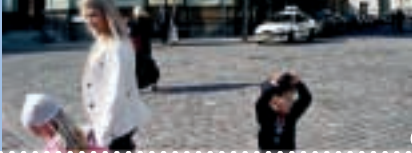


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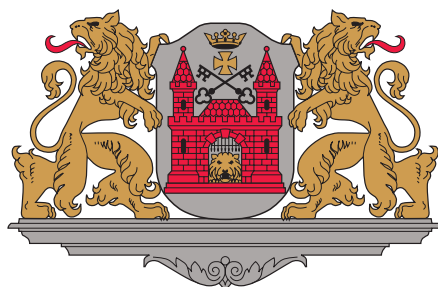
Riga Municipality
Annual Report





2006

Riga Municipality Annual Report 2006





2006

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The report of Riga City Council Chairman

During 2006, Riga Municipality continued the first stage of Southern Bridge construction over the river Daugava, which presently is the largest building project in the Baltic States. Apart from that, in 2006, Riga City Council carried decisions about the commencement of transportation and social infrastructure, as well as public transportation system improvement projects: the Second Stage of the Southern Bridge, Northern Transportation Corridor, Low Floor Tram, and Housing Construction programs.

For the realization of these projects, external financing will be required in addition to the investment program financed by the City budget. To ensure more favorable conditions for the attraction of external financing as well as increase the credibility of Riga City in the eyes of international financial institutions, the Municipality implemented a transparent and efficient financial management policy. Apart from the long lasting cooperation with the credit rating agency "Standard & Poors", in 2006, the Municipality also established cooperation with the credit rating agency "Moody's", which assigned the City a relatively high credit rating on liabilities in local and foreign currencies, A2, determining a stable development perspective in the financial and economic areas of the City, and broadening the capability of the Municipality to attract external financing.

In 2006, Riga Municipality continued to actively utilize the European Union funds. The total amount of these funds formed more than 100 million lats, which were spent on financing of various projects.

By means of active social insurance and social security policies, the Municipality achieved a wider range of social services for Rigans. In total, more than 24 million lats of municipal budget financing were allocated to this project. In 2006, the total amount of benefits granted to Rigans formed 11.3 million lats. As a result of successful operation of social agencies aimed at encouraging population's involvement in the labor market, the number of inhabitants receiving the

guaranteed minimum income allowance has decreased year on year.

In 2006, more than 120 million lats of municipal budget funds were allocated to the educational sector. During this period, queues of preschoolers in the Municipality preschool educational institutions were reduced by means of opening and resuming 36 groups with the total capacity of 720. As a result of private-public partnership, construction of new kindergartens is planned.

In 2006, remuneration of preschool pedagogical, medical staff and nannies was increased. During this period, repair works in Riga City preschool educational institutions were carried out in the total value of 3.5 million lats.

Despite the rapid construction of new residential houses in Riga City, the housing problem is still present in Riga. In 2006, Riga Municipality engaged in solving this problem, municipality enterprise LLC "Rīgas pilsēt būvnieks" built and put into operation 4 residential houses in Dreilini borough. During 2006, the Municipality provided new housing facilities to 800 families in Riga. Riga Municipality plans to continue its involvement in solving the housing problem by realizing the construction program of municipal residential housing as well as improving and broadening the allowance system. In 2007, no less than 5 million lats of municipal budget resources are planned to be allocated to living space vacation allowances for Rigans.

By improving the public transportation system in the City, the number of passengers carried in Riga City in 2006 reached 287 million people, which is an increase of 5% year on year. In 2006, Riga Municipality provided 29.2 million units of free of charge transportation services, 34% of passenger transportation involved discounts. In 2007, the development of the City traffic infrastructure is planned to continue, practically starting the implementation of park and drive system and performing traffic control, which would set a higher priority to the public transportation.

The aim of Riga Municipality Annual Report 2006 is to provide comprehensive information on Municipality operations, the budgetary and financial management activities performed, as well as results achieved in the economic and social development of the City.

In 2006, Riga Municipality sustained the long-term financial policy, ensuring rapid growth of municipal budget revenue. Compared to 2005, Riga City budget revenue in 2006 increased by 77.7 million lats (26%).

Successful achievement of budget revenue ensured not only the necessary resources for Municipality's functioning, but also gave substantial contribution of 31.6 million lats into the financial cohesion fund for the development of other municipalities.

During 2006, municipal budget expenditure was increased on financing of such important areas as education, health-care, social insurance and social security, as well as housing facilities and public utilities. The consolidated municipal budget expenditure on investments reached 56 million lats, thus showing an increase of more than 10 million lats year on year.

The swift economic development of Riga City and the increase of private investment not only contributes to the economic potential and development possibilities of the City, but also calls for appropriate investment into transportation, public utilities and social infrastructure in order to ensure stable basis for further development of the City.



In 2006, Riga Municipality took part in organizing several international level events in Riga City. For the first time in its history, Riga hosted such a sports event as the World Ice-hockey Championship. In November, 2006 Riga hosted a NATO Summit, which increased Riga's prestige as a place for organizing international level events, as well as enhanced the identification of the City and the whole country in the world.

During 2006, the number of tourists visiting Riga increased by 45% reaching 2.3 million. A large number of tourists are the so called business

travelers; however the number of tourists coming to Riga to relax and take part in cultural and sports events also has increased considerably.

Within the area of territory and environment improvement, in 2006 several significant activities have taken place: hazardous waste removal system has been established, works on the rehabilitation of polluted areas have been performed, for instance, in the territory of the former Rumbula air field. During 2006, 520 new trees were planted, 2300 trees and 60 secular trees were tidied out.

As before, the operation of Riga Municipality will be focused on the interests of Rigans by ensuring favorable conditions for realizing their economic, social, and cultural potential, as well as preserving the urban environment and City's cultural heritage.

Only harmonic development of the City, with the involvement of its inhabitants, entrepreneurs, the state and the Municipality, will give us a possibility to use the current potentialities to a fuller extent by simultaneously retaining Riga's image and increasing its role in Latvia, the Baltic States and the whole Europe.

Jānis Birks
Riga City Council Chairman



The report of Riga City Council Finance Department Director

In 2006, Riga City Council Finance Department ensured balanced Riga Municipality budget and efficient management of Municipality's financial resources by continuing its long term financial management policy.

Although it was initially planned to close the financial year with a budget deficit, the consolidated Municipality budget was actually closed with a surplus.

In order to ensure the required additional financing for the realization of Municipality development projects during 2006, the Finance Department carried out successful policy of external financing attraction and allocation. The Department performed refinancing of the historical debt in the amount of 57.1 million lats. As a result of an international tender, by receiving offers from the world's leading banks, the Municipality was able to apply a self-favorable debt refinancing strategy, thus reducing annual interest payments and extending the loan payback period. In 2006, Riga City Council Finance

Department successfully continued to apply the debt management strategy. By means of financial derivatives, the municipal loan repayment installment stability was ensured. Currently, more than 90% of Riga Municipality debt has a fixed interest rate, which has been achieved by means of financial derivatives. Thus, the Municipality has secured itself against the interest rate risk in the financial markets.

While executing budget 2006 and preparing budget 2007, the Finance Department focused on the long-term budget stability approach. The operational needs of Municipality sectors were balanced with their development interests by ensuring the necessary financing for the operation of the Municipality. Budget program goals were identified and their key performance indicators were analyzed.

By providing the necessary financial resources for the City inhabitants and the City development in a more efficient way, the Finance Department developed necessary modifications and corrections to the budget during its execution.

In order to ensure the transparency evaluation for the financial policy and strengthen the reputation of Riga Municipality as a reliable financial partner, Riga City Council Finance Department cooperated with the international credit-rating agencies assigning the Riga City with a credit rating for loans in local and foreign currencies. Already for the tenth year, cooperation with the credit rating agency "Standard&Poors"

was continued. As a result of the evaluation of the stability of Riga City financial system and the consistency in its financial policy, and despite the macroeconomic situation in Latvia, the credit rating agency in 2006 retained the credit rating at level BBB/Stable/A-3. During the financial year, the Finance Department initiated its cooperation with the credit rating agency "Moody's". As a result of the evaluation of the City's economic and financial state based on own methodology, this agency assigned the City with the comparatively high credit rating A2.

In order to ensure necessary financing for Municipality development projects, the Department devoted special attention to attraction of additional financial resources.

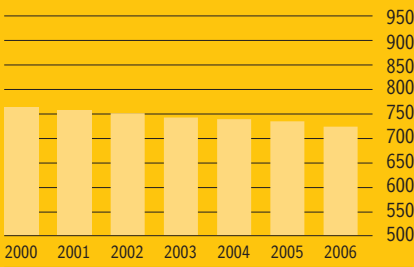
During 2006, the number of EU co-financed projects increased both in the Riga City Council and the Municipality institutions reaching the level of 163 million lats. In order to promote the private-public partnership in the realization of large infrastructure projects, the Finance Department has actively worked on the analysis of possible solutions.

As a result of the financial management and budgetary policy performed by the Finance Department during 2006, financing of municipal activities was ensured, the Municipality financial system was strengthened and its transparency improved, thus providing stable basis for the operation of the Municipality and the realization of its development plans.

Kārlis Kavacs

Riga City Council Finance Department Director

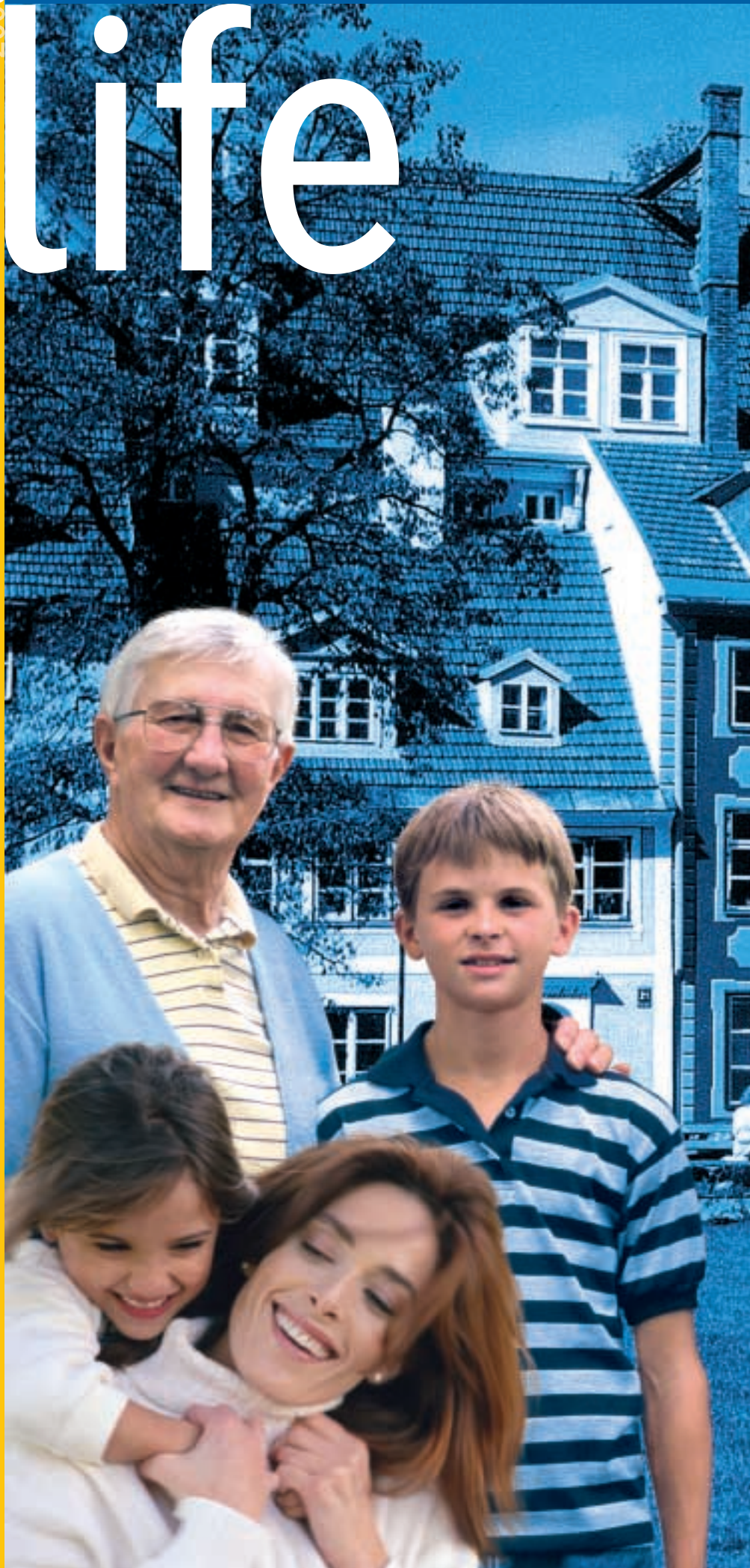
Population in Riga
(th. people)



2006

life

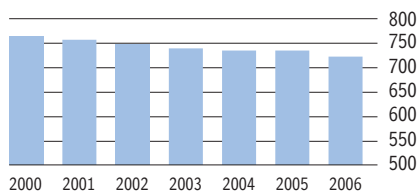
Riga is formed by people.
By the work they do,
thoughts they think,
and senses they feel.
For some, it is a lifelong
work, for others, period
in life, but for even
others, a colorful
moment eternalized
in a photography.



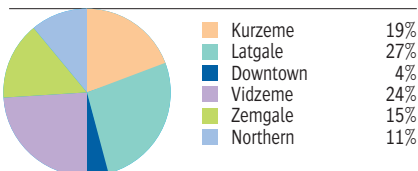


Review of Riga City population and employment

Number of inhabitants in Riga (th. people)

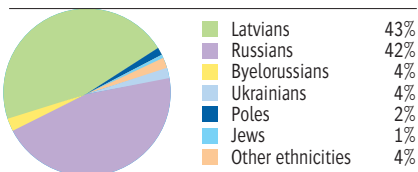


Riga population breakdown by district*
(as of the end of 2006, in %)

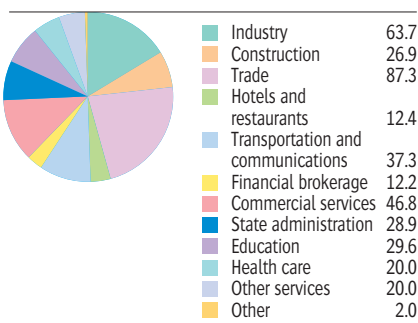


* Office of Citizenship and Migration Affairs data

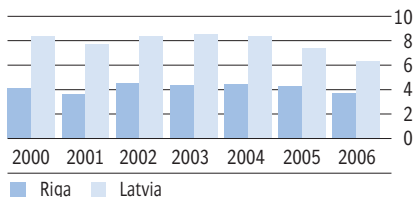
Ethnic composition of Riga inhabitants



Structure of workforce by sector (th. people)



Unemployment rate in Riga and Latvia (in %)



Inhabitants

As of the end of 2006 the population of Riga formed 722 thousand or 32% of the total population of Latvia. Compared to 2005, population of the City has decreased by 5.1 thousand people, whereof 2.6 thousand as a result of the migration.

The largest Riga districts by the size of population were Latgale and Vidzeme suburbs, where more than a half of the population is located, whereas Pardaugava (Kurzeme district and Zemgale suburb) region comprises 1/3 of City's population.

No significant changes have taken place within Riga population structure during 2006. A slight increase of registered population can be observed in Kurzeme district, Vidzeme and Latgale suburbs, whereas the population in other parts of the City has decreased, in the down-town area even by 2%.

Over several centuries Riga has been developing and historically forming as a multinational city. Over the past 15 years, the proportion of indigenous inhabitants has been gradually increasing again and reached 42.4% as of the beginning of 2006. From other nationalities, the people of Russian origin form the biggest minority part with 42.3%, Byelorussians with 4.4%, and Ukrainians with 4%.

Employment

As a result of the swift economic development, over the past years the number of employees in Riga has considerably grown. During the period starting 2000, the number of people having principal work has increased by 74 thousand (by 23%) reaching 390 thousand people, which forms 48% of Latvia's workforce.

More than 87 thousand people were employed within Riga wholesale and retail business sector, which forms 22% of the Capital's workforce, and this is the biggest sector by the number of employed in the City. The industrial sector employs

16% of the workforce; however this sector has seen even a slight decrease in the labor force over the past years. The third by size is the commercial services sector, where around 47 thousand Rigans are employed (12% of the total work force).

The education sector employs around 30 thousand inhabitants, health care sector: 20 thousand, state administration: 29 thousand Rigans.

As of the end of 2006, the unemployment level in Riga City formed 3.8% (from the economically active population), which was the lowest indicator in Latvia. During 2006, the number of unemployed in Riga had decreased by 1427 people. To compare with, the average unemployment rate in Latvia as of the end of 2006 constituted to 6.5%.

During 2006, the number of vacant job positions in Riga considerably increased. As of the end of 2006, the number of vacancies formed 13.9 thousand, which is close to the City's unemployment level.

During the period from 2000 to 2006, the average gross salary in Riga has doubled. During 2006, the average gross salary in Riga City has increased by 24%, which is the fastest salary growth over the past years.

The salary growth was dictated by several factors: process of economic development, necessity to compensate for inflation and retain the work force within the sectors, where the shortage of labor has been observed. Compared to the state average indicator, the salary level in Riga during 2006 was by 15% higher.

A rapid salary increase over the past year could be observed within the construction business sector, where the average monthly salary grew by 36%, whereas salaries in hotel and restaurant sector increased by 30%, health care sector: by 28%, and retail and commercial services sector: by 27%.

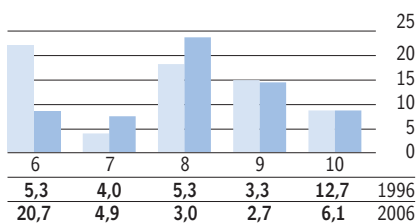
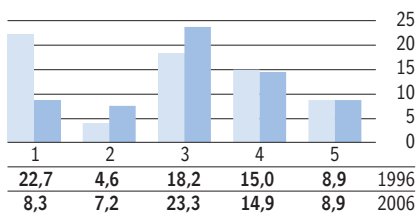
Source of data: the Central Statistical Bureau of Latvia.

Review of Riga City economic state

Riga's proportion in the national economy (in %)

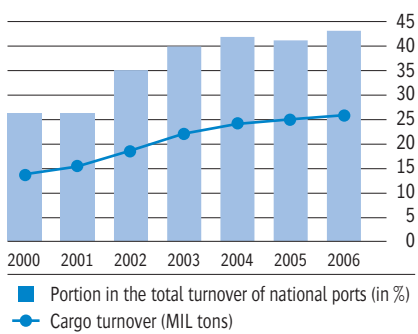
Repres. of foreign enterprises	95
Stock capital of enterprises	77
Foreign investment	76
Value added	58
Industrial products	50
Number of employed	48
Non-financial investment	47
Number of inhabitants	32

Riga economic sectors by proportion in the total value added (in %)



1 Industry	6 Commercial services
2 Construction	7 State administration
3 Trade	8 Education
4 Transportation	9 Health care
5 Finances	10 Other

Operation of Riga Port



Over the past ten years, the economic development of the Riga City has had a special role in the economic development of Latvia. Riga has been the driving force of the swift economic development of Latvia. The role of the capital within the economy of Latvia has increased and currently contributes 58% of the Country's GDP, in several sectors Riga's role is even more significant. The GDP per capita in Riga exceeds the Latvia's average GDP per capita by more than 80%.

A supporting evidence for the successful business development in Riga City is also the increasing profitability of the registered business entities over the past years. According to the annual reports (Lursoft statistics) data, the profits of Riga business entities in 2005 reached 572 million lats, an increase of 34% year on year.

Branch industry structure

As a result of the swift economic development in the Capital over the past 10 years, the branch industry structure has experienced significant changes. Measured by value added, the proportion of Riga's biggest business sector, industry, has decreased from 23% to 8%. Currently, the industrial sector can be compared to such a business sector as financial services, if measured by the value added. Over the past years, commercial services, trade and construction sectors have developed considerably and currently constitute to more than a half of the value added created within the Capital.

Industry

In 2006, the total value of the industrial output in Riga formed 1.9 billion lats, which was by 17% more than in the prior year, forming 1/2 of the total national industrial output.

Almost 37% of City's industrial output was exported, which is slightly less than a year ago (40%).

Transportation and communications

Riga Port

In 2006, the amount of shipped cargo reached 22.5 million tons, increasing by 2% year on year. The incoming cargo amounted to 2.8 million tons, 19% more than in 2005.

The total cargo turnover in Riga Port grew by 4%, slightly faster than a year before, when it increased by 1.8%. Until 2006, the proportion of Riga Port within the total turnover of Latvia's ports reached 42.6%.

2/3 of the total reloaded cargo in 2006 formed energy resources: 43% coal, 19% oil products, whereas timber formed 12% of all reloaded cargo, another 6%: container cargo, and 5%: mineral fertilizers.

Although the passenger turnover reached 247 thousand people, increasing by 27% year on year, it is still below the maximum reached result in 2003.

Airport

In 2006, the number of passengers served in Riga International Airport continued to grow reaching the growth level of 33% year on year. Over the past three years the number of passengers served in the Airport grew 3.5 times. In 2006, the Airport served in average 110 flights per day. The number of flights increased by 16% during the year.

Public transportation

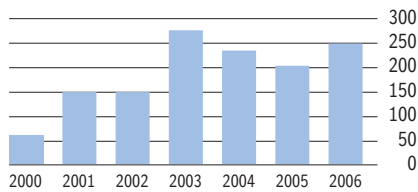
In 2006, the number of passengers carried by Riga public transportation (bus, tram, trolleybus) reached 287.4 million passengers, which was by 5% more than in 2005.

Riga Municipality LLC "Rigas Satiksme" provides passenger transportation services in 11 tram routes, 20 trolleybus routes, and 62 city bus routes.

