

# RIGA MUNICIPALITY ANNUAL REPORT 2012





Riga, 2013

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## REPORT OF RIGA CITY COUNCIL CHAIRMAN



Financial and economic state of Riga City is characterized by stability and improvement in several spheres, as well as gradual growth of employment rate and compensation during the financial year.

In 2012, Riga City Municipality's budget and tax revenues continued to increase. Budget revenue has increased by 3% compared to the previous year, but Municipality's budget tax revenues increased by 7%. Based on of employment rate and compensation growth in the city, the most increase was observed in Municipality's main revenue source - personal income tax, increasing the income by 20 million lats. Municipality budget real estate tax revenues increased by 4 million lats. Municipality's non-tax revenues plan was overachieved by 48%. However, compared to the previous year, earmarked state subsidies decreased significantly, what was by 6 million lats less than in 2011.

Due to Municipality's continuous implementation of strong budget expense control, budget expense increased only by 2,5%, so it was slower than revenue increase. Thereby one of the most important municipal budget execution criteria was improved - the proportion of the revenue against the expense, which increased by 119% during the financial period. As a result of successful budget execution a significant budget deficit decrease was achieved - from 56 to 14 million lats.

Regardless of limited financial resources, municipality ensured execution of all the municipal functions during the financial year.

Education still has the biggest proportion in Riga City Municipality budget expense structure, where the amount of 161,5 million lats were allocated during the financial year, forming 33% from the total municipal budget expense.

During the financial year, Riga City Municipality continued the launched activities in education sector - improvement of institution infrastructure, preschool educational institution network enlargement, also by cooperation with private sector as well as enlargement

of out of school and interest education activities. In order to implement the determined tasks on improvement of preschool educational institution network in 2012, an additional 15 preschool educational groups were formed, providing another 296 children with places in preschools.

Free public transport for 5<sup>th</sup> - 12<sup>th</sup> grade comprehensive school students, introduced as of 1<sup>st</sup> of September of the financial year, can be considered as a significant contribution to the improvement of Riga City education, demographic and social situation, and was applied also for vocational school students in 2013.

The results of Municipality's budgetary and fiscal policy execution in 2012 are demonstrated by changes in the structure of the Municipality's budget expense by economic activity functions.

The major expense reduction - by 24% was observed in municipal managerial staff expense, at the utmost increase for its part was in the economic activity sector, where expense increased by 20 million lats (by 17%).

Regardless of cutting off state co-financing for the guaranteed minimum income benefit and apartment benefit, municipality continued financing these benefits from its own resources without reducing the amount of these benefits. The amount of 26,7 million lats was allocated to the social benefits during the financial year.

In 2012, Riga City Municipality also continued support program for low-income and persons of moderate means launched in previous years, by providing them with hot meal in five Riga soup-kitchens. The number of places provided in night shelters is increasing year by year - if there were 769 places provided in 2011, then 889 places were proved at the beginning and 957 places at the end of 2012.

Municipality increased city development project execution expense by co-financing EU fund projects and by execution of municipal investment program during the financial year. In 2012, capital expenditure from the municipal budget increased by 15 million lats (by 21%), compared to the last year, stimulating improvement of economic state of the city and development of new vacancies.

In 2012, construction of several transportation infrastructure projects, that were launched in previous periods, were finished, for example, reconstruction of Akademika Mstislava Keldisa Street from Ulbrokas Street to Lubanas Street, construction of South Bridge over the river Daugava right bank access, what improves bridge access connection to city's street network and object exploitation efficiency, performed reconstruction of crossing of Karla Ulmana Avenue and Beberbeku Street, as well as ERDF and private investor co-financed reconstruction project of Krisjana Valdemara Street and Daugavgrivas Street traffic hub and South Bridge 3<sup>rd</sup> stage construction were continued.

As a result of tourism facilitation policy performed by municipality, tourism sector continued to grow during the financial year. In 2012, the number of tourists served in Riga hotels and other tourist lodgings increased by 3% compared to the previous year, the number of overnight stays in tourists' lodgings increased by 8%.

Unfortunately the financial state of the municipality was affected by the implementation of government tax policy measures also during the financial year, reducing the proportion of personal income tax against tax revenues decreased from 82% to 80%.

The effect of the State tax policy upon municipal finance will be even more significant for the next following years, taking into account tax rate reduction implemented by government. If the government will not compensate the reduction of personal income tax rate, it could endanger the execution of municipal functions by reducing the municipal budget revenue.

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.

Municipality's loans, guaranties and other long-term debt portfolio management is guided towards limiting and preventing financial risks by means of derivative financial instruments, as well as by precluding uncontrolled growth of expense of financial resources. In case of necessity Riga City Municipality revises the indicators of loans, guaranties and other long-term debt portfolio structure according to their compliance with macroeconomics, situation and prognosis of financial market.

Municipality's total debt commitments did not exceed the Municipality's budget revenue at the end of the year, providing the execution of the debt management strategy criteria.

New loans, guaranties and other long-term debt management strategy for 2013 - 2017 was approved, maintaining and improving the amassed experience of the previous Municipality's debt management strategy.

In 2012, Riga City Municipality continued cooperation with international credit rating agencies - "Standard & Poor's" and "Moody's Investors Service". Credit rating agency "Standard & Poor's" approved Municipality's financial and budget policy of the previous years, implemented budget expense control measures, as well as Municipality's sufficient financial liquidity for covering undertaken liabilities during the next years and at the end of 2012 raised the long-term development credit rating of Riga City by two notches from BB+ to BBB with positive development perspective. 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.

Riga City Municipality's cash and cash equivalents at the end of the 2012 was 67,5 million lats, it increased by 11,8 million lats if compared with the end of the 2009.



**N. Usakovs**  
Riga City Council Chairman

## REPORT OF RIGA CITY COUNCIL FINANCE DEPARTMENT DIRECTOR



During the financial year, improvement of economical and financial state was observed in Riga and growth of employment rate and compensation. Riga City budget revenue has increased by 3% compared to the previous year, however the increment rate was slower than year before when it reached 5,8%. Compared with the reached level in period before crisis (year 2008), budget revenue during the financial year are still lower by 22% (by 133,2 million lats). This determines the necessity to continue municipal budget optimization policy initiated in the previous years and preclude expense growth.

In 2012, municipality's budget tax revenues increased by 23,9 million lats (by 7,4%) compared to the previous year. With the growth of employment (by 3,9% compared to the previous year) and compensation rate (by 2,8%) in Riga, Riga City Municipality budget personal income tax revenues increased by 19,7 million lats (by 7,5%) compared to the previous year. During the financial year, growth of the personal income tax revenues was 83% from the total growth of tax revenue. In 2012, increased also budget real estate tax revenues - by 3,6 million lats (by 6,4%), compared to the previous year, forming 15% from the total growth of tax revenue. Although growth of gambling tax revenues were 16% and natural resources tax revenues increased even by 46% compared to the previous year, because of the small proportion of these taxes it were just 2% from the total growth of tax revenue (0,6 million lats). General tax revenue plan of 2012 was fulfilled by 101,3%.

During the financial year, government and municipality fees (fines revenues) plan was overachieved by 12,8%, collecting additional 1,4 million lats of this income item. Although capital selling revenues (and rent) plan 2012 was significantly overachieved, revenues of this income item were down by 4 million lats of the previous year result, mostly because of comparatively lower revenues from the privatization. Proceeds provided by public authorities also were less by 1,9 million lats (by 7,9%) than in 2011. In 2012, earmarked subsidies from the

state budget were less by 5,7 million lats (6,7%) than in the previous year. It should be noted, that the proportion of earmarked subsidies from the state budget in municipal basic budget structure has decreased from 23% to 17% during the period between 2008 and 2012. Though economic development was observed and situation in financial sector remained stable in 2012, municipality's work was still affected by tax policy measures implemented by government (by reducing the municipal proportion in distribution of personal income tax from 82% to 80%), as well as by long-term liability and borrowing restrictions applied to municipalities.

During the financial year, a significant decrease of planned budget deficit was achieved by means of strong control over budget - from 55,5 million to 13,7 million lats at the end of the years. Important proportion of Municipality's budget execution was maintained - operational expenses were fully covered by municipal revenue and surplus of the revenue (revenue/maintenance expenses) was 19% (in previous year - 18%). During the financial year, maintenance expenses increased by 2,5% compared to the previous year, but did not exceed 3% revenue increase. The maintenance expense that increased the most during the financial year was expense item "interest payment" - by 7,3 million lats (by 56%), starting commitment fee on South Bridge 2<sup>nd</sup> stage construction, as well as subsidies and endowments expense items - by 7 million lats (by 11%).

During the financial year, social expenses, for its part, were less by 2,9 million lats (1,2%) compared to the previous year. Expenses on social benefits reduced by gradual improvement of social sphere, it were by 3,9 million lats (by 12,7%) less than in the previous year.

Despite conditions of limited budget resources, taking into account the necessity to facilitate the realizations of city's development projects, a significant capital expenditure increase was provided during the financial year - by 15,1 million lats (by 21,1%), compared to the previous year, reaching the highest capital expenditures level since 2008.

In 2012, Riga City Municipality Finance Department continued successful execution of "Riga Municipality loans, guaranties and other long-term debt management strategy for 2008 - 2012", by fulfilling all the liability portfolio's management criteria defined by the strategy, as well as, taking into account experience of the previous strategy execution, developed new improved and supplemented strategy for 2013 - 2017. Total amount of the Riga City Municipality's liabilities did not exceed the 100% level defined by strategy and was 94% from the revenue at the end of 2012.

In 2012, Riga City Municipality Finance Department continued implementation of financial accounting and control of Riga City Municipality co-financed EU projects, providing utilization of EU Funds for financing Riga City Municipality development and social projects.

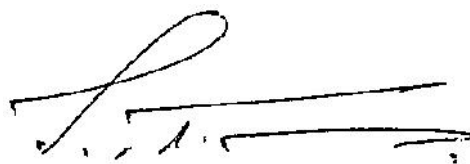
Riga City Municipality Finance Department continued cooperation with international credit rating agencies - "Standard & Poor's" and "Moody's Investors Service".

Credit rating agency "Standard & Poor's" positively evaluated financial and budget stabilization measures implemented by Riga City Municipality during the crisis period, as well as Riga City Municipality's sufficient financial liquidity for covering undertaken liabilities during the next years and at the end of December 2012 raised the long-term development credit rating of Riga City by two notches from BB+ to BBB with positive development perspective. As a result of it Riga City Municipality's credit rating is equal to Latvia's credit rating determined by this credit rating agency.

In 2012, Riga City Municipality Finance Department continued execution of Municipality's improvement measures of organization structure, bookkeeping and financial system of settlements. In order to achieve paper financial and bookkeeping documents replacement with electronic documents, electronization of documents were performed in Riga City Municipality Finance Department during the financial year.

To improve Riga City inhabitants' possibility to pay for services rendered by municipality and to ensure possibilities of clearing transactions, in 2012, Riga City Municipality Finance Department performed purchasing tender for POS terminal introduction in Riga City Municipality's institutions. 40 stationary and 12 mobile POS terminals were installed in municipal institutions during the financial year, offering an opportunity for inhabitants to pay for municipal services without paying commission.

Considering cautious fiscal policy principles, Riga Municipality budget 2013 was prepared and approved during the financial year, what provides the financing of municipal basic functions under conditions of limited budget resources, as well as prescribes increased expenses for development projects' execution. As a result of financial management and budget policy implemented by Riga City Municipality Finance Department, execution of municipal basic functions was provided with sufficient financial resources during the financial year, maintaining sufficient reserves of financial resources for Municipality's debt discharge of the following years.



**I. Tīkņuse**  
Riga City Council Finance Department Director

## RIGA CITY POPULATION

### POPULATION

The number of Riga inhabitants was corrected according to population census 2011, reducing it by 7%. As of beginning of 2013 there were 650,5 thousand inhabitants living in Riga.

The number of Riga inhabitants has constantly reduced since 2000, reducing by 115,9 thousand people (by 15%) in total. 2000 - 2001 migration negative balance in Riga has reached 12,9 people per 1000 inhabitants. In 2006, it gradually reduced to 2,2 people as the economical situation improved. However under the influence of crisis as of 2008 a significant growth of migration negative balance was observed reaching even 17 - 18 people per 1000 inhabitants in 2009 - 2010.

In 2012, the number of able-bodied age inhabitants continued to decrease under the influence of demographic processes, reducing by 12,3 thousand within a year, dropping from 65% in 2011 to 64% in the financial year. The proportion of able-bodied age inhabitants in 2012 formed 22,7% from total number of city inhabitants (increasing the proportion by 0,6 percentage points within a year). Proportion of children and youth has slightly increased - from 12,9% to 13,3%.

### ETHNICAL COMPOSITIONS

National structure of Riga City Municipality's inhabitants has slightly changed according to population census 2011 data, by increasing the Latvian proportion a bit.

### EMPLOYMENT

The number of the employed in Riga City are increasing already the second year in turn after crisis, compared to the previous year it has increased by 11,3 thousand people (by 3,9%). According to population census 2011 corrected data there were 304,2 thousand employed in Riga City in 2012.

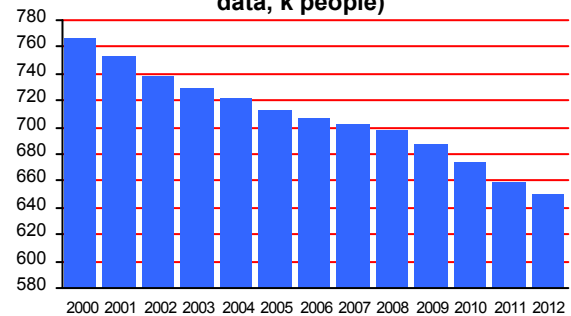
During the financial year, 2011 year tendency of growing employment rate remained in capital (3,9% compared to the previous year), overtaking the growth rate in the rest of the state (2,2%), what indicates relatively faster recovery of the labour market in Riga after crisis.

Considerable changes took place in Riga employment structure during the period of economic crisis. The number of employed in industry sector reduced by 22 thousand (by 36%) compared to 2008, decreasing the industry's proportion from the total number of the employed from 16% to 12,8%. Also the number of the employed in the construction sector has reduced by more than a half (from 42,8 thousand in 2008 to 20,6 thousand in 2012), as well as in state administration sector - by 9,7 thousand (by 36%). Major proportion growth against the overall employment reduction was observed in finance and real estate sectors, as well as in education and health care.

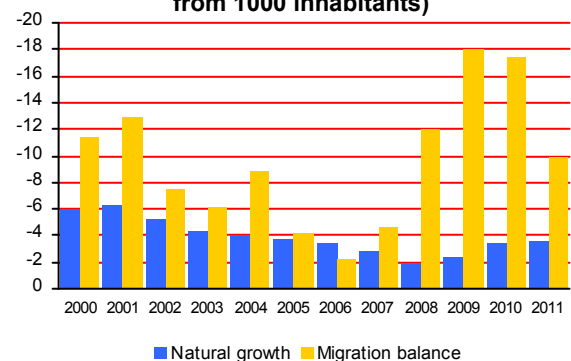
### UNEMPLOYMENT

In 2012, the unemployment continued to reduce in Riga, reducing by 8,4 thousands within one year. There were around 21,4 thousands unemployed in Riga by the end of the year, reducing unemployment rate to 6,4%.

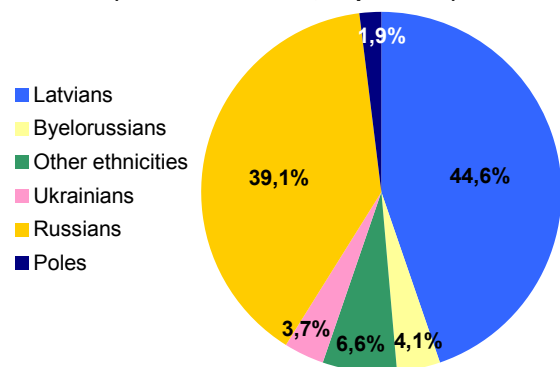
Riga City population at the beginning of the year (recalculated according to population census 2011 data, k people)



Changes in Riga population number affected by natural growth of population and migration (people from 1000 inhabitants)

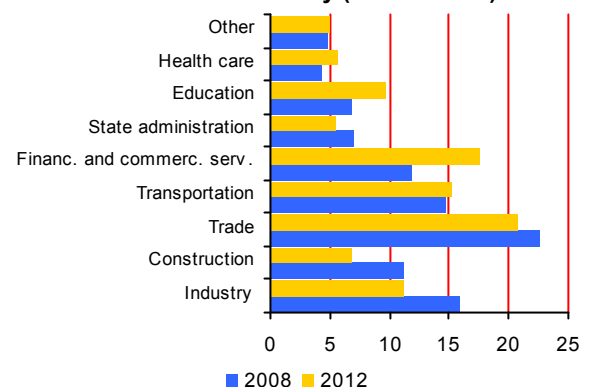


Ethnical composition of Riga inhabitants (as of end of 2012, in percent\*)



\*According to population census 2011 data.

