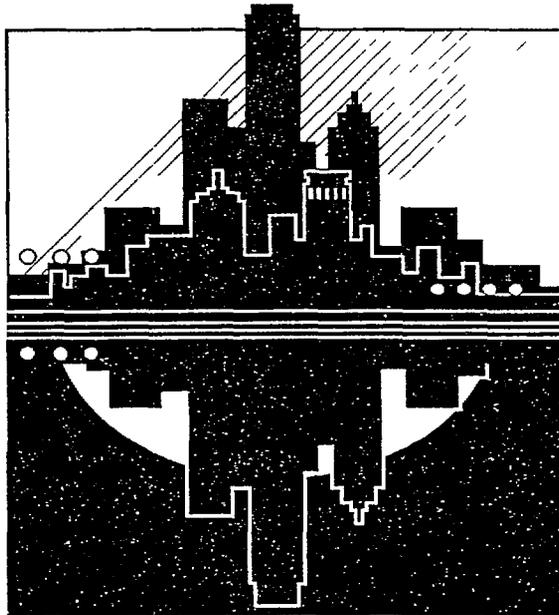


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FINANCIAL MANAGEMENT OF MULTIFAMILY BUILDING CO-OWNERS' ASSOCIATIONS



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This Manual was prepared as part of the program of Housing Reforms in Ukraine to facilitate the work of residents who formed or wish to form and register a Co Owners Association in the building in which they live



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Introduction

The main target of the multifamily building co-owners association is to preserve the housing to increase its market value and to create safe living conditions with comfort level adequate to demands and means of the residents. With this end in view it provides the maintenance and use of housing in conformity with finances available.

Efficient financial management is the basis for the successful activity of any enterprise. Familiarization with fundamental skills and methods of financial management will enable you to make the most efficient economic decision with minimum risks.

Financial management of an association is based on the annual financial plan (cost estimate of incomes and expenses). It is designed on the basis of economic activity data for the past year and on the plan of economic activity for the current year.

The objective of the present manual is

- to familiarize the reader with general principles, approaches and procedures for the development of financial plan in the condominiums
- to help avoid most probable mistakes in plan designing
- to identify main expenses in the house maintenance,
- to describe possible financial sources of income to cover the associations' expenses
- to show the ways for well-balanced management of incomes and expenses

The information contained in the manual can be used by the condominiums, private housing maintenance companies, members of co-owners' associations, etc.

I Definitions

1.1 Financial operation in the multifamily buildings co-owners associations includes generating of incomes and incurrng expenses related to the maintenance of housing and other structures

1.2 Objective of financial operation in a condominium is providing sufficient amount of money and its efficient use to guarantee most favorable living conditions for the members of condominiums

1.3 Financial management in a condominium is the system of economic methods and tools the use of which shall enable you to reach the objective of financial operation most completely

1.4 Financial management tools - the financial plan, financial book-keeping, financial indices, specific documents used for revenues and expenses in the various aspects of association's activity

1.5 Financial plan (annual cost estimate for incomes and expenses) - defines financial aspects of current and long-term operation of the association. It specifies how much money should be spent on each expenses item and what income is expected to cover the expenses. It is the final section of the economic operation plan, designed with consideration of all the sections of the latter (repair, supply, personnel, planning, salary, expenses, etc.). The financial plan is a guiding document, that is why it is signed by its designers and approved at the general meeting (item 8.12 of Standard By-laws of the co-owners association)

1.6 Objective of financial planning (designing the financial plan) - most accurate identification of the coming expenses and incomes of the association, which will guarantee the highest living standards for the association members

1.7 Main principle (rule) in designing the financial plan of the association, envisages the participation of all the association members in its development, their knowledgeability in all plan-related information. The financial plan shall have *addenda* explaining methods of calculating expenses and incomes items to the owners

II Procedure for designing association financial plan

Chart 1 presents the procedure and order for designing financial plan

Chart 1

Procedure for designing association financial plan

Stage I
Process of preparation and approval of financial plan
Stage II
Analysis of plan fulfillment on each of items (expenses and incomes) in the previous period
2 1 Analysis of plan fulfillment for each of income items
2 2 Analysis of plan fulfillment for each of expenses items
2 3 Identification of causes which led to discrepancies in the plan preparation of recommendations for new financial plan
Stage III
Information collection and evaluation for financial plan development
3 1 Information collection from the owners
3 2 Building information collection
3 3 Evaluation of complete repair or replacement
3 4 Identification of the priorities (repair and replacement)
3 5 Designing cost estimate for the property maintenance
3 6 Information collection on finances available
Stage IV
Drafting financial plan
4 1 Designing cost estimate for coming expenses with detailed economic substantiation
4 2 Designing incomes plan with detailed economic substantiation
4 3 Approximate calculation of owners payments in the new fiscal year

III Stages in designing financial plan Contents of financial plan

The detailed description of the matter and essence of the activities to be performed on each stage of the financial plan elaboration process is presented in the explanatory notes below

Stage I Process of preparation and approval of financial plan

Usually the financial plan is designed by the Chairman of the Board or by the Manager

The association can be managed by a paid member of the association Board. It is also possible to sign a contract on property management with a person private or

state company (e.g. ZHEK) The Chairman or Manager drafts the financial plan and submits the draft to the Board. Membership is different in each association. It is very important to provide an opportunity for each member to participate in designing the financial plan.

The owners concerned are invited to the Board meeting in order to discuss the financial plan and to offer their remarks on it.

The Board analyzes the proposed plan, introduces the amendments, if need be, and submits it to the general meeting for approval.

After the financial plan is approved at the general meeting, the Board informs the owners in writing of the payments to be made for the implementation of the financial plan.

Stage II Analysis of financial plan fulfillment (incomes and expenses) in the previous period

The importance of this analysis should not be underestimated as its results are crucial for making well-grounded decisions for the next period.

Analysis consists of the comparison between planned and actual figures in each item of the financial plan, calculation of discrepancies in absolute and relative figures (in Hr and %). The causes of each discrepancy should be identified. All conclusions drawn from this analysis shall be taken into consideration in the development of sections and items for the new plan.

The Previous financial plan can be used as a basis for the new one, but the expected inflation rate, change in property structure, difference in material resources, cost, minimum salary level, taxation system, size of repairs to be made, etc. should be factored in.

Stage III Information collection and evaluation for financial plan development

3.1 Information collection from the owners

The owners should be asked about the anticipated results. It can be done at the meeting, but it would be better to approach them individually, as many people can be influenced by a neighbor's opinion.