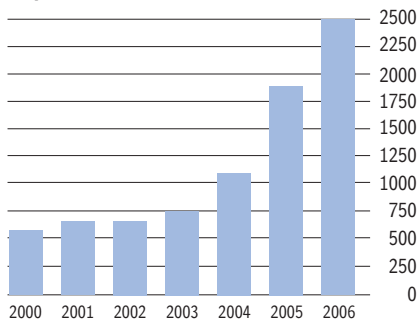


Review of Riga City Economic state

Passenger turnover in Riga Port
(th. people)



Passenger turnover in Riga International Airport
(th. people)



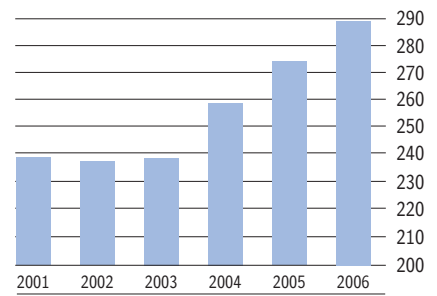
Apart from Riga public transportation company "Rigas Satiksme", passenger transportation within the sector of maxi-taxis, is also provided by 8 private companies in 46 routes. The number of passengers carried by the maxi-taxis in 2006 formed 21.1 million passengers, 5.5% more than a year before.

Construction

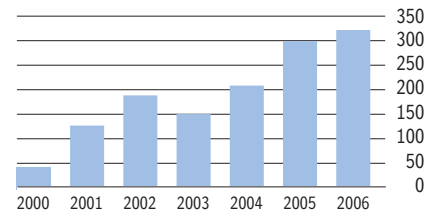
Construction has been one of the fastest growing sectors over the past years. The amount of construction work performed in Riga since 1997 has increased more than 7 times, and its proportion within Latvia's total construction business formed 34%

In 2006, a number of new dwelling houses, hotels, supermarkets, the multifunctional entertainment and sports center "Arena Riga" were built, as well as the first stage of the Southern Bridge construction works continued.

Passenger transportation in Riga public transportation (MIL people)



Value of construction works performed in Riga (mil. lats, at 2005 price index)

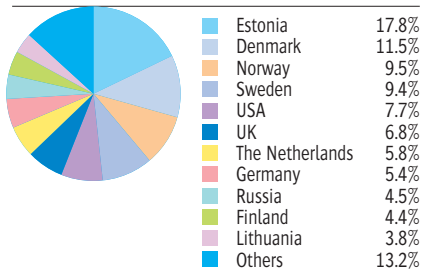


Source of data: the Central Statistical Bureau of Latvia.



Review of investments

Foreign investment in Riga, breakdown by country

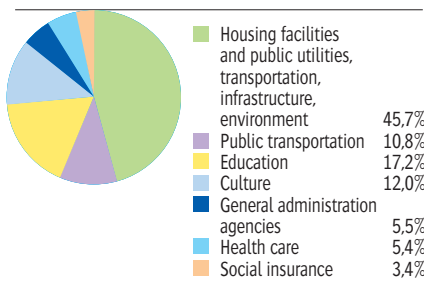


* Data Source: "Lursoft"

Non-finance investments in Riga (MIL LVL, year 2005 price index)



Riga City investment breakdown by sector during 1997-2006 (in %)



Foreign investment in Riga

As of the end of 2006, foreign direct investment into the equity capital of enterprises registered in Riga reached 1.35 billion lats, showing an annual increase of 20%. The considerable growth proves that the economic development trends in Latvia, especially in Riga, have raised foreign investors' interest in the capital of Latvia as the possible cooperation partner and an investment object with high potential. Already two years in a row the highest increase (2 times) can be observed in the investments performed by Estonian investors: their investments reached 240 million lats. Estonian investors have currently invested the biggest portion of investment in Riga. Over the past year, investments from Norway and Denmark have increased considerably, too: 1.8 and 1.5 times respectively.

The biggest investors in Riga City currently are the Estonian "Hansapank AS" with 186 million lats investment, Danish registered "Tilts Communications AS" with 71.6 million, and Bank DnB Nord with 56.8 million lats.

Investment in Riga

Over the past nine years, the total amount of non-financial investments in Riga has grown 3 times, reaching 1.3 billion lats (2005 price index).

The total amount of construction works in the City during this period has grown 7 times. In 2005, the annual investment into the City infrastructure and its enterprises grew by 15% compared to 2005, and the amount of construction works grew by 8%.

Currently, the total investment in Riga constitutes 47% of the total investment in Latvia, and 34% of all construction works are performed in the Capital.

During the period from 1997 to 2006 the total amount of Riga Municipality budget investment reached 260 million lats. The major part of municipal budget investment in this period has been allocated to areas of housing facilities and public utilities, traffic infrastructure, and environment.

Although the City infrastructure's diverse sectors are in high need of investment, the amount of the possible financing from the Municipality is constrained by the need to execute balanced budgetary and financial policy as well as the existing constraints regarding the attraction of financial resources to municipalities.

During 2006, the construction of currently the biggest construction project in the Baltics, the Southern Crossing. Apart from that, Riga City Council carried out decisions about the realization of several Riga transportation infrastructure projects during the coming years, for instance, the second stage of the South Bridge construction and the realization of the Northern Transportation Corridor. This project will allow connecting the infrastructure of the City and its port to the EU transportation network and will significantly improve traffic conditions in the down town.

As the financial resources required for the realization of the big Riga infrastructure projects considerably exceeds Municipality budget

Review of investments

capabilities, Riga Municipality is actively working on the attraction of external financing at favorable conditions. An option is being evaluated to carry out these projects based on the public-private partnership approach.

In 2006, the utilization of EU structural funds for the financing of City development increased. As of the end of 2006, structural fund projects in the total value of 163 million lats were carried out in the Riga Municipality, showing an increase of 54% year on year.

Major projects financed from the EU structural funds with participation of Riga Municipality (MIL LVL)

	Total budget	Riga Municipality co-financing
Water management services development in Riga (stage 2 and 3)	105.3	2.1
Modernization and development of traffic lights system; implementation of traffic lights subsystem (stage 1)	6.2	2.8
Hanza arcade	6.1	0.05
Integration of Riga City and Riga Port into TEN-T road network (Northern Corridor)	5.6	2.0
Two level crossing of Brivibas Gatve and Juglas Street	5.4	1.7
Construction of Eastern Highway, section Gauja Street – Meza Boulevard (stage 1)	4.3	1.4
Improvement of Emergency Medicine services		
Riga Municipality LLC "Kliniskā slimnīca "Gaiļezers""	4.0	2.7



Riga Municipality operation and activities

Structure and functions of Riga Municipality

Riga City Council consists of 60 deputies. The functioning of Riga City Council is ensured by Riga City Council Chairman, three Riga City Council Deputy Chairmen, Presidium of Riga City Council, Executive Director of Riga City, as well as employees of the Municipality administration in accordance with the structure of municipal administration.

In order to ensure self-functioning and prepare issues for their review during Riga City Council meetings, Riga City Council has formed permanent committees run by the deputies elected by the City Council.

The following committees are part of Riga City Council:

- 1) Finance and Administration Committee;
- 2) Social Issues Committee;
- 3) City Development Committee;
- 4) Environmental Committee;
- 5) City Property and Privatization Committee;
- 6) Education, Youth, and Sports Committee;
- 7) Culture, Arts, and Religion Committee;
- 8) Municipal Services and Housing Committee;
- 9) Traffic and Transport Affairs Committee;
- 10) Security and Order Committee.

The law of the Republic of Latvia "On Municipalities" defines the following functions of Riga Municipality:

- 1) to organize municipal services for inhabitants;
- 2) to ensure territory improvement and sanitation within the administrative territory of Riga City;
- 3) to establish regulations for the use of publicly accessible forests and waters if the law does not regulate differently;
- 4) to ensure education of inhabitants;
- 5) take care of the culture and promote the preservation of the cultural heritage as well as facilitate nation's creative work;
- 6) to provide accessible health care, and encourage inhabitants for a healthy lifestyle;
- 7) to provide inhabitants with social assistance;
- 8) to ensure guardianship, custody, adoption, and the protection of children's private and

- property rights and interests;
- 9) to offer assistance to inhabitants in solving housing issues;
- 10) to promote entrepreneurship in Riga City administrative territory; to help reduce the level of unemployment;
- 11) to issue permits and licenses for entrepreneurship if provided for by the law;
- 12) to ensure public order, fight against the dipsomania and depravity;
- 13) to establish regulations for the utilization of and building on land in accordance with the administrative territory plan of the respective municipality;
- 14) to ensure the legacy of construction works within the administrative territory;
- 19) to organize public transportation services.

The functioning of Riga Municipality is organized according to sectors by forming departments of the respective sector's administrative institutions, which function in accordance with resolutions and regulations adopted by the Riga City Council.

The following departments are part of Riga City Council:

- 1) Riga City Council Finance Department;
- 2) Riga City Council City Development Department;
- 3) Riga City Council Property Department;
- 4) Riga City Council Education, Youth and Sport Department;
- 5) Riga City Council Municipal Services Department;
- 6) Riga City Council Welfare Department;
- 7) Riga City Council Transport Department;
- 8) Riga City Council Culture Department;
- 9) Riga City Council Environment Department.

To ensure functioning of Riga Municipality, Riga City Council has established capital companies with investments into their stock capital, and the administration of equity share capital belonging to the Municipality is organized in line with the legislation of the Republic of Latvia, as well as municipal agencies and institutions of special status.

In order to defend the interests of Riga City and actively participate in projects and events of

respective spheres, Riga Municipality is represented in such associations as Union of Latvian Municipalities, Association of Latvia's Cities, Riga Congress Office, "BK Riga 05", "Tourism Commission of the Baltic Sea Countries", league of the Hanseatic Cities "Die Hanse", Daugava Union, Latvian Municipality Training Center, Latvian Modern Arts Center, Latvian Municipality Employers' Association, and in foundation, Riga Region Development Agency, Latvian Technology Center, Sports club "Riga", Latvian Technology Park.

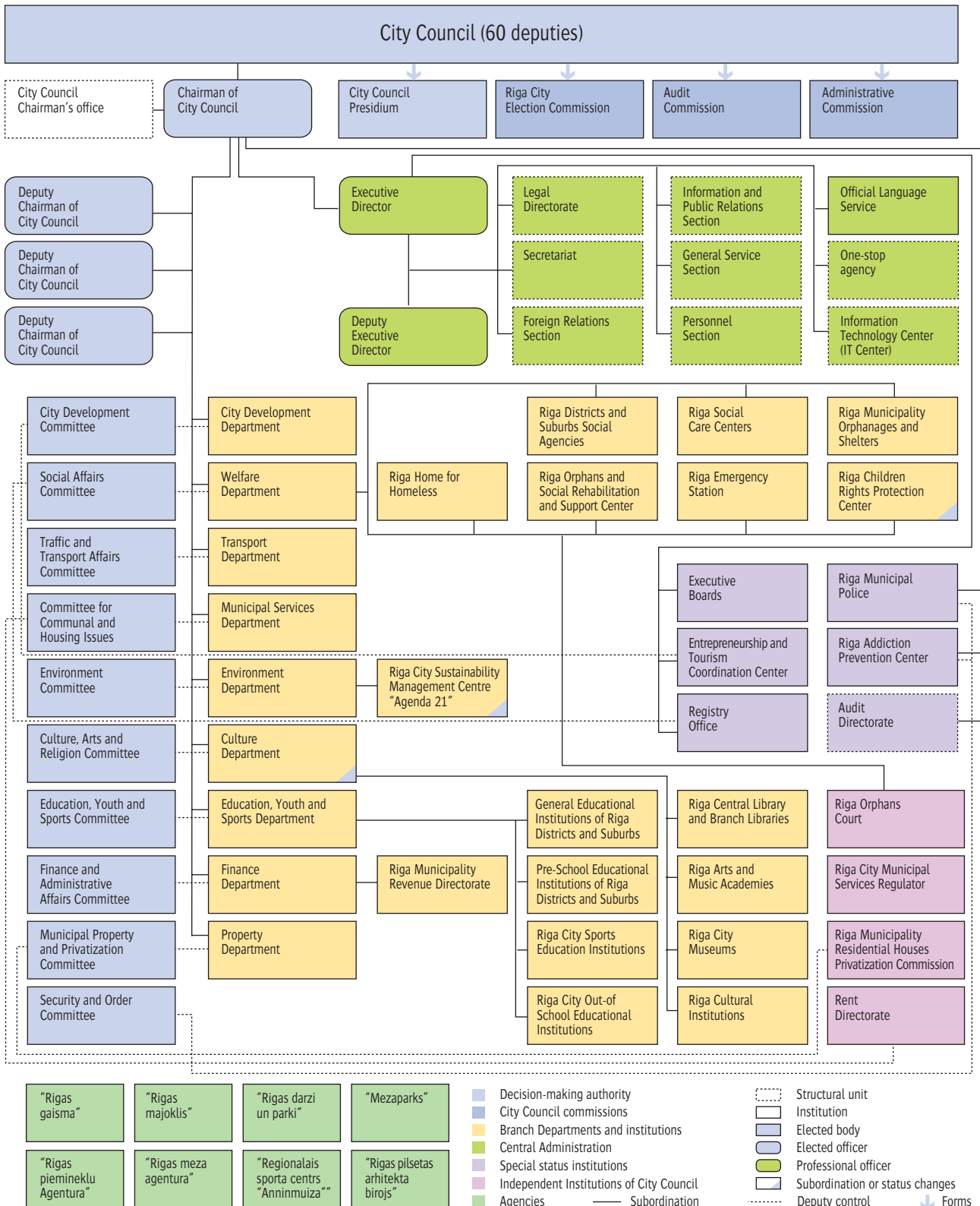
In order to improve the functioning of Riga Municipality operation and management, work on a unified payroll system and modernization of the accounting system in Riga City Council institutions has been initiated, the document flow has been improved, too. Work on the implementation of electronic signature was continued as well as modernization and improvement of IT systems and software.

During 2006, Riga City Council's internal audits were carried out by the Riga City Council Audit and Revision Authority, whereas audits in Riga City Council departments and their reporting institutions and governing bodies was done by their respective internal audit structural units. For the improvement of the functioning of Riga Municipality's respective structural units, advices and suggestions from the State Control, sworn auditors, and internal audits were taken into account.

During 2006, several Riga Municipality structural units faced reorganization, for instance, Riga City Council Culture Authority was transformed into Riga City Council Culture Department; effective 01-Jun-2006, the structure of Riga City Council Education, Youth, and Sports Department was put into effect prescribing direct subordination of all 328 educational, sports, and leisure establishments in Riga. Thus, six territorial departments of Riga City Council Education, Youth, and Sports Department operating within Riga District and suburbs, finished their existence.

Riga Municipality agencies "Mežaparks" and "Rīgas pilsētas arhitektu birojs" were established.

Riga Municipality operation and activities





2006

Riga Municipality operation and activities

Development plan and public involvement in City planning discussion

The most significant activities performed in association with the development of Riga territory planning for 2006 – 2018 and Riga development program for 2006 – 2012:

- The second stage of the public discussion of Riga territory plan 2006 – 2018 took place during the period 07.12.2004 – 01.02.2005.
- With the resolution of the Riga City Council the version of the city plan 2006 – 2018 developed on the 01.03.2005 has been defined as the first version.
- The third stage of the public discussion of Riga territory plan 2006 – 2018 took place during the period 06.09.2005 – 18.10.2005.
- With the resolution of the Riga City Council the Riga City long term development strategy till 2025, the final version of Riga City development program for 2006 – 2012 were approved, as well as the final version of Riga territory plan 2006 – 2018 was determined.
- With the resolution of the Riga City Council effective 20.12.2005, Riga territory plan 2006 – 2018 has been approved as the binding regulations "On Riga Territory Utilization and Construction Works in the Territory of Riga".
- According to Riga City Council resolution effective 05.07.2005, the final version of Riga Historical Center Preservation and Development Plan was amended based on opinions of institutions, and the third version was prepared.
- During the period 06.09.2005 – 18.10.2005, the public discussion of the third version of Riga Historical Center and its Protected Area took place.
- In accordance with the Riga City Council's resolution effective 15.11.2005, the updated third version of the Riga Historical Center and its Protected Area's plan was approved as the final version.
- With Riga City Council resolution effective

07.02.2006 Riga Historical Center Territory Plan was approved as the binding regulations "On Riga Historical Center Territory Utilization and Construction Works in This Territory".

- In 2005, an analysis of Riga Historical Center Protective Area and buildings inspection and construction was carried out, as well as seminar with UNESCO World Heritage Experts took place about the planning of Riga Historical Center Area.
- During 2005, 5 detail plans were approved.
- In 2006, work on such detail plans as Kliversala detail plan (first stage of the public discussion took place), Mezaparks unified territory detailed plan (first stage of the public discussion took place), Latvian Riflemen's Square detail plan, detail plan of the territory on Brivibas Boulevard near Jugla Canal, was initiated.
- In 2006, Daugava left bank silhouette conception project was prepared.
- In 2006, the preliminary plan of Riga Northern Transport Corridor first section's highway from Vidzeme Highway to Vairoga Street (i.e., duplicate of the Brivibas Street) and second section's highway from Vairoga Street to Daugavgrivas Street was approved by Riga City Council.

Legal entities' and inhabitants' involvement in the discussion of Riga territory plan 2006 – 2018:

- Public discussion of Daugava left bank's silhouette conception project
- Detail planning's public discussions
- Applications and suggestions of legal entities and individuals for amendments to Riga Territory detail plan 2006 – 2018.

Activities planned during 2007 concerning Riga territory plan 2006 – 2018 and development program 2006 – 2012:

- Development of amendments to regulations "On Riga Territory Utilization and Construction in Riga Territory" graphical part "Major Protected Zones and Other Restrictions on Utilization of Land M1:10 000" and in part "Regulations on the Utilization of Riga Territory and Construction in Riga Territory".

Appropriate public discussion will take place.

- Work on the digital 3D model of the Riga City will be continued.
- The development of amendments to the territory plan of Riga Historical Center and its Protective Area will be initiated.
- The analysis of Riga construction protection territories and development of the binding regulations will take place.
- The development conception of Riga City drainage system will be created.

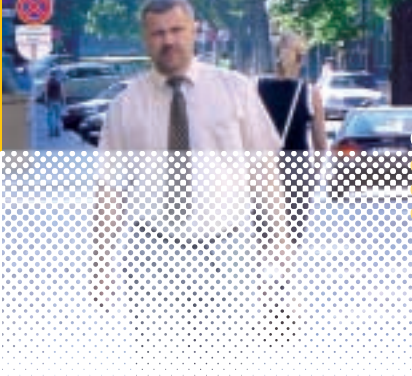
Promotion of inhabitants' awareness and involvement in the decision-making

In 2006, several international level events took place in Riga, which were provided with informative support from Riga Municipality. World Hockey Championship, NATO Summit, visits of royal families and presidents, as well as functionaries.

In order to actively involve Rigans into city events, campaigns such as "Month of Cleanliness", "The Good Star", youth's essay competition "That Morning I Woke Up and Felt That I AM Riga's...", were organized. Also, openings of kindergartens, playgrounds, and dwelling houses were organized.

An up to date sector information was reflected in such broadcasts as "Galva.Pils.Seta", "Medicine and us", "Save the Children". Publications dictated by the rules and regulations were publicized in such newspapers as "Latvijas Vēstnesis", "Rigas Balss", "Kultūras forums". Press conferences of the Riga City Council Chairman and other Council's functionaries are organized on regular basis, where the press representatives are provided with information on current events related to functioning of the Riga City Council.

In 2006, Rigans could give their input and suggestions during surveys performed by the Riga City Council, as well as public discussions. Users of Riga Municipality website www.riga.lv were provided with information on resolutions adopted by the Riga City Council, services provided by the Municipality, and the events.



Riga Municipality operation and activities

Riga Municipality's involvement in cooperation projects

The economic development trends and growth, the diverse and rich cultural environment, traditions and activities at an international level, have developed Riga into an attractive and interesting cooperation partner both in the local scale and at the international level. In order to promote the cooperation both in joint project implementation and for the exchange of experience among city municipalities in such fields as transportation and communications, public utilities, environment, culture and education, city planning and development, tourism as well as other important fields, Riga has signed treaties with 29 commonwealth cities, as well as cooperates with another 25.

Thus, during 2006, several international level cooperation projects were carried out in diverse spheres, such as:

- Days of Riga in Hamburg, 29.08.2006 – 02.09.2006. A broad cultural program with concerts and exhibitions was offered, as well as seminars about economic and investment issues took place.
- Days of St.Petersburg in Riga, 22.03.2006 – 25.03.2006. Treaty on cooperation between Riga and St.Petersburg was signed during the event; events promoting culture, sports, and tourism took place, as well as business forum was organized.
- Active organizational work with French colleagues in Riga took place in coordinating the events of the festival "Spring of France", taking place in March-June, 2007.
- In March, 2007, Vienna landtag's and municipality representatives and architects visited Riga. During the visit, the representatives of Vienna shared their experience about the city planning process

in Vienna, issues about monument protection, and housing facilities. Also, Vienna architecture exhibition was opened in Riga Stock Exchange building.

- Participation of Riga in the "26th international days of Hansa" in Osnabruck, Germany.
- Participation of Riga in the "10th international architecture biennale" in Venice.
- Participation of Riga in the international monument protection exhibition "Denkmal 2006".
- International conference "Riga Forum".
- During 15.11.2006 – 16.11.2006 in Zurich, memorial plank was opened on the house were Rainis and Aspazija had lived. and other projects.

In order to create or broaden the already existing cooperation, during 2006, Riga Municipality hosted delegations of several countries, int.al.:

The president of Kazakhstan came to Latvia on an official visit. During the visit, a treaty was signed between Riga City Council and Astana City to promote cooperation in such fields as trade and business, science and technology, health care, culture, logistics, education, and social security. Cooperation for the coming years within the environmental area was discussed with the delegation from Helsinki. During the seminar with the delegation from the Association of Finnish Municipalities issues related to the city development, environment, and public utilities were discussed. Moscow government delegation discussed issues about promoting cooperation in the tourism sector, as well as business support seminar took place, etc.

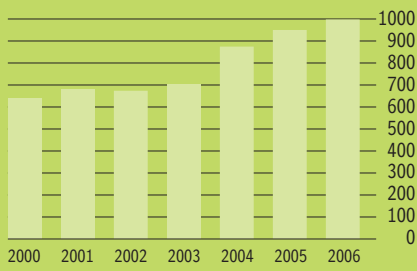
Riga Municipality is also an active cooperation partner in international organizations, such as:

- The union of EU capitals, which unites all municipalities of the EU Capitals.