Distribution of employed inhabitants in Riga by type of economic activity (% from total)





### COMPENSATION

In 2012, average gross compensation in Riga has increased by 2,8% compared to the previous year. In private sector it reached 517 lats, exceeding the pre-crisis maximum level by 4,4% (495 lats in 2009). Though average compensation in state administration in Riga reached 601 lats per month during the financial year, it still is down by 9% of the maximum pre-crisis level (659 lats in 2008).

In 2012, average gross compensation in Riga exceeded 2008 level by 1%, however, taking into account rise in price, the actual compensation in the city was down by 8% from the 2008 level. In 2012, the highest recorded average monthly salary in Riga City by sector was in financial activity sector, where it reached 1 018 lats per month, the lowest - sector of real estate operations - 438 lats per month.

### RIGA MUNICIPALITY ECONOMIC STATE

After significant drop during the crisis period, Latvia gross domestic product is increasing already the second year in turn and compared to the previous year it increased by 5,6%. However it still is lower than index of 2007 by 12,1%. Riga produces approximately 53% from the total gross value added of Latvia. Gross domestic product per capita in the capital is still significantly higher than the average state indicator - approximately by 68%. Riga City has reached average EU level by GDP per capita index.

During the financial year, the biggest proportion in Riga City economic structure by value added had trade sector - 19%. The second biggest city's economic sector was transportation - with proportion of 14,3%, the third - processing industry - 9,8%.

Service industry is still dominating sector of Riga City economy. Though the industry proportion in city's value added has slightly increased - from 8% in 2008 to 9,8% in 2012, it could be compared with city's value added proportion of such service subsectors as professional, scientific and technical services and servicing agencies activities (9,7%), as well as real estate operations (8,4%).

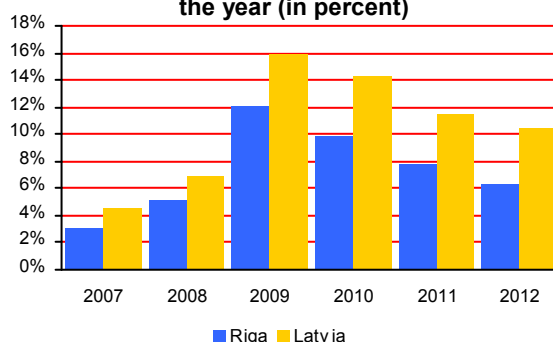
### TRANSPORTATION AND COMMUNICATIONS

#### RIGA PORT

In 2012, in the amount of shipped cargo in Riga port compared to the previous year increased by 1,2 million tons (by 4,1%), but the amount of received cargo increased by 0,8 million tons (by 18%), increasing the total cargo turnover in Riga port in 2012 by 5,9% 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 48%.

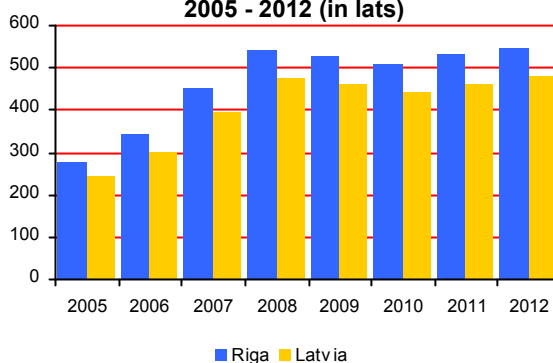
Riga port cargo turnover is continuously increasing since 2000 and it didn't stop during the crisis period. The amount of shipped cargo has doubled in previous ten years and the amount of received cargo has doubled during previous seven years.

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

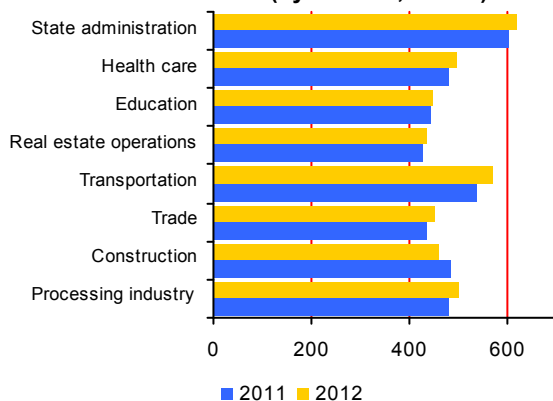


\*Unemployment rate against the economically active population (Data from the State Employment department)

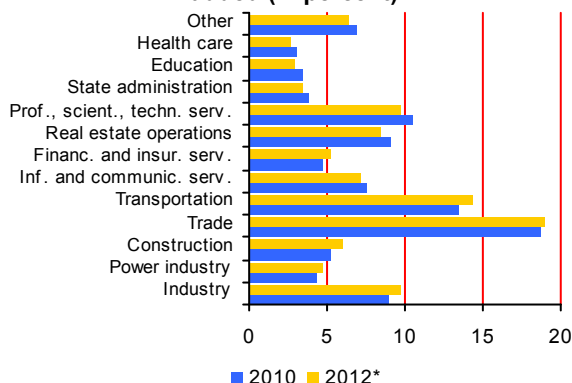
Monthly average gross compensation in Riga 2005 - 2012 (in lats)



Monthly average gross compensation in Riga in 2011 and 2012 (by sectors, in lats)



Riga economic sectors by share in the total value added (in percent)



\*2012 - estimation

In 2012, there were 815 thousand passengers serviced in Riga port. Since in 2012 passengers' accounting system has been replaced in correspondence with EU methodology - transit passengers on cruise ships are counted only once (on arrival), the number of arriving and leaving passengers un can't be compared with the previous years' data.

**AIRPORT**

After uninterrupted growth of number of serviced passengers during the previous years, in 2012, decrease of number of Riga International Airport passengers was found by 6,7%. 4,8 million passengers were serviced during the financial year.

In 2012, the number of serviced flights compared to the previous year reduced by 4,3 thousands (by 5,9%). Last year 68 572 flights were serviced in Riga International Airport, approximately 188 flights per day.

During the financial year, significantly increased the amount of shipped and received cargo in Riga International Airport, by 32,8 thousand tons, that is 2,6 times more than in 2011.

**PUBLIC TRANSPORTATION**

There were 141,4 million passengers transported in Riga public transportation (bus, tram, trolleybus) in 2012. In 2012, the number of transported passengers increased by 0,7% compared to 2011.

During the financial year, Riga Municipal Ltd. "Rigas satiksme" provided passengers' transportation services on 9 tram, 19 trolleybus and 53 city bus and 9 night bus routes. In 2012, the total length of the City's transportation network was 1 260 kilometers, by 25 kilometers less than in the previous year.

As of 1<sup>st</sup> of January additionally to Riga Municipality Ltd. "Rigas satiksme" passenger traffic service was provided also by 8 Riga Municipality Ltd. "Rigas satiksme" subcontractors in 33 improved service bus routes. 10,09 million passengers or 6,7% of the total amount of passengers transported by Riga Municipality public transportation were transported in improved service bus routes.

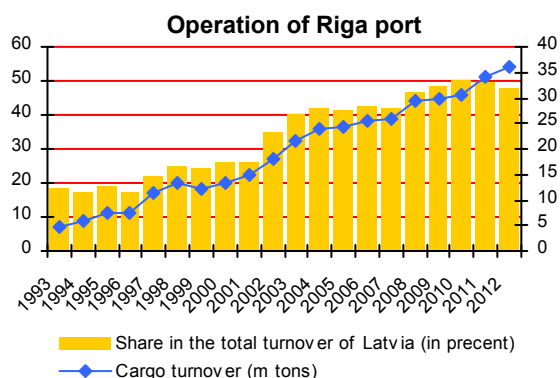
**TOURISM**

In 2012, tourism sector continued to grow in Riga City. 972 thousand tourists were served in Riga City during the financial year, from which 846 thousand were foreign guests. The number of tourists served increased by 3% within the last year. In 2012, the number of overnight stays in tourists' lodgings increased by 8%. In 2012, around 77% from the total number of foreign guests in Latvia were served in Riga.

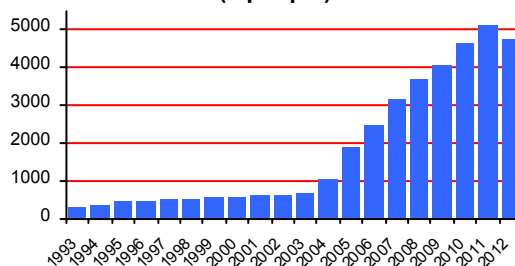
**CONSTRUCTION**

Crisis influence is still perceptible in City's home construction sector. After the growth in the previous year, in 2012 the space of commissioned dwelling houses has reduced again. During the financial year, there were commissioned dwelling houses with total space of 72,9 thousand square meters in the city, less by 59,2 thousand (by 45%) than in the previous year.

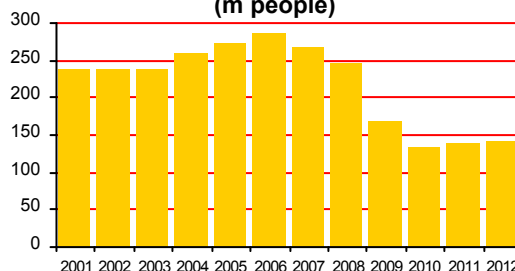
The proportion of built dwelling houses in Riga also decreased, reducing to 17% of the state overall result, what is considerably less than the average proportions of the last decade - 29%.



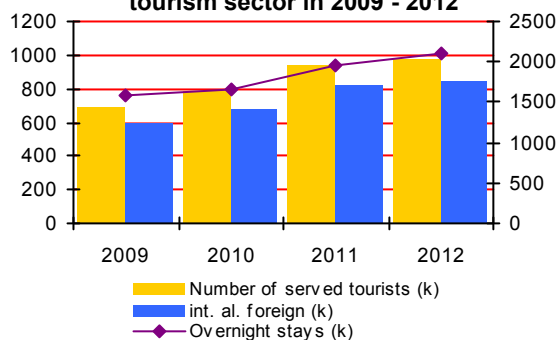
**Riga International Airport: passenger turnover (k people)**



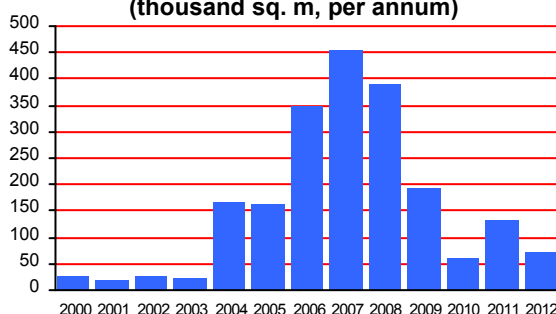
**Passenger carriage in Riga public transportation (m people)**



**Characteristics of development of Riga City tourism sector in 2009 - 2012**



**Dwelling houses constructed (thousand sq. m, per annum)**



## RIGA MUNICIPALITY ADMINISTRATION STRUCTURE, FUNCTIONS, PERSONNEL

Riga City 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".

Riga City Municipality (further - Council) consists of 60 councilors. Riga City Council Chairman, Riga City Council Deputy Chairman and committees' members are elected from among the councilors. In order to ensure operation and prepare issues for examination in Council meetings, Council constitutes regular committees. Council has following committees:

- Security, Public Order and Corruption Prevention Issues Committee;
- Finance and Administration Committee;
- Education, Culture and Sports Committee;
- Housing and Environmental Committee;
- City Development Committee;
- City Property Committee;
- Transport Issues Committee;
- Social Issues Committee.

Riga Municipality ensures execution of all the autonomous functions, int. al.:

- I. Organizes municipal services for inhabitants and provides support on housing issues;
- II. 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;
- III. Provides the rights of children who have reached scholar age to receive preschool education, elementary education and secondary education;
- IV. Supports diversity and accessibility of City's cultural events, provides preservation of cultural values and cultural heritage and 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;
- V. Ensures accessibility of health care and promotes healthy lifestyle among inhabitants;
- VI. Ensures social assistance (social care);
- VII. Ensures guardianship, custody, adoption, and protection of children's` private and property rights and interests, as well as realizes protection of children's rights;

- VIII. Facilitates commercial activity in respective administrative territory and works on reducing unemployment;
- IX. Issues permits and licenses for commercial activities;
- X. 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;
- XI. Establishes regulations for utilization of and building on land, ensures the legacy of construction works within the administrative territory;
- XII. Organizes public transport services and participates in maintenance and development of communication system and transport infrastructure of statutory importance.

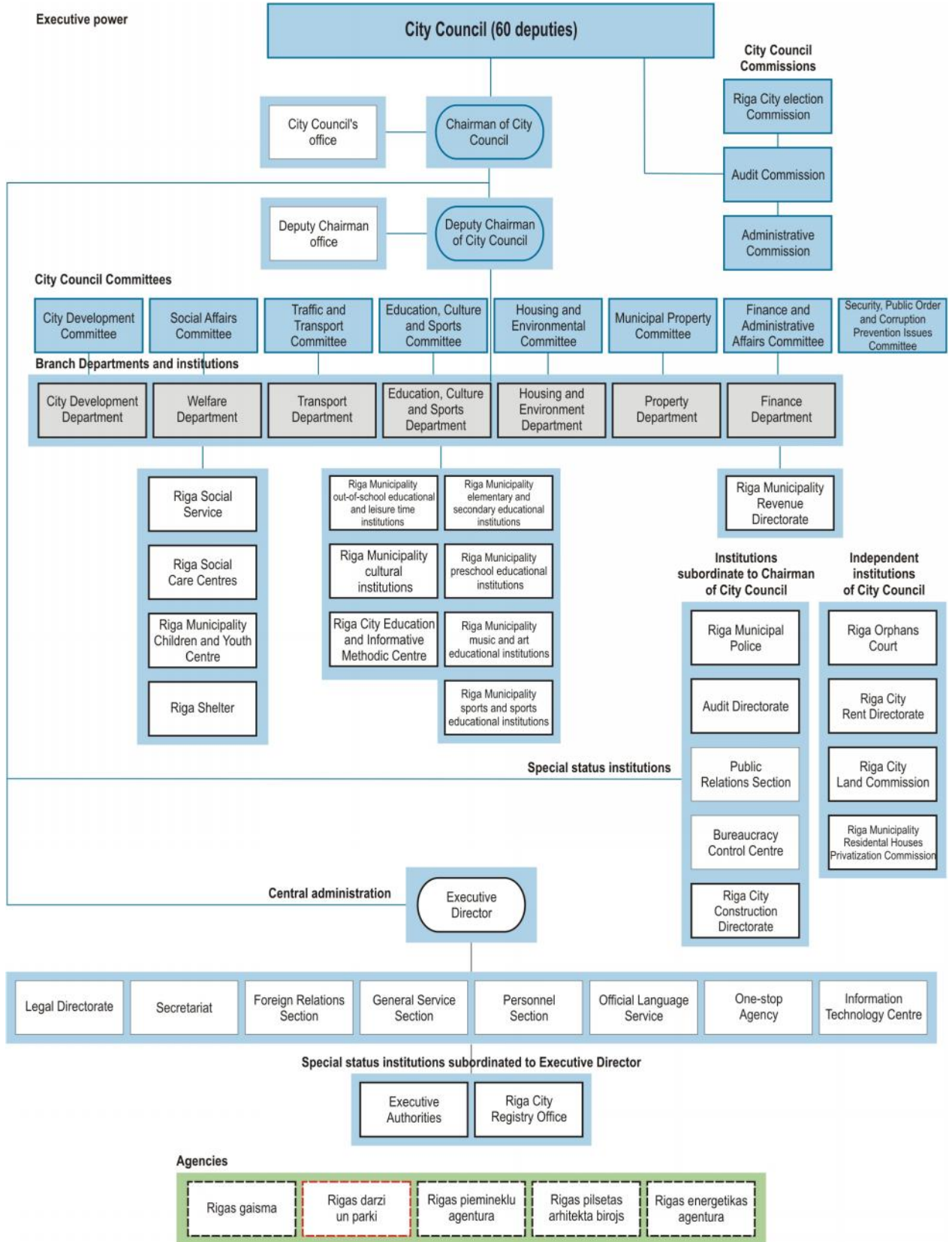
Implementation of Municipal functions is organized by forming departments of the respective sectors:

- Riga City Council Finance Department;
- Riga City Council Property Department;
- Riga City Council Education, Culture and Sports Department;
- Riga City Council Housing and Environment Department;
- Riga City Council Welfare Department;
- Riga City Council City Development Department;
- Riga City Council Transport Department.