The poll can be carried out by the members of the Board or the Manager or both. Anonymous questionnaires can be distributed, as people tend to be more honest when they do not have to give their names. It is also possible to visit each owner at his apartment.

Suggested questionnaire structure is as follows (see Chart 2)

Chart 2

1	What type of owner are you? <input type="checkbox"/> Of residential unit <input type="checkbox"/> Of non residential unit <input type="checkbox"/> Other
2	Do you occupy the unit or rent it? <input type="checkbox"/> Occupy myself <input type="checkbox"/> Rent it
3	What results would you like to see in adjacent area in the coming year? Give your priorities
3.2	Result no 2

	Are you ready to pay more to achieve this result ? <input type="checkbox"/> Much more <input type="checkbox"/> More <input type="checkbox"/> A bit more <input type="checkbox"/> Not more
3 3	Result no 3 <hr/> Are you ready to pay more to achieve this result ? _____ <input type="checkbox"/> Much more <input type="checkbox"/> More <input type="checkbox"/> A bit more <input type="checkbox"/> Not more
4	What results would you like to see in your house next year (Except your unit/flat)? Give your priorities
4 1	Result no 1 <hr/> Are you ready to pay more to achieve this result ? <input type="checkbox"/> Much more <input type="checkbox"/> More <input type="checkbox"/> A bit more <input type="checkbox"/> Not more
4 2	Result no 2 <hr/> Are you ready to pay more to achieve this result ? <input type="checkbox"/> Much more <input type="checkbox"/> More <input type="checkbox"/> A bit more <input type="checkbox"/> Not more
4 3	Result no 3 <hr/> Are you ready to pay more to achieve this result ? <input type="checkbox"/> Much more <input type="checkbox"/> More <input type="checkbox"/> A bit more <input type="checkbox"/> Not more
5	What results in communal services would you like to see next year (heating hot water)? Give your priorities
5 1	Result no 1 <hr/> Are you ready to pay more to achieve this result ? <input type="checkbox"/> Much more <input type="checkbox"/> More <input type="checkbox"/> A bit more <input type="checkbox"/> Not more
5 2	Result no 2 <hr/> Are you ready to pay more to achieve this result ? <input type="checkbox"/> Much more <input type="checkbox"/> More <input type="checkbox"/> A bit more <input type="checkbox"/> Not more
5 3	Result no 3 <hr/> Are you ready to pay more to achieve this result ? <input type="checkbox"/> Much more <input type="checkbox"/> More <input type="checkbox"/> A bit more <input type="checkbox"/> Not more
6	What other important results would you like to see in your association next year? Give your priorities
6 1	Result no 1 <hr/> Are you ready to pay more to achieve this result? <input type="checkbox"/> Much more <input type="checkbox"/> More <input type="checkbox"/> A bit more <input type="checkbox"/> Not more
6 2	Result no 2 <hr/> Are you ready to pay more to achieve this result? <input type="checkbox"/> Much more <input type="checkbox"/> More <input type="checkbox"/> A bit more <input type="checkbox"/> Not more
6 3	Result no 3 <hr/> Are you ready to pay more to achieve this result? <input type="checkbox"/> Much more <input type="checkbox"/> More <input type="checkbox"/> A bit more <input type="checkbox"/> Not more

3 2 Building information collection

Strategic planning consists of identifying the desired results and ways to achieve them. Nevertheless, it is very important to know the environment in which these results can be achieved.

It is essential to enter all the elements of the building and of adjacent area into the appropriate documents as well as their condition. In order to do this, the property should be studied and basic data obtained. This data will be used as a scale of amount and quality of work to be done.

In other words, basic data is the document in which all the existing components are listed and their condition is described.

To make sure that you are working in line with the system, you should organize the information. There are many ways of doing it; nevertheless, the most common and reasonable are the following general categories:

- 1 Adjacent area (with the elements of improvement such as asphalt walks, playgrounds, equipment, etc.)
- 2 Exterior of the building (roof, walls, windows, doors, and foundation)
- 3 Common use areas inside the building (offices, premises of joint use, e.g. stairs, basement, etc.)
- 4 Technical equipment (rubbish chutes, lighting, alarm systems, water supply and sewage, heat, gas, and power supply, elevators, fire protection systems of gas and smoke disposal, radio, TV antennae of common use, elevator wells, drainage pipes, etc.)
- 5 Apartments
- 6 Non-residential units

The basic data required for the calculation of owners' payments and evaluation of property conditions should be attached to the financial plan. The suggested organization of required information is presented in Charts 3 and 4.

Chart 3

1	Number of residential units (flats)	
2	Number of non-residential units	
3	Number of flats belonging to owners who enjoy benefits	
4	Total area of the building	
5	Total area of the flats	
6	Total area of the flats with full rent payment	
7	Total area of the flats with reduced rent payment	
8	Total area of non-residential units	

9	Total area of joint use premises	
10	Number of flat owners	
11	Total number of all the residents in the flats	
12	Number of residents who enjoy the benefits	
13	Number of tenants (residents of non-privatized units)	
14	Number of owners of non-residential units	
15	Number of elevators	
16	Number of rubbish chutes	
17	Assumed inflation rate	

Chart 4

Recommended structure for organization of information related to association property conditions

Category	Item	Type	Amount size	Condition	Supposed term of service (age)	Normative term of service	Remaining term of service

For example the category ' adjacent area ' can be described as follows (see Chart 5)

Chart 5

Category Item	Type	Size	Supposed term of service (age)	Condition
Adjacent area				
Paved ground	Asphalt	2000 sq m	25	Poor
Unpaved ground	Soil grass	1000 sq m	10	To be replaced with turf

It is probable, however that the association will plant new shrubs and trees and cover the paved path with flagstones. Then the basic data will have to be revised (see Chart 6)

Chart 6

Category Item	Type	Size	Supposed term of service (age)	Condition
Adjacent territory				
Walks and parking lots	Asphalt	1800 sq m	25	Poor
Pavements	Cement	200 sq m	1	Excellent
Shrubs	Rhododendron	20	1	Excellent
Trees	Birch	5	1	Excellent
Unpaved sites	Soil/grass	1000 sq m	10	To be replaced with turf

General rule error in size (m²) and length (m) measurements should not exceed 15%. However for most important issues the measurements should be precise

The service term is not known to me How can I find it out?

You can find it out from the *passport* Otherwise you can estimate the service term or age or indicate n/k (not known)

Why is it important to know the service term (age)?

Because it will help decide when this item should be replaced based on the experience of other buildings owners and managers

How can one get information on the condition of structural elements and technical equipment of the housing units as well as adjacent area?