- Cooperation network of Baltic Metropolises.
- Union of Baltic capitals, uniting 100 cities from the Baltic Sea region, where Riga actively participates in city planning, cultural, traffic, and environment committees. The budget is formed from membership fees, as well as state and international organizations' subsidies.
- European Cities Against Drugs, uniting 257 cities in 27 countries in the fight against the legalization of drugs, and the increase of the influence of the organized drug dealership.
- Baltic Cultural Center and Cultural Exchange Association of the Baltics and Nordics. This association works on the planning and realization of different cultural exchange projects.
- Modern times Union of Hanseatic Cities.
- Based on 06.12.1997 UNESCO World Cultural Heritage Center's resolution, Riga Historical Center has been added to the cultural heritage list of the abovementioned institution.
- Riga regularly participates in EU Regional Committee plenary meetings and other activities in Brussels. The cooperation between Riga and this EU consulting institution has become more intensive after Latvia's accession to EU.
- Riga has been admitted to the international European cities association, which is the cooperation network of the European Cities (130 cities). This will allow developing cooperation among cities in such areas as economics, social security, environment, transportation, culture, education, information, and others, as well as defend the interests of cities within EU, and create vision about long-lasting future.

2006

Investment in Riga
(MIL LVL)



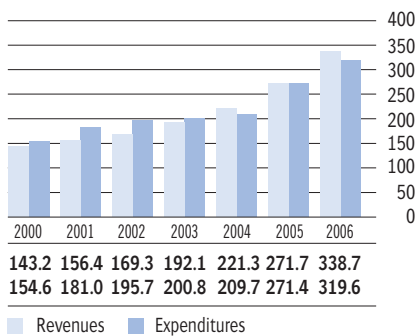
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City's economic development trends over the past years have developed Riga into an attractive and interesting cooperation partner.

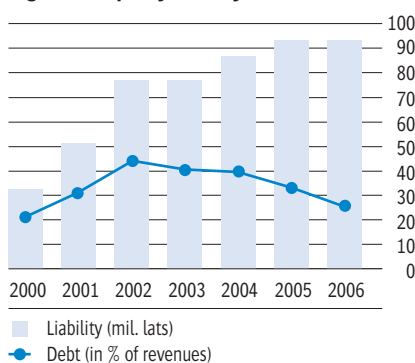


Riga Municipality financial and budgetary policy

Riga City basic budget revenues and expenditures (mil. lats)



Riga Municipality debt dynamics



History of Riga City credit-rating

Credit rating agency "Standard & Poors"

Year of granting the rating	Rating for liabilities in the local currency	Rating for liabilities in the foreign exchange
1997	BBB-/Positive/A-3	BBB-/Positive/A-3
1999	BBB-/Stable/A-3	BBB-/Stable/A-3
2001	BBB-/Positive/A-3	BBB-/Positive/A-3
2003	BBB-/Stable/A-3	BBB-/Stable/A-3
2004	BBB-/Stable/A-3	BBB-/Stable/A-3
2005	BBB-/Stable/A-3	BBB-/Stable/A-3
2006	BBB-/Stable/A-3	BBB-/Stable/A-3

Credit rating agency "Moody's"

Year of granting the rating	Rating for liabilities in the local currency	Rating for liabilities in the foreign exchange
2006	A2	A2

Budgetary policy

The aim of the Municipal budgetary policy is to provide necessary financial resources for the municipality functions and coordinate their allocation by maintaining the budgetary and financial policy.

Between 2000 and 2002 Riga Municipality budget expenditure significantly exceeded the revenue as during these years the expenditure was increased in order to finance the investments even on the account of budget deficit. By maintaining a consequent budget balancing policy since 2003, over the past three years Riga Municipality has been achieving non-deficit budget execution. Riga Municipality basic budget revenue in 2006 compared to 2005 grew by 67.1 million lats (25%), which is the fastest growth in revenue over the past years.

More than $\frac{2}{3}$ of the total Municipality basic budget revenue growth during the financial year was formed by the increase in the collection of individual income tax. Due to the swift increase in salaries, revenue from individual income tax in 2006 was by 50.6 million lats (31%) higher than a year before.

The increase in consumer and producer price indices, construction costs, as well as the necessity to increase salaries of employees financed from the Municipality budget in 2006, created the necessity of increasing also the Municipality budget's expenditure.

Riga Municipality basic budget expenditure grew by 48.2 million lats (by 17.8%) compared to 2005. The budget expenditure on maintenance increased by 23%, whereas capital expenditures grew by 13% compared to the year before.

Between 2000 and 2006, Municipality budget expenditure per capita has increased from 202

lats to 439 lats per year. Taking into account the impact of inflation, the real increase in the Municipality budget expenditure per capita during this period is 67%.

Municipality's debt dynamics

As a result of successful financial policy, by balancing the budget and decreasing the cost of attracted financing, over the past years Riga Municipality has achieved stability in Municipality's direct liability amount. As a result of a rapid increase in Municipality budget revenues, the City's debt to budget revenues ratio has decreased from 45% to 25% during the period from 2002 to 2006.

During the financial year, Riga Municipality performed refinancing of the historical debt amounting to 57 million lats, by extending the repayment period to 30 years and decreasing the cost of attracted credit resources, thus proving the financial stability of the Riga Municipality and increasing its reputation both in the local and international financial markets.

Credit-rating

In 2006, Riga Municipality continued its cooperation with the credit-rating agency "Standard & Poor's", evaluating Riga City already since 1997. By evaluating the financial state of the City, Municipality's achievements in budgetary and finance areas, in 2006 the Agency granted Riga with the same rating as in 2005, i.e. BBB-/Stable/A-3.

During the financial year, the Municipality initiated cooperation with one of the world's leading credit rating agencies "Moody's". After evaluating the financial state of the City based on their own methodology, at the end of 2006, the Agency assigned the City a relatively high credit rating A2.



Riga City budget utilization performance

Economic growth of Riga and results of Riga Municipality financial policy in 2006 are characterized by the achievements in budget revenue and their purposeful allocation to the execution of autonomous functions of the Municipality based on priorities set by the Riga City Council.

Budget is a tool for Riga Municipality economic policy execution by financial means. Over the past five years budget priorities have remained unchanged: education, housing facilities and public utilities, social aid, and investment into City infrastructure.

Riga City budget comprises basic budget and special purposes budget. Riga City basic budget is the main part of the budget, which includes Municipality revenues intended for the coverage of expenditures, and are not intended for special purposes. Riga City special purposes budget includes revenue sources marked for special purposes.

Riga City budget is prepared based on the cash flow approach, simultaneously ensuring accounting based on accruals approach, which is according to the regulations by the State Treasury.

Riga City budget revenues

The City of Riga budget revenues consist of the basic budget revenues and the special purposes budget revenues, int. al. revenues from donations and endowments to Riga Municipality.

Riga City basic budget revenues

In accordance with the legislation and the mandatory regulations of the Riga City Council, Riga Municipality performs the administration of the individual income tax, real estate tax, natural resources tax, Municipality charges, as well as controls the collection of gambling tax and state charges and their transferring to Riga City budget.

Basic budget revenues comprise:

tax revenues:

- personal income tax;
- property tax on land, buildings, and structures;
- gambling tax;

non-tax revenues:

- charges for paid services provided by public authorities;
- charges for the utilization of municipality capital;
- municipality fees;
- state tax for legal and other services;
- other revenues (fines and assents, sale of property, etc.).

Riga economic growth secures steady increase of the basic budget revenues. In 2006, Riga City basic budget revenues formed 338.7 million lats, which is 67 million lats more than in 2005.

Riga City basic budget primary revenue source is individual income tax payments. Compared to 2005, personal income tax payments in 2006 have increased by 50.7 million lats.

Riga City basic budget revenue composition (MIL LVL)

	2004 actual	2005 actual	2006 budgeted	2006 actual
Total tax revenue	165.4	193.7	243.2	248.3
Individual income tax	136.7	163.3	211.0	214.0
Property taxes, whereof:	27.0	28.3	29.4	31.0
Real estate tax on land	11.3	10.1	10.4	10.1
Real estate tax on buildings and structures	15.7	18.2	19.0	20.9
Other tax revenues	1.7	2.1	2.8	3.3
Total non-tax revenue	16.7	24.6	29.5	31.1
Government (municipality) fees	0.9	0.9	0.8	0.6
Revenue from paid services provided by public authorities	14.1	22.5	26.4	28.2
Other non-tax revenue	1.7	1.2	2.3	2.3
Payments received from the state budget	39.2	48.7	61.0	59.3
Earmarked subsidies, whereof:	36.9	40.8	50.9	50.9
Earmarked subsidies for investments	0.4	0.3	1.7	1.7
Payments from state budgetary institutions	2.3	7.9	10.1	8.4
Payments from other budgets		4.7	-	-
Total revenue	221.3	271.7	333.7	338.7

Riga City basic budget revenue composition 2006

	MIL LVL	%
Individual income tax	214	63
Real estate tax on land	10.1	3
Real estate tax on buildings and structures	20.9	6
Other tax revenues	3.3	1
Revenue from paid services provided by public authorities	28.2	8
Government (municipality) fees	0.6	0.2
Other non-tax revenue	2.3	1
State budget earmarked subsidies	50.9	15
Payments from state budgetary institutions	8.4	2
Total revenue	338.7	100

Riga City budget utilization performance

The second biggest Riga City basic budget revenue source is real estate tax payments. In 2006 they formed 31 million lats in Riga Municipality budget revenue, including real estate tax on land in the amount of 10.1 million lats and real estate tax on buildings and structures, 20.9 million lats. Compared to the prior year, an increase in real estate tax collection can be observed: real estate tax on buildings and structures grew by 2.7 million lats.

In 2006, a total of 28.2 million lats of Riga City basic budget revenues came from the charges for services provided by the public authorities and other own revenues. In comparison with the prior year, these payments have increased by 5.7 million lats.

Earmarked subsidies and payments from the state budget institutions are the state budget resources intended for municipalities to finance special purpose projects. In 2006, earmarked subsidies received by Riga Municipality from the state budget amounted to 50.9 million lats, whereof 48.9 million lats on education (events, remuneration and social security payments for the staff of elementary schools, high-schools, music academies and art schools, as well as special pre-school educational institutions and boarding schools), 0.1 million lats on culture and 1.7 million lats on investments. Compared to 2005, the total amount of earmarked subsidies has increased by 10.2 million lats.

Riga City special purpose budget revenues

Riga City special purpose budget revenues are formed of marked income not associated with the basic budget, which, in accordance with the rules and regulations of the Republic of Latvia Cabinet of Ministers, is transferred to municipalities and is intended for the coverage of special costs only.

Riga City special purpose budget comprises:

- Riga Municipality Property Privatization Fund;
- Riga Environment Protection Fund;
- Municipality Road (street) Fund;

- earmarked subsidies for regular passenger transportation;
- other revenue.

In 2006, revenues of the Riga City special purpose budget constituted 36.2 million lats, int. al. 8.8 million lats contributed by the Riga Municipality Property Privatization Fund, 7.7 million lats contributed by the Road (street) Fund, and 4.6 million lats by the Riga City Development Fund.

In 2006, revenue from donations and endowments to Riga Municipality amounted to 0.3 million lats.

Riga Municipality Property Privatization Fund receives financial resources obtained as a result of the privatization of state owned and municipal property located in Riga administrative area. These resources are utilized as follows:

- support for entrepreneurship;
- establishment, operation, and development of business support infrastructure;
- administrative and legal services for the privatization process of municipal property, as well as expenses related to resource administration of the Property Privatization Fund.

Riga City special purpose budget revenue composition (MIL LVL)

	2004 actual	2005 actual	2006 budgeted	2006 actual
Riga Municipality Property Privatization Fund	5.1	3.3	7.6	8.8
Revenue from the privatization of state and municipal property	4.4	2.6	6.0	6.9
Revenue from the privatization of apartments and the valuation of uninhabitable housing resources	0.7	0.7	1.6	1.9
State Road Fund	4.9	5.2	7.7	7.7
State Road Fund earmarked subsidies to Municipal Road (Street) Fund (direct payments)	4.4	4.7	7.2	7.2
State Road Fund earmarked subsidies for regular passenger traffic on busses	0.5	0.5	0.5	0.5
Natural resources tax	0.3	0.3	0.3	0.3
Revenues defined in the Republic of Latvia law on "Natural resource tax"	0.3	0.3	0.3	0.3
Other revenues	12.0	16.7	15.9	19.4
Riga City Development Fund (revenue from the lease of land, expropriation, and other revenue)	8.3	4.5	5.1	4.6
Revenue from sale of forest resources	2.2	2.7	2.5	3.3
Other special budget revenue	1.5	9.5	8.3	11.5
Total Revenues	22.2	25.5	31.5	36.2

Riga City special purpose budget revenue composition 2006

	MIL LVL	%
Riga Municipality Property Privatization Fund	8.8	24
State Road Fund	7.7	21
Natural resources tax	0.3	1
Other revenues	19.4	54
Total Revenues	36.2	100

Riga City budget utilization performance

Riga City budget expenditures

The revenues of Riga City basic budget 2006 and special purpose budget 2006 as well as the surplus of the previous budgets have been utilized to support the municipal operations and financing of the special purpose activities in compliance with the "Law on Municipalities" of the Republic of Latvia. In this report, budget expenditures are reflected according to the classification by government function or sector: institutions of the executive authority, economic activity, environment protection, education, social security, housing facilities and public utilities, transportation and communications, culture and sports, public order and security, etc.

Budget is the basis for the financial operation and management of the Municipality. It serves as financial means of ensuring an autonomous functioning of the Municipality. The composition, approval, execution, and control of the municipal budget must be performed in a unified, transparent, effective order, mandatory to all budget executors. Such an order ensures unified principles in the whole process of Riga Municipality budget: preparation and evaluation of budget requests, as well as budget supervision and control. Based on this order, annual methodology for the individual budget processes is being prepared.

In line with the above mentioned order, the preparation of Riga City budget 2006, the evaluation of priorities and budget programs in accordance with unified methodology was performed, as well as priorities were set, thus the necessary amount of financial resources for ensuring the autonomous functioning of the municipality were identified.

In order to increase the efficiency in Municipality budget resources utilization, Riga Municipality budgeting process has been improved: budget program purposes have been identified; bases for the specification of the results of operations within the frameworks of budget programs have been prepared in line with the aims of these programs, as well as their respective key performance indicators. In this way Municipality's ability to provide benefits required by the society,

the benefits themselves and their respective amount and character, as well as activities performed by the Municipality to ensure its functioning, can be shown.

Riga City basic budget expenditures

Riga City total basic budget expenditures (incl. financing of investment projects from liabilities) have grown from 271.4 million lats in 2005 to 319.6 million lats in 2006, including financing of investment projects in the amount of 16.8 million lats.

In 2006, 31.6 million lats were diverted to the Municipal Cohesion Fund, which is an increase of 4.3 million lats compared to the year before. Other resources have been utilized as follows: maintenance of the executive authority institutions, financing of municipal orders, financing of investments, subsidies to municipal enterprises and business entities to ensure the provision of the municipality duties in the areas of public transportation, urban traffic infrastructure (illumination), improvement of the territory, etc.

Riga City basic budget expenditures composition (MIL LVL)

	2004 actual	2005 actual	2006 budgeted	2006 actual
Total expenditures by function	185.1	244.1	318.2	288.0
General governmental agencies	20.3	25.8	32.9	29.8
Public order and security	4.1	5.1	6.7	6.5
Education	88.3	101.2	127.0	120.3
Health care	1.7	6.9	10.6	11.0
Social insurance and social security	16.5	19.7	26.6	24.3
Housing facilities and public utilities, environmental protection	21.8	42.4	60.6	50.1
Leisure, sports, culture, and religion	10.9	9.3	14.4	13.3
Transportation, communications	17.3	31.2	35.4	28.7
Other economic operations and agencies	0.2	0.3	0.9	0.9
Other expenses	4.0	2.2	3.1	3.1
Deposits to municipal cohesion fund	24.6	27.3	31.6	31.6
Total expenditures	200.8	271.4	349.8	319.6

Riga City basic budget expenditures composition 2006

	MIL LVL	%
General governmental agencies	29.8	9
Public order and security	6.5	2
Education	120.3	38
Health care	11	3
Social insurance and social security	24.3	8
Housing facilities and public utilities, environmental protection	50.1	16
Leisure, sports, culture, and religion	13.3	4
Transportation, communications	28.7	9
Other expenses	4	1
Deposits to municipal cohesion fund	31.6	10
Total expenditures	319.6	100



Riga City budget utilization performance

The aim of Riga City basic budget is to ensure the financial resources for an autonomous functioning of the Municipality.

According to the development tendencies of Riga as the capital city, the ensuring of autonomous functioning of Riga Municipality has a special meaning, related to ensuring the national holiday celebrations and traditional cultural events, as well as foreign representative state and official visits. Thereby, Riga makes a substantial contribution to the image of the state.

While evaluating programs and setting priorities, the main priorities within the total expenditure structure of Riga City basic budget of 2006, were education, housing facilities and public utilities, traffic infrastructure, as well as the social security areas. These priorities form a determinant amount of expenditure also in 2007.

The identification of Riga Municipality investment program priority sectors is related to ensuring an autonomous functioning of the Municipality. The major share of resources is intended for and utilized on the housing facilities and public utilities sector, the modernization of resource base of educational institutions, improvement of city infrastructure objects and city environment, ensuring of health care access as well as reconstruction of cultural intuitions.

Riga City special purpose budget expenditures

Riga City special purpose budget expenditure is closely linked to revenue, which during the financial year have been received for the financing of special programs. In 2006, 27.13 million lats of specially marked expenditure were financed from Riga City special purpose budget, which is by 3.5 million lats more than in 2005 (23.6 million lats).

Special purpose budget is a part of the budget and is formed with the aim of ensuring execution of individual, vital for Municipality, functions by providing a certain source of funds defined by the

Priority sectors of Riga City basic budget expenditures (MIL LVL)

	2005 actual	2006 budgeted	2006 actual
Priorities within the total expenditure structure (by government function)			
Education	88.3	101.2	120.3
Housing facilities and public utilities, environment protection	21.8	42.4	50.1
Transportation, communications	17.3	31.2	28.7
Social insurance and social security	16.5	19.7	24.3

rules and regulations for this purpose: revenue marked for special purposes. Apart from that, special purpose budget also comprises revenue from paid services and other own revenue, foreign financial aid, as well as donations and endowments with an explicitly stated purpose or without it.

In 2006, there were three dominating directions in Riga City special purpose budget expenditures, classified according to government function:

- transportation with 7.91 million lats (utilization of revenue from motor vehicle duty and excise tax on the maintenance of city roads);
- housing facilities and public utilities, environmental protection with 5.34 million lats;
- forestry and fishery with 2.91 million lats.

The major part of Riga City special purpose budget 2006 comprises:

- Resources of Riga City Development Fund formed of revenues from non-recurring payments for city infrastructure development, lease of land as well as fees from expropriation of real estate owned by the city (land, buildings and structures). These resources are utilized on city development projects, rehabilitation and registration of the city rights for real estate ownership in the Land Register as well as development of projects in areas of culture, education, and sports development;
- Tunnel maintenance and operating program: revenue consists of rent for trade areas located in tunnels. These revenues are utilized to maintain and develop tunnels;

- Fees on transportation in special regime areas: revenues consist of fees on transportation in special regime area of the Old Town. These revenues are allocated to the reconstruction of streets and illumination objects within the Old City area, improvement of traffic flow, etc.;

- Road (street) Fund resources comprise revenues from the State Road Fund earmarked subsidies and are utilized on the upkeep and reconstruction of road surfacing as well as overhaul of illumination objects, etc.;

- Riga Municipality Property Privatization Fund resources are formed of revenues from the privatization of municipal property. They are allocated to: Riga Social Crisis Center (1% annually), investment into the stock capital of the Municipal LLC "Rīgas nami" in the amount of LVL 2 700 000 for the purpose of reconstruction, management, and maintenance projects, LVL 49 237 have been forwarded to the establishment of the Riga Municipality property administration and creation of the development strategy as well as initiation of its pilot project, education (LVL 438 518 have been allocated to the replacement of doors and windows in Riga City preschool educational institutions), health care (LVL 24 886 allocated to the production of untypical and complex prosthetics for children and LVL 61 465 to the development of a technical project for the reconstruction of Riga Maternity Hospital's old block), housing facilities and

Riga City budget utilization performance

public utilities (LVL 182 645 to sealing the cracks of Zemgale Suburb's dwelling houses and repairing their water supply and sewerage systems, LVL 52 307 to the construction of the hot water circulation lines and replacement of hot water risers of dwelling houses, being in either partly or totally catastrophic condition, LVL 71 120 to repair or replacement of the existing elevator systems of dwelling houses, being in either catastrophic or pre-catastrophic condition), and culture (LVL 23 935 to the reconstruction works of the monument for Riga 6th squadron's soldiers in Sudrabkalniņš as well as improvement of the square surrounding the monument);

- Riga Environment Protection Fund resources comprise revenues from the natural resource tax. They are forwarded to the financing of projects, programs, and activities related to efficient utilization, research, and regeneration of natural resources;
- Riga municipal agency "Rīgas mežu aģentūra" revenues are generated from the sale of forest resources. They are utilized for administration and maintenance of forests owned by Riga City, as well as society's education on matters related to forests and their protection.

Utilization of donations and endowments received by the Riga Municipality

In 2006, donations and endowments to Riga Municipality complemented the revenue of Riga City budget by 322.6 thousand lats.

The major part of donations and endowments to Riga Municipality are attributable to the education sector, where resources mainly have been spent on individual educational events and organization of sports events.

Riga City special purpose budget expenditure structure (MIL LVL)

	2004 actual	2005 actual	2006 budgeted	2006 actual
General governmental agencies	4.32	6.32	12.15	6.01
Public order and security	0.04	0.04	0.08	0.03
Education	0.21	0.05	5.23	4.0
Health care	1.35	0.56	0.28	0.12
Social security	0.05	0.05	0.60	0.14
Housing facilities and public utilities, environment protection	6.39	7.27	9.51	5.34
Leisure, sports, culture, and religion	1.22	1.95	1.37	0.67
Forestry and fishery	2.31	2.63	3.29	2.91
Transportation, communications	4.67	4.76	9.11	7.91
Total expenditures	20.56	23.63	41.62	27.13

Riga City special purpose budget expenditure structure 2006

	MIL LVL	%
General governmental agencies	6.01	22
Public order and security	0.03	0.1
Education	4	15
Health care	0.12	0.4
Social insurance and social security	0.14	1
Housing facilities and public utilities, environment protection	5.34	20
Leisure, sports, culture, and religion	0.67	2
Transportation, communications	7.91	29
Forestry and fishery	2.91	11
Total expenditures	27.13	100

Structure of expenditure of donations and endowments received by the Riga Municipality (KLVL)

	2004 actual	2005 actual	2006 budgeted	2006 actual
General governmental agencies	141.7	19.2	35.1	31.9
Public order and security	-	-	3.5	-
Education	238.6	259.4	672.0	283.2
Health care	1.4	-	-	-
Social security	10.3	4.5	10.9	1.3
Housing facilities and public utilities, environment protection	11.6	210.8	2.1	2.1
Leisure, sports, culture, and religion	11.7	13.6	14.3	4.1
Total expenditures	415.3	507.5	737.9	322.6

Riga City property and privatization review

Property book value

As of the end of 2006, the book value of Riga City fixed assets formed a total of 543 million lats, equity of associated and related enterprises constituted to 198.1 million lats.

