

2007

Riga Municipality
Annual Report



Riga Municipality Annual Report



Riga, 2008

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Riga Municipality Annual Report has been prepared in order to provide comprehensive information on the development indicators of Riga City economic and social areas, Riga Municipality financial and budgetary management results, allocation of budget resources over municipal functions, as well as Riga Municipality activities aimed at promoting development of the City.

In 2007, Riga Municipality sustained its long-term financial policy ensuring growth of municipal budget revenue and improving conditions of the attracted financing. Compared to 2006, Riga City budget revenue in 2007 increased by 139 million lats, thus providing sufficient resources for financing Municipality functions and development projects, as well as giving significant contribution of 46.5 million lats to the development of other Municipalities within the framework of Cohesion fund.

The swift economic development of Riga City and the state in general, as well as increase in economic potential and activation of business relations requires considerable investments into the development of City's public utilities and social infrastructure, especially transportation area. In 2007, Riga Municipality consolidated budget expenditure on investments reached 96 million lats, an increase of more than 40 million compared to the previous financial year. During 2007, Riga Municipality took a number of steps in solving traffic issues in the City, not only ensuring measures of investigative nature, but also developing several significant infrastructure projects. For instance, in 2007 the first stage of the South Bridge construction was continued, a contract on the second stage of the construction was signed, and work on the Northern Corridor and Low-floor tram projects was continued.

Although Riga City budget revenues grew significantly in 2007, within the framework of Latvian municipality budget and financial system, Riga Municipality must divert a significant portion of it potential and actual revenues to development of other Latvian municipalities. As a result, for the purpose of financing large infrastructure development projects, Riga Municipality must attract additional external financing. The financial year was concluded with refinancing of 81.3 million Euro credit portfolio, thus decreasing the added interest rate by as much as 49%. This offer from a commercial bank provided through an open tender was significantly more favorable than conditions offered by the State Treasury. As a result of this refinancing, annual loan payments were decreased and financial resources untied and used on City development projects. Based on previous years' experience, Riga Municipality continued to actively utilize European Union funds on financing of City

development projects in the total amount of more than 180 million lats.

In 2007, Riga Municipality continued its collaboration with the leading international credit rating agencies "Standard&Poors" and „Moody's Investors Service". By assigning Riga Municipality with a credit rating and establishing its development prospects as stable, Standard&Poors" and „Moody's Investors Service" approved Riga Municipality's consequent, transparent financial policy and credit management strategy. The stable development perspective established by the credit rating agencies acknowledges financial markets' confidence in Riga City as a prospective partner in the financial area, and provides an opportunity of receiving favorable credit conditions also in the future.

In 2007, education area had the number one priority in the Municipality budget expenditures. During the financial year, 158.4 million lats of budget resources were allocated to the development of this area, which forms almost one third of Municipality's total budget expenses. In order to solve the problem of insufficient capacity in the City's kindergartens, "Rīgas pilsēt būvnieks" LLC continues to organize and manage construction of extensions for pre-school educational institutions. In order to provide pre-school educational institutions with educators, the Municipality has established "Study support program for pre-school teachers". This program provides coverage of tuition fee for pre-school teachers' assistants and other persons who have expressed a wish to become pre-school educators and work in Riga Municipality kindergartens. Riga City Council also has found a possibility to allocate additional financial resources to increase perquisites to staff of pre-school educational institutions.

During 2007, 90.2 million lats of Municipality consolidated budget expenses were allocated to the maintenance of City public transportation, as well as maintenance and reconstruction of City road surfacing, whereof 12.5 million lats came from the state earmarked subsidy for Municipality streets.

Municipality continues to be actively involved in solving Riga City housing problems within the framework of Riga Municipality housing fund development program for 2007-2010. During the financial year, investments amounting to more than 21.6 million lats were allocated to the improvement of Municipality housing fund infrastructure; new social homes on 20/2 Gobas Street and 17/2 D.Brantkalna Street (more than 242 facilitated apartments) were put into operation. In 2007, Municipality granted living space vacation allowances to 745 Rigan families in the total amount of 12.4 million lats.

During the financial year, Riga Municipality continued to broaden its choice of social services for Rigans and to improve City's social infrastructure. For the purpose of these tasks, 43.8 million lats were allocated from the City budget, which is an increase of 79% compared to the previous year.

In 2007, 26.8 million lats of Riga Municipality budget resources were allocated to the area of culture and leisure events in Riga, thus improving organization of City's cultural events and their quality. During the financial year, remuneration of staff employed in Municipality's culture centers and museums, as well as music and art schools' administrative and operational staff was increased by 25%, whereas remuneration of Riga Central Library's staff was increased by 40%.

As before, Riga Municipality will be focusing its development strategy on the interests of Rigans and execution of long-term budget policy, thus broadening the scope of economic, social, and cultural opportunities for Riga inhabitants.

A handwritten signature in black ink, appearing to be 'J. Birks', written over a light-colored background.

J. Birks

Riga City Council Chairman

The report of Riga City Council Finance Department Director



In 2006, Riga City Council Finance Department continued the implementation of its long-term financial management policy by ensuring balanced Riga Municipality budget execution and efficient resource management.

Although a budget deficit was initially planned for year 2007, as a result of successful budget execution, Riga Municipality has concluded the fourth consecutive year with a budget surplus, thus promoting financial stability in the City and the state in general. During the financial year an ongoing evaluation of budget executors' cost pre-calculations has been performed, as well as normative documentation establishing procedures for Riga City Council's resource allocation, utilization, and record keeping, has been improved. Through a successful financial resource management, in 2007 Finance Department ensured cash liquidity. During the financial year, the year 2008 budget was prepared, by allocating financial resources over the Municipality's priority areas, and by

putting emphasis on the task of balancing revenues and expenses.

In 2007, Finance Department coordinated an upgrade of the accounting system in Riga Municipality structural units, ensuring supervision of the financial and accounting software "Apvarsnis" implementation process and methodological support in 25 institutions subordinated to the Welfare and Culture Department. In the area of real estate tax administration, calculation of real estate tax on buildings was ensured based on amendments in the laws and regulations, also real estate tax payment control and collection procedure was improved.

Through the municipal finance resource management, Riga Municipality credit management strategy was successfully fulfilled, and a new strategy for period 2008-2012 was developed. During the financial year, refinancing of municipal loans was finalized in accordance with the existing refinancing agreement, decreasing the cost of attracted credit resources.

During the financial year, Finance Department continued its collaboration with the international credit rating agencies. In 2007, as a result of an evaluation of Riga City Council financial system's stability and the consistency in its financial policy, and despite increasing macroeconomic risks in Latvia, the international credit rating agency "Standard&Poor's" repeatedly retained Riga City's credit rating at level BBB for long-term liabilities, A-3 for short-term liabilities, with stable development perspective. The credit rating agency "Moody's Investors Service" repeatedly assigned Riga City with the relatively high credit rating A2 for liabilities in local and foreign currencies, and stable development perspective for economic and financial areas. The stable development perspective established by the credit rating agencies acknowledge the financial markets' confidence in Riga City as a prospective partner in the financial area, and provides for an opportunity of receiving favorable credit conditions also in the future.

As a result of the financial management and budgetary policy performed by the Finance Department in 2007, financing of municipal activities was ensured, the Municipal 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

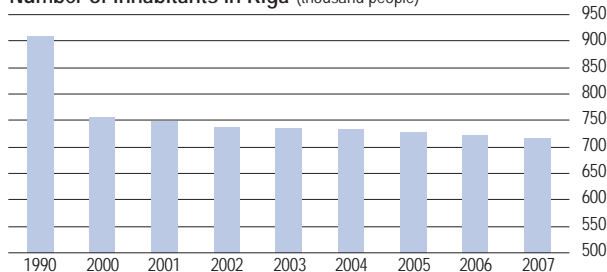


Riga is the driving force of Latvian economic development.

Riga City economic development trends and the dynamic development of sectors have had the central role in development of Latvian economy over the past ten years.

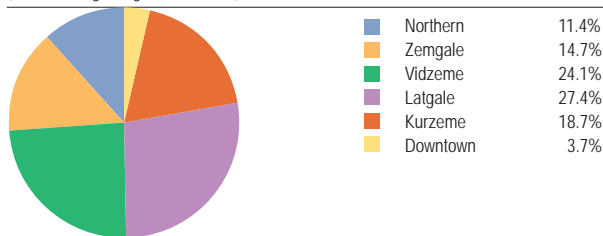
Review of Riga City population and employment

Number of inhabitants in Riga (thousand people)



Riga population breakdown by district*

(as of the beginning of 2008, in %)



*) Office of Citizenship and Migration Affairs data

Ethnic composition of Riga inhabitants

(as of the beginning of 2008, in %)

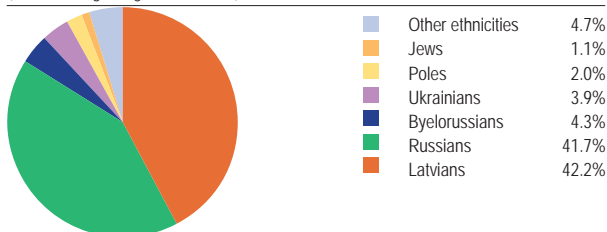
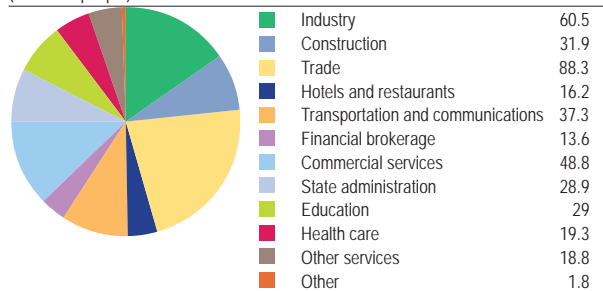


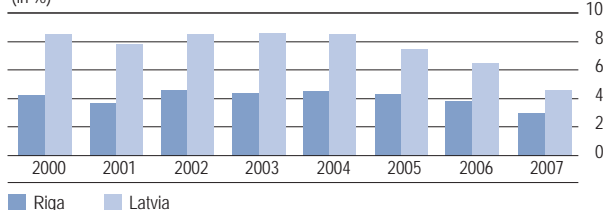
Chart 5 Structure of workforce by sector

(thousand people)



Unemployment rate in Riga and Latvia in 2007

(in %)



Population

As of the end of 2007 the population of Riga formed 722 thousand or 32% of the total population of Latvia. Compared to 2006, the population of the City had decreased by 5.1 thousand people, int. al. 2.3 thousand as a result of migration. Compared to 2006, birth rate per 1 000 people in Riga grew by 6.8%.

The proportion of inhabitants of able-bodied age within the City population has been growing. During the period from 2000 to 2007, it has increased from 60.3% to 66.2% of the total population in Riga, reaching 478 thousand people.

On the other hand, the proportion of those inhabitants being older than the able-bodied age has been decreasing. At the end of 2007 they formed 21.6% of the total number of the city inhabitants. Also, the proportion of children and youth has been decreasing: from 15% in 2000 to 12.2% in 2007.

During the financial year, the split of population over the districts within the capital has not changed significantly as in all districts, similarly to the capital in total, slight decrease in the number of inhabitants could be observed. The size of Vidzeme Suburb population decreased only by 0.1% , whereas the most significant drop in population could be observed in the Downtown district, where the number of inhabitants dropped by 1.9% compared to the tendency of the previous years. Over the past three years the number of Riga Downtown inhabitants has decreased by almost 2 000 (7%).

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, in 2007 comprised 1/3 of the City population.

Over the past 15 years, the proportion of indigenous inhabitants has been gradually increasing and reached 42.2% as of the end of 2007. From other nationalities, the people of Russian origin form the biggest minority part with 41.7%, Byelorussians with 4.3%, Ukrainians with 3.9%, and Poles with 2%.

Employment

As a result of the swift economic development, over the past years the number of employees in Riga has considerably grown. Over the past five years, the number of people having principal work in the capital has increased by 71 thousand reaching 395 thousand people as of the beginning of 2007.

More than 88 thousand people were employed in Riga trade sector; the industrial sector employed 60.5 thousand people, and commercial services sector employed 48.8 thousand people. The educational sector employed around 29 thousand inhabitants, health care sector: 19.3 thousand, state administration: 28.9 thousand Rigans.

The economic development reduced the unemployment level. As of the end of 2007, the number of registered unemployed people formed 11 429 inhabitants, which is by 2 460 people less than during the previous year. The unemployment level in the capital in 2007 formed 3% (from the economically active population), whereas the state average unemployment rate was 4.6%.

During Q1 2007, the number of vacant job positions in Riga increased reaching 15.1 thousand, however during the following quarters the number of vacancies stabilized and even started to decrease during the last quarter of the year. This process provides evidence that there are changes in Riga labor market resulting from the slow-down of the economic development both in the City and the state. In Q4 2007, there were 11.6 job vacancies in the capital, which was by 16% less than during the respective period of the prior year. An opposite tendency in the development of vacancies in the state and private sector could be observed.

During 2007, the average gross salary in Riga grew by as far as 37%, which is the highest increase over the past fifteen years. Compared to the state average indicator, the salary level in Riga during 2007 was by 17% higher.

The survey performed at the end of 2007 showed that the gross salary level of around 29 thousand (6.6%) of the employed in Riga City exceeded LVL 1 000 per month. 77% of the total number of employees in Latvia falling within this compensation category were employed in the Capital.

*) Central Statistical Bureau of the Republic of Latvia data

The rate of Riga City economic development has been higher than country's average. Based on service industries: development of trade and construction services, the Capital's economy increased its share in the country's GDP from 47% in the mid 90-ties to 58% in the financial year. The share of Capital's GDP in a number of areas, especially trade, finance, as well as foreign-investment related sectors has been even higher.

As a result of the swift economic development, the GDP per capita in Riga City in 2007 exceeded the country's average by 80%. This indicator provides evidence that Riga City has reached the average level in the EU. An evidence of a dynamic development in Riga City is also the rapid growth in the profits of companies registered in the City. According to the data from annual reports (Lursoft), the profit of companies registered in Riga City in 2006 reached mLVL 1,043, showing an increase of as much as 80%.

Branch industry structure

As a result of the economic development over the past 10 years, the branch industry structure in Riga has experienced several changes. Over the past years, commercial services, trade and construction sectors have developed considerably and currently constitute to more than a half of value added generated in the Capital. In turn, the share of City's biggest economic sector by value added -, industry, - has dropped from 23% to 8%.

Industry

In 2007, the total value of industrial output in Riga formed LVL 2.3 billion (in actual prices), which was by 19% more than in the prior year. The manufacturing industry formed LVL 1.7 billion, power industry and water supply: LVL 538 million. 1/2 of the total national industrial output was generated in Riga. The main part of Riga industrial output was sold in the local market, whereas the share of exported produce has been dropping: in 2005 it was 40%, in 2006: 37%, and in 2007 only 33%.

Over the past two years the number of employees in the industrial sector dropped by 7% and currently forms around 60 thousand people (15% of the total number of the employed).

Trade

Trade is the biggest sector in the economy of Riga, where 24% of the total value added is formed and around 88 thousand people employed (22% of the total number of the employed). Over the past six years, the number of employees in this sector grew by 23.2 thousand people.

Commercial services

Due to the rapid development over the past years, the commercial services sector has become the number two sector in the city. Around 20% of the value added generated in the City is formed within this sector, and it employs around 49 thousand people (12% of the total number of the employed).

Transportation and communications

Riga Port

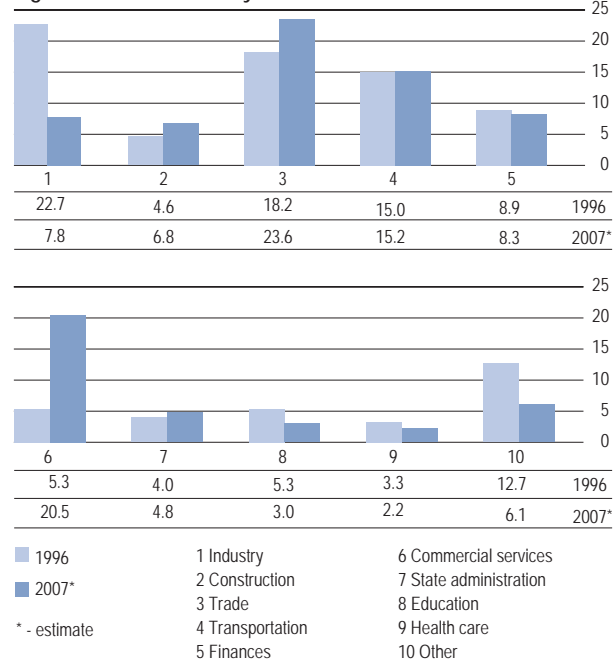
In 2007, a similar development tendency as in the previous year could be observed, i.e. the amount of reloaded cargo increased on the account of an increase in the amount of received cargo. The amount of shipped cargo reached 22.6 million tons, remaining at the previous year's level, but the amount of received cargo grew to 3.4 million tons, which is 19% more than in the previous year.

