

RIGA  
MUNICIPALITY  
ANNUAL  
REPORT  
2011





Riga, 2012



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Financial and economic state of Riga City is characterized by gradual recovery of national economy from crisis during the previous financial year, yet untoward conditions still remain in labour market and social sphere. Although the financial stabilization measures, which resulted in overall stability of financial position in Latvia, the development of particular branches, such as banking sector, were affected by major shocks and instability.

After the significant drop of municipal budget revenue during the previous years, in 2011 Riga City Municipality's revenue has increased by 5,8% for the first time since the beginning of the crisis. Tax revenue of the municipal budget has increased by 12,4 million lats (4%), where the most increase was observed in real estate tax – by 9,4 million lats (20%). Municipality's non-tax budget revenue, paid services and other own revenues increased by 11,8 million lats (28,6%), while state budget transfers increased only by 1,1 million lats (1,3%).

In 2011, Riga Municipality budget expenses increased by 13,4% compared to the previous year. The increase of expenses was mostly determined by growth of expenses for social benefits, what increased by 7,9 million lats (35%) in 2011. During the financial year significantly – by 6,2 million lats (14%) – were increased also Riga City Municipality's deposits to municipal financial cohesion fund.

Although Riga City Municipality's total income of personal income tax and real estate tax in financial year were 71,3 million lats less than in 2008, the amount of Riga City Municipality's deposits to municipal financial cohesion fund in the previous year was only by 2,4 million lats less than in 2008.

This is evidence that the state and municipal social, financing, regional development and other function redistribution, that took place during the economic crisis, still have negative effect over Riga City Municipality's budget and financial situation, imposing additional pressure on municipal budget that have already significantly shrank as a result of crisis.

Since the state partnership in implementation of Riga City infrastructure objects still is insignificant, Riga City Municipality had to attract considerable external financing in order to run infrastructure projects, thereby increasing Municipality's payments for the undertaken liabilities. In 2011, Riga City Municipality's interest payment expenses for covering undertaken liabilities increased by 5,7 million lats.

However, in 2011 Riga City Municipality managed to achieve balanced budget execution by means of strong supervision and control over it, as well as result of performed structural changes, having a quite insignificant budget deficit of 0,3 million lats (0,07% from budget revenue). Nonetheless, taking into account blocked funds in joint-stock company "Latvijas Krajbanka", budget deficit of the financial year was calculated of 10,4 million lats.

Education still have a high priority in terms of municipal budget expense structure, 165,5 million lats, by 20,4 million lats more than in the previous year (forming approximately 35% from the total municipal budget expenses) were allocated to this segment from Riga City Municipality's budget in the financial year.

In 2011, a special attention was paid to preschool education by means of implementation various steps and activities within program "Preschool year". During the financial year the implementation of preschool educational institution network enlargement program for accessibility provision of preschool education, provided additional 549 children with places in preschool educational institutions. During the financial year Riga City Municipality subsidized 66 private educational institutions (with 985 pupils), which are providing approved educational programs. By the 1 September, 2011 a co-financing of private educational institutions was started (93 lats per child) and 1 500 agreements were signed. As well as agreements were signed and Riga City Municipality's co-financing was distributed among 24 private comprehensive schools, which are providing accredited comprehensive elementary and secondary educational programs. These examples show a successful cooperation of Municipality and private sector.

In 2011, the most significant cultural event organized by the City was celebration dedicated to the Riga's 810<sup>th</sup> anniversary, which was attended by 250 thousand Rigans and City guests during three day celebration where more than 60 various cultural, sports and other activities projects were carried out.

During the financial year, construction, reconstruction and renovation of educational institution buildings and infrastructure were continued according to plan, allocating 14,8 million lats from Municipality's budget for investment projects in education. Reconstruction of Riga Ukrainian Secondary school building should be mentioned among the biggest projects, as well as replacement of water supply and sewerage system, reconstruction of kitchen, construction of fire detection system projects performed in buildings of Riga City Municipality's educational institutions, as well as territory improvement projects.

But one of the biggest projects launched in the segment of cultural institutions' infrastructure during the financial year was reconstruction of complex of "Ziemeļblazma" Culture Palace and park.

In 2011, Municipality continued to provide and increased social aid for city's inhabitants. Due to economical and social processes in the State, the number of the low-income persons increased from 44,3 thousands in 2010 to 48,1 thousand in 2011. It also affected the increase of number of social benefit recipients - from 72 thousands to 82,5 thousands. In 2011, total municipal budget expenses for social security were 56,5 million lats (12% from the total budget expenses).

During the financial year one of the Municipality's most important activities was also improvement of living conditions for those City inhabitants, who needed Municipality's support in solving apartment problems for different reasons. By the beginning of the financial year three 12-story buildings with 480 apartments were commissioned on Ulbrokas Street 13, for its part, in summer two more buildings with 326 apartments were commissioned for Rigans in Plavnieki, what is the biggest ever built complex of new buildings since restoration of Latvia independence.

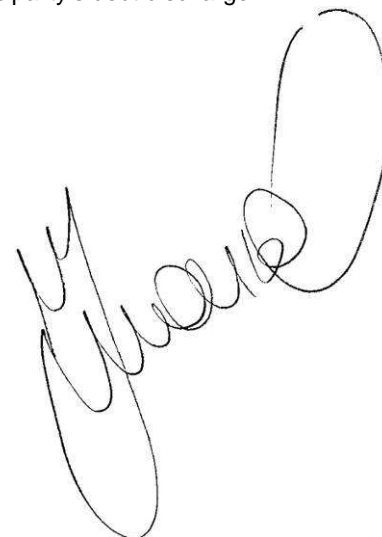
Promotional measures for tourism sector taken by Municipality resulted in continued growth. In 2011, the number of served tourists in Riga City's hotels and other tourist lodgings increased by 21%, compared to the previous year, including number of served tourists increased by 22%.

During the financial year Riga City Municipality has continued a successful implementation of loans, guaranties and other long-term debt management strategy for 2008-2012, enabling Municipality's liability portfolio stability and conformity with criteria defined by the strategy. Although there was a quick drop of municipal budget income during the previous years, total municipal liabilities did not exceed the municipal income by the end of the year, providing execution of debt management criteria included in the strategy.

In 2011, Riga City Municipality performed an active utilization of EU funding for financing development projects in the City and increased financing for these purposes by 27% compared to the previous year.

Budgetary and fiscal policy carried out by Riga City Municipality during the financial year was also positively evaluated by international credit rating agencies. Credit rating agency "Standard & Poor's" evaluating Municipality's ability to fulfill budget consolidation policy, as well as Municipality's financial liquidity for covering undertaken liabilities during the next years, on 23 December, 2011 raised the long-term development credit rating of Riga City from BB to BB+, retaining stable development perspective. Also international credit rating agency "Moody's Investors Service" positively evaluated budget stabilization and liquidity provision activities realized by Riga City Municipality, retaining fixed Riga City Municipality's long-term development credit rating Baa3 with stable development perspective by the 25 November of the previous year.

During the financial year Riga City Municipality continued to implement fiscal policy towards budget stabilization, providing the necessary financing for execution of municipal functions and sufficient financial resources for Municipality's debt discharge.



**N. Usakovs**

Riga City Council Chairman



During the financial year indications of stabilization of economical and financial state were observed, with resumption of growth in separate sectors of the national economy. Positive indications were observed also in municipal budget income, what after two year break increased by 5,8%, compared to the previous year.

However Municipality's total income is still significantly lower than before crisis, if compared to 2008, Municipality's total budget income of the financial year was under by 24%. In 2011, Municipality's activities in financial sphere were still affected by fiscal stabilization and tax policy measures implemented by the State, as well as imposed restrictions on municipal long-term liabilities.

Compared to the last year during, the financial year Municipality's budget expenses were also affected by a rapid growth of social expenses – by 35%, in order to reduce social consequences of the crisis for the low income population.

By implementing strong budget control, balanced Municipality's budget execution was achieved in the financial year. Despite conditions of limited budget resources, sufficient financing was provided for fulfillment of municipality's basic functions, for development plans' realization, as well as sufficient reserves were accumulated for the debt discharge in the next years.

In 2011, Finance Department continued successful execution of municipal debt management in accordance with "Riga Municipality loans, guaranties and other long-term debt management strategy for 2008-2012". The executions of all the criteria stated in strategy were accomplished. Regardless of the highly significant drop of municipal budget revenue during the previous years, the total amount of Municipality's long-term liabilities did not exceed the 100% limit set in the strategy by the end of 2011.

During the financial year Finance Department implemented financial accounting and control of Riga City Municipality's co-financed EU projects, ensuring spending of EU funds for Riga City Municipality's development and social projects, int. al. employment projects.

In 2011, Finance Department continued cooperation with international credit rating agencies – "Standard & Poor's" and "Moody's Investors Service". Evaluating Riga City Municipality's performed activities in stabilization of financial state and budget, as well as provision of financial liquidity for covering undertaken liabilities during the next years, credit rating agency "Standard & Poor's" raised the credit rating of Riga City from BB to BB+ with a stable development perspective by the December of the financial year.

During the financial year Finance Department continued realization of structural reform activities in improving municipality organizational structure, accounting and financial payment system. Exchange of credit institution that was providing services for municipality was carried out, achieving cost reduction of bank services.

A unitary bill design was introduced over the entire municipality, electronic billing document circulation and automatic data transfer to financial system, payment system for municipality's educational services was improved by introducing electronic registration in preschool institutions and applying for private preschool payment. During the financial year improvement of human resource record keeping was performed, by providing KADRI system use over the entire municipality.

As a result of the financial management and budgetary policy executed by Finance Department in the financial year, provision of necessary financial resources for municipal functions was ensured, retaining sufficient financial resource reserves for the debt discharge in the next years.

During the financial year municipal budget of 2012 was prepared and approved, what includes provision of municipal functions with the necessary financial resources, as well as for financing EU projects, municipal investment programs and capital investment.

A handwritten signature in black ink, appearing to read 'I. Tiknuse', written over a horizontal line.

**I. Tiknuse**

Riga City Council Finance Department Director

## RIGA CITY POPULATION

### POPULATION

According to the data of Office of Citizenship and Migration Affairs, as of beginning of 2011, there were 699 203 inhabitants living in Riga - by 4 378 (0,6%) less than a year ago.

In 2011, in age structure of the City's inhabitants the proportion of inhabitants of able-bodied age continued to decrease (from 66,4% in 2009 to 65,4% in 2011), decreasing by 7,5 thousand within a year. In 2011, the proportion of those inhabitants over the able-bodied age formed 21,7%, increasing the proportion by 0,3 percentage points within a year. In the financial year the proportion of children and youth has slightly increased (0,4 thousand) and the proportion of this group has reached 12,9% from the City's inhabitants.

Over the past years, there are no significant changes in the gender structure of Riga inhabitants - 55,6% of all city inhabitants were women, and 44,4% men, where the number of women exceeds the number of men by, approximately 78 thousand.

During the financial year, the number of inhabitants decreased in all districts of the City, except Vidzemes suburb. The most significant drop in population, just in the previous year, was indicated in the Latgales suburb, revealing decrease by 2 236 persons and in Kurzemes suburb - by 1 340 persons.

### ETHNICAL COMPOSITIONS

National structure of the Riga City inhabitants hasn't significantly changed over the last years, due to drop in number of City's inhabitants in all ethnical groups. Yet, there was a tendency of slight increase in proportion of group "other ethnicities" observed. If this group was 4,4% of all city inhabitants 5 years ago, then in 2011 it was already 6,3%.

### EMPLOYMENT

During the financial year the number of the employed for the first time since the beginning of the economical crisis increased by 14,7 thousands (4,8%) compared to the previous year.

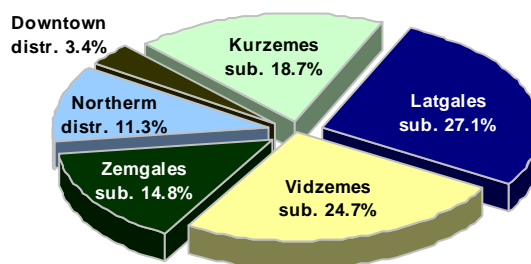
The number of employees increased by 29,6 thousands all over the state last year. Although the proportion of the capital employees is 1/3 from the overall State employees, about one half of anew created work places were created by Riga economy, witnessing faster economical recovery in the capital than in the state.

### UNEMPLOYMENT

In 2011, the unemployment continued to reduce in Riga, reducing by 8,3 thousands within one year. There were around 30 thousands unemployed in Riga by the end of the year, reducing unemployment rate to 7,8%.

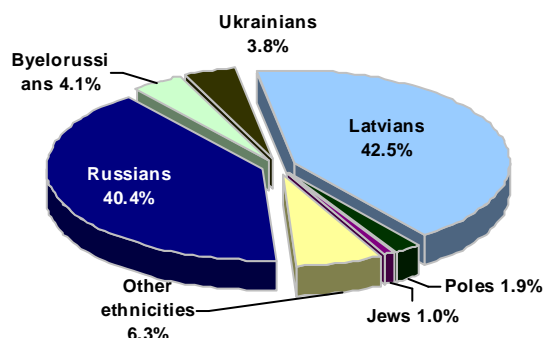
The unemployment rate has reduced also as a result of labour migration during previous years. The actual number of the unemployed (approx. 30 thousands) can supply just approximately one half of potential employees increase (approx. 60 thousands) what should be necessary to reach the pre-crisis rate of employment. Therefore in case of increased economical growth, some sectors could face the problem of insufficient labour.

Riga population breakdown by district\* (as of end of 2011 in percent)

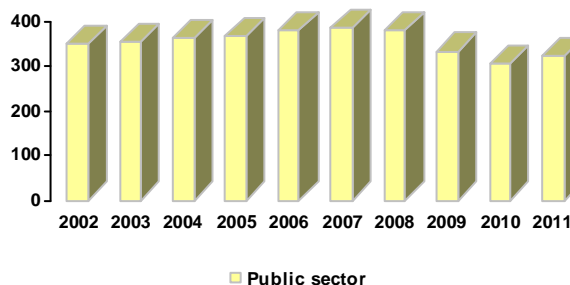


\*Data of Office of Citizenship and Migration Affairs

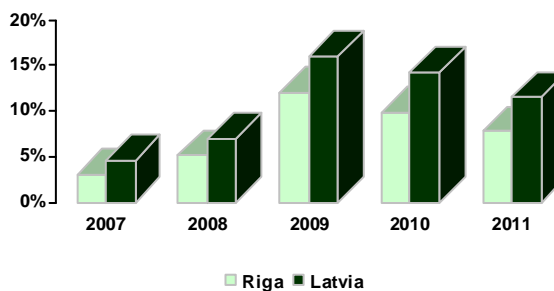
Ethnical composition of Riga inhabitants (as of end of 2011, in percent)



Number of employed Riga inhabitants 2002-2011 (k people)



Unemployment rate\* in Riga and Latvia, as of end of the year (in percent)



\*Unemployment rate against the economically active population  
Data from the State Employment department

**COMPENSATION**

Average gross compensation in Riga has increased by 4,5%, in public sector it increased by 5,7% and in private – by 4,1%, compared to the previous year. In 2011, the average compensation in the city was just by 10 lats lower than pre-crisis maximum in 2008, but average gross compensation in private sector reached 503 lats, exceeding the pre-crisis level.

In 2011, the amount of compensation in some production and service sectors reached or even exceeded a bit the pre-crisis maximum results. In trade and construction it was down by 1%-2% of recorder pre-crisis level. A significant difference was in the state and municipal financed sectors. In 2011, compensation in State administration was less by 23%, in education sector by 15% and in health care by 10%, compared to the results of 2008.

Since the compensation dynamics in Latvia and Riga have common development tendencies, the difference between average compensation level in Riga and in Latvia remains the same; average compensation level in Riga exceeds the compensation level in Latvia by 14%-15%.

**RIGA MUNICIPALITY ECONOMIC STATE**

After the significant drop of production and service volume between 2007 and 2010, when the gross domestic product decreased by 21%, growth of economical activities in Latvia and also Riga economies were observed during the financial year, increasing gross domestic product by 5,5%. Approximately 53%-55% from the total gross domestic product of Latvia was produced in Riga.

In 2011, gross domestic product of Latvia in comparative prices dropped behind from 2007 pre-crisis maximum rate by 16%, however, taking into account the quantitative labour reduction, the productivity of Latvia economy was just 3% lower than in 2007.

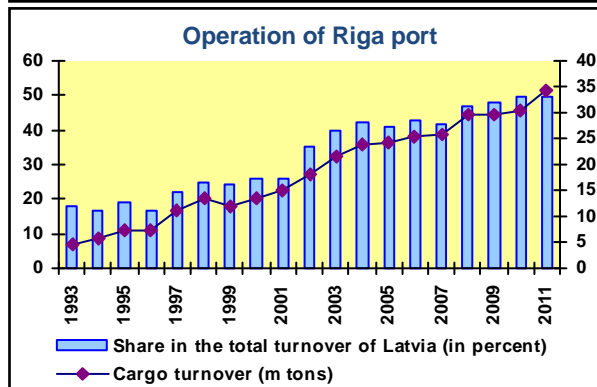
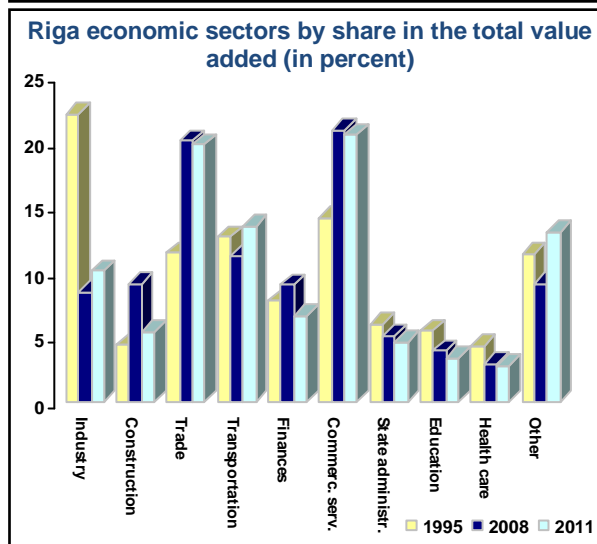
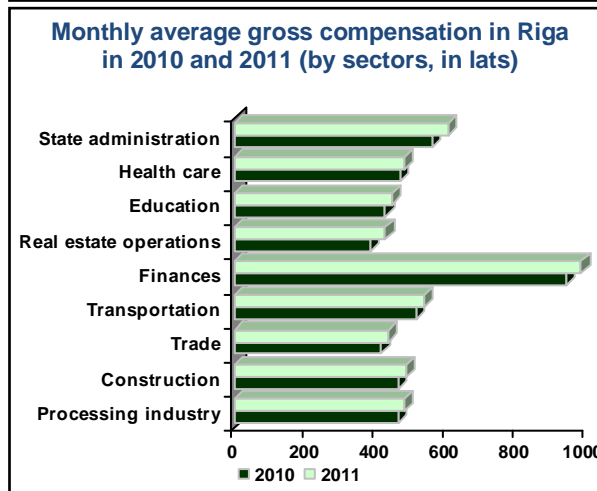
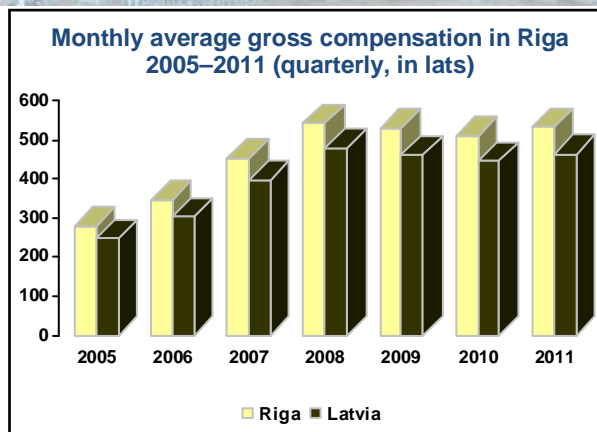
The biggest economical growth among the branches was noted in hotel, catering service, processing industry, trade and transportation sectors. Real estate, state administration, education and health care sectors still faced drop and stagnation.