There are two ways of obtaining information

- 1 Obtain a written statement by the specialists This is the preferred way although it entails considerable expenses
- 2 Set up the owners group which will carry out the examinations to determine the condition

What categories should be used to identify the condition?

There are four categories to evaluate the condition of an item

- 1 Obligatory replacement See definition below Repair is impossible or not feasible
- 2 Poor condition Considerable repairs and replacement required in the nearest future
- 3 Average condition Repairs required
- 4 Excellent condition Equipment is new or does not require repairs

Repairs reconstruction of serviceable condition and exterior of the item if it is more reasonable than replacement

Replacement elimination of existing item and creation or installation of similar new item if repairs are impossible or not feasible from economic point of view

3 3 Estimate of total repairs or replacement cost

This is a very complicated stage however if it is done properly it will enable the Manager and the Board to make the right decisions in financial planning

There are two main ways to estimate the repairs or replacement expenses

- 1 Estimate the cost of materials labor working time and equipment needed for repairs or replacement
- 2 Ask the contractor (individual company or ZHEK) to provide the cost estimate

3 4 Indicating the priorities (repairs and replacement)

There are three factors which affect identification of the priorities

- 1 Examination of the building's technical condition permits drafting a list of defects to be fixed
- 2 The Manager and the Board can compile a list of desired results based on the information collected from the owners
- 3 The owners' funds should be taken into consideration in drafting cost estimates for the expenses

When the Manager and the Board are drafting the plan for the next year all these factors should be kept in mind

For example, the poll showed that one of the most important desired results for the owners is reliable operation of the elevator. The basic data shows that four elevators had serious defects which had to be repaired though replacement is not necessary. The cost estimate is high enough but feasible on the condition that no other repairs will be needed this year. Unfortunately the owners questioned admitted that they were afraid of robberies, as the entrance door does not provide sufficient security. The basic data shows that the only thing which can be done to prevent the robberies is to replace all the eight entrance doors. The Board can offer to do repairs in 4 elevators and to replace all 8 doors and to raise payments to cover expenses on both. The owners' answers to the questionnaire prove that people are willing to pay more to have their problems resolved. On the other hand, it might happen that the residents simply will not be able to pay more. Then, the Board will have to repair two elevators this year and the other two next year and replace all the doors this year or some combination of repairs that is satisfactory to the residents.

3 5 Designing cost estimate for property-related services

Unfortunately the association has other expenses besides the repairs. The adjacent area and stairwells should be cleaned up rubbish should be taken away etc.

Proceeding from basic data the Manager and the Board should be able to plan efficiently what is to be done and how much it will cost.

- 1 First of all the type of services needed for each building should be identified as well as the frequency of services required equipment expected time and minimum qualifications. Chart 7 can be used as an example.

Chart 7

Category item	Type of services	Frequency	Expected working time	Required equipment	Minimum qualifications required	Required materials
---------------	------------------	-----------	-----------------------	--------------------	---------------------------------	--------------------

Adjacent area

Paved sites	Sweeping Clearing away snow and ice	Daily If there is snow cover	4 3	Brooms Snow ploughs shovels	None	None Sand
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Lighting

Exterior	Examination and replacement	Weekly	0 5	None	None	Electric bulbs
Entrance halls	Examination and replacement	Daily	0 5	None	None	Electric bulbs

Elevators

	Examination	Weekly	0 5	None	None	None
	Operation test	Weekly	0 5	None	None	None
	Maintenance	Monthly	4		License and work permit	As need be

2 Second, with the help of this chart cost estimate for services or cleaning up can be designed

a by calculating the costs of materials, working time and equipment required for the services and cleaning up

b by obtaining cost estimate from the contractors (private company or ZHEK)

3 6 Financial information collection

The amount of money collected and spent in the past has to be taken into consideration when designing the cost estimate and financial plan However the use of the existing information, though important should be performed with great caution

For example the fact that water supply expenses made up Hrn 5 000 does not mean that the cost of supply will remain the same next year Even the fact that the cost remained the same or that the prices went up or down does not mean that you can simply multiply or divide the total cost by assumed factor of price changes The Board can install the valves for thermal regulation in all the units reduce the use of heat and provide meters to measure it Thus the use and therefore the cost will be reduced despite the fact that price went up

Stage IV Drafting financial plan

The Financial plan (cost estimate for expenses and incomes) should be developed for a year After the approval it is reasonable to split it up on quarterly basis and by months It permits to manage efficiently the finances taking into account irregularity of expenses for various items during the year For example the use of heat electric power etc varies through different seasons

The Monthly split of the association budget allows you to determine in which months the expenses can exceed the revenues and to undertake appropriate measures to avoid the deficit of funds

Usually drafting the financial plan starts two months ahead of the planned period That is why it reflects current expenses and incomes for the previous year for 10 months of the current year and those planned for the next year

The Financial plan reflects incomes and expenses needed for current

maintenance and repairs of the building as well as for accumulation of emergency fund used for capital repairs and replacement

The standard cost estimate chart contains much more expenses and incomes items than are actually used by an association. On the other hand, some items will have to be added. It is very important for planning to consider each possible expenses and incomes item.

4.1 Designing cost estimate for coming expenses with detailed economic substantiation

Drafting the financial plan it is very important to indicate the expected expenses reflecting the building maintenance cost in line with the residents' wishes, although at the final stage of drafting it might become obvious that it should be cut down due to financial constraints (i.e. incapability of owners to pay the fees sufficient for required income).

The financial plan should reflect in writing what each item of expenses will be used for. These indications will be the summary of all considerations on this item.

It is reasonable to divide all the maintenance and repairs expenses of the association into sections and inside the sections - into items. Accountancy and book-keeping should be in line with these sections and items.

The approximate structure of co-owners' association expenses is given below.