The total cargo turnover in Riga Port increased by 2.3%, while the total turnover of the received cargo grew even faster, by 5%. As the result, the share of Riga Port in the total reloaded cargo amount in Latvia slightly

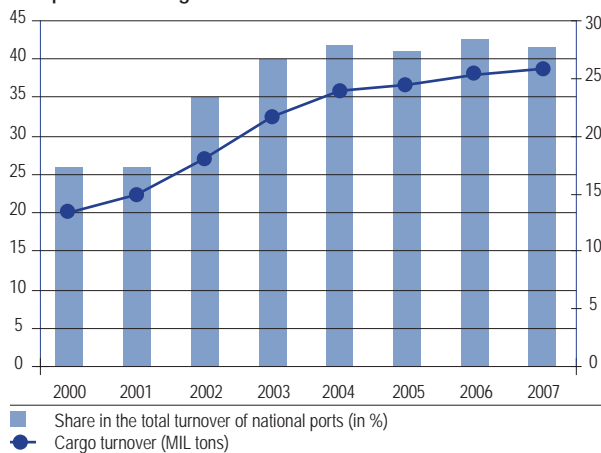
Riga's share in the economy of Latvia, in %

Share capital of enterprises	77
Foreign investment	76
Value added	58
Industrial produce	50
Non-financial investments	49
Size of population	32

Riga economic sectors by share in the total value added, in %

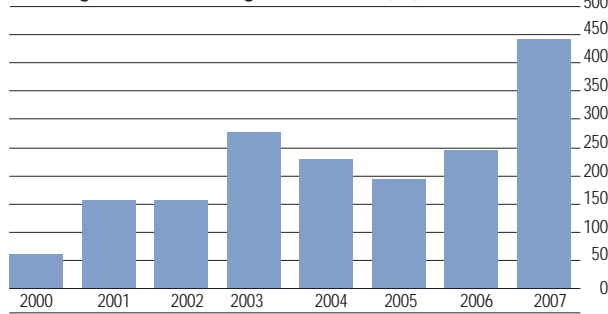


Operation of Riga Port

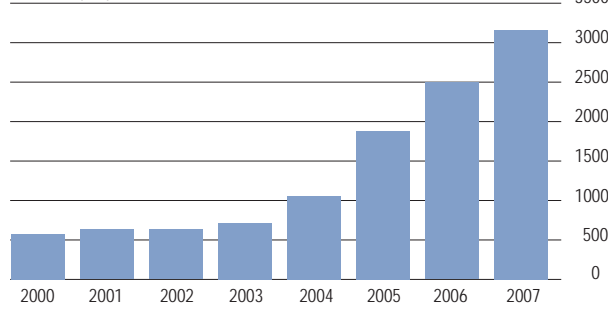


Riga City economic state

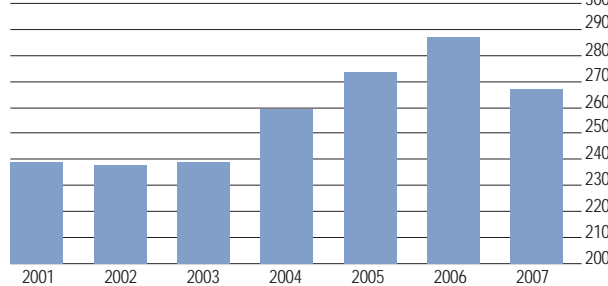
Passenger turnover in Riga Port (thousand people)



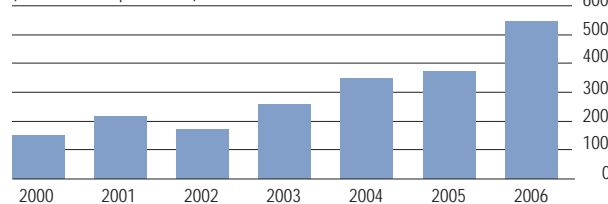
Passenger turnover in Riga International Airport (thousand people)



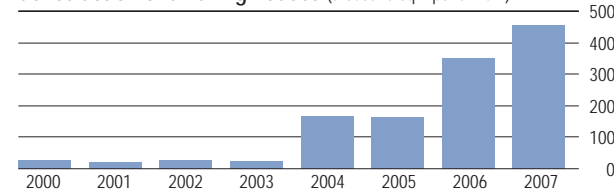
Passenger transportation in Riga public transportation (MIL people)



Amount of construction works performed in Riga (mLVL, at 2006 price index)



Construction of dwelling houses (thousand sqm per annum)



decreased. Over the past 15 years, the share of Riga Port in the total cargo turnover in Latvia grew from 18% to 41.5%.

Similar to the previous year, the greatest share in the reloaded cargo structure belonged to the energy resources: coal formed around 40% and oil products: 19%. Timber formed 12% of all cargo reloaded in Riga Port, whereas container freight 7%, mineral fertilizers 8%, and the rest formed 15%.

During the financial year, passenger turnover significantly increased in Riga Port reaching 442 thousand people, which is by 79% more than last year and was the record high number.

Airport

In 2007, rapid growth in the number of passengers in Riga Airport continued. During the financial year it grew by 27% reaching the level of 3.2 million, thus over the past 4 years increasing 4.4 times.

In 2007, Riga Airport served in average 130 flights per day, showing an 18% annual increase in the number of flights. The greatest share of passengers was served on routes to London (10.7% of the total number of passengers), Dublin (7.7%), Stockholm (6.5%), Berlin (5.8%), and Copenhagen (5.5%).

Public transportation

In 2007, the number of passengers carried by Riga public transportation (bus, tram, trolleybus) reached 267.2 million, which was by 7% less than in 2006.

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

Apart from Riga public transportation company "Rigas Satiksme", passenger transportation is also provided by 8 private maxi-taxi companies in 39 routes and on 284 vehicles, as well as 75 regular taxi companies and 4 self-employed taxi drivers on 1799 cars.

In 2007, 13.5 million passengers or 5% of the total number of passengers carried in Riga City were served by the maxi-taxis. Compared to 2006, the number of people carried on private maxi-taxis dropped by 7.6 million people (36%).

Construction

The amount of construction works in Riga over the past 10 years has increased more than 10 times, reaching 549 million lats in 2006.

Over the past years, a significant increase in the construction of dwelling houses could be observed in Riga. During 2000-2003, in average 23 thousand sqm of new residential area was constructed, whereas in 2007 this indicator reached 454 thousand, which is almost 20 times more.

*) Central Statistical Bureau of the Republic of Latvia data

Investment review

As a result of the rapid economic development over the past years, the total amount of non-financial investments in Riga City has significantly grown, too. Over the past 10 years, the total amount of investments in the City has increased 3.4 times. Over the last years, investments in Riga grew in average by 17% per annum, significantly faster than the GDP. Investment in the economy of Riga forms around one half of the total non-financial investments in the country.

The total growth of investments in Riga City increases the necessity for investments in Riga City infrastructure, especially transportation sector, as City's transport infrastructure serves as the national and international transportation hub.

Over the past years, the Municipality has significantly increased the amount of capital expenditures financed from the City budget. Over the past 3 years they have increased 3.4 times. Nevertheless, the amount of the possible financing from the Municipality is constrained by the need to execute a balanced budgetary policy and avoid budget deficit.

The greatest share of capital expenditures from the Municipality budget was allocated to the area of economic activity: LVL 34.5 million in total, whereof LVL 27.6 million formed investment into reconstruction and development of transportation infrastructure. The second largest capital expenditure sector in the Municipality budget is the municipal territory and housing management: LVL 20.1 million, the third: development of educational infrastructure, LVL 18.5 million. In total, these sectors during 2007 received ¼ of the total municipal capital expenditures.

As for the sake of budget stability, the Municipality must limit its capital expenditure amount, in order to execute the most significant projects, Riga City has attracted external financial resources by choosing the type of financing and financiers, which provide for the most effective and favorable attraction of resources in the specific economic and financial market situation. The financing of large investment projects are without doubt constrained by the current macroeconomic situation in the country, as well as rapid growth in prices, especially within the construction sector. Thus, for instance, the cost of construction has increased by 70% over the past 3 years, respectively influencing also the cost of investment projects executed in the City.

In 2007, implementation of 61 EU co-financed projects with the total budget of more than LVL 146.1 million was achieved in Riga Municipality and its institutions. In order to execute Riga Municipality projects, financing from the Cohesion Fund, European Regional Development Fund, European Social Fund, as well as within the framework of the European Community initiatives INTERREG IIIB and IIIC was attracted. The attracted financing is utilized on the improvement of living conditions in Riga, on solving social needs, improving the transportation infrastructure and the residential fund, as well as strengthening the City's competitiveness.

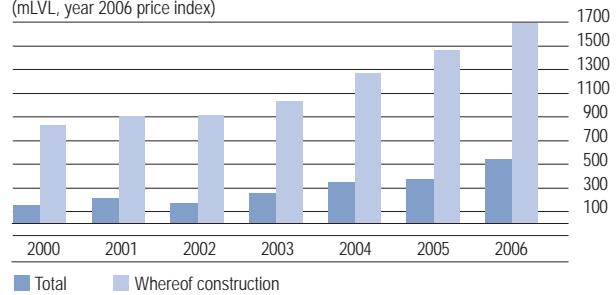
Foreign investment in Riga

As of the beginning of 2008, foreign direct investments into the equity capital of enterprises registered in Riga reached LVL 1.46 billion, showing an annual increase of 8%. This serves as evidence that foreign investors are still interested in Riga as an advantageous and prospective location. The greatest share of foreign investment in Riga City still belongs to Estonia: 17.2%, followed by Denmark: 10.5%, Norway: 9.7%. The total investments in Riga City by the 5 biggest investment countries exceeded 50%.

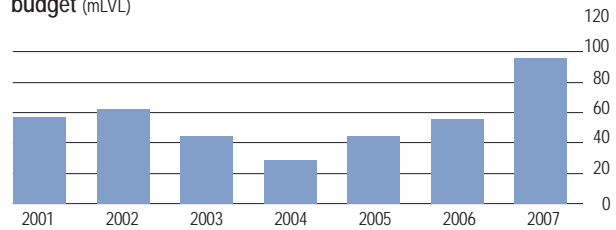
In 2007, similarly to the year before, the biggest 3 investors in Riga were banking and telecommunication companies from the neighbor-countries: Estonian "Aktisielts Hansapank" with LVL 186 million investment, Danish-

Non-financial investments in Riga

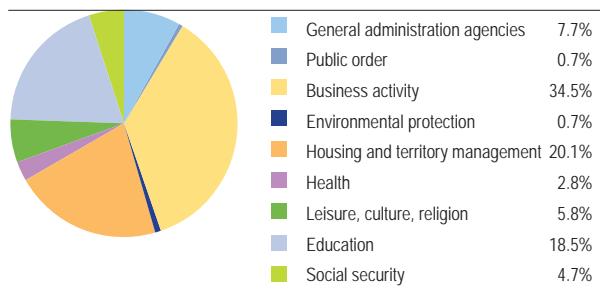
(mLVL, year 2006 price index)



Capital expenditures from Riga Municipality consolidated budget (mLVL)



Riga City capital expenditure structure by sector, 2007 (mLVL)



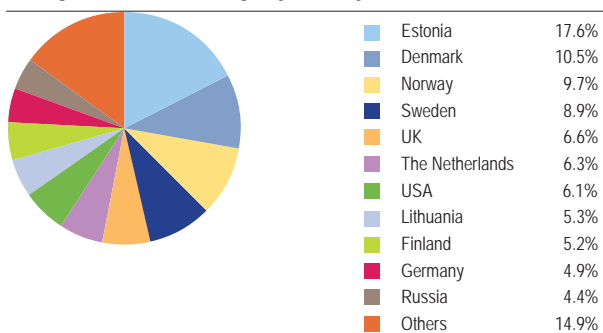
Riga City investment review

registered "Tilts Communications AS" with LVL 72 million and Bank DnB Nord AS with LVL 57 million. They are followed by the Swedish-registered "Tele 2 Sverige AB" with LVL 50 million, and Lithuanian-registered "UAB Bite Lietuva".

The largest projects financed from EU funds with Riga City Council's co-financing in 2007:

Project	Total budget (mLVL)	Riga City Council's co-financing (mLVL)
Development of water-supply services in Riga, stage 3	48.6	6.6
Two level crossing of the Brivibas Boulevard and Juglas Street	16.1	11.4
Integration of Riga City and Riga Port into TEN-T road network: Northern Corridor	6.1	3.4
Construction of the Eastern arterial road, section Gaujas Street – Meza Boulevard (Stage 1)	7.3	3.6
Modernization of traffic-light system and implementation of traffic-light management subsystem (Stage 1)	6.8	2.2
Reconstruction of Augusta Deglava Street (including ring road Kaivas Street – Augusta Deglava Street – Lubanas Street)	4.4	2.4

Foreign investment in Riga by country, in %*



* Source: Lursoft

Structure and functions of Riga City Council

Riga City Council consists of 60 deputies. 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) organize municipal services for inhabitants;
- 2) ensure territory improvement and sanitation within the administrative territory of Riga City;
- 3) establish regulations for the use of publicly accessible forests and waters if the law does not regulate otherwise;
- 4) ensure education of inhabitants;
- 5) take care of the culture and promote preservation of the cultural heritage, as well as facilitate nation's creative work
- 6) provide accessible health care, and encourage inhabitants for healthy lifestyle;
- 7) provide inhabitants with social assistance;
- 8) ensure guardianship, custody, adoption, and protection of children's private and property rights and interests;
- 9) offer assistance to inhabitants in solving housing issues;
- 10) promote entrepreneurship in Riga City administrative territory; help reduce the level of unemployment;
- 11) issue permits and licenses for entrepreneurship if provided for by the law;
- 12) ensure public order, fight against the dipsomania and depravity;
- 13) establish regulations for utilization of and building on land in accordance with the administrative territory plan of the respective municipality;
- 14) ensure legacy of construction works within the administrative territory;
- 15) organize public transportation services.

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 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.

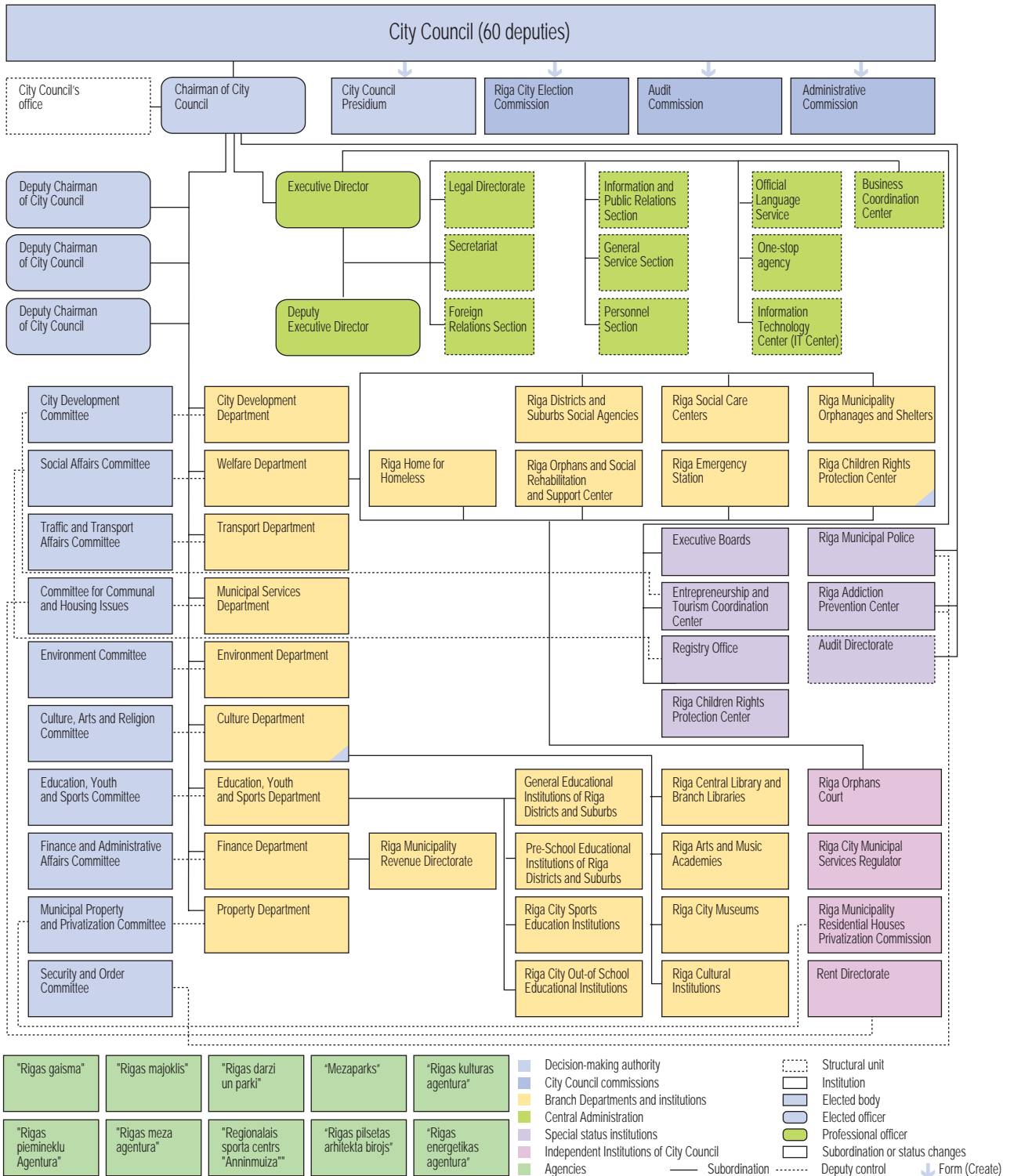
To ensure functioning of Riga Municipality, Riga City Council has established capital companies with investments in their stock capital, and the administration of equity share capital belonging to the Municipality is organized in line with the legislation of the Republic of Latvia, as well as municipal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

In order to improve Riga Municipality operation and management, work on a unified payroll system and modernization of accounting system in Riga City Council institutions was continued, the system of document flow has been improved, rules and regulations to ensure Riga Municipality functioning and improvement of the respective processes have been issued, as well as modernization and improvement of IT systems and software took place. Work on improvement of Riga Municipality service quality was continued, int.al. legal advisory was provided to Rigans during the process of solving various pending matters. In order to coordinate foreign affairs of Riga Municipality, Riga City Council Foreign Affairs Directorate was established by reorganizing Riga City Council Foreign Affairs Division and the respective structural units of the Riga City Council City Development Department. LLC "Transporta infrastruktūras attīstība" was established; its long-term strategic goal is to improve the traffic flow in Riga by executing such big traffic infrastructure projects as formation of "park & ride" parking lots, construction of inter-modal transportation hub in the location of the present Building-materials market, and construction of Skulte railway crossover in Sarkandaugava. In order to improve the construction-related document flow, Construction-Inspection Authority was separated within Riga City Development Department from Construction-Administration Authority, thus detaching the controlling institution from the decision-making institution. Riga Municipality agency "Rīgas kultūras aģentūra" was formed. This agency's task is to take care of the culture by ensuring the diversity and accessibility of Riga City cultural events, as well as purposeful use of Riga Cultural heritage. The agency is responsible for functioning, unitary administration, management, and successful development of Riga Art-Nouveau Center, Riga City Exhibition Hall "Riga Arts Room", and movie-theater "Riga".

In 2007, 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 in accordance with approved strategic and annual audit plans. Structural units of internal audit of Riga City Council departments also performed internal audits in institutions under the subordination and supervision of the departments. In 2007, Riga City Council Audit and Revision Authority, as well as the internal audit structural units performed evaluation of the internal control system resulting in a number of suggestions for improvement and reduction of operational risks in order to ensure effective functioning of Riga Municipality. For improvement of functioning of Riga Municipality's respective structural units, advices and suggestions from the State Control, sworn auditors, and internal audits were taken into account.



Riga Municipality operation and activities



Development plan and public involvement in City planning discussion

Riga City long-term priority development directions have been established in the Long-Term Development Strategy of Riga until year 2025 and the Development Program of Riga for 2006-2012. In these planning documents Riga City long-term priority goals have been set: educated, skilled society respecting culture; economic development based on the link between East and West; life in a city with quality residential areas (neighborhoods).