**TRANSPORTATION AND COMMUNICATIONS**

**RIGA PORT**

In 2011, there was a significant increase in the amount of shipped and received cargo in Riga port. The amount of shipped cargo compared to the previous year increased by 2,5 million tons (9,1%), the amount of cargo received in port, for its part, increased by 1,1 million tons (35%), increasing the total cargo turnover in Riga port by 11,7% in 2011 compared to the previous year. Since the amount of reloaded cargo by other Latvia ports increased a bit faster during the financial year, then the share of Riga port in the total turnover decreased to 49,5%.

The number of served passengers in Riga port continues to grow already the sixth year in turn, reaching 840 thousand turnover during the financial year, what is 10% increase compared to the previous year.





**AIRPORT**

In 2011, the number of served passengers in Riga International Airport reached 5,1 million people, compared to the previous year it increased by 9,5%.

**PUBLIC TRANSPORTATION**

There were 140,44 million passengers transported in Riga public transportation (bus, tram, trolleybus) in 2011. In 2011, the number of transported passengers increased by 5% compared to 2010.

Riga Municipal LCC "Rigas satiksme" provided passengers' transportation services on 9 tram, 20 trolleybus, 53 city bus and 10 night bus routes. The total length of the City's transportation network was 1 157 kilometers, by 2 kilometers more than in 2011.

Additionally to Riga Municipal public transportation company LCC "Rigas satiksme", passengers' carriage services in the sector of maxi-taxis were provided also by 8 private companies operating 231 buses on 33 routes.

In 2011, there were about 11 million passengers or 7,8% of the total amount of passengers transported on regular routes carried by the private conveyers, based on commercial principles.

**TOURISM**

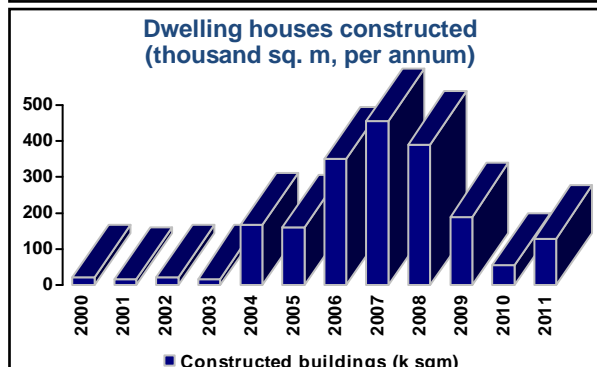
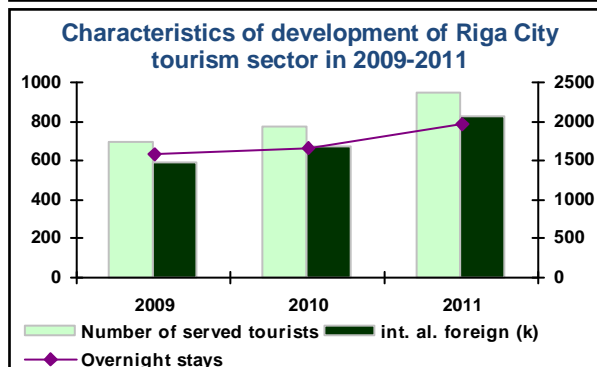
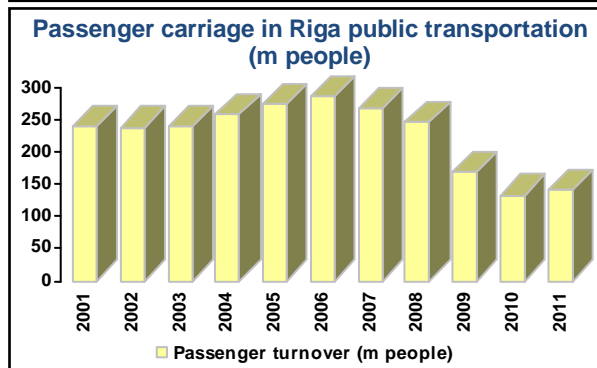
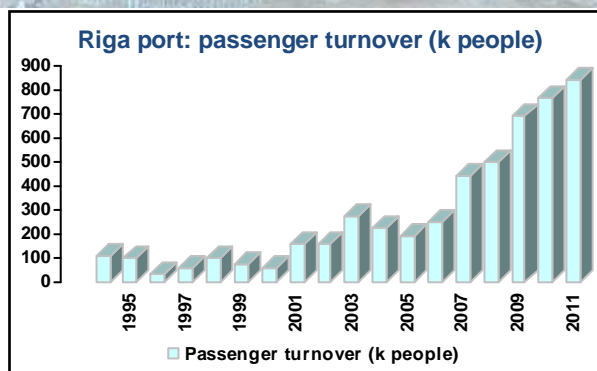
Growing role in the Riga City economy is played by tourism branch. Development of it was especially important for the City during the economical crisis, for promoting economic activities as well as strengthening City's and State's international public image.

In 2011, the Riga City tourism infrastructure served 944 thousands of tourists, from which 823 thousands were foreign guests. The number of served tourists increased by 21% within the year. The number of overnight stays in tourists' lodgings increased by 17% during the financial year. In 2011, 60% from the total number of tourists in Latvia were served in Riga, int. al. 77% from the total number foreign guests in Latvia.

**CONSTRUCTION**

During the financial year construction of several significant traffic infrastructure objects were completed by means of municipal budget in Riga City, for example, finished construction of Eastern main road crossing with Gaujas Street started in 2008, as well as finished Eastern main road section from crossing with Viestura Boulevard to crossing with Meza Boulevard. A well as in 2011 there was finished construction of the South Bridge right bank access (the South Bridge 2<sup>nd</sup> stage) started in 2008. In 2011, Riga City Municipality continued active involvement in solving city inhabitants' apartment problems and growth of dwelling space that was commissioned was noted. During the financial year five 12-story buildings with 792 apartments were commissioned by means of municipal support in Plavnieki, on Ulbrokas Street with total space of about 58 thousand square meters. There were two more dwelling houses with 220 apartments and total space of 14 thousand square meters commissioned on Valdeku Street 58b by the end of the year.

Thereby more than one half of all the dwelling space built in city in 2011 was commissioned by support of Riga City Municipality.



## RIGA MUNICIPALITY ADMINISTRATION STRUCTURE, FUNCTIONS, PERSONNEL

The decision-making institution of Riga Municipality - Riga City Council consists of 60 councilors, which, according to the law, are elected by Riga inhabitants that have the right to vote. The operation of the Riga City Council is ensured by Riga City Council Chairman, Riga City Council Deputy Chairman, Executive Director of Riga City, as well as employees of the Municipality administration.

Riga City Municipality (further – Municipality) administration organization, order of decision making, inhabitants' rights in local administration, as well as other municipality's work organizational issues are defined by binding regulations "Riga Municipality regulations" with a goal to bring together administration and municipality's services recipients. Implementation of Municipal functions is organized by forming departments of the respective sectors:

- 1) Riga City Council Finance Department;
- 2) Riga City Council Property Department;
- 3) Riga City Council Education, Culture and Sports Department;
- 4) Riga City Council Housing and Environment Department;
- 5) Riga City Council Welfare Department;
- 6) Riga City Council City Development Department;
- 7) Riga City Council Transport Department.

City Council Departments operate in accordance with regulations adopted by Riga City Council and are subordinated to the Riga City Council Chairman. The responsible committees realizes councilors control over the Riga Municipality institutions of respective area, which comprises the rights to evaluate the decisions and activities of Municipal administration institutions or employees, the rights to demand the respective officials to hand explanations (written or verbally) during the sessions of regular committees, as well as to suggest the competent authorities or officials to stop or to abolish the respective decision. The following committees are part of Riga City Council:

- 1) Finance and Administration Committee;
- 2) Social Issues Committee;
- 3) City Development Committee;
- 4) Housing and Environmental Committee;
- 5) City Property Committee;
- 6) Education, Culture and Sports Committee;
- 7) Transport Issues Committee;
- 8) Security, Public Order and Corruption Prevention Issues Committee.

The territory of the municipality is administratively divided into territorial units: Downtown district, Kurzemes suburb, Northern district, Vidzemes suburb, Latgales suburb, Zemgales suburb. Administrative functions assigned to the municipality's territorial units are fulfilled by Riga Municipality Executive Boards – Riga Municipality Eastern Executive Board – in Riga administrative districts of Downtown district and Latgales suburb; Riga Pardaugavas Executive Board – in Riga administrative districts of Kurzemes suburb and Zemgales suburb; Riga Northern Executive Board – in Riga administrative districts of Vidzemes suburb and Northern district.

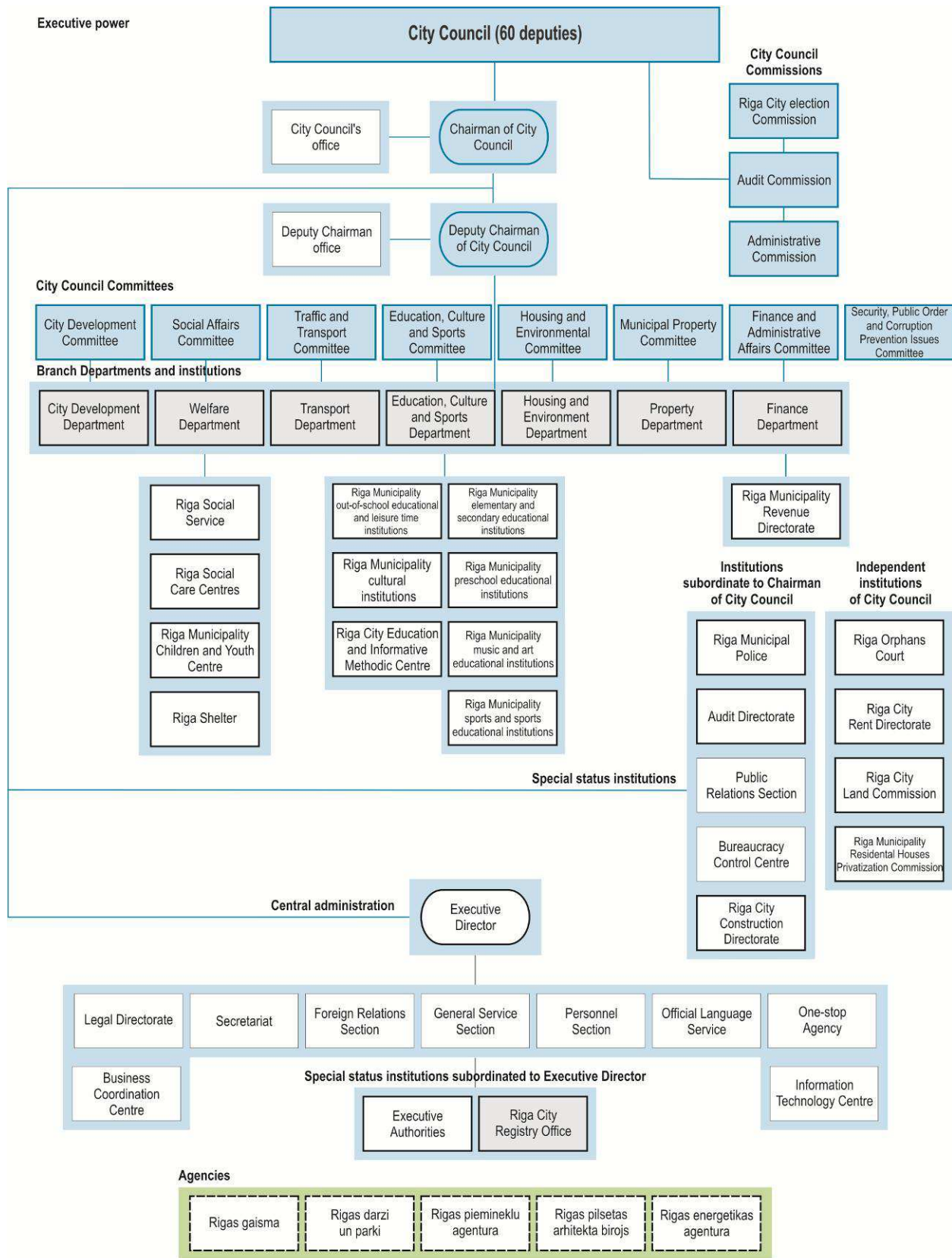
In accordance to the Law of the Republic of Latvia „On Local Governments”, Riga Municipality performs all autonomous municipality functions, in particular:

- 1) Organizes municipal services for inhabitants and provides support on housing issues;
- 2) Provides territory improvement and sanitation within the administrative territory of Riga City and establishes regulations for the use of publicly accessible forests and waters, if the law does not stipulates otherwise;
- 3) Provides the rights of children who have reached scholar age to receive preschool education, elementary education and secondary education;
- 4) Supports diversity and accessibility of City's cultural events, provides preservation of cultural values and cultural heritage and development of city's environment quality, promotes preservation of the traditional cultural heritage and participates in maintenance and development of the historical objects of national importance, as well as support and development of cultural infrastructure;
- 5) Ensures accessibility of health care and promotes healthy lifestyle among inhabitants;
- 6) Ensures social assistance (social care) to inhabitants;
- 7) Ensures guardianship, custody, adoption, and protection of children's' private and property rights and interests, as well as realizes protection of children's rights;
- 8) Facilitates commercial activity in respective administrative territory and works on reducing unemployment;
- 9) Issues permits and licenses for commercial activities;
- 10) Ensures public order, render help to persons, institutions, companies and organizations in protection of their rights according to regulations and in compliance with obligations defined by law;
- 11) Establishes regulations for utilization of and building on land, ensures the legacy of construction works within the administrative territory;
- 12) Organizes public transport services and participates in maintenance and development of communication system and transport infrastructure of statutory importance.

In 2011, the number of working positions, except pedagogues, in Riga Municipality was 12 398, but including pedagogues - 20 192. In 2011, (except pedagogues) there were 648 employees recruited and labour relations were terminated with 738 employees.

As of end of the year 57 employees of Riga Municipality were with elementary education; 52 employees with professional education; 1 197 employees with professional secondary education; 231 employees with professional first level higher education; 2 237 employees with higher education (int. al. with master's degree) and 12 employees with doctor's degree.

ADMINISTRATION STRUCTURE OF RIGA CITY MUNICIPALITY



Legend:



### VALUE OF RIGA MUNICIPAL EQUITY CAPITAL AND ITS ANTICIPATED CHANGES

#### PROPERTY BOOK VALUE

As of the end of 2011, the book value of Riga City fixed assets was 1 947,6 million lats, increasing by 48,9 million lats within a year, long-term equity of associated and related enterprises – 416,1 million lats. The total value of City assets, including other long-term investment categories comprised 2 379,6 million lats as of the end of 2011.

#### VALUE OF RIGA MUNICIPAL EQUITY CAPITAL

In 2011, Riga Municipality has invested the total amount of 5 372 137 lats in the equity capital of related enterprises with 100% share capital owned by Riga Municipality, int. al. invested in the equity capital:

- Riga Municipality's real estate property – land and buildings (5 068 100 lats);
- Riga Municipality's movable property (304 037 lats).

Largest investments into equity capital of related enterprises:

- Riga Municipality's real estate (built-up land lots) property invested in the equity capital of Ltd. "Rigas nami" at value of 4 911 200 lats;
- Riga Municipality's real estate (land lots) property invested in the equity capital of Ltd. "Rigas pilsetbuvnieks" at value of 139 000 lats;
- Riga Municipality's real estate property invested in the equity capital of Ltd. "Rigas udens" at value of 17 900 lats;
- Riga Municipality's movable property invested in the equity capital of Ltd. "Rigas namu parvaldnieks" at value of 304 037 lats.

During the financial year, share capital owned by Riga Municipality at value of 1 030 121 lats were excluded from the equity share capital of related enterprise Ltd. "Rigas pilsetas lombards" due to planned selling of shares of Ltd. "Rigas pilsetas lombards".

As of the end of 2011, long-term share in equity capital of related enterprises was 34,3 million lats, increasing by 0,012 million lats within a year.

#### SHARE IN MUNICIPAL ENTERPRISE EQUITY CAPITAL

As of the financial year, long-term share of Riga Municipality in equity capital of related and associated enterprises formed 416,1 million lats. As of the end of 2011, the share of Riga Municipality in equity capital of related enterprises formed 381,8 million lats, revealing growth of 1,4 million lats.