Chart 8

#	Sections and items	Commentaries
	Expenses	
I	Administrative and managerial	
1.1	Salary fund	Place here all the items related to main and additional salary for administrative and managerial staff in accordance with the approved payroll. Chairman of the board, manager, accountant, book-keeper and other employees of the Managerial department fall under this category. When an association gets money from the bank to pay the salaries it transfers some portion of it for: -income tax -pension deductions (1% of salary) -deductions to social insurance against unemployment (0.5% of salary)
1.2	Extra charges on salary fund	Law of Ukraine 'On deductions for obligatory state pension insurance' # 400 of June 26, 1997 and Law of Ukraine 'On deductions for obligatory social insurance' # 402/97 of June 26, 1997 stipulate that when association gets funds from the bank to pay salary it pays 32% of salary fund to the Pension fund and 5.5% to social insurance (the latter amount

#	Sections and items	Commentaries
		includes 1 5% as obligatory social insurance against unemployment)
1 3	Office supplies	Expenses for the purchase of stationery purchase and printing of letterheads copying letters protocols announcement etc
1 4	Telephone services	Cost of telephone communications needed for association operation
1 5	Mail services	Cost of mail operations needed for association operation e g delivery of information about the meetings notifications on non-payments statistic and financial statements to various institutions etc
1 6	Bank services	Association payments for electronic bill payments cash services issuance of cheque-books etc If payments come to association settlement account through various banks the transfer services should be entered as expenses item
1 7	Other expenses	Expenses for the office maintenance (heating and lighting) purchase of office furniture etc
II	Expenses on serving personnel	
2 1	Salary fund	All types of main and additional salary of the attending staff (caretakers hall porters guards elevator operators cleaning women electricians plumbers carpenters and others) If association property is managed and maintained by a specialized company - contractor its employees salary is added to the total amount of the contract and falls under section III
2 2	Extra charges on salary fund	Similar to 1 2
2 3	Other expenses	Wearing out of uniform expenses for labor safety maintenance of premises for attending staff etc
III	Expenses for building maintenance and repairs	
3 1	Expenses for rubbish disposal	Defined by multiplying the number of residents by the norm of rubbish collection per person approved by local Council and by tariff (per 1 cub m) designed by rubbish disposal companies
3 2	Expenses for electric power for lighting common use areas	Amount of electricity used is determined according to the previous years data or

#	Sections and items	Commentaries
		according to the established norms of consumption
3 3	Expenses for electric power for elevators and other mechanical equipment	
3 4	Expenses for disinsection and deratization	
3 5	Expenses for fire safety	
3 6	Security expenses	
3 7	Expenses for sprinkling water	
3 8	Expenses for heating for common use areas	
3 9	Expenses for technical services for	
3 9 1	elevators	
3 9 2	cold water supply and sewage,	
3 9 3	central heating and hot water supply,	
3 9 4	fire safety and smoke disposal systems	
3 9 5	electric stoves	
3 9 6	intercoms	
3 10	Expenses for repairs of structural elements of the building including	It is reasonable to include here only building repairs <u>Note</u> Association employees can carry out repairs in the owners apartments e.g replacement of door lock if key is lost by the unit owner etc. In such case the expenses incurred by the association should be covered by the unit owner. Differentiation of repair costs to be paid by the association or by unit owner is based on the association By-laws and other documents.
3 10 1	roof,	
3 10 2	walls,	
3 10 3	drainage pipes,	
3 10 4	windows and doors units	
3 10 5	others	
3 11	Materials and tools for services and maintenance	Cost of materials and equipment for cleaning up inside units e.g soap pails brooms mops etc. Cost of materials and equipment for the maintenance of adjacent area e.g brooms shovels sand rakes etc.
3 12	Other expenses	When a specific expenses item exceeds 5% it should be entered as a separate item.
IV	Taxes, compulsory payments and fees	Multifamily building co-owners association does not have today accurately defined legal status. Ukrainian legislation in force is contradictory. Besides tax legislation is liable to very

#	Sections and items	Commentaries
		frequent changes That s why the following expenses items and their contents can be adjusted in line with new laws and regulations
4 1	Land tax	<p>Tax for the plot of land on which the building is located is collected from the legal entity in charge The entity is reimbursed for these expenses by the residents The tax is collected annually on the basis of established tax rates It is essential to provide the list of tax-exempt residents alongside with land tax-related calculations (stating the reason for exemption) and to deduct relevant areas from the total taxation area</p> <p><u>Note</u></p> <p>1 Under article 11 of the Law of Ukraine On payment for land of 03 07 92 pensioners war veterans disabled persons (1 and 2 cat) individuals affected by Chernobyl accident are tax-exempt</p> <p>2 Under existing procedure of state subsidies for the housing maintenance tax expenses are included into association expenses for subsidy calculations</p>
4 2	Other taxes and payments	In its operation association should be guided by the Law of Ukraine On taxation system and follow accurately all the changes
	Expenses total	

4 2 Designing incomes plan with detailed economic substantiation

Usually before designing the financial plan all the association expenses needed for safe and comfortable life of the residents are calculated At the same time the established payments should be reasonable Trying to calculate and define the expenses accurately you should remember that the desired goal is to retain the payments at the same level It is hardly probable that the owners payments would go down - it might happen e g if a commercial unit generating additional income was set up in the building or in adjacent area

Standard financial plan should include all the income sources generated by the association as revenues

1 First when calculating incomes for the financial plan it is essential to state the previous year income assuming that it will be sufficient to cover expected expenses

2 Second it its essential to take into account the inflation factor to retain the same relative amount of payment for the association members If this factor is not taken

into account it might happen that the level of services would come down. One of the ways to calculate it is to use the official inflation rate cited by the government and to multiply all the previous year incomes items by that factor assuming that next year the inflation rate would remain the same.

The structural analysis of the income portion of association's cost estimate with sections and items of the financial plan is given below.

Chart 9

No	Sections and items	Commentaries
I	Incomes	
	Regular payments	
1 1	Reimbursement of the expenses for house and adjacent area maintenance by the owners (payment for the utilities and housing services paid by tenants of the non-privatized apartments)	<p>If the <u>state subsidy for the housing maintenance is in place</u> the amount of reimbursement is calculated on the basis of total unit area and governmental services tariffs per 1 sq m. The current established tariff 0.19 Hrn is the same both for privatized and non-privatized units.</p> <p>If <u>the housing is maintained without subsidies</u> the amount of reimbursement will usually be calculated on the basis of expenses cost estimate approved by the general meeting of the association members in accordance with the property share owned by each of the co-owners (3.1 By-laws). In this case calculations will be done in the following stages:</p> <p>Stage 1 <i>Total annual amount of association expenses to be reimbursed by the owners is calculated.</i> To do this the planned amount of incomes to be covered from the sources other than owners payments (e.g. other incomes amount to 1 thousand Hrn) is deducted from total amount of expenses (e.g. 19 thousand Hrn). It is essential to be realistic in planning the expected revenues to the association budget otherwise the tenants' or municipality debts might lead to the economic crisis.</p> <p>Stage 2 <i>The amount of annual expenses reimbursement is calculated per 1 sq m of total area by dividing total annual amount of expenses (in our case 18 thousand Hrn) by total area of residential and non-residential units (e.g. 10 000 sq m) it amounts to 1.80 Hrn.</i></p> <p>Stage 3 <i>Monthly amount of</i></p>