The most significant activities performed during 2006 and 2007 in association with execution of Riga territory plan:

- In 2006 and 2007 work on one of the largest projects in North-Eastern Europe, Riga Northern Transportation Corridor, was continued. The new arterial road will cross Riga from west to east and will significantly relieve Riga historical center from the traffic load and will increase the competitiveness of the east-west transportation corridor offered by Latvia.
- In 2006 and 2007, the first stage of the South Bridge construction over the River Daugava took place. In 2006, pushing of metal structures of bridge spans was accomplished, concreting of supports and spans of the overpass over Krasta and Maskavas Streets was completed to 50%, construction of engineering communications on the right and the left banks of the Daugava River was performed, as well as the second stage of South Bridge bypass was constructed and put into operation. In 2007, concreting of the South Bridge ferroconcrete panels and side beams was completed to 87%, construction and tightening of suspensions was accomplished and they were put into operation, concreting of the overpass over Krasta and Maskavas Streets was completed to 93%, damp-proof-course and asphalt on overpass No.4 was partially decked, stages 3 and 4 of the bypass were constructed and put into operation.
- In 2006, territorial detail planning of the Latvian Warrior Square was commenced, and in 2007, townscape competition aimed at generating ideas for planning, reinforcing, and improvement of the dimensional structure of the Warrior Square took place.
- In 2006, detail planning of the territory surrounded by Gaizina Street, Gogola Street, Turgeneva Street, and Maskavas Street, as well as unified territorial detail planning for Mezaparks was commenced.
- In 2006, detail planning of the territory surrounded by Uzvaras Boulevard, Torkalns Railway Terminal, Vienibas Boulevard, and Jelgavas Street (the new administrative center) was commenced (approx. 32 ha).
- In 2007, two detail plans were approved. Based on the Riga City Council resolution "On approval of the detail planning of Andrejosta territory" as of December 18, 2007, binding regulations No.106 "Regulations on use of land and construction in Andrejosta territory" were issued. Based on the Riga City Council resolution "On approval of the amendments in detail planning of Kipsala" as of December 11, 2007, binding regulations No.100 "Regulations on use of amendments in detail planning and construction regulations of Kipsala".
- In 2006, work on development of the left bank silhouette of the Daugava River was started and continued in 2007.
- Territorial planning of Riga historical center and its protection area "Utilization and construction regulations for Riga historical center" was approved as binding regulations.
- In 2006, a research "Guidelines of Riga Development Strategy control system" was performed in co-operation with the World Bank. Suggestions included in this research were used while developing a

control system for the planning documents. In 2007, the Riga City Council instruction No.9 "Order, in which control over Riga long-term development strategy until 2025 and Riga development program for 2006-2012 is performed" was approved by Riga City Council.

- In 2007, development of Mezaparks unified territorial detail planning was commenced.
- In 2007, development of Riga territorial planning and Riga historical center planning amendments was commenced.
- In 2007, Riga neighborhood project was commenced. The aim of the project is to create preconditions for introduction of a balanced economic and political space within Riga City administrative territory by identifying neighborhoods.
- In 2007, project on the conception of Riga City drainage system development was carried out.
- In 2007, a city-building tender program for inter-modal traffic hub solutions was prepared.
- In 2007, research on construction fragments of Riga historical center and individual territories of its protection area was performed. Inspection and monitoring of the state protected city-building monuments and construction protection areas was performed (700 objects of cultural heritage were inspected).
- In 2006, development of Riga City Council binding regulations No.51 "On the municipal fees for displaying advertisements, announcements, and other visual information in Riga" as of August 1, 2006 was performed. As a result, the system for calculating advertising fees in accordance with changes in environmental advertising sector has been improved.

In 2007, legal entities and inhabitants were invited to participate in the discussion of Riga Municipality territory development program and territory planning issues:

- Public discussion on starting the development of amendments for Riga historical center plan. During the public discussion and before it, 53 suggestions from inhabitants were received;
- Public discussion on starting amendments of Riga territorial plan. Public discussion gathered 33 participants, and around 2 000 suggestions from inhabitants;
- 72 public discussions and 2 presentations on construction conceptions, where 350 participants gathered, and around 20 300 written opinions were received;
- 16 discussions on public detail plans, 1 700 opinions were received.

The main activities planned during 2008 concerning execution of Riga City territory development plan

- In 2008, work on the project of Riga Northern Corridor will be continued. In 2008, work on execution of contracts signed during 2007 is planned (sketch project, research, data modeling), as well as co-operation will be realized, and work on the development of expropriation process of real estate will be commenced.
- At the end of 2008, the first stage of the South Bridge over the River Daugava must be put into operation.
- In 2008, Riga Municipality budget financing of mLVL 4.5 is planned for reconstruction of Mezaparks Grand Open-Air Stage. In 2008, the following tasks have been planned: construction of acoustic roof of the open-air stage, assembling of acoustic shields, completion of renovation of sub-podium room of the open-air stage, building seating for singers and the public, building all communication connections, accomplishment of improvement works and construction of driveways to ensure successful course of the 24th Latvian National Song Festival from July 5, 2008 to July 12, 2008.

Riga Municipality operation and activities

- In 2008, in accordance with the construction program of the new administrative center, detail planning of Tornkalns will be completed.
- In 2008, work on the following detail plans is scheduled:
 - Development of detail plan of the territory surrounded by Uzvaras Boulevard, Torkalns Railway Terminal, Vienības Boulevard, and Jelgavas Street (the new administrative center) (approx. 32 ha).
 - Development of territorial detail plan and improvement of the dimensional structure of the Warrior Square;
 - Initiation of the development of territorial detail plan for stages 3 and 4 of Riga Northern Transportation Corridor, the part near Riga City and Babīte Civil Parish borders and the respective territory (approx. 137 ha);
 - Development of Mezaparks unified territorial plan;
 - Development of the detailed plan of the territory surrounded by Gaizina Street, Gogola Street, Turgeneva Street, and Maskavas Street;
 - Development of Tornkalns detailed plan.
- In 2008, approval of Riga territory planning amendments has been planned, as well as preparation and approval of the project of amendments to Riga historical center utilization and construction regulations. This will also involve public discussion on the project of the first edition of amendments to the territorial plan of Riga historical center and public discussion on the first edition of amendments to the territorial plan of Riga, as well as environmental report.
- In 2008, work on the neighborhoods project is planned to be continued by creating the Neighborhood information and statistically-analytic system AISA, which will serve in the future as the basis for accessible portal providing information on inhabitants, the employed, companies, etc. within the neighborhood of Riga. The size of the population and the number of the employed will be identified in the neighborhoods, as well as historical description of Riga neighborhoods will be performed.
- In 2008, work on preparation of city-building tender program for the inter-modal traffic hub solution will be continued (preparation of tender and detailed plan).
- Project "Guidelines for the development of greenery and waters in Riga, as well as creation of beaches and recreational areas by specifying the ecological networking" is planned to be carried out.
- In 2008, Riga City Council binding regulations "On the municipal fees for construction permits" are planned to be reworked in accordance with the current situation.
- In 2008, preparation of amendments to Riga City Council binding regulations "On trade and municipal fees for trading in public places in Riga" is planned.
- In 2008, optimization of construction project circulation and approval process is planned.

Promotion of inhabitants' awareness and involvement in decision-making

In order to actively involve Rigans in the City development issues, legal entities and individuals are invited to participate in discussion of issues regarding Riga Municipality area development program and territorial planning, public debates, as well as execution of various projects. In turn, to promote the interest of Rigans to participate more actively in City events, a campaign "Good Star" and an essay competition for youth "And then Riga became..." took place, also openings of kindergartens, play-grounds, and dwelling houses were organized.

Topical information from sectors was reflected in broadcasts "Galva.Pils. Sēta", "Gorod", "Medicīna un mēs", "Sargājiet bērņus", "Kopā". Publications stipulated by the rules and regulations were ensured in newspapers "Latvijas Vēstnesis", "5 min", "Kultūras forums".

Press conferences of Riga City Council Chairman and other Council officials are organized on regular basis, where the press representatives are provided with information on current events related to operation of Riga City Council.

In 2007, Rigans could give their input and suggestions during surveys performed by Riga City Council, as well as public discussions. Information on resolutions adopted by Riga City Council, services provided by the Municipality, and various events was provided to the users of Riga Municipality website www.riga.lv.

Involvement of Riga Municipality in cooperation projects

In 2007, Riga Municipality continued to develop its cooperation with international institutions, commonwealth cities, supported and participated in various local-level projects and events in the areas of culture, education, sports, city-planning and development, transportation, traffic infrastructure planning and development, public utilities, environmental protection, tourism, etc.

In order to represent the interests of Riga City and participate actively in projects and events of the respective area on an international level, Riga Municipality is a cooperation partner in the following international organizations and institutions:

- The Union of EU Capitals, which unites all municipalities of the EU Capitals;
- Union of Baltic Cities, uniting 100 cities in the Baltic Sea region, where Riga participates actively in city planning, cultural, transportation, and environment committees;
- European Cities Against Drugs, uniting 257 cities in 27 countries in the fight against legalization of drugs, and increase of the influence of organized drug dealership;
- Baltic Sea Cultural Center and Cultural Exchange Association of the Baltics and Nordics. This association works on the planning and execution of different cultural exchange projects;
- Modern times Union of Hanseatic Cities. During the annual international Hanseatic Days, which took place in 2007 in Lippstadt, also Riga City was represented;
- Based on 06-Dec-1997 UNESCO World Cultural Heritage Center's resolution, Riga Historical Center has been added to the cultural heritage list of the abovementioned institution. Riga Municipality participates in UNESCO World Cultural Heritage commissions in order to solve issues concerning preservation of Riga Historical Center;
- (OWHC) unites countries, which have been included in the UNESCO World Cultural Heritage List, and whose operation is aimed at preserving historical values of cities;
- 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 the EU;
- The network of European Metropolises' regions and districts are represented by 35 municipalities. The aim of this organization is exchange of experience among municipalities in the field of city-planning;
- 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 other areas, as well as promote the defense of the interests of cities within the EU, and create vision about long-lasting future.

- Cooperation network of Baltic Metropolises;

Riga City has commonwealth cities in Europe, Asia, North- and South America, and Australia. The activities of experience exchange among cities, as well as cooperation in organizing various economic and cultural events not only gives opportunity to the inhabitants of these cities to learn cultural and every-day traditions in other countries, but also promotes formation of new business contacts, which serve to develop diverse business areas of the cities.

In 2007, the following international-level cooperation projects took place:

- Festival "Spring of France in Latvia". Several business conferences took place during this event, e.g. "Cooperation between France and Latvia", "Riga-Bordeaux: city project" with the participation of more that 100 participants from different areas, as well as cultural events and exhibitions;
- Days of St.Petersburg in Riga. This project consisted of such activities as economics and architecture forum, cultural events, official meetings of cities' mayors;
- During the International Hanseatic Days in Lippstadt (Germany), Riga was represented in economics forum and Hanseatic Fair;
- Triangular meeting of mayors of the three Baltic Capitals in Saaremaa Island to discuss cooperation issues among Riga, Tallinn, and Vilnius.

During 2007, both within the framework of the existing cooperation as well as to promote further cooperation, Riga Municipality received delegations from several countries, int.al.: Tbilisi Municipality delegation lead by its mayor visited Riga within the framework of the existing cooperation in 2007 with an aim of signing an agreement on cooperation between the two cities; during the presence of the official delegation from Amsterdam a cooperation agreement for the period 2007-2011 was signed between the two cities; Riga Municipality received official delegation from Warsaw, during which the current successful cooperation was discussed; in order to discuss cooperation between Moscow and Riga the City was attended by Moscow government delegation, etc.

Riga Municipality financial and budget policy

The aim of the Municipal budget policy is to provide the necessary financial resources for municipality functions, coordinate their allocation, and maintaining budget stability through equilibrium between revenues and expenses. Since 2003, Riga Municipality has been applying its long-term financial management policy, which has resulted in a budget execution with surplus during four subsequent years. This has facilitated financial stability and contributed to the financial stability of the country.

As a result of swift growth in budget revenue and controlled budget expenses, municipal basic budget 2007 was concluded with a surplus of mLVL 12.4, whereas the special budget surplus reached mLVL 8.2. In 2007, compared to 2006, Riga Municipality basic budget revenue grew by 128.3 million lats (25%). Over the past three years Municipality basic budget revenues have grown more than 2.1 times.

The main source of basic budget revenue growth in 2007 was the individual income tax, which grew by mLVL 86.2 during the year, forming 67% of the total revenue growth. State earmarked subsidies in 2007 grew by mLVL 23.7 (19% of the total growth), revenue from real estate tax collections grew by mLVL 9.3 (7% of the total growth), and revenue from paid services provided by budgetary institutions grew by mLVL 8.1 (6% of the total growth).

The swift growth in material, energy, and other prices, increase in construction costs, as well as the situation with labor compensation during the financial year created necessity for increased municipal budget expenses. Compared to 2006, Riga Municipality basic budget expenses grew by mLVL 135 (by 43%). Nevertheless, irrespective of the pressure caused by the growing expenses and labor cost, the basic budget expense growth (32%) was slower than the budget revenue growth, which reached 38% during the financial year. This speaks for an improvement in the basic budget operating balance: the operating surplus (prevalence of revenues over expenses) reached mLVL 81.7 compared to mLVL 46 in 2006.

Between 2000 and 2007, Municipality budget expenditure per capita has increased from 202 lats to 625 lats per year. Taking into account the inflationary effect, the real increase in Municipality budget expenditure per capita during this period grew 2.2 times.

Municipality's debt dynamics

As a result of successful financial stabilization policy, by avoiding budget deficit and decreasing costs of attracted financing, over the past years Riga Municipality has managed to stabilize growth in Municipality direct debt and decrease its relative amount. During the period 2002-2007, relative indebtedness of the City (in % of budget revenues) has decreased from 45% to 20%.

During the financial year, Riga Municipality successfully implemented its credit-management strategy for 2005-2007, ensuring credit-management stability and decreasing the cost of attracted financing. In order to decrease interest rate risk for those municipal enterprises, which have received loans with variable interest rates, Riga Municipality concluded interest rate swap agreements, thus fixing part of the debt within the interest rate range from 3.23% to 3.56%.

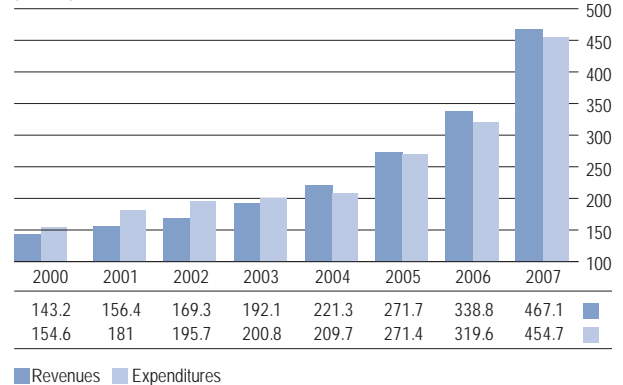
In 2007, Riga Municipality also composed its loan, guarantee, and other long-term liability management strategy for 2008-2012, prescribing certain target indicators for Municipality direct debt and total liability portfolio, thus ensuring stability in Municipality loan payments and transparency in credit-management.

Credit-rating

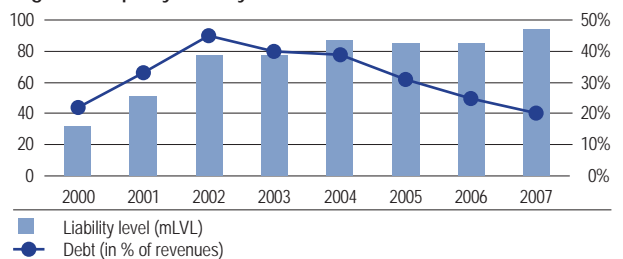
In 2007, Riga Municipality continued its cooperation with credit-rating agencies "Standard & Poor's" and "Moody's Investors Service". The credit-rating agency "Standard & Poor's" has been evaluating Riga City already since 1997. Irrespective of growing economic and financial risks in the

Riga City basic budget revenues and expenditures

(mil. lats)



Riga Municipality debt dynamics



History of Riga City credit-rating

Year of granting the rating	Rating for liabilities in local currency	Rating for liabilities in the foreign exchange
Credit rating agency "Standard & Poor's"		
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
2007	BBB/Stable/A-3	BBB/Stable/A-3
Credit rating agency "Moody's Investors Service"		
2006	A-2	A-2
2007	A-2	A-2

economy of Latvia, as a result of evaluation of Riga City Council financial system stability and consistency in its financial policy, the agency retained Riga City's credit rating at level BBB/Stable/A-3.

By evaluating the financial situation of the City, Municipality's achievements in the areas of budget and finances, in 2006 the Agency granted Riga with the same rating as in 2005, i.e. BBB/Stable/A-3, disregarding the increasing macroeconomic risk in the country. This speaks for the fact that the City managed to maintain the same financial stability level as during the prior years. During the financial year, the Municipality continued its recently started cooperation with the credit rating agency "Moody's Investors Service". Also this credit-rating agency, after evaluating the financial state of the City based on their methodology, retained the previous relatively high credit rating level A2.

Riga City financial sector has been appraised by international financial institutions and credit agencies, in their evaluations emphasizing budgetary and financial stability of Riga City. In 2007, international credit-rating agency Standard&Poor's assigned Riga a rating of BBB/Stable/A-3, whereas credit crating agency "Moody's Investors Service" set the credit rating A2.



Riga Municipality budget execution performance

Budget is a tool for Riga Municipality economic policy execution by financial means. Riga Municipality budget comprises basic budget and special purposes budget. Riga Municipality basic budget is the main part of the budget, which includes Municipality revenues intended for coverage of expenditures, and are not intended for special purposes. Riga Municipality special purposes budget includes revenue sources marked for special purposes. Riga Municipality 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 Municipality budget revenues

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

Riga Municipality basic budget revenues

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

administration of individual income tax, real estate tax, natural resources tax, municipal charges, as well as controls the collection of gambling tax and transferring of state charge to Riga Municipality 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 utilization of municipality capital;
 - municipality fees;
 - state tax for legal and other services;
 - other revenues (fines and assents, sale of property, etc.).