As of the end of the financial year, Riga Municipality balance sheet reflected 21 investments into the equity capital of related enterprises with 100% ownership (shares) by Riga Municipality, 2 investments into the equity capital of enterprises with more than 50% ownership by Riga Municipality (Ltd. "Getlini EKO" – 97,92%; Ltd. "Rigas luksofors" – 52%).

During the financial year, liquidation of JSC "RSK apdrosinasanas" was completed, reorganized two health care enterprises – Riga Municipality Ltd. "Children dentistry health center" was excluded from commercial register and incorporated into Riga Municipality Ltd. "Veselibas nams 5".

As of end of 2011, equity share capital of 2 associated enterprises reflected in Riga Municipality balance sheet. 99,7% of this amount is formed by investment into joint-stock company "Rigas siltums". As of the end of the financial year, Riga Municipality balance sheet reflected two short-term investments into the equity capital of related enterprises – Ltd. "Rigas pilsetas lombards" (municipality owns 100% of shares) un JSC "Celu parvalde" (municipality owns 88,73% of shares).

### RIGA MUNICIPALITY REAL ESTATE PROPERTY STATE

According to the data from the State Land Service, by January 1, 2012, there were 19 838,4 ha of land owned by various owners within the Riga City area. Riga Municipality had ownership over 3 745 land lots with the area of 7 776,7 ha in total, forming 39% of the total land property area in the City.

During the financial year Property Department continued work on exploration, arrangement and registration of ownership in the Land Register of land lots and buildings owned by Riga City Municipality.

According to Riga City Council Property Department's data of real estate property data base, by December 31, 2011, land within the administrative territory of Riga City (excluding land under residential building owned by Riga Municipality and land of Riga Free Port) with total area of 7 372 ha was registered in Land Register under ownership of Riga, as well as land outside the administrative territory of Riga City with total area of 11 831 ha.

In 2011, an active work on setting ownership rights for land lots suggested for privatization was continued, as well as on leasing the municipality's real estate property.

In 2011, Riga City Council Property Department's activities concerning real estate were focused on arrangement and update of register of Riga City Municipality's real estate property by preparing Riga City Council decisions on ownership, competency, necessity for realization of autonomous municipal functions of land lots, as well as specifying dimensional data of land lots' boundaries fixed in State Real Estate Cadastral Information System, developing sketches of land lots' boundaries (including more than 1 000 land lots). As well as respective Riga City Council decisions on replenishing compensation fund of equivalent land lots and fund of exchange land lots were prepared.

## EXECUTION OF TERRITORY DEVELOPMENT PLAN

In 2011, according to the Riga City Council resolution schedule of the development program of Riga was changed from 2006–2012 to 2010–2013, in order to conform the planning period to the national and EU planning period. During the financial year, working out development program of Riga 2014–2020 was launched and Riga long-term development strategy of Riga until 2025 was updated.

In 2011, Strategy execution supervision system (SES) "Long-term development strategy of Riga until 2025 and implementation of development program of Riga 2006-2012 report 2010" was issued (available on [www.sus.lv](http://www.sus.lv), [www.rdpad.lv](http://www.rdpad.lv), printout – at Riga City Council City Development Department), as well as there was organized a seminary for Riga Municipality's institutions' and structural units' strategy supervision facilitators.

The most significant activities performed during 2011 in association with execution of Riga territory plan were as following:

▣ In 2011, Riga Municipality approved 3 detailed plans and passed Riga Council binding regulations for detailed plan approval:

- 1) For territory of Jaunciema Avenue and Brivibas Boulevard crossing;
- 2) For territory between Pulkveza Brieza, Sporta, Skanstes and Hanzas Streets;
- 3) For land lot on Kaivas Street.

▣ Riga Council prepared 2 resolutions on starting work out of detailed plan of territories and task approval:

- 1) For territory on Ratsupites Street;
- 2) For land lot on Ķiburgas Street.

▣ Prepared 1 decision project for submission to Riga Council on suspending of development process of 9 detailed plans.

▣ Preparation of changes for territory plan of Historic Center of Riga and its protection area.

Work on the 1<sup>st</sup> redaction of changes of Historic Center of Riga and its protection area detailed plan's was continued.

During regular work group meetings there submitted proposals were examined, as well as work out of report on strategic impact on environment appraisal was performed. In 2011, there were:

- 1) Finished concept and developed guidelines for left bank silhouette of the river Daugava, based on this construction regulations for Historic Center of Riga will be developed;
- 2) Finished 1<sup>st</sup> redaction of concept for left bank silhouette of the river Daugava;
- 3) Passed Riga Municipality's resolution "On acceptance of planned construction version for Hanza crossing";
- 4) Started traffic flow research project of 11. Novembra Krastmala Street;
- 5) Started project of Skanste neighborhood local plan.

▣ Neighborhood development project.

In 2011, research was performed "Quality and accessibility of services that are characterizing city's environmental development in Riga's 58 neighborhoods" and prepared methodology for evaluation of quality and accessibility of neighborhood services, as well as pilot evaluation was performed for Agenskalns, Mezaparks and Purvciems neighborhoods. Necessary documentation for Neighborhood idea fund is prepared (for financing nongovernmental projects).

▣ Maintaining and improvement of homepage [www.apkaimies.lv](http://www.apkaimies.lv).

In 2011, operation of portal [www.apkaimies.lv](http://www.apkaimies.lv) was improved, providing better functioning of the portal and more attractive design of the home page. In 2011, there were 14 000 homepage visitors.

▣ Maintaining and improvement of Strategy execution supervision system homepage [www.sus.lv](http://www.sus.lv).

In 2011, there were 10 000 homepage [www.sus.lv](http://www.sus.lv) visitors. Now information in the home page is available in English, too. Within project "Baltic Sea cooperation network project – EKo region" it was supplement with environment section for environmental monitoring according to newly developed environmental program of Riga.

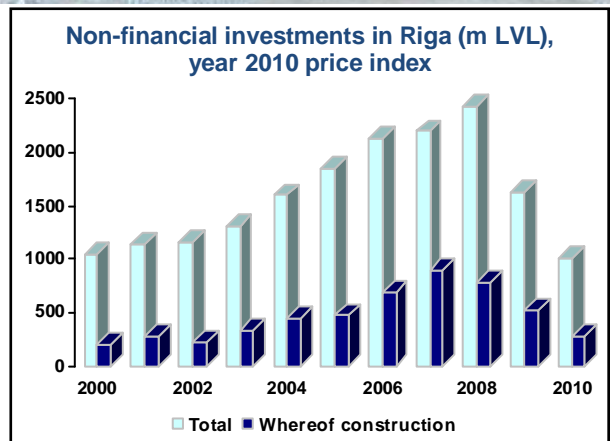
▣ Document register of Riga City Municipality development plan.

Moving forward the inner regulations of Riga City Municipality's development plan documentation elaboration for approval in Riga Council and development of register is performed.

## RIGA MUNICIPALITY INVESTMENT PROJECTS

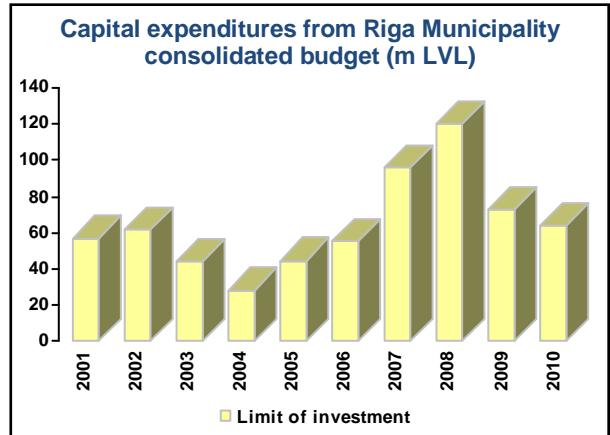
### NON-FINANCIAL INVESTMENTS

Economical and financial crisis in Latvia has significantly affected the total amount of non-financial investment in Riga City that in 2009 reduced by 793 million lats (33%) compared to the previous year. Irrespective of stabilization of economical situation, the drop of investment continued also in 2010, decreasing the total amount of investment even more by 575 million lats and dropped below the 2000 level (evaluated in 2010 comparable prices). In 2010, amount of investment in Riga City comprise around 46% of the all non-financial investments in the country, reducing the share of city by 2 percentage points since 2007. The proportion of construction works in Riga from those performed in the entire state has dropped from 44% to 37% in the period between 2007 and 2010.



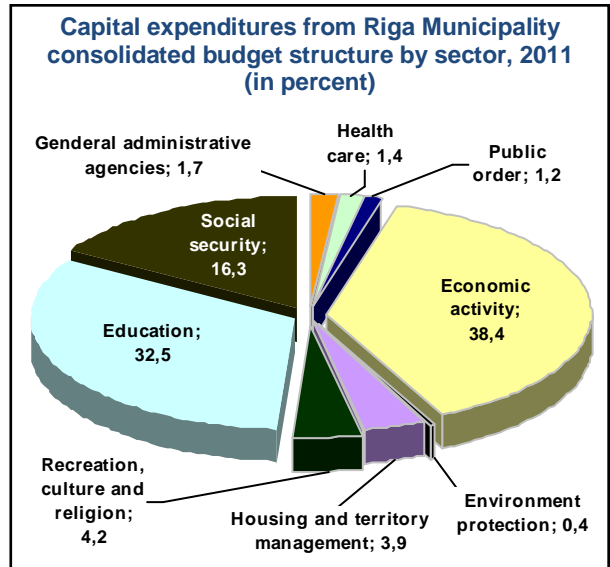
### CAPITAL INVESTMENTS FROM MUNICIPAL BUDGET

In 2011, the capital expenditures financed from the Riga City Municipality consolidated budget (including expenses on revaluation and purchase of capital shares) were 71,6 million lats, by 7,6 million lats (12%) more than in the previous year. Riga City Municipality's budget capital investment dynamics of the three last year's shows, that regardless of significant decrease of budget income, it succeeded in maintaining stable municipality's investment quantity even during the crisis and within its limits continued execution of important for city's development transport and social infrastructure projects. In 2011, more than 87% from the total municipal budget capital investment were allocated to economic activity, education and social security.



### EU AND OTHER EXTERNAL FINANCIAL SOURCES' CO-FINANCED PROJECTS

In 2011, Riga City Municipality continued active execution of projects financed by EU Structural Funds and other EU Funds. In 2011, 31,4 million lats were allocated from the municipality's budget, by 27% more than in the previous year, for execution of projects financed by EU Structural Funds and other projects.



### FOREIGN INVESTMENT IN RIGA

As of beginning of 2012, according to Lursoft data, foreign direct investments into the registered equity capital of enterprises in Riga reached 3,4 billion lats, increasing by 10% within a year. Such a trend reveals foreign investors' interest in Riga City as potentially advantageous business location despite the economical and financial crisis.

Biggest projects in progress in Riga City Municipality in 2011:

- TEN-T program "Eastern main road – construction of Viestura - Meza Boulevard crossover";
- ERDF program "Construction of Eastern main road and Gaujas Street crossover (extension of the existing crossover on Vairoga Street)";
- ERDF program „Reconstruction of Upesgrivas Street, Kalnciema Street, Remtes Street, Kuksu Street";
- TEN-T program "Integration of Riga City and Riga Port into TEN-T road network: Completion of Riga Northern Transport Corridor research";
- ERDF/KF program "Provision of appropriate resource base for qualitative study of natural science in 63 Riga schools";
- ESF program "Enabling pedagogues' competitiveness within conditions of educational system optimization";
- ESF program "Training in obtaining and maintaining professional skills, if the employer is municipality (granted job practice)";
- Climate change financial tool "Integrated solutions in greenhouse gas emission reduction in municipal buildings".

## BUDGET POLICY

After the rapid drop of revenue caused by economic crisis during the last two years when the revenue of Riga City Municipality's consolidated budget decreased by 28%, revenue growth was observed in 2011 once again – by 24,4 million lats (5,8%). The biggest increase was in municipality's budget non-tax revenues and revenues from paid services – by 11,8 million lats, significant was also growth of real estate tax revenues – by 9,4 million lats. During the financial period the biggest source of municipality's budget revenues – personal income tax – increased by 2,8 million lats.

In 2011, Riga City Municipality continued realization of cautious budget expenses policy of previous years. Although budget expenses increased by 13,4% during the financial year, which largely were set by expenses for social benefits – increase by 7,9 million lats (35% compared to the previous year), as well as increase of paid deposits to municipal cohesion fund by 6,2 million lats (14%), municipality succeeded in making balanced execution of budget of 2011. The real basic budget deficit was 0,3 million lats (less than 0,1% from the budget revenue). Since the municipal budget expenses included blocked funds in joint-stock company "Latvijas Krajbanka", the calculated budget deficit of the financial year was increased by 10,1 million lats.

## MUNICIPALITY'S DEBT DYNAMICS

In 2011, the amount of Riga Municipality's direct debt (loans from commercial banks and State treasury) increased by 4 million lats, due to increase of raised loans from State Treasury for co-financing EU projects. Despite a little increase of face value of municipality's direct debt in the financial year, due to increase of budget revenue, the relative proportion remained around of 23%.

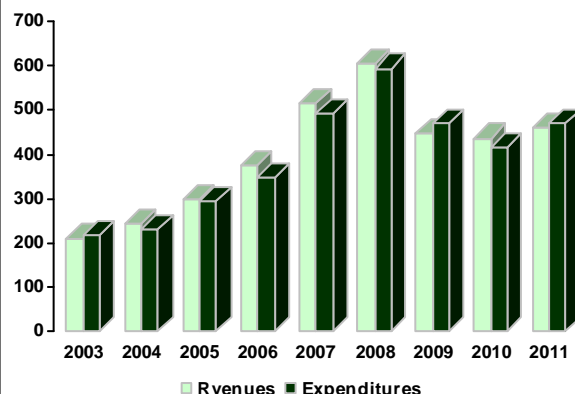
The control of Municipality's liability (including construction of the South Bridge and other loans and guarantees) portfolio and conformity with criteria defined by the strategy was provided by implementation of Riga Municipality loans, guarantees and other long-term debt management strategy for 2008-2012.

## CREDIT-RATING

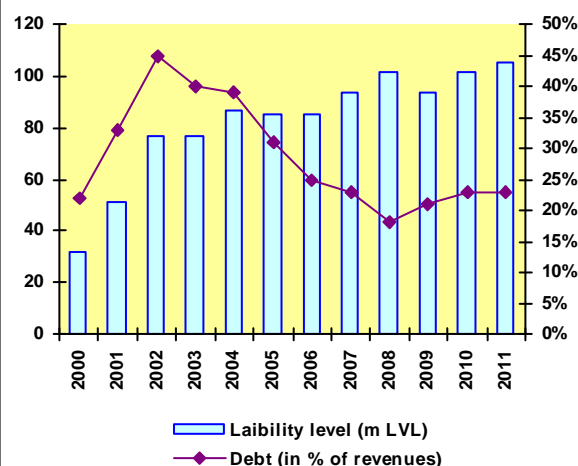
In 2011, Riga Municipality continued its long-term and productive cooperation with the world's leading credit-rating agencies "Standard & Poor's" and "Moody's Investors Service".

As of end of 2011, credit-rating agency "Standard & Poor's", evaluating Municipality's success budget and financial in stabilization, raised the long-term development credit rating of Riga City from BB to BB+, retaining stable development perspective. Also credit rating agency "Moody's Investors Service" positively evaluated mentioned above processes and retained fixed Riga City Municipality's long-term development credit rating Baa3. Municipality's ability to balance budget under conditions of rapid revenue decrease, to implement budget consolidation policy and to decrease significantly budget expenses were mentioned as the most important success in stabilization of financial state. Municipality's ability to keep high financial liquidity was mentioned as positive factor as well.

Riga City consolidated budget revenue and expenditures (m LVL)



Riga Municipality debt dynamics



History of Riga City credit-rating

Year of granting the rating	Standard & Poor's rating for liabilities in local and foreign currencies	Moody's Investors Service rating for liabilities in local and foreign currencies
1997	BBB-/Positive/A-3	-
1999	BBB/Stable/A-3	-
2001	BBB/Positive/A-3	-
2003	BBB-/Stable/A-3	-
2004	BBB-/Stable/A-3	-
2005	BBB/Stable/A-3	-
2006	BBB/Stable/A-3	A2 Stable
2007	BBB/Stable/A-3	A2 Stable
2008	BBB-/Negative/A-3	A3 Negative
2009	BB/Negative/B	Baa3 Negative
2010	BB/Stable/B	Baa3 Stable
2011	BB+/Stable/B	Baa3 Stable

## RIGA MUNICIPALITY BUDGET EXECUTION PERFORMANCE

The results of Riga economical development and Riga City Municipality financial policy in 2011 are characterized by achievements in ensuring the budget revenue and purposeful use for providing autonomous municipal operations within the framework of the budget authorized by Riga City Council. Budget is a tool for realization of Riga Municipality economic policy by means of financial methods. Riga Municipality budget includes Municipality's revenues and expenditures. Riga Municipality budget is prepared based on the cash flow principle, simultaneously in compliance with State Treasury instructions, ensuring accounting based on accrual principle.

### RIGA MUNICIPALITY BUDGET REVENUE

Riga Municipality budget main revenue portion is formed by the basic budget revenue.

### RIGA MUNICIPALITY BASIC BUDGET REVENUE

In accordance with laws and regulations of the Republic of Latvia and mandatory regulations of Riga City Council, Riga Municipality performs administration of

personal income tax, real estate tax, natural resources tax, municipal charges, as well as controls the collection of gambling tax and the transferring of state duties to Riga Municipality budget.

Basic budget revenue comprises:

- **Tax revenues:**
  - personal income tax;
  - real estate tax on land, buildings, structures and housing;
  - gambling tax.
- **Non-tax revenues:**
  - charges for paid services provided by public authorities;
  - charges for utilization of municipality capital;
  - State and municipality fees;
  - other revenues (fines and assents, sales of property, etc.).

In 2011, revenues from donations and endowments to Riga City Municipality was 1 025,2 thousand lats.