The total value of City assets, including other long-term investment categories as of the end of 2006 formed 752.0 million lats, showing 8% increase year on year.

According to the data from the State Land Service, as of the end of 2006, 18 887 ha of land within the territory of Riga City was owned by various owners.

There were 4346 land lots with a total area of 7 770 ha in Riga Municipality ownership, forming 41% of the total property area in Riga.

The biggest proportion of Riga Municipality land is formed by land under public property objects: 3 866 ha (50% of the total Municipality land) as well as 2 169 ha of forest space (28% of the total area).

Riga Municipality land property by type of utilization (in ha) as of January 1, 2007

Public property objects	3866
Forestry	2169
Apartment buildings	397
Industrial objects	381
Single and double family residential houses	344
Commercial buildings	287
Traffic infrastructure objects	138
Port infrastructure	42
Engineering communications	112
Water handling facilities	34
Total	7770

Share in municipal enterprise equity capital

As of the end of 2006, the share in the equity capital of associated and related enterprises formed 198.1 million lats (around 24% of the total value of Municipality assets).

As of the end of 2006, investment into associated enterprises formed 171.2 million lats, 10.1 million increase year-on-year.

During 2006, Riga Municipality invested in the equity capital of associated enterprises as follows:

- Riga Municipality budget resources amounting to LVL 1 800 000 were invested into LLC "Rīgas ūdens" for the purpose of financing the second stage of Riga water and the surrounding environment project;
- Riga City resources in the amount of LVL 700 000 were invested into LLC "Rīgas nami" for the purpose of reconstruction, management, and maintenance of Riga Municipality real estate;
- Riga Municipality LLC "Kliniska slimnīca "Gailezers"": investment of LVL 220 000 of Riga Municipality budget resources;
- LVL 3 629 505 of Riga Municipality claims on LLC "Getlīņi EKO" were invested into this enterprise.

As of the end of 2006, Riga City Council's balance sheet reflected 41 investments into the equity capital of related enterprises with 100% (share) ownership by Riga Municipality, 3 investments into the statutory capital of Municipal enterprises undergoing liquidation, 4 investments into the equity capital of municipality limited companies undergoing liquidation, as well as investments into the equity capital of 4 limited companies controlled by the Riga Municipality (ownership of more than 50% of shares).

The value of investments comprises also real estate value of property owned by Riga Municipality and investments into these property objects, which as of the end of 2006 reflected in the shareholder's capital of LLC "Rīgas nami" in the value of LVL 21 032 418.

As of the end of 2006, Riga City Council's balance sheet reflects investments into the equity share capital of 4 associated enterprises. 96.4% of this

amount is formed by the investment into JSC "Rīgas siltums". As of the end of the year, investments into the equity share capital of associated companies were revaluated based on the equity approach. As a result, the total value of the long term investments grew by LVL 1 346 697.

Privatization

In accordance with the law "On the completion of the privatization of the state and municipality property and the use of privatization certificates", the proposals for the privatization of the Municipality property were accepted until August 31, 2006.

During 2006, 9 738 proposals for privatization from individuals and legal entities were received by the Riga City Council and registered into the Privatization Proposals Register, or 92.7% of all privatization proposals received by the Riga City Council (i.e., 10 509). Whereof, 8 604 privatization proposals (81.9%) of all privatization proposals received by the Riga City Council were registered into the Privatization Proposals Register after July 1, 2006.

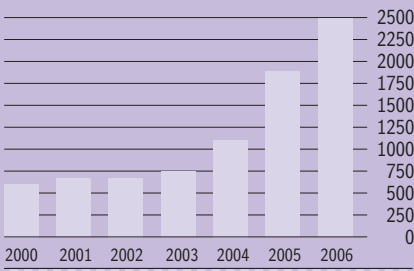
In 2006, 823 privatization proposals were evaluated by the Riga Municipality.

In 2005, 71 Municipality property purchase contracts with a total value of LVL 5 590 116 were concluded, whereof LVL 5 202 784 (93%) to be paid in cash.

The biggest Riga Municipality real estate property objects privatized during 2006 are as follows:

- Individual land lot with buildings, total area of 58 885 m², Riga, Skanstes Street, acquisition price LVL 1 826 106;
- Individual land lot with buildings, total area of 3 679 m², Riga, Krasta Street, acquisition price LVL 613 140;
- Individual land lot with buildings, total area of 10 600 m², Riga, Zirņu Street, acquisition price LVL 527 139.

Passenger turnover in Riga Airport (th. people)



a day

Stop at any place in Riga, put your backpacks down and let the City come out to you. Every single day with Riga inspires and invites again.





Utilization of budget resources by municipal function

Education

In 2006, the total financing for educational sector in Riga City basic, special purpose budget, and investment expenditure structure according to the functional categories formed a total of 124.9 million lats. It should be highlighted that the financing on education is being increased year on year. In 2006, total financing for education and investment projects was by 23 million lats more compared to 2005 (101.2 million lats). This increase was diverted as prerequisites to the remuneration of educators in Riga City educational institutions, the increase of maintenance costs of educational institutions and renovation and overhaul of educational premises.

The major part of resources allocated to education has been utilized on financing of general education (primary schools, elementary schools, high schools). In 2006, an increase in this financing reached 7.6 million lats compared to 2005.

Pre-school educational institutions

In 2006, there were 151 preschool educational institutions founded by the Municipality in Riga, whereof 140 are of general type, and 11 are special preschools, as well as 20 private educational institutions with preschool educational groups. The total number of students educated through the preschool educational programs of these schools formed 23 thousand children. It should also be noted that preschool educational programs are also offered at 12 general education schools and 2 interest educational institutions. As Bolderaja elementary school was transformed into a preschool educational institution, compared to 2005, in 2006 there was one additional preschool educational institution functioning in Riga. By opening 36 additional preschool groups during 2006, 720 additional children could attend preschool educational institutions. A pilot-project of temporary babysitting for preschool age children was initiated in interest educational institutions "Zolitūde" and "Kurzeme", where children of age 3-5 can be babysat by a teacher for a period of up to 4 hours. In accordance with the Riga City Council's rules and regulations, during 2006, 610 allowances amounting to LVL 20 568 were paid to those parents, whose children were not assigned to any preschool educational institution.

During 2006, remuneration was increased for educators at preschool educational institutions (by 50 lats a month), medical employees (by 40 lats a month), and nannies (by 40 lats a month).

During 2006, preschool educator's training was continued, and 90 agreements with students studying preschool teacher's program and in parallel working as teachers at preschool educational institutions were signed within the framework of the program "Study support program for preschool teachers".

An electronic registration form for children has been designed in accordance with the new regulations "Order of children's registration for admission to Riga Municipality preschool educational institutions and institutions that apply preschool educational programs". The list of registered children is available on Riga Municipality website www.riga.lv.

Regulations for ensuring children's security in preschool educational institutions have been developed by the Riga Municipality. Based on these regulations, principals of preschool educational institutions have prepared regulations for their respective educational institution.

Comprehensive schools

In 2006, 144 comprehensive schools were functioning in Riga, whereof 108 high schools, 25 elementary schools, 11 primary schools. 12 of them are special schools, 6 are night schools, and 12 are boarding schools. In 2006, more than 79 thousand students attended the educational programs, although it is by 5 thousand less than during the previous academic year. Apart from that, there are 21 private schools operating in Riga, where 1 520 students studied. Starting the academic year 2006/2007 interest educational programs were offered in all comprehensive schools. 63.3% of students were involved in them.

Out-of-school educational institutions and leisure time activity centers

Same as a year before, also in 2006, 14 out-of-school educational institutions and 17 sports educational institutions were operating in Riga, which were attended by more than 33 thousand

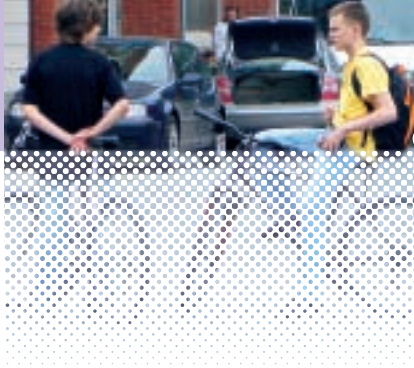
students. At the beginning of the academic year, 3 additional (to the existing 12) leisure time activity centers were opened.

In order to give students a chance of proving their knowledge in subject Olympiads, 11 such events were organized during 2006, as well as created a unified organizational system for the subject Olympiads. The annual awarding of the best teachers and students, the "The Golden Scholarship" and "The Golden Pen" took place. Also, nominations for titles of best out-of-school education students, teams, and teachers were granted. In order to support the training of Riga educators, Riga Municipality financed 2 075 educators; 540 comprehensive school teachers and 37 professional school teachers participated in training organized within the frameworks of the European social foundation "Provision of career educational programs within the educational system".

Remuneration of school sports and social educators was increased by 50 lats per month; also remuneration of educators and medical employees of schools, out-of-school and sports educational institutions was increased by 50 lats per month.

For the purpose of improving Riga educational institutions students' health issues, A Health care plan for 2007-2010 has been prepared. Also, a number of active relaxation events have been organized, such as 409 students camps with 13 562 participants, physical and educational activities on the sports fields of 12 schools and leisure time activity centers. Level 2 students were taught swimming skills during swimming lessons. During 2006, children's skating lessons were organized as well as possibility for free of charge skating was ensured, as well as an artificial snow ski track was created on Uzvaras Boulevard. In total, 20 international level competitions and 94 championships were organized in various sports categories.

In 2006, September was declared the "Month of Youth", when events for children, students, and youth took place, as well as 20 youth organizations and projects of interest groups of the total value of 15 thousand lats were supported.



Utilization of budget resources by municipal function

During 2006, renovation of educational premises was continued in Riga. Given the technical condition of buildings, depreciation of the communications, as well as the need to improve the network of educational institutions, Riga Municipality performs reconstruction of educational premises in the whole City.

In 2006, a new program "Improvement of quality illumination and the technical condition in educational institutions" with a total cost of 1.4 million lats was initiated. In 2006, the old illumination was replaced in 53 schools. Within the frameworks of training rooms' technical base, the materially technical basis of natural science subjects was improved in 20 schools in the total value of 200 thousand lats. For the purpose of ensuring students' security, video surveillance systems worth LVL 76 thousand were installed near 10 schools.

In 2006, 5.8 million lats have been allocated to investment into the educational sector.

The main investment projects (both new and those commenced earlier):

- Finished construction works in preschool educational institution "Madariņa" and purchased technological equipment and furniture for the kitchen block;
- Performed improvement of preschool educational institutions' territories of Riga Preschool Educational Institution No.94 on 97B Krisjana Barona Street, Riga Preschool Educational Institution No.146 on 27 Liksnas Street, Riga Preschool Educational Institution No.190 on Sturisa Street 16a, and Riga Preschool Educational Institution No.153 on

4 Mārkalnes Street, Riga Preschool Educational Institution No.132 on 13A Ventspils Street, Riga Preschool Educational Institution No.169 on 27 Viestura Boulevard, Riga Preschool Educational Institution "Riekstiņš" on 14 Riekstu Street;

- Performed renovation of Riga Secondary School No.25 on 6 Rušonu Street, and Riga Zolitudes gymnasium on 22 Ruse Street;
- Purchased equipment for schools' sports halls;
- Continued renovation and reconstruction of educational institutions: new objects have been started and the existing ones continued, such as reconstruction of Riga Secondary School of Cultures on 7 Ganību Dambis, stage

2 and 3 of renovation of Riga Special Boarding School No.1 on 19 Stūrmaņu Street, reconstruction of the building of A.Pumpurs Elementary School No.11, reconstruction of Riga Jugla Secondary School primary school block on 27A Juglas Street;

- Initiated construction of the regional sports center near Children's youth center "Laimite", and construction of an extension to Riga Preschool Educational Institution No.213.

In 2006, implementation of 5 projects, which in 2005 had received co-financing from Europe in the amount of LVL 140 000 was accomplished, and implementation of 5 new projects worth LVL 120 000 was initiated. These projects will be realized until the end of 2007.

Expenditure allocated to education* (KLVL)

	2004 actual	2005 actual	2006 budgeted	2006 actual
Administration and management of educational institutions	1 391.6	1 740.3	2 055.4	2 024.9
Pre-school educational institutions	17 569.3	20 290.3	25 366.5	24 965.9
Special pre-school educational institutions	1 813.3	2 113.3	2 774.4	2 742.5
Primary schools, elementary schools, and high schools	48 314	55 048.9	65 825.6	62 692.6
Boarding schools and sanatorium-boarding schools	1 230.2	1 558.1	2 469.4	1 872.7
Special boarding schools	3 480.5	3 922.8	6 978.7	6 247.6
Improvement of professional education	220.3	264.1	279.1	278.9
Children's music and art schools	2 007.1	2 250.7	3 803.4	2 745.7
Other out of school educational activities	10 929.1	12 607.0	17 022.3	16 295.5
Purchase of educational textbooks	601.8	651.7	447.1	446.7
Methodological work and other educational activities	712.4	737.2	-	-
Basic budget expenditure, whereof	88 269.4	101 184.4	127 021.9	120 313.0
Investment	2 898.1	4 160.9	10 724.7	5 824.1
Special purpose budget expenditure	214	52.1	5 226.1	3 996.6
Total	88 483.4	101 236.5	132 248.0	124 309.6

* Excluding donations and endowments

Utilization of budget resources by municipal function

Riga Municipality budget program 2006 goals, results, and performance*

Goal of the program	Results	Performance in 2006	
		Budgeted	Actual
Education: provision of inhabitants with rights to obtain basic and general education; provision of pre-school and school age children with available places in educational and upbringing institutions; organizational and financial assistance to out-of-school educational and upbringing institutions and education support institutions, etc.			
Basic budget			
Provide pre-school age children with available places in pre-school educational institutions, ensure the mandatory preparation of children aged 5 and 6 for initiation of basic education program, and promote child's intellectual, physical, and esthetic development.	Number of pre-school children's institutions	139	140
	Number of children, whereof:	21 390	22 656
	number of children aged 5 and 6, taught according to the program "Mandatory preparation of children aged 5 and 6 for studies at school"	8 853	10 080
	Alimentation cost per child per month (LVL)	76	79
	Number of pedagogical FTEs (full time equivalents)	2 972	3 039
Provide pre-school age children with available places in special pre-school educational institutions, ensure the preparation of children aged 5 and 6 for initiation of basic education program, ensure obtaining of necessary knowledge and skills in the individual and public life, by taking into account disabilities, strengthen the health, and promote all-around development.	Number of specialized pre-school children's institutions	11	11
	Number of children, whereof:	862	906
	number of children aged 5 and 6, taught according to the program "Mandatory preparation of children aged 5 and 6 for studies at school"	417	500
	Alimentation cost per child per month (LVL)	260	253
	Number of pedagogical FTEs (full time equivalents)	281	288
Ensure provision of basic education and general secondary education programs in pre-schools, elementary schools, and high-schools, by ensuring the possibility to obtain knowledge, skills, and abilities, which would allow to participate in social life.	Number of primary schools, elementary schools, and high-schools	134	133
	Number of children, whereof:	83 017	77 995
	number of children aged 5 and 6, taught according to the program "Mandatory preparation of children aged 5 and 6 for studies at school"	364	336
	Alimentation cost per child per month (LVL)	54	61
	Number of pedagogical FTEs (full time equivalents)	10 147	10 132
Ensure provision of basic education and special secondary education programs in boarding schools and sanatorium schools, by ensuring the possibility to obtain knowledge, skills, and abilities, which would allow to participate in social life.	Number of boarding schools and sanatorium schools	4	4
	Number of children	681	612
	Alimentation cost per child per month (LVL)	229	315
	Number of pedagogical FTEs (full time equivalents)	212	195
Ensure provision of basic and general secondary education to children with special needs, by promoting students' integration into the society, by ensuring the possibility to obtain knowledge, abilities, and work skills in accordance with the state of health and abilities, and organizing the treatment and correctional work.	Number of special boarding schools	7	7
	Number of children	1 334	1 262
	Alimentation cost per child per month (LVL)	351	409
	Number of pedagogical FTEs (full time equivalents)	717	710
Provision of out-of-school and professional sports programs, by ensuring rapid leisure time for children and youth.	Number of other out-of-school educational institutions (including, sports schools)	32	31
	Number of children and youth, whereof:	34 894	33 717
	in sports schools	9 675	8 694
	Alimentation cost per child per month (LVL)	14	15
	Number of pedagogical FTEs (full time equivalents)	1 097	1 215
	Training in swimming for children of grade 2 in Sports Center For Children and Youth "Daugavas Sporta Nams"	680	575

* Summary performance report



Utilization of budget resources by municipal function

Riga Municipality budget program 2006 goals, results, and performance*

Goal of the program	Results	Performance in 2006		
		Budgeted	Actual	
Basic budget				
In accordance with the competence of Riga Children's Rights Protection Center, coordinate and administrate children's rights protection in Riga, as well as control the provision of children's rights over all legal entities and individuals in Riga.	Preparation, adoption, and execution of resolutions; control over the evaluation of issues based on the nature of the problem (number of occasions)	1 500	1 521	
	Number of families having received legal assistance (consulting, opinions, procedural documents, etc.)	1 600	1 776	
	Consultations over the telephone about issues concerning the provision of child's and family's rights.	1 700	5 642	
	Use of hotline, analyses of problem substances, and solutions	8 000	8 402	
	Number of educational and upbringing institutions receiving training in children's rights.	300	300	
	Number of educational institutions participating in annual competitions about children rights' protection issues organized by the Riga City Council.	170	170	
	Provision of children's rights:			
	applications reviewed	940	1 292	
	complaints immediately dealt with	390	424	
	applications reviewed during commission meetings	300	536	
	inspections at the places of residence of families, based on applications	280	410	
	inspection of parents in breach of their duties	490	497	
	inspection of parents in relation to the preparation of materials for the court	70	42	

* Summary performance report

Utilization of budget resources by municipal function

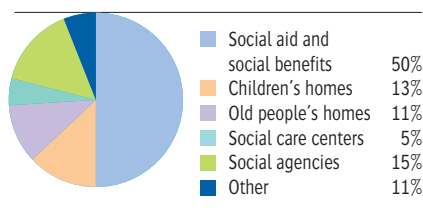
Social security

In 2006, Riga Municipality utilized 24.4 million lats from the basic and special purpose budget, as well as investment on matters related to social security, whereof investment formed 0.2 million lats.

In 2006, Riga Municipality continued to solve problems of the population of moderate needs: benefits were increased as well as their type was diversified to adjust for the specific needs. The broadening of social aid infrastructure was continued to ensure the aid closer to the location of residence. More resources were diverted to old people's homes and homes for the disabled. Municipality allowances, compensations and the social aid amounted to 11.3 million lats, which is 2.8% of City's total basic budget expenditure. Furthermore, remuneration of staff in health-care institutions was increased in 2006.

When analyzing the expenditure structure for the social sector, it should be noted that most part of the expenditure goes to social benefits and social aid, expenditure on social institutions (3.3 million lats) forms 15% of the total expenditure, financing of children's institutions (3.0 million lats) form 13%, expenditure on upkeep of old people's homes forms 11% of all expenditure on this sector.

Municipality budget expenditure structure to social security and social aid 2006



During the financial year, more than 38 thousand Rigans have received allowances for covering rent and utilities costs, 31 thousand Rigans have received health care allowances.

In 2006, Riga Municipality paid special attention to solving the orphans' problem. New Riga City Council regulations were adopted prescribing that allowances be paid for covering the costs of studying orphans, as well as covering rental and utility costs.

During 2006, Riga Municipality ensured social care and social rehabilitation services in institutions to 1 536 adults (three municipal institutions and 11 contract organizations), care in long-term social care and social rehabilitation institutions to 806 children (in six Municipality orphan houses and eight contract organizations), and short term alimentation services to 244 children.

During the financial year, 4 950 people received home care services, 7 051 persons were provided support in solving problems related to the process of medical treatment, 2 520 persons were provided with transportation services. Works on implementation of electromechanical elevators in dwelling houses, 19 such elevators were installed. Employees of Riga Municipality social agencies have performed active social work with families having children by providing assistance

to 2 295 families, whereof 742 were registered as new clients.

Over the past years, the number of persons in need of a night shelter is increasing. During 2006, this service was rendered to 2 174 persons.

The most significant investment projects:

- Accomplished renovation in the premises of Family Crisis Center "Milgrāvis";
- Performed renovation in the Center for Children Having Suffered From Violation on 1 Cieceres Street;
- Initiated or continued repair, renovation, or reconstruction works in children's and old people's homes, social care institutions, and support agencies, for instance, LLC "Ģimenes atbalsta centrs" construction and repair works in day care center "Cerību ligzda" on 11 Balvu Street, renovation works and installation of equipment in Riga Latgale Suburb Social Agency Territorial Center "Pļavnieki" building on 2 Salnas Street, etc.;
- Initiated the replacement of windows and doors in social care center "Gaiļezers" on 6 Hipokrata Street and social home on 15 Garozes Street, where also the insulation of the facade has been planned;
- Continued the installation of electromechanical elevators for the disabled people.