No	Sections and items	Commentaries
		<p><i>reimbursement is calculated per sq m of total area</i> by dividing the annual reimbursement sum per sq m of total area (here 1 80 Hrn) by 12 months it amounts to 0 15 Hrn</p> <p>Stage 4 <i>Monthly reimbursement sum to be paid by each owner</i> is calculated by multiplying monthly reimbursement amount per sq m (here 0 15 Hrn) by total area of an owner s unit (e g 40 sq) here it amounts to 6 00 Hrn</p> <p><u>Note</u> The general meeting can set up different procedure for handling common expenses (1 8 2 By-laws)</p>
1 1 1	<p>Compensation to the residents for the housing and adjacent area maintenance expenses</p> <p>benefits</p>	<p>Amount of reimbursement is defined on the basis of association s calculations in line with the legislation in force <u>For example</u></p> <p>Law of Ukraine On the status of war veterans and guarantees for their social protection #458/95-BP of 23 11 95 20 12 90 Law of Ukraine On status and social protection of individuals affected by Chernobyl accident #2001-XII of 19 12 91</p> <p>Law of Ukraine On militia #565-XII of 20 12 90</p> <p>Presidential Decree On status of the military service veterans and guarantees for their social protection #355/94 of 04 07 94 and other legislative documents The documents confirming the right to benefits are the basis for calculations</p>
1 1 2	<p>subsidies</p>	<p>The subsidies are granted to the population as means of its social protection against growing actual expenses for housing use and communal services Procedure for granting the subsidies has been established by the Cabinet of Ministers Resolution No 89 of 04 02 1995 with the amendments introduced by the Resolution No 313 of</p>

No	Sections and items	Commentaries
		<p>03 05 1995</p> <p>The amount of reimbursement is defined on the basis of calculations done in the subsidies offices. The amount of subsidies is planned in annual cost estimate and it should be taken into account in calculating each owner's monthly fees.</p>
1 2	Budget subsidies for reimbursement of expenses on housing current maintenance	<p>Until new system of labor payment is introduced, the state subsidies on housing maintenance are preserved. Amount of subsidy is defined on the basis of expenses and incomes cost estimates set up in line with current norms for state housing and maintenance companies and approved by relevant financial bodies. Subsidy = expenses - incomes.</p> <p>To simplify the calculations, let's assume that at present the residents cover 80% of actual expenses. Then the remaining 20% will constitute the subsidy.</p>
1 3	Reimbursement of expenses related to housing and adjacent area maintenance by the owners (tenants) of non-residential units	<p>Amount of reimbursement is calculated on the basis of expenses cost estimate approved at the general meeting in proportion to property share owned by the owner of non-residential unit if not stipulated otherwise by association By-laws.</p> <p>The owners of non-residential units can be obliged to pay additional fees.</p> <p><u>Example.</u> if a commercial business - restaurant is opened in the building, it is probable that it uses more water and is responsible for more garbage than usual units. To compensate these additional expenses, rent for this business should be higher. Another option is installation of water meter and possibility of separate payment for the water used by the restaurant. Besides, the restaurant should sign a special contract for garbage disposal with separate payment.</p> <p>The Board should treat the owners of non-residential units fairly. One shouldn't presume that they have sufficient funds to cover additional expenses to the benefit of the residential units owners.</p>

No	Sections and items	Commentaries
1 4 1 4 1 1 4 2 1 4 3 1 4 4	Covering expenses on maintenance of inside networks heating water supply sewage electric power	<p>Revenues from companies and organizations for the maintenance are calculated on the basis of norms per 1 sq m equipped with these networks and devices in accordance with Regulations on reimbursement of expenses related to inside water supply sewage heating networks and equipment maintenance to housing and maintenance companies by the companies gaining profits from use of these networks and equipment</p> <p>Agreement between the association and relevant companies shall be the basis for receiving the reimbursement</p>
1 7	Rent for the leased common property of association members	<p>Association members can own as common property both residential and non-residential units E.g. basement with the shop or commercial store-house in it. If an association has such property it can get the rent leasing it. This expenses item can be divided into apartments rent non-residential units rent and other</p> <p><u>Apartments lease</u> It is the income from the rent paid for residential units belonging to co-owners as common property</p> <p>Note: the rent received by other owners e.g. physical persons or city budget does not fall under this category of incomes</p> <p><u>Non-residential units lease</u> It is the income from rent paid for non-residential units belonging to co-owners as common property</p> <p>Note: rent received by other owners e.g. physical persons or city budget does not fall under this category of incomes</p> <p><u>Other lease</u> Co-owners association can get the income from leasing other real estate E.g. the co-owners can own as common property garages or parking lots to rent. They can also have in their possession movable property e.g. equipment or transport which they can rent</p> <p>Here belongs the amount remaining after compulsory tax and fee deductions</p> <ol style="list-style-type: none"> 1 VAT 2 Profit tax

No	Sections and items	Commentaries
		3 Tax to State innovation fund 4 Road maintenance tax Besides the association has to pay its dues to the Fund of Chernobyl accident consequences liquidation and social protection of population at the rate 10% of the salary fund. It is transferred upon receiving the funds for labor payment in the bank.
1 6 1 6 1 1 6 2 1 6 3 1 6 4 1 6 5	Commissions from the companies providing their services for the residents including heating water supply, sewage, gas supply others	On behalf of all the co-owners the association can become single customer in use of communal and other services on the basis of contracts signed with supplying companies and pay for the rendered services proceeding by established tariffs for the set of services indicated on the meters (if meters are in place) or from the services norms approved by the local councils. Payments from association members for communal and other services come in this case to the association settlement account. In line with the contracts signed with services suppliers and with local administration decisions the association retains certain share of generated funds to cover expenses on collection accounting and transfer of payments for the services. <u>Note</u> Being a single customer the association generates on its settlement account funds coming from the residents as payment for the communal services then splits them to pay the suppliers. It is essential to calculate separately fees and payments for the services and to control timely transfers of money onto settlement account timely payment to the supplying companies.
II	One-time collection of funds for housing and adjacent area repair or maintenance	These are funds to cover emergency expenses. Good financial planning can reduce the need for one-time collections. Even if the board is authorized to collect these funds the By-laws and general meeting decisions should set up the limits for them (in % to all the expenses).
III	Other incomes	This item of association budget includes