In 2012, there were 26 176 job positions affirmed in total in Riga Municipality, but the real number of the employed was 24 296 employees, int. all. 11 893 pedagogues and 7 948 technical staff of Riga City Council Education, Culture and Sports Department subordinate institutions. In 2012, (except pedagogues and technical staff) there were 694 employees recruited and labour relations were terminated with 582 employees. As of end of the year (except pedagogues and technical staff) 120 employees of Riga Municipality were with elementary education, 97 employees with industrial education; 1 394 employees with professional secondary education; 383 employees with professional first level higher education; 2 535 employees with higher education (int. al. with master's degree) and 17 employees with doctor's degree.

# RIGA MUNICIPALITY STATE

## 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 2012, the book value of Riga City fixed assets was 1 928,8 million lats, decreasing by 18,9 million lats within a year, long-term equity of associated and related enterprises - 427,9 million lats. The total value of City assets, including other long-term investment categories comprised 2 482,7 million lats as of the end of 2012.

#### VALUE OF RIGA MUNICIPAL EQUITY CAPITAL

In 2012, Riga Municipality has invested the total amount of 13 593 274 lats in the equity capital of related enterprises with 100% share capital owned by Riga Municipality, int. al. invested in the equity capital:

- o Riga Municipality's real estate property - land and buildings (11 013 274 lats);
- o Riga Municipality's funds (2 580 000 lats).

Largest investments into equity capital of related enterprises:

- o Riga Municipality's real estate property invested in the equity capital of Ltd. "Rigas nami" at value of 6 152 600 lats;
- o Riga Municipality's real estate property invested in the equity capital of JSC "Rigas Centraltirgus" at value of 2 342 805 lats;
- o Riga Municipality's real estate property invested in the equity capital of Ltd. "Rigas satiksme" at value of 1 491 369 lats;
- o Riga Municipality's real estate property invested in the equity capital of Ltd. "Rigas udens" at value of 532 800 lats.

In 2012, Riga City Municipality reduced its share in Ltd. "Rigas pilsetbuvnieks" by 5 907 391 lats. During the financial year, share capital of Ltd. "Rigas luksofors" owned by Riga Municipality was excluded from the equity share capital of related enterprise due to selling of 52 shares of Ltd. "Rigas luksofors".

#### SHARE IN MUNICIPAL ENTERPRISE EQUITY CAPITAL

As of the end of the financial year, long-term share of Riga Municipality in equity capital of related and associated enterprises formed 427,9 million lats. As of the end of 2012, the share of Riga Municipality in equity capital of related enterprises formed 391,6 million lats, increasing by 9,83 million lats within a year, but long-term share in equity capital of associated enterprises formed 36,32 million lats, increasing by 2,01 million lats within a year.

As of the end of the financial year, Riga Municipality balance sheet reflected 19 investments into the equity capital of related enterprises with 100% ownership (shares) by Riga Municipality, 1 investment into the equity capital of enterprise with more than 50% ownership by Riga Municipality (Ltd. "Getlini EKO" - 97,92%).

During the financial year, reorganization of three health care enterprises was performed - Riga Municipality Ltd. "Veselibas nams 5" and Ltd. "Skin and sexually transmitted diseases clinical center" were excluded from commercial register and incorporated into Ltd. "Riga 1<sup>st</sup> hospital".

In 2012, liquidation of Riga Municipality agency "Rigas darzi un parki" was performed, delegating its functions to Ltd. "Rigas mezi" and to Riga City Council Housing and Environment Department, and liquidation of Ltd. "Rigas GeoMetr" is launched, delegating its functions to Riga City Council City Development Department and to Riga City Construction Directorate.

As of end of the financial year, equity share capital of just one associated enterprises reflected in Riga Municipality balance sheet - JSC "RIGAS SILTUMS" (49%). As of end of 2012, 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, 2013, there were 20 182,6 ha of land owned by various owners within the Riga City area. Riga Municipality had ownership over 3 887 land lots with the area of 7 805,2 ha in total, forming 39% of the total land property area in the City.

During the financial year, municipality has done considerable amount of work on comparing municipal data in hand with The State Land Service data (within the framework of the law on completion of municipal territory land reform). As a result of it, information on 8 200 land lots was updated regarding ownership, registration and compensation fund of equivalent land lots, fund of exchange land lots, land under the public waters, specified those land lots, what are subject of land redemption (purchase) agreements concluded with JSC "Latvijas hipoteku un zemes banka".

145 land lots with total area of 43,6 ha (i.e. vacant land lots and built-up land lots where buildings are owned by related party) were registered in Land Register under ownership of municipality for the first time. In State Real Estate Cadastral Information System for the first time were registered 85 land lots and 58 parts of land lots, as well as updated data on 111 land lots. In 2012, more than 900 registration, removal or real estate data update records in Land Register were prepared and performed.

During the financial year, also redemption and buying of 39 landed properties, where the municipal institutions are placed, was performed for realization of autonomous functions of municipality's executive institutions.

## EXECUTION OF TERRITORY DEVELOPMENT PLAN

During the financial year, Riga Development Program of 2014 - 2020 and update of long-term development strategy of Riga until 2025 was continued and performed the following:

1. organized meetings of management work groups, thematic work groups and City Development Department work groups;
2. performed research "Evaluation of quality and accessibility of neighborhood services";
3. performed research "Demographics and development prognosis in Riga and its agglomeration";
4. performed research "Evaluation of the potential of Riga developing territories";
5. performed research "Specification of boundary of Riga agglomeration";
6. prepared description of the current situation and SWOT (strengths and weaknesses, opportunities and threats) analysis;
7. provided participation in discussion round "Future Riga already grow!";
8. developed dimensional perspective maps of prior territories par, transportation infrastructure etc.

In 2012, Strategy execution supervision system (SES) "Long-term development strategy of Riga until 2025 and implementation of development program of Riga 2010 - 2013 report 2011" 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 2012 in execution of Riga territory plan were as following:

● In 2012, Riga Municipality approved 3 detailed plans and passed Riga Council binding regulations for detailed plan approval:

1. for territory of Dreilini, between Kaivas Street, Augusta Deglava Street, Evalda Valtera Street and Dzelzavas Street;
2. for territory on Sampetera Street 1;
3. for land lot on Liduma Street without number, Gailezera Street without number, Hipokrata Street without number and alongside water territory.

● Riga Council prepared 3 resolutions on start of detailed plan of territories development and task approval:

1. for territory between Ceraukstes Street, Padures Street, Kazdangas Street and Bisumuizas ditch;
2. for land lot on Ozolciema Street without number and alongside territory;
3. for land lot on Beberbeku 5<sup>th</sup> line without number.

● Historic Center of Riga and its protection area.

In 2012, work on final stage of the 1<sup>st</sup> draft of changes of Historic Center of Riga and its protection area detailed plan was continued - improvement according to viewpoints expressed in public discussions by inhabitants, as well as to conclusion given by various state and municipal institutions.

ESF URBACT II program co-financed project USER "Sustainable renewal of city environment" application was prepared - within development of territory plan of Historic Center of Riga and its protection area, what was supported by URBACT secretariat and will be launched in 2013.

● Neighborhood development project.

Following activities were performed within Riga neighborhood development project in 2012:

1. performed research, as well as discussion carried out with other Riga Municipality institutions and inhabitants on creation of Neighborhood idea fund (for financing nongovernmental projects);
2. participation in 3<sup>rd</sup> international forum "Neighborhood Culture in 58 Cities";
3. inhabitants' forum "Riga Resounds - Inhabitants Speak" took place in November, where the Riga City Council City Development Department personnel managed working groups of idea-workshop "Neighborhood Development in Riga". Inhabitants' opinions expressed in working groups are summarized and considered in Riga City Council City Development Department work;
4. started work on research on neighborhood inhabitants, what will result in data base of the active neighborhood inhabitants. In 2012, research was performed in Imanta and Zolitude.

● Maintaining and improvement of homepage [www.apkaim.es.lv](http://www.apkaim.es.lv).

Information on various neighborhood events was uploaded in portal [www.apkaim.es.lv](http://www.apkaim.es.lv) as well as updated neighborhood profiles and exposition of photos. Home page has approximately 150 visitors per day.

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

In 2012, 13 000 people visited homepage [www.sus.lv](http://www.sus.lv). Home page data update, information adding on the newest researches, as well as structure improvement was performed in order to improve the functionality of the home page and accessibility for all the visitors.

● Document register of Riga City Municipality development plan.

Repeatedly developed project of inner regulations of Riga City Municipality on procedure of coordination and registration of Riga City Municipality policy plan documentation, what includes also information on confirmation, actualization, lose of validity and order of registration of these documentation.

# RIGA MUNICIPALITY INVESTMENT PROJECTS

## NON-FINANCIAL INVESTMENTS

Economical and financial crisis has significantly affected the total amount of investment (private, municipal, state and foreign) in Riga. In 2011, it comprised just around 42% from the amount of 2008. In 2012, the total amount of investment compared to the previous year increased by 155 million lats (by 15%), but it still is significantly lower than the pre-crisis level.

In 2012, the amount of investment in Riga City comprises around 42% of the all investment in the country, what is significantly lower than the average proportion of the last decade - 49%. But the proportion of construction works in the capital from those performed in the entire state has dropped to 33%, average proportion of the last decade - 38%.

## CAPITAL INVESTMENTS FROM MUNICIPAL BUDGET

During the financial year, for Riga City Municipality budget capital expenditure total sum of 86,8 million lats were allocated, by 15,2 million lats (by 21%) more than in the previous year.

Riga City Municipality's capital investment dynamics of the last year's shows, that regardless of limited budget resources and decrease of income, by restructuring budget expense section, municipality has succeeded in maintaining stable municipality's investment quantity and continued execution of development of transport and social infrastructure projects.

In 2012, the major proportion of municipal budget capital investment structure by sector was economic activity - 42,8%. 95% from the total capital investment in this sector are allocated for development of transportation. Education had the second biggest proportion (22,9%), the third - social security (16,9%).

## FOREIGN INVESTMENT IN RIGA

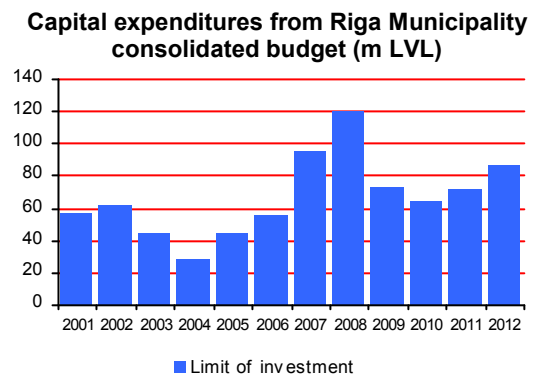
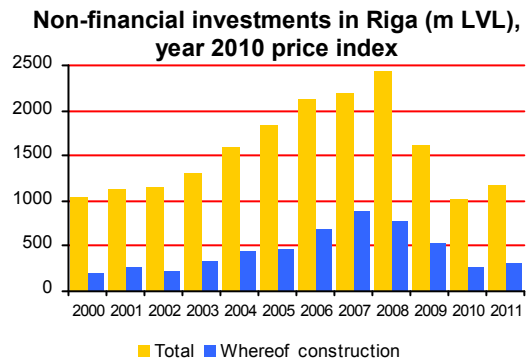
As of beginning of 2013, according to Lursoft data, foreign direct investments into the registered equity capital of enterprises in Riga reached 3,55 billion lats, increasing by 4% within a year. Foreign investments in the capital comprise 78% from the total foreign investments in country.

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

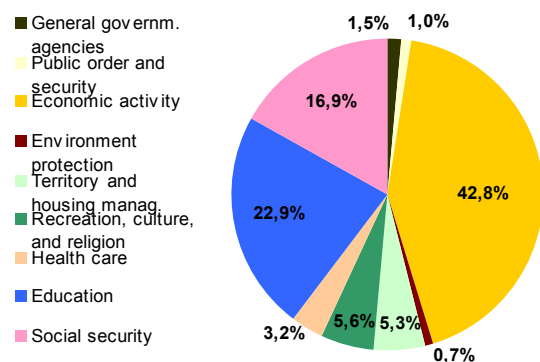
In 2012, Riga City Municipality continued active execution of projects financed by EU Structural Funds and other EU Funds. During the financial year, 31,3 million lats were allocated from the municipality's budget, by 0,1 million lats less than in the previous year for execution of projects financed by EU Structural Funds and other projects.

Biggest projects in progress in Riga City Municipality in 2012:

- ERDF program "Reconstruction of Vienibas Avenue (from Kaplavas Street to Ozolciema Street)";
- ERDF program "Reconstruction of Krisjana Valdemara Street and Daugavgrivas Street traffic hub";
- 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";
- ERDF program "Reconstruction of Akademia Mstislava Keldisa Street from Ulbrokas Street to Lubanas Street";
- ERDF program "Strengthening tourism potential of Grizinkalns cultural heritage";
- ERDF program "Reconstruction and construction of traffic light objects 2010".



## Capital expenditures from Riga Municipality consolidated budget structure by sector, 2012 (in percent)



# RIGA MUNICIPALITY FINANCIAL AND BUDGET POLICY

## BUDGET POLICY

In 2012, total Riga City Municipality basic budget revenue reached 473,5 million lats, by 14,5 million lats (by 3,1%) more than expected. Revenue was by 13,8 million lats (by 3%) more than in the previous year. Though the Riga Municipality budget revenue growth is observed the second year in turn, yet it still is significantly lower than the rate achieved in pre-crisis period. In 2012, the planned Riga City Municipality basic budget expense amount was 514,6 million lats. Basic budget execution, based on annual report data, is 487,3 million lats or 94,7% from annual plan, what is less by 27,3 million lats.

Due to different dynamics of various revenue sources during the previous years, municipal budget tax revenues proportion has increased, reaching 73% during the financial year. In the Riga City Municipality basic budget revenue structure personal income tax proportion was 60% from all the revenue. It was collected at amount of 283,6 million lats, by 7,5% more than a year before. Real estate tax reached proportion of 12% and tax revenues were 58,8 million lats, by 6,4% more than in the previous year. Gambling tax was 2,6 million lats, natural resources tax - 0,7 million lats, but non-tax revenues - 26,9 million lats and state budget transfers were 79,3 million lats.

Riga City Municipality basic budget expense has increased by 3,66% or 17,2 million lats compared with 2011. Capital expenditures has increased by 17,8 million lats, because of purchase of dwelling houses, investment program increase for such objects as South Bridge 3<sup>rd</sup> stage construction, reconstruction of CC "Ziemeļblazma", South Bridge 1<sup>st</sup> and 2<sup>nd</sup> stage principal amount payment and renovation of city streets. During the financial year, expenditure has decreased for several expense items, for example, payments for services and provision of institutions' operation (by 3,5 million lats), expenses for various municipal benefits (by 1,7 million lats). Municipal basic budget was 13,8 million lats in 2012 (what is 2,9% of the revenue).

## MUNICIPALITY'S DEBT DYNAMICS

In 2012, the amount of Riga Municipality's direct debt (loans from commercial banks and State treasury) increased by 2,7 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.