Expenditure allocated to social security* (KLVL)

	2004 actual	2005 actual	2006 budgeted	2006 actual
Municipality allowances, compensations, and social aid	8 441.8	10 012.3	11 651.9	11 332.5
Children's care centers	2 302.6	2 174.1	2 669.9	3 018.6
Old people's homes	2 088.5	2 656.2	3 634.6	2 513.4
Homes for the disabled	2.3	-	-	-
Other lodging homes of social care	826.4	731.0	1 920.4	1 076.2
Social care agencies, etc.	1 777.4	2 567.2	3 508.6	3 343.9
Other social care institutions and activities	404.0	769.4	2 034.9	1 853.3
Custody court and parish courts	286.8	365.6	578.4	561.1
Financial management	384.5	416.5	573.6	569.8
Basic budget expenditure, whereof	16 514.3	19 692.3	26 572.3	24 268.8
Investment	610.9	348.8	1 884.5	233.7
Special purpose budget expenditure	54.5	50.7	598.3	136.9
Total	16 568.8	19 743.0	27 170.6	24 405.7

* Excluding donations and endowments

Utilization of budget resources by municipal function

Riga Municipality budget program 2006 goals, results, and performance*

Goal of the program	Results	Performance in 2006		
		Budgeted	Actual	
Social insurance and social security (social aid to low-income families and socially unprotected persons; provision of old people with placements in old people's homes; provision of orphans and children left without parental care with placements in educational and upbringing institutions; provision of homeless with shelter, etc.)				
Basic budget				
Social aid and social services to population of moderate means	Number of people provided with social aid and social services	84 000	68 650	
	Average amount of material assistance per person per year (LVL)	91	146	
Encourage birth increase in Riga	Number of persons having received child birth's allowance	7 600	7 720	
	Amount of allowance (LVL)	100	100	
Encouragement of guardianship and trusteeship process	Number of guardians having in guardianship two or more children	200	171	
	Amount of allowance due to guardian for the alimentation of a child per month (LVL)	38	38	
	Number of trustees reimbursed for their duties	540	590	
	Amount of remuneration depending on the location of the capacitated person (LVL):			
	in home care	20	20	
	in a specialized institution	10	10	
Provide lodging, social care and social rehabilitation to orphans and children left without parental care	Number of children's homes	6	6	
	Number of places in these institutions	354	354	
	Number of persons having used the institution during the year	472	525	
	Average alimentation cost per place per month in the institution (LVL)	374	402	
	Number of organizations subcontracted by the Municipality	8	8	
	Number of places in subcontracted institutions	261	261	
	Number of persons having used a subcontracted institution during the year	271	281	
	Average alimentation cost in a subcontracted institution per place per month (LVL)	229	266	
Provide retired persons and disabled persons (group I, II), who cannot take care of themselves due to the age or state of health, with lodging, social care, and social rehabilitation in long-term social care and social rehabilitation institutions	Number of old people's homes	3	3	
	Number of places in these institutions	566	566	
	Number of persons having used the institution during the year	760	751	
	Average alimentation cost per place per month in the institution (LVL)	148	178	
	Number of organizations subcontracted by the Municipality	10	10	
	Number of places in subcontracted institutions	640	626	
	Number of persons having used a subcontracted institution during the year	800	912	
	Average Municipality co-payment per person per month (LVL)	129	129	
Provide persons of no fixed abode and persons having come to a crisis situation with services of shelter and night shelter	Riga Shelter			
	Number of places	170	170	
	Number of persons having used the institution during the year	1 200	1 264	
	Average alimentation cost per place per month in the institution (LVL)	129	140	
	Number of organizations subcontracted by the Municipality	4	3	
	Number of places in two subcontracted institutions:			
		in winter period	235	200 - 295
		in summer period	145	140
	Number of persons having used a subcontracted institution during the year	1 650	910	
	Average Municipality co-payment per person (LVL)	91	91	
Provide social guarantees and relief to persons and families of low income residing in Riga	Social dwelling houses:			
	number of houses	13	12	
	number of apartments	996	920	
	living space	46 913	44 705	
	Average number of persons receiving the service per year	1 160	1 105	
Costs per square meter per month (LVL)	0,5	0,5		

* Summary performance report

Utilization of budget resources by municipal function

Riga Municipality budget program 2006 goals, results, and performance*

Goal of the program	Results	Performance in 2006	
		Budgeted	Actual
Basic budget			
Provide mentally handicapped and mentally ill persons with social services: mastering of social skills and abilities with the assistance of a social work expert	Number of social services apartments	51	51
	Average alimentation costs per apartment per month (LVL)	117	117
	Average number of persons receiving the service per year	51	53
Social rehabilitation of children having suffered from violence	Support groups for parents (number of hours per month)	116	38
	Support groups for children (number of hours per month)	124	36
	Consultations to guardians (number of hours per month)	81	36
Social rehabilitation for persons in crisis situation	Number of places	71	67
	Number of persons per year	160	136
	Average alimentation costs per place (LVL)	297	291
Perform social work with persons, families, and groups of persons, render social services or organize their rendering, as well as provide social aid	Number of centers in communities	76	75
	Number of day-care centers	12	11
	Number of persons having received social aid and social services	84 000	68 650
	Number of customers serviced	145 000	150 000
	Number of inhabitants per social work expert	1 986	2 321
Provide care and rehabilitation in short-term social care beds to chronic patients whose treatment for various social reasons is not possible at their homes	Number of organizations subcontracted by the Municipality	6	5
	Number of short-term social care beds	140	140
	Number of persons having received treatment during the year	2 080	3 221
	Average Municipality co-payment per person per month (LVL)	205	211
Rehabilitation of disabled children, by taking into account the necessity for developing and diversifying social services to disabled children	Number of organizations subcontracted by the Municipality	3	3
	Number of places	104	104
	Number of children having used this service during the year	125	160
	Average alimentation cost per place per month in the institution (LVL)	54	54
Cases of guardianship, trusteeship, and adoption, as well as issues related to foster families			
In accordance with the competence of Riga Orphans' Court, ensure child's rights protection in cases, when parents are not able to or cannot ensure it, and facilitate child's right to grow up and develop in a safe environment: family	Decisions on child's care, int. al. pre-adoption care	435	551
	Work with disadvantaged families (number of families)	1 900	1 617
	Work with adopters (number of families)	90	97
	Work for the increase of the number of foster families	25	9

* Summary performance report

Utilization of budget resources by municipal function

Health care

Riga Municipality continues allocating considerable financial resources to the improvement of Riga health care system. In 2006 the total amount of health care program financing coming from the basic budget, the special purposes budget as well as investment resources amounted to 11.2 million lats, which is by 3.7 million lats more than in 2005. Riga Municipality invests in the financing of health care system in order to ensure the accessibility of health care services to the population of Riga in accordance with the autonomous functions defined by law "On Municipalities".

The major investment projects:

- finished the installation of Riga Municipality LLC "Rigas pilsetas Dzemdību nams" uninterrupted electrical supply system and reconstruction of the electrical power network, as well as reconstruction works in the reception area and infection isolation wards;

- performed overhaul of the roof, repair of laboratories, replacement of glass structures with PVC windows in the staircases of emergency exits in Riga Municipality LLC "Kliniskā slimnīca "Gaiļezers"" on 2 Hipokrāta Street;
- installed unified computer network in Riga Municipality LLC "Rīgas 1.slimnīca", performed repair of the catering block, as well as the hot kitchen;
- performed facade repairs of block 1 and 3, as well as replacement of windows in Riga Municipality LLC "Torņakalna poliklīnika";
- purchased two diesel generators for two substations of Riga Medical Emergency;
- purchased medical equipment for Riga health care institutions (Duplex ultrasonic device, ultrasonic scanners, blood gas analyzer, etc.)

Expenditure allocated to health care* (KLVL)

	2004 actual	2005 actual	2006 budgeted	2006 actual
Hospitals	883.1	692.1	1 068.9	1 018.8
Outpatient treatment institutions	493.2	6 236.6	9 543.6	10 028.8
Financial management	270.8	-	-	-
Basic budget expenditure, whereof	1 647.1	6 928.7	10 612.5	11 047.6
Investment	1 108.8	699.1	1 119.4	1 063.6
Special purpose budget expenditure	1 350.3	561.1	277.8	121.5
Total	2 997.4	7 489.8	10 890.3	11 169.1

* Excluding donations and endowments

Riga Municipality budget program 2006 goals, results, and performance*

Goal of the program	Results	Performance in 2006	
		Budgeted	Actual
Provision of access to health care			
Basic budget			
Provide Rigans with quality activities for addiction prevention	Number of people involved, whereof:	19 790	23 433
	Addiction prevention campaigns (1 to 7 days)	3 000	5 000
	Number of clients in consultation offices (duration of consulting 1 to 2 hours)	1 300	1 429
	Discussions with youth at schools (duration of discussion 1 to 2 hours)	7 000	7 993
	Work with individual clients (users of substances)		256
	Work with families (having addiction problems)		114
Ensuring the immunity of the 14-year olds against B hepatitis	Number of 15-years old children (born 1991) vaccinated for the 3 rd time	8 000	7 742
	Number of 14-years old children (born 1991) vaccinated for the 2 nd time	9 000	State has taken over the financing
Reduction of HIV/AIDS spread among the drug users, and improving the quality of life for the population groups having the highest exposure to the risk	Number of consultations rendered to drug users by HIV consultants	1 800	1 760
	Number of consultations rendered to relatives and partners of drug users by HIV consultants	500	543
	Number of consultations on addiction	350	548
	Number of persons forwarded to social rehabilitation and treatment	55	62
Promote the movement of gratuitous donors, increase the number of blood donors among Rigans, provide Riga hospitals with donor blood, as well as partially compensate Riga donors for travel expenses in connection with blood donation (LVL 1 for each occasion of blood donation)	Number of blood donation occasions	18 000	20 047

* Summary performance report



2006

Utilization of budget resources by municipal function

Housing facilities, public utilities, and environment protection

In 2006 the total amount of housing facilities and public utilities program financing coming from the basic budget, the special purposes budget as well as investment resources amounted to 55.5 million lats, which is by 5.7 million lats more than in 2005.

In 2006, these resources were utilized mainly on the implementation of Riga City housing program, as well as the maintenance and renovation of bridges, streets, roads, pedestrian tunnels and illumination systems, upkeep of cemeteries, City gardens, parks, squares, fountains and the renovation of street greenery.

Traffic infrastructure development is one of the most significant Riga Municipality functions. During the financial year, the construction of currently the biggest construction project in the Baltic States, the Southern Bridge, was continued.

In 2006, Riga City Council adopted resolutions on implementation of several significant Riga traffic infrastructure projects over the coming years. For instance, the 2 stage of the construction of Southern Bridge and implementation of the Northern Transport Corridor's project. This project will allow to join the infrastructure of the City and its port into a unified EU traffic network, and will improve traffic situation in the City center.

In the area of traffic infrastructure maintenance and development, in 2006 periodical renovation of street surfacing was continued. Several sections of streets were reconstructed and built within the frameworks of this program.

During 2006, Riga Municipality LLC "Rīgas pilsēt būvnieks" accomplished the first two stages in the construction of the housing estate Dreilini-2. In total, during the financial year, 531 new apartments were put into operation, which is

Major repair and construction objects in Riga in 2006

No.	Object	Amount (KLV)
1	Construction of Dzelzava Street (section between Lielvardes and Ulbrokas Streets)	2106
2	Renovation of overpass across Zunda Canal	1893
3	Construction of Bikernieku Street (section between Hipokrata and Kaivas Streets)	1114
4	Street reconstruction in accordance with "Detailplan between Sporta, Vesetas, Zirņu Streets, and railway overpass, 2nd Stage", part 1	946
5	Reconstruction of Vagonu Street	730
6	Reconstruction of Vienība Blvd. (section between K.Ulmana Blvd. and Gimnastikas Street)	729
7	Construction of the extension for Evalda Valtera Street.	297

by 233 apartments more than in 2005. Several new dwelling house projects were initiated, which will be put into operation during 2007, for instance, dwelling house on Gobas Street (80 apartments), and two dwelling houses on Brantkalna Street (324 apartments). In 2006, Riga City Council approved "Riga Municipality Housing Estate Development Program for 2007-2010". Within the frameworks of this program substantial input from the side of the Municipality will be given in the construction of apartments. In 2006, Riga Municipality provided living space to 799 Rigan families.

During 2006, rehabilitation of polluted areas was performed within Riga City environment protection frameworks, also measures were taken for environment and air protection, municipal waste issues as well as improvement of urban greenery were tackled. Thus, for instance, underwater inspection was performed in areas of unofficial bathing grounds; identification of Kisezers pollution sources and ecological evaluation, as well as Rumbula airport rehabilitation initiated in the previous years was continued. In 2006, Riga City municipal waste plan for 2007-2012 was approved; the collection system for dangerous waste was produced. Within the frameworks of the approved project for the collection of partite waste, creation of 88 partite waste collection spots is planned. In order to inform inhabitants about Riga City air pollution, air quality index is being regularly publicized and up to date information on the

concentration of polluting substances is made available. In order to improve street greenery, 520 new trees have been planted in Riga, and 2 300 tree crowns were polled.

The major investment projects:

Traffic infrastructure:

- Construction project of Southern Bridge third stage from Bauskas Street to Ziepniekkalna Street;
- Reconstruction of Jaunciema Boulevard's section from Jaunciema 6.skerslinija to Jaunciema 9.skerslinija;
- Repair of tram tracks on the intersection of Slokas Street and Kalnciema Street;
- Reconstruction of Zemgalu Street's section from Dzerbenes Street to Stamerienas Street;
- Initiated construction of bikeways from the Downtown to Mezaparks;
- Performed first stage of overhaul of street illumination on Maskavas Street's section between Slavu Bridge and 460 Maskavas Street;
- Installed road safety barriers in various places dangerous for the traffic;

Housing facilities and public utilities:

- Performed Meza Cemetery 1, section "Baltie krusti" improvement of territory project development, first stage of construction and second stage of improvement;
- Developed project for the reconstruction of the dwelling house on 24 Dzirciema Street;

Utilization of budget resources by municipal function

- Performed overhaul of dwelling houses' hot water supply systems being in critical condition, replacement of roofing being in critical condition, and reconstruction of cold water inner supply systems;
 - Construction of two 9-storey dwelling houses on Deglava-Brantkalna Street;
- Environmental protection:
- 2nd stage of construction of animal nutrition distribution section for LLC "Rīgas Nacionālais zooloģiskais dārzs";
 - initiated the reconstruction of Mara pond's greenery.

Expenditure allocated to public utilities and environmental protection* (KLVĻ)	2004 actual	2005 actual	2006 budgeted	2006 actual
Housing facilities and public utilities	1 976.0	2 719.0	3 846.4	3 465.9
Sanitary activities, int. al. arrangements for environmental protection	511.1	-680.0**	-	3 695.6**
Street illumination	2 531.9	3 268.1	4 143.0	4 017.3
Other expenditures related to public utilities and environmental protection	16 734.6	37 098.7	52 630.8	46 321.4
Basic budget expenditure, int. al.	21 753.6	42 405.8	60 620.2	50 109.0
Investments	4 692.6	9 164.7	11 985.6	7 688.7
Special purpose budget expenditure	6 387.0	7 271.4	9 512.7	5 340.4
Total	28 140.6	49 677.2	70 132.9	55 449.4

* Excluding donations and endowments

** Repayment of loan from the Municipality budget

Riga Municipality budget program 2006 goals, results, and performance*

Goal of the program	Results	Performance in 2006	
		Budgeted	Actual
Improvement of the administrative territory, and sanitary cleanness (construction, reconstruction and maintenance of streets, roads, and squares; illumination of streets, squares, and other territories intended for public use)			
Basic budget			
Quality illumination of Riga City streets, upkeep and extension of the illumination system	Provision of illumination in Riga City parks, squares, and housing estates (length in km)	1 213	1 223
Ensure uninterrupted and safe traffic	Maintenance of street surfacing: repair of bumps (thousand sq. m)	94,7	143,7
	Prevention of street slipperiness by use of anti-slipperiness materials (thousand h)	83,9	92
	Waste collection and removal from waste bins and containers (thousand cub. m)	12	8,8
	Sidewalk cleaning (thousand sq. m)	298	448
	Cleaning of public transportation stops (quantity)	1 311	1 311
	Collection and removal of sand strewn during the winter (km)	1 902	1 721
	Gliding and fixation of street surfacing and shoulders (thousand sq. m)	680,4	645,6
	Cleaning of greenery (thousand sq. m)	1 515	1 515
	Rainwater drainage system upkeep (thousand m)	65	142
	Maintenance of bikeway Old Town – Imanta (km)	15	15
Maintenance of rainwater pump stations (quantity)	7	7	
Ensure uninterrupted and safe traffic over bridges, crossovers, pedestrian tunnels, and fixated embankments, as well as ensure the preservation of the above-mentioned buildings and structures	Periodic inspection and maintenance of bridges, crossovers, and pedestrian tunnels (number of objects)	99	99
	Periodic inspection and daily upkeep of embankments (km)	38	38
	Daily upkeep of metal barriers (km)	49	49
Ensure traffic organization in Riga City streets, controllable intersections, and pedestrian crossings	Maintenance of traffic lights systems (quantity)	278	280
	Upkeep of controllable pedestrian crossings (quantity)	48	56
	Upkeep of the traffic's "green wave" on streets (length in km)	14	14
	Upkeep of road signs (quantity)	25 251	25 427

* Summary performance report



Utilization of budget resources by municipal function

Riga Municipality budget program 2006 goals, results, and performance*

Goal of the program	Results	Performance in 2006	
		Budgeted	Actual
Basic budget			
Ensure the organization of traffic participants over driving lanes in Riga City Streets	Maintained horizontal road markings (square meters)	65 840	64 250
	Ensured visibility of pedestrian crossings, by maintaining road marking "Zebra", whereof:		
	Controllable intersections (quantity)	200	200
	Controllable pedestrian crossings (quantity)	48	56
	Uncontrollable pedestrian crossings (quantity)	310	278
	Ensured split of lanes on main streets and streets with considerable public transportation traffic, whereof:		
	length of streets (km)	420	420
	area of streets (thousand sq. m)	4 900	4 900
Perform reconstruction works on streets with damaged surfacing and structures, by improving the quality of surfacing on pedestrian walks and carriageways	Reconstructed damaged surfacing on carriageways (sq. m)	150 000	174 820
	Reconstructed damaged surfacing on pedestrian walks (sq. m)	25 000	43 050
	Reconstructed greenery areas (sq. m)	15 000	29 601
Special purpose budget			
Ensure uninterrupted and safe traffic by performing upkeep of objects in accordance with the Riga City Council regulations No.13 "On the utilization of resources from the Municipality fee on vehicles entering Old Town" and amendments to regulations No.34 as of 18.05.1999	Works on reconstruction of Old Town street surfacing (sq. m)	10 019	3 435
	Distribution of traffic organization objects in the Old Town (no. of objects)	40	67
	Street surfacing repairs (sq. m)	2 550	3 065
	Prevention of street slipperiness by use of anti-slipperiness materials, collection and removal of snow during the wintertime, and cleaning during the summertime (sq. m)	95 900	90 583
	Cleaning of streets, gutter areas, and cleaning in squares and removal of sand after the winter-season (sq. m)	45 100	49 269
	Cleaning in green areas (sq. m)	1 636	1 636
	Maintenance of tunnel in Grecinieku Street	1	1
Provide pedestrians with uninterrupted and safe traffic in pedestrian tunnels, and preservation of tunnel structures, by performing daily upkeep works	Cleaning of tunnel flooring and stairs surfacing, and strewing with anti-slipperiness material, removal of snow during the wintertime, and cleaning during the summertime (number of tunnels)	4	4
Ensure upkeep of cemeteries	Number of cemeteries, whereof:	19	19
	closed cemeteries	3	3
	open cemeteries	2	2
	partly open cemeteries	14	14

* Summary performance report

Utilization of budget resources by municipal function

Riga Municipality budget program 2006 goals, results, and performance*

Goal of the program	Results	Performance in 2006	
		Budgeted	Actual
Organization of municipal services for the inhabitants (water-supply and sewerage; heating-supply; municipal waste management, collection, drainage, and purification of waste water) irrespective of who owns the housing fund; support to inhabitants in tackling housing issues			
Basic budget			
Coordinate the complex development and improvement of the housing fund, as well as support Rigans in tackling housing issues	Overhaul of buildings' heating-supply systems: planning, organizing tenders, technical inspection (number of heating mains)	2	2
	Inspection of provision of heating-supply (number of selective inspections)	400	212
	Modernization of water supply and sewerage systems in houses: planning, organizing tenders, technical inspection (number of systems)	42	44
	Registration for the Municipality support in tackling housing issues (number of applications)	4 000	4 662
Provision of the tenants living in denationalized houses with a one-time allowance for vacation of the living space	Number of apartments purchased	380	321
Organize and perform the privatization and expropriation process of apartments, artists' workshops, non-residential spaces in Riga City state and municipality dwelling houses, as well as one-apartment houses	Legal registration of the real estate in Riga City Land Register:		
	houses to be privatized	183	193
	land plots to be privatized	216	253
	Valuation of the real estate housing fund (number of objects)	100	117
Auction of apartments and uninhabitable housing resources (number of objects)		60	57
Improvement of the administrative territory, and sanitary cleanness in the area of environment protection (establishment and upkeep of parks, squares, and greenery areas; establishment and upkeep of cemeteries, etc.)			
Basic budget			
Establishment and improvement of bathing grounds and active relaxation areas, cleaning and upkeep of territories	Established bathing grounds and active relaxation areas	10	7
	Vecaki		
	Area of bathing ground (km)	2,8	2,8
	Upkeep costs per 1 km (KLVL)	22,1	16,2
	Vakarbulli		
	Area of bathing ground (km)	7	8
	Upkeep costs per 1 km (KLVL)	8,6	3,5
	Bathing grounds in Riga Vidzeme suburb (Lake Babelisa, Velnezers, Lake Dambpurva, Lake Jugla)		
	Length of lake margins to be cleaned		3 902
	Total upkeep costs (KLVL)		71,2

* Summary performance report



Utilization of budget resources by municipal function

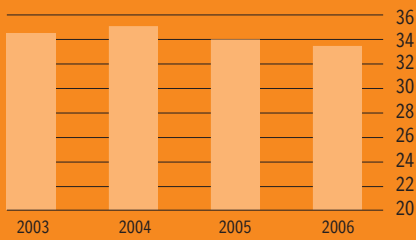
Riga Municipality budget program 2006 goals, results, and performance*

Goal of the program	Results	Performance in 2006	
		Budgeted	Actual
Basic budget			
Cleaning and improvement of Riga City public parks, gardens, squares, and other greenery, upkeep of public fountains and public conveniences	Upkeep of Riga City public greenery (ha), whereof:	288,4	281,9
	Upkeep of the attached territories (ha)	8	7,8
	Upkeep of public gardens and parks (number of objects)	28	27
	Upkeep of squares and greenery (quantity)	49	69
	Upkeep of public fountains with canal sprinkle system (number of fountains)	10	11
	Upkeep of public conveniences (quantity)	6	6
	Upkeep of lawns (ha)	194,8	190
	Upkeep of asphalted, cobblestone, and gravel roads and squares (sq m)	391 015	381 713
	Upkeep of children's playgrounds (quantity)	18	25
	Upkeep of children's playgrounds (sq m)	16 249	17 127
	Upkeep of deciduous trees (quantity)	27 088	26 453
	Upkeep of coniferous trees (quantity)	3 878	3 878
	Upkeep of annual flowerbeds (sq m)	1 907	1 877
	Upkeep of perennial flowerbeds (sq m)	11 600	11 638
	Cleaning of waste bins (quantity)	640	647
Cleaning of water reservoirs and ponds (sq m)	8 011	8 011	
Cleaning of canals (sq m)	41 115	41 115	
Improvement of municipal territories and objects of public use	Renovation of children's playgrounds and sports grounds (quantity)		19
	Establishment of children's playgrounds and sports grounds (quantity)		49
Special purpose budget			
The aim of upkeep and renovation of the City greenery is to increase the esthetical value and diversity of the City landscape, clean the air from chemicals and microorganisms, even up the moisture and temperature, decrease the noise and wind breezes (through purposeful creation of greenery, its ecological and esthetical value can be raised significantly)	Renovation of greenery (number of trees)	96	106
	Upkeep of prior years' plantations (number of trees)	420	564
	Shaping the crowns of trees growing along streets (number of trees)	1 547	2 455
	Liquidation of dead trees, and female clone poplars (number of trees)	122	1 659
	Number of liquidated defective trees	251	757

* Summary performance report

2006

Number of students attending out-of-school and sports educational institutions (th. students)



an hour

Only 60 minutes of pure play time, but what emotions they can create! Especially if world hockey elite's contest for the world champion's title can be watched live here in Riga!