### COMPOSITION OF RIGA MUNICIPALITY REVENUE

Summary of Riga Municipality basic budget revenue Cash flow basis	2010 actual (k LVL)	2011 budget (k LVL)	2011 actual (k LVL)
<b>Total revenues</b>	<b>434 409.2</b>	<b>429 582.6</b>	<b>459 712.6</b>
<b>Total tax revenues</b>	<b>309 334.3</b>	<b>306 537.7</b>	<b>321 734.5</b>
Personal income tax	261 023.4	254 950.0	263 815.7
Property taxes	45 855.6	49 317.7	55 249.4
int.al. real estate tax on land	19 114.2	20 523.6	22 464.7
int.al. real estate tax on buildings	26 741.4	21 380.7	24 829.2
int.al. real estate tax on housing	-	7 413.4	7 955.5
Other tax revenue	2 455.3	2 270.0	2 669.4
<b>Total non-tax revenues</b>	<b>41 243.2</b>	<b>41 688.5</b>	<b>53 050.3</b>
Government (municipality) fees	1 652.4	1 736.0	2 110.7
Revenue from paid services provided by public institutions	23 024.2	25 549.6	23 668.6
Other non-tax revenues	16 566.6	14 402.9	27 271.0
<b>Total tax and non-tax revenues</b>	<b>350 577.5</b>	<b>348 226.2</b>	<b>374 784.8</b>
<b>Payments from the state budget</b>	<b>83 831.7</b>	<b>81 356.4</b>	<b>84 927.8</b>
Earmarked subsidies for municipal budgets	59 931.3	62 415.0	62 656.0
Subsidies for municipal budgets	5 703.5	6 505.0	5 355.8
Other state budget transfers	18 196.9	12 436.4	16 916.0



## COMPOSITION OF RIGA MUNICIPALITY REVENUES FROM DONATIONS AND ENDOWMENTS

Summary of Riga Municipality revenues from donations and endowments Cash flow basis	2010 actual (k LVL)	2011 budget (k LVL)	2011 actual (k LVL)
<b>Total revenues</b>	<b>1 774.1</b>	<b>1 025.2</b>	<b>928.0</b>
<b>Donations and endowments from legal entities and individuals</b>	<b>1 774.1</b>	<b>1 025.2</b>	<b>928.0</b>
Donations and endowments for education	66.9	108.0	55.4
Donations and endowments for social care	1 571.4	850.0	844.9
Other donations from legal entities and individuals	135.8	67.2	27.7

## RIGA MUNICIPALITY BUDGET EXPENSES

Riga Municipality budget expenses of 2011 in this report are reflected according to the functional categories, which correspond to the structure of expenses by government function or sector – education, economic activity, environmental protection, social security, management of Municipality territories and housing facilities, health care, recreation, culture and religion, public order and security, etc..

Taking into consideration that budget forms the basis for financial operation and management of the Municipality and it serves as financial means of ensuring autonomous operations of the Municipality, therefore, performing municipal budget preparation approval, execution, and control procedures, a unified, transparent and effective approach shall be applied by all budget executors. Such an approach ensures there are unified principles used throughout the entire Municipality budgeting process, including budget requests preparation and evaluation, as well as budget monitoring and control. This regulation serves as basis for preparation of annual methodological guidelines for particular budgeting process steps.

In order to increase the efficiency of Municipality budget resources utilization, Riga Municipality budgeting process is focused on achieving certain goals – there are specific goals set for budgetary programs with respective results and key performance indicators defined. Performing development of budget expense part of 2011, an emphasis was laid on municipality's capabilities to deliver the necessary services for the society.

The aim of Riga Municipality basic budget is to ensure sufficient financial resources for ensuring the provision of autonomous functions of municipality. Taking into account the development trends of Riga as the capital City, the provision of autonomous operations in Riga Municipality has a special importance that is related to hosting of national holiday celebrations and traditional cultural events, as well as state and official visits foreign representatives. Thereby, Riga makes a substantial contribution to the image of the State.

After reviewing and consolidating basic programs, education and economic activity (mainly concerning the transportation sector) were set as the main priorities within the total expense structure of Riga Municipality basic budget 2011, whereof:

- 165 495,5 thousand lats were allocated to education;
- 117 674,9 thousand lats were allocated to economic activity.

Setting priorities for Riga Municipality investment program is related to ensuring the autonomous operations of Municipality and the greatest share of resources was allocated and utilized for improvement of City infrastructure objects and environment, paying special attention to traffic safety increasing, as well as ensuring accessibility of health care services and reconstruction of cultural institutions.

In 2011, the expenses from revenues from donations and endowments to Riga Municipality were 938,6 thousand lats.

COMPOSITION OF RIGA MUNICIPALITY BASIC BUDGET EXPENSES

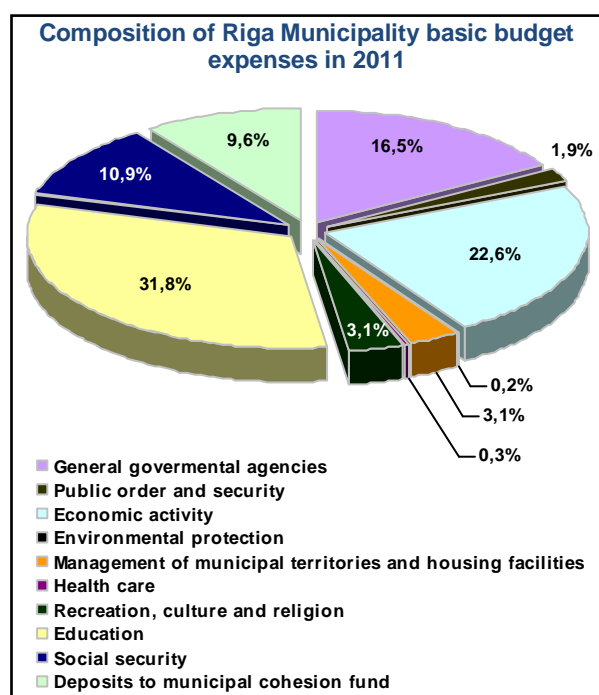
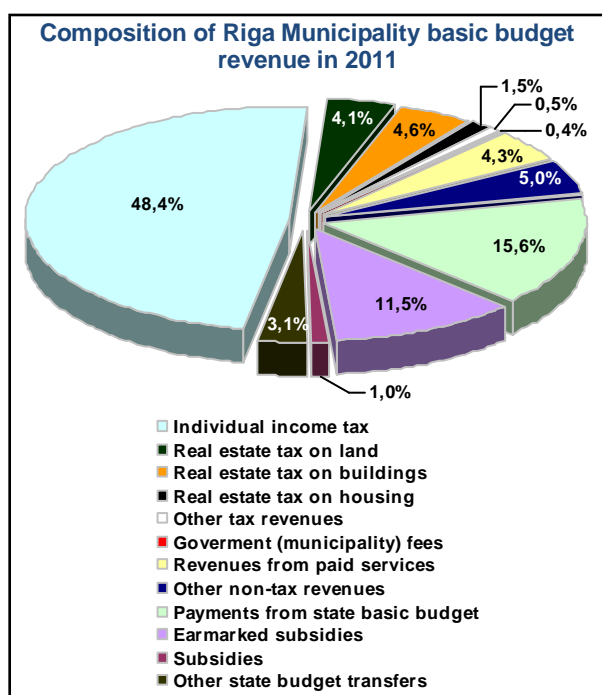
Summary of Riga Municipality basic budget expenses Cash flow basis	2010 actual (k LVL)	2011 budget (k LVL)	2011 actual (k LVL)
<b>Total expenses by government function*</b>			
<b>Total expenses</b>	<b>414 623.7</b>	<b>486 375.1</b>	<b>470 105.9</b>
General governmental agencies	69 209.5	78 550.3	85 839.9
Public order and security	8 179.7	9 718.4	9 670.1
Economic activity	105 520.0	126 896.5	117 674.9
Environment protection	917.0	1 639.3	1 138.3
Municipal territory and housing management	22 585.6	18 822.1	16 171.6
Health care	159.4	1 443.8	1 378.7
Recreation, culture, and religion	18 891.8	17 540.6	16 244.2
Education	145 136.0	174 055.6	165 495.5
Social security	44 024.7	57 708.5	56 492.7
<b>Deposits to municipal cohesion fund</b>	<b>43 988.8</b>	<b>48 637.0</b>	<b>50 162.6</b>

\*Statement of budget expenses by government function has been prepared in accordance with the Republic of Latvia Cabinet of Ministers Regulations No. 934 "Regulations on the classification of budget expenses by functional categories"

COMPOSITION OF RIGA MUNICIPALITY DONATIONS AND ENDOWMENTS EXPENSES

Summary of Riga Municipality donations and endowments expenses Cash flow basis	2010 actual (k LVL)	2011 budget (k LVL)	2011 actual (k LVL)
<b>Total expenses by government function*</b>			
<b>Total expenses</b>	<b>1 803.5</b>	<b>1 144.4</b>	<b>938.6</b>
General governmental agencies	10.3	48.0	13.8
Public order and security	-	1.1	
Municipal territory and housing management	13.0	13.2	0.6
Recreation, culture, and religion	3.2	22.7	8.1
Education	204.5	198.2	65.7
Social security	1 572.5	861.2	850.4

\*Statement of budget expenses by government function has been prepared in accordance with the Republic of Latvia Cabinet of Ministers Regulations No. 934 "Regulations on the classification of budget expenses by functional categories"



# RIGA MUNICIPALITY BUDGET RESOURCE UTILIZATION FOR MUNICIPALITY OPERATIONS

## EDUCATION AND SPORTS

In 2011, Riga City Council Education, Culture and Sports Department (ECSD) implemented municipal policy in education, culture and sports sectors, in youth work, as well as in integration of society as Riga City Municipality institution.

In 2011, following priorities were set for ECSD to provide education development:

- ▣ Implementation of preschool educational institution network enlargement program for accessibility provision of preschool education and the necessary measures for starting preschool education process;
- ▣ Development of Riga City Municipality's plan 2012–2014;
- ▣ Introduction of e-services in organization of state administration processes and in tariffication of school pedagogues;
- ▣ Improvement of cooperation between the state and municipality institutions' specialists for education support.

### PRESCHOOL EDUCATIONAL INSTITUTIONS

Year of 2011 was announced as *Preschool Year* in Riga. There were activities and events during the entire year acknowledging the importance of the preschool education's role in education system. During the 2010/2011 school year in Riga operated 153 preschool educational institutions, founded by Riga Municipality. 26 240 children in total were provided with preschool education program in municipal preschool education institutions. Preschool educational programs were provided also at 17 general education schools and 2 interest educational institutions. Implementation of preschool educational institution network enlargement program was continued for accessibility provision of preschool education, what provided additional 549 children with places in preschool educational institutions in 2011.

Despite the significant increase of number of places by every year, the number of requested places in preschool educational institutions exceeded the provision capabilities and as of 2011 more than 4 906 children were not provided with a place in municipal preschool educational institutions. In order to provide as much children as possible with preschool education accessibility, Riga City Municipality subsidizes 66 private educational institutions, which are providing approved educational programs, paying 30 lats for each preschool student declared as resident of Riga Municipality. In 2011, subsidy was paid for 985 children. As of September of 2011 co-financing of private educational institutions was launched, spending 93 lats per child. In September 1 500 agreements were signed to provide such a service. In the latter half of the 2011 as a result of tender, ECSD provided more 347 places in five private educational institutions, paying 125 lats monthly for each child declared as resident of Riga.

### COMPREHENSIVE SCHOOLS

After the changes performed in school network on 31 December, 2011 121 Riga Municipality comprehensive schools started 2011/2012 school year under subordination of ECSD. Whereof 93 secondary, 24 elementary and 4 primary schools, int. al. 12 special, 5 evening and 10 boarding schools.

In these schools educational programs were mastered by 65 762 students at the beginning of the school year, what is by 2 213 students less than in the beginning of the previous school year. Educational programs in Latvian were mastered by 32 900 (50,03%) students, but minority educational programs were mastered by 32 862 (49,97%) students. 5 913 students were admitted into the 1<sup>st</sup> grade (in 2010 – 6 138) this year. The number of secondary education program students has also decreased, the proportion from the total number of students was 25,6% (27% in the previous year). Agreements on co-financing were concluded with 24 private Riga comprehensive schools, having accredited comprehensive elementary and secondary educational programs, and the municipal co-financing was allocated at total sum of 117 000 lats.

In 2011, work on improvement of school network was continued, as a result of it educational program of a school was transferred to another educational institution, 1 educational institution liquidated and 5 educational institution reorganized. Proceeding with improvement of education quality 64 school regulations, 15 school educational programs and 30 school development plans were evaluated and submitted for approval.

In 2011, Education and Information Center of Riga City, subordinate to ECSD, has implemented a number of pedagogues' professional development activities, int. al. pedagogues' professional development efficiency courses, seminars, master classes, etc. were attended by 8 555 pedagogues, but various skill mastering was done by 7 051 pedagogues.

### OUT-OF-SCHOOL EDUCATION AND SPORTS

In 2011, there was a tender organized for the first time ever for non-governmental institutions on financing organization of various activities during school holidays. Various creative workshops, sports activities and other events were organized in the entire territory of Riga. Overall 32 projects at total financing of 40 000 lats were supported, where took part more than 1 500 participants.

In May of 2011 youth center "Kanieris" was opened, what was created within INTERREG IV A Central Baltic program project "Youth Space" in cooperation with youth organizations. ECSD coordinated children and youth camps organized by Riga educational institutions, as well as provided its' financing. 382 day and twenty-four hour camps with 13 443 participants in total were organized by educational, non-governmental and religious organizations with municipal co-financing.

In 2011, educational programs offered by 13 municipal out-of-school educational institutions were attended by 28 178 students. Comprehensive schools were granted with additional 190 hours for out-of-school educational programs and 207 hours for out-of-school educational institutions. 70 402 students were involved in out-of-school educational programs in total. In 2011, there were also 16 leisure time activity centers and 6 leisure time rooms functioning in educational institutions, which were attended more than 110 000 times.

In 2011, 11 Riga Municipality Professional educational institutions majoring in sports were operating, where 7 531 students attended professional sports educational and out-of-school sports educational programs. Financing for individual sports champion teams for the first time was allocated and included into sports schools' budget. Support at a total sum of 78 204 lats was allocated to following sports disciplines: cycling, fencing, skiing, track and field athletics, freestyle wrestling, kayaking, canoeing and gymnastics.

In 2011, there were organized, coordinated and supported: Riga Children and Youth II Dance Festival, gathering 4 170 dancers; IV Latvia School Theater festival "Kustibas turpinajums", with 754 participants from 44 Riga teams; participation of 11 Riga school's choirs and 550 students in Latvia 1-4 grade choirs' festival "Taurinu balsis"; 31 sports events with more than 4 000 participants; 59 competitions between schools in 15 sports disciplines, involving 25 350 youth; participation in Latvia Winter Olympiad for 509 Riga schoolchildren and for 420 in Summer Olympiad.

During the last summer and autumn holidays a chance to gain their very first work experience in educational institutions at internal and external environment improvement was provided for 675 youth.

The most significant projects of 2011:

- Reconstruction of Riga Ukrainian Secondary school building on Visvalza Street 4, financing 1 547 131 lats;

- Renovation of Riga Center elementary school of arts and crafts building on Aspazijas boulevard 34, financing 806 524 lats;
- Renovation and reconstruction of Riga preschool "Virsu darzs" building on Cimzes Street 3, financing 205 298 lats;
- Finished construction of preschool educational institution "Madarina", financing 23 063 lats;
- Renovation of building on Miera Street 62, financing 30 384 lats;
- Draft of construction plan for a new preschool educational institution on Tallinas Street 6, Tallinas Street 10 and Tallinas Street 12a, financing 9 760 lats;
- Draft of reconstruction plan for Oskars Kalpaks Riga elementary school of arts and crafts building on Skrindu Street 1, financing 13 664 lats;
- Draft of construction plan for reconstruction of elementary school "Ridze" building on Krisjana Valdemara Street 2, financing 30 735 lats;
- Draft of reconstruction plan for Natalijas Draudzinās Secondary school building on Bruninieku Street 24a, financing 109 098 lats.

Replacement of wiring and water supply and sewerage systems; performed energy efficiency measures; renovation of kitchens; construction of fire detection and other works in Riga Municipality educational institutions buildings, as well as great number of selective renovation works in separate objects.

<b>Budget expense allocated to education and sports</b> (k.LVL)	<b>2009 actual</b>	<b>2010 actual</b>	<b>2011 budget</b>	<b>2011 actual</b>
Preschool education	49 446.5	39 210.0	51 219.5	49 334.5
Comprehensive education - elementary education	102 434.8	80 456.5	89 793.1	87 517.6
Out-of-school and professional education/undefined by educational levels	17 349.8	20 193.7	30 928.6	26 538.3
Other education, not classified above	3 587.8	5 275.8	2 114.4	2 105.1
<b>Basic budget expense, int. al.</b>	<b>172 818.9</b>	<b>145 136.0</b>	<b>174 055.6</b>	<b>165 495.5</b>
Investment	11 670.3	8 555.8	15 248.8	14 826.1
<b>Special purpose budget expense</b>	<b>10 729.2</b>	-	-	-
<b>Total</b>	<b>183 548.1</b>	<b>145 136.0</b>	<b>174 055.6</b>	<b>165 495.5</b>

## SOCIAL SECURITY

Riga City Council Welfare Department implements social help, health care and prevention policy in the city determined by Riga City Council improves health care and social help quantity and quality for the City's inhabitants, provides accessibility of the information on health care, prevention and social help amount and possibilities.

Following institutions are subordinated to Department:

- Riga Social Service;
- Riga Municipality Children and Youth Center;
- Riga social care center "Gailezers";
- Riga social care center "Mezciems";
- Riga social care center "Stella maris";
- Riga Shelter.

## SOCIAL CARE AND SOCIAL REHABILITATION IN INSTITUTIONS

In 2011, Riga Municipality provided long-term social care and social rehabilitation services for 1 795 retired and disabled persons in 15 social care centers. 187 children were placed in children long-term social care and social rehabilitation institutions but social rehabilitation services there received 597 orphans and parentless children. In 2011, Riga Municipality provided crisis center services for 509 persons. Consultations over the phone in crisis situations were rendered 5 649 times.