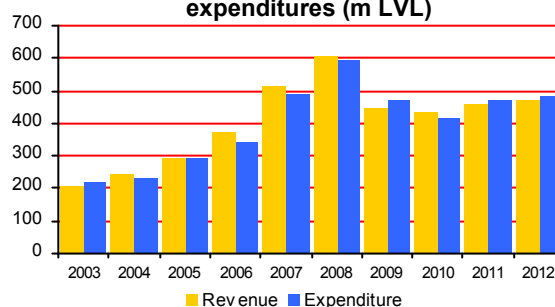
## CREDIT-RATING

In 2012, Riga Municipality continued its long-term and productive cooperation with the credit-rating agencies "Standard & Poor's" and "Moody's Investors Service". Credit rating agency "Standard & Poor's" approved Municipality's financial and budget policy of the previous years, implemented budget expense control measures, as well as Municipality's financial liquidity for covering undertaken liabilities during the next years and at the end of 2012 raised the long-term development credit rating of Riga City by two notches from BB+ to BBB with positive development perspective. In 2012, Municipality's financial policy was also approved by agency "Moody's Investors Service" and retained fixed Riga City Municipality's long-term development credit rating Baa3 and stable development perspective. Balanced budget under conditions of rapid revenue decrease, budget consolidation policy, radical decrease of budget expense, high financial liquidity and sufficient financial resources for Municipality's debt discharge for the next years were mentioned by agencies as the most important positive evaluation factors.

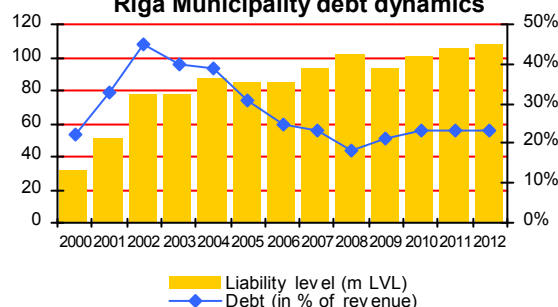
### History of Riga City credit-rating

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
2012	BBB/Positive/A-2	Baa3 Stable

### Riga City consolidated budget revenue and expenditures (m LVL)



### Riga Municipality debt dynamics





## RIGA MUNICIPALITY BUDGET EXECUTION PERFORMANCE

The results of Riga economical development and Riga City Municipality financial policy in 2012 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 revenue and expenditure. 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 mostly comprises:

- **Tax revenues:**
  - personal income tax;
  - real estate 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, sales of property, etc.).
- **Charges for paid services provided by public authorities.**

#### RIGA MUNICIPALITY SPECIAL BUDGET REVENUES - DONATIONS AND ENDOWMENTS

In 2011, the planned revenues from donations and endowments to Riga City Municipality was 1 166,3 thousand lats.

#### SUMMARY OF COMPOSITION OF RIGA MUNICIPALITY BASIC BUDGET REVENUE

Cash flow basis (k LVL)	2011 actual	2012 budget	2012 actual
<b>Total revenues</b>	<b>459 712.6</b>	<b>459 087.4</b>	<b>473 546.2</b>
<b>Total tax revenues</b>	<b>321 734.5</b>	<b>341 070.6</b>	<b>345 611.9</b>
Personal income tax	263 815.7	283 793.6	283 565.4
Property taxes	55 249.4	53 827.0	58 803.3
int.al. real estate tax on land	22 464.7	23 231.7	24 911.0
int.al. real estate tax on buildings	24 829.2	21 914.1	24 996.8
int.al. real estate tax on housing	7 955.5	8 681.2	8 895.5
Other tax revenue	2 669.4	3 450.0	3 243.2
<b>Total non-tax revenues</b>	<b>29 381.7</b>	<b>13 997.1</b>	<b>26 848.1</b>
Government (municipality) fees	2 110.7	3 103.7	3 674.5
Other non-tax revenues	27 271.0	10 893.4	23 173.6
<b>Total revenue from paid services and other own revenue</b>	<b>23 668.6</b>	<b>23 524.2</b>	<b>21 815.6</b>
<b>Total state budget transfers</b>	<b>84 927.8</b>	<b>80 495.5</b>	<b>79 270.6</b>
Earmarked subsidies for municipal budgets	62 656.0	71 411.7	72 754.2
Subsidies for municipal budgets	5 355.8	-	-
Transfers received from state institutions for projects coo-financed by EU policies' instruments and other foreign financial aid	227.6	8 607.7	5 943.5
Other state budget transfers	16 688.4	476.1	572.9

**SUMMARY OF COMPOSITION OF RIGA MUNICIPALITY SPECIAL BUDGET REVENUES FROM DONATIONS AND ENDOWMENTS**

Cash flow basis (k LVL)	2011 actual	2012 budget	2012 actual
<b>Total revenues</b>	<b>928.0</b>	<b>1 166.3</b>	<b>1 112.1</b>
<b>Donations and endowments from legal entities and individuals</b>	<b>928.0</b>	<b>1 166.3</b>	<b>1 112.1</b>
Donations and endowments for education	55.4	110.2	61.4
Donations and endowments for social care	844.9	8.5	2.4
Other donations from legal entities and individuals	27.7	1 047.6	1 048.3

**RIGA MUNICIPALITY BUDGET EXPENSE**

Riga Municipality budget expense of 2011 in this report is 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.

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. 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 that 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 a basis for preparation of annual methodological guidelines for particular budgeting process steps.

Continuing municipal budget planning improvement, on Riga City Council Finance Department request methodological aids were prepared (started at the end of 2011 and finished at the beginning of 2012) for goals defined to individual Riga Municipality budget institutions' budget programs, compliance of results of activities and performance indicators with the activities/tasks of the respective municipal institutions. Based on this methodological material a unified procedure how the results of activities and performance indicators are planned within budget development procedure was developed. This allows more efficient

planning of financial resources for implementation of autonomous functions delegated to municipality in accordance with strategic documents and institutions activities' plans, by defining achievement of specific performance score, as well as by planning the costs of a single performance score unit. As well as it will improve awareness of society on Municipality's abilities to provide advantages and services necessary for society.

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 2012, whereof:

- 161 402,1 thousand lats were allocated to education;
- 137 431,4 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.

## RIGA MUNICIPALITY BUDGET EXECUTION PERFORMANCE

### SUMMARY OF COMPOSITION OF RIGA MUNICIPALITY BASIC BUDGET EXPENSES

Expenses by government function* Cash flow basis (k LVL)	2011 actual	2012 budget	2012 actual
<b>Total expenses</b>	<b>470 105.9</b>	<b>514 621.5</b>	<b>487 311.1</b>
General governmental agencies	85 839.9	81 918.7	76 919.1
int.al. deposits to municipal cohesion fund	50 162.6	50 565.6	49 797.9
Public order and security	9 670.1	10 927.5	10 865.3
Economic activity	117 674.9	146 182.9	137 431.4
Environment protection	1 138.3	2 167.4	1 569.1
Municipal territory and housing management	16 171.6	23 670.8	19 921.3
Health care	1 378.7	3 251.9	3 151.8
Recreation, culture, and religion	16 244.2	20 410.3	18 532.1
Education	165 495.5	166 948.7	161 402.1
Social security	56 492.7	59 143.3	57 518.9

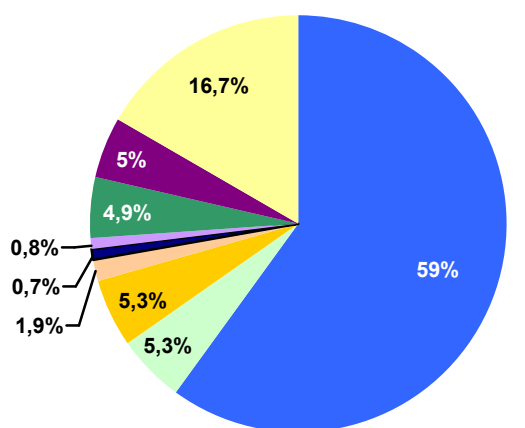
\*Statement of budget expenses by government function has been prepared in accordance with the Republic of Latvia Cabinet of Ministers Regulations No. 934 "Regulations on the classification of budget expenses by functional categories"

### SUMMARY OF COMPOSITION OF RIGA MUNICIPALITY SPECIAL BUDGET EXPENSES FROM DONATIONS AND ENDOWMENTS

Expenses by government function* Cash flow basis (k LVL)	2011 actual	2012 budget	2012 actual
<b>Total expenses</b>	<b>938.6</b>	<b>1 282.7</b>	<b>104.0</b>
General governmental agencies	13.8	1 045.8	27.7
Municipal territory and housing management	0.6	13.9	9.0
Recreation, culture, and religion	8.1	19.4	2.2
Education	65.7	189.4	60.5
Social security	850.4	14.2	4.6

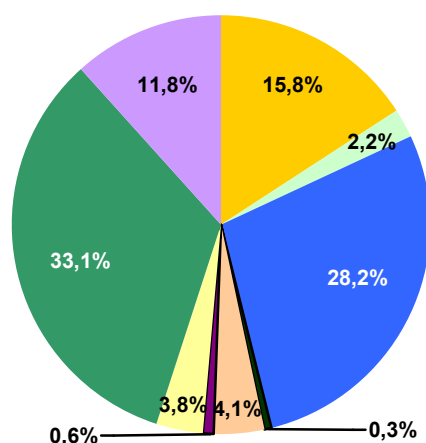
\*Statement of budget expenses by government function has been prepared in accordance with the Republic of Latvia Cabinet of Ministers Regulations No. 934 "Regulations on the classification of budget expenses by functional categories"

**Composition of Riga Municipality basic budget revenue in 2012**



- Personal income tax
- Real estate tax on land
- Real estate tax on buildings
- Real estate tax on housing
- Other tax revenue
- Government (municipality) fees
- Other non-tax revenues
- Total revenue from paid services and other own revenues
- State budget transfers

**Composition of Riga Municipality basic budget expenses in 2012**



- General governmental agencies
- Public order and security
- Economic activity
- Environment protection
- Municipal territory and housing management
- Health care
- Recreation, culture, and religion
- Education
- Social security

# RIGA MUNICIPALITY BUDGET RESOURCE UTILIZATION FOR MUNICIPALITY OPERATIONS

## EDUCATION AND SPORTS

In 2012, 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.

In 2012, goals, priorities and work plan of ECSD were determined by Riga Long-term Development Strategy to 2025 and development program of Riga 2006 - 2012.

### PRESCHOOL EDUCATIONAL INSTITUTIONS

At the beginning of school year 2012/2013 licensed preschool education programs were provided at 152 Riga City Municipality preschool educational institutions, 17 municipal comprehensive schools and 2 Riga interest educational institutions. Preschool education program in municipal preschool educational institutions was provided for 26 360 children. In order to increase the number of places for provision of preschool education service, additional 15 preschool groups were opened in municipal educational institutions, providing places for 296 children.

Despite the increase of number of places by every year, the number of requested places in preschool educational institutions exceeded the provision capabilities. In order to provide as much children as possible with preschool education accessibility in Riga City Municipality, ECSD concluded cooperation agreements with 71 private educational institutions on provision of preschool education service. As a result of it 2 110 children received 93 lats and 946 children received 30 lats of Riga Municipality co-financing per month. Cooperation between ECSD and five private educational institutions was continued on implementation of municipal preschool education functions by providing 347 children with places and paying 125 lats monthly for each child declared as resident of Riga. In 2012, Riga Municipality's financial support was provided for 3 403 children of preschool age in private educational institutions.

In 2012, improvement activities of performance quality of preschool educational institutions' pedagogues were continued. Improvement of professional skill was performed by 357 preschool educational pedagogues.

### COMPREHENSIVE SCHOOLS

119 Riga City Municipality elementary and secondary comprehensive schools started 2012/2013 school year.

In these schools educational programs were mastered by 64 951 students at the beginning of the school year, what is by 811 students less than in the beginning of the previous school year. In 2012, agreements with 26 private comprehensive educational institutions were concluded on municipal co-financing, what are attended by children declared as residents of Riga. Riga Municipality co-financing of 123 125 lats was provided for this purpose.

In 2012, work on improvement of comprehensive educational institutions network was continued, as a result of it liquidation of 2 schools was performed, transferring educational program to other educational institutions. Proceeding with improvement of education quality 18 school regulations, 35 school educational programs and 23 school development plans were

evaluated and submitted for approval. In March of 2012, ECSD organized Riga City students' scientific conference, where scientific works of 337 students from 63 Riga schools were announced. 257 students presented their works in conference. 108 students' scientific works were nominated for state scientific conference, where Riga students won 51 prizes.

### OUT-OF-SCHOOL EDUCATION AND SPORTS

For the stimulation of out-of-school and vocational education diversity, accessibility and popularity, various and qualitative out-of-school and vocational education programs are available in Riga Municipality educational institutions. In 2012, 69 334 students in total attended cultural, technical creativity, environmental education, sports and other programs provided by 13 municipal out-of-school educational institutions and 119 Riga Municipality comprehensive schools. In 2012, the attracted financing for new out-of-school programs were allocated to educational programs of 73 comprehensive schools, 7 out-of-school educational institutions and 1 vocational education majoring in sports, granting 261 hours. In 2012, there were also 16 leisure time activity centers and 6 leisure time rooms functioning in educational institutions, which were attended more than 138 200 visitors.

Riga City Municipality 11 vocational education institutions majoring in sports offer for students licensed sports educational programs in 19 sport disciplines. In 2012, 7 017 students attended these sports educational programs, whereof 6 438 students were involved in professional sports educational programs, but 579 students were involved in out-of-school sports educational programs. Children and youth football development program was launched and financing for the program was included into sports school budget, as well as seven individual and one team sport discipline development programs in cycling, freestyle wrestling, kayaking and canoeing, skiing, track and field athletics, gymnastics, fencing and basketball were prepared.

In 2012, in Riga City Municipality 9 vocational education institutions majoring in culture (music and art schools) educational programs were mastered by 4 139 students, whereof 3 455 students were involved in professional educational programs, but 684 students in out-of-school educational programs, who also acquired music/ art basics or a music instrument.

In 2012, in out-of-school, sports and other spheres, around 140 events were supported, int.al. Riga children and youth music festival "Mes - pilsetai ceRigai", where 186 choirs, 23 folk dance collectives and 40 folk groups took part in total, gathering 8 491 students from Riga and near Riga schools, II Latvia school mixed choirs' festival "Mes lidosim", IV Art and music festival "Toni un pustoni", VII Latvia educational institutions' brass band festival, National folk groups' party "Pulka eimu pulka teku".

ECSD coordinated sports events organized by sports educational institutions and support was rendered to 23 events, where more than 4 009 children and youth took part.

60 sport competitions were organized and coordinated between schools in 15 sport disciplines, involving 42 602 students. In 2012, ECSD organized and co-financed 92 children and youth national sport competitions with 33 669 participants.

During the school holidays educational institutions organized 94 day camps and 190 day and night camps, involving around 10 000 participants. Nongovernmental organizations organized 80 camps with municipality's financial support, where approximately 3 000 participants took part. During the last summer holidays job opportunity in 70 Riga Municipality educational institutions was provided for 511 youth.

In order to provide quality out-of-school education, Riga out-of-school education methodology center organized 42 professional qualification training activities (courses, seminars, master classes) for pedagogical personnel, as a result of it 572 classes were mastered and 840 certificates of finishing courses were received.

For provision of informal education for adults four branch offices were created. 60 informal educational programs were implemented in total, where 902 participants took place. For cultural institutions'

personnel 8 further education programs were offered, which were attended by 88 participants.

The most significant investment projects and programs:

- renovation of windows and facades in 7 Riga City Municipality educational institutions;
- replacement of water supply and sewerage systems in 11 Riga City Municipality educational institutions;
- renovation of kitchens in 12 Riga City Municipality educational institutions;
- improvement of energy efficiency in 11 Riga City Municipality educational institutions;
- renovation of assembly and gymnasium halls in 10 Riga City Municipality educational institutions;
- renovation of individual objects in 9 Riga City Municipality educational institutions and other reconstruction works.

In 2012, several projects and project competitions were realized with a goal to encourage language studies, int. al.: "Studies of Latvian language and culture in e-environment", "Organization and realization of courses of Latvian language studies for Riga City inhabitants", "Improvement of Latvian language skills for discharge of professional duties".

<b>Budget expense allocated to education</b> (k LVL)	<b>2010</b> <b>actual</b>	<b>2011</b> <b>actual</b>	<b>2012</b> <b>budget</b>	<b>2012</b> <b>actual</b>
Preschool education	39 210.0	49 334.5	51 240.2	49 736.2
Elementary education, comprehensive and professional education	80 456.5	87 517.6	87 317.5	85 130.7
Education undefined by educational levels	20 193.7	26 538.3	26 237.0	24 396.3
Other education, not classified above	5 275.8	2 105.1	2 154.0	2 138.9
<b>Total basic budget expense</b>	<b>145 136.0</b>	<b>165 495.5</b>	<b>166 948.7</b>	<b>161 402.1</b>
int.al. investment	8 555.8	14 826.1	13 375.6	12 979.5

## 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.

### SOCIAL CARE AND SOCIAL REHABILITATION IN INSTITUTIONS

In 2012, Riga Municipality provided long-term social care and social rehabilitation services for 1 896 retired and disabled persons in 15 social care centers. 154 children were placed in children long-term social care and social rehabilitation institutions but social rehabilitation services therein received 593 orphans and parentless children. In 2012, Riga Municipality provided crisis center services for 701 persons. Consultations over the phone in crisis situations were rendered 7 955 times.