No	Sections and items	Commentaries
		<p>the revenues not registered before e.g reimbursement paid by the owners of sheds cellars and garages to cover the maintenance expenses for the land plots allotted to them for temporary use</p> <p>Some associations charge for the use of recreation sites parking lots common laundry etc</p> <p>Similar to designing expenses section of the cost estimate if a specific income item exceeds 5% it should be entered as a separate item</p>
3 1	Fine for overdue payments	<p>Co-owners associations charge the fine for overdue payments if the owners do not pay in time in accordance with current legislation It is fair because the association cannot operate without the fees, and naturally loses the interest on the non-paid amount In cases stipulated by legislation or the By-laws of association the Board can impose fines if the residents break the rules of co-habitation Besides the compensation can be charged for individual efforts in money collection legal services Fine is not included into annual cost estimate but is regarded as income and reflected in the financial statements</p>
3 2	Interest for keeping the finances on settlement (deposit) account	
	Incomes total	

Note In order to perform repairs or replacements requiring substantial funds it is necessary to form an emergency fund

The decision on formation of the emergency fund has to be made on the general meeting of owners

It is strongly recommended that the collected funds be kept on a separate deposit account in order to avoid inflation

Revenue and expenditures of the emergency funds have to be recorded separately

Fund expenditure is recorded in a separate cost estimate and is not included into the current expenses

4 3 Approximate calculation of the owners' new payments and approval of financial plan

The fourth stage is the calculation of differences in payments so that the Board can see how the payment changes affect the owners and decide whether they will be

able to pay increased fee or it should be put down. The chart below shows the structure of this information to be submitted to the Board for drafting the financial plan (see chart 10)

Chart 10

No of unit	Name of owner	Old fee in Hrn	New fee taking into account inflation rate Hrn	New fee taking into account inflation rate and growing cost estimate Hrn
11	Commercial bank	20	25	27.4
21	G Savchenko	15	17.5	18.7
22	G Novakov	14	16	16.96
37	N Kovalev	19	23.5	25.66

The Financial plan can be revised several times before it is approved by the general meeting and brought to notice (in writing) of each owner.

The Board supervises the complete flow of funds from all the sources envisaged by the financial plan, their efficient and targeted use. Compares actual figures with the planned ones to make sure that the association is financially stable and that the problems can be handled before they lead to crisis situations.

At the end of the fiscal year the general meeting of the association members revises and approves the statement on financial and economic operation in the last year taking into consideration results of check-up carried out by the auditing commission and approves the cost estimate for the coming year.

Basic housing maintenance program

The Basic Program based on the self-repayment principle proceeds from two prerequisites - accurate identification of the used housing elements and professional design of planning and evaluation system which will enable to evaluate the quality of work. All that belongs to the terms of reference of the Board or of the Manager.

Objectives of the basic housing maintenance program

The Basic housing maintenance program is a professionally developed guiding document due to which the Chairman of the Board (Manager) and the co-owners can make sure that all the work is done efficiently and timely and its quality complies with the norms stipulated by the appropriate legislation.

The objectives of the Basic program are as follows:

1. Setting up frequency and nature of examinations and tests in the building required to identify the physical conditions and existing defects in the building.
2. Designing the reorganization of personnel, replacement of equipment, use of specific materials.
3. Providing for timely, efficient and high quality services, both compulsory and additional.
4. Identifying what repairs can be carried out by the association staff and what require involving the contractors.
5. Drafting a plan for timely and efficient supply of labor force, materials, equipment and services.
6. Designing accurate working cost estimate with detailed payroll.
7. Preparing short job descriptions for managerial and support (qualified and unqualified) staff.

How to develop Basic program on building use

The Chairman of the Board (Manager) should use the basic task identification program in drafting detailed operation plan, defining its results and introducing relevant amendments and in designing the cost estimate. The general plan shall be drafted for 12 months and subdivided into monthly plans. The following information shall be included into a plan:

- building examinations aimed at identifying the defects
- required staff
- needed equipment
- needed materials
- outside contractors or third party's services

- standard schedule for operation excluding unexpected repairs
- standard plan quality timeliness efficiency and profitability evaluation

Stage 1

Drafting a list of the housing components by categories reflecting various types of house adjacent area and systems maintenance The list should include

Enumeration of all the building elements falling under one of the categories listed below type identification qualitative evaluation and description of present condition

- adjacent areas (with paved walks playgrounds equipment etc)
- building exterior (including roofs walls windows doors and basement)
- common use areas inside the building (including public and administrative premises stairs cellars etc)
- services system (including lighting water supply elevators fire protection etc)
- flats
- commercial units
- Obligatory building examinations (including tests) services and their frequency
- Specialists equipment and materials required (including the outside contractors services)
- Estimate of the expected expenses

Stage 2

Designing the Basic program for non-occupied premises owned jointly by the association members (if they are in place) and unexpected repairs including emergency requests taking into account former experience

- change of tenants and accompanying work to be done
- procedure for emergency repairs on request

Stage 3

Identifying major defects establishing the priorities among them drafting plan for their elimination and estimating expected expenses

Defects can be grouped in two categories

- related to the current maintenance (to be eliminated in 1 year)
- requiring capital renovations

Stage 4

Evaluating labor and material expenses on the building using the information obtained on stages 1 2 and 3 (i.e. building examinations schedule services handling emergency requests elimination of defect)

Stage 5

Drafting the working plan using the labor and material expenses estimates

related to building and adjacent area

Stage 6

Revising financial plan If you can't keep within cost estimate introduce the relevant amendments into the working plan or into salary expenses estimate (you can for example mobilize volunteers for work) To reduce the expenses consider all the contractors offers

Stage 7

Drafting monthly plan for attending personnel of a specific category and/or for the Manager, stating the term and the work-load (Note it is not feasible to set up starting date before the payroll plan for material equipment and service supply are ready submitted and approved, or before the needed funds are available The starting date can be set up only after these requirements are met)

Stage 8

The Chairman of the Board (Manager) orders the work to be done in accordance with monthly working plan

Stage 9

Designing the quality control plan checking timeliness efficiency and quality of work done, as well as its compliance with the basic task identification program

Stage 10

Chairman of the Board (Manager) should revise the monthly working plan every two weeks and basic task identification program - on quarterly basis

Recommended frequency for the examination of building, its elements and technical equipment

In practice exterior examination of a residential building takes place twice a year in spring and in autumn

If a natural disaster or other unexpected events (storms heavy rains abundant snowfalls, tornadoes etc) occur emergency examination of a building is required

Once a year usually in autumn all residential and non-residential units should be examined to evaluate the technical condition of water supply sewage heating fire protection and other systems