Utilization of budget resources by municipal function

Culture and Sports

In 2006, Riga Municipality utilized 13.9 million lats on the financing of cultural and sports events from Riga City basic budget, special purpose budget and investment resources, which is by 2.7 million lats more than in 2005. The financing was utilized on the support of annual City events in accordance with Riga Cultural Policy conception, and funding of the operation of cultural instances: Riga libraries, cultural centers and houses, children's music and art academies, as well as remuneration of curators of folk arts and amateur arts groups.

In 2006, 268 folk art groups with more than ten thousand participants, int. al. 86 choirs, 46 dance groups, 5 brass bands, 14 folklore groups, 32 applied arts studios, 40 vocal groups. In 2006, Riga Municipality also financed 584 amateur group leaders and experts.

In 2006, in the 10 music and art schools of Riga, a total of 3 160 students studied. For these schools talented students' participation in international competitions and festivals, in 2006, Riga Municipality allocated LVL 25 000, as well as ensured the possibility of organizing creative summer camps for schools' symphonic and brass bands so that the participants could have a chance of preparing for a more successful participation in competitions. It should be noted that during 2006, P.Jurjans music academy was the first school in Latvia to license the training program "Training for children with special needs".

In order to popularize the operation of culture centers and increase Rigans' interest in their operation, a project "Culture Centers' Presentation Month" was realized in 2006. Within the frameworks of this project, along with the planned national traditions and amateur art events, cultural centers offered more than 118 culture projects: concerts, theater performances, exhibitions, master classes, etc.

Riga Central Library and 44 of its branches celebrated their 100th anniversary. During the year, library accreditation process was accomplished, and participation in EU financed program took place by taking part in various training sessions and library service projects.

In 2006, several international level events took place in Riga, actively organized also by the Riga Municipality. One of the most significant events

was the World Hockey Championship, where Riga Municipality organized a program of cultural events for hockey fans and Riga City guests. Also such events as Riga Festival, Modern days culture forum "Baltā nakts", and traditional Riga events: Herbal Market on Doma Square, Mikeldiena Fair, Christmas and New Year events, as well as the celebration of the anniversary of Republic of Latvia Independence Declaration and the Republic of Latvia Proclamation. In 2006, a number of cultural events, festivals, and concert cycles took place, such as: International Bach chamber music festival, international folklore festival "Baltica", international sacred music festival, Mozart music festival, international Baltic Ballet festival, international animation film festival "Bimini", Riga Opera Festival, international film actor festival "Baltijas Perle", Riga International motion picture forum "Arsenals".

In order to financially support the various cultural events, cultural project competitions are being organized. In 2006, 456 projects were submitted to the 2 cultural project financing competitions were submitted, whereof 192 were supported in the total amount of LVL 237 224. Whereas, 591 projects were submitted to 19 cultural event financing competitions, whereof 376 were supported in the total amount of LVL 155 100.

In the area of culture, Riga Municipality cooperates with Riga commonwealth cities and foreign

institutions. Thus, during 2006, several international cooperation projects were implemented, such as Riga days in Rostock, Hamburg, and St.Petersburg's and Hamburg's days in Riga. The cooperation partners to the modern days cultural forum "Baltās nakts" were Paris, Rome, Madrid, Brussels, etc.

In 2006, Riga hosted a big number of sports events and contests. In total, 94 Riga championships in various sports disciplines were organized as well as 20 international level competitions as the international chess tournament for women "Rigas pavasaris", international children and youth tennis tournament, international handball tournament "Riga Cup", open Riga Championship in boxing, sports dancing contest "Riga Open", stage of World athlete competition, Baltic basketball league final tournament in Arena Riga. During the winter season, Rigans could actively ski and skate in Riga Municipality financed ice-rinks and artificial snow ski track on Uzvaras Boulevard. In 2006, such mass events as Riga relay, cycling marathon, satellite race, etc.

The major investment projects:

- Purchased cupola-shaped cover for the football field;
- Performed second stage of facade repair of Culture center "Imanta" on 29 Anninmuizas Boulevard.

Expenditure allocated to leisure, sports, culture, and religion* (KLVL)

	2004 actual	2005 actual	2006 budgeted	2006 actual
Administration and management of sports and culture related matters	215.5	326.3	544.4	531.7
Sports events	1 417.2	949.8	1 790.2	1 701.9
Other sports institutions	145.5	1 336.7	2 775.7	2 451.6
Libraries	1 735.5	1 815.4	2 005.9	1 999.9
Museums and exhibitions	57.9	46.1	144.7	121.2
Culture palaces, houses, and clubs	1 241.9	1 651.9	1 920.4	1 784.1
Activities related to theaters, performances, and concerts	3 432.5	66	82.5	80.5
Cultural events and acquisition of art objects	1 292.7	1 654	2 083.2	2 072.1
Remuneration and social security payments for curators of folk arts amateur groups	654.9	661	834.6	834.6
Other cultural institutions, not classified above	537.3	597.1	1 535.7	1 253.7
Other events related to leisure, sports, culture, and religion, not classified above	189.4	157.1	689.1	468.1
Basic budget expenditure, whereof	10 920.3	9 261.5	14 406.4	13 299.4
Investment	3 724.9	64.0	1 272.1	747.3
Special purpose budget expenditure	1 215.2	1 946.3	1 374.9	667.0
Total	12 135.5	11 207.8	15 781.3	13 966.4

* Excluding donations and endowments

Utilization of budget resources by municipal function

Riga Municipality budget program 2006 goals, results, and performance*

Goal of the program	Results	Performance in 2006	
		Budgeted	Actual
Culture, encouragement for preservation of traditional cultural values, and development of national creative work (organizational and financial support to cultural institutions and events, support to preservation of cultural monuments, etc.)			
Basic budget			
Rendering of quality and modern library services to Riga City inhabitants, participation in international level library cooperation, as well as improvement of qualification of Riga Central library and branch libraries' personnel for work with visitors of different ages and persons with special needs	Number of libraries, whereof:	46	45
	Number of users (borrowers)	126 537	81 221
	Number of visits (thousands)	1 685,9	1 225,9
Involvement of City inhabitants in processes of cultural events and creative leisure time activities by executing Riga City Council functioning within the cultural area, thus promoting the preservation and purposeful use of the cultural heritage and national traditions, as well as development of the cultural environment in every Riga suburb (district)	Number of cultural centers	10	10
	Number of events organized by the cultural centers, whereof:	2 750	2 590
	total number of visitors	790 000	539 706
	events with free admission	2 110	1 299
	number of events organized in cultural centers during state and traditional holidays	224	227
	informative and educational events (lectures, seminars, conferences, etc.)	350	689
	amateur concerts, performances, exhibitions	1 800	968
	concerts, performances, exhibitions with participation of professionals	70	184
	entertainment events	200	297
	number of motion-picture shows	60	40
	Number of amateur groups, whereof:	169	123
	total number of participants	4 935	4 233
	children's groups	46	28
	number of participants in children's groups	1 620	1 504
	Provide Riga City inhabitants and guests with a possibility of having a pleasant free time, enjoying arts, and master the traditions and history of Latvian nation	Number of the days of the biggest events (events with more than 10 000 participants) during state and traditional holidays, competitions, and festivals	70
Rendering of museum services to inhabitants, and preservation of museum displays within Latvian history of culture: museum of Aleksandrs Caks, and Riga Porcelain Museum	Number of institutions	2	2
	Number of visitors	12 500	7 791
	Number of museum displays	8 630	8 499
	Number of events and exhibitions	50	27
	Number of excursions (guide services)	187	129
Preservation of Riga public monuments	Identification and registration of monuments: creation of the monument passport (number of monuments)	10	10
	Examination and projection for reconstruction of public monuments located in Riga (number of monuments)	4	7
Maintenance of Riga monuments and provision of coordinated events	Cleaning of the territory surrounding the Monument of Freedom: sweeping, removal of snow, composing of flowers, etc. (sq m)	1 000	1 000
	Care program for the Monument of Freedom, which involves cleaning of pedestrian walks and repair of joints (times per year)	1	1
	Number of coordinated events at the Monument of Freedom	100	60
Upkeep of Riga warrior's cemetery and provision of coordinated events	Average upkeep costs of Riga warrior's cemetery ensemble, incl. upkeep of the Sacred fire, per day (LVL)	165	200
	Upkeep of the lawn	39 205	39 205
	Upkeep of hedge grows	1 900	2 510
	Upkeep of flowerbeds		1 900
	Cleaning of paths and roads	18 600	18 600
	Number of coordinated events in Riga warrior's cemetery	20	21

* Summary performance report

Utilization of budget resources by municipal function

Transportation and communications

In 2006, Riga Municipality allocated 36.6 million lats to the provision of public transportation services. The public transportation services in Riga City were provided by the Municipality LLC "Rīgas Satiksme" based on the public transportation delegation agreement.

LLC "Rīgas Satiksme" provided transportation in:

- 11 tram routes;
- 20 trolley-bus routes;

- 64 public bus routes.

In 2006, Riga public transportation (bus, tram, and trolley-bus) carried 287.4 million passengers, which is an increase of 5% compared to 2005.

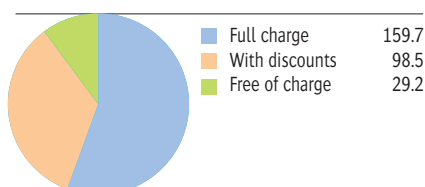
In 2006, 44% of Riga public transportation traffic was subsidized from Riga Municipality budget, which gives an average of 350 thousand passages per day.

In 2006, new bus route for the bus No.6, "Central

station – Dreilini" was introduced, thus providing public transportation services to the inhabitants of the new housing estate of Dreilini.

During 2006, the public transportation infrastructure was improved in Riga City, for instance, reconstruction was performed at Jugla dispatcher point, reconstruction of maintenance base and parking lot on 45 Vestienas Street, as well as initiated the reconstruction of bus maintenance workshop on 28 Kleistu Street.

Passenger flow in Riga public transportation in 2006 (MIL passengers)



Budget expenditure on transportation and communications* (KLVL)

	2004 actual	2005 actual	2006 budgeted	2006 actual
Road transport	13 060.3	30 337.9	35 348.6	35 298.4
Other transportation and communication services	4 240.2	879.5	-	-6 649.3**
Basic budget expenditures, whereof	17 300.5	31 254.4	35 348.6	28 649.1
Investment	1 275.6	10.0	-	-
Special budget expenditure	4 673.2	4 759.9	9 113.2	7 911.1
Total expenditure	21 973.7	36 014.3	44 461.8	36 560.2

* Excluding donations and endowments ** Loan repayment from the Municipality budget

Public order and security

In 2006, Riga Municipality allocated 6.6 million lats to the public order and security related matters and activities from the basic budget and special purpose budget resources, which is by 1.4 million lats more than in 2005. Riga as the capital of Latvia must be able to ensure public order and security level correspondent to up-to-date requirements. Therefore, Riga Municipality expenditures in this area are subordinated to achieving of this goal. Riga Municipality continued to pay attention to the improvement of security measures within the urban environment, both on a daily basis and during events of international level.

Expenditure allocated to public order and security* (KLVL)

	2004 actual	2005 actual	2006 budgeted	2006 actual
Public order and security matters, not classified earlier (Municipal Police)	4 135.9	5 099.2	6 685.7	6 543.4
Other services related to public order and security, not classified earlier	2.0	-	-	-
Basic budget expenditure, whereof	4 137.9	5 099.2	6 685.7	6 543.4
Investment	119.7	20.0	166.4	39.9
Special purpose budget expenditure	36.1	44.0	78.8	30.7
Total	4 174.0	5 143.2	6 764.5	6 574.1

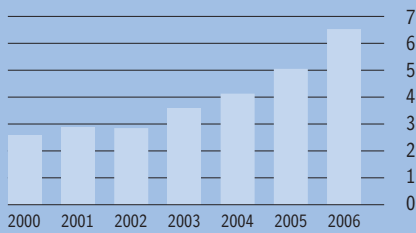
* Excluding donations and endowments

Riga Municipality budget program 2006 goals, results, and performance*

Goal of the program	Results	Performance in 2006	
		Budgeted	Actual
Provision of public security			
Basic budget			
Provide public order, security of inhabitants and City guests, protection of their legal interests, create safe environment for children	Provision of police services, whereof:		
	number of protected municipality institutions/objects	46	46
	number of mass events serviced	380	228
	number of other events, when the legitimacy was protected by the municipal police	16 600	15 747
	Intervention of police upon the request of inhabitants (number of occasions)	50 500	36 248
	Access to police (no. of service points: directorates, stations, support bases, etc.)	31	31
	Police response time: patrol's arrival at the scene (min)	29	29
	Number of persons having used police services (incl. City guests)	601 365	630 300

* Summary performance report

Budget expenditure on public order and security (budget execution, MIL LVL)



a moment

The raise of the banner during the NATO Summit was the moment Riga marked its name on the world map. Whereas, the course of the meeting was a proof for City's ability to organize events of global scale.





Independent Auditors' Report

To the Riga City Council

1. We have audited 2006 financial statements of the Riga City Council, on the basis of which 2006 condensed financial statements of the Riga City Council set out on pages 47 through 60 of the accompanying 2006 Condensed Annual Report were prepared. Except as disclosed in paragraphs 2, 3, 4, 5, 6, 7 and 8, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. In our Auditors' Report, dated 27 April 2007, we expressed an opinion on 2006 financial statements of the Riga City Council, on the basis of which 2006 condensed financial statements of the Riga City Council were prepared, stating that, except for the effect of the adjustments, if any, as discussed in paragraphs 9, 10, and 11 of the section "Basis for Qualified Opinion" above, and the effect of uncertainties listed in paragraphs 2, 3, 4, 5, 6, 7 and 8 on the result of the current year and prior years, based on our audit and other auditors' reports, the financial statements referred to above give a true and fair view of the financial position of the Riga City Council as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with Republic Latvia Cabinet Regulations No. 446 on the Procedure for Preparation of Annual Reports of State and Municipal Budget Institutions and with the accounting policy of the Riga City Council disclosed in these financial statements. We have not audited the financial statements of Riga City Council City Development Department, Riga City Council Transport Department, Riga City Council

Municipal Services Department, Riga City Council Education, Youth, and Sports Department, Riga City Council Welfare Department, Riga City Council Environment Department, Executive Board of Riga Central District, Executive Board of Riga Kurzeme District, Executive Board of Riga Latgale District, Executive Board of Riga Vidzeme District, Executive Board of Riga Zemgale District, Executive Board of Riga Ziemeļi District, Riga Children Rights Protection Centre, Riga Drug Addiction Prevention Centre, Riga Municipal Police, Riga Custody Court, Riga City Council Cultural Department, Riga Tourism Coordination and Information Centre, Riga Environment Centre Agenda 21, Riga Municipal Apartment House Privatisation Board, Riga Municipal Agency Rīgas mājoklis, Riga Municipal Agency Rīgas meža aģentūra, Riga Municipal Agency Rīgas gaisma, Riga Municipal Agency Rīgas dārzi un parki, Riga Municipal Agency Rīgas pieminekļu aģentūra, Riga Municipal Agency Reģionālais sporta centrs Annīņmuiža, Riga Municipal Agency Mežaparks, Riga Municipal Agency Rīgas arhitekta birojs, Riga City Public Services Regulator (hereinafter jointly referred to as the "Municipal Institutions") included in the above summary financial statements. The total assets of the above mentioned Municipal Institutions as at 31 December 2006 amounted to LVL 188 084 871, and the total expenses for the year ended 31 December 2006 amounted to LVL 225 962 131. These financial statements have been audited by other auditors, whose reports as of 19, 21, 22, 23, 26, 27 and 28 February 2007, and 1, 5, 7, 8, 9, 12, 13, 16, 19 and 28 March 2007, and 3 April 2007, have been reviewed by us, and our opinion as far as it concerns the Municipal Institutions covered by

the summary financial statements is based solely on the opinion of such other auditors.

2. The Riga City Council Property Department continues the stocktaking process of the real estate owned by the Riga City and the registration of the respective ownership rights with the Land Registry. Under the above process, adjustments to the carrying amounts of the real estate are being made and the titles to the real estate whose owners have not been strictly defined are being concerted. The aforesaid process has been completed in relation to a part of the Riga municipal real estate and a part of the land plots included in the administrative territory of the Riga City. Therefore, the carrying amount of the real estate as at 31 December 2006 and beyond might be adjusted in the following reporting periods. We were not able to identify the number of potential adjustments or the amount attributable to the real estate as at 31 December 2006. These circumstances were also effective as at 31 December 2005 and in the previous years whereon we expressed a qualified opinion in our auditors report dated 13 April 2006.

3. According to the value of the apartments privatised under the accelerated privatisation process as at 31 December 2005 estimated by the Property Department, in 2005 the Riga City Council Property Department excluded from the balance sheet the value of the apartments privatised under the accelerated privatisation process in the amount of LVL 76 million. The said amount comprises the total value of apartments privatised by 31 December 2005. Therefore, a part of the excluded amount is attributable to the prior reporting periods. As at 31 December 2005, the



Independent Auditors' Report

To the Riga City Council

aforesaid part attributable to prior periods was not separated. Consequently, the comparative figures of 2005 which are presented in the financial statements for the year ended 31 December 2006 do not show appropriate distribution of the budget execution result among the current year and prior years. We were not able to determine the amount of potential adjustments and estimate the amount attributable to the previous reporting periods. These circumstances were also effective as at 31 December 2005 whereon we expressed a qualified opinion in our auditors report dated 13 April 2006.

4. The value of the apartment houses included in the balance sheet of the Riga City Council Property Department as at 31 December 2005 also comprises the part of the common use premises attributable to the apartments privatised under the accelerated privatisation process. In our opinion, this part of the common use premises should not be treated as a Department's asset. These circumstances were effective as at 31 December 2005 whereon we expressed a qualified opinion in our auditors report dated 10 April 2006. Based on the Riga City Council Property Department's estimate of the value of the common use premises attributable to the apartments privatised under the accelerated privatisation process as at 31 December 2006, the Riga City Council Property Department has excluded the estimated value from the balance sheet in the amount of LVL 8 million. The said amount comprises the total value of the common use premises attributable to the apartments privatised until 31 December 2006, and therefore LVL 6 million of this amount are attributable to

prior periods. Consequently, the comparative figures of 2005 which are presented in the financial statements for the year ended 31 December 2006 should have been adjusted, by decreasing the net book value of the buildings and the budget execution result by LVL 6 million. In addition, the Council should adjust also the comparative figures of 2005 which are presented in the financial statements for the year ended 31 December 2006 showing distribution of the budget execution result among the current year and prior years. We were not able to determine the amount of potential adjustments and estimate the amount attributable to the previous reporting periods. The Council has recognised this decrease in the financial statements for the year ended 31 December 2006.

5. The value of the apartment houses included in the balance sheet of the Riga City Council Property Department also comprises the value of the buildings involved in the accelerated privatisation process in the amount of LVL 30 million. In our opinion, a part of this value should have been disclosed under current assets, as non-current assets held for privatisation. As there is uncertainty as to whether, when, and to what extent those buildings would be privatised during the planned privatisation process, we were not able to determine the amount of potential adjustments and estimate the amount attributable to the current assets.

6. The Riga City Council Transport Department continues appraisal of the facilities of the Riga street infrastructure. The Riga City Council is in charge of the Riga street infrastructure. However, these assets had not been recognised in the accounting records of the Riga City Council until

2000. In 2003 – 2006, the Riga City Council recognised only part of capitalised street reconstruction costs and the street infrastructure that has been already appraised by charge to the balance sheet caption Land, buildings, constructions and perennial plants. For this reason, the carrying value of the street infrastructure as at 31 December 2006 and beyond will be adjusted. We were not able to determine the amount of potential adjustments which would be attributable to the street infrastructure as at 31 December 2006. These circumstances were in effect also as at 31 December 2005 whereon we expressed a qualified opinion in our auditors report dated 13 April 2006.

7. The Riga City does not have a unified method in place to measure forest stand. Until 31 December 2006, these assets had not been measured and stated in the accounting records of the Riga City Council. We were not able to determine the amount of potential adjustments which would be attributable to forest stand as at 31 December 2006. These circumstances were in effect also as at 31 December 2005 whereon we expressed a qualified opinion in our auditors report dated 13 April 2006.

8. In 2006 the Riga City Council established a vacation pay reserve in the amount of LVL 13 623 thousand, where related expense would be attributable to the current reporting year and prior reporting periods. The Riga City Council has recorded this reserve as expense for the reporting year. The above amount includes also a portion of provisions attributable to prior reporting periods. Therefore, the Riga City Council would have to adjust the comparable data for the



Independent Auditors' Report

To the Riga City Council

year 2005 on the division of the result of budget execution between the current year and prior periods disclosed in the financial statements for the year ended 31 December 2006. We were not able to determine the amount of potential adjustments and estimate the amount attributable to prior reporting periods.