Provided services of five day centers were rendered to 830 children, but services of day-care centers of five contract organizations were received by 243 children. Social care and rehabilitation services for functionally limited children received 259 children and their family members. In 2012, social psychological services for Riga City Municipality's families with children received 254 persons, 1 471 individual consultations were rendered in presence, int. al. consultations to violence

victims. 24 informative and educational support group meetings for parents with little children and 39 "Emotional upbringing of children" group meetings for parents were organized. Riga Municipality Children and Youth Center's Mobile team performed 571 inspections at client's place of residence, whereof 373 new inspections and 181 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 2012, social care services at their place of residence received 5 203 persons, int. al. home-care service - 3 604 persons, benefit for provision of home-care services - 1 431 persons, service "hot meat delivery to the client's address" - 1 015 persons, service "security button" - 372 persons, escort-assistant service - 126 persons. In order to tackle social problems of clients placed in health care institutions, in 2012, there were 15 paid social workers operating in 8 Riga health care institutions, who rendered services to 7 742 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 4 149 persons received transport

services and 94 699 lats from the Riga Municipality budget were utilized for this purpose in 2012. In order to solve the problems caused by inadequate environment, 7 wheelchair lifts for a total sum of 59 305 lats from municipality budget were installed in houses, where persons with serious motor disorder live. Persons who use wheelchairs have an opportunity to receive benefit for home adjustment. In 2012, 29 persons' home adjustment were carried out for a total sum of 43 250 lats.

One of the most requested social services at place of residence is day center and day-care center for disabled persons retired persons and other adult persons. In these centers a person has opportunities to improve social skills, to pass leisure time, create social contacts and receive support and help. In 2012, Riga Municipality financially supported operation of 9 such centers, where services were delivered to 2 333 persons in total.

In 2012, 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. Services of these centres were used by 300 persons.

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 2012, 104 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 2012, 3 769 persons used these services.

In 2012, Riga City Municipality financed services for homeless persons provided by two social rehabilitation centers, where 62 persons received social and working skills development services, what facilitates regaining social status and becoming a part of labor market. In 2012, Mobile team of Riga shelter rendered consultation to 1 644 persons, received 1 157 phone calls and delivered 1 351 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 900 in total persons within the year.

In 2012, soup-kitchen service was co-financed from Riga Municipality budget, providing Riga homeless and other persons of moderate means with up to 966 portions a day, 5 times a week, in 2012 - 165 000 portions in total. In 2012, feeding service for groups of the low-income was provided in 6 food distribution places, distributing up to 3 600 portions per day. In 2012, there were 759 250 portions distributed in total for a total sum of 979 933 lats. In 2012, feeding service received at an average 4 845 families per month. The mentioned service was used mainly by retired persons, disabled persons and able-bodied persons, especially families with children which are facing difficulties concerning unemployment problems.

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

In 2012, 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 2012, social benefits received 72 380 persons, i.e. 10% from total population of Riga. Total amount of social benefits was 20 217 908 lats, int. al. 16 550 000 lats from municipal budget. In 2012, 15 287 622 lats (76%) from the total amount of budget resources used for social benefits were utilized for benefits to provide guaranteed minimum income and for apartment benefits.

A tendency of reduction number of low-income persons was in progress in the beginning of 2012, what resulted in decrease of number of low-income persons from 48 137 in 2011 to 38 933 low-income persons in 2012. The reduction of number of low-income persons affected also the decrease of number of social benefits recipients (from 82 508 social benefits recipients in 2011 to 72 380 social benefits recipients in 2012) and the decrease of financing utilized for provision of social benefits (from 23 791 436 lats in 2011 to 20 217 908 lats in 2012).

#### **EMPLOYMENT FACILITATION ACTIVITIES**

In 2012, Riga Social Service performed intensive work with persons and families which are facing difficulties caused by unemployment problems. In 2012, social workers tackled 1 141 situations caused by unemployment (int. al. tackled 1 583 persons' social problems), whereof 595 clients' cases were closed. In 2012, from all the cases closed clients found a job in 303 cases, clients didn't cooperate or refused cooperation responsibilities in 188 cases, in other cases clients took part in State Employment Agency's active employment measures, changed their place of residence, obtained status of disabled person, started long term treatment, started studies, etc.

In 2012, 168 unemployed persons received psychologist or psychotherapist consultations in Riga Social Service, they also had an opportunity to receive addiction, substance abuse professional's and lawyer's consultations.

In order to provide social support for the unemployed, 38 support groups were organized at Riga Social Service's Day centres in 2012, where 418 unemployed persons took part. The unemployed actively used an opportunity to receive another services offered by Day centres - to master computer and language skills, as well as to take a part in various interest group classes. In order to promote Latvia language skills, 304 disabled unemployed persons were provided with opportunity to attend Latvian language learning groups in 2012.

Riga Social Service in cooperation with 73 municipal institutions and association/foundations created 293 municipal community work places, where 608 able-bodied and unemployed Riga Social Service clients improved work and social skills.

Riga Social Service in cooperation with Organization of disable people with disabilities and their friends "Apeirons" rendered employment services for disabled persons. During this project, 89 persons received consultations, educational information, motivating support and special practice training lessons, in order to promote finding a job. In 2012, 10 persons found a regular job.

The most significant investment projects and programs:

- o Form 2012 February to 2014 June 30 Riga City Municipality in cooperation with State Employment Agency is implementing ESF co-financed project "Paid

temporary community work", whose goal is to provide unemployed persons, who are not receiving unemployment benefit and are listed in State Employment Agency for more than 6 months, with municipal paid temporary places of work (100 lats monthly). In 2012, 1 380 temporary places of work were created in Riga Municipality where 4 127 unemployed persons were involved.

- o In 2012, Riga Shelter launched ESF co-financed project "Development and implementation of motivation program for the homeless - the unemployed". In 2012, three programs were implemented: program of raising self-appraisal of the homeless; program of restoring social and self care skills of the homeless; and program of developing work skills of the homeless. 120 persons without definite place of residence were involved in this project.

<b>Budget expense allocated to social security (k LVL)</b>	<b>2010 actual</b>	<b>2011 actual</b>	<b>2012 budget</b>	<b>2012 actual</b>
Social security in case of inability to work	448.1	466.4	525.1	519.7
Assistance to elderly people	4 259.0	4 389.0	4 529.8	4 521.8
Assistance to families with children	5 171.2	5 123.0	5 265.1	5 173.3
Assistance in unemployment case	1 912.0	2 164.0	1 535.0	1 217.1
Housing allowance	7 839.2	11 293.2	14 297.3	14 296.2
Other support to socially repudiated persons not classified above	23 584.0	32 234.0	32 159.5	31 045.8
Other social care not classified above	811.2	823.1	831.5	745.0
<b>Total basic budget expense</b>	<b>44 024.7</b>	<b>56 492.7</b>	<b>59 143.3</b>	<b>57 518.9</b>
int.al. investment	285.1	0.2	6.0	6.0

## HEALTH CARE

Riga Municipality's financing for health care system is allocated in accordance with the autonomous functions defined by the law "On Municipalities" to provide health care accessibility, as well as to enable and promote healthy lifestyle 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:

- o RMLtd "Riga 1<sup>st</sup> hospital";
- o RMLtd "Riga 2<sup>nd</sup> hospital";
- o RMLtd "Riga Maternity hospital";
- o RMLtd "Ilguociems health center";
- o RMLtd "Bolderaja health center";
- o RMLtd "Health center "Imanta";
- o RMLtd "Tornakalns health center";
- o RMLtd "Children health center "Kengarags";
- o RMLtd "Primary health care center "Ziepniekkalns".

In 2012, 454 doctors with 705 923 registered patients were rendering primary health care services at 102 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, have a possibility to receive social care in short-term social care beds. Service is free of charge for those persons (families) whose disposable means for each family member are less than floor wage defined by state. This service is concentrated in RMLtd "Riga 1<sup>st</sup> hospital", where, until the 1<sup>st</sup> July of 2012, 60 beds daily were allocated, but as from this date - 90 beds daily. In 2012, 280 597 lats were allocated for this service from municipal budget and 925 clients used this service.

In order to promote health care, benefit for health care for inhabitants with low income in Riga City Municipality is granted. In 2012, health care benefit was granted to 5 370 persons at a total sum of 252 649 lats.

In 15<sup>th</sup> May of 2012, Riga City Municipality approved Riga City Municipality's Social health strategy "Healthy Rigan - in healthy Riga" for 2012 - 2021, whose goal is to provide focused work on improvement of all the inhabitants' health. For implementation of social health strategy, Riga City Municipality Health council was created in 22 May 2012, which includes representatives from all the departments and agencies, as well as deputies.

In 2012, several activities were performed in health care facilitation sphere, int. al. 601 educational lectures were held in 57 educational institutions, where 11 916 children and youth participated, performed 2 researches on use of psychoactive substances and risks of social exclusion, carried out preventive measures for non-infectious diseases, organized 27 seminars and a lot of other public events.

In order to improve health care accessibility for Riga City inhabitants, Riga Municipality's health care enterprises reorganization procedure, what was started in the previous years, was continued in 2012, resulting in more efficient and rational service provision. In 2012, reorganization process of RMLtd "Veselības nams 5" and RMLtd "Skin and sexually transmitted diseases clinical center" was launched and successfully finished, excluding them from commercial register and property of these enterprises was transferred to RMLtd "Rīga 1<sup>st</sup> hospital".

The most significant investment projects and programs:

- Development of RMLtd "Rīga 1<sup>st</sup> hospital" reconstruction plan, designers author's supervision and construction supervision, utilized 2 673 941 lats;
- Following up with ERDF health care projects in three RMLtd with Riga Municipality co-financing of 511 670 lats;
- HIV prevention and psycho-social services for drug users and their liaison persons, what is provided by NGA "DIA+LOGS". In 2012 53 368 lats were spent for this purpose;
- Tubercular patients' outpatient treatment program. 54 242 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. 8 352 lats were spent for this service;
- Support for blood donor movement, where 19 832 lats were spent in total.

<b>Budget expenses allocated to health care (k LVL)</b>	<b>2010 actual</b>	<b>2011 actual</b>	<b>2012 budget</b>	<b>2012 actual</b>
Operation and services of ambulatory medical institutions, and public health-care agency services	159.4	363.1	549.5	453.0
Other health-care services not classified above	-	1 015.6	2 702.4	2 698.8
<b>Total basic budget expense</b>	<b>159.4</b>	<b>1 378.7</b>	<b>3 251.9</b>	<b>3 151.8</b>
int.al. investment	-	1 015.6	2 702.4	2 698.9

## MUNICIPAL TERRITORY AND HOUSING MANAGEMENT

In 2012, Housing and Environment Department continued execution of investment program "Joining Municipality's residential buildings to central water supply and sewerage network, projecting and construction". The main goals of the program:

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

In 2012, joining of 3 municipal residential buildings to central water supply and sewerage network was performed. 106 324 lats were utilized for this purpose.

In 2012, within Riga Municipality's budget program "Social apartment houses and separate social apartments" financing of 571 228 lats were utilized, what included also compensation of social apartment houses' and social apartments' management expenses, 50% compensation of water and sewerage expenses and 25% compensation of heating expenses at amount of 230 041 lats.

In 2012, 61 wrecks were put in order as a result of successful cooperation between Riga City Municipality's institutions. In addition to the known 192 wrecks, Riga City Municipality found 258 new wrecks and also 27 more objects were found that degrade environment and

endanger peoples' safety in 2012. In cooperation with real estate owners Riga City Municipality put in order 34 private property objects.

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 2012, 349 965 lats were utilized to perform renovation of living-space. 56 apartments were rebuilt and prepared for rent for this money. Additionally repair work in 6 apartments for people of moderate means were performed for a sum of 15 200 lats. Renovated apartments were offered to Rigans who are waiting for municipal aid in solving the apartment issue.

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 47 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 44 apartment houses were transferred to apartment owners. In cooperation with Riga City Council Housing and Environment Department municipality from the state took possession of 123 apartments, thus increasing municipal housing fund.



## RIGA MUNICIPALITY BUDGET RESOURCE UTILIZATION FOR MUNICIPALITY OPERATIONS

The most significant investment projects and programs:

- Launched reconstruction of social apartment house on Zandartu Street 2a, financing of 1 128 393 lats was utilized in 2012;
- Joining municipal toilets to external utilities, financing 283 222 lats.
- Launched development of technical project of joining residential buildings on Sila Street 8 and Sila Street 16 to central water supply network and reconstruction of sewerage system.
- Conservation works of apartment houses on Ieriku Street 28 and Aglonas Street 35A for a total sum of 18 896 lats and replanning and renovation of apartment houses of various social groups.

<b>Budget expenses allocated to municipality territory management and housing facilities</b> (k LVL)	<b>2010 actual</b>	<b>2011 actual</b>	<b>2012 budget</b>	<b>2012 actual</b>
Street illumination	4 277.7	4 290.9	6 122.9	5 925.4
Other activities concerning municipality territory management and housing facilities not classified above	18 307.9	11 880.7	17 547.9	13 995.9
<b>Total basic budget expense</b>	<b>22 585.6</b>	<b>16 171.6</b>	<b>23 670.8</b>	<b>19 921.3</b>
int.al. investment	300.6	961.2	375.2	370.9

### ENVIRONMENTAL PROTECTION

Municipality organizes exploitation of fishing rights in the waters of the Gulf of Riga and inland waters of Republic of Latvia owned by state in accordance with fishing laws and regulations. Collected revenues from exploitation of industrial fishing rights Riga City Council Housing and Environment Department used for replenishing and protection of fish resources.

In 2012, within program control of runabout animals' population program implemented by Riga Municipality, catching of 521 runabout dogs was performed, 1 104 ownerless dogs and cats were housed at City's paid animal shelter, whereof 697 were given for care to private owners or private shelters. Caught and sterilized 1 348 ownerless cats, performed euthanasia for 843 diseased ownerless animals and animals that have suffered in accidents, provided support for 700 domestic animals and 405 wild animals. Riga City Municipality also provided services of picking up and utilization of animal corpses, euthanasia and sterilization of low-income inhabitants' pets and maintenance of walking grounds for dogs.

Within Riga City basic budget program "Maintenance and renewal of City's greenery" management of City's greenery was performed - upkeep of young trees of street greeneries - 2 614 pieces, upkeep of trees of municipal educational institutions and street greeneries - 1 667 pieces, liquidation of defective, dying and dead trees - 301 trees and 41 square meters of bushes, planting of 194 seedlings and other works. Total financing was 147 187 lats. Financing of environment

protection fund was utilized for upkeep of trees of Riga City street greeneries, liquidation of defective and dying trees, Maras pond and its environment and territory improvement works and other works.

One of the most topical environment problems in Riga is quality of atmospheric air. Air quality test in Riga is provided by 3 uninterrupted operation monitoring stations, whose test results are stored on server. Every week Rigans are informed about city's air quality in mass media.

Riga City Council Housing and Environment Department in Riga territory performs continuous maintenance of water objects (rivers, arms of rivers, channels land amelioration ditches and ponds), what are forming a united city's land amelioration system with a total length of 147 km. During the financial year, several Riga City environmental protection projects were implemented, including clearing bed of the Kisezers Lake from sunken objects near the lifeboat station "Kisezers", clearing works of the Langa River, packing of 3 unused drill holes, recovery of polluted places in Bolderaja and other activities.

The most significant investment projects and programs:

- Construction of rainwater drainage collector on Viestura Avenue, utilized 144 429 lats.
- "Estimation of pollution scale and development of recovery measures for territory of the former Electro engineering industry factory".

