing or restoring, including, without limitation, amenities, improvements, furnishings, fixtures, finishes, systems and equipment.

116.050 “Management of a common-interest community” defined. “Management of a common-interest community” means the physical, administrative or financial maintenance and management of a common-interest community, or the supervision of those activities, for a fee, commission or other valuable consideration.

116.080 “Unit’s owner” defined. “Unit’s owner” has the meaning ascribed to it in NRS 116.095.

116.465 Fees for preparation of certificate for resale of unit.

1. Except as otherwise provided in subsection 2, an association may not charge more than \$160 for preparing the certificate furnished pursuant to NRS 116.4109.

2. If a unit’s owner or an authorized agent thereof requests that the certificate be furnished sooner than 3 business days after the date of the request, the association may charge a fee not to exceed \$125 to expedite the preparation of the certificate.

3. Nothing in this section is to be construed to prohibit an association from requiring a fee for any other copy, form or service.

116A.010 “Administrator” defined. “Administrator” means the Real Estate Administrator.

116A.030 “Commission” defined. “Commission” means the Commission for Common-Interest Communities and Condominium Hotels created by NRS 116.600.

116A.045 “Division” defined. “Division” means the Real Estate Division of the Department of Business and Industry.

116A.065 “Management agreement” defined. “Management agreement” means an agreement for the management of a common-interest community.

116A.070 “Management of a common-interest community” defined. “Management of a common-interest community” means the physical, administrative or financial maintenance and management of a common-interest community, or the supervision of those activities, for a fee, commission or other valuable consideration.

116A.085 “Reserve study specialist” defined. “Reserve study specialist” means a person who conducts a study of the reserves of an association pursuant to NRS 116.31152 or 116B.605.

116B.010 Definitions. As used in this chapter, unless the context otherwise requires, the words and terms defined in NAC 116B.020 and 116B.030 have the meanings ascribed to them in those sections.

~~**116B.020 “Guide” defined.** “Guide” means the *Guide to Homeowners’ Associations and Other Common Interest Realty Associations*, as adopted by reference in NAC 116B.160.~~