Composition of Riga Municipality basic budget revenues (kLVL)

	2006 actual	2007 budgeted	2007 actual
Total revenue	338 773.3	450 520.8	467 112.9
Total tax revenue	248 321.5	329 293.1	345 154.0
Individual income tax	213 980.3	290 974.6	300 249.0
Property taxes, int. al.:	31 031.2	33 918.5	40 257.6
Real estate tax on land	10 119.8	10 330.7	10 080.7
Real estate tax on buildings and structures	20 852.7	23 587.7	30 176.9
Other property taxes	58.7		
Other tax revenues	3 310.0	4 400.0	4 647.4
Total non-tax revenue	31 131.2	32 871.2	38 951.2
State and municipality fees transferred to municipal budget	665.2	170.0	153.6
Revenue from paid services provided by public authorities	28 180.3	31 234.8	36 876.2
Other non-tax revenue	2 285.7	1 466.4	1 921.4
Payments received from state budget	59 320.6	88 356.5	83 007.7
Earmarked subsidies, int.al.:	50 921.9	75 548.1	75 382.5
From state budgetary institutions on investments	1 723.0	1 940.1	1 940.1
Payments from state budgetary institutions	8 398.7	12 808.4	7 625.2

Composition of Riga Municipality basic budget revenues 2007

	kLVL	%
Individual income tax	300 249.0	64%
Real estate tax on land	10 080.7	2%
Real estate tax on buildings and structures	30 176.9	6%
Other tax revenues	4 647.4	1%
Revenue from paid services provided by public authorities	36 876.2	8%
Government (municipality) fees	153.6	0.03%
Other non-tax revenue	1 921.4	0.4%
Earmarked subsidies	75 382.5	16%
Payments from state budgetary institutions	7 625.2	2%
Total revenue	467 112.9	100%

Economic growth of Riga secures steady growth of Riga Municipality basic budget revenues. Also, Riga Municipality continuously improves tax administration activities. In 2007, Riga Municipality basic budget revenues formed kLVL 467 112.9, which is kLVL 128 339.6 more than in 2006.

The primary revenue source of Riga Municipality basic budget is individual income tax. Compared to 2006, personal income tax payments in 2007 have increased by kLVL 86 268.7.

The second largest revenue source of Riga Municipality basic budget is real estate tax payments. In 2007 they formed kLVL 40 257.6, including real estate tax on land in the amount of kLVL 10 080.78 and real estate tax on buildings and structures, kLVL 30 176.9. Compared to the prior year, significant increase in real estate tax collection can be observed: real estate tax on buildings and structures grew by kLVL 9 324.2.

In 2007, a total of kLVL 36 876.2 of Riga Municipality basic budget revenues came from charges for services provided by the public authorities and other own revenues. In comparison with the prior year, these payments had increased by kLVL 8 695.9.

Earmarked subsidies and payments from state budget institutions are state budget resources intended for municipalities to finance special purpose projects. In 2007, earmarked subsidies received by Riga Municipality from the state budget amounted to kLVL 75 382.5. Compared to 2006, the total amount of earmarked subsidies had increased by kLVL 24.6.

Riga Municipality special purpose budget revenues

Riga Municipality 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 coverage of special costs only.

Riga Municipality special purpose budget comprises:

- Riga Municipality Property Privatization Fund;
- Riga Environmental Protection Fund;
- Municipality Road (street) Fund;
- earmarked subsidies for regular passenger traffic;
- other revenue.

In 2007, revenues of Riga Municipality special purpose budget formed kLVL 47 079.1, int. al. kLVL 16 661.9 contributed by Riga Municipality Property Privatization Fund, kLVL 13 356.9 contributed by the Road (street) Fund, and kLVL 4 488.1 by Riga City Development Fund.

In 2007, revenue from donations and endowments to Riga Municipality amounted to kLVL 832.4.

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

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

Composition of Riga Municipality special purpose budget revenues (kLVL)

	2006 actual	2007 budgeted	2007 Budžeta izpilde
Total revenue	36 257.8	72 849.7	47 079.1
Riga Municipality Property Privatization Fund	8 843.3	35 424.8	16 661.9
Revenue from privatization of state and municipal property	6 934.4	34 720.0	15 747.5
Revenue from privatization of apartments and valuation of uninhabitable housing resources	1 908.9	704.8	914.4
State Road Fund	7 741.1	13 067.4	13 356.9
Vehicle fees and excise tax	7 246.1	12 197.5	12 487.1
Earmarked subsidies for regular passenger traffic by bus	459.0	869.9	869.8
Natural resources tax	313.7	320.0	359.9
Other revenues	19 359.8	24 037.5	16 700.4
Riga City Development Fund (revenue from lease of land and other revenue)	4604.2	2670.3	4488.1
Special budget revenues	14 755.6	21 367.2	12 212.3

Composition of Riga Municipality special purpose budget revenues 2007

	(kLVL)	%
Riga Municipality Property Privatization Fund	16 661.9	35%
State Road Fund	13 356.9	28%
Natural resources tax	359.9	1%
Other revenues	16 700.4	35%
Total Revenues	47 079.1	100%

Riga Municipality budget execution performance

Riga Municipality Budget expenses

Revenues of Riga Municipality basic- and special purpose budget 2007, as well as the surplus of prior year budgets have been utilized to support municipal operations and financing of special purpose activities in compliance with the "Law on Municipalities" of the Republic of Latvia. In this report, budget expenses are reflected according to the classification by government function or sector: general state agencies, business activities, education, health care, environmental protection, management of Municipality territories and housing facilities, leisure, culture and religion, public order and security, etc. As since 2007, new budget expense classification according to categories is in force and has been applied (Rules and regulations of the Cabinet of Ministers No.934, effective December 13, 2005), expenses of several categories cannot be directly compared to expenses in 2006.

Budget is the basis for financial operation and management of the Municipality. It serves as financial means of ensuring autonomous functioning of the Municipality. Preparation, approval, execution, and control of 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 budgeting: preparation and evaluation of budget

requests, as well as budget supervision and control. Based on this order, annual methodology for individual budget processes is being prepared.

In order to increase the efficiency in Municipality budget resources utilization, Riga Municipality budgeting process is aimed at achieving certain results: budgetary programs have specific goals, operational results, which have been set in accordance with the goals, as well as their respective key performance indicators. This way the ability of Municipality to provide society with required benefits, the benefits themselves, and their respective amount and character, as well as activities performed by the Municipality to ensure its operation can be demonstrated.

Riga Municipality basic budget expenses

Riga Municipality total basic budget expenses (int.al. financing of investment projects) have grown from kLVL 319 625.2 in 2006 to 501 222.3 in 2007. In 2007, kLVL 46 515.5 were allocated to the Municipal Cohesion Fund, whereas in 2006 kLVL 31 552.2 were allocated. Other resources have been utilized as follows: maintenance of executive authority institutions, financing of municipal orders, financing of investments, subsidies to enterprises, associations, and business entities financed from the Municipality budget to

Composition of Riga Municipality basic budget expenses

(kLVL)

	2006 actual	2007 budgeted	2007 actual
Total expenses	319 625.2	484 500.7	454 706.8
* Total expenses by function	288 073.0	484 500.7	454 706.8
General governmental agencies	29 835.9	92 444.1	88 987.7
Public order and security	6 543.4	10 616.2	10 562.5
Economic activity	-	93 168.2	84 066.1
Environmental protection	-	2 899.6	2 138.7
Management of municipal territories and housing facilities	-	41 750.9	37 541.1
Health care	11 047.6	14 626.9	13 233.5
Leisure, culture, and religion	13 299.4	23 276.3	22 020.8
Education	120 313.0	160 118.7	153 547.4
Social security	24 268.8	45 599.8	42 609.0
<i>Housing facilities and public utilities, Environmental protection</i>	<i>50 109.0</i>	-	-
<i>Transportation, communications</i>	<i>28 649.1</i>	-	-
<i>Other business activities and agencies</i>	<i>924.4</i>	-	-
<i>Other expenses</i>	<i>3 082.4</i>	-	-
Deposits to municipal cohesion fund	31 552.2	46 515.5	46 515.5

* As since 2007, new budget expense classification according to categories is in force and has been applied (Rules and regulations of the Cabinet of Ministers No.934, effective December 13, 2005), expenses of several categories cannot be directly compared to expenses in 2006.

Composition of Riga Municipality basic budget expenses in 2007

	(kLVL)	%
General governmental agencies, int.al. deposits to municipal cohesion fund	88 987.7	20%
Public order and security	10 562.5	2%
Economic activity	84 066.1	18%
Environmental protection	2 138.7	0%
Management of municipal territories and housing facilities	37 541.1	8%
Health care	13 233.5	3%
Leisure, culture, and religion	22 020.8	5%
Education	153 547.4	34%
Social security	42 609.0	9%
Total expenses	454 706.8	100%

ensure provision of municipality duties in areas of public transportation, urban traffic infrastructure (illumination), improvement of territory, etc.

Allocation of donations and endowments received by Riga Municipality

In 2007, donations and endowments to Riga Municipality complemented the revenue of Riga City budget by 832.4 thousand lats. The major part of the donations and endowments received by Riga Municipality were allocated to areas of education and business activities.

The aim of Riga Municipality basic budget is to ensure financial resources for autonomous functioning of Municipality. According to the development tendencies of Riga as the capital city, the provision for autonomous functioning of Riga Municipality has a special meaning, related to ensuring 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 expense structure of Riga Municipality basic budget 2007 were education and business activities (mainly concerning the transportation sector):

- kLVL 153 547.4 were allocated to education;
- kLVL 84 066.1 were allocated to economic activity.

Identification of Riga Municipality investment program priority sectors is related to ensuring of autonomous functioning of Municipality. The major

share of resources is intended for and utilized for improvement of city infrastructure objects and city environment, paying special attention to increasing road traffic safety in the City, as well as ensuring health care access and reconstruction of cultural institutions.

Riga Municipality special purpose budget expenses

Riga Municipality special purpose budget expenses are closely linked to revenues, which were allocated during the financial year to financing of special programs. In 2007, kLVL 38 924.4 of specially marked expenses were financed from Riga Municipality special purpose budget, which is by kLVL 11 793.4 more than in 2006 (kLVL 27 131.0).

Special purpose budget is formed with the aim of ensuring execution of individual, vital for Municipality, functions by providing for this purpose certain source of funds defined by rules and regulations: 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 2007, there were three dominating directions in Riga Municipality special purpose budget expenses classified according to government function:

- business activities (mainly with respect to the traffic sector): kLVL 17 749.0 (utilization of motor vehicle duties and excise tax for maintenance of city roads);

Riga Municipality special purpose budget expense structure (kLVL)

	2006 actual	2007 budgeted	2007 actual
Total expenses	27 131.0	61 810.7	38 924.4
*Expenses by government function			
General governmental agencies	6 018.0	13 012.5	6 250.2
Public order and security	30.7	322.0	206.8
Economic activity	-	24 287.9	17 749.0
Environmental protection	-	1 164.4	1 044.9
Management of municipal territories and housing facilities	-	3 643.2	2 269.4
Health care	121.5	216.1	172.5
Leisure, culture, and religion	667.0	5 296.0	4 816.0
Education	3 996.6	11 418.7	4 871.0
Social security	136.9	2 449.9	1 544.6
<i>Housing facilities and public utilities, environment protection</i>	<i>5340.4</i>	-	-
<i>Forestry and fishery</i>	<i>2908.8</i>	-	-
<i>Transportation, communications</i>	<i>7911.1</i>	-	-

*As since 2007, new budget expense classification according to categories is in force and has been applied (Rules and regulations of the Cabinet of Ministers No.934, effective December 13, 2005), expenses of several categories cannot be directly compared to expenses in 2006.

Composition of Riga Municipality special purpose budget expenses in 2007

	(kLVL)	%
General governmental agencies	6 250.20	16%
Public order and security	206.8	1%
Economic activity	17 749.00	46%
Environmental protection	1 044.90	3%
Management of municipal territories and housing facilities	2 269.40	6%
Health care	172.5	0%
Leisure, culture, and religion	4 816.00	12%
Education	4 871.00	13%
Social security	1 544.60	4%
Total expenses	38 924.40	100%

Riga Municipality budget execution performance

- education (kLVL 4 871.0);
- leisure, culture, and religion: kLVL 4 816.0.

The major part of Riga Municipality special purpose budget 2007 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 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 of 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 reconstruction of streets and illumination objects within the Old Town 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 privatization of municipal property. They are allocated to: Riga Social Crisis Center (1% annually), financing of events vital for Rigans and development of city environment, e.g. construction of

the Green Cycling Track (LVL 197 984), reconstruction of the Kurzeme District executive authority customer service center and registry office (LVL 624 441), reconstruction of Mezaparks Grand open-air stage (LVL 4 000 000), replacement of windows and external doors in preschool educational institutions (LVL 237 000), renovation of water supply- and sewerage systems in a preschool educational institution (LVL 729 198), reconstruction of Jugla Secondary School at 27A Juglas Street (LVL 751 098), reconstruction of Secondary School of Culture at 7 Ganibu Dambis (LVL 757 793), construction of a social house at 30 Gobas Street (LVL 952 582), etc.;

- Riga Environmental Protection Fund resources comprise revenues from the natural resource tax. They are allocated to 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 sale of forest resources. They are utilized for administration and maintenance of forests owned by Riga City, as well as education of society on matters related to forests and their protection.

Allocation of donations and endowments received by the Riga Municipality

In 2007, donations and endowments to Riga Municipality complemented the revenue of Riga City budget by 832.4 thousand lats. The major part of donations and endowments received by Riga Municipality were allocated to areas of education and business activities.

Structure of expenditure of donations and endowments received by Riga Municipality (KLV L)

	2006 actual	2007 budgeted	2007 actual
	KLV L	KLV L	KLV L
Total expenditure	322.6	1 208.2	636.5
* Expenditure by government function			
General governmental agencies	31.9	-	-
Public order and security	-	3.0	-
Economic activity	-	491.7	382.0
Municipal territory and housing management	-	28.5	14.6
Leisure, sports, culture, and religion	4.0	6.6	2.2
Education	283.3	662.4	236.9
Social security	1.3	16.0	0.8
<i>Housing facilities and public utilities, environmental protection</i>	<i>2.0</i>	<i>-</i>	<i>-</i>

*As since 2007, new budget expense classification according to categories is in force and has been applied (Cabinet of Ministers regulations No.934, effective December 13, 2005), expenses of several categories cannot be directly compared to expenses in 2006.

Property book value

As of the end of 2007, the book value of Riga City fixed assets formed the total of mLVL 1 302.5, equity of associated and related enterprises formed mLVL 266.7. The total value of City assets, including other long-term investment categories as of the end of 2007 formed mLVL 1 580.4.

According to the data from the State Land Service, as of the end of 2007, various owners owned 18 811ha of land within the Riga City area. There were 3 280 land lots with the total area of 7 770ha in Riga Municipality ownership, forming 41% of the total property area in Riga. The largest share of Riga Municipality land is formed by land of natural base and recreational importance: 2 451ha (32% of the total), forest space and especially protected natural territories: 2 148 (28% of the total), land of public importance: 1 753ha (23% of total). The total area of these three main types of land in 2007 formed around ¾ of the Municipality land within Riga City.

Share in municipal enterprise equity capital

As of the end of 2007, share in equity capital of associated and related enterprises formed mLVL 266.7, which is an increase of mLVL 73.9 year on year. As of the end of 2007, investments into associated enterprises formed mLVL 237.35.

During 2007, Riga Municipality invested in the equity capital of associated enterprises as follows:

- Three new business entities were founded with 100% share capital owned by Riga Municipality with the total investment into the equity capital of LVL 1 400 000:
 - LLC "Transporta infrastruktūras attīstība": LVL 400 000;
 - LLC "Lucavsālas attīstība": LVL 500 000;
 - LLC "Rīgas meži": LVL 500 000.
- LLC "Klīniskā slimnīca "Gaiļezers"": investment of LVL 326 432 of Riga Municipality budget resources into new medical equipment and investment of Riga Municipality property investment of LVL 133 900;
- Value of real estate property and investments into real estate objects in the total value of LVL 20 736 662 recorded in the books of LLC "Rīgas nami" as of the end of 2007 and owned by Riga Municipality were included as investment value.

As of the end of 2007, Riga City Council's balance sheet reflected 43 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, 1 investment into the equity capital of municipality limited companies undergoing liquidation, as well as investments into the equity capital of 3 limited companies controlled by Riga Municipality with an ownership of more than 50% of shares (whereof 1 limited company undergoing liquidation). As of the end of 2007, Riga City Council's balance sheet reflects investments into the equity share capital of 4 associated enterprises. 95.3% of this amount is formed by investment into JSC "Rīgas siltums".

Privatization

In 2007, 2505 privatization proposals were evaluated by Riga Municipality, and Riga City Council adopted the following resolutions on privatization of Riga Municipality real estate property objects:

- 31 resolutions on privatization of vacant land lots;
- 75 resolutions on privatization of separate occupied land lots;
- 74 resolutions on privatization of buildings and land lots in Riga;
- 17 resolutions on privatization of buildings;
- A resolution on privatization of JSC "Ceļu pārvalde" shares;

- 26 resolutions on approval of privatization regulations of vacant land lots;
- 50 resolutions on approval of privatization projects;
- 73 resolutions on finalization of privatization;
- 121 resolutions on privatization denials.

In 2007, Riga Municipality Property Privatization Commission approved 86 notifications on privatization of Riga Municipality real estate objects: separate occupied land lots. In 2007, 121 Riga Municipality property purchase contract with the total value of LVL 16 323 665 was concluded, whereof 93% to be paid in LVL.

The biggest Riga Municipality real estate property objects privatized during 2007 are as follows:

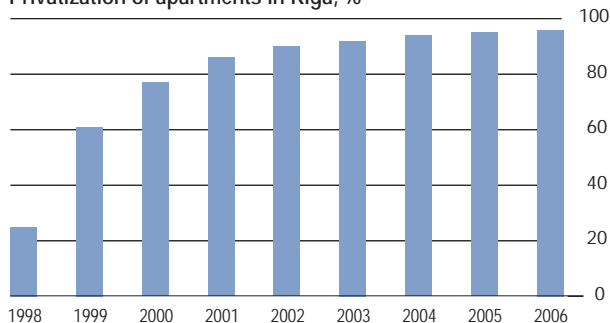
- Three storey movie-theater building at Prusu Street, acquisition cost LVL 1 270 000;
- Separate occupied land lot of area 15 137m² at Ventas Street, Riga, acquisition cost LVL 1 419 851;
- Separate occupied land lot of area 31 280m² in Lucavsāla, Riga, acquisition cost LVL 1 650 442.

As of the end of 2006, as a result of the privatization process, 192 057 apartments were privatized in Riga City, forming 96% of all apartments intended for privatization.