<b>Budget expenses allocated to environmental protection</b> (k LVL)	<b>2010 actual</b>	<b>2011 actual</b>	<b>2012 budget</b>	<b>2012 actual</b>
Waste-water management	195.9	234.0	195.5	174.4
Prevention and reduction of environmental pollution	-	0.6	-	-
Other expenditures related to environmental protection	721.1	903.7	1 971.9	1 394.7
<b>Total basic budget expense</b>	<b>917.0</b>	<b>1 138.3</b>	<b>2 167.4</b>	<b>1 569.1</b>
int.al. investment	141.3	194.0	165.5	144.4

## CULTURE

In 2012, ECSD determined following main priorities for culture development and accessibility provision:

- To provide balanced accessibility of cultural services for all Rigans;
- To organize cultural events of local and international importance;
- To support institutions and organizations, what are ensuring culture and art process;
- To support cultural diversity;
- To promote creativity and inhabitants' active participation in city's development processes;
- To promote creative passing of inhabitants free time.

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.

Municipal cultural centres, association of Riga Municipality cultural institutions and their structural units serve for Riga City inhabitant's cultural needs and for spending their leisure time. Riga Central library, its 26 affiliated branch libraries and three external service points, plays a significant role in organization of Riga City inhabitants' cultural life events and creative passing of free time. In 2012, Riga Central library had 61 043 regular users, 985 979 ordinary and 429 424 virtual visits, 1 870 various events were organized in RCB.

In 2012, for promoting various and qualitative cultural services and society's involvement in development of cultural events, ECSD organizes tenders of cultural events and projects, where 756 project applications were submitted and 419 projects received support:

- 99 projects were organized by municipality's cultural institutions and folk art and amateur groups;
- 212 events were organized by non-governmental institutions;
- 48 projects were implemented by the state institutions;
- 60 projects were submitted by other organizers and physical entity.

35 festival projects were co-financed within Riga Festivals special purpose program last year. Municipality's allocated financing covered on average 15% of the festivals' budget expenses. The most outstanding festivals, gathering great number of City inhabitants and visitors were:

International Folk Festival "Baltica 2012", International Music Festival "Rhythms of Riga", Festival Riga, International Film Festival "The Baltic Pearl", International Baltic Ballet Festival, Theatre Festival "Zelta maska Latvija", International Bach's Chamber Music Festival", etc.

123 projects participating in cultural project competition organized by Riga Municipality received support. Important cultural and art projects for Riga City of various kinds were co-financed - music, visual art, theater, dance and books and museum sector. 100 projects participating in traditional culture events financing competition were supported.

The most significant national holidays, memorial days' events and annual traditional events realized by Municipality, which in 2012 gathered great number of City inhabitants and visitors:

- Concerts, ceremony at the Monument of Freedom and celebratory firework dedicated to Lācplēša Day and 94<sup>th</sup> Anniversary of Proclamation of the Latvia Republic, as well as traditional light festival "Shine Riga";
- Events dedicated to Declaration on the Restoration of Independence of the Republic of Latvia on 4<sup>th</sup> of May;
- Program of events dedicated to 1991 Barricade 21<sup>st</sup> Anniversary;
- Events dedicated to in remembrance of Communist genocide victims on 25<sup>th</sup> March and 14<sup>th</sup> June;
- Riga festival, gathering around 180 000 visitors within three days, but gala event gathered around 150 000 visitors.
- Contemporary art festival "White Night", where 62 projects were realized in total and visited by about 45 000 visitors;
- Midsummer Day celebration on 11 Novembra Krastmala Street and at Dzēguzkalns, gathering more than 60 000 Rigans and City guests;
- International Folk Festival in Baltic - "Baltica";
- On the eve of the New Year party on 11 Novembra Krastmala Street gathered approximately 35 000 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 most significant investment projects and programs:

- Reconstruction and restoration of complex of Cultural palace "Ziemeļblazma" and park on Ziemeļblazmas Street 36, utilized 4 295 612 lats.
- Reconstruction of Latvian National Museum of Art building on Krisjana Valdemara Street 10A, utilized 417 248 lats.

Budget expense allocated to recreation, culture and religion (k LVL)	2010 actual	2011 actual	2012 budget	2012 actual
Recreational and sports events	2 843.0	2 804.6	2 488.0	2 472.3
Culture	8 276.1	11 463.5	14 495.7	14 300.5
Other recreational, cultural, and religion-related services not classified above	7 772.7	1 976.1	3 426.6	1 759.3
<b>Total basic budget expense</b>	<b>18 891.8</b>	<b>16 244.2</b>	<b>20 410.3</b>	<b>18 532.1</b>
int.al. investment	7 870.8	2 762.3	4 738.1	4 712.9

## ECONOMIC ACTIVITY

As of 2012 public traffic services were rendered in a single city transport network, what is provided by Riga Municipality Ltd. "Rigas satiksme", making use of single services provider's advantages - coordinated traffic schedules of routes, single information system on routes and traffic schedules for passengers. At the end of 2012 Riga City Municipality public transport network was formed by:

- 53 bus routes with total length of 898,1 km, provided by 317 buses;
- 9 night traffic bus routes with total length of 109,05 km, provided by 9 night traffic buses;
- 9 tram routes with total length of 91,22 km, provided by 66 trams;
- 19 trolleybus routes with total length of 161,53 km, provided by 199 trolleybuses.

As of 1<sup>st</sup> January improved service bus routes were included into traffic routes as a replacement of the former passengers' carriage by route-minibuses based on commercial principles. 10,09 million passengers or 6,7% of the total amount of passengers transported by Riga Municipality public transportation were transported in 33 improved service bus routes provided by 8 Riga Municipality Ltd. "Rigas satiksme" subcontractors.

In 2012, there were 3 179 106 runs performed with 141,37 millions of transported passengers, 52,9% of them used discounts defined by State and Municipality but 36,6% passengers were transported free of charge. The number of transported passengers in 2012 increased by 0,7%, but income decreased by 3% compared to 2011. It is related with charge discounts introduced as of September 1, 2012 - free of charge transportation for 5<sup>th</sup> - 12<sup>th</sup> grade comprehensive school students. In 2012, 103 785 passengers were transported in night traffic routes.

Passengers', employees' of public transportation and public transport drivers' opinion were listened and evaluated during the entire year and traffic schedule improvements of 145 buses, 29 trams, 38 trolleybuses and 114 improved service buses were made.

In traffic routes serviced by Riga Municipality Ltd. "Rigas satiksme" 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. 23 low floor trams are equipped with wheelchair lifts.

Proceeding with improvement of traffic organization and road safety, following activities were performed in 2012:

- ERDF co-financed construction of regulated pedestrian crossings on crossing of Ilukstes and Akademika Mstislava Keldisa Streets, financing 414 674 lats;
- performed reconstruction of Pernavas Street from A. Caka Street to Rudolfa Street, financing 491 232 lats;
- reconstruction of traffic light objects on crossings of A. Caka and Pernavas Streets and Hipokrata and Gailezera Streets, financing 360 059 lats;
- construction of a new traffic light object on crossings of Dzirnava and Puskina Streets, financing 36 481 lats;

- construction of pedestrian crossing in railway section Zaslauks - Priedaine 6,38 km, financing 90 657 lats;
- performed periodical renewal of street paving at total area of 91 416 sq. m for sum of 2,27 million lats.

As well as other works performed for a total sum of 485 thousand lats:

- reconstructed 30 and established 4 new unregulated pedestrian crossings by setting up additional illumination;
- established new pedestrian safety barriers at total length of 565 meters;
- constructed 32 speed humps, performed several traffic organization improvements, erected speed limiting traffic signs near educational institutions, erected stands for bikes and living zone restrictions.

In 2012, following traffic building projects, which were ordered by Riga City Council Transport Department in the previous period, were finished:

- reconstruction of Akademika Mstislava Keldisa Street from Ulbrokas Street to Lubanas Street, total object expenses 992 061 lats, area 11 930 sq. m;
- additional construction works of approaching roads to the South Bridge on the right side of the Daugava River, what improves bridge connection to the city street network and effectiveness of the object operation, 4 362 412 lats were utilized in 2012;
- ERDF co-financed project of reconstruction of crossings of Karla Ulmana Avenue and Beberbeku Street, total object expenses 340 980 lats, area 4 999 sq. m;
- reconstruction of Hermana Street from Barinu Street to O. Vaciesa Street, total sum 555 370 lats, area 5 419 sq. m;
- reconstruction of Vaveres, Caunes and Austrumu Streets, total sum 408 942 lats, 5 618 sq. m;
- reconstruction works of Ziemeļblazmas Street from Baltasbaznīcas Street to Kavu Street, 120 335 lats were utilized in 2012, area 2 251 sq. m;
- replacement of deformation seams for bridge over the Milgrāvis, (74 355 lats);
- reconstruction of bus stops on K. Ulmana Avenue between Vienibas Avenue and Telts Street (69 655 lats);
- construction, repairs, reconstruction and construction plan of 9 rainwater drainage system objects for a total sum of 716 327 lats.

In 2012, Riga City Council Transport Department continued:

- ERDF and private investor co-financed reconstruction of Krisjana Valdemara Street and Daugavgrīvas Street traffic hub, works performed at sum of 11 451 017 lats;
- construction of South Bridge 3<sup>rd</sup> stage (section between Bauskas Street and Ziepniekkalna Street). In 2012, works performed at sum of 5 448 078 lats;
- ERDF co-financed reconstruction of Vienibas Avenue from Kaplavas Street to Ozolciema Street. In 2012, works performed at sum of 1 502 801 lats.

## RIGA MUNICIPALITY BUDGET RESOURCE UTILIZATION FOR MUNICIPALITY OPERATIONS

<b>Budget expense allocated to economic activity (k LVL)</b>	<b>2010 actual</b>	<b>2011 actual</b>	<b>2012 budget</b>	<b>2012 actual</b>
Agriculture, forestry, fishery, and hunting	8.6	8.8	9.1	9.0
Mining, industry, and construction	5 976.5	2 757.6	6 292.8	4 952.9
Transportation	96 511.4	112 372.3	136 831.3	129 636.6
Other sectors	2 456.2	2 036.6	2 099.9	2 099.9
Other economic activity not classified above	567.3	499.6	949.8	733.0
<b>Total basic budget expense</b>	<b>105 520.0</b>	<b>117 674.9</b>	<b>146 182.9</b>	<b>137 431.4</b>
int.al. investment	11 503.5	1 021.3	9 100.7	6 781.8

### PUBLIC ORDER AND SECURITY

In 2012, Riga Municipality Police (RMP) officials secured public order during 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 198 important mass gathering events in total, including rendering support for the state security institutions together with their direct responsibilities. In 2012, the Riga Municipality Police officials secured public order near 132 Riga City educational institutions, where 1 448 educational events were organized.

50 510 inhabitants' calls were maintained, 9 379 inhabitants' applications were received. In 2012, 13 966 persons were taken up by RMP for various violations, 453 of them were wanted persons.

By means of RMP video surveillance center 2 421 cases of law violation were recorded, 129 video records were submitted to law enforcement institutions. In 2012, RMP recorded 17 872 various administrative violations and a penalty was inflicted on 3 475 persons on the spot, 55 828 administrative violation protocols on violating stopping and parking regulations were made.

In 2012, 52 administrative violations of water traffic rules were recorded, 18 raids and several inspections were performed, when 478 illegal fishing tools were

confiscated, 199 violations of fishing rules were recorded and 28 poachers were detained.

No fatal incident has occurred in places for swimming under supervision of the RMP since 2003; in total 13 swimmers were rescued on beaches and medical aid was rendered to 23 persons. In 2012, RMP civil defense specialists in emergency cases rendered help to 38 persons in total.

Taking care of security of Riga guests and tourists, twenty-four hours phone service of Tourism Information Center served 304 phone calls and police rendered help to 542 foreign tourists in 2012.

In cooperation with employees of Control service of Ltd. "Rigas satiksme", 1 002 raids in Riga City public transport were performed, during which 108 persons were taken up, 84 of them were wanted persons, 892 transgressors were brought to administrative trial.

RMP internet home page [rpp.riga.lv](http://rpp.riga.lv) is regularly updated and the number of its visitors reached 88 611 within the year. RMP Youtube account was visited 891 130 times, 152 videos were published. 896 records were made in RMP Twitter account, 392 answers given on Twitter users' questions and messages. Various informative and educational aids and activities also are used for inhabitants' information and educating.

<b>Budget expenses allocated to public order and security (k LVL)</b>	<b>2010 actual</b>	<b>2011 actual</b>	<b>2012 budget</b>	<b>2012 actual</b>
The police	8 141.3	9 624.7	10 887.5	10 836.8
Fire security, firefighting, rescue and civil security services	-	25.5	-	-
Other public order and security services not classified above	38.4	19.9	40.0	28.5
<b>Total basic budget expense</b>	<b>8 179.7</b>	<b>9 670.1</b>	<b>10 927.5</b>	<b>10 865.3</b>
int.al. investment	-	-	502.6	501.5

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

## CORRUPTION PREVENTION

In 2012, Riga City Council Bureau of Combating Corruption Centre, in accordance with the defined tasks and corresponding to corruption prevention activities plan and execution evaluation schedule, evaluated performance of the Riga City Municipality's institutions and enterprises in this field and prepared appropriate information for Riga Council Security, Public Order and Corruption Prevention Issues Committee, as well as for the evaluated institutions. In accordance with the information provided by Riga Municipality institutions, responsible for execution and control, almost all the planned activities are carried out. Corruption risk factors and information on particular corruption cases in Riga Municipality, specified by society, were summarized and analyzed additionally to this plan.

In 2012, Riga City Council Bureau of Combating Corruption Centre performed evaluation of anticorruption plans and evaluation of execution results of 27 Riga Municipality institutions, structural units and enterprises and additionally evaluated operation regulation acts of 3 Riga Municipality enterprises.

In order to eliminate problems established during the development and execution of corruption prevention plan, to render methodic aid and to find more effective solutions of corruption prevention activities for Riga Municipality institutions, Riga City Council Bureau of Combating Corruption Centre:

- Organized work meetings in each Riga City Municipality institution;
- Prepared unitary corruption risk analysis and corruption prevention plan development methodology, unitary development of corruption prevention activities plan and report form of the execution plan;
- Suggested training of corruption prevention consultants and preparation for recognition of conflict of interests situations;
- Organized seminary "Corruption prevention in institutions, implementation of internal institutions control", what was chaired by KNAB Corruption prevention department chief D. Kurpniece;
- Suggested to improve Code of ethics for all the enterprises, to develop and approve regulations and staff of Committee of ethics.

In accordance with the application information on feasible conflict of interests of individual officials and corruptive activities carried out in public purchase, inspections were performed in Riga Municipality structural units in 2012. As a result of these inspections separate flaws were found, specific suggestions were offered for elimination of flaws and reduction of corruption risks, but the guilty persons were brought to disciplinary account. In one case inspection materials were transferred to competent authority for decision on possible initiation of criminal procedure.

One of the main work directions in 2012 was systematic improvement of Riga Municipality institutions' public services. There were evaluated, arranged and improved more than 60 services in total, offering suggestions for their further improvement and elimination of established flaws. Work on 49 Riga City Construction Directorate services was finished in 2012. Administrative burden of these services was reduced, names and descriptions were simplified and particularized. An opinion survey by

phone of Construction Directorate's clients almost on each service was performed, clarifying opinions and satisfaction about the services.

Riga City Council Bureau of Combating Corruption Centre has evaluated and improved more than 100 Riga City Municipality rendered public services in total within two years, what is 37% from all the 272 services and this work is carried on.

## INTERNAL AUDIT

According to the Riga City Council Audit Directorate 2012 plan of internal audit realization approved by Riga City Council Chairman, in 2012, Riga City Council Audit Directorate performed 12 internal audits, int. al. 10 audits in Riga Municipality specific Central administration branch offices, institutions, municipal agencies (1-5 system audits performed within each audit, 23 in total) and 2 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 of these systems. As a result of audits introduction schedule of suggestions was developed, where 94 suggestions were included in total.

In 2012, Riga City Council Audit Directorate, with a goal to verify the legality and effectiveness of utilization of Riga Municipality's finance, performed 8 inspections of financial and economic activities and 2 inspections of basic budget financing utilization in Riga Municipality Central administration structural units, offices municipal agencies and institutions. The legal documents and reports of the performed investigation contain 30 suggestions on elimination of the found offences and flaws. Riga City Council Audit Directorate performs supervision of implementation of the suggested measures. In 2012, Riga City Council Audit Directorate has also performed 6 inspections of financial and economic activities and 1 thematic inspection in Riga Municipality's enterprises, preparing suggestions for elimination of established offences and flaws. Riga City Council Audit Directorate performs supervision of implementation of the suggested measures.