Provided services of five day centers were rendered to 1 181 children for a total sum of 72 844 lats. Provided services of five contract organizations' day-care centers were received by 219 children for a total sum of 144 054 lats. Social care and rehabilitation services for functionally limited children received 208 children and

their family members, utilizing 71 849 lats. In 2011, social psychological services for Riga City Municipality's families with children received 200 persons, 1 274 individual consultations were rendered in presence at a total sum of 35 906 lats, int. al. consultations to violence victims. 28 informative and educational support group meetings for parents with little children, where participated 301 persons, utilizing 1 956 lats and 110 "Emotional upbringing of children" group meetings for parents, where participated 386 adults were organized, utilizing 1 859 lats. Riga Municipality Children and Youth Center's Mobile team performed 508 inspections at client's place of residence, whereof 373 new inspections and 135 reiterative inspections in Riga City Municipality's territory, based on inspection applications issued by Riga Social Service, Riga Custody Court, crisis centers and other institutions.

#### **SOCIAL CARE AT PLACE OF RESIDENCE**

In 2011, home-care services were provided for 4 678 persons in total, int. al. "home-care" service – for 3 175 persons, benefit in kind for family members, who provide personas home-care services – for 1 343 persons, service "hot meat delivery to the client's address" – for 1 084 persons, service "security button" – for 311 persons, escort-assistant service – for 162 persons. In order to tackle social problems of clients placed in health care institutions, in 2011, there were 15 paid social workers operating in 8 Riga health care institutions, who rendered services to 7 132 persons.

#### **SUPPORT FOR DISABLED PERSONS**

Additional to the State guarantees, Riga City Municipality compensates transport services for people with motor disorder. Clients can use specially equipped minibuses, as well as taxi services. Those clients with personal motor transport can utilize compensation for fuel purchase. In total 3 930 persons received transport services and 630 802 lats from the Riga Municipality budget were utilized for this purpose in 2011. In order to solve the problems caused by inadequate environment, 11 wheelchair lifts were installed with money from municipality in houses, where persons with serious motor disorder live.

Day center and day-care center for disabled persons retired persons and other adult persons is greatly desired social service at place of residence. In these centers a person has opportunities to improve social skills, to pass leisure time, create social contacts and receive support and help. In 2011, Riga Municipality financially supported operation of 12 such centers, where services were delivered to 2 176 persons in total, at a sum of 243 798 lats.

In 2011, Riga Municipality also financially supported operation of 9 day-care centers for persons with mental disorder. Day-care centers provide staying in center for a full working day, feeding, as well as organize educational and social skill training classes. 537 928 lats were spent for this purpose and 307 persons used this service.

Persons with mental disorder have possibility to receive group apartment (house) services. There are 5 group apartments in Riga and 2 group apartments in a country side environment outside of Riga. In 2011, 108 persons received this service.

#### **SOCIAL SUPPORT FOR THE HOMELESS**

In Riga shelters/night shelters as well as in social rehabilitation centers for the homeless a temporary shelter, hygiene and feeding services as well as social workers' consultations are provided. In 2011, 3 289 persons used these services.

In 2011, Riga City Municipality financed services for homeless persons provided by two social rehabilitation centers, where 57 personas persons received of social and working skills development services, what facilitates regaining social status and becoming a part of labor market. In 2011, Mobile team of Riga shelter rendered consultation to 1 402 persons, received 784 phone calls and delivered 1 897 persons to night-shelter or hospital. Riga Shelter Day Center provided social rehabilitation services for Riga's homeless and persons of low-income, which received 805 persons within the year, on average 124 persons per month.

In 2011, soup-kitchen service was co-financed from Riga Municipality budget, providing Riga homeless and other persons of moderate means with up to 900 portions a day, 5 times a week, in 2010 – 141 032 portions in total. "Food delivery and distribution to persons, who are receiving support within strategy of social security network in welfare and health care area" service was provided in two places in Riga and the number of service places was increased to 6 during 2011. 551 362 portions were distributed in total.

#### **SOCIAL WORK IN RIGA SOCIAL SERVICE**

In 2011, social workers in total directly or by phone rendered 42 746 consultation, performed 8 901 inspections at clients place of residence and evaluated and granted 2 004 social services for Riga City inhabitants. During the year social work on specific social cases with 3 216 families was performed. In 2011, social workers assigned 8 683 persons for social service in their work with families and children.

#### **SOCIAL PROTECTION IN RIGA**

In 2011, Riga City Municipality's inhabitants received social benefits based on either evaluation of the financial state of the benefit claimant (tested benefits) or based on the specific life situation, irrespective of the financial state of the benefit claimant (untested benefits) in accordance with the Rule of Social Service and Social Protection, rules and regulations of the Cabinet of Ministers and the binding regulations of Riga City Council.

In Riga in 2011, social benefits received 82 508 persons, i.e. 12% from total population of Riga. Total amount of social benefits was 17 950 763 lats, int. al. 12 582 105 lats from municipal budget. In 2011, 29% from the total amount of budget resources used for social benefits were utilized for benefits to provide guaranteed minimum income and 48% for apartment benefits.

A tendency of growing number of low-income persons was in progress in the beginning of 2011, what resulted in increase of number of low-income persons from 44 275 in 2010 to 48 137 low-income persons in 2011.

The growth of number of low-income persons affected also the increase of number of social benefits recipients (from 71 951 social benefits recipients in 2010 to 82 508 social benefits recipients in 2011) and the growth of financing utilized for provision of social benefits (from 17 950 763 lats in 2010 to 23 791 436 lats in 2011).

#### EMPLOYMENT FACILITATION ACTIVITIES

19 695 able-bodied persons had recourse to Riga Social Service for social aid and/or social services during the 2011. 15 701 of them have received Municipality's tested benefits, i.e. 22% from the total number of tested benefit recipients.

In order to provide social support for the unemployed, 38 support groups were organized at Riga Social Service in 2011, where 706 unemployed persons took part. In 2011, Riga Social Service social work specialists rendered 53 406 consultations to able-bodied unemployed persons, but psychologist or psychotherapist provided consultation to 210 persons. In 2011, social workers tackled 814 social cases concerning unemployment problem. 143 persons found jobs as a result of social work.

In 2011, Riga Municipality continued its participation in ESF project "Provision of labor practice activities in municipalities for achieving and maintaining working skills". In 2011, 2 458 paid labor places were created for the unemployed. 6 209 temporary labor places were created and 10 467 unemployed persons were engaged in total in Riga as of beginning of the project in September of 2009 till December of 2011.

The most significant investment projects and programs:

- Launched project "Sustain and support for families in Riga Northern district and Latgales suburb" with Riga Municipality's co-financing of 48 600 lats. Within this project 120 families, where children are at risk of losing care of their biological parents, will receive support and help, as well as various support and help services for 250 children and 150 parents per year and also local service providers' capacity in work with families will be increased;
- Launched ESF project "Development of social rehabilitation services for children and youth with behavioral disorders in Riga City". Total financing of the project is 100 000 lats. Motivation and social rehabilitation programs for children and youth with behavioral disorders and their family members will be worked out and 150 social work specialists will be trained within this project. The expected number of service recipients is 828 persons.
- Latvia - Switzerland cooperation project "Volunteers for improving children situation in family" was continued with total financing of 92 000 lats. Within this project recruitment, training, supervision and support system for volunteers was created, what was tailored to a work with preschool children in crisis affected families, where children are raised by elderly persons. Support is provided for 51 family and 53 volunteers are participating in the project on the moment.

Budget expense allocated to social security (k LVL)	2009 actual	2010 actual	2011 budget	2011 actual
Social security in case of inability to work	1 581.4	448.1	468.6	466.4
Assistance to elderly people	4 969.9	4 259.0	4 405.1	4 389.0
Assistance to families with children	7 911.7	5 171.2	5 223.2	5 123.0
Assistance in unemployment case	138.6	1 912.0	2 515.5	2 164.0
Housing allowance	3 289.2	7 839.2	11 293.2	11 293.2
Other support to socially repudiated persons not classified above	22 230.0	23 584.0	32 910.4	32 234.0
Other social care not classified above	1 294.9	811.2	892.5	823.1
<b>Basic budget expense, int. al.</b>	<b>41 415.7</b>	<b>44 024.7</b>	<b>57 708.5</b>	<b>56 492.7</b>
Investment	2 709.7	285.1	6.1	0.2
<b>Special purpose budget expense</b>	<b>550.3</b>	-	-	-
<b>Total</b>	<b>41 966.0</b>	<b>44 024.7</b>	<b>57 708.5</b>	<b>56 492.7</b>

#### HEALTH CARE

Financing for Riga Municipality's health care system is allocated Riga in accordance with the autonomous functions defined by the law "On Municipalities" to provide health care accessibility, as well as to enable and promotes healthy lifestyle and sports among inhabitants. State financed health care in Riga Municipality's territory is provided by medical institutions, which have signed agreements with The National Health Service on rendering and payment of health care services, int. al. 11 such Riga Municipality's health care enterprises, whereof two of them are operating as stationary medical treatment institutions:

- RMLtd "Riga 1<sup>st</sup> hospital";
- RMLtd "Riga 2<sup>nd</sup> hospital";
- RMLtd "Riga Maternity hospital";
- RMLtd "Skin and sexually transmitted diseases clinical center";
- RMLtd "Ilguciems health center";
- RMLtd "Bolderaja health center";
- RMLtd "Veselibas nams 5";
- RMLtd "Health center "Imanta"";
- RMLtd "Tornakalns health center"
- RMLtd "Children health center "Kengarags"";
- RMLtd "Primary health care center "Ziepniekkalns"".

In 2011, 455 doctors with 711 979 registered patients were rendering primary health care services at 94 locations in Riga.

For low-income persons who have declared their residence in Riga and who need minimum short-term social care, rehabilitation and medical aid at twenty-four hours stationary, but there is no possibility to render the necessary care at client's home, as well as in other cases, when treatment of chronic patients, rehabilitation and minimum short-term social care at client's home is not possible for various reasons, or a person don't have regular place of residence, have a possibility to receive social care in short-term social care beds financed by Municipality. This service is concentrated in Riga Municipality's Ltd. "Riga 1<sup>st</sup> hospital", where prepaid service is provided by 60 beds daily. In 2011, 223 109 lats were allocated for this service.

Promotion of Society's Healthy Lifestyle and Prevention division of Health Care directorate of Welfare Department implements measures in order to improve and promote understanding of healthy way of living in Riga by informing society on factors that have effect upon health and performed activities to prevent, delay or to reduce effect of these factors, as well as to provide accessibility of these services. In 2011, total amount of 154 413 lats was spent from Riga Municipality's budget program "Provision of health care accessibility and enabling of healthy lifestyle" to implement health care and prevention activities.

In order to improve health care accessibility for Riga City inhabitants, Riga Municipality's health care enterprises reorganization procedure started in the previous years was continued in 2011, resulting in more efficient and rational service provision. Two enterprises will be merged in reorganization process.

The most significant investment projects and programs:

- Repair works of Riga Municipality Ltd. "Riga 1<sup>st</sup> hospital", int. al. draft of detail design for RMLtd "Riga 1<sup>st</sup> hospital" operating-block. 654 319 lats were allocated for repair works in total;
- Following up with ERDF health care projects in four RMLtd with Riga Municipality co-financing of 56 957 lats;
- HIV prevention and psycho-social services for drug users and their liaison persons, what is provided by NGA "DIA+LOGS". In 2011, 53 368 lats were spent for this purpose;
- Tubercular patients' outpatient treatment implementation coordinated by Infectology Center of Latvia. 51 500 lats were spent for this service;
- Provision of Health rooms by association "Latvia Red Cross" with a goal to improve Riga City inhabitants' awareness of health affecting factors, health risks and prevention. 7 197 lats were spent for this service;
- Support for blood donor movement, where 19 332 lats were spent in total.

<b>Budget expenses allocated to health care</b> (k LVL)	<b>2009</b> <b>actual</b>	<b>2010</b> <b>actual</b>	<b>2011</b> <b>budget</b>	<b>2011</b> <b>actual</b>
Operation and services of ambulatory medical institutions, and public health-care agency services	5 904.6	159.4	391.9	363.1
Other health-care services not classified above	-	-	1 051.9	1 015.6
<b>Basic budget expense, int. al.</b>	<b>5 904.6</b>	<b>159.4</b>	<b>1 443.8</b>	<b>1 378.7</b>
Investment	17.9	-	1 051.9	1 015.6
<b>Special purpose budget expense</b>	<b>1.5</b>	-	-	-
<b>Total</b>	<b>5 906.1</b>	<b>159.4</b>	<b>1 443.8</b>	<b>1 378.7</b>

## MUNICIPAL TERRITORY AND HOUSING MANAGEMENT

In 2011, Housing and Environment Department continued investment program "Joining Municipality's residential buildings to central water supply and sewerage network, projecting and construction". The main goal of the program:

- improvement of inhabitants' living conditions – provision of qualitative drinking water, significant reduction of payment for par sewerage services, qualitative and environment friendly maintenance and improvement water supply and sewerage system technical condition, improvement of sustainable municipal housing management;
- decreasing of environmental pollution with sewage;
- provision, observance and execution of requirements on qualitative basic services defined by European Union directives and Latvia regulations.

In 2011, joining of 9 municipal residential buildings to central water supply and sewerage network was performed. 192 289 lats were utilized for this purpose.

As one of the Riga City Council Housing and Environment Department functions is management of municipal housing fund (social apartment houses, apartment houses of various social groups, unprivatized apartments in apartment houses, separate municipal apartments). On 01.01.2011 Riga City Council Welfare Department gave into charge of Riga City Council Housing and Environment Department 14 social residential buildings owned by Riga Municipality. According to the concluded agreement on 01.12.2011 with Ltd "Rigas pilsetbuvnieks", the management of social residential buildings owned by Riga Municipality, what was performed by Ltd "Rigas namu parvaldnieks" and The Samaritan Association of Latvia to date, was taken over by Ltd "Rigas pilsetbuvnieks".

One of the Riga City Council Housing and Environment Department functions is management of municipal housing fund, implementing rational and effective utilization and management. Commission of Riga City Council Housing and Environment Department evaluates the technical condition of empty municipal apartments and renovation expediency and calculations on renovation expenses are done. In 2011, 920 318 lats were utilized to perform renovation of living-space. 102 apartments were rebuilt and 2 staircases were renovated for this money on Progresas Street 3a and other repair works performed. Renewed apartments were offered to Rigans, waiting for municipal support in solving apartment matters.

7 052 families were registered in queue to receive municipal support in solving apartment matters as of beginning of 2012.

Work on transferring administration rights of the privatized residential buildings to the apartment owners by means of methodic support was continued. Management personnel took part in 57 apartment owners' meetings on transferring administration rights of residential buildings to the apartment owners, creating joint ownership administration structures and other matters concerning administration of residential buildings. As a result of performed work apartment owner companies with Municipality's support were created and 48 apartment houses were transferred to apartment owners.

The most significant investment projects and programs:

- Finished construction of furnace of Riga crematory, financing 254 228 lats;
- Completed construction and joining municipal toilets to external utilities, financing 514 596 lats.

<b>Budget expenses allocated to municipality territory management and housing facilities (k LVL)</b>	<b>2009 actual</b>	<b>2010 actual</b>	<b>2011 budget</b>	<b>2011 actual</b>
Street illumination	3 988.6	4 277.7	4 420.7	4 290.9
Other activities concerning municipality territory management and housing facilities not classified above	8 607.5	18 307.9	14 401.4	11 880.7
<b>Basic budget expense, int. al.</b>	<b>12 596.1</b>	<b>22 585.6</b>	<b>18 822.1</b>	<b>16 171.6</b>
Investment	339.4	300.6	1 262.9	961.2
<b>Special purpose budget expense</b>	<b>4 130.5</b>	-	-	-
<b>Total</b>	<b>16 726.6</b>	<b>22 585.6</b>	<b>18 822.1</b>	<b>16 171.6</b>

## ENVIRONMENT PROTECTION

In 2011, within basic budget program "Control of runabout animals' population program" catching of 580 runabout dogs was performed, provided upkeep for 1 066 ownerless dogs and cats at City's paid animal shelter, caught and sterilized 1 532 ownerless cats, performed euthanasia for 632 diseased ownerless animals and animals that have suffered in accidents, provided support for 618 domestic animals and 310 wild animals.

Financing allocated from Riga City basic budget program "Maintenance and renewal of City's greenery" and Riga environment protection fund was utilized to perform management of City's greenery – upkeep of young trees of street greeneries – 2 901 pieces, upkeep of trees of municipal educational institutions and street

greeneries – 1 210 pieces, liquidation of defective, dying and dead trees – 332 trees and 1627 square meters bushes, planting of seedlings – 32 pieces and other works. Total sum of financing was 179 321 lats.

In 2011, Riga City Council Housing and Environment Department also performed development of operation instructions of the Daugava river, the Langa river flood protection measures in Riga City administrative territory; excavation of the Kisezers lake bottom near the lifeboat station "Kisezers" and other environment arrangement and improvement works.

The most significant investment projects and programs:

- Finished construction of rainwater sewerage collector on Slokas Street (sections of Kurzemes Avenue to Kooperatīva Street), financing 192 338 lats.

<b>Budget expenses allocated to environmental protection (k LVL)</b>	<b>2009 actual</b>	<b>2010 actual</b>	<b>2011 budget</b>	<b>2011 actual</b>
Waste-water management	56.5	195.9	415.0	234.0
Prevention and reduction of environmental pollution	-	-	1.0	0.6
Other expenditures related to environmental protection	1 146.7	721.1	1 223.3	903.7
<b>Basic budget expense, int. al.</b>	<b>1 203.2</b>	<b>917.0</b>	<b>1 639.3</b>	<b>1 138.3</b>
Investment	187.2	141.3	375.0	194.0
<b>Special purpose budget expense</b>	<b>716.4</b>	-	-	-
<b>Total</b>	<b>1 919.6</b>	<b>917.0</b>	<b>1 639.3</b>	<b>1 138.3</b>



## CULTURE

In 2011, ECSD determined three main priorities for culture development and accessibility provision:

- realization of traditional, State and memorial day events, int. al. Riga festival – Riga 810;
- elaboration of documentation on regulation of work of cultural centers and amateur groups;
- improvement of financing mechanism of cultural projects.

In order to implement the determined priorities, ECSD provided preservation of traditional culture and Latvian Song Festival process continuity, coordinated organization of national holidays, memorial days, public holidays, annual traditional events, as well as festivals and other State and City importance cultural events in Riga, by providing development and implementation of programs for mentioned above events in cooperation with municipal, state and non-governmental institutions and other culture organizations, as well as with cooperation partners. In 2011, Latvian Song Festival process continuity was provided by supporting 275 amateur groups with more than 8 997 participants.