Riga Municipality land property by type of utilization (in ha) as of January 1, 2008

Land formed by land of natural base and recreational importance	2450.7
Forest space and especially protected natural territories	2147.5
Land of public importance	1752.6
Land under industrial objects	387.1
Land under commercial buildings	282.4
Land under traffic infrastructure objects	194.5
Land under apartment buildings	186.6
Land under single and double family residential houses	132.2
Land used for engineering communications	106.1
Water handling facilities	33.3
Total	7673.0

Privatization of apartments in Riga, %



Riga Municipality budget resource utilization for municipality operations

Education

In 2007, 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 158,418.40 thousand lats. In 2007, total financing for education and investment projects was by 34,108.80 thousand lats more compared to 2006 (124,309.60 thousand lats). This increase in financing was diverted as prerequisites to the remuneration of educators in Riga City educational institutions, increase of maintenance costs of educational institutions and renovation and overhaul of educational premises.

Preschool educational institutions

In 2007, there were 154 preschool educational institutions founded by the Municipality in Riga, whereof 143 of general type, and 11 special preschools, as well as 27 private educational institutions with preschool educational groups. The total number of students educated through the preschool educational programs of these schools formed 23 482 children. Preschool educational programs are offered also at 16 general education schools and 2 interest educational institutions. In order to promote development of preschool educational institutions in Riga, in 2007 the Riga City Council made decisions about the establishment of Riga Preschool Educational Institution at 6 Parslas Street, reorganization of Riga Vecmilgravis primary school "Blāzmaņa", and establishment of Riga preschool educational institution "Blāzmaņa", as well as establishment of Riga preschool educational institution at 33A Bikernieku Street. Over the year, 14 additional preschool educational groups were opened within the Municipality, thus ensuring educational capacity for additional 200 children. In 2007, the experience of previous years was continued, and 25 private preschool educational institutions were co-financed from Riga Municipality budget resources, ensuring the provision of the general preschool educational program to 1069 children. In 2007, a number of normative documentation was prepared and approved to solve preschool educational issues: plan of action for the reduction of queues to Municipality preschool educational institutions for years 2007-2010, which provides for activities aimed at reducing queues to preschool educational institutions; Riga City Council's binding regulations "Order of children's registration for admission to Riga Municipality preschool educational institutions and institutions that apply preschool educational programs". In 2007, further education of preschool teachers was continued, providing 506 educators with an opportunity to attend further educational classes and seminars.

Comprehensive schools

In 2007, 141 comprehensive schools were functioning in Riga, whereof 107 high schools, 24 elementary schools, 10 primary schools. 12 of them were

special schools, 6 were night schools, and 11 were boarding schools. In 2007, more than 75 thousand students attended educational programs in these schools. Apart from that, there were also 22 private schools operating in Riga, where 1 799 students attended the comprehensive educational programs.

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

Same as a year before, also in 2007, 14 out-of-school educational institutions and 17 sports educational institutions were operating in Riga, which were attended by more than 32 thousand students. In 2007, leisure time activity centers of Riga comprehensive schools (14 centers) were attended by 25 thousand youngsters and children.

There are 10 music and art colleges in Riga, which were attended by 3 172 students in 2007. 525 competitions, concerts, and performances of various kinds were organized during the year and were attended by more than 26 thousand people. School teachers and students not only actively participate in state-level, but also international projects. In 2007, almost 500 students took part in international-level competitions and festivals. In order to promote professional education, with support of Riga Municipality, two Riga music colleges were purchased new and quality music instruments for the total value of LVL 150,000.

Riga Municipality co-financed 21 open day camps organized by 16 Riga educational institutions, which were attended by more than 700 children and youth (co-financing of LVL 12,000); 9 352 children and youth took part in 198 round-the-clock camps organized by Riga comprehensive-, out-of-school-, and sports educational institutions (co-financing of LVL 171 592). The 40 camps organized by other institutions, were attended by almost 2 000 participants (co-financing of LVL 39 151).

In 2007, teachers were invited to notify about open-class demonstrations, as well as offer master-classes to their colleagues. Within the framework of this project, further-educational classes were attended by more than 5.7 thousand participants, 300 master-classes were attended by almost 300 people, and 192 participants attended open classes.

The annual awarding of the best teachers and students, "The Golden Scholarship" and "The Golden Pen" took place. To provide students with an opportunity of demonstrating their skills in school subjects, 186 district Olympiads, 6 city Olympiads, as well as 9 competitions, 4 shows, and 6 exhibitions were organized. Riga students took part in 18 state Olympiads.

September 2007 was announced a "Youth Month", when a number of events for children, students, and youth were organized in Riga. Altogether, ten thousand participants attended these events.

In order to promote Riga children, student, and youth sports activities, in 2007, Riga Municipality supported several significant sports activities: a decision was made to establish a Cycling School, the regional sports center

Basic budget expense allocated to education* (KLVĻ)	2006 actual	2007 budgeted	2007 actual
Preschool education	27708.4	37274.1	36594.9
Comprehensive education: elementary education	71259.6	98813.3	93405.7
Out-of-school and professional education	19041.2	21036.5	20575.5
Other education, not classified above	2303.8	2994.8	2971.3
Basic budget expense, int. al.	120313	160118.7	153547.4
Investment	5824.1	15951.1	10823.3
Special purpose budget expense	3996.6	11418.7	4871
Total	124309.6	171537.4	158418.4

*As since 2007, new budget expense classification according to categories is in force and has been applied (Rules and regulations of the Cabinet of Ministers No.934, effective December 13, 2005), expenses of several functional categories cannot be directly compared to expenses in 2006.

Riga Municipality budget resource utilization for municipality operations

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"Laimīte" was opened, Riga Region Competition of the Republic of Latvia School Sports Games No.60 were organized, as well as possibility for free-of-charge skating and skiing was created (artificial snow skiing track in Uzvaras Boulevard).

In 2007, Riga schools were allocated 20 additional sports staff and work compensation was increased to school social teachers (by LVL 50 per month), school, out-of-school, medical staff of sports educational institutions (by LVL 110 per month), doctors (LVL 155 per month), assistants to pre-school teachers (by LVL 60 per month), cooks (by LVL 60 per month), educational staff of preschool educational institutions (by LVL 31 per month), methodologists of preschool educational institutions (by LVL 44 per month). Administrative personnel of Riga music and art colleges received a compensation increase of 25%.

Renovation of educational buildings has been continued in Riga. Taking into account the technical condition of buildings, level of deterioration of communications, as well as need to optimize the network of educational institutions, Riga Municipality systematically performs reconstruction of educational buildings in the whole city.

The most significant projects:

- Reconstruction of A.Pumpurs Riga Elementary School No.11;
- Continued renovation and improvement of Riga pre-school educational institution territories: territories of 11 educational institutions have been renovated;
- Continued renovation of Riga school stadiums: stadium of Riga Secondary School No.93 has been renovated, project for the stadium of Riga Commercial Gymnasium has been completed, stadium of Riga Purvciems Secondary School has been created, stadium of Riga Secondary School No.16 has been put in order and equipped;
- A metal fence and gates have been set up around Riga Secondary School No.45 at 34 Ropažu Street, as well as foundation for the "Polytan" surfacing for the football field has been built;
- Continued renovation and reconstruction of educational institutions: new projects have been started and the existing ones continued, e.g., reconstruction of Riga Cultural College at 7 Ganību Dambis and reconstruction of the building of Riga Jugla Secondary School's primary school at 27A Juglas Street.

Riga Municipality budget resource utilization for municipality operations

Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in
2007

Education: provision of rights for inhabitants to obtain basic and general education; provision of places in educational and upbringing institutions available to pre-school and school age children; organizational and financial assistance to out-of-school educational and upbringing institutions and education support institutions, etc.

Program goals/results	Budgeted	Actual
Basic budget		
<i>Goal:</i>		
Provide places in pre-school educational institutions available to pre-school age children, 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		
<i>Results:</i>		
Number of pre-school children's institutions	141	143
Number of children, int. al.:	22 545	23 482
number of children aged 5 and 6 taught according to the program "Mandatory preparation of children aged 5 and 6 for studies at school"	9 233	9 558
Alimentation cost per child per month (LVL)	106	100
Number of pedagogical FTEs (full time equivalents)	3 800	3 099
<i>Goal:</i>		
Provide places in special pre-school educational institutions available to pre-school age children, ensure preparation of children aged 5 and 6 for initiation of basic education program, ensure obtaining of necessary knowledge and skills in the individual and social life, strengthen health by taking into account disabilities, and promote all-around development.		
<i>Results:</i>		
Number of specialized pre-school children's institutions	11	11
Number of children, int. al.:	890	908
number of children aged 5 and 6 taught according to the program "Mandatory preparation of children aged 5 and 6 for studies at school"	496	523
Alimentation cost per child per month (LVL)	263	329
Number of pedagogical FTEs (full time equivalents)	283	288
<i>Goal:</i>		
Ensure provision of basic education and general secondary education programs in pre-schools, elementary schools, and high-schools, thus ensuring the possibility to obtain knowledge, skills, and abilities which would allow to participate in the life of society.		
<i>Results:</i>		
Number of primary schools, elementary schools, and high-schools	133	130
Number of children, int. al.:	77 906	73 210
number of children aged 5 and 6 taught according to the program "Mandatory preparation of children aged 5 and 6 for studies at school"	336	385
Alimentation cost per child per month (LVL)	62	81
Number of pedagogical FTEs (full time equivalents)	10 420	10 251
<i>Goal:</i>		
Ensure provision of basic education and general secondary education programs in boarding schools and sanatorium schools, thus ensuring the possibility to obtain knowledge, skills, and abilities which would allow to participate in the life of society.		
<i>Results:</i>		
Number of boarding schools and sanatorium schools	4	4
Number of children	787	832
Alimentation cost per child per month (LVL)	192	270
Number of pedagogical FTEs (full time equivalents)	243	263
<i>Goal:</i>		
Ensure provision of basic and general secondary education to children with special needs, promoting students' integration into society, thus ensuring the possibility to obtain knowledge, abilities, and work skills according to the state of health and abilities, and organizing the treatment and correctional work.		
<i>Results:</i>		
Number of special boarding schools	7	7
Number of children	1 391	1 217
Alimentation cost per child per month (LVL)	290	459
Number of pedagogical FTEs (full time equivalents)	747	704
<i>Goal:</i>		

Riga Municipality budget resource utilization for municipality operations

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Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in
2007

Program goals/results	Budgeted	Actual
Provision of out-of-school and professional sports programs, ensuring rapid leisure time for children and youth.		
<i>Results:</i>		
Number of other out-of-school educational institutions (including, sports schools)	33	31
Number of children and youth, whereof:	34 899	32 658
in sports schools	9 683	8 321
Alimentation cost per child per month (LVL)	17	18
Number of pedagogical FTEs (full time equivalents)	1 097	1 128
Training in swimming for children of grade 2 in children and youth sports center "Daugavas Sporta Nams"	700	568
<i>Goal:</i>		
Promote development of students' abilities, create skills and knowledge of music and arts		
<i>Results:</i>		
Number of art and music schools	10	10
Number of students in schools	3 169	3 172
Alimentation cost per child per month (LVL)	27,8	32,6
Number of pedagogical FTEs (full time equivalents), int.al.:	464	457,4
music subjects	426,5	432,7
art subjects	35	34,3
dance subjects	2,5	2,5
Out-of-school education for children with special needs (number of children)	25	40
Number of competitions, concerts, and exhibitions	350	525
Number of visitors of concerts and exhibitions	24 000	26 285

Riga Municipality budget resource utilization for municipality operations

Economic activity

In 2007, Riga Municipality allocated kLVL 101 815.1 from the basic budget, special purpose budget, and investment resources to provision of public transportation services. These resources were mainly utilized to provide Rigans and guests of Riga with effective and up-to-date public transportation services, provide and maintain traffic infrastructure in the city, ensure traffic control measures both for pedestrians and drivers of vehicles.

In 2007, Riga Municipality invested kLVL 430 (18% increase year on year) in maintenance and renovation of public transportation.

Public transportation services in Riga City were provided by the Municipality LLC "Rīgas Satiksme" (based on the public transportation delegation agreement effective as of 2005), ensuring transportation on:

- 11 tram routes;
- 20 trolleybus routes;
- 65 bus routes (city and local regional).

During 2007, Riga public transport (bus, tram, and trolleybus) transported 267.2 million passengers, which is a decrease of 7% compared to 2006. Despite the fact that the total number of transported passengers decreased during the financial year, the share of transportation subsidized by the Municipality has increased. In 2007, 34 million passengers were transported free of charge (16% more compared to the prior year) and 121.6 million passengers were transported at a discount (23% more compared to the prior year). The total share of transportation subsidized from Riga municipality budget has grown from 44% in 2006 to 58% in 2007, forming in average 426 thousand subsidized passenger transportations per day.

In 2007, bus route No.27 "Imanta – Beberbēki" was created. During the financial year, 39 trolleybuses were purchased, 10 tram cars were modernized, buses were equipped with a GPS (global positioning system).

During the financial year passenger transportation in Riga City was carried out on:

- 252 trams, whereof 220 (87%) have been modernized;
- 334 trolleybuses, whereof 121 (36%) are new;
- 488 busses, 100% of the bus park have been replaced with new buses, whereof 396 are low-floor.

Also public infrastructure has been improved: the bus terminal-ticket inspectors' station "Jugla" in Murjanu Street has been put into operation, repair station by application at 28 Kleistu Street has been put into operation after reconstruction, renovation of the central section at 35 Vesetas Street was started.

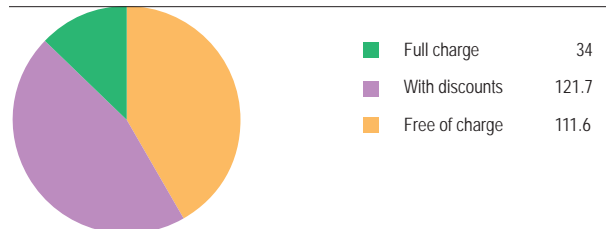
During the financial year, first stage of the South Bridge construction was continued, also the second stage of this project was started. Documentation preparation of the first stage of the low-floor tram project was performed, as well as traffic and economic research on the Northern Corridor was carried out. In 2007, surfacing of several streets in Riga was performed by reconstructing and building several street sections. During the financial year, construction of a two-level intersection of Brīvības Street and Juglas Street was commenced.

The most significant investment projects:

- Reconstruction of Vagonu and Dumbraju Streets;
- Reconstruction of Maza Krasta Street from Grebenscikova Street to the entrance to the shopping mall "Mols";
- Renovation of the crossover of right bank of the Stone Bridge.

Passengers transported in Riga public transport in 2007

(MIL passengers)



Budget expense allocated to economic activity*	2007 actual (kLVL)	2007 budgeted (kLVL)
Transportation	85692	78916.7
Mining, industry, and construction	713.6	638.8
Agriculture, forestry, fishery, and hunting	500.0	500.0
Other economic activity not classified above	5764.7	3539.1
Other sectors	497.9	471.5
Basic budget expenses, int. al.	93168.2	84066.1
Investments	5059.0	3738.8
Special purpose budget expenses	24287.9	17749.0
Total	117456.1	101815.1

*As since 2007, new budget expense classification according to categories is in force and has been applied (Rules and regulations of the Cabinet of Ministers No.934, effective December 13, 2005), expenses of several functional categories cannot be directly compared to expenses in 2006.

The largest reconstructed or created objects in Riga in 2007:

Object	KLVL
Construction of the Eastern arterial road from Gaujas Street to Meza Boulevard (40% completed)	6600
Reconstruction of Augusta Deglava Street from A.Saharova Street to Lubanas Street (Stage 2) (70% completed)	4500
Reconstruction of Vestienas and Pildas Streets from Vietalvas Street to Piedrujas Street (80% completed)	1700
Reconstruction of Kruzes Street from Ventspils Street to Liepajas Street	900
Reconstruction of Jaunmoku Street from Remtes Street to Ventspils Street, and Ventas Street from Lielirbes Street to Jaunmoku Street	870
Renovation of street surfacing on 11.Novembra Krastmala from the Stone Bridge to Muiņas Street	780
Renovation of the bridge over the city canal in Maskavas Street	759
Renovation of the crossover of right bank of the Stone Bridge	724

Riga Municipality budget resource utilization for municipality operations

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Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in
2007

Provision of public transportation services		Budgeted	Actual
Program goals/results			
Basic budget			
<i>Goal:</i>			
Ensure public transportation services of adequate quality, continuously increasing their quality: LLC "Rigas Satiksme"			
<i>Results:</i>			
Mileage (thousand km)		62 310	59 479,6
Number of passengers transported (thousand passengers)		287 504	267 225,2
Number of passengers transported at a discount (thousand passengers)		127 722	121 648,6
Number of passengers transported free of charge (thousand passengers)		33 972	33 972
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			
<i>Goal:</i>			
Ensure uninterrupted, comfortable, and safe traffic			
<i>Results:</i>			
Maintenance of street surfacing: repair of bumps (thousand sq m)		112,2	128,2
Prevention of street slipperiness in winter-time by use of anti-slipperiness materials, snow removal, swiping, dust removal, and swiping during summer-time (mil.sq.m)		8,7	8,7
Removal of snow from streets (thousand h)		28,7	19
Waste collection and removal (thousand cub. m)		12	9
Cleaning of public transportation stops (number of)		1 311	1 311
Cleaning of greenery (thousand sq m)		1514,5	1 515
Maintenance of cycling track Old Town - Imanta (km)		15	15
<i>Goal:</i>			
Ensure uninterrupted and safe traffic over bridges, crossovers, pedestrian tunnels, and fixated embankments, as well as ensure preservation of the above-mentioned buildings and structures			
<i>Results:</i>			
Maintenance of bridges, crossovers, and pedestrian tunnels (number of objects)		99	100
Periodic inspection and daily upkeep of embankments (km)		38	38
Daily upkeep of metal barriers (km)		49	49
<i>Goal:</i>			
Ensure traffic organization in Riga City streets, controllable intersections, and pedestrian crossings			
<i>Results:</i>			
Maintenance of traffic lights systems (quantity)		262	293
Upkeep of controllable pedestrian crossings (quantity)		36	63
Upkeep of the traffic's "green wave" on streets (length in km)		14	14
Upkeep of road signs (quantity)		25 427	26 507
Maintenance of pedestrian barriers (m)		8 242	8 242
Upkeep of information posters (sq m)		290	290
<i>Goal:</i>			
Ensure organization of traffic participants over driving lanes in Riga City Streets			
<i>Results:</i>			
Maintained horizontal road markings (sq m)		65 840	65 840
Ensured split of lanes on main streets and streets with considerable public transport traffic, whereof:			
length of streets (km)		420	420
area of streets (thousand sq m)		4 900 000	4 900 000
<i>Goal:</i>			
Perform reconstruction works on streets with damaged surfacing and structures improving the quality of surfacing on pedestrian roads and carriageways			
<i>Results:</i>			
Reconstructed damaged surfacing on carriageways (sq m)		216 300	172 270
Reconstructed damaged surfacing on pedestrian roads (sq m)		54 000	33 935
Reconstructed greenery areas (sq m)		27 000	38 345