Building elements and equipment	Number of annual examinations
Roofs	2
Wooden structures	2
Stone, concrete and reinforcement structures	2
Chimneys and stacks	4
Ventilation channels	1
Interior and exterior finishings	2
Floors	2
Metal rails and protection fences	2
Water supply, sewage and hot water supply equipment	2
Central heating equipment	
• in the flats	2
• in the garrets and stairwells,	6
• on the technical floors, basements and cellars	6
Rubbish chutes	6
Electric network and equipment	
• cables	1
-open	2
-hidden	2
• installed electric stoves	12
• light points in auxiliary premises (stairwells basements rubbish chambers halls for perambulators etc)	
Electric and power equipment for water pumping stations, workshops heating centers and boilers	12
Intercoms	4
Boilers and elevators equipment	6
Domestic sewage system	2
Outside sewage system	2
Living and auxiliary premises of the flats	1
Rented premises	1
Elements of adjacent area improvement	2

BUDGET of multifamily building co-owners association SKIF for 1998					
Sections and items	(Hrn) Total for 1998	I	monthly II	III	I quarter
Incomes					
I Regular payments					
1 1 Reimbursement of the expenses for house and adjacent area maintenance by the owners (payment for the utilities and housing services paid by tenants of the non privatised apartments) Including	9744 72	812 06	812 06	812 06	2436 18
1 1 1 benefits	700 50	58 38	58 38	58 38	175 13
1 1 2 subsidies	2923 30	243 61	243 61	243 61	730 82
1 2 Budget subsidies for reimbursement of expenses on housing current maintenance	2436 18	203 02	203 02	203 02	609 05
1 3 Reimbursement of expenses related to housing and adjacent area maintenance by the owners (tenants) of non residential units					
1 4 Covering expenses on maintenance of inside networks					
1 4 1 heating	127 68	10 64	10 64	10 64	31 92
1 4 2 water supply	170 76	14 23	14 23	14 23	42 69
1 4 3 sewage	56 40	4 70	4 70	4 70	14 10
1 4 4 electric power	25 68	2 14	2 14	2 14	6 42
1 5 Rent for the leased common property	5695 18	474 60	474 60	474 60	1423 80
1 6 Commissions from the companies providing their services for the residents					
II One-time collection of funds for housing and adjacent area repair or maintenance					
III Other incomes					
3 1 Fine for overdue payments					
3 2 Interest for keeping the funds on settlement (deposit) account	36 64	3 05	3 05	3 05	9 16
Incomes total	18293 24	1524 44	1524 44	1524 44	4573 31
Expenses					
I Administrative and managerial					
1 1 Salary fund	1920 00	160 00	160 00	160 00	480 00
1 2 Extra charges on salary fund	912 00	76 00	76 00	76 00	228 00
1 3 Office supplies	325 00	27 08	27 08	27 08	81 25
1 4 Telephone services					
1 5 Mail services	65 00	5 42	5 42	5 42	16 25
1 6 Bank services	258 63	21 55	21 55	21 55	64 66
1 7 Other expenses					
II Expenses on support staff					
2 1 Salary fund	2040 00	170 00	170	170	510 00
2 2 Extra charges on salary fund	969 00	80 75	80 75	80 75	242 25
2 3 Other expenses					
III Expenses for building maintenance and repairs					
3 1 Expenses for rubbish disposal	125 82	10 49	10 49	10 49	31 46
3 2 Expenses for electric power	33 20	2 77	2 77	2 77	8 30

SUPPLEMENT 2

Sections and items	(Hrn)	monthly			I
	Total for 1998	I	II	III	quarter
for lighting common use elements					0 00
3 3 Expenses for electric power	29 00	2 42	2 42	2 42	7 25
for elevators and other mechanical equipment					
3 4 Expenses for desinsection and deratizator	1752 34	146 03	146 03	146 03	438 09
3 5 Expenses for fire safety	345 00	28 75	28 75	28 75	86 25
3 6 Security expenses					
3 7 Expenses for sprinkling water					
3 8 Expenses for heating for common use areas					
3 9 Expenses for technical services for					
3 9 1 elevators	3600 00	300 00	300	300	900 00
3 9 2 cold water supply and sewage	945 00	78 75	78 75	78 75	236 25
3 9 3 central heating and hot water supply	1200 00	100 00	100	100	300 00
3 9 4 fire protection and smoke disposal systems					
3 9 5 electric stoves					
3 9 6 intercoms					
3 10 Expenses for repairs of structural elements of the building including	3323 00	276 92	276 92	276 92	830 75
3 10 1 roof					
3 10 2 walls					
3 10 3 drainage pipes					
3 10 4 windows and doors units					
3 10 5 others					
3 11 Materials and tools for services and maintenance	90 00	7 50	7 5	7 5	22 50
3 12 Other expenses	310 00	25 83	25 83	25 83	77 50
IV Taxes, compulsory payments and fees					
4 1 Land tax	50 25	4 19	4 19	4 19	12 56
4 2 Other taxes and payments					
Expenses total	18293 24	1524 44	1524 44	1524 44	4573 31

**INFORMATION
FOR CALCULATION OF 1998 BUDGET FOR
"SKIF" CO-OWNERS' ASSOCIATION**

- 1 Date of completion of the construction - 1980
- 2 Number of stories - 9
- 3 Apartments area
 - total - 4274 sq m without balconies - 3870 sq m
 - residential - 2336 sq m
- 4 Number of housing units - 65
- 5 Number of residents - 190
- 6 Number of residents obtaining benefits/ apartments total area
 - 50% - 15
 - 75% - 5
 - 100% - 1
- 7 Number of/total area of leased premises - 1/210 sq m
- 8 Number of elevators 2-passenger elevators
- 9 Common elements total area (cleaning) - 300 sq m
- 10 Adjacent territory (cleaning) - 3502 sq m
- 11 Roof - 579 sq m ruberoid covering

Calculation of incomes and expenses

INCOMES

Item 1 2

$$\text{Budget subsidies} = \frac{4274 \text{ sq m} \times \text{Hrn } 0.19 \times 0.2}{0.8} \times 12 \text{ mon} = \text{Hrn } 2436.18$$

Item 1 3

In accordance with an agreement with lessees of non-residential premises the lessees provide maintenance and current repairs at their own expense

Item 1 4

Basic data

Total area equipped with

- water supply 4274 sq m
- sewage 4274 sq m
- central heating 3870 sq m
- electric power 4274 sq m