Institutions subordinated to ECSD – cultural centers and Riga Central library actively participated in organization of Riga City cultural events and in creation of united cultural environment. These organizations realized 85 projects in cooperation with ECSD during the last year.

Riga Municipality's nine music and art schools and their 440 pedagogues and 4 511 students play an important role in creation of united cultural environment in Riga.

In order to facilitate various and qualitative cultural services and society's involvement in development of cultural events, ECSD organizes tenders of cultural events and projects, where 930 project applications with total required financing sum of 3 329 625 lats were submitted in 2011. 485 projects were supported with total sum of 853 842 lats. Supported projects according to juridical identity:

- 139 projects organized by municipality's cultural institutions and folk art and amateur groups for a total sum of 101 158 lats;
- 190 events organized by non-governmental institutions for a total sum of 372 947 lats;
- 56 projects implemented by the state institutions for a total sum of 46 918 lats;
- 118 projects submitted by other organizers and physical entity for a total sum of 274 580 lats.

38 festivals were supported for a total sum of 180 913 lats within competition for financing of special purpose program of Riga festivals. The most outstanding

festivals, gathering great number of City inhabitants and visitors were: International Music Festival "Rhythms of Riga", Riga International Film Forum "Arsenals", Film Festival "The Baltic Pearl", Festival "Bildes", theatre festivals "Zelta maska Latvija", light festival "Shine Riga", where 22 projects participating in financing competition received support for a sum of 89 483 lats.

93 projects participating in cultural project competition organized by Riga Municipality received support for a total sum of 70 000 lats. For Riga City important cultural and art projects of various kinds were co-financed – music, visual art, theater, dance and books and museum sector. 101 projects participating in traditional culture events financing competition was supported for a sum of 410 936 lats.

The most significant national holidays, memorial days' events and annual traditional events realized by Municipality, which in 2011 gathered great number of City inhabitants and visitors:

- Events dedicated to 93<sup>rd</sup> Anniversary of Proclamation of the Latvia Republic;
- Events dedicated to Declaration On the Restoration of Independence of the Republic of Latvia;
- Riga festival celebration dedicated to Riga 810 anniversary, what was attended by about 250 000 visitors within three days. More than 60 various cultural, sports and other activities projects were implemented during Riga festival;
- Contemporary art festival "White Night", where 69 projects were realized in total and visited by about 50 000 visitors;
- Midsummer Day celebration for the second time was organized on 11 Novembra Krastmala Street and Dzeguzkalns, gathering more than 33 000 Rigans and City guests;
- New Year's eve party on the square near the Monument of Freedom gathered approximately 30 000 visitors;
- Easter, Advent and Christmas event programs, Zalu market on Doms Square and Mikeldienas market in Old Riga. Concerts and events dedicated to Mother Day, annual Museum Night and many other events.

The major investment projects:

- Draft of reconstruction plan for VEF Culture Palace, financing 296 460 lats;
- Draft of reconstruction and restoration plan for The Latvian National Museum of Art building on Kr. Valdemāra Street 10a, financing 490 000 lats;
- Reconstruction of complex of "Ziemeļblazma" Culture Palace and park, financing 1 799 941 lats.

<b>Budget expense allocated to recreation, culture and religion</b> (k LVL)	<b>2009 actual</b>	<b>2010 actual</b>	<b>2011 budget</b>	<b>2011 actual</b>
Recreational and sports institutions and events	4 148.9	2 843.0	2 916.4	2 804.6
Culture	8 675.6	8 276.1	11 601.1	11 463.5
Other recreational, cultural, and religion-related services not classified above	4 366.4	7 772.7	3 023.1	1 976.1
<b>Basic budget expense, int. al.</b>	<b>17 190.9</b>	<b>18 891.8</b>	<b>17 540.6</b>	<b>16 244.2</b>
Investment	2 974.9	7 870.8	2 810.8	2 762.3
<b>Special purpose budget expense</b>	<b>4 366.1</b>	-	-	-
<b>Total</b>	<b>21 557.0</b>	<b>18 891.8</b>	<b>17 540.6</b>	<b>16 244.2</b>

## ECONOMIC ACTIVITY

The public traffic system of Riga City Municipality is providing services inhabitants of Riga City as well as for inhabitants of Riga and closest Riga region. Riga municipal public transport network is well developed, and it provides traffic all around the city territory. At the end of 2011 Riga City Municipality public transport network was formed by:

- 53 bus routes with total length of 896,1 km, provided by 311 traffic buses;
- 10 anew opened night traffic holiday bus routes with total length of 126,93 km, provided by 10 night traffic buses;
- 9 tram routes with total length of 99,5 km, provided by 70 traffic trams;
- 19 trolleybus routes with total length of 161,5 km, provided by 199 traffic trolleybuses.

In 2011, private companies, in accordance with signed procurement agreements on of public transportation services, provided transportation of about 10,99 million passengers, or 7,8% from the total number of transported passengers in Riga City Municipality public transport.

In 2011, there were 3 173 088 runs performed with 140,44 millions of transported passengers, 52,3% of them used discounts defined by State and Municipality but 33,4% passengers were transported free of charge. The number of transported passengers in 2011 increased by 5%, but income decreased by 8% compared to 2010. It is related with charge discounts introduced in 2010 – free of charge transportation option have all nonworking retired persons, disabled persons of the 3<sup>rd</sup> group with vision and hearing disorders and participants of the elimination of the consequences of the accident at Chernobyl nuclear power plant.

In 2011, disposable tickets for 50 trips with 12% discharge were introduced and also charge for baggage was canceled, retain only charge of 0,70 lats for pet transportation. On the basis of suggestions of passengers' and employees of public transportation frequentative improvements of public transportation were performed within the entire year. Changes in 178 public transportation routes were performed in total. In order to improve Riga public transportation, in 2011 trolleybus route No. 7 was closed, trolleybus route No. 4 was elongated and renamed as trolleybus route No. 12; bus routes No. 19 and No. 29 were elongated; bus route No. 3 was elongated during weekends and in summer season.

88% of traffic buses and 80,8% of traffic trolleybuses are equipped with low floor and wheelchair lifts, thereby meeting needs of passengers with limited motor possibilities for accessible public transport. 20 low floor trams are equipped with wheelchair lifts.

Proceeding with improvement of traffic organization and road safety, following activities were performed in 2011 (amount of 409,9 thousand lats):

- reconstruction of 14 and established 13 new unregulated and 5 regulated pedestrian crossings;

- special illumination for 14 pedestrian crossings were established and special illumination erection for 11 pedestrian crossings was started;
- established new pedestrian safety barriers at total length of 859,5 meters, as well as completed agreement on erection of pedestrian safety barriers at total length of 1 162,15 meters;
- constructed 30 speed humps;
- improvements of traffic organization were performed and speed limiting traffic signs near educational institutions were erected.

In 2011, following traffic building projects, which were ordered by Riga City Council Transport Department in the previous period, were continued:

- finished construction of Eastern main road crossing with Gaujas Street started in 2008, financing 23 921 512 lats;
- finished Eastern main section from crossing with Viestura Avenue to crossing with Meza Avenue, financing 12 981 210 lats;
- finished construction of approaching roads to the South Bridge on the right bank side (South Bridge 2<sup>nd</sup> stage) started in 2008, financing 158 262 897 lats and started additional works of approaching roads to the South Bridge on the river Daugava right bank side, what would improve bridge connection to the city street network and effectiveness of the object operation, 4 362 412 lats were utilized in 2011;
- finished construction of pedestrian crossover on Karla Ulmana Avenue near the Kalnciema Street, financing 413 848 lats;
- finished reconstruction of Ilmajas Street from Tadaiku Street to Kartupelu Street, financing 314 561 lats;
- finished reconstruction of Vasaras Street, financing 124 212 lats;
- finished reconstruction of Limbazu Street from Sarkandaugavas Street to Sliezu Street, financing 372 977 lats;
- finished reconstruction of Upesgrivas, Kalnciema, Remtes and Kuksu streets, financing 1 818 821 lats;
- restoration works of street paving at area of more than 110 sq. m for a total sum of 2 450 440 lats.

In 2011, Riga City Council Transport Department started:

- ERDF and private investor co-financed object - reconstruction of Krisjana Valdemara Street and Daugavgrivas Street traffic hub (works performed at sum of 189 763 lats);
- ERDF co-financed project reconstruction of crossing of Karla Ulmana Avenue and Beberbeku Street (works performed at sum of 22 048 lats);
- reconstruction of Hermana Street from Barinu Street to Ojara Vaciesa Street (works performed at sum of 280 276 lats);
- reconstruction of Vaveres Street, Caunes Street and Austrumu Street (works performed at sum of 280 276 lats);
- reconstruction of Akademika Mstislava Keldisa Street from Ulbrokas Street to Lubanas Street (works performed at sum of 300 001 lats).

<b>Budget expense allocated to economic activity</b> (k LVL)	<b>2009</b> <b>actual</b>	<b>2010</b> <b>actual</b>	<b>2011</b> <b>budget</b>	<b>2011</b> <b>actual</b>
Agriculture, forestry, fishery, and hunting	-	8.6	9.3	8.8
Mining, industry, and construction	3 496.2	5 976.5	5 157.0	2 757.6
Transportation	82 113.3	96 511.4	118 734.8	112 372.3
Other sectors	1 236.3	2 456.2	2 037.1	2 036.6
Other economic activity not classified above	3 478.3	567.3	958.3	499.6
<b>Basic budget expense, int. al.</b>	<b>90 324.1</b>	<b>105 520.0</b>	<b>126 896.5</b>	<b>117 674.9</b>
Investment	16 847.3	11 503.5	2 478.0	1 021.3
<b>Special purpose budget expense</b>	<b>23 640.4</b>	-	-	-
<b>Total</b>	<b>113 964.5</b>	<b>105 520.0</b>	<b>126 896.5</b>	<b>117 674.9</b>

## PUBLIC ORDER AND SECURITY

In 2011, the Riga Municipality Police (RMP) officials secured public order in 199 mass gathering events, including State Holidays of the Republic of Latvia, visits of foreign delegations, events, pickets, gatherings and meetings, street processions, sports games and recreation events, organized by Riga Municipality. In 2011, the Riga Municipality Police officials secured public order near 129 Riga City educational institutions, where 1 228 educational events were organized.

50 969 inhabitants' calls were maintained, 10 237 personal applications were received within the year. In 2011, RMP changed over to two-way communication with society and has become an auxiliary of point of view of security issues. RMP internet home page rpp.riga.lv is regularly updated and the number of its visitors reached 93 039 within the year. RMP Twitter profile and YouTube account have become one of the most popular and recognized among the Latvia state and municipal institutions.

By means of RMP video surveillance center 2 034 cases of law violation were recorded, 125 video records were submitted law enforcement institutions. In 2011, RMP made 18 175 various administrative violations

protocols, 56 012 administrative violations protocols on violating stopping and parking regulations were made.

No fatal incident has occurred in places for swimming under supervision of the RMP since 2003; in total 15 swimmers were rescued on beaches and medical aid was rendered to 80 persons. In 2011, RMP civil defense specialists in emergency cases rendered help to 83 persons in total.

Riga Municipality Police department – Tourism Department created in 2009, in 2011, took care of security of Riga guests and City inhabitants, cooperated with foreign embassies, as well as intensively patrolled in the most popular public places for City guests. Twenty-four hours phone service of Tourism Information Center and immediate police reaction on incoming information was provided, receiving 467 phone calls and rendering help to 353 foreign tourists in total.

In cooperation with employees of Control service of "Rigas satiksme" Ltd., 1 423 raids in Riga City public transport were performed, during which 131 persons were taken up, 94 of them were wanted persons, 1 684 transgressors were brought to administrative trial.

<b>Budget expenses allocated to public order and security</b> (k LVL)	<b>2009</b> <b>actual</b>	<b>2010</b> <b>actual</b>	<b>2011</b> <b>budget</b>	<b>2011</b> <b>actual</b>
The police	9 231.6	8 141.3	9 652.9	9 624.7
Fire security, firefighting, rescue and civil security services	-	-	25.5	25.5
The court and prosecutor's offices	985.1	-	-	-
Other public order and security services not classified above	-	38.4	40.0	19.9
<b>Basic budget expense, int. al.</b>	<b>10 216.7</b>	<b>8 179.7</b>	<b>9 718.4</b>	<b>9 670.1</b>
<b>Special purpose budget expense</b>	<b>158.3</b>	-	-	-
<b>Total</b>	<b>10 375.0</b>	<b>8 179.7</b>	<b>9 718.4</b>	<b>9 670.1</b>

# RIGA MUNICIPALITY MANAGEMENT AND OPERATION IMPROVEMENT IN ORDER TO PROVIDE EFFECTIVE OPERATION, INTERNAL AUDIT, CORRUPTION PREVENTION, ETC.

## CORRUPTION PREVENTION

Riga Council Security, Public Order and Corruption Prevention Issues Committee has developed and approved Riga City Municipality corruption prevention strategy 2010 – 2013 and its implementation plan, what was sent to all the Riga Municipality institutions and enterprises for execution in 2011.

In 2011, Riga City Council Bureaucracy Combating Centre has evaluated anticorruption plans and their execution of 30 Riga Municipality institutions, structural units and enterprises, prepared 43 conclusions for Riga Council Security, Public Order and Corruption Prevention Issues Committee.

By examining inhabitants' applications and evaluating work of municipal institutions, Riga City Council Bureaucracy Combating Centre established isolated flaws and incompliance with principles of good management and offered prevention suggestions. More and more rarely complaints on significant flaws were received, what is to be a result of continuous improvement of institutions' services. During November and December, 2011 Riga City Council Bureaucracy Combating Centre performed inspection of implementation of good management principles and adherence to code of ethics and morality principles in all the Riga Municipality institutions, structural units and enterprises, as a result of it prepared suggestions were sent to all the institutions in order to eliminate the found flaws and imperfections.

The accent of Riga City Council Bureaucracy Combating Centre's activities was put on continuous improvement of work of Riga Municipality institutions. In 2011, in common with other competent Riga Municipality's authorities and structural units, evaluation and improvement of more than 40 from approximately 250 Riga Municipality offered services was performed by offering suggestions on further development and elimination of the found flaws of these services.

In 2011, evaluation of all Riga City Council Business Coordination Centre's and Riga Municipality Executive Authorities' street trade services was performed. Services were simplified and specified their types and descriptions and service rendering process descriptions were made. Number of places for document submission or for receiving respective permission was increased for several services making these services more accessible. During the inspections there were established Business Coordination Centre's and other Riga Municipality institutions' functions overlapping, therefore a decision on liquidation of Riga City Council Business Coordination Centre was made.

At the end of 2011 evaluation of half of Riga City Construction Directorate's services was performed. It resulted in drawing up service rendering process descriptions, simplified rendering process, significant reduction of terms of service reception, reduction of administrative burden either to clients or to institution officials and other improvements.

In 2011, work on development of a new Riga Municipality's service management system was performed with a goal to provide systematization and organization of municipal service rendering process according to unified principles.

## INTERNAL AUDIT

According to the Riga City Council Audit Directorate 2011 plan of internal audit realization approved by Riga City Council Chairman, in 2011, Riga City Council Audit Directorate performed 11 internal audits, int. al. 8 audits in specific Central administration branch offices, institutions, municipal agencies of Riga Municipality (1-2 system audits performed within each audit) and 3 separate system audits (each of them involves several Riga Municipality institutions). Audit reports gave evaluation of the audited systems and suggestions on improvement of operation and control mechanisms these systems. As a result of audits introduction schedule of suggestions was developed, where 85 suggestions were included in total.

In 2011, Riga City Council Audit Directorate performed 5 inspections of financial and economic activities, 3 inspections of basic budget financing utilization and 2 thematic inspections as well as in structural units of Riga Municipality Central administration, municipal agencies and institutions, as well as 6 inspections of financial and economic activities and 4 thematic inspections in Riga Municipality's enterprises with a goal to verify the legality and effectiveness of utilization of Riga Municipality's finance. In the legal documents and reports of performed investigation contains suggestions on elimination of the found offences and flaws. Riga City Council Audit Directorate performs supervision of implementation of the suggested measures.

## OPERATION IMPROVEMENT

In 2011, was finished Riga Municipality's preschool educational institution optical intermediary channel what provides Riga Municipality's computer network connection to preschool educational institutions, as well as a local data transfer network was created and purchased and installed computer hardware. Finished was also preschool educational institutions' queue automation, int. al. account of children and circulation of finance in private educational institutions.

Riga Municipality has performed information service development for data transfer to state information system CARIS for registration of civil registration records (birth, death, marriage, divorce, adoption, etc.), improvement of Riga Council united information system functionality, what allows provision of electronic signing of Riga Council decisions, implemented introduction of united human resource record keeping system KADRI in Riga Municipality's educational institutions, integration of State education information system (SEIS) with RCUIS, what enables provision of compensation calculation for teachers in Riga Municipality's educational institutions.

New infrastructure, application and desktop virtualization solutions are introduced, which along with the existing ones widens the use and unitary management possibilities, as well as provides possibility safe access to RCUIS applications for clients out of municipal network. These solutions provide clear and unitary infrastructure, what in long-term reduces work place costs of Municipality's employees.

## RIGA MUNICIPALITY PARTICIPATION IN INTERNATIONAL COOPERATION PROJECTS

In 2011, Riga Municipality continued the cooperation performed in previous years with international institutions and organizations, as well as its commonwealth cities. Within the cooperation framework, Riga City organized or participated in a number of international and national events in the areas of culture, education, sports, city planning and development, transportation and traffic infrastructure planning and development, public utilities, environment protection, tourism, as well as other areas important for the Municipality. The most significant international projects performed during 2011 in association with execution of Riga territory plan were as following:

□ In 2011, preparation of Northern Transportation Corridor project was continued within the framework of the coo-financing allocated from European Union communication network (TEN-T) budget. In 2011, project technical and financial reports were prepared and submitted to EC. In July of 2011, EC passed a resolution on performing final payment in full of project co-financing. Total project implementation expenses – 6 309 221 lats. The second TEN-T 2007 program implementation was continued within the project – “Integration of Riga City and Riga Port into TEN-T network: Completion of Northern Corridor project research”. Total planned TEN-T 2007 project expenses – 5 244 666 lats.