Riga Municipality budget resource utilization for municipality operations

Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in
2007

Program goals/results	Budgeted	Actual
<i>Goal:</i>		
Ensure maintenance of internal driveways of residential areas, roads of public use, and maintenance of territories		
<i>Results:</i>		
Total area of road surfacing reconstruction and bump repair works (sq m)	82,1	64,3
<i>Goal:</i>		
Determine load carrying capacity of artificial structures: crossovers and tunnels to ensure traffic safety; identify value and remaining useful life of Riga City infrastructure objects		
<i>Results:</i>		
Special inspections of traffic structures (bridges, crossovers, and pedestrian tunnels)	11	11
Special purpose budget		
<i>Goal:</i>		
Ensure uninterrupted and safe traffic by performing upkeep of objects in accordance with the Riga City Council regulations No.13 "On utilization of resources from Municipality fee on vehicles entering Old Town" and amendments to regulations No.34 as of 18.05.1999		
<i>Results:</i>		
Reconstruction works of Old Town street surfacing (sq m)	40	86
Street surfacing repairs (sq. m)	2 780	3 389
Prevention of street slipperiness by use of anti-slipperiness materials, collection and removal of snow during wintertime, and cleaning during summertime (sq m)	90600	90 600
Cleaning in green areas (sq m)	1 076	1 680
Waste removal (thousand cub m)	300	606
Upkeep of Old Town flower vases (number of)	26	28
Maintenance of Grečinieku Street tunnel	1	1
<i>Goal:</i>		
Provide pedestrians with uninterrupted and safe traffic in pedestrian tunnels, and preservation of tunnel structures by performing daily upkeep works		
<i>Results:</i>		
Cleaning of tunnel flooring and stairs surfacing, and strewing with anti-slipperiness material, removal of snow during wintertime, and cleaning during summertime (number of tunnels)	4	4
<i>Goal:</i>		
Perform reconstruction works of streets with damaged surfacing and structures by improving the quality of surfacing on pedestrian roads and carriageways		
<i>Results:</i>		
Reconstructed street surfacing (sq m)		82 152
Reconstructed surfacing of pedestrian walks (sq m)		24 966
Construction and city development		
Basic budget		
<i>Goal:</i>		
Perform construction and city development functions in competence of the Municipality		
<i>Results:</i>		
Preparation and issue of planning and architectural regulations (number)	1 000	5 594
Average costs of planning and architectural regulations (a document) (LVL)	22,5	23
Provision of utilities (number)	840	1 356
Average cost per utility (LVL)	0,3	0,3
Living houses and apartments put into operation (number of objects)	1 000	224
Construction permits issued	2 200	2 102
Construction permits issued for engineering structures	1 000	754
Development and administration of detail-plans	15	2
<i>Goal:</i>		
Increasing of Riga City architectural quality and development of society awareness of architectural matters		
<i>Results:</i>		
Number of plenaries and conferences organized	6	7
Number of city development projects/proposals created	4	5
Number of events aimed at informing the society on architectural processes in Riga	6	6
Utilization of forests and waters of public use		

Riga Municipality budget resource utilization for municipality operations

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Riga Municipality budget program 2007 goals, results, and financial performance*	Financial performance in 2007	
	Budgeted	Actual
Program goals/results		
Special purpose budget		
<i>Goal:</i>		
Management, watch, protection, and improvement of Riga Municipality forests in such a level as to provide inhabitants with possibility of multi-functional recreation		
<i>Results:</i>		
Forest watch and protection (ha)	61 500	61 500
Regeneration and upkeep of forests (ha)	2 400	2 450
Created a full walk-circle in "Cenu tīrelis": extended the path of marsh (m)		1 200
In the maritime nature park:		
created foot-bridges (total length in m)		850
barriers (number)		3
recreational locations (number)		1
Number of installed barriers in Ogre Zilie Kalni (Blue Hills)		4
Reconstructed pedestrian bridge in Smerlis forest area		1

* Summary financial performance report

Riga Municipality budget resource utilization for municipality operations

Health Care

Riga Municipality allocates considerable financial resources to the improvement of Riga health care system. In 2007, the total amount of health care program financing coming from the basic budget, the special purposes budget, as well as investment resources amounted to kLVL 13 406.0, which is by 2 236.9 kLVL more than in 2006 (kLVL 11 169.1). 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 the law "On Municipalities".

The major investment projects:

- Finished preparation of the technical project on reconstruction of ventilation, water-supply system, sewerage system, and internal heating communications of Riga municipal LLC "Rīgas pilsētas Dzemdību nams";
- Performed repairs of façade and replacement of windows for SIA "Torņakalna poliklīnika" buildings 1 and 3;
- Purchased mobile angiograph for LLC "Bērnu klīniskā universitātes slimnīca" at 45 Vienības Boulevard.

Budget expenses allocated to health-care* (kLVL)	2006 actual	2007 budgeted	2007. actual
Operation and services of ambulatory medical institutions, and public health-care agency services	10028.8	13753.8	12399.3
Hospital services. Health-care services for mother and child	1018.8	860.1	834.2
Other health-care services not classified above		13.0	
Basic budget expenses, int. al.	11047.6	14626.9	13233.5
Investments	1063.6	870.7	840.0
Special purpose budget expenses	121.5	216.1	172.5
Total	11169.1	14843.0	13406.0

Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in 2007

Program goals/results	Provision of access to health care	
	Budgeted	Actual
Basic budget		
<i>Goal:</i>		
Perform activities for addiction prevention in Riga		
<i>Results:</i>		
Number of people involved, whereof:	20 320	31 516
Addiction prevention campaigns (1 to 7 days)	3 000	9 000
Educational programs (12 to 30 hours) for experts: teachers, doctors, social teachers, psychologists, and policemen	700	648
Educational programs (2 to 24 hours) for parents (seminars, lectures at schools)	800	1 034
Discussions with youth at schools (duration of discussion 1 to 2 hours)	7 000	11 269
Number of hotline calls and e-mail advisory (daily from 8am to 11pm)		
advice over telephone	5 000	5 771
advice by e-mail	900	1 775
<i>Goal:</i>		
Reduction of HIV/AIDS spread among drug users, and improvement of life quality of population groups having the highest exposure to the risk		
<i>Results:</i>		
Indicator of drug user identification (number of new-found persons)	1 000	533
Number of consultations rendered by HIV consultants to drug users	2 000	2 446
Number of consultations rendered by HIV consultants to relatives and partners of drug users	1 000	961
<i>Goal:</i>		
Promote the movement of gratuitous donors, increase the number of blood donors among Rigans, provide donor blood to Riga hospitals, as well as partially compensate Riga donors for travel expenses in connection with blood donation (LVL 1 for each occasion of blood donation)		
<i>Results:</i>		
Number of blood donation occasions	24 000	22 910
<i>Goal:</i>		
Provide equivalent medical assistance to inhabitants of the area of Riga Emergency Medical Assistance Station		
<i>Results:</i>		
Number of calls carried through	226 323	212 665
Number of patients delivered to hospital	103 440	84 502
Average number of day and night crew	51	50
Number of day and night crew per 20 000 inhabitants	1	1

* Summary financial performance report

Riga Municipality budget resource utilization for municipality operations

Social Security

In 2007, Riga Municipality allocated kLVL 44 153.6 from the basic budget and special purpose budget resources to social security related matters and activities, which was by kLVL 19 747.9 more than in 2006 (kLVL 24 405.7). When evaluating this increase, it should be noted that during 2007 social security expense structure was complemented by housing benefit costs amounting to kLVL 13 795.9.

In 2007, Riga Municipality continued to perform activities related to solving problems of population of moderate means. Benefits were increased and their types were diversified to fit the needs of each individual situation, also social aid infrastructure was broadened in order to enable provision of social aid closer to the place of residence.

While reviewing social security expense structure, it should be noted that resources allocated to social benefits and social aid (mLVL 10.2) are the largest cost item within the social security and health care sector. Cost of emergency station (mLVL 9.0) form 26% of the total expenses, costs of upkeep of old-peoples' homes (mLVL 4.3) form 13%, costs of upkeep of child-care institutions (mLVL 3.2): 9% of all expenses of this sector.

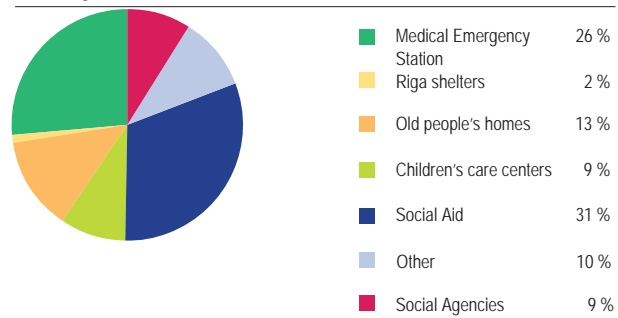
Social aid for Riga inhabitants is being provided in accordance with the Republic of Latvia rules and regulations and the binding regulations of Riga City Council. Allocation of social benefits is evaluated, performed and paid out by 5 Riga district social agencies and Riga City Council Social Affair Center. Social benefits are divided into two groups: tested and untested social benefits. Tested benefits are allocated by evaluating the financial state of the benefit claimant, whereas untested benefits are allocated based on the specific life situation, irrespective of the financial state.

During 2007, 8% of Rigans received assistance in social agencies of Riga Suburbs. Although Riga Municipality has set a significantly higher amount of the guaranteed minimum income benefit than the state average (LVL 80 in Riga, LVL 27 the state), the number of persons receiving this benefit has been decreasing over the past years. During the financial year, 52 369 Rigans received tested (irrespective of the financial state) benefits, whereof 56% were retired people and the disabled, 32% were families with children, and 12% able-bodied inhabitants.

In 2007, Riga Municipality ensured social care and social rehabilitation services in institutions to 1 585 adults (three municipal institutions and 10 contract organizations) and short-term care services to 260 persons. Social care services were ensured to 735 orphans in long-term social care and social rehabilitation institutions (six municipal children's homes and 12 contract organizations), whereas services of the crisis center was provided to 270 children and 65 women. During the financial year, 4 147 persons received home-care services, 5 753 persons were provided assistance to problem solving related to medical treatment, 3 248 persons were rendered transportation services. As of January 1, 2007, persons getting about in a wheelchair are entitled to an LVL 1 500 allowance for adapting their living space to their needs (extension of door openings, removal of doorsteps, etc.).

Employees of Riga Municipality social agencies have performed active social work with families and children, providing assistance to 2 289 families, whereof 1 228 have been registered as new customers. Among the most demanded alternative care services are the day care center services, which in 2007 have been attended by 982 children and 681 elderly and disabled people, as well as 252 persons with mental disorder. There are five group apartments (houses) for persons with mental disorder and three apartments (houses) in a country side environment outside of Riga, where these people learn and realize their independent living skills under supervision of professionals. During the financial year, this service was received by 93 persons. During the financial year, night shelter was used by 2 094 persons, which is slightly less than in 2006. In 2007, Riga Municipality financed soup-

Riga Municipality basic budget expense structure for social security and health care in 2007, %



Type of material assistance in 2007

Type of social aid	Number of persons	Resources allocated
Tested benefits		
Guaranteed minimum income benefit	8330	634242
Health care benefit	27112	2116803
Apartment allowance	23425	1859555
Christmas benefits	31230	1712881
Benefit to cover social care service cost	4209	1625205
Benefit to cover transportation service cost for the disabled	2575	349683
Benefit to cover social rehabilitation service cost	1987	131218
Benefit for other purposes	302	96357
Untested benefits		
Child-birth benefit	8311	831100
Non-recurring benefits in cases of emergency	5356	293826
Benefits for the politically repressed	4305	194180
Benefits for the 100-year olds	28	2800
Benefits for orphans	407	177517
Benefits for trustees	635	126146
Benefits for foster families	53	11122
Benefits for guardians	142	71467

Riga Municipality budget resource utilization for municipality operations

kitchen services rendered by two organizations, providing up to 700 portions a day, 6 times a week. The hot meal was provided both to the homeless and the population of moderate means.

The most significant investment projects:

- Social home at 49 Unijas Street equipped with a wheelchair lift and repaired;

- Established a social home at 24 Dzirciema Street;
- Performed renovation and installed equipment in the territorial building of Riga Latgale Suburb Social Agency at 2 Salnas Street;
- Performed renovation at the crisis center for children having suffered from violence at 1 Cieceres Street 1;
- Installed 19 electromechanical elevators for the disabled.

Budget expense allocated to social security* (kLVL)	2006. actual	2007 budgeted	2007 actual
Social security in case of inability to work	-	1540.3	1389.5
Assistance to elderly people	2513.4	5774.9	5490.2
Assistance to families with children	3018.6	5877.3	5494
Housing allowance	-	14180.9	13795.9
Other support to socially repudiated persons not classified above	17605.9	16888.6	15109.9
Other social care not classified above	569.8	1337.8	1329.5
<i>Custody courts and parish courts*</i>	<i>561.1</i>		
Basic budget expenses, int. al.	24268.8	45599.8	42609.0
Investments	233.7	2209.7	1561.4
Special purpose budget expenses	136.9	2449.9	1544.6
Total	24405.7	48049.7	44153.6

*As since 2007, new budget expense classification according to categories is in force and has been applied (Rules and regulations of the Cabinet of Ministers No.934, effective December 13, 2005), expenses of several functional categories cannot be directly compared to expenses in 2006.

**In 2007, Custody courts and parish courts have been reflected under the function of public order and security.

Riga Municipality budget resource utilization for municipality operations

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Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in
2007

Social insurance and social security (social aid to low-income families and socially unprotected persons; provision of placements for old people in old people's homes; provision of placements in educational and upbringing institutions for orphans and children left without parental care; provision of shelter for the homeless, etc.)

Program goals/results	Budgeted	Actual
Basic budget		
<i>Goal:</i>		
Perform social work with persons, families, and groups of persons, provide social services and organize their provision, as well as provide social assistance		
<i>Results:</i>		
Number of centers in boroughs	75	75
Number of day-care centers	11	11
Number of people provided with social aid and social services	84 000	57 468
Number of inhabitants per social work expert	2 123	2 255
<i>Goal:</i>		
Social aid and social services to population of moderate means		
<i>Results:</i>		
Number of people provided with social aid and social services	84 000	57 468
Average amount of material assistance per person per year (LVL)	125	160
<i>Goal:</i>		
Promote birthrate in Riga		
<i>Results:</i>		
Number of persons having received child birth support	8 000	8 311
Amount of benefit (LVL)	100	100
<i>Goal:</i>		
Encouragement of guardianship and trusteeship process		
<i>Results:</i>		
Number of guardians having two or more children in guardianship	200	142
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	635
Amount of remuneration depending on the location of the incapacitated person (LVL)		
in home care	20	20
in a specialized institution	10	10
<i>Goal:</i>		
Provide lodging, social care and social rehabilitation to orphans and children left without parental care		
<i>Results:</i>		
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	600	431
Average alimentation cost per place per month in the institution (LVL)	447	510
Number of organizations subcontracted by the Municipality	9	12
Number of places in subcontracted institutions	262	273
Number of persons having used a subcontracted institution during the year	371	304
Average alimentation cost in a subcontracted institution per place per month (LVL)	298,8	305
<i>Goal:</i>		
Provide lodging, social care, and social rehabilitation in long-term social care and social rehabilitation institutions to retired persons and disabled persons (group I, II) who cannot take care of themselves due to the age or state of health		
<i>Results:</i>		
Number of children's homes	3	3
Number of places in these institutions	577	577
Number of persons having used the institution during the year	672	775
Average alimentation cost per place per month in the institution (LVL)	198,8	254
Number of organizations subcontracted by the Municipality	10	10
Number of places in subcontracted institutions	626	626
Number of persons having used a subcontracted institution during the year	763	783
Average Municipality co-payment per person per month (LVL)	163,2	172

Riga Municipality budget resource utilization for municipality operations

Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in 2007

Program goals/results	Budgeted	Actual
<i>Goal:</i>		
Provide services of shelter and night shelter to persons of no fixed abode and persons having come to a crisis situation		
<i>Results:</i>		
Riga Shelter		
Number of places	170	196
Number of persons having used the institution during the year	1 200	1 074
Average alimentation cost per place per month in the institution (LVL)	150	153
Number of organizations subcontracted by the Municipality	5	3
Number of places in two subcontracted institutions		
in winter period	335	285
in summer period	150	144
Number of persons having used a subcontracted institution during the year	1 650	1 020
Average Municipality co-payment per person (LVL)	133,5	97,3
<i>Goal:</i>		
Provide social guarantees and relief to persons and families of low income residing in Riga		
<i>Results:</i>		
Social dwelling houses:		
number of houses	12	12
number of apartments	908	972
living space	45 933	49 173
Average number of persons receiving the service per year	1 110	1 328
Costs per square meter per month (LVL)	0,6	0,6
<i>Goal:</i>		
Provide social services to mentally handicapped and mentally ill persons: mastering of social skills and abilities with the help of social work expert at home/in apartments		
<i>Results:</i>		
Number of social services apartments	51	75
Average alimentation costs per apartment per month (LVL)	125,3	156,1
Average number of persons receiving the service per year	51	68
<i>Goal:</i>		
Provide social rehabilitation services to mentally handicapped and mentally ill persons: mastering of social skills, education, and leisure time opportunities		
<i>Results:</i>		
Number of institutions	5	5
Number of day-care centers	9	9
Number of places	222	227
Number of customers per year	250	252
Average alimentation costs per place per month (LVL)	189	193
<i>Goal:</i>		
Provide development and improvement of daily skills to mentally handicapped persons, as well as employment, under supervision of a professional expert, in order to encourage their integration into the society		
<i>Results:</i>		
Number of centers	3	3
Number of customers	22	25
Average alimentation costs per place per month (LVL)	188	205
<i>Goal:</i>		
Provide day and night professional assistance in Riga to persons in crisis situation		
<i>Results:</i>		
Number of advice over telephone	2 000	3 532
Number of advice in person	2 500	1 790
<i>Goal:</i>		
Social rehabilitation for persons in crisis situation		
<i>Results:</i>		
Number of places	67	67
Number of persons per year	150	254

Riga Municipality budget resource utilization for municipality operations

Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in 2007

Program goals/results	Budgeted	Actual
Average alimention costs per place (LVL)	337	370

Goal:

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

Results:

Number of organizations subcontracted by the Municipality	5	5
Number of short-term social care beds	140	136
Number of persons having received treatment during the year	2 080	2 933
Average Municipality co-payment per person per month (LVL)	262	265

Goal:

Rehabilitation of disabled children taking into account the necessity for developing and diversifying social services to disabled children

Results:

Number of organizations subcontracted by the Municipality	3	3
Number of places	109	105
Number of children having used this service during the year	125	115
Average alimention cost per place per month in the institution (LVL)	65,5	59

Protection of children's rights in the respective administrative territory

Basic budget

Coordinate and administrate in accordance with the competence of Riga Children's Rights Protection Center children's rights protection in Riga, as well as control provision of children's rights over all legal entities and individuals in Riga

Results:

Number of families having received legal assistance (consulting, opinions, procedural documents, etc.)	1 600	1 822
Consultations over the telephone about issues concerning provision of child's and family's rights.	6 000	6 080
Number of educational and upbringing institutions receiving training in children's rights.	300	300
Number of educational institutions participating in annual competitions about children's rights' protection issues organized by the Riga City Council.	170	170
Provision of children's rights:		
applications reviewed	800	1 331
complaints immediately dealt with	350	410
applications reviewed during commission meetings	300	395
inspections at the places of residence of families, based on applications	280	266
number of identified underage persons not attending educational institutions	170	150
inspection of parents in relation to the preparation of materials for the court	70	69
advisory to new social teachers	90	120
inspection of students' families together with social teachers	150	266

* Summary financial performance report

Riga Municipality budget resource utilization for municipality operations

Recreation, culture and religion

In 2007, Riga Municipality utilized kLVL 26 836.8 from Riga City basic budget, special purpose budget and investment resources on financing of recreational, cultural, and sports events, which is by kLVL 12 870.4 more than in 2006 (kLVL 13 966.4). The financing was utilized for support of annual City events in accordance with Riga Cultural Policy conception, and funding of cultural institutions: Riga libraries, cultural centers and houses, remuneration of the leaders of national arts and amateur arts groups, as well as sports activities.