## OPERATION IMPROVEMENT

In 2012, changes of Real estate tax management system (NINO) of Riga Council United information system (RDVIS) were performed in accordance with amendments of rules and regulations, update of municipal Social benefits' management information system (SOPA) and Universal work place (UDV), as well as implementation of unitary management solution for Riga Municipality educational institutions' users and workstation was started. Development of e-services for inhabitants concerning preschool queue and allocation of Riga Council financing for private preschool educational institutions was improved.

In 2012, delivery of computers to various Riga educational institutions for work with various RDVIS application softwares was performed. Unitary computer and office equipment purchasing system DIPS was implemented. Provision of telecommunications for 156 preschool Riga educational institutions was performed by allocating 316 mobile and 611 stationary phones and by integrating them into united Riga Municipality phone network.

## STATE AUDIT OFFICE'S AUDIT REPORT AND MEASURES TAKEN BY MUNICIPALITY

The State Audit Office of the Republic of Latvia performed legality audit of Riga City Municipality "Compliance of the activity of the Riga City Municipality with normative acts and its effectiveness, while administrating the Real estate Tax", covering period of time from January 1, 2011 to October 30, 2012.

In accordance with audit report February 6, 2013 No. 5.1-2-17/2012 the audit comprised assessment of Riga City Municipality compliance of real estate tax calculation and administration of real estate tax debts with normative acts, including assessment of the effectiveness of the performed activities, as well as par management of real estate objects.

During the audit the Riga City Municipality was provided with four recommendations:

1. In order to provide, ka real estate tax calculations for all the objects are in accordance with normative acts<sup>1</sup>:

- 1.1. to define regulations on how construction process should be supervised, including cases, when building permit has expired;
- 1.2. to evaluate the possibility and to perform the necessary activities to submit declaration of building data into State Land Service for building registration in Cadastre information system according to the cases defined in the normative acts<sup>2</sup>.

2. In order to provide real estate tax calculation according to normative acts<sup>3</sup> during the financial year and to improve the real estate tax calculation process, int. al.:

- 2.1. to develop control procedures on tax calculation;
- 2.2. to evaluate the possibility to obtain information from institutions which have data what are necessary for tax calculation.

3. For the effective operation of real estate tax calculation system and provision observation of normative acts<sup>4</sup> by reducing administrative burden for the tax payers, to improve announcement process of real estate tax:

- 3.1. to provide posting of payment announcement within term established in normative act or until the term of payment is up;
- 3.2. to evaluate an opportunity to provide utilization of information available in NINO information system for automatic tax calculation or implementation of control mechanism;
- 3.3. to evaluate an opportunity to conclude an interdepartmental agreement with holders of State registers and not to demand information from tax payers any more, that is available in State registers.

4. In order to start real estate tax debt recovery in fixed terms and to perform the necessary debt recovery activities, in order to prevent debt recovery negative prescription, to improve tax debt recovery process by providing debt recovery activities according to normative acts<sup>5</sup>.

State Audit Office suggestions are implemented in accordance with schedule and process will continue until April 1, 2014 (int. al. construction control measures plan will be developed, a separate structural unit will be created to tighten control over the real estate tax calculation process). Until April 1, 2013 there already are:

- developed and approved real estate tax debt recovery priority plan for 2013;
- letters sent to responsible state authorities requesting provision of electronic and free of charge data access to their information systems under their jurisdiction, what are necessary for real estate tax management, at the same time requesting amend normative acts to permit such a free of charge data access.

<sup>1</sup>Law "On real estate tax".

<sup>2</sup>Law of State cadastre real estate, article 13.

<sup>3</sup>Law "On real estate tax", part 1 of article 1 and paragraph 9 of part 2. Article 6 of binding regulations No. 161 "On real estate tax in Riga in 2012" of Riga Council, January 17, 2012.

<sup>4</sup>Law "On real estate tax", regulations of the Cabinet of Ministers of June 20, 2006 No. 495 "Procedure for application of norms of the law "On real estate tax"", compulsory regulations of the Riga Council of September 11, 2007 No. 88 "Procedure for granting of real estate tax reliefs in Riga" and compulsory regulations of the Riga Council of January 17, 2012 No. 161 "On real estate tax in Riga in 2012".

<sup>5</sup>Law "On real estate tax", paragraph 9 of part 2, law "On taxes and fees" article 26, decree of the Riga Municipality Revenue Directorate of May 5, 2011 No. 21-rs "On approval of measurement criteria and aims of the processes of the Riga Municipality Revenue Directorate for 2011" and decree of the Riga Municipality Revenue Directorate of April 2, 2012 No. 24-rs "On approval of measurement criteria and aims of the processes of the Riga Municipality Revenue Directorate for 2012".

## RIGA MUNICIPALITY PARTICIPATION IN INTERNATIONAL COOPERATION PROJECTS

In 2012, Riga Municipality continued cooperation of the 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 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 2012 in association with execution of Riga territory plan were as following:

● In 2012, preparation of Northern Transportation Corridor project was continued within the framework of the co-financing allocated from European Union communication network (TEN-T) budget. On December 28, 2012 TEN-T 2007 program project - "Integration of Riga City and Riga Port into TEN-T network: Completion of Northern Corridor project research" implementation was finished. TEN-T 2007 program project "Integration of Riga City and Riga Port into TEN-T network: Completion of Northern Corridor project research" referable final expenses were 4 489 205 lats. On May 27, 2012 an open tender "Draft of sketch project of submerged tunnel Northern crossing of the Daugava River (Riga Northern Transportation Corridor 2<sup>nd</sup> stage part from Daugavgrivas Street to Ganibu Dambis Street)" within the framework of Northern Transportation Corridor project preparation 2<sup>nd</sup> stage was announced. Open tender ended without results.

● In 2012, within the European Union communication network project Integration of Riga City and Riga Port into TEN-T network development of "Construction plan of Riga Port connection with Via Baltica southern connection with Riga (Ranka dambis Street and Vienibas Avenue, Mukusalas Street connection)" was finished (total projection expenses were 1 692 951 lats). Development of Riga Port territory and implementation of this project will provide northern part of the city by convenient and safe connection with the state main motorway A6 and A7 connections with Riga and continuous city south-north arterial road will be created, eliminating necessity for cargo transport to move along local streets, as well as to move along National Library of Latvia. Public transportation zone will be created on Uzvaras Boulevard and on the Stone Bridge.

● Project "Co2o1 Bricks", which goal is to find technological solutions for energy efficiency improvement in historical buildings, maintaining their cultural heritage or historical value, putting an accent on historical brick buildings within this project. Total project budget is around 5 million euro and 18 partners from 9 countries cooperate in implementation of this project. In 2012, discussions on national and international level were organized in cooperation with project partners on introduction of a new cooperation model and work on pilot project was launched by renovation of historical brick building in Riga on Maskavas Street 8, what is placed in Historic Centre of Riga UNESCO protection area.

● Within framework of revitalization project of Riga City's degraded territories, with a goal to provide revitalization of degraded territories between Maskavas, Krasta and Turgeneva Streets, technical project was developed and as a result of tender a construction contract was signed for a sum of 4 540 052 lats, as well

as various dismantling and preparation works were performed.

- Project "Strengthening tourism potential of Grizinkalns cultural heritage".
- Project "Revitalization of Grizinkalns and alongside Miera darzs territories".

Following projects were also launched and implemented: project "Create Riga", 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 2012, Riga Municipality ECSD implemented several projects co-financed by EU and other international financial instruments, 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";
- 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".

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

- Baltic Metropolises cooperation network BaltMet;
- Union of Baltic Cities UBC;
- Network of major European cities EURO CITIES;
- The Network of European Metropolitan Regions and Areas METREX;
- European Council Committee on Local and Regional Democracy CDLR;
- Congress of Local and Regional Authorities of Europe CLRAE;
- Association of European cities enabling sustainable energy policy Energy Cities;
- Network of European cities "Cities for Children";
- Union of European Union Capitals UCEU;
- European Union Committee of the Regions CoR;
- United Nations Educational, Scientific and Cultural Organization UNESCO;
- Baltic Sea States Subregional Co-operation BSSSC;
- Modern times Union of Hanseatic Cities Städtebund DIE HANSE;
- Festival of European folk culture and art Europeade;
- International Council for Local Environmental Initiatives ICLEI;
- Organization of World Cultural Heritage Cities OWHC, etc. organizations.

In 2012, Riga City Council Foreign Relations Section also coordinated and provided a number of other international events, int. al.: Riga City Council official delegation abroad, received foreign delegations in Riga and wide participation in events of various kind and significance in Kobe, Moscow, Beijing; Berlin, Yerevan, Minsk, Norrköping, Aalborg, Pori, Rostock, St. Petersburg, Suzhou, Tallinn, Vilnius etc. cities.

## 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 important municipality's operation issues. In 2012, 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 2012, the information on planning and execution of the Municipality budget, City Council work priorities, improvement of city's environment, 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, various project competitions, business environment, raise of European Union funds and many other issues, an opportunity to receive real estate tax relief, allowances for paid services, problems concerning kindergartens and many other issues.

In order to inform society about processes in Riga, Municipality continued active cooperation with mass media. The most topical and striking Municipality's events were reflected in newspapers, television and radio broadcasts. Press conferences were regularly held in Riga City Council, where Chairman of Riga City Council and other municipal officials informed mass media about the decisions made and other current events, various informative reports were prepared by journalists' request and interviews and comments were given.

Information defined in normative acts and other important information was 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: normative acts, Riga City Council agenda, Riga City Council passed resolutions, information about planned and actual events in City and Municipality. Portal offers information on Municipality structure, competences of municipal structures, officials and contacts. Another kind of information also is published in homepage - about tenders, auction and competitions, data on air quality in real-time mode etc.

In 2012, forum "Riga resounds - inhabitants speak" was organized by ECSD, where 200 participants took place. Solutions for topical issues either for Riga Council or for inhabitants were searched in forum - solutions for development of degraded territories, participation of non-governmental institutions and inhabitants' cooperation, neighborhood development in Riga and services for families - NGO resources and municipal support.

In 2012, two Riga Council Advisory Council of Social Integration Issues meetings were held, where council members were introduced with the accomplished work in 2011, as well as discussed on Riga City social integration program and action plan project, evaluated public discussions, as well as discussed on memorandum of cooperation between Riga Council and non-governmental institutions.

Wide information on Municipality's activities can also be found in various internet social networks. For example, topical and important information for inhabitants can be found in Riga Council Facebook and Twitter accounts, where continuous and immediate communication with inhabitants is taking place, providing information updates and giving answers on topical questions.

### COOPERATION WITH PRIVATE SECTOR

In 2012, 10 public discussions took place, including:

1. 2 discussions on the 1<sup>st</sup> draft of amendments of Riga Council binding regulation;
2. 4 public discussions on construction preliminary plans;
3. organized 3 impact on environment appraisal procedures;
4. the 1<sup>st</sup> draft of 1 detailed plan was put for public discussions - on culture and recreation park "Mezaparks";
5. 13 resolutions on developing formulation of detailed plans were prepared.

During the public discussions 88 written comments from physical and legal entities on initial drafts of amendments of Riga Council binding regulation, 20 comments on construction preliminary plans and 306 comments on detailed plans were received.



## ACTIVITIES PLANNED FOR THE NEXT YEAR

### LAUNCHED PROJECTS THAT WILL BE CONTINUED

- In 2013, it is planned to continue work on Riga Northern Transportation Corridor project - development of submerged tunnel sketch project and to start draft of technical project for Riga Northern Corridor 1<sup>st</sup> stage.
- Project "Co2ol Bricks". Technical project of reconstruction of historical brick building on Maskavas Street 8 will be developed by performing appropriate tenders, as well as renovation works of the building will be started. Exchange of experience, cycle of seminars and conferences on heat insulation of historical brick buildings in Riga and in partner cities.
- Within project Revitalization of Riga City's degraded territories it is planned to continue construction works in Spikeri block in 2013 - improvement and planting of greenery of the block territory, reconstruction of engineering network, reconstruction of presently closed pedestrian tunnel from Spikeri to embankment of the Daugava River under Krasta Street, improving access to the Daugava River embankment. Embankment of the Daugava River will be fully reconstructed between the Railway Bridge and the Island Bridge at a total length of 1,3 km by building bikeway and creating quays with platforms and footbridges of suitable height. Additionally to pedestrian promenade and bikeway, it is planned to create active roller skating recreation area.
- Project "Strengthening tourism potential of Grizinkalns cultural heritage" will be finished on January 5, 2013 by implementing all the planned activities. The operation of constructed "Centre of Wooden Architecture" hereafter will be provided by Riga Municipality Eastern Executive Board.
- In 2013, within project Revitalization of Grizinkalns and alongside Miera darzs territories project there is planned revitalization of Miera darzs, development of technical project for Grizinkalns park revitalization, Ziedondarzs revitalization and reconstruction of 7 streets and reconstruction of 9 street illumination.
- Deep research of neighborhoods and their cultural and characteristic features is planned within neighborhoods project.
- Within project "Science bond. Innovations for economical development and business support in the Baltic region" there are planned meetings with scientists and representatives of innovative enterprises, development of data base of science-intensive enterprises and application to the leading partner in the autumn of 2013, conference in St. Petersburg, Industry Day in St. Petersburg - presentation of science-intensive industry enterprises and contact making, product testing in Sweden and Germany.
- Work on technical project development of Palace Square within project "Planning and improvement of dimensional structure of the Palace Square" will be continued and technical project of underground engineering communications will be prepared in addition, as well as repeated dendrological research of Palace Square greenery will be performed.
- Work on construction plan implementation within project "Savanna of Africa" will be continued - purchasing tender on development of "Savanna of Africa" construction plan and after signing contract with the winner technical project will be developed.
- Project "CITIE4DEV "Access to good, clean and fair food: "food communities" experience"" will be finished on March 30, 2013, summarizing project results and benefit.
- In 2013, meetings with project partners within project Improvement of fire security in historical buildings are planned in 2013, where manual of good practice on fire security measures in historic brick buildings will be improved, as well as experience exchange on fire security measures in historic wooden buildings.
- Technical project of Dizozolu Street reconstruction will be developed in the 1<sup>st</sup> stage of Dizozolu Street reconstruction by performing appropriate purchase procedures.
- Technical and economical justification for implementation of the 1<sup>st</sup> stage of project "Reconstruction of Agenskalns Market square" is prepared, as well as technical project of Agenskalns Market square reconstruction will be developed.
- Manual of good practice about innovations will be prepared and published, as well as employment and educational policy guidelines and action plan for Riga City and region will be prepared within the project "Development of regional employment and educational policy for attracting new talents to innovation sphere".
- Work on Agenskalns and Ziepniekkalns neighborhoods' project within project "Create Riga" will be continued.
- In 2013, foundation "Riga 2014" will continue work with goal to implement project "Riga - of Cultural Capital of Europe 2014". Foundation will not only work on events program 2014 and team formation, additionally reconstruction work will be performed in a number of city's parks, squares and gardens, as well as several big projects, from which as the most striking examples Culture Palace Ziemeļblazma" and launched reconstruction of The Latvian National Museum of Art should be mentioned. In cooperation with wide variety of artists, Rigans, state institutions, Latvia municipalities and cultural organizations events of the cultural year are created at a high international level with a touch of Europe and world spirit.

## 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 2013, int. al.:

- To perform evaluation of Riga Development Program of 2014 - 2020 and long-term development strategy of Riga until 2025 strategic impact on environment, as well as completion of the 1<sup>st</sup> edition of document and forwarding for approval in Riga Council;
- To organize public discussion on these documents after the approval of the 1<sup>st</sup> draft and to perform amendments and final edition according to these results;
- To approve the developed Riga Development Program of 2014 - 2020 and updated long-term development strategy of Riga until 2025 in the second half of 2013.

In 2013, ECSD will continue execution of defined long-term goals and set priorities for activities in accordance with "Riga Council ECSD Action plan 2012 - 2014":

- Provision of accessibility of comprehensive education and diversity of qualitative educational programs, as well as facilitation of institutions' educational process and administration quality and development of incorporative educational environment;
- Provision of educational institutions with material and technical basis appropriate for requirements postulated to educational process;
- Promotion of lifelong education;
- Promotion of diversity, accessibility and popularity of out-of-school and vocational education and program quality;
- Organization and support of children and youth camps and events;
- Facilitation youth organizations' participation in work with youth;
- Provision of cultural process and preservation of traditional culture;
- Organization of national sport events and support for various target groups;
- Facilitation of developing of integrated, united and socially responsible society;
- Efficient and useful management of Municipal financial resources, property and resources, as well as provision of topical information for inhabitants.