Period	Water supply		Sewage		Central heating		Electric power		Total (Hrn)
	norm of reimbur sement cop /sq m	Amount Hrn	norm* of reimburs ement cop /sq m	Amount Hrn	Norm	Amount Hrn	norm of reimburs ement cop /sq m	Amount Hrn	
month	0 333	14 23	0 11	4 70	0 275	10 64	0 05	2 14	31 71
year		170 76		56 40		127 68		25 68	380 52

* Norm of reimbursement is included into tariffs for utilities that are approved by local state administrations

Item 1 5

Basic data

- premises area (Π) sq m - 210 sq m
- rent amount as per agreement (per month per sq m) (C)- Hrn 4 (VAT included)

Monthly rent amount = Π x C = 210 sq m x Hrn 4 = Hrn 840

Annual rent amount = Hrn 840 x 12 = Hrn 10080

All incomes related to entrepreneurial activities are subject to taxes and other compulsory payments

In our example, if the Association obtains the rent in the amount of Hrn 10,080 it has to pay the following taxes and payments

1 VAT

$10080 \times 0.16667 = \text{Hrn } 1680.03$

2 Profit tax (30 %)

$(10080 - 1680.03) \times 0.3 = 2519.99 \text{ грн}$

3 Payments to State Innovation Fund (1%)

$(10080 - 1680.03) \times 0.01 = 84.00 \text{ грн}$

4 Payments for Road Maintenance (1.2%)

$(10080 - 1680.03) \times 0.012 = 100.80 \text{ грн}$

Total income per item 1 5 will be

$10080.00 - 1680.03 - 2519.99 - 84.00 - 100.80 = 5695.18 \text{ грн}$

Item 1 6

This item is left clear as there are no agreements concluded by the association, and residents pay directly to utilities providers

III Other incomes

Item 3 1

Fines for overdue payments are not included into the budget. They are accounted when actually paid

EXPENSES

I Administrative and managerial

Item 1 1

The Association set up the following positions

- 1 Chairman of the Board - Hrn100/month Hrn 1200/year
 - 2 Accountant - Hrn60 Hrn 720/year
- Total 1200 + 720 = Hrn 1920

Item 1 2

- 1 Payments to the Pension Fund
(1200 + 720) x 0 32 = Hrn 614 40
 - 2 Payments to the Social Security Fund
(1200 + 720) x 0 04 = Hrn 76 80/year
 - 3 Payments to Social Insurance Against Unemployment Fund
(1200 + 720) x 0 015 = Hrn 28 80/year
 - 4 Payments to Chernobyl Fund (1200 + 720) x 0 1= Hrn 192
- Total 614 40 + 76 80 + 228 80+ 192 = Hrn 912

Item 1 3

Expenses for the office supplies are the same as spent during the previous year considering the rate of inflation

In our example the previous year expenses were Hrn 250 forecast inflation level for 1998 - 30%

Expenses for the coming year 250 x 1 3 = Hrn 325/year

Item 1 5

Mail services expenses are calculated the same way as Item 1 3 In our example they are Hrn 50 x 1 3 = Hrn 65/year

Item 1 6

Payments for bank services are calculated in accordance with the agreement concluded with the Bank In our example the Bank charges 1% for cash services Hrn 0 05 for electronic bill payments 3% for acceptance of payments from residents

Total payments to the Bank shall be

- cash services - Hrn 40/year
 - electronic bill payments - Hrn 35/year
 - acceptance of payments from residents-
(9744 72 - 700 50 - 2923 30) x 0 03 = Hrn 183 63/year
- Total 40 + 35 +183 63 = Hrn 258 63

Item 1 7

Other expenses are not planned as the Association does not have separate office premises

Item 2 1

The association hires the following support personnel janitor/cleaning person plumber/electrician

The salary amount is defined in accordance with the existing practice at state or private housing maintenance companies and the amount of work done

- Janitor/cleaning person Hrn 80 x 12 = Hrn 960/year
 - Plumber/electrician Hrn 90 x 12 = Hrn 1080/year
- Total salary fund 960 + 1080 = Hrn 2040/year

Item 2 2

- 1 Payments to the Pension Fund
 $(960 + 1080) \times 0.32 = \text{Hrn } 652.8/\text{year}$
- 2 Payments to the Social Security Fund
 $(960 + 1080) \times 0.04 = \text{Hrn } 81.6/\text{year}$
- 3 Payments to Social Insurance Against Unemployment Fund
 $(960 + 1080) \times 0.015 = \text{Hrn } 30.6/\text{year}$
- 4 Payments to Chernobyl Fund
 $(960 + 1080) \times 0.1 = 204/\text{year}$

Total compulsory payments $652.80 + 81.60 + 30.60 + 204 = \text{Hrn } 969$

Item 3 1

Expenses for rubbish disposal
 $190 \text{ ppl} \times 1.54 \text{ m}^3/\text{person} \times \text{Hrn } 0.43 = \text{Hrn } 125.82/\text{year}$

Item 3 2

The payment for electricity used is calculated based on the same amount as read by a separate meter for the previous year considering the number of electric bulbs to be used

In our example the tariff is as follows - $\text{Hrn } 0.83/10 \text{ kWh}$
Total expenses $\frac{400 \text{ kWh} \times \text{Hrn } 0.83}{10 \text{ kWh}} = \text{Hrn } 33.20$

Item 3 3

The amount of electricity used by the elevator is calculated by a separate meter, however the tariff in this case will be $\text{Hrn } 0.58/10 \text{ kWh}$

In our example $\frac{500 \text{ kWh} \times 0.58}{10 \text{ kWh}} = \text{Hrn } 29$

Items 3 4 , 3 5

The amount of expenses on these items shall correspond to the concluded agreements

Item 3 9

Expenses for the technical maintenance of separate types of technical equipment are calculated in accordance with agreements concluded

For example expenses for technical maintenance of the elevators depend on the number of stories in the building type of the elevator whether it is being cleaned whether dispatcher service is used

In our example in accordance with the agreement with a private company
 $\text{Hrn } 150 \times 2 \text{ elevators} \times 12 \text{ months} = \text{Hrn } 3600/\text{year}$

Item 3 10

Expenses for current repairs of the elements of the building can be calculated based on

- the balance value of the building
- the type of works and their cost

Item 3 11

The cost of materials and tools for services is calculated based on the number of items required per year and the prevailing market prices

IV Taxes, compulsory payments and fees

Item 4.1 Land Tax

The tax is paid annually in accordance with the tax rates. The area of a land plot in use is considered

$1675 \text{ sq m} \times \text{Hrn } 0.03 = \text{Hrn } 50.25$