In 2007, Riga Municipality financially supported various cultural and recreational events for the total of kLVL 11 540. The most significant events were: celebration of the Independence Day of the Republic of Latvia and Anniversary of Proclamation of the Republic of Latvia, Midsummer festival within urban environment such as Herbal Market on Doma Square, Mikelis Day Fair, Christmas and New Year events, national art group concerts, performances, shows, Riga amateur theater festival "Riga Plays Theater", Riga Second Dance Festival, Riga folklore group concerts "Song Festival at Our Home".

In August 2007, "Riga Festival 2007" events took place. More than 60 various events were included in the festival program, and they were attended by 100 thousand Rigans and city guests. Within the framework of this festival, competition of fireworks was organized, and the winner of this competition was given rights to organize fireworks for celebration of Independence Day of the Republic of Latvia on November 18. Contemporary Culture Forum "The White Night 2007" should also be mentioned as one of August 2007 events, whose 28 various projects were attended by almost 30 thousand people.

In 2007, a number of events aimed at children and youth took place in Riga: "Cālis 2007", International Children and Youth Dance Festival "Sprīdītis 2007", International Children and Youth Folklore Festival "Pulkā eimu, pulkā teku", event "Capital of Children" dedicated to the International Children's Day.

During the financial year, special purpose program of Riga festivals for 2007-2009 was initiated, and its financing for the first year was given to 38 festivals in the total amount of kLVL 250, whereof: the International Music Festival "Rhythms of Riga", 12th International Baltic Ballet Festival, International European Documentary Film Symposium, International Festival of the New Theater "Homo Novus", Days of Poetry, 10th International Sacred Music Festival, Theater Festival "The Golden Mask in Latvia", 7th International Bach's Chamber Music Festival, Riga Historical Music and Dance Festival, International Film Festival "The Baltic Pearl", National Film Festival "Lielais Kristaps", etc.

In order to promote diversity of culture, quality of project implementation, as well as public involvement in organization of cultural events, Riga Municipality financial support for realization of cultural projects was allocated on competition basis. In the two competitions for the financing of cultural projects, 189 projects of the total value of kLVL 233 were supported in such cultural areas as visual arts, music, theater, cultural diversity, etc. Whereas, 74 projects of the total value of kLVL 312 were supported in areas of traditional cultural events.

In 2007, the most significant events within the area of international projects and co-operation were: festival "Spring of France in Latvia 2007", First International Choir Festival and Competition "Music Inspiration Field 2007", Riga Days in St. Petersburg. Overall, Riga Municipality supported participation of total of 83 various groups in international competitions and festivals.

In 2007, there were 10 Municipality cultural centers and houses with 146 amateur groups in Riga, whereof 41 children's groups with almost 5 000 participants, as well as 282 national art groups, whereof 60 children's groups with more than 13 thousand participants.

In 2007, a wide variety of sports events and competitions were organized in Riga. More than 18 thousand participants took part in city championships, youth championships, tournaments, cup games, veterans' competitions, as well as other city-level national sports events. More than a thousand participants took part in President of Latvia Cup games in track-and-field, international competitions in calisthenics "The Baltic Circle", and International Riga City Council Cup competition in ball-room dancing. In 2007, with the support of Riga Municipality, 279 Riga City mass sports events for students took place in Riga, gathering more than 22 thousand children, 21 international-level event was also supported. During the winter season, Rigans could actively ski and skate at Riga Municipality skating-rings and the artificial skiing track in Uzvaras Boulevard. For the purpose of summer-season recreational activities, establishment, improvement, cleaning of territories, and upkeep of bathing grounds on Vecaki and Vakarbuli beaches was ensured.

Investment projects:

- Renovation of Lucavsala rowing station of Children's and Youth Sports School "Rīdzene";
- Commenced reconstruction of Mezaparks open-air stage, as well as repairs of Riga City libraries, int.al. planning.

Basic budget expense allocated to recreation, culture, and religion*

(kLVL)	2006 actual	2007 budgeted	2007 actual
Recreational and sports institutions and events	4153.5	8355.1	8076.1
Culture	8614.2	12354.3	11643.2
Other recreational, cultural, and religion-related services not classified above	531.7	2566.9	2301.5
Basic budget expense, int. al.	13299.4	23276.3	22020.8
Investment	747.3	773.3	323.1
Special purpose budget expenses	667.0	5296.0	4816
Total	13966.4	28572.3	26836.8

*As since 2007, new budget expense classification according to categories is in force and has been applied (Rules and regulations of the Cabinet of Ministers No.934, effective December 13, 2005), expenses of several functional categories cannot be directly compared to expenses in 2006.

Riga Municipality budget resource utilization for municipality operations

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Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in
2007

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.)

Program goals/results	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		
<i>Goal:</i>		
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		
<i>Results:</i>		
Number of libraries	45	45
Average cost of library operation (LVL)	44 291	51 147
Number of members (borrowers) (thousand)	90	74
Number of visits (thousand)	1 303,8	1 153,9
Average number of visits per member	14,5	15,7
<i>Goal:</i>		
Involvement of City inhabitants in processes of cultural events and creative leisure time activities		
<i>Results:</i>		
Number of cultural centers	10	10
Number of events organized by the cultural centers, whereof:	2 810	3 433
total number of visitors	815 000	1 021 197
events with free admission	2 110	1 903
number of events organized at cultural centers during state and traditional holidays	224	151
informative and educational events (lectures, seminars, conferences, etc.)	460	845
amateur concerts, performances, exhibitions	1 856	1 298
concerts, performances, exhibitions with participation of professionals	70	158
entertainment events	200	313
number of motion-picture shows	60	162
Number of amateur groups, whereof:	158	146
total number of participants	5 000	4 935
children's groups	50	41
number of participants in children's groups	1 200	1 459
<i>Goal:</i>		
Provide Riga City inhabitants and guests with a possibility of having a pleasant free time, enjoying arts, and mastering traditions and history of Latvian nation		
<i>Results:</i>		
Number of days of the biggest events (events with more than 10 000 participants) during state and traditional holidays, competitions, and festivals	70	214
<i>Goal:</i>		
Involvement of City inhabitants in processes of cultural events and creative leisure time activities		
<i>Results:</i>		
Number of cultural and entertainment events organized by executive authorities		53
<i>Goal:</i>		
Provide inhabitants with a possibility of improving skills and talents in leisure time by participating in amateur art groups: choir, dance ensembles and folklore groups, amateur theaters, national applied arts studios, vocal ensembles, photo and motion-picture studios for various age groups		
<i>Results:</i>		
Number of amateur performance groups per 1000 Rigans	20	19
Concerts with free admission, performed by amateur art groups (within year)	3 824	3 794
Total number of amateur groups and their members, whereof:	269	282
number of participants	10 165	13 302
whereof: children	55	60
number of members in children's groups	2 600	3 127
Number of paid amateur group leaders	588,5	565,5
<i>Goal:</i>		
Enrich Riga cultural life with professional and high-level musical performances, participate in developing Riga into one of European musical centers: brass band "Riga"		

Riga Municipality budget resource utilization for municipality operations

Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in 2007

Program goals/results	Budgeted	Actual
<i>Results:</i>		
Performances at events organized by Riga City Council and Riga City Council Department of Culture	22	17
Concerts with financing from Riga City Council Department of Culture and Fund of Cultural Capital	25	15
Paid (in accordance with an agreement) concerts and performances		30
Self-organized concerts without co-financing		8
<i>Goal:</i>		
Rendering of museum services to inhabitants, and preservation of museum displays of Latvian history of culture: Museum of Aleksandrs Caks, and Riga Porcelain Museum		
<i>Results:</i>		
Number of institutions	2	2
Number of visitors	9 000	7 616
Number of events and exhibitions	42	36
<i>Goal:</i>		
Provision of comprehensive cultural process in Riga City by executing Riga Cultural Policy conception program, int.al. promotion of arts and creative work of all type, preservation of cultural heritage and traditional culture, as well as provision of choice and accessibility of cultural values for wider society		
<i>Results:</i>		
Number of cultural project competitions announced by Riga City Council	2	2
Number of evaluated projects	525	403
Number of events supported in accordance with a resolution of Riga City Council Directorate of Culture commission for financing of events	212	189
<i>Goal:</i>		
Promote development of non-commercial, documentary and Latvian motion-picture culture		
<i>Results:</i>		
Number of non-commercial motion-pictures purchased for demonstration to children and youth		102
Number of non-commercial motion-pictures from "Arthouse" collection purchased for demonstration		161
Number of charity motion-picture shows		18
Number of European motion-pictures (having received recognition at international motion-picture festivals) purchased for demonstration		164
Number of motion-picture shows to school and studying youth on socially topical issues		300
Number of unique documentary retrospection shows to school and studying youth		10
<i>Goal:</i>		
Ensure preservation and popularization of Riga art nouveau historical heritage		
<i>Results:</i>		
Events and campaigns (int.al. for children)		6
Display time for exhibitions (days)		80
Total length of excursions (hours)		591
Number of excursion participants transported at a discount or free of charge		2 860
Total number of transported participants of excursions		4 146
Creative competitions		2
Number of works submitted to creative competitions		109
Audio-visual material on cultural heritage		2
Excursion routes prepared for pedestrians and information materials issued		2
Participation in international cultural heritage: popularizing of art nouveau, educational and city co-operational projects		4
<i>Goal:</i>		
Preservation of Riga public monuments		
<i>Results:</i>		
Identification and registration of monuments: creation of monument passport (number of monuments)	20	28
Examination and projection of public monuments located in Riga for reconstruction (number of monuments)	10	24
<i>Goal:</i>		
Maintenance of the Monument of Freedom and provision of coordinated events		
<i>Results:</i>		
Cleaning of the territory surrounding the Monument of Freedom (m2)	1 000	1 000
Upkeep of flower vases (number)	8	8
Care program for the Monument of Freedom, which involves cleaning of pedestrian walks and repair of joints (times per year)	1	1

Riga Municipality budget resource utilization for municipality operations

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Riga Municipality budget program 2007 goals, results, and financial performance*	Financial performance in 2007	
	Budgeted	Actual
Program goals/results		
Number of coordinated events at the Monument of Freedom	55	29
<i>Goal:</i>		
Upkeep of Riga warrior's cemetery and provision of coordinated events		
<i>Results:</i>		
Average upkeep costs of Riga warrior's cemetery ensemble, incl. upkeep of the Sacred fire, per day (LVL)	170	314
Upkeep of the lawn	39 205	39 205
Upkeep of hedge grows	2 510	2 510
Number of coordinated events in Riga warrior's cemetery	15	12
Promotion of a healthy life-style		
Basic budget		
<i>Goal:</i>		
Provide Rigans with an opportunity to strengthen health, rationally utilize their leisure time, achieve results in sports according to their own capabilities and fitness, as well as promote the image of Riga as a sportive city		
<i>Results:</i>		
Number of events organized within the framework of national sports subprogram (city championships, youth championships, tournaments, cup games, veteran competitions, and other city-level national sports events)	152	111
number of participants in these events	28 000	18 410
Sports activity subprogram for the disabled:		
number of events (championships and other sports activities)	64	12
number of participants in these events	2 050	737
Number of participants in international and state-level competitions (the president of Latvia cup games in track-and-field, international competitions in calisthenics "The Baltic Circle", international Riga City Council cup games in ball-room dancing)	500	1 101
Number of international events supported	17	21
Number of mass sports events	7	5
Riga City mass sports events for students and Riga district/suburb inter-school event programs:		
number of events	290	279
number of participants in these events	24 600	22 369
Support program for Sport-school sports events:		
number of events	40	39
number of participants in these events	3 920	3 789
Support for children and youth long-term development programs in sports:		
types of sports	14	12
number of sports groups	28	27
number of sportsmen	420	412
number of coaches	30	25
<i>Goal:</i>		
Provide inhabitants with specialized programs in individual types of sports (football, basketball, hockey), improve co-operation with institutions of general education and perform respective recruitment for children and youth programs of sports club "Riga" in matters of methodology for sports classes and practices		
<i>Results:</i>		
Number of departments in non-profit LLC "Sports Club "Riga""	3	5
Number of Riga international basketball competitions organized	2	1
Number of participants in youth football tournaments organized by the sports club "Riga":		
cup games of sports club "Riga" for three age groups	160	350
international tournament "Riga commonwealth city football tournament"	160	160
children's tournament "Football against drugs"	500	484
Participation in Latvian championships (major league, first league, in championship of Latvian youth): number of Riga teams	15	15
Participation in international championships: number of Riga teams	5	5
Trained national team players in:		
ice-hockey	8	10
football	2	2
Trained candidates for national team players in ice-hockey for:		
National team	3	5

Riga Municipality budget resource utilization for municipality operations

Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in 2007

Program goals/results	Budgeted	Actual
U-20 (twenty-year olds)	15	17
U-18 (eighteen-year olds)	18	19
Trained female candidates for national team players in basketball for:		
National team	4	4
U-20 (twenty-year olds)	4	4
U-18 (eighteen-year olds)	4	4
U-16 (sixteen-year olds)	3	3
<i>Goal:</i>		
Provide inhabitants with leisure activities, sports events, provide children and youth with wholesome physical and mental development and involve them in sports, as well as organize valuable leisure time and recreation possibilities		
<i>Results:</i>		
Number of sports competitions and events (regional cross-country running competitions, "Annas Cup", "Ligo" Cup, "Anninmuiza Cup", etc.)	25	53
Number of participants	2 500	6 294
<i>Goal:</i>		
Establishment and improvement of bathing grounds and areas for leisure activities, cleaning and upkeep of territories		
<i>Results:</i>		
Bathing grounds and leisure activity areas established	8	8
Vecaki		
Beach area (km)	2,8	3,1
Cost of upkeep per 1km (kLVL)	25,4	21,8
Vakarbulli		
Beach area (km)	8	8
Cost of upkeep per 1km (kLVL)	8,6	8,6
Bathing grounds within Riga Vidzeme Suburb area		
Total length of lakeshores to be maintained (m)		2 402,0
Total costs of upkeep (kLVL)		58,6
Utilization of forests and waters of public use		
Basic budget		
<i>Goal:</i>		
Management, watch, protection, and improvement of Riga Municipality forests in such a level as to provide inhabitants with possibility of multi-functional recreation		
<i>Results:</i>		
Forest watch and protection (ha)	380	380
Regeneration and upkeep of forests (ha)	30	30
Children amusement: establishment of hurdles (number)	1	1
Cost per children amusement: hurdles (LVL)	10 000	7 000
Creation and improvement of walking and cycling paths (m)	10 500	10 500
Creation of leisure activity fields (number)	2	1
Cost per leisure activity field (LVL)	25 000	25 000
Creation and improvement of recreational location near water (number)	1	10

* Summary financial performance report

Riga Municipality budget resource utilization for municipality operations

Municipality territory management and housing facilities

In 2007, 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 kLVL 39 810.5. These resources were mainly utilized on the implementation of Riga City housing program, as well as maintenance and renovation of illumination system.

During the financial year, Riga Municipality provided living space for 566 families, whereof 242 families received living space in newly constructed houses. While performing municipal housing construction program, Riga Municipality LLC "Rīgas pilsēt būvnieks" in 19 objects utilized investment resources amounting to mLVL 21.6. A dwelling house at 17 D.Brānkalna Street, Section 2 and a social house at 20 Gobas Street, Section 2 were put into operation: a total of 242 apartments.

Riga Municipality also provides support to inhabitants not being able to ensure themselves a living space, as well as to the tenants of denationalized houses. In 2007, living space vacation benefits were given to 745 Rigan families in the total value of mLVL 12.4. During the financial year, also improvement of residential fund was performed, e.g. replacement of roofing of 22 dwelling houses (kLVL 480), renovation of 61 vacant municipal apartment (kLVL 534), renovation of elevators in 50 dwelling houses (kLVL 349), reconstruction of cold water supply systems in 6 dwelling houses (kLVL 119), renovation of 16 fire-fighter water-supply systems in dwelling houses (kLVL 102).

Investment projects:

- Construction of illumination system in Ceres, Bruklenu, and Daugulu Streets;

- Performed overhaul of illumination system in Viesturu Boulevard (Stage 1), Hanzas Street (section from Vesetas to Eksporta Street), Kegums Street (section from Strīnu to Lielvarde Street), etc.;
- Installed illumination in Maskavas Street (section from building No.460 to Taisna Street), as well as performed the second stage of overhaul of street illumination system from Slavu Bridge to the building No.460;
- Renovation of fire-fighter water-supply systems in municipality apartment buildings;
- Performed renovation of an ensemble of unique and authentic wooden and stone buildings in Murnieku Street.