- Development of report on strategy implementation in Riga Municipality (Strategy Supervision System SUS). In 2012, report on strategy implementation 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). Data update, addition of research and replenishing environment section.

- Territory plan (detailed plans).

It is planned to transfer them to Riga City Construction Directorate.

- Development of territory plan changes of Historic Centre of Riga and its protection area.

In 2013, approval of the final draft of territory plan modifications for the Historic Centre of Riga and its protection area is planned, as well as realization of research "Evaluation of Historic Centre of Riga and its protection area plan 2006 - 2018 operation". It is planned to develop neighborhood local plan for Skanstē territory, as well as detailed plan for prior territory associated with use of water and waterside and realization of Municipality's public functions.

- 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 development project.

In 2013, work on development of data base of the active neighborhood inhabitants, researches in various Riga neighborhoods will be performed within the framework of this project. Work on implementation of Neighborhood idea fund will be continued;

- Maintenance and update of home page [www.apkaimes.lv](http://www.apkaimes.lv).

In 2013, update of information on neighborhoods' topical issues and news will be continued, as well as function of portal's section "map" will be improved. Neighborhood profiles are planned to be replenished with various objects of social infrastructure.

## RIGA MUNICIPALITY CONSOLIDATED FINANCIAL STATEMENTS 2012 (SUMMARY)

RIGA MUNICIPALITY SUMMARY BALANCE SHEET	31.12.2011 (k LVL)	31.12.2012 (k LVL)
<b>ASSETS</b>	<b>2 513 359.5</b>	<b>2 482 653.1</b>
<b>Long-term assets</b>	<b>2 379 586.5</b>	<b>2 367 446.1</b>
<b>Intangible assets</b>	<b>3 584.9</b>	<b>3 094.8</b>
Development activities and programs	536.4	407.5
Licenses, concessions and patents, trademarks and similar rights	2 877.9	2 625.1
Other intangible assets	72.3	48.7
Creation of intangible assets	92.3	12.3
Prepayments on intangible assets	6.0	1.2
<b>Tangible fixed assets</b>	<b>1 947 632.5</b>	<b>1 928 769.2</b>
Land, buildings and structures	1 854 488.4	1 762 566.1
Technological equipment and machinery	1 308.1	1 287.2
Other tangible fixed assets	27 401.2	30 705.5
Creation of tangible assets and unfinished construction	54 422.1	82 892.0
State and municipal real estate property assigned for actual possession	-	43 584.7
Biological and underground assets	6 761.8	6 976.8
Long-term investments in leased assets	796.5	61.2
Advance payments for tangible fixed assets	2 454.4	695.7
<b>Financial investments</b>	<b>428 369.1</b>	<b>435 582.1</b>
Investments in equity capital of related enterprises	381 775.1	391 604.7
Investments in equity capital of associated enterprises	34 306.3	36 322.9
Long-term loans	2 595.3	1 858.3
Long-term requirements	9 692.4	5 796.2
<b>Current assets</b>	<b>133 773.0</b>	<b>115 207.0</b>
<b>Inventory</b>	<b>38 832.2</b>	<b>30 244.8</b>
<b>Accounts receivable</b>	<b>7 537.0</b>	<b>9 324.9</b>
<b>Prepaid expenses and prepayments for services and projects</b>	<b>2 594.2</b>	<b>1 627.8</b>
<b>Securities and short-term investment in equity capital</b>	<b>6 736.3</b>	<b>5 244.9</b>
<b>Cash and cash equivalents</b>	<b>78 073.3</b>	<b>68 764.6</b>
<b>LIABILITIES</b>	<b>2 513 359.5</b>	<b>2 482 653.1</b>
<b>Equity</b>	<b>1 967 811.8</b>	<b>1 923 355.2</b>
<b>Reserves</b>	<b>110 017.3</b>	<b>109 310.5</b>
<b>Results of the budget execution</b>	<b>1 857 794.5</b>	<b>1 814 044.7</b>
Retained budget surplus for the prior financial years	1 861 842.7	1 857 794.5
Budget surplus or deficit for the financial year	-4 048.2	-43 749.8
<b>Provisions</b>	<b>517.5</b>	<b>1 358.1</b>
<b>Liabilities</b>	<b>545 030.2</b>	<b>557 939.8</b>
<b>Long-term liabilities</b>	<b>498 547.6</b>	<b>501 483.8</b>
Long-term borrowings	100 480.6	102 586.9
Long-term liabilities to suppliers and contractors	279 817.7	272 758.5
Long-term accrued liabilities	66 544.0	79 381.5
Other long-term liabilities	51 705.3	46 756.9
<b>Current liabilities</b>	<b>46 482.6</b>	<b>56 456.0</b>
Current liabilities and current part of long-term liabilities	8 728.5	8 227.8
Current liabilities to suppliers and contractors	15 500.1	23 168.4
Current liabilities for prepayments received	626.9	431.5
Current accrued liabilities	13 278.2	13 814.5
Wages and deduction payments (excluding taxes)	218.1	247.9
Taxes and social security payment	351.3	339.0
Other current liabilities	1 694.4	2 410.0
Deferred income	6 085.1	7 816.9

**RIGA MUNICIPALITY CONSOLIDATED FINANCIAL STATEMENTS 2012 (SUMMARY)**

<b>RIGA MUNICIPALITY SUMMARY BALANCE SHEET</b>	<b>31.12.2011</b> (k LVL)	<b>31.12.2012</b> (k LVL)
<b>OFF-BALANCE SHEET</b>		
<b>Leased assets</b>	<b>1 111.8</b>	<b>1 779.6</b>
<b>Off-balance sheet assets</b>	<b>18 709.8</b>	<b>4 599.6</b>
Contingent assets	57.9	-
Fines and overdue debts receivable	329.5	312.4
Actions of detinue	0.6	57.7
Other off-balance sheet assets	18 321.8	4 229.5
<b>Off-balance sheet liabilities</b>	<b>447 172.1</b>	<b>386 199.3</b>
Future payments according to agreements concluded on projects financed by foreign financial aid and EU policies' instruments	-	17 149.6
Future liabilities and payments according to agreements and government decisions on long-term assets and purchase and creation of special military equipment, except those concluded on projects financed by foreign financial aid and EU policies' instruments \ Future payments according to agreements and government decisions on purchase of tangible fixed assets, except those concluded on projects financed by foreign financial aid and EU policies' instruments	-	178 850.1
Outstanding prepayment invoices	40.7	18.2
Future liabilities and payments according to agreements and government decisions on purchase of widgets, except those concluded on projects financed by foreign financial aid and EU policies' instruments	-	5.7
Future rent payments	48 193.4	10.4
Future liabilities	380 304.5	-
Warranties issued	9 919.5	7 827.9
Other off-balance sheet liabilities	8 714.0	182 337.4

**RIGA MUNICIPALITY CONSOLIDATED FINANCIAL STATEMENTS 2012 (SUMMARY)**

<b>INCOME STATEMENT</b>	<b>2011</b>	<b>2012</b>
Accrual basis	<b>actual</b>	<b>actual</b>
	(k LVL)	(k LVL)
<b>Total revenues</b>	<b>558 387.8</b>	<b>537 766.3</b>
<b>Total tax revenues</b>	<b>324 462.1</b>	<b>345 455.6</b>
Personal income tax	264 248.6	283 225.7
Property taxes	57 544.1	58 986.5
int.al. real estate tax on land	23 663.5	25 367.7
int.al. real estate tax on buildings	24 390.9	24 307.1
int.al. real estate tax on housing	9 489.7	9 311.7
Other tax revenue	2 669.4	3 243.4
<b>Total non-tax revenues</b>	<b>33 760.1</b>	<b>56 253.7</b>
Government (municipality) fees	1 936.6	3 041.0
Other non-tax revenues	31 823.5	53 212.7
<b>Total revenue from paid services and other own revenue</b>	<b>115 975.5</b>	<b>58 480.8</b>
<b>Total state budget transfers</b>	<b>84 190.1</b>	<b>77 576.2</b>
Earmarked subsidies for municipal budgets	62 656.0	72 911.9
Subsidies for municipal budgets	5 443.0	-
Transfers received from state institutions for projects (arrangements) co-financed by EU policies' instruments and other foreign financial aid	272.7	3 988.8
Other state budget transfers	15 818.4	675.5
<b>Total expenses by government function*</b>		
<b>Total expenses</b>	<b>562 482.5</b>	<b>582 614.7</b>
General governmental agencies	193 606.9	204 107.8
int.al. deposits to municipal cohesion fund	48 993.8	49 933.4
Public order and security	9 126.8	10 157.2
Economic activity	136 359.1	145 702.8
Environment protection	711.9	879.0
Municipal territory and housing management	16 043.5	16 054.4
Health care	371.3	385.3
Recreation, culture, and religion	13 191.5	14 339.8
Education	146 393.4	145 285.6
Social security	46 678.1	45 702.8
<b>Budget surplus or deficit</b>	<b>-4 094.7</b>	<b>-44 848.4</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>2011</b>	<b>2012</b>
Accrual basis	<b>actual</b>	<b>actual</b>
	(k LVL)	(k LVL)
<b>Total revenues</b>	<b>1 091.7</b>	<b>1 280.0</b>
Donations and endowments from legal entities and individuals	<b>1 091.7</b>	<b>1 280.0</b>
Donations and endowments for education	190.1	191.6
Donations and endowments for social care	857.4	11.7
Other donations from legal entities and individuals	44.2	1 076.7
<b>Total expenses by government function*</b>		
<b>Total expenses</b>	<b>1 045.2</b>	<b>181.4</b>
General governmental agencies	16.4	3.9
Municipal territory and housing management	4.6	0.1
Recreation, culture, and religion	6.3	9.8
Education	156.5	153.5
Social security	861.4	14.1
<b>Budget surplus or deficit</b>	<b>46.5</b>	<b>1 098.6</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"

**RIGA MUNICIPALITY CONSOLIDATED FINANCIAL STATEMENTS 2012 (SUMMARY)**

<b>INCOME STATEMENT</b>	<b>2011 actual</b>	<b>2012 Budget</b>	<b>2012 actual</b>
Cash flow basis	(k LVL)	(k LVL)	(k LVL)
<b>Total revenues</b>	<b>459 712.6</b>	<b>459 087.4</b>	<b>473 546.2</b>
<b>Total tax revenues</b>	<b>321 734.5</b>	<b>341 070.6</b>	<b>345 611.9</b>
Personal income tax	263 815.7	283 793.6	283 565.4
Property taxes	55 249.4	53 827.0	58 803.3
int.al. real estate tax on land	22 464.7	23 231.7	24 911.0
int.al. real estate tax on buildings	24 829.2	21 914.1	24 996.8
int.al. real estate tax on housing	7 955.5	8 681.2	8 895.5
Other tax revenue	2 669.4	3 450.0	3 243.2
<b>Total non-tax revenues</b>	<b>29 381.7</b>	<b>13 997.1</b>	<b>26 848.1</b>
Government (municipality) fees	2 110.7	3 103.7	3 674.5
Other non-tax revenues	27 271.0	10 893.4	23 173.6
<b>Total revenue from paid services and other own revenue</b>	<b>23 668.6</b>	<b>23 524.2</b>	<b>21 815.6</b>
<b>Total transfers</b>	<b>84 927.8</b>	<b>80 495.5</b>	<b>79 270.6</b>
<b>Total state budget transfers</b>	<b>84 927.8</b>	<b>80 495.5</b>	<b>79 270.6</b>
Earmarked subsidies for municipal budgets	62 656.0	71 411.7	72 754.2
Subsidies for municipal budgets	5 355.8	-	-
Transfers received from state institutions for projects coo-financed by EU policies' instruments and other foreign financial aid	227.6	8607.7	5943.5
Other state budget transfers	16 688.4	476.1	572.9
<b>Total expenses by government function*</b>			
<b>Total expenses</b>	<b>470 105.9</b>	<b>514 621.5</b>	<b>487 311.1</b>
General governmental agencies	85 839.9	81 918.7	76 919.1
int.al. deposits to municipal cohesion fund	50 162.6	50 565.6	49 797.9
Public order and security	9 670.1	10 927.5	10 865.3
Economic activity	117 674.9	146 182.9	137 431.4
Environment protection	1 138.3	2 167.4	1 569.1
Municipal territory and housing management	16 171.6	23 670.8	19 921.3
Health care	1 378.7	3 251.9	3 151.8
Recreation, culture, and religion	16 244.2	20 410.3	18 532.1
Education	165 495.5	166 948.7	161 402.1
Social security	56 492.7	59 143.3	57 518.9
Cash and cash equivalents at the beginning of the year	83 669.8	77 891.1	77 891.1
Cash and cash equivalents at the end of the year	77 891.1	32 235.9	67 572.6

\*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>2011 actual</b>	<b>2012 budget</b>	<b>2012 actual</b>
Cash flow basis	(k LVL)	(k LVL)	(k LVL)
<b>Total revenues</b>	<b>928.0</b>	<b>1 166.3</b>	<b>1 112.1</b>
Donations and endowments from legal entities and individuals	<b>928.0</b>	<b>1 166.3</b>	<b>1 112.1</b>
Donations and endowments for education	55.4	110.2	61.4
Donations and endowments for social care	844.9	8.5	2.4
Other donations from legal entities and individuals	27.7	1 047.6	1 048.3
<b>Total expenses by government function*</b>			
<b>Total expenses</b>	<b>938.6</b>	<b>1 282.7</b>	<b>104.0</b>
General governmental agencies	13.8	1 045.8	27.7
Municipal territory and housing management	0.6	13.9	9.0
Recreation, culture, and religion	8.1	19.4	2.2
Education	65.7	189.4	60.5
Social security	850.4	14.2	4.6
Cash and cash equivalents at the beginning of the year	189.9	179.3	179.3
Cash and cash equivalents at the end of the year	179.3	62.9	1 187.4

\*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"

**EXPLANATION OF BASIS OF PREPARATION OF SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 2012**

These summary consolidated financial statements including Riga City Municipality's summary balance sheet as of 31 December 2012, basic budget income statement for 2012 (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 2012, based on following principles:

- Balance sheet is presented identical to that, what is included in audited consolidated statements of Riga City Municipality 2012 (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 statement 2012 (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 statement 2012 (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 2013.

# AUDITOR'S REPORT

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

### To the Riga City Council:

The accompanying summary financial statements set out on pages 35 to 39, which comprise the summary balance sheet as at 31 December 2012 and the summary statements of Main budget income and expenditure and Donations and gifts 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 2012, 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 22 April 2013 (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 2012 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 2012.

The misstatement and possible misstatements of the audited financial statements are described in our qualified audit opinion in our report dated 22 April 2013. 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 recognized 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 2012 and 2011. 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 2012 and 2011.

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

Inventories reported in the Municipality's balance sheet as of 31 December 2012 include properties held for sale with net book value of LVL 28 million (LVL 36 million as of 31 December 2011) 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 2012 include residential buildings with net book value of LVL 10 million (LVL 20 million as of 31 December 2011). Part of these residential buildings is 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 privatization will be lower than the carrying amount of these properties if they are paid for by privatization 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 privatization process as at 31 December 2012 and 2011. 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 privatization process as well as classification of assets held for sale as at 31 December 2012 and 2011.



*(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 recognized these grants as revenue in the periods when the grant was received and did not initially recognize 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 2012 and 2011.

*(d) Recoverable amount of capitalized project costs*

As at 31 December 2012, the costs of the Northern Crossing project in the amount of LVL 9 million (LVL 8 million as of 31 December 2011) have been capitalized 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 realization of this project. The management has not assessed the recoverable amount of capitalized Northern Crossing project costs amounting to LVL 9 million as of 31 December 2012 and LVL 8 million as of 31 December 2011. 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 capitalized Northern Crossing project costs as of 31 December 2012 and 2011 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. i486 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 28 million has been recorded in other non-current creditors as at 31 December 2012 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 146 million as at 31 December 2012. Had the Municipality accounted for this derivative financial instrument at its fair value, the non-current financial liabilities as at 31 December 2012 would have increased and the expenses and deficit for the year then ended would have increased by LVL 118 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 2012 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  
21 May 2013