9. In 2006 the Riga City Council Transport Department did not review the depreciation rates for the streets shown in its accounts until 31 December 2005 to comply with Cabinet Regulations No. 440 on the Depreciation Rates for Tangible Assets of State-Financed Institutions and Application Thereof. Had the depreciation rates for the above streets been reviewed in 2006, the net carrying amount of the tangible assets and equity as at 31 December 2006 would have been by LVL 2.1 million larger, and the result of budget execution for 2006 would have been by LVL 2.1 million larger.

10. The Finance Department has treated the PC and Microsoft licence lease agreements as an operating lease. In our opinion, these lease agreements should be qualified as a finance

lease. Had the respective adjustments been made, the assets, liabilities, and equity of the Finance Department as at 31 December 2006 would have increased by LVL 1 066 thousand, LVL 1 025 thousand, and LVL 42 thousand respectively, and the budget execution result for 2006 would have been by LVL 135 thousand larger.

11. Based on Republic of Latvia Cabinet Regulations No. 690 on Defining Riga Port Boarders, dated 22 August 2006, in 2006 land plots registered in the name of the Riga City Council with the cadastral value of LVL 4 765 thousand were excluded from the territory of Riga Free Port Authority. In 2006, the Riga City Council recorded these land plots under tangible non-current assets and recognised income of LVL 4 765 thousand. In our opinion, the above mentioned land plots should have been disclosed in the balance sheet of the Riga City Council in the previous reporting periods, as the title to the land plots in the name of the Riga City Council were registered with the Land Registry in those periods. Had the above land plots been disclosed in the balance sheet of the Riga City Council in

the previous reporting periods, the budget execution result of the Riga City Council for the previous periods as at 31 December 2006 would have been by LVL 4 765 thousand larger and the budget execution result for the reporting period would have been by LVL 4 765 thousand smaller.

12. In our opinion, the above mentioned condensed financial statements in all material aspects correspond to 2006 financial statements of the Riga City Council, on the basis of which 2006 condensed financial statements of the Riga City Council were prepared.

13. To obtain a more complete view on the financial position of the Riga City Council as at 31 December 2006, and of the results of its operations for the year then ended, as well as on the scope of our audit work, the above mentioned condensed financial statements should be considered together with 2006 financial statements of the Riga City Council, on the basis of which 2006 condensed financial statements of the Riga City Council were prepared and the respective Auditors' Report.

SIA Ernst & Young Baltic
Licence No. 17

Diāna Krišjāne
Chairperson of the Board
Latvian Sworn Auditor
Certificate No. 124

Iveta Vimba
Latvian Sworn Auditor
Certificate No. 153

Riga Municipality Financial Statements (summary)

Riga Municipality Consolidated Balance Sheet

	31.12.2005. (KLVĻ)	31.12.2006. (KLVĻ)
Assets:	739 118.7	837 143.8
Long-term assets	697 762.5	752 017.4
Intangible assets	2 796.6	4 170.5
Tangible fixed assets	486 876.6	543 019.5
Financial investments	208 089.3	204 827.4
Current assets	41 356.2	85 126.4
Inventory	12 065.1	25 848.1
Draft animals and productive animals	0.1	6.8
Accounts receivable	9 547.1	8 084.5
Prepaid expenses	1 289.9	1 638.9
Securities and short term investment in equity capital	3 843.8	6 698.1
Cash and bank	14 610.2	42 850.0
Liabilities:	739 118.7	837 143.8
Equity	629 753.0	671 624.0
Equity capital	509 846.1	0.0
Reserves	68.0	107 145.0
Retained budget surplus for the prior year	143 512.7	537 511.8
Budget surplus for the year	-23 673.8	26 967.1
Liabilities	109 365.7	165 519.9
Borrowings	92 920.9	96 738.4
Accounts payable	2 383.7	38 929.2
Taxes payable	2 569.8	2 519.6
Affiliated enterprises and employees	5 133.8	7 400.2
Other liabilities	6 357.5	19 932.5
Contingency assets and liabilities:		
Leased fixed assets	5 292.6	5 019.1
Goods and material values in accountable storage	336.3	447.4
Bad and doubtful debts written-off	6 170.4	4 924.6
Municipal indemnities and mortgage agreements	42.7	13 048.4
Payment commitments for agreements	163 610.7	150 017.1
Other contingency items	8 696.0	16 398.5
Receivables		
Customer's accounts	982.9	1 205.2
ISPA, SAPARD and other debtors	6 134.3	4 044.4
Prepaid expenses	2 146.0	2 511.5
Other receivables	283.9	323.4
Total	9 547.1	8 084.5
Liabilities		
Borrowings	92 920.9	96 738.4
Affiliated enterprises and employees	5 133.8	7 400.2
Accounts payable	2 383.7	38 929.2
Salaries and payroll tax payable	2 684.7	3 788.5
Taxes payable	2 569.8	2 519.6
Deferred income	3 361.0	2 209.1
Other liabilities	311.8	13 934.9
Total	109 365.7	165 519.9

Riga Municipality Financial Statements (summary)

Income Statement (Basic budget)

Accruals basis	2005 (KLVĻ)	2006 (KLVĻ)
Revenues		
Total tax revenue	192 888.3	247 724.9
Personal income tax	163 844.3	213 794.7
Property taxes	26 937.3	30 620.2
Real estate tax on land	8 886.2	10 109.6
Real estate tax on buildings and structures	18 051.1	20 995.9
Other tax revenue	2 106.7	3 310.0
Total non-tax revenue	66 956.3	55 144.3
Government and municipality fees, transferred to municipal budget	894.9	590.4
Revenue from paid services provided by public authorities	19 498.8	27 641.1
Other non-tax revenue	46 562.6	26 912.8
Total tax and non-tax revenue	259 844.6	302 869.2
Payments from state basic budget	57 786.6	61 186.6
Earmarked subsidies	50 216.7	52 793.2
Earmarked subsidies for education and culture	40 355.8	49 055.5
Earmarked subsidies for investments	9 755.6	3 612.6
Other earmarked subsidies	105.3	125.1
Payments from public authorities	7 569.9	8 393.4
Total revenue	317 631.2	364 056.2
Expenses		
Total expenses by government function	327 291.5	327 759.8
General governmental agencies	112 661.1	63 007.0
Public order and security	4 636.2	6 595.9
Education	94 723.8	126 594.2
Health care	6 532.2	11, 405.8
Social insurance and social security	20 762.0	23 804.6
Housing facilities and public utilities, environment protection	38 841.9	44 323.4
Leisure, sports, culture, and religion	8 760.0	12 641.9
Transportation, communications	37 933.4	35 031.3
Other economic operations and agencies	279.5	866.0
Other expenses	2 161.4	3 489.9
Deposits to municipal cohesion fund	27 310.6	31 552.2
Total expenses	354 602.1	359 312.0
Budget surplus/deficit	-36 970.9	4 744.2

Riga Municipality Financial Statements (summary)

Income Statement (Special purpose budget)

Accruals basis	2005 (KLV)	2006 (KLV)
Revenues		
Riga Municipality Property Privatization Fund	3 438.6	9 500.1
Revenues from privatization of state and municipality property	2 759.1	7 591.2
Revenues from privatization of apartments and valuation of uninhabitable housing resources	679.5	1 908.9
State Road Fund	5 184.7	7 741.1
Motor vehicle duty and excise tax	4 686.5	7 246.1
Earmarked subsidies for regular bus traffic	498.2	495.0
Other incoming state budget transfers	0.0	0.0
Natural resources tax	400.3	313.7
Municipality revenues stated in the Law on Natural Resources Tax	400.3	313.7
Other revenue	17 118.4	19 515.3
Riga City Development Fund (revenues from lease of land, and other revenues)	3 881.7	4 022.5
Other special purpose budget revenues	13 236.7	15 492.8
Total revenue	26 142.0	37 070.2
Expenses		
General governmental agencies	6 015.2	3 013.0
Public order and security	2.2	16.3
Education	40.1	148.7
Health care	330.8	78.8
Social security	90.7	131.3
Housing facilities and public utilities, environment protection	1 766.2	2 774.7
Leisure, sports, culture, and religion	1 721.8	559.5
Forestry and fishery	2 477.6	2 790.1
Transportation, communications	513.7	530.2
Total expenses	12 958.3	10 042.6
Budget surplus/deficit	13 183.7	27 027.6

2006

Riga Municipality Financial Statements (summary)

Income Statement

Cash Flow basis

	2005 Budgeted (KLV)	2005 Actual (KLV)	2006 Budgeted (KLV)	2006 Actual (KLV)
Revenues				
Total tax revenue	191 998.5	193 766.7	243 234.4	248 321.5
Personal income tax	162 675.8	163 375.4	211 023.8	213 980.3
Property taxes	27 222.7	28 284.6	29 410.6	31 031.2
Real estate tax on land	10 306.8	10 048.0	10 373.2	10 119.8
Real estate tax on buildings and structures	16 915.9	18 229.9	19 037.3	20 852.7
Other property taxes	0.0	6.7	0.1	58.7
Other tax revenue	2 100.0	2 106.7	2 800.0	3 310.0
Total non-tax revenue	23 564.1	24 561.3	29 473.2	31 131.2
Government and municipality fees, transferred to municipal budget	940.0	889.4	830.0	665.2
Revenue from paid services provided by public authorities	21 502.6	22 458.3	26 417.9	28 180.3
Other non-tax revenue	1 121.5	1 213.6	2 225.3	2 285.7
Total tax and non-tax revenue	215 562.5	218 328.0	272 707.6	279 452.7
Payments from state budget	43 293.5	48 649.8	61 013.1	59 320.6
Earmarked subsidies	40 753.1	40 753.1	50 921.9	50 921.9
Earmarked subsidies for education and culture	40 355.8	40 355.8	49 055.4	49 055.4
Earmarked subsidies for investments	292.0	292.0	1 723.0	1 723.0
Other earmarked subsidies	105.3	105.3	143.5	143.5
Payments from public authorities	2 540.4	7 896.7	10 091.2	8 398.7
Payments from other budgets	4 706.0	4 706.7	0.0	0.0
Total revenue	263 562.0	271 684.5	333 720.3	338 773.3
Expenses				
Total expenses by government function	252 858.7	244 132.6	318 273.7	288 073.0
General governmental agencies	28 087.1	25 851.9	32 972.1	29 835.9
Public order and security	5 188.6	5 099.2	6 685.7	6 543.4
Education	104 982.5	101 184.4	127 021.9	120 313.0
Health care	2 749.1	6 928.7	10 612.5	11 047.6
Social insurance and social security	20 615.5	19 692.3	26 572.3	24 268.8
Housing facilities and public utilities, environment protection	46 991.5	42 405.8	60 620.2	50 109.0
Leisure, sports, culture, and religion	10 490.8	9 261.5	14 406.4	13 299.4
Transportation, communications	30 381.9	31 254.4	35 348.6	28 649.1
Other economic operations and agencies	267.1	267.8	949.6	924.4
Other expenses	3 104.6	2 186.6	3 084.3	3 082.4
Deposits to municipal cohesion fund	27 310.6	27 310.6	31 552.2	31 552.2
Total expenses	280 169.3	271 443.2	349 825.9	319 625.2
Budget surplus/deficit	-16 607.3	241.3	-16 105.2	19 148.1
Financing				
Financing	16 607.3	-241.3	16 105.2	-19 148.1
Internal financing	16 666.5	-182.1	16 135.7	-19 119.0
From other state administration organizations	0.0	199.4	0.0	2 958.4
Change in budget resources	1 100.7	-7 703.2	0.0	-9 840.4
Budget resources, beginning of period	1 100.7	1 100.8	0.0	8 804.0
Budget resources, end of period	0.0	8 804.0	0.0	18 644.4
From commercial banks	15 565.8	4 000.0	16 135.7	2 933.7
Other internal financing	0.0	3 321.7	0.0	-9 303.4
External financing	-59.2	-59.2	-30.5	-29.0
Financing with mediation of State Treasury	-	-	-	-
Other external financing	-59.2	-59.2	-30.5	-29.0
Total financing	16 607.3	-241.3	16 105.2	-19 148.1

Riga Municipality Financial Statements (summary)

Income Statement (Special purpose budget)

Cash Flow basis	2005 Budgeted (KLVĻ)	2005 Actual (KLVĻ)	2006 Budgeted (KLVĻ)	2006 Actual (KLVĻ)
Revenue				
Riga Municipality Property Privatization Fund	2 226.6	3 263.2	7 557.0	8 843.3
Revenues from privatization of state and municipality property	1 634.6	2 583.7	5 960.0	6 934.4
Revenues from privatization of apartments and valuation of uninhabitable housing resources	591.9	679.5	1 597.0	1 908.9
State Road Fund	4 799.0	5 184.7	7 688.6	7 741.1
Motor vehicle duty and excise tax	4 259.0	4 686.5	7 188.6	7 246.1
Earmarked subsidies for regular bus traffic	540.0	498.2	500.0	459.0
Other incoming state budget transfers				
Natural resources tax	305.0	337.7	305.0	313.7
Other revenue	16 772.6	16 732.0	15 929.6	19 359.7
Riga City Development Fund (revenues from lease of land, and other revenues)	4 609.1	4 518.8	4 538.4	4 604.2
Other special purpose budget revenues	12 163.5	12 213.2	11 391.2	14 755.5
Total revenue	24 103.2	25 517.7	31 480.2	36 257.8
Expenses				
General governmental agencies	9 891.3	6 320.6	12 148.6	6 018.0
Public order and security	82.7	44.0	78.8	30.7
Education	71.6	52.1	5 226.1	3 996.6
Health care	703.0	561.1	278.0	121.5
Social security	83.3	50.7	598.3	136.9
Housing facilities and public utilities, environment protection	9 081.4	7 271.4	9 512.7	5 340.4
Leisure, sports, culture, and religion	2 358.0	1 946.3	1 374.9	667.0
Forestry and fishery	3 580.7	2 627.3	3 292.4	2 908.8
Transportation, communications	5 574.1	4 759.9	9 113.2	7 911.1
Total expenses	31 426.1	23 633.4	41 623.0	27 131.0
Budget surplus/deficit	-7 322.9	1 884.3	-10 142.8	9 126.8
Financing	7 322.9	-1 884.3	10 142.8	-9 126.8
Cash and cash equivalents, beginning of period	12 945.3	3 650.2	14 829.6	5 534.5
Cash and cash equivalents, end of period	5 622.4	5 534.5	4 686.8	14 661.3

Riga Municipality Financial Statements (summary)

Income Statement on donations and endowments	2005	2005	2006	2006
Cash Flow basis	Budgeted (KLVĻ)	Actual (KLVĻ)	Budgeted (KLVĻ)	Actual (KLVĻ)
Revenues	755.7	483.0	522.2	305.6
Donations and endowments by domestic legal entities and individuals	476.4	264.9	486.0	194.6
Donations and endowments to education	446.4	231.0	449.4	176.0
Donations and endowments to social aid	8.2	2.7	9.1	2.7
Other donations by domestic legal entities	21.8	31.1	27.5	15.9
Donations and endowments by foreign legal entities and individuals	279.3	218.1	36.2	111.0
Donations and endowments to education	0.0	9.5	36.2	108.8
Global Environment Facility endowment to the development of solid waste dump project in "Getliņi", and "Phare" project resources	278.7	206.0	-	-
Other donations by foreign legal entities	0.6	2.6	-	-
Expenditures by government function	1 032.6	507.5	737.9	322.6
General governmental agencies	80.6	19.2	35.1	31.9
Public order and security	0.5	0.0	3.5	0.0
Education	657.6	259.4	672.0	283.3
Social security	11.9	4.5	11.0	1.3
Housing facilities and public utilities environmental protection	253.5	210.8	2.0	2.0
Leisure, sports, culture, and religion	28.5	13.6	14.3	4.1
Other economic operations and agencies	-	-	-	-
Budget surplus/deficit	-276.9	-24.5	-215.7	-17.0
Financing	276.9	24.5	215.7	17.0
Budget balance, beginning of period	276.9	276.9	252.4	252.4
Budget balance, end of period	0.0	252.4	36.7	235.4

Terms of Riga Municipality Financial Statement preparation

Basis of preparation

Riga Municipality summary (consolidated) financial statement 2006 (further referred to as financial statement) has been prepared in line with the Cabinet of Ministers Regulations No.446 as of June 21, 2005 "Regulations on State and Municipal Institutions' Annual Reports".

The financial statement 2006 has been prepared in accordance with the principles of accumulation and the going concern in accordance with the financial policy of the Riga City Council and the laws and regulations of the Republic of Latvia. The financial statement provides information on Riga Municipality financial activities during 2006, as well as the record of liabilities and expenses. The financial statement can be used to develop the financial policy as well as assist in the decision making process during the planning and actualization of the basic budget and the special purpose budget revenues (classified by their type) and expenditures (in line with the budget programs administered by the Riga City Council executive authorities) according to the cash flow basis and the accruals basis.

In accordance with the resolution No.751-r "On Year 2006 Stocktaking within Riga Municipality" as of October 23, 2006 issued by the Riga City Council chairman all structural units and executive authorities of Riga City Council have performed year closing stocktaking (of all balance sheet items), the results of which have been revealed in this financial statement.

The financial report covers the time period from January 1, 2006 to December 31, 2006. Riga Municipality financial statement has been composed in the local currency of Latvian lats. All transactions performed in foreign currencies have been converted into lats based on the Bank of Latvia official currency exchange rate on the respective day of the transaction. All monetary assets and liabilities reflected in foreign currencies are converted into lats based on the Bank of Latvia official currency exchange rate effective on the last day of the financial

year. Foreign exchange differences arising from payments in foreign currencies, or assets and liabilities, using foreign exchange rates that differ from rates used for the initial bookkeeping, are reflected in expenses.

Structural units and programs included in the summary financial statements

The summary financial statement comprises summary financial statements of the Riga City Council Finance Department and second rank executive authorities: its departments, agencies, and other institutions in accordance with the revenue and expense programs defined within the budget and economics classification of the Republic of Latvia Finance Ministry. The Municipality financial statement does not comprise The Administration of Riga Free Port for its special status; neither are Riga Municipality daughter companies consolidated in this financial statement. The financial statement does not contain information on the financial state of Riga City municipal enterprises as the law "On the Annual Reports of Enterprises" prescribes different order of financial statements' submission. The financial statement reflects data on Riga City basic budget and special purposes budget 2006 programs.

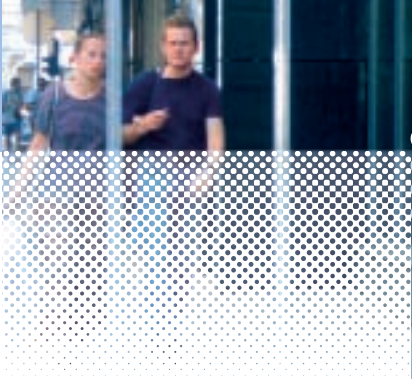
Basic budget expense programs:

1. Riga City Council and Riga City Council Finance Department (funding of operations)
2. Riga City Council City Development Department (funding of operations)
3. Riga City Council Property Department (funding of operations)
4. Riga City Council Transport Department (funding of operations)
5. Riga City Council Municipal Services Department (funding of operations)
6. Executive Board of Riga Central District (funding of operations)
7. Executive Board of Riga Kurzeme District (funding of operations)
8. Executive Board of Riga Latgale Suburb

- (funding of operations)
9. Executive Board of Riga Vidzeme Suburb (funding of operations)
10. Executive Board of Riga Zemgale Suburb (funding of operations)
11. Executive Board of Riga Northern District (funding of operations)
12. Riga Children Rights Protection Center (funding of operations)
13. Riga Drug Addiction Prevention Center (funding of operations)
14. Riga Municipal Police (funding of operations)
15. Riga Orphans Court (funding of operations)
16. Riga City Council Education, Youth, and Sports Department (funding of operations, administration)
17. Riga Tourism Coordination and Information Center
18. Riga City Council Welfare Department (funding of operations)
19. Riga City Council Environment Department (funding of operations)
20. Riga City Council Riga Environment Center "Agenda 21"
21. Riga Municipal company "Rīgas gaisma"
22. Riga Municipal agency "Rīgas dārzi un parki"
23. Riga Municipal agency "Rīgas pieminekļu aģentūra"
24. Riga Municipal agency "Reģionālais sporta centrs "Anniņmuiža""
25. Riga Municipal agency "Rīgas mājoklis"
26. Riga Municipal agency "Rīgas pilsētas arhitektu birojs"
27. Riga Municipal agency "Mežaparks"
28. Riga City Council Cultural Department (funding of operations)
29. Riga Municipality Dwelling Houses Privatization Commission

Special purposes budget expense programs:

1. Riga City Development Fund
2. Tunnel maintenance and operations program
3. Transportation charges for the entry into special regime areas
4. Earmarked subsidy for Municipal roads and streets



Terms of Riga Municipality Financial Statement preparation

5. Riga City Municipal Property Privatization Fund (int.al. Property Department programs associated with financing of property registration, administration, and Riga Municipality property expropriation and privatization)
6. Riga City Council Property Department program associated with the administration of shares owned by Riga Municipality as well as legal administration of agreements on the lease of land
7. Riga City Council Traffic Department programs' financing from the special budget resources (grant to draft contract "Start", issue of licenses, as well as fines collected by the controllers)
8. Riga Environment Protection Fund
9. Riga City Public Services Regulator
10. Riga Municipal Agency "Rīgas meži"
11. Financing of Riga City Council Education, Youth, and Sports institutions and programs from donations and endowments
12. Financing of Riga Districts' programs from donations and endowments
13. Financing of Riga City Council Welfare department's programs from donations and endowments
14. Financing of Riga City Council Environmental department's programs (upkeep and renewal of City greenery, keeping record of dogs, improvement of walking area for dogs) from donations and endowments
15. Financing of Riga City Council Municipality Services programs from donations and endowments
16. Financing of Riga Municipality Agency "Rīgas pieminekļu aģentūra" programs from donations and endowments.

Riga City Council's investment program,

int. al. general administration agencies, education, health care, social security, public order and security, protection of rights, housing facilities and public utilities, traffic infrastructure, environment protection, territorial development planning program, leisure, sports, culture and

religion, public transportation.