□ Within “Baltic Sea Innovation Network Centres” (BaSIC) project, which goal is to create harmonious business environment in the Baltic Sea region, in 2011, was started operation of united Baltic Sea region market access point in Riga, provided participation of Riga representatives in international biotechnological and information technology conference “eHealth” in Oslo, issued Riga business guide in English, regularly updated project’s home page [www.basic-net.eu](http://www.basic-net.eu), provided participation of Riga representatives in project’s final conference and international IASP conference “Measuring & Improving the Performance of Science Parks” in Berlin.

□ Work on ERDF program project of revitalization of Riga City’s degraded territories “Revitalization of degraded territories on Maskavas, Krasta and Turgeneva streets” activities was continued;

□ Project “Strengthening tourism potential of Grizinkalna cultural heritage”;

□ Project “Revitalization of Grizinkalna and alongside Miera darzs territories”;

□ Within LIFE + project Riga against the flood preparation works were performed and mid-project report and financing request was submitted to EC;

□ INTERREG IVB program project “Baltic Sea Region Cooperation Network Project - Eco Region”, which goal is to prepare Riga air quality improvement program 2011–2015 and Riga environment program 2011–2017.

Launched and implemented also following projects: improvement of Riga Municipality’s capacity concerning EU structural fund issues, project “Create Riga”, project „Sustaining Riga as an investment center of region”, project “Science bond. Innovations for economical development and business support in the Baltic region”, project “Planning and improvement of dimensional structure of the Palace Square”, construction project “Savanna of Africa”, project “CITIE4DEV, etc..

In 2011, Riga Municipality ECSD implemented 19 projects co-financed by EU and other international financial instruments and launched another 4 new projects with a total sum of 21 082 951 lats, int. al.:

- ERDF project “Informatization of Riga City Educational Institutions”;
- ERDF project “Provision of Appropriate Material Supplies Required for the Implementation of High Quality Natural Science Programs in 63 Riga secondary schools”;
- ERDF project “Attracting youth to NGOs, sports and to out-of-school educational programs”;
- ESF project “Promotion of Educators’ Competitiveness Within the Optimization of Educational System”;
- ERDF financed project “Improvement of infrastructure and equipment of 13 Riga special education institutions”;
- Nordic Council of Ministers international grant program “NodrPlus” “Vision of Effective Future School”.

In 2011, were finished such ESF projects as, “Innovative Solutions for Reducing Social Exclusion of Social Young People Groups at Risk”, “Support to Ensure Sufficiency of General Education Educators in Priority Subjects”, “Implementation of Support Measures for Social Exclusion Decrease of Youth and Integration of Disabled Youth into Education in Riga 3 Special Elementary School” and such ERDF projects, as “Creative Metropolises. Policy and Tools for Support of Creative Industries”, etc. international projects.

Riga Municipality is a cooperation partner and regularly takes part in activities of following international organizations and institutions:

- Union of Baltic Cities (UBC), uniting 106 cities in 10 countries of the Baltic Sea region;
- Union of European Union Capitals (UCEU);
- Modern times Union of Hanseatic Cities (Städtebund DIE HANSE);
- Network of major European cities EURO CITIES;
- Baltic Metropolises cooperation network (BaltMet);
- European Union Committee of the Regions (CoR);
- Association of European cities enabling sustainable energy policy Energy Cities;
- International Council for Local Environmental Initiatives” (ICLEI);
- Organization of World Cultural Heritage Cities (OWHC);
- European Council Committee on Local and Regional Democracy (CDLR);
- Network of European cities “Cities for Children”, etc. organizations.

In 2011, Riga City Council Foreign Relations Section also coordinated and provided a number of other international events, int. al.: participation in events of various kind and importance in Bremen, Pori; visit of Riga City Council official delegation in Amsterdam, Budapest, Dallas, Helsinki, Kiev, Moscow, Rostock, St. Petersburg, Stockholm, Tallinn, Tbilisi, Warsaw etc. cities; Riga was visited by officials and businessmen delegation from Beijing, Suzhou. In 2011, in total 169 Riga City Council management, committees’ members’ and departments’ officials’ foreign business trips were organized and provided 37 foreign delegation visits to Riga City Council.

## PROMOTION OF INHABITANTS' AWARENESS AND EDUCATION AND COOPERATION WITH PRIVATE SECTOR

### PROMOTION OF INHABITANTS' AWARENESS AND EDUCATION

A lot attention in Riga City Municipality activities is paid to develop direct link between municipality and society. In this process investigation of inhabitants' position has essential importance. Riga Municipality regularly orders social surveys on import municipality's operation issues. In 2011, four such researches were performed, including questions on inhabitants' opinion about implemented improvements in social services sphere, changes in traffic control, organized cultural events and other activities performed by Riga Council par. Survey results as well as Rigan viewpoints expressed in public discussions are used in further activities; they affect either Riga Municipality decisions, or development and their progress.

In 2011, the information on planning and execution of the Municipality budget, on City Council work priorities, on improvement of city's environment, on new development projects and construction plans, as well as important investment and cultural projects was provided to inhabitants on regular basis. Inhabitants are regularly informed also on amendments in municipal binding rules and regulations, on examination process of privatization and alienation proposals, on procedures of conclusion of contracts, organization of public sales, purchase criteria, various project competitions, cooperation with NGO, business environment, raise of EU funds and many other issues.

Municipality actively cooperates with mass media in order to inform society about processes in Riga. Press conferences of Riga City Council officials were organized, where the information about the decisions made and current events in Riga Municipality was provided to mass media. Important information is published in newspapers and Riga Municipality's portal [www.riga.lv](http://www.riga.lv), content of which is renewed and updated several times a day. All the most important information on City and Municipality is available: laws and regulations, agenda, documents under review, resolutions passed and prepared resolution projects of Riga City Council, Executive Council and committees, information about planned and actual events in City and Municipality. Portal offers information on Municipality structure, competences of municipal structures and officials, contacts.

Important role in inhabitants' provision with information plays Visitors' Reception Centre (VRC), what is operating in the Central building and also in Riga Municipality Executive Boards, providing people with the necessary information directly or over the phone. VRC are offering free of charge legal advices. There is free of charge phone 80000800, provided to inform the City's inhabitants.

In order to study the possible cooperation patterns between inhabitants, non-governmental institutions and municipality, analyze obstacles for a successful cooperation and find solutions for further cooperation, forum "Riga resounds – inhabitants speak" was organized by ECSD for the second time in 2011.

Advisory Council of Social Integration Issues, Advisory Council of Non-governmental Organizations of Disabled Persons, Council of Christian Congregations of Riga City etc. institutions, whose bodies included Riga City Council deputies, officials and non-governmental representatives have performed an active work so as to provide non-governmental sector's closer membership in planning, implementation and evaluation of Riga Municipality social integration policy.

### COOPERATION WITH PRIVATE SECTOR

In 2011, 19 public discussions took place, int. al.:

- 1) 4 public discussions on construction preliminary plans and 3 Riga Municipality resolution projects were prepared;
- 2) 6 public discussions on Riga Municipality planning documents and impact on environment appraisals of various scale;
- 3) 4 detailed plans were put for public discussions;
- 4) 18 resolutions on developing formulation of detailed plans were prepared.

During the public discussions, 645 comments on construction preliminary plans and 8 written comments from physical and legal entities on detailed plans were received. In total 653 inhabitants expressed their opinion in public discussions, int. al. 89 of them have expressed their opinion electronically on e-portal [www.riga.lv](http://www.riga.lv).

In cooperation with British Council Latvia, Department has organized the first service design seminary "Closer to You" in 2011, where the "design thinking" in solving problems of service sphere, service creation and evaluation of effectiveness was popularized. Service design approach is especially helpful in city planning and in communication and cooperation between the inhabitants and municipality, in planning information, transportation, educational, cultural, social and other services.

In November 2<sup>nd</sup> Riga Neighborhood forum took place, where more than 80 participants from Teika, Ilguciems, Tornakalns, Kengarags, Mezaparks and other Riga neighborhoods took part, as well as Municipality's and specialists from various creative sectors. There was projects idea generation session "JOINT WORK of initiatives" in forum, where its members obtained contacts and knowledge for realization of neighborhood initiatives. Consultations on city planning, project launching and foundation of neighborhood movement were rendered in the forum.

### LAUNCHED PROJECTS THAT WILL BE CONTINUED

■ In 2012, was planned to continue work on raising Cohesion funds for the next 2014-2020 planning period up to 85% from the total amount of Northern Corridor 1<sup>st</sup> stage 1<sup>st</sup> set (Start project) implementation. Planned in 2012:

- 1) To start draft of technical project for Northern Corridor 1<sup>st</sup> stage 1<sup>st</sup> set (Start project);
- 2) To start draft of sketch project for alternative submerged tunnel Northern crossing of the river Daugava;
- 3) To finish examination of project's juridical and financial issues within EC co-financed TEN-T 2007 project during the 1<sup>st</sup> half of 2012 and to complete all the implemented activities of this project according to the planned terms of 30 June, 2012;
- 4) To continue work on Northern Corridor project PPP tender documentation preparation in 2012, which total completion is planned by March of 2012.

■ "Baltic Sea Innovation Network Centres" (BaSIC) continuing work on the project, following activities are planned to be performed:

- 1) Provide Market Access point (MAP) operation in terms of reference;
- 2) Maintain project home page [www.basic-net.eu](http://www.basic-net.eu).

■ Revitalization of Riga City's degraded territories project, planned in 2012:

- 1) To perform construction tender according to developed technical project of revitalization of degraded territories on Maskavas, Krasta and Turgeneva streets;
- 2) To start the initial construction works (construction works are planned to complete by November of 2013).

■ Project "Strengthening tourism potential of Grizinkalns cultural heritage", planned in 2012:

- 1) To finish 1<sup>st</sup> stage constructions works in Riga, on Krasotaju Street 12, to announce a tender for the 2<sup>nd</sup> stage constructions works;
- 2) To install security cameras (32 cameras);
- 3) To set up street name signs (30 street name signs);
- 4) To set up 2 tourist stands;
- 5) To set up historical street name signs and building number plate on Murnieku Street.

■ Revitalization of Grizinkalns and alongside Miera darzs territories project, planned in 2012:

- 1) To draft Ziedondarzs and Grizinkalns park technical projects (to approve by Riga City Construction Directorate);
- 2) To perform the initial construction works in Ziedondarzs and Grizinkalns park;
- 3) To draft technical project of street and street illumination reconstruction of Ziedondarzs and Grizinkalns park territories;
- 4) To announce a tender for street and street illumination reconstruction of Ziedondarzs and Grizinkalns park territories;
- 5) To announce a tender for Miera darzs reconstruction.

■ LIFE + project Riga against the flood planned in 2012:

- 1) To draft Riga City flood risk management plan;
- 2) To draft Methodological guidelines of territory planning for flooding territories;
- 3) To provide Project's publicity and society's understanding about Project's activities and results.

■ INTERREG IVB program project "Baltic Sea Region Cooperation Network Project - Eco Region" preparation of the final report;

■ Neighborhood development project:

In 2012, after the evaluation of accessibility and quality of methodology services on neighborhood level, the evaluation of other Riga neighborhoods is planned. Creativity workshop for neighborhood activists is planned by October of 2011. In 2012, work on implementation of neighborhood idea fund will be continued;

■ Maintenance and development of home page [www.apkaim.es.lv](http://www.apkaim.es.lv):

Regular update of statistical data on neighborhoods will be performed. There will be placed information on various events organized in neighborhoods. Renewed neighborhoods' profiles; diversified choice of photos.

■ Also will be continued such projects as: project "Create Riga", project "Sustaining Riga as an investment center of region", project "Science bond. Innovations for economical development and business support in the Baltic region", project "Terbatas Street with priority for pedestrians 1<sup>st</sup> stage preparation", project "Planning and improvement of dimensional structure of the Palace Square", construction project "Savanna of Africa", project "CITIE4DEV "Access to good, clean and fair food: "food communities" experience"", project "Improvement of fire security in historical buildings", etc..

■ Foundation "Riga 2014" continued work in 2012. Based on recommendation of international monitoring jury of European Commission and consulting with other offices of Cultural Capital of Europe, Riga City Council passed a decision on creation of foundation "Riga 2014" in 2011. Implementation of foundation's goal defined in articles of association is "Riga – of Cultural Capital of Europe 2014", providing preparation and management of events for Riga as Cultural Capital of Europe 2014. Riga 2014 program goals are to facilitate creative and innovative approach of cultural development, to show diversity of culture of Europe, to mark out and present interconnections between culture, education and national economy branches, as well as to bring forward membership principles in the base of cultural development.

## MAIN TASKS OF THE NEXT YEAR AND PLANNED COOPERATION PROJECTS

There are number of strategically important long-term development activities what are planned in Riga during 2012, int. al.:

□ To work out Riga Development Program of 2014–2020 and to start Riga Long-term Development Strategy to 2025. Approval of documents in Riga City Council is planned by the end of the year.

□ To work out research within Riga Development Program of 2014–2020 Riga Long-term Development Strategy to 2025:

- 1) Research on other 55 Riga neighborhoods' evaluation is planned to be performed, according to methodology of evaluation of quality and accessibility of services developed in 2011;
- 2) Research "Evaluation of potential of Riga development centres and structural plan";
- 3) Research "Inspection of buildings under construction, unfinished buildings and construction sites and suggestions for improvement of the situation";
- 4) Research "Demographics and development prognosis in Riga and its agglomeration";
- 5) Research "Situation with lodging in Riga and development prognosis".

□ Development of report on implementation of strategy in Riga Municipality (Strategy Supervision System SUS). In 2011, report on implementation of strategy in Riga Municipality will be developed. Annual questionnaire of inhabitants on satisfaction with services rendered by municipality was performed within the framework of report development;

□ Maintenance and update of home page [www.sus.lv](http://www.sus.lv);

□ Territory plan (detailed plans):

Detailed plans which are planned to be approved in 2012:

- 1) For territory near Dreilini, between Kaivas Street, A.Degalava Street, E.Valtera Street and Dzelzavas Street;
- 2) Detailed plan of Sampetera Street and alongside territory;
- 3) For territory between Liduma Street, Gailezera Street and alongside territory;
- 4) Detailed plan of culture and recreation park "Mezaparks";
- 5) Detailed plan of territory between Juglas Street and Maza Juglas Street;
- 6) For territory between Juglas Street, Udelu Street and Maza Juglas Street;
- 7) Kiburgas Street 11;
- 8) For territory of Padures Street;
- 9) For territory of Mangalsala;
- 10) For territory of Hospitalu Street.

Detailed plans which are planned to be worked out in 2012:

- 1) For territory of Ūnijas Street 58A, Ūnijas Street 60 and alongside territory;
- 2) For territory of Ratsupites Street;
- 3) Detailed plan of Kliversala;
- 4) For land lot on Ozolciema Street;
- 5) For land lot of "Cakaru maja";
- 6) For land lot on Kokneses Avenue 2;
- 7) For territory near the Jugla Channel;
- 8) For territory in Suzi;
- 9) For territory between Maza Udens Street, Daugavgrivas Street and the Zunda Channel;
- 10) Territory between Mukusalas Street 41.

□ Development of territory plan changes of Historic Centre of Riga and its protection area:

Public discussion and approval of the final redaction of territory plan modifications for the Historic Centre of Riga and its protection area is planned, as well as organization of public discussion on left bank silhouette of the river Daugava concept and its approval;

□ Document register of Riga City Municipality development plan:

Forwarding internal regulations of development of Riga City Municipality development plan documents for approval in Riga Council and creation of register;

□ Neighborhood project:

It is planned to pay a special attention within Neighborhood project on those neighborhoods, where community's support organizations are developing. Municipality will facilitate development of non-governmental organizations in neighborhoods and their cooperation with municipality, as well as creative seminary will be organized by for neighborhood activists and Neighborhood idea fund will be implemented.