Budget expenses allocated to municipality territory management and housing facilities* (kLVL)	2007 actual	2007 budgeted
Street illumination	5652.0	5438.0
Other activities concerning municipality territory management and housing facilities not classified above.	36098.9	32103.1
Basic budget expenses, int. al.	41750.9	37541.1
Investments	17680.9	14241.4
Special purpose budget expenses	3643.2	2269.4
Total	45394.1	39810.5

*As since 2007, new budget expense classification according to categories is in force and has been applied (Rules and regulations of the Cabinet of Ministers No.934, effective December 13, 2005), expenses of several functional categories cannot be directly compared to expenses in 2006.

Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in 2007

Organization of municipal services for the inhabitants (water-supply and sewerage; heating-supply; municipal waste management, collection, drainage, and treatment of waste water) irrespective of who owns the housing fund; assistance to inhabitants in tackling housing issues

Program goals/results	Budgeted	Actual
Basic budget		
<i>Goal:</i>		
Coordinate the complex development and improvement of housing fund, as well as assist Rigans in tackling housing issues		
<i>Results:</i>		
Modernization of water supply and sewerage systems outside of houses: planning, organizing tenders, technical inspection (number of systems)	78	78
Modernization of water supply and sewerage systems in houses: planning, organizing tenders, technical inspection (number of systems)	43	65
Evaluation of apartment swaps (number of apartments)	92	136
<i>Goal:</i>		
Perform overhaul of residential area intended for lease		
<i>Results:</i>		
Number of apartments prepared for lease	20	61
<i>Goal:</i>		
Provision of one-time allowance for vacation of the living space to the tenants living in denationalized houses		
<i>Results:</i>		
Number of apartments purchased	800	754
<i>Goal:</i>		
Upkeep of territories not used for business activities in accordance with sanitary requirements		
<i>Results:</i>		
Improvement of municipal territories of public use (ha)	1 427,9	1 665,8
<i>Goal:</i>		
Ensure declaration of residence of Riga inhabitants and processing and preservation of received information		
<i>Results:</i>		
Number of residences declared (thousand)	52,6	49,9

Riga Municipality budget resource utilization for municipality operations

Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in
2007

Program goals/results	Budgeted	Actual
<i>Goal:</i>		
Improvement and management of municipal territories and objects of public use		
<i>Results:</i>		
Renovation of children's playgrounds and sports grounds (quantity)	60	60
Establishment of children's playgrounds and sports grounds (quantity)	87	28
Basic budget		
<i>Goal:</i>		
Quality illumination of Riga City streets, upkeep and extension of the illumination system		
<i>Results:</i>		
Provision of illumination in Riga City parks, squares, and housing estates (length in km)		
underground cable lines (total length in km)	1 216	1 253
overhead wires and cable lines (total length in km)	544	564
luminaries (number)	43 950	44 220
supports (number)	34 180	34 972
switchboards and loop boxes (number)	3 950	3 766
substations supplying illumination networks (number)	389	391
Determination of land utilization and order of construction in accordance with Municipality territory planning		
Basic budget		
<i>Goal:</i>		
Ensure accounting for- and administration of street trade and business objects within the administrative territory		
<i>Results:</i>		
Issue of street trade licenses (thousand of licenses)	6,3	13,2
Number of street trade places (thousand)	1,6	1,5
<i>Goal:</i>		
Ensure rational use and lease of non-residential fund in accordance with regulations set by Riga City Council, thus creating favorable environment for development of business, culture, and arts, as well as provision of operation of municipal institutions		
<i>Results:</i>		
Conclusion of agreements on lease of premises (number of agreements)	90	184
Extension of agreements on lease of premises (number of agreements)	522	409
Inspection of lease objects (number)	1 113	1 236

* Summary financial performance report

Riga Municipality budget resource utilization for municipality operations

Environmental protection

In 2007, the total financing allocated from the basic budget, the special purposes budget, as well as investment resources to environmental protection amounted to kLVL 3 183.6. The resources allocated to this area were mainly utilized on activities aimed at ensuring environmental protection, int.al. environmental quality improvement.

During the financial year, Municipality worked on more than a hundred projects in the area of environmental protection. The most significant projects are the following:

- Management and construction of drainage systems (kLVL 834.1);
- Management and renovation of city greenery (kLVL 294.4);
- Rehabilitation of polluted areas (kLVL 130.0)
- Establishment of stations for collection of dangerous waste (LVL 12 739).

Within the area of environmental protection, construction works worth kLVL 227 were performed: an area for the placement of tern colony was built in the northern part of Zakusala Island; the first stage of Maras Pond greenery and territory improvement works was accomplished; construction of the Green Cycling Track was commenced.

During the financial year, "The conception of Riga over-ground water supply system management for 2008-1013" was developed, as well as a project of the binding regulations "On the establishment and management, and hygiene regulations of bathing grounds, in Riga City" was created; continuous reports on the city air quality have been prepared.

The most significant investment projects:

- Reconstruction of Avotkalna Street ditch;
- Reconstruction of drainage system in Kundzinsala.

Budget expenses allocated to environmental protection* (kLVL)

	2007 actual	2007 budgeted
Waste-water management	326.2	234.8
Other expenditures related to environmental protection	2573.4	1903.9
Basic budget expenses, int. al.	2899.6	2138.7
Investments	1182.9	552.2
Special purpose budget expenses	1164.4	1044.9
Total	4064.0	3183.6

*As since 2007, new budget expense classification according to categories is in force and has been applied (Rules and regulations of the Cabinet of Ministers No.934, effective December 13, 2005), expenses of several functional categories cannot be directly compared to expenses in 2006.

Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in 2007

Improvement of the administrative territory and sanitary cleanness in the area of environmental protection		
Program goals/results	Budgeted	Actual
Basic budget		
<i>Goal:</i>		
Cleaning and improvement of Riga City public parks, gardens, squares, and other greenery, upkeep of public fountains		
<i>Results:</i>		
Upkeep of Riga City public greenery (ha), whereof:	288,4	284,1
Category I greenery (high-level upkeep intensity)	135,8	64,7
Category II greenery (medium-level upkeep intensity)	84,4	151,1
Category III greenery (low-level upkeep intensity)	60,2	59,7
Upkeep of adjacent territories (ha)	8	8,6
Upkeep of public gardens and parks (number of objects)	28	28
Upkeep of squares and greenery (quantity)	49	49
Upkeep of public fountains with canal sprinkle system (number of fountains)	11	11
Average cost of upkeep of a public fountain (LVL)	7 032	3 685
Upkeep of lawns (ha)	204,8	130
Upkeep of asphalted, cobblestone, and gravel roads and squares (sq m)	391 245	470 034
Upkeep of children's playgrounds (quantity)	19	25
Upkeep of children's playgrounds (sq m)	16 549	17 127
Upkeep of deciduous trees (quantity)	27 138	26 854
Upkeep of coniferous trees (quantity)	3 928	2 992
Upkeep of annual flowerbeds (sq m)	1 917	1 834
Upkeep of perennial flowerbeds (sq m)	11 709	11 668
Cleaning of waste bins (quantity)	655	666
Cleaning of water bodies and ponds (sq m)	8 011	8 011
Cleaning of canals (sq m)	41 115	41 115

Riga Municipality budget resource utilization for municipality operations

Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in
2007

Program goals/results	Budgeted	Actual
<i>Goal:</i>		
Liquidation of damaged, dangerous poplars		
<i>Results:</i>		
Number of poplars to be liquidated	1 515	751
Average cost of liquidating a poplar (LVL)	132	116
<i>Special purpose budget</i>		
<i>Goal:</i>		
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)		
<i>Results:</i>		
Renovation of greenery (number of trees)	65	50
Upkeep of prior year plantations (number of trees)	1 000	1 004
Shaping the crowns of trees growing along streets (number of trees)	1 399	1 279
Liquidation of dead trees, and female clone poplars (number of trees)	152	432
Number of liquidated defective trees	280	569

* Summary financial performance report

Riga Municipality budget resource utilization for municipality operations

Public order and security

In 2007, Riga Municipality allocated kLVL 10 769.3 from the basic budget and special purpose budget resources to public order and security related matters and activities. In 2007, Riga municipal police ensured safety and order at 254 mass events, int.al. the Republic of Latvia Independence Day, during visits of foreign guests, sports and recreational events, processions, remembrance

days. Riga Municipality continues to pay attention to the improvement of security and order measures within the city environment so as to ensure that the city inhabitants and guests can spend their time well both on a daily basis and during events of international level.

Investment projects:

- Modernized diver- and rescue stations "Vecāķi" and "Bābelīte".

Budget expenses allocated to public order and security*

(kLVL)	2006 actual	2007 budgeted	2007 actual
The police	6543.4	9474.1	9452.6
The court and prosecutor's offices		1142.1	1109.9
Basic budget expenses, int. al.	6543.4	10616.2	10562.5
Investments	39.9	50.1	44.2
Special purpose budget expenses	30.7	322.0	206.8
Total	6574.1	10938.2	10769.3

*In 2006, orphans courts and prosecutor's offices were shown under function "Social Security"

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Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in
2007

Program goals/results	Provision of public security	
	Budgeted	Actual
Basic budget		
<i>Goal:</i>		
Provide public order, security of inhabitants and City guests, protection of their legal interests, create safe environment for children		
<i>Results:</i>		
Provision of police services, whereof:		
number of protected municipality institutions/objects	46	48
number of mass events serviced	615	254
number of other events, when the legitimacy was protected by the municipal police	17 069	16 949
Intervention of police upon the request of inhabitants (number of occasions)	42 227	39 832
Access to police (number of service points: directorates, stations, support bases, etc.)	33	34
Police response time: arrival of patrol at the scene (min)	29	28
Number of persons having used police services (incl. City guests)	625 456	636 984
Servicing costs per customer (LVL)	14	15.5

Cases of guardianship, trusteeship, and adoption, as well as issues related to foster families

<i>Goal:</i>		
Ensure in accordance with the competence of Riga Orphans' Court children's rights protection in cases, when parents are not able to or cannot ensure it, and facilitate children's right to grow up and develop in a safe environment: family		
<i>Results:</i>		
Pre-adoption research (number of families)	100	120
Post-adoption monitoring (number of families)	150	71
Decisions on pre-adoption care	81	89
Work with persons who are recognized as adopters (number of families)	120	161
Forfeiture of child-care rights (number of parents)	320	290
Resumption of child-care rights (number of parents)	130	82
Submission of application to court to debar rights of guardianship (number of persons)	270	271
Establishment of trusteeship, monitoring of trusteeship (number of children), whereof:	250	1 658
monitoring		1 427
established trusteeship		231
Preparation and issue of guardianship certificates	220	155

Riga Municipality budget resource utilization for municipality operations

Riga Municipality budget program 2007 goals, results, and financial performance*

Financial performance in
2007

Program goals/results	Budgeted	Actual
Evaluation of annual payment reports of guardians and trustees (number of persons)	2 200	1 404
Inspection of children under guardianship	1 550	903
Forfeiture of guardianship (number of children)	280	271
Work with families not providing sufficient care for growth and development of children (number of families)	1 500	611
Appointment of trustees to incapable persons and monitoring of activities of guardians (number of incapable persons), whereof:	170	767
monitoring		691
appointing of guardians		76
Inspection of incapable persons	640	540
Appointment and abolition of a trustee for legacy, property of a person in absence, monitoring of a trustee (number of occasions)	60	130
Provision of out-of-family care to a child in child-care institutions (number of children)	170	179
Inspection of children at child-care institutions	880	722
Granting of rights of action with property of underage persons and incapable adults (number of occasions)	450	456
Monitoring of property management (number of persons)	300	486
Review of court notices on eviction of families with children from dwelling places (number of occasions)	250	190
Participation in courts	1 500	1 995
Number of applications submitted to court	150	251
Number of advice of a psychologist	3 375	1 175
Number of families consulted by a psychologist	300	227
Decisions on discontinuation of social benefits to persons who do not bring up children, and allocation of these benefits to persons who actually perform upbringing of children	120	114
Permits for change of nationality, name or surname of a child	35	6
Discontinuation of out-of-family care at an out-of-family care institutions (number of children)	50	87

* Summary financial performance report

Riga Municipality has been applying long-term financial management policy resulting in a budget execution with surplus during four subsequent years

To the Riga City Council

1. We have audited 2007 summary financial statements of the Riga City Council, on the basis of which 2007 condensed financial statements of the Riga City Council set out on pages 54 through 59 were prepared. We conducted our audit in accordance with International Standards on Auditing issued by the International Federation of Accountants. 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 18 April 2008, we expressed an opinion on 2007 summary financial statements of the Riga City Council, on the basis of which 2007 condensed financial statements of the Riga City Council were prepared, stating that, except for the effect of such adjustments to the financial statements, as discussed in paragraphs 6, 7, 8, and 9 of the report, if any, and the effect of the uncertainties, as discussed in paragraphs 2, 3, 4, and 5 of the report, on the results of the current year and the 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 2007, and of its financial performance and its cash flows for the year then ended in accordance with Republic Latvia Cabinet Regulations No. 749 on the Procedure for Preparation of Annual Reports of State Budget and Municipal 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 enerģētikas aģentūra, Riga Municipal Agency Rīgas dārzi un parki, Riga Municipal Agency Rīgas pieminekļu aģentūra, Riga Municipal Agency Rīgas kultūras aģentūra, Riga Municipal Agency Reģionālais sporta centrs Anniņmuiža, Riga Municipal Agency Mežaparks, Riga Municipal Agency Rīgas pilsētas arhitekta birojs, Riga City Public Services Regulator (hereinafter jointly referred to as the "Municipal Institutions") included in the summary financial statements. The total assets of the above mentioned Municipal Institutions as at 31 December 2007 amounted to LVL 921 305 471, and the total expenses for the year ended 31 December 2007 amounted to LVL 288 069 202. These financial statements have been audited by other auditors, whose reports as of 22, 25, 27, 28, and 29 February 2008, and 3, 4, 5, 6, 7, 10, 12, 14, 17, 18, 20, 25, 27, and 31 March 2008, and 16 April 2008, 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 established. The aforesaid process has been completed in relation to part of the Riga municipal real estate and part of the land plots included in the administrative territory of the Riga City. Therefore, the carrying amount of the real estate and forest stands growing on the land plots as at 31 December

2007 and onwards might be further adjusted. We were not able to identify the number of potential adjustments or the amount attributable to the real estate as at 31 December 2007. These circumstances were also effective as at 31 December 2006, whereon we expressed a qualified opinion on 27 April 2007.

3. The value of the apartment houses carried on 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 38 million. In our opinion, 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. These circumstances were also effective as at 31 December 2006, whereon we expressed a qualified opinion on 27 April 2007.

4. The carrying amount of the land, buildings and constructions held for disposal and privatisation, as presented in the Riga City Council Property Department's balance sheet, is LVL 21.38 million, which represents the carrying amount of the above real estate classified as tangible assets at the date of the decision on disposal of this property. According to Republic of Latvia Cabinet Regulations No. 867 on the Procedure for Organising Accounting by Budget Institutions, current assets have to be stated at the lower of cost and net realisable value. According to laws, part of the selling value of properties may be received in the form of privatisation certificates rather than cash, and the value of those privatisation certificates would bring no monetary revenue to the Riga City Council and, therefore, there exists the likelihood that the revenue received from the disposal would be lower than the carrying amount of these properties stated in the Riga City Council Property Department's balance sheet as at 31 December 2007. Given that the Riga City Council Property Department has not estimated the recoverable amount of the above real estate as at 31 December 2007, we were not able to determine the potential impairment amount.

5. The value of the tangible non-current assets, as presented in the Riga City Council Property Department's balance sheet, includes also the value of the land, buildings and constructions which the Riga City Council has decided to dispose of. However, due to the deficiencies in the accounting processes, it was not possible to identify all the assets held for disposal and, therefore, such assets were classified as tangible assets as at 31 December 2007. In our opinion, part of the value of this real estate should have been disclosed as current assets, but, for the above reason, we were not able to determine the amount of potential adjustments and estimate the value of the land, buildings and constructions held for disposal that should have been also reclassified to current assets.

6. Based on the value of the common use premises attributable to the apartments privatised under the accelerated privatisation process as at 31 December 2006 estimated by the Riga City Council Property Department, in 2006 the Riga City Council Property Department excluded the value of the common use premises in the amount of LVL 8 million from its balance sheet. The said amount comprises the carrying amount of all the common use premises attributable to the apartments privatised until 31 December 2006, and therefore LVL 6 million of that amount are attributable to the prior periods. The Riga City Council Property Department stated this decrease in the financial statements for the year ended 31 December 2006. Consequently, the comparative figures for 2006 presented in the financial statements for the year ended 31 December 2007 should have been adjusted, by decreasing the budget execution result of the prior years stated in the balance sheet as at 31 December 2006 by LVL 6 million and increasing that of the current year by the same amount. These circumstances were also effective as at 31

December 2006, whereon we expressed a qualified opinion on 27 April 2007.

7. In 2007 and in the prior years, several institutions of the Riga City Council used foreign financial assistance received to acquire, establish, or construct non-current assets (with finite useful lives) and disclosed this assistance in the statement of activity as revenue for the year when the respective funds were received. According to Republic of Latvia Cabinet Regulations No. 867 on the Procedure for Organising Accounting by Budget Institutions, foreign financial assistance used to acquire, establish, or construct non-current assets has to be stated in the balance sheet as deferred income and taken to the statement of activity on a straight-line basis during the useful lives of the assets. Had the foreign financial assistance been accounted for in compliance with the above Regulations, the budget execution result of the Riga City Council for the current year and the previous years would have been smaller, while the deferred income presented in the balance sheet would have been larger. Considering that the foreign financial assistance was not disclosed correctly in 2007 and in the prior years, we were not able to determine the amount of potential adjustments and estimate the effect such adjustments could produce on the balance sheet caption Deferred income, equity, and the statement of activity.

8. In 2006 and until 1 October 2007, the Riga City Council Transport Department had not reviewed the depreciation rates for the streets, bridges, and cross-overs registered in its accounts until 31 December 2005 to comply with Republic of Latvia Cabinet Regulations No. 440 on the Depreciation Rates for Tangible Assets of Budget Institutions and Application Thereof. We were not able to determine the amount of potential adjustments and estimate the effect such adjustments could produce on the balance sheet caption Tangible non-current assets and the statement of activity. These circumstances were also effective as at 31 December 2006, whereon we expressed a qualified opinion on 27 April 2007.

9. 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 4.8 million 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 4.8 million. 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 Riga City Council had the title to the land plots registered in its name 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 LVL 4.8 million larger, while the budget execution result for the reporting period would have been LVL 4.8 million smaller.


10. Without further qualifying our opinion, we would like to draw your attention to the fact that in 2007 the Riga City Council Transport Department completed measurement of the Riga City's streets, bridges, and cross-