Centralized programs

that the Finance Department records into separate books. These are 51 projects that have received an approval for the co-financing from Riga City Council:

- Development of Social services and infrastructure, as well as social rehabilitation, integration into society and labor market: 7 projects (2 ERDF, 4 ESF, 1 Interreg);
- Development of cultural services and infrastructure, as well as establishment of continuing education and crafts school: 2 projects (EC Leonardo da Vinci);
- Development of educational and sports services and infrastructure, as well as strengthening of professional orientation capacity for the implementation of lifetime-education strategy: 8 projects (6 ESP, 1 Interreg, 1 Phare);
- Development of traffic infrastructure and services: 5 projects (ERDF);
- Development of health-care services and infrastructure, as well as cooperation within the future regional health care: 2 projects (ERDF);
- Within IT area: establishment of public internet Access system: 1 project (Interreg);
- European Systems for Urban Environment Administration: 2 projects (Interreg, Grant scheme);
- New opportunities for city development in New Europe, Baltic Metropolises Innovation Strategy: 16 projects (10 Interreg, 2 ESF, etc.);
- Development of water management: 2 projects;
- Promotion of tourism "European Route of Brick Gothic": 1 project;
- Methodology for addiction prevention for the employees of law enforcement and medical institutions, educational programs and training for work with children, youth, and their families, their integration into the society: 3 projects (ESF);
- Provision of internship placements for

unemployed youth in administration and management of apartment houses: 1 project (ESF);

- Baltic cooperation for energy saving within the housing fund: 1 project.

Riga Municipality financing

During 2006, the financing of programs administered by the Riga City Council departments, institutions, and agencies was ensured from accumulated budget resources and loans received by Riga Municipality. At the end of the financial year 2006, all unused Riga City basic budget resources of Riga Municipality Institutions were returned to the Municipality basic budget account.

In 2005, by means of an open tender, financing was attracted for the construction of the Southern Bridge over the river Daugava in Riga. The financing model, unless terminated before its term, does not create current liabilities for the Riga City Council except for long-term payables to the construction company A/S "Dienvidu tilts" and other suppliers as classified in the annual report. In case of a before-the-term termination of the financing model, the long-term liabilities against the supplier would be classified as long-term liabilities against Deutsche Bank.

In accordance with the economic essence, Riga City Council recognizes liabilities for the construction performed as well as recognizes the cost of financing (interest) for every period during the whole duration of the financing model in its revenues and expenses. The financing model offers a fixed interest rate during the whole duration of the model, however, given that Riga City Council pays for the loan starting from the moment when financing was transferred to the account of A/S "Dienvidu tilts", the actual Riga City Council's interest rate is higher. The real value of the chain of forward deals arising from the City's swap agreements is zero as the financing model offers both fixed currency exchange rate and fixed interest rate in the amount of 6.31% over the period of the duration of the model.



Terms of Riga Municipality Financial Statement preparation

Riga Municipality budget revenues

In accordance with the state tax legislation, Municipal budget revenues comprise tax payments, government and municipality fees as well as other payments to the budget, which are recognized after they have been transferred to the Municipality budget revenue accounts on cash received basis. Revenues from individual income tax, natural resources tax, and gambling tax payments are recognized only on the cash received basis as the administration of these taxes are performed by the State Revenue Service. Riga Municipality performs accounting for real estate tax according to the accruals and cash received basis. Apart from that, Riga Municipality revenues comprise revenues from paid services provided by municipality budget institutions, and other own revenues, revenues of special purpose, net income from the disposal of assets, interest and dividend payments received, foreign financial aid, donations and endowments both in cash and in kind (accounted for in cash, The Republic of Latvia Law "On the budget and the financial management"). These revenues are recognized according to the cash flow basis at the moment when they are transferred to the Municipality budget revenue accounts; however recognition according to the accruals basis takes place in accordance with the confidence to generate revenues in such an amount, which is possible to anticipate by evaluating receivables by the kind of revenues. Budget tax and non-tax revenues by their type are recorded by the Finance Department Budget Accounting and Reporting Section, whereas the Municipal Revenue Directorate performs recording by type, payers, and due dates (recognizing them by the accruals principle). Revenues from paid services are received and recorded by every second rank executive authority (institution, agency, department) by recognizing them according to the accruals basis. In turn, subsidies, earmarked subsidies and other payments from the state basic budget and state budget institutions to municipalities are recognized upon the receipt if the respective payment.

Riga Municipality budget expenditures

Over the past five years, the priority sectors of Riga Municipality budget have remained unchanged: education, housing facilities and public utilities, social aid, and investments into Riga City Infrastructure. The expenditures section of the financial report contains results of budget programs and sub-programs administered by Riga Municipal institutions (second rank) in accordance with the budgetary and economic classification of the Government function defined by the Republic of Latvia Ministry of Finance.

Long-term assets

Assets that influence economic activity for more than one year are defined as long-term assets.

Intangible assets

This position contains software and their respective licenses with book value either decreasing or increasing depending on the grade of computerization of the Riga Municipality institutions and the costs of software purchased within the framework of this process as well as due to the capitalized software development costs. In the financial statement of Riga Municipality financial state (in the balance sheet), the intangible assets are reflected in the balance sheet at their book value by subtracting the amortization and decrease in value (if any) over the useful life of the intangible assets from their acquisition value using linear method.

Fixed assets

The costs of fixed assets are recognized as assets and recorded in the balance sheet based on the cash paid or its equivalent at the moment of the purchase or construction with an estimated lifetime of more than one year by subtracting accumulated depreciation and decrease in value. The aim of accounting for assets is to ensure an accounting control over each fixed asset, and its preservation, following the changes in its value over the whole period of its useful life until its liquidation, disposal, or exclusion from the fixed assets.

Apart from real estate, fixed assets also comprise

reconstruction costs of objects as well as reconstruction and construction costs of buildings, which have not been finished yet or for some other reason have not been put into operation, as well as real estate (land, buildings, structures).

When accounting for fixed assets, the Municipality takes into account their economic essence, in other words, fixed asset is recognized as an asset that on its own does not create considerable cash flows for the funding of the operation of departments, agencies, and other institutions' administered programs, provision of services, rent, or other administrative purposes if costs arise from the utilization of these fixed assets, as well as risks of long-term assets.

When performing the renewal, reconstruction, or upgrade of fixed assets leading to an extended useful life of the asset or considerable improvements in its condition, costs of upgrading are added to the book value of the asset. Costs from the maintenance or up-keep of the fixed assets in the current condition, as well as those from repairs, are recognized as expenditures during the period when they have arisen.

The stocktaking process in all Riga Municipality executive institutions is performed annually based on the location and the current state. During the stocktaking of real estate, its revaluation is performed. The revaluation value is based on the real estate stocktaking value approved by the State Land Services (SLS). The difference in the value resulting from the revaluation is recorded in the equity capital as the provision for long-term investment revaluation.

The recognition of fixed asset book value is stopped in case the asset is disposed of. Any profit or loss arising in this case (calculated as the difference between the net income from sales and the book value of the asset) is recognized in the profit or loss statement of the respective period. Fixed assets acquired by lease are not accounted for in the balance sheet. Such assets are registered into a special register. Cost of the lease is recognized in expenses according to an accruals basis, by recognizing costs in the period when they have

Terms of Riga Municipality Financial Statement preparation

arisen, independent of the date of the actual payment. Future lease costs are not accounted for in the balance sheet and are registered as contingent liabilities.

Riga Municipality balance sheet comprises land plots owned by the Riga City, which have been registered with SLS in the name of the Riga City, excluding the land located within the territory of Riga Free Port.

The land is booked at the cadastral value defined by SLS. Purchased land plots are booked in the balance sheet at their cost of acquisition formed by the cash paid, its equivalent or other form of compensation, including all the costs incurred in association with the acquisition process.

When splitting or joining land plots or changing the purpose of their use, the cadastral values of the plots are reconsidered, and the changes are recognized in the bookkeeping. Until January 1, 2006, such changes were reflected in the account "State (Municipal) capital (share capital)". As, effective January 1, 2006, the balance of this account has been added to the account reflecting prior year's budget surplus account, during 2006 such changes in the cadastral values have been booked into the current year's budget surplus.

Land acquired by lease is not reflected in the balance sheet. Such land plots are registered in a special registered under the contingencies. Lease payments are recognized as costs according to the accruals basis by recognizing them in the period when they have arisen, independent of the actual payment. Future lease costs are not included in the balance sheet. Such costs are registered as contingent liabilities instead.

Riga Municipality fixed assets also comprise dwelling and non-dwelling houses and buildings, and other structures (further in the text: buildings and structures). Buildings and structures that are functionally united and which cannot be used separately are accounted for as one single asset.

When performing renewal, reconstruction, or improvement of fixed assets leading to an extended useful life of assets or considerable improvement

in their condition, costs of improvement are added to the book value of the asset. Costs from the maintenance or up-keep of the fixed assets in the current condition, as well as those from repairs, are recognized as expenditures during the period when they have arisen. Buildings and structures are reflected in the balance sheet at their initial book value, by subtracting the accumulated depreciation and decrease in the value, if any. The depreciation is calculated based on their estimated useful life, and is recognized in the costs of the financial year and booked as accumulated depreciation.

The depreciation is calculated using straight-line method over the useful life of the respective fixed asset by splitting the initial value over the years.

In 2006, the depreciation was calculated using the following rates (%):

Fixed assets purchased until December 31, 2005:

Buildings and Structures	0.67-10
Streets	10
Vehicles	20
Computers, communication and office equipment	35
Furniture, office tools and other fixed assets	20

Fixed assets purchased effective January 1, 2006:

Buildings and Structures	0.67-10
Streets	6.67
Vehicles	20
Computers, communication and office equipment	20
Furniture, office tools and other fixed assets	10

During 2006, according to the requirements of the regulations No.440 of the Republic of Latvia Cabinet Ministers, the useful lives of buildings and structures as well as their respective depreciation rates were reconsidered. As a result, in 2006, the annual depreciation rate for buildings and structures was applied at the level of 0.67% to 10%.

Land, cultural and environmental monuments, library stock, cultural and arts objects, jewels, precious metals and their products, objects of value, and other valuables of the cultural heritage were not depreciated.

The accounting for streets, bridges, and crossovers is performed on the object basis, recording investment resources allocated to reconstructions and renovations on each respective infrastructure object (street, bridge, crossover).

During 2006, revaluation of 20 streets was performed. In 2007, the revaluation of streets will be continued based on the available financing.

Financial assets

Financial statements contain all Riga Municipality equity capital shares in limited liability companies and enterprises, with Riga City Council Chairman being the representative of shareholders, as well as Riga Municipality long-term investments in the equity capital of to-be-liquidated municipal enterprises and limited liability companies.

Riga Municipality financial statements do not include investments in the equity capital of enterprises and business entities registered in the Republic of Latvia Enterprise Register, but having permanently discontinued their operations, as well as enterprises still under privatization. Investments in enterprises with discontinued operations are included in the contingency items.

Riga Municipality equity shares in related and associated enterprises both as of December 31, 2005 and December 31, 2006 have been evaluated using equity method and according to the principle of prudence in balance sheet asset valuation. Other financial investments are booked at their acquisition value in accordance with the cost approach.

Payments for the utilization of long-term financial investments are recorded into budget revenue in accordance with the respective rules and regulations. As Riga City Council applies the equity method, payments for the utilization of

Terms of Riga Municipality Financial Statement preparation

long-term financial investments are booked as decrease in investments' value.

Lending to related enterprises

Lending to related enterprises comprises from issued investments and amounts that have been invested into Municipality enterprises, as well as the liabilities of these enterprises against Riga Municipality. Effective 2002, Riga Municipality investments into Municipality enterprises finances from Riga Municipality investment program were reflected under the receivables item "Lending to related enterprises" with the future aim of capitalizing all such investments, or agreeing on utilizing the lending for the financing of Municipality operations. Until the essence of the lending is being discussed, all amounts open as of December 31, 2005 have been recorded under contingencies.

Loss of value

Loss of value evaluation concerns all assets categories. Investigation of possible significant loss of value of the individual assets is performed at the end of each financial year. If the value of a fixed asset at the balance sheet date is lower than its book value and the loss of value is permanent, the assets is being evaluated according to the lowest value.

If the value of the asset is significantly higher than the acquisition (production) cost or the value estimated in the prior year's balance sheet and the appreciation is permanent, the fixed asset can be evaluated according to the highest value. If depreciation has been booked on the fixed asset historically then in the case of a revaluation of the fixed asset its depreciation (amortization) must be adjusted in the current and the following financial years. If indications of revalued fixed asset's value loss exist, this loss is applied to the fixed assets revaluation reserve. The fixed assets revaluation reserve can only be decreased by the amount of the decrease in the revaluation reserve of the respective asset. If the revalued fixed asset is excluded from the balance sheet, this asset's respective revaluation

reserve is recognized in the income of the current financial year.

Inventory

Inventory is a current asset of a budgetary institution intended to support its operations, and in the way of raw-materials is utilized during the economic activity of the institution. Inventory is recognized at its acquisition value or the lowest cost booked by classifying them according to their economic substance, location, and current state. Upon disposal of the inventory, its cost is recognized in the period when the respective revenue is recognized. Upon the utilization of inventory, it is excluded from the accounts and booked into the costs of the current period based on the "First In First Out" (FIFO) method.

Also, fixed assets intended for disposal or privatization, if such a resolution has been adopted by the Riga City Council during the financial year, are booked into inventory. Stocktaking of the warehouse is performed by necessity, but at least once a year: at the end of the financial year. The identified inventory changes are booked at the end of the financial year based on the periodic stocktaking method.

Accounts receivable

Receivables are reflected at their retrievable value less accruals for doubtful debts. This item comprises receivables on the buy-out of objects under privatization, deferred payments for the buy-outs, buy-out payments of objects under privatization and deferred payments for the privatization buy-out agreements, as well as taxes accounted for but not collected by the Municipality, less special accruals for doubtful debts.

Deferred expenses

This item comprises prepayments for the press and postal expenses, use of public transportation, insurance of motor vehicles of Municipal Police and other budgetary institutions, as well as employee health insurance payments, referring to the following financial year.

Cash and bank

Cash and bank comprises all financial resources of Riga City Council's administrative body: departments, agencies, and other budgetary institutions, int. al. Riga City Council Finance Department, located in the State Treasury and commercial banks.

Equity

Equity comprises the assets base, share capital, provisions for the revaluation of fixed assets, reserves, retained budget surplus for the prior year and budget surplus for the year. Fixed assets base includes all fixed assets purchased or created until January 1, 2001.

The fixed assets base is being gradually decreased by the depreciation and exclusion of respective fixed assets from the balance sheet.

According to the Republic of Latvia Cabinet of Ministers regulations No.867, as of January 1, 2006, balances of accounts "Fixed assets base of budgetary institutions" and "State Municipal Share Capital" were transferred to prior year's budget surplus. Thus, the above mentioned accounts are invalid effective January 1, 2006.

According to the Republic of Latvia Cabinet of Ministers regulations No.867, as of January 1, 2006, the balance of the account "Provision for fixed asset revaluation" was transferred to the account "Reserves". Thus, the above mentioned accounts are invalid effective January 1, 2006.

Borrowings

Loans are reflected at their initial value. The cost of receiving loans is recognized in the expenses on the day of receiving an invoice for the services or based on the terms of the agreement.

Accruals

Budgetary institutions recognize accruals for assets and anticipated costs according to the accruals basis. When preparing financial statements, all anticipated risks and possible losses that have arisen during the financial year



Terms of Riga Municipality Financial Statement preparation

or the following years are considered. Accruals are formed according to the accruals basis and the time of incurring costs, and based on the principle of prudence with respect to predicting the risks of incurring costs.

Accounts payable

The amount of accounts payable is determined by the agreements signed, cost estimates, or based on the historical experience with regard to the amount of costs. The calculated amount is booked into expenses and accounts payable.

Deferred income

Revenues from specific services, received before the closure of the financial year (balance sheet date), but attributable to the next (following) years, are reflected in the liabilities as deferred income.

Loan policy, hedging of foreign currency risk and interest rate risk

Riga Municipality borrowings management is performed based on Riga Municipality borrowings management strategy for 2005-2007 approved on December 14, 2004. In accordance with Riga Municipality debt management strategy, the municipal debt portfolio management is precautionary, oriented to minimization and avoidance of financial risks allowing the use of financial derivatives determined by the strategy as insurance against risks only.

According to Riga Municipality debt management strategy, one of the most important aims of the strategy is to provide Riga Municipality the necessary financial resources at the lowest possible cost as well as reduction of the cost of the current loans and optimization of the municipal debt structure. For the purpose of achieving this goal, during 2006, Riga Municipality refinanced 57.1 MLVL of long-term loans. Thus, with the 10 years of grace period and the repayment term of 30 years, the medium-term financial liquidity of Riga Municipality will be improved considerably, giving a possibility of

committing to additional debt for the purpose of financing additional projects, as well as reducing annual cost of loan servicing. As two of Riga Municipality loan users and payers were Riga Municipality enterprises, these enterprises were issued Riga City Council loan guarantees for overtaking the liabilities, thus ensuring the repayment of the respective Riga Municipality loans. As a result of the State Treasury repaying the loans, Riga Municipality liabilities were reduced, whereas the municipal enterprises signed direct agreements with the lenders, thus optimizing the debt structure of the Municipality as well as simplifying the loan repayment procedure.

Interest rate risk

Taking into account the fact that Riga Municipality loan agreements mostly apply the interest rate equal to the sum of 12 month Euribor and the surplus interest rate, the weighted average fixed period for the interest rates was evaluated. In order to perform the interest rate risk management on Riga Municipality loans predefining that at least 25% of municipal loans have to have a fixed interest rate for a period of at least one year, as well as limited fluctuation of the interest rate, on February 16, 2006, interest rate swap deal was concluded.

In order to decrease the interest rate risk, already in 2005 Riga Municipality had signed four interest rate swap agreements, leading to a change of fixed/fluctuating interest rate structure for the debt portfolio.

On December 31, 2006, the weighted average interest rate term was 4.26 years and the ratio of fixed/fluctuating rates within the debt portfolio was 91% against 9%, which corresponds to the range set by the strategy.

Currency exchange rate risk

Financial resources of Riga Municipality are subject to currency exchange rate risk, mainly through payments for loans in foreign currencies,

investments as well as due to the fact that Riga Municipality only has borrowings in foreign currencies. Pegging of Latvian Lats against Euro in the beginning of 2005 significantly reduced the currency exchange risk as Riga Municipality has not had any significant payments in foreign currency apart from Euro and Lats. At the end of 2006 Riga Municipality loans in currencies other than Lats and Euro constituted to only 1%. Nevertheless, Riga Municipality continues to monitor the situation in the currency markets every day and prepares respective cash flow forecasts in order to predict the possible exchange rate risk in advance.

Financial derivatives

The financial derivatives that can be used Riga Municipality for the purpose of limiting the financial risks are currency exchange and interest rate future contracts as well as currency and exchange rate swap contracts. The financial derivatives are initially recognized at their fair value at the moment of concluding the financial derivative's contract and further revaluated at their fair value. The fair value is determined based on the market prices or the discounted cash flow models. All financial derivatives are reflected as assets if their fair value is positive, and as liabilities of their fair value is negative.

Alterations in the fair value of any financial derivative are immediately recognized as an increase or decrease in the budget surplus.

Calculation of the fair value of financial derivatives

The financial derivative's true value is an amount that can be exchanged for a financial derivative among well informed, interested parties not having financial ties, except in cases when financial derivatives are sold as a result of liquidation.

In order to calculate the fair value of a financial derivative, the discounted cash flow method is used by applying the respective market interest



Terms of Riga Municipality Financial Statement preparation

rates available at the end of the evaluation period.

When determining the fair value, the costs attributed to the disposal of the financial derivative are not taken into account. The commission for the sale or purchase of a financial derivative is booked separately as a commission as of the day when the respective deal of sale or purchase of a financial derivative is concluded.

Registration of financial derivatives

Financial derivatives are registered in the accounting system on the day when the respective deal has been concluded based the approval from the partner in the deal.

Financial derivatives are booked into the assets and liabilities sides of a balance sheet on the day of concluding the deal.

An amount is recorded into the assets side of a balance sheet in the same currency in which it will be theoretically received by the Finance Department in accordance with the execution of conditions set by the financial derivative on the day it is executed.

An amount is recorded into the liabilities side of a balance sheet in the same currency in which the Finance Department will theoretically pay for the execution of conditions set by the financial derivative on the day it is executed.

Revaluation of financial derivatives

The revaluation of financial derivatives for the prior month is performed until the 10th day of each following month. When revaluating financial derivatives, the market value as of the final day of the period is taken into account. Gains or losses that have arisen from the revaluation of financial derivatives are booked as short term assets or liabilities.

After the deal has been concluded, the difference between the amounts that Riga Municipality has to pay for the execution of the conditions of the financial derivative or has to receive as a result of the execution of the conditions of the financial derivative, is transferred.



Riga Municipality Budget 2007

Riga City Council regulations No. 78, effective May 29, 2007

2007
Budget
(LVL)

Total revenue	494 525 350
Basic budget revenue	422 023 159
Tax revenue	312 893 060
Personal income tax	275 974 604
Real estate tax (on land)	10 330 743
Real estate tax (on buildings and structures)	23 587 713
Gambling tax	3 000 000
Non-tax revenue	2 000 000
Revenues from utilization of municipal funds	800 000
Municipality fees and charges	600 000
Fines	600 000
Revenues of transfers	69 143 836
Subsidies	3 148 809
Earmarked subsidies	65 995 027
Revenues of public authorities	29 135 534
Revenues from paid services provided by public authorities and other own revenues	29 135 534
Municipal budget revenues designated for the projects financed from the EU Structural Funds	8 850 729
Special purpose budget revenue	72 502 191
Revenues from Special purpose budget forms	71 570 727
Revenues from donations and endowments	931 464
Total expenditures	531 610 053
Basic budget expenditures	457 757 853
Maintenance costs	375 860 050
Recurring expenses	238 128 980
Interest expenses	3 000 278
Subsidies, earmarked subsidies and social benefits	88 215 273
Deposits to municipal cohesion fund	46 515 519
Capital expenditures, whereof:	81 897 803
Investment program	45 095 230
Special purpose budget expenditures	73 852 200
Maintenance costs	21 142 799
Recurring expenses	16 128 141
Subsidies, earmarked subsidies	4 881 436
Subsidies, earmarked subsidies and social benefits	133 222
Capital expenditures	52 709 401
Fiscal balance	-37 084 703
Basic budget	-35 734 694
Special purpose budget	-1 350 009
Financing	37 084 703
Basic budget	35 734 694
Borrowings	35 734 694
Special purpose budget	1 350 009
Change in budget resources	1 350 009