## RIGA MUNICIPALITY FINANCIAL STATEMENTS (SUMMARY)

RIGA MUNICIPALITY SUMMARY BALANCE SHEET	31.12.2010 (k LVL)	31.12.2011 (k LVL)
<b>ASSETS</b>	<b>2 489 184.2</b>	<b>2 513 359.5</b>
<b>Long-term assets</b>	<b>2 333 835.2</b>	<b>2 379 586.5</b>
<b>Intangible assets</b>	<b>4 491.3</b>	<b>3 584.9</b>
Development activities and programs	621.1	536.4
Licenses, concessions and patents, trademarks and similar rights	3 703.0	2 877.9
Other intangible assets	97.0	72.3
Creation of intangible assets	64.2	92.3
Prepayments on intangible assets	6.0	6.0
<b>Tangible fixed assets</b>	<b>1 898 717.5</b>	<b>1 947 632.5</b>
Land, buildings and structures	1 621 739.9	1 854 488.4
Technological equipment and machinery	1 242.9	1 308.1
Other tangible fixed assets	25 356.9	27 401.2
Creation of tangible assets and unfinished construction	222 706.8	54 422.1
State and municipal real estate property assigned for actual possession	15 862.2	-
Biological and underground assets	6 762.2	6 761.8
Long-term investments in leased assets	819.4	796.5
Advance payments for tangible fixed assets	4 227.2	2 454.4
<b>Financial investments</b>	<b>430 626.4</b>	<b>428 369.1</b>
Investments in equity capital of related enterprises and impairment of investments in equity capital of related enterprises	380 424.7	381 775.1
Investments in equity capital of associated enterprises and impairment of investments in equity capital of associated enterprises	34 293.5	34 306.3
Long-term loans	3 322.1	2 595.3
Long-term requirements	12 586.1	9 692.4
<b>Current assets</b>	<b>155 349.0</b>	<b>133 773.0</b>
<b>Inventory</b>	<b>50 544.3</b>	<b>38 832.2</b>
<b>Accounts receivable</b>	<b>13 155.8</b>	<b>7 537.0</b>
<b>Prepaid expenses</b>	<b>2 086.9</b>	<b>2 594.2</b>
<b>Securities and short-term investment in equity capital</b>	<b>5 700.8</b>	<b>6 736.3</b>
<b>Cash and cash equivalents</b>	<b>83 861.2</b>	<b>78 073.3</b>
<b>LIABILITIES</b>	<b>2 489 184.2</b>	<b>2 513 359.5</b>
<b>Equity</b>	<b>1 972 612.7</b>	<b>1 967 811.8</b>
<b>Reserves</b>	<b>110 770.0</b>	<b>110 017.3</b>
<b>Results of the budget execution</b>	<b>1 861 842.7</b>	<b>1 857 794.5</b>
Retained budget surplus for the prior financial years	1 785 490.3	1 861 842.7
Budget surplus or deficit for the financial year	76 352.4	-4 048.2
<b>Provisions</b>	<b>1 149.6</b>	<b>517.5</b>
<b>Liabilities</b>	<b>515 421.9</b>	<b>545 030.2</b>
<b>Long-term liabilities</b>	<b>475 338.9</b>	<b>498 547.6</b>
Long-term borrowings	98 974.2	100 480.6
Long-term liabilities to suppliers and contractors	269 241.3	279 817.7
Long-term accrued liabilities	48 736.8	66 544.0
Other long-term liabilities	58 386.6	51 705.3
<b>Current liabilities</b>	<b>40 083.0</b>	<b>46 482.6</b>
Current liabilities and current part of long-term liabilities	9 138.8	8 728.5
Current liabilities to suppliers and contractors	11 848.6	15 500.1
Current liabilities for prepayments received	482.7	626.9
Current accrued liabilities	8 462.8	13 278.2
Wages and deduction payments (excluding taxes)	598.2	218.1
Taxes and social security payment	1 715.5	351.3
Other current liabilities	2 513.2	1 694.4
Deferred income	5 323.2	6 085.1

**RIGA MUNICIPALITY FINANCIAL STATEMENTS  
(SUMMARY)**

<b>RIGA MUNICIPALITY SUMMARY BALANCE SHEET</b>	<b>31.12.2010</b>	<b>31.12.2011</b>
	(k LVL)	(k LVL)
<b>OFF-BALANCE SHEET</b>		
<b>Leased assets</b>	<b>1 901.1</b>	<b>1 111.8</b>
<b>Off-balance sheet assets</b>	<b>27 429.9</b>	<b>18 709.8</b>
Contingent assets	51.5	57.9
Fines and overdue debts receivable	360.6	329.5
Actions of detinue	0.6	0.6
Other off-balance sheet assets	27 017.2	18 321.8
<b>Off-balance sheet liabilities</b>	<b>439 439.5</b>	<b>447 172.1</b>
Outstanding prepayment invoices	5.6	40.7
Future rent payments	694.1	48 193.4
Future liabilities	420 781.6	380 304.5
Warranties issued	11 868.4	9 919.5
Other off-balance sheet liabilities	6 089.8	8 714.0

**RIGA MUNICIPALITY FINANCIAL STATEMENTS  
(SUMMARY)**

<b>INCOME STATEMENT</b>	<b>2010 actual (k LVL)</b>	<b>2011 actual (k LVL)</b>
Accrual basis		
<b>Total revenues</b>	<b>826 226.7</b>	<b>558 387.8</b>
<b>Total tax revenues</b>	<b>314 872.5</b>	<b>324 462.1</b>
Personal income tax	260 801.0	264 248.6
Property taxes	51 616.1	57 544.1
int.al. real estate tax on land	45 022.1	23 663.5
int.al. real estate tax on buildings	6 594.0	24 390.9
int.al. real estate tax on housing	-	9 489.7
Other tax revenue	2 455.4	2 669.4
<b>Total non-tax revenues</b>	<b>74 245.8</b>	<b>33 760.1</b>
Government (municipality) fees	1 755.2	1 936.6
Other non-tax revenues	72 490.6	31 823.5
<b>Total revenue from paid services and other own revenue</b>	<b>357 863.3</b>	<b>115 975.5</b>
<b>Total transfers</b>	<b>79 245.1</b>	<b>84 190.1</b>
State budget transfers	79 245.1	84 190.1
Earmarked subsidies for municipal budgets	59 931.3	62 656.0
Subsidies for municipal budgets	5 588.1	5 443.0
Other state budget transfers	13 725.7	16 091.1
<b>Total expenses by government function*</b>		
<b>Total expenses</b>	<b>750 355.9</b>	<b>562 482.5</b>
General governmental agencies	422 204.9	193 606.9
int.al. deposits to municipal cohesion fund	44 133.2	48 993.8
Public order and security	9 007.2	9 126.8
Economic activity	128 280.3	136 359.1
Environment protection	730.8	711.9
Municipal territory and housing management	16 127.2	16 043.5
Health care	117.2	371.3
Recreation, culture, and religion	10 705.1	13 191.5
Education	125 534.4	146 393.4
Social security	37 648.8	46 678.1
<b>Budget surplus or deficit</b>	<b>75 870.8</b>	<b>-4 094.7</b>

\*Statement of budget expenses by government function has been prepared in accordance with the Republic of Latvia Cabinet of Ministers Regulations No. 934 "Regulations on the classification of budget expenses by functional categories"

<b>INCOME STATEMENT ON DONATIONS AND ENDOWMENTS</b>	<b>2010 actual (k LVL)</b>	<b>2011 actual (k LVL)</b>
Accrual basis		
<b>Total revenues</b>	<b>2 325.6</b>	<b>1 091.7</b>
Donations and endowments from legal entities and individuals	<b>2 325.6</b>	<b>1 091.7</b>
Donations and endowments for education	316.7	190.1
Donations and endowments for social care	1 593.6	857.4
Other donations from legal entities and individuals	415.3	44.2
<b>Total expenses by government function*</b>		
<b>Total expenses</b>	<b>1 844.0</b>	<b>1 045.2</b>
General governmental agencies	18.7	16.4
Municipal territory and housing management	0.9	4.6
Recreation, culture, and religion	20.7	6.3
Education	210.8	156.5
Social security	1 592.9	861.4
<b>Budget surplus or deficit</b>	<b>481.6</b>	<b>46.5</b>

\*Statement of budget expenses by government function has been prepared in accordance with the Republic of Latvia Cabinet of Ministers Regulations No. 934 "Regulations on the classification of budget expenses by functional categories"

**RIGA MUNICIPALITY FINANCIAL STATEMENTS  
(SUMMARY)**

<b>INCOME STATEMENT</b>	<b>2010 actual</b>	<b>2011 budget</b>	<b>2011 actual</b>
Cash flow basis	(k LVL)	(k LVL)	(k LVL)
<b>Total revenues</b>	<b>434 409.2</b>	<b>429 582.6</b>	<b>459 712.6</b>
<b>Total tax revenues</b>	<b>309 334.3</b>	<b>306 537.7</b>	<b>321 734.5</b>
Personal income tax	261 023.4	254 950.0	263 815.7
Property taxes	45 855.6	49 317.7	55 249.4
int.al. real estate tax on land	19 114.2	20 523.6	22 464.7
int.al. real estate tax on buildings	26 741.4	21 380.7	24 829.2
int.al. real estate tax on housing	-	7 413.4	7 955.5
Other tax revenue	2 455.3	2 270.0	2 669.4
<b>Total non-tax revenues</b>	<b>18 219.0</b>	<b>16 138.8</b>	<b>29 381.7</b>
Government (municipality) fees	1 652.4	1 736.0	2 110.7
Other non-tax revenues	16 566.6	14 402.8	27 271.0
<b>Total revenue from paid services and other own revenue</b>	<b>23 024.2</b>	<b>25 549.7</b>	<b>23 668.6</b>
<b>Total transfers</b>	<b>83 831.7</b>	<b>81 356.4</b>	<b>84 927.8</b>
State budget transfers	83 831.7	81 356.4	84 927.8
Earmarked subsidies for municipal budgets	59 931.3	62 415.0	62 656.0
Subsidies for municipal budgets	5 703.5	6 505.0	5 355.8
Other state budget transfers	18196.9	12436.4	16 916.0
<b>Total expenses by government function*</b>			
<b>Total expenses</b>	<b>414 623.7</b>	<b>486 375.1</b>	<b>470 105.9</b>
General governmental agencies	69 209.5	78 550.3	85 839.9
int.al. deposits to municipal cohesion fund	43 988.8	48 637.0	50 162.6
Public order and security	8 179.7	9 718.4	9 670.1
Economic activity	105 520.0	126 896.5	117 674.9
Environment protection	917.0	1 639.3	1 138.3
Municipal territory and housing management	22 585.6	18 822.1	16 171.6
Health care	159.4	1 443.8	1 378.7
Recreation, culture, and religion	18 891.8	17 540.6	16 244.2
Education	145 136.0	174 055.6	165 495.5
Social security	44 024.7	57 708.5	56 492.7
Cash and cash equivalents at the beginning of the year	55 737.2	83 669.8	83 669.8
Cash and cash equivalents at the end of the year	83 669.8	38 688.4	77 891.1

\*Statement of budget expenses by government function has been prepared in accordance with the Republic of Latvia Cabinet of Ministers Regulations No. 934 "Regulations on the classification of budget expenses by functional categories"

<b>INCOME STATEMENT ON DONATIONS AND ENDOWMENTS</b>	<b>2010 actual</b>	<b>2011 budget</b>	<b>2011 actual</b>
Cash flow basis	(k LVL)	(k LVL)	(k LVL)
<b>Total revenues</b>	<b>1 774.1</b>	<b>1 025.2</b>	<b>928.0</b>
Donations and endowments from legal entities and individuals	1 774.1	1 025.2	928.0
Donations and endowments for education	66.9	108.0	55.4
Donations and endowments for social care	1 571.4	850.0	844.9
Other donations from legal entities and individuals	135.8	67.2	27.7
<b>Total expenses by government function*</b>			
<b>Total expenses</b>	<b>1 803.5</b>	<b>1 144.4</b>	<b>938.6</b>
General governmental agencies	10.3	48.0	13.8
Public order and security	-	1.1	-
Municipal territory and housing management	13.0	13.2	0.6
Recreation, culture, and religion	3.2	22.7	8.1
Education	204.5	198.2	65.7
Social security	1 572.5	861.2	850.4
Cash and cash equivalents at the beginning of the year	219.3	189.9	189.9
Cash and cash equivalents at the end of the year	189.9	70.7	179.3

\*Statement of budget expenses by government function has been prepared in accordance with the Republic of Latvia Cabinet of Ministers Regulations No. 934 "Regulations on the classification of budget expenses by functional categories"

**BASIS OF PREPARATION OF SUMMARY  
FINANCIAL STATEMENTS**

These summary financial statements including Riga City Municipality's summary balance sheet as of 31 December 2011, basic budget income statement for 2011 (accrual basis and cash flow basis) and income statement of donations and endowments (accrual basis and cash flow basis) are prepared on the basis of audited Riga City Municipality consolidated financial statement for 2011, based on following principles:

- Balance sheet is presented identical to that, what is included in audited consolidated financial statements of Riga City Municipality (k LVL) (Form No. 1);
- Basic budget income statements (accrual basis and cash flow basis) are prepared based on information, what is included in audited Riga City Municipality consolidated financial statement (Form No. 2) "Statement on budget execution" (basic budget). Income is classified in groups characterizing the type of the income in terms of economic activities, in compliance with regulations of Cabinet of Ministers of LR No. 1032 "Regulations on classification of budget income";
- Income statement of donations and endowments is prepared based on information, what is included in audited Riga City Municipality consolidated financial statement (Form No. 2) "Statement on budget execution" (donations and endowments). Income is classified in groups characterizing the type of the income of economic activities, in compliance with LR CM regulations No. 1032 "Regulations on classification of budget income";
- The result of budget execution of the financial year declared in the Riga City Municipality's balance summary balance sheet is calculated by adding up surplus or deficit indices of the Basic budget income statement (according to accrual basis) and income statement of donations and endowments (according to accrual basis).

According to paragraph 45.<sup>1</sup> 3. of regulations No. 777 "Regulations on preparation of financial statements of state budget institutions and municipalities" issued by the Cabinet of Ministers on 17.08.2010, information on Riga City Municipality's consolidated financial statements is available at the State treasury's home page from 1 July 2012.

## REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Riga City Council:

The accompanying summary financial statements set out on pages 33 to 37, which comprise the summary balance sheet as at 31 December 2011 and the summary statements of Main budget income and expenditure and Donations and endowments income and expenditure presented on accruals basis and cash flow basis for the year then ended and related notes are derived from the audited financial statements of Riga Municipality for the year ended 31 December 2011, as described in the Note "Basis of preparation of summary financial statements". We expressed a qualified opinion on those financial statements in our report dated 20 April 2012 (see below). Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by Regulations No. 777 issued by the Cabinet of Ministers of the Republic of Latvia "Regulations on preparation of annual report" dated 17 August 2010. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Riga Municipality.

### *Management's responsibility for the summary financial statements*

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note "Basis of preparation of summary financial statements".

### *Auditor's responsibility*

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

### *Opinion*

In our opinion, the summary financial statements derived from the audited financial statements of Riga Municipality for the year ended 31 December 2011 are consistent, in all material respects, with those financial statements, on the basis described in Note "Basis of preparation of summary financial statements".

However, the summary financial statements are misstated or possibly misstated to the equivalent extent as the audited financial statements of Riga Municipality for the year ended 31 December 2011.

The misstatement and possible misstatements of the audited financial statements are described in our qualified audit opinion in our report dated 20 April 2012. Our qualified audit opinion is based on the following:

### *Limitations of scope*

#### *(a) Completeness and accuracy of carrying amount of properties*

In 2009 the Municipality recognized in the balance sheet previously unrecognized land which was owned by or attributable to the Municipality, based on the information provided by the State Real Estate Cadastral Information System and amounts included in this system. Municipality also continues to identify buildings attributable to the Municipality which have not been previously recognised in the books of the Municipality. Such land and buildings are gradually being registered in the Land Register and during this process the ownership of properties with previously uncertain possession is clarified as well. As a result of this process, numerous adjustments are made to the recorded amounts concerning the carrying value of the properties and area of the land plots. It is expected that the value of the properties during subsequent periods will be adjusted as previously unrecognized buildings will be recorded in the accounts and the values and area of the recorded land plots and buildings attributable to the municipality will be clarified. As this process is ongoing, the management is not able to determine the amount of adjustments to the carrying value of the properties recorded which might be necessary as of 31 December 2011 and 2010. As a result, we were not able to obtain sufficient appropriate audit evidence about the completeness of the properties and accuracy of the carrying amounts of properties not yet registered in the Land Register which were recorded in the Municipality's consolidated financial statements as of 31 December 2011 and 2010.

#### *(b) Classification and recoverable amount of assets held for sale*

Inventories reported in the Municipality's balance sheet as of 31 December 2011 include properties held for sale with net book value of LVL 36 million (LVL 48 million as of 31 December 2010) based on their net book value before reclassification from fixed assets to inventories. Fixed assets reported on the balance sheet of the Municipality as of 31 December 2011 include residential buildings with net book value of LVL 20 million (LVL 19 million as of 31 December 2010). Part of these residential buildings are involved in the privatization process and, in our view, should be classified as assets held for sale. There is a risk that the proceeds received from the privatisation will be lower than the carrying amount of these properties if they are paid for by privatisation certificates which do not generate cash inflows to the Municipality.

The management has not carried out assessment of the fair value of the properties classified as held for sale and is unable to identify with reasonable certainty the properties which are involved in privatisation process as at 31 December 2011 and 2010. In this situation we were not able to obtain sufficient appropriate audit evidence about the recoverable value of assets held for sale and residential buildings involved in the privatisation process as well as classification of assets held for sale as at 31 December 2011 and 2010.

*(c) Accounting for grants related to non-current assets*

The Municipality uses foreign grants for financing of construction and acquisition of non-current assets. Up to 2010 the Municipality recognised these grants as revenue in the periods when the grant was received and did not initially recognise the grants related to assets as deferred revenue in the balance sheet with a subsequent recognition as a revenue over the useful life of the respective non-current assets, contrary to the requirements of the Regulations No. 1486 issued by the Cabinet of Ministers of the Republic of Latvia „On accounting of budgetary institutions”. Given the length of the time period during which such practice was carried out, the management is unable to determine the amount of adjustments which would be needed in order to present foreign grants in accordance with the requirements of regulations. Consequently, we were not able to obtain sufficient appropriate audit evidence on the completeness and accuracy of the deferred revenue amount arising from the foreign grants received in prior periods and related to non-current assets as at 31 December 2011 and 2010.

*(d) Recoverable amount of capitalised project costs*

As at 31 December 2011, the costs of Northern Crossing project in the amount of LVL 8 million (LVL 7 million as of 31 December 2010) have been capitalised in the Municipality's balance sheet as “Unfinished construction”. These costs mainly relate to impact on environment assessment, economical and technical feasibility studies and sketch design. Considering the current economic conditions in Latvia and magnitude of the total estimated project costs, there is a significant uncertainty related to timing and extent of realisation of this project. The management has not assessed the recoverable amount of capitalised Northern Crossing project costs amounting to LVL 8 million as of 31 December 2011 and as of 31 December 2010. In the absence of reliable information to assess the recoverability of this asset, we were unable to satisfy ourselves as to the carrying value of capitalised Northern Crossing project costs as of 31 December 2011 and 2010 by other audit procedures.

*Material misstatement*

In 2008 Municipality entered into the interest rate SWAP agreement with maturity in 2028. According to the Regulations No. 1486 issued by the Cabinet of Ministers of the Republic of Latvia „On accounting of budgetary institutions”, derivative financial instruments should be valued at fair value. The Municipality has not recorded this derivative financial instrument at its fair value. A liability of LVL 18 million has been recorded in other non-current creditors as at 31 December 2011 representing cash received up to this date from the counterparty to this contract. Based on our estimate, the fair value of this derivative financial instrument would result in the liability of approximately LVL 48 million as at 31 December 2011. Had the Municipality accounted for this derivative financial instrument at its fair value, the non-current financial liabilities as at 31 December 2011 would have increased and the expenses and deficit for the year then ended would have increased by LVL 30 million.

Our qualified audit opinion states that, except for the possible effects of the scope limitations described in the sections (a) to (d) and for the effect of the material misstatement described above, those financial statements give a true and fair view of the financial position of the Riga Municipality as of 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with the Regulations No. 777 issued by the Cabinet of Ministers of the Republic of Latvia “Regulations on preparation of annual reports”.

PricewaterhouseCoopers SIA  
Certified audit company  
Licence No. 5



Ilandra Lejiņa  
Member of the Board



Lolita Čapkeviča  
Certified auditor in charge  
Certificate No. 120

Riga  
29 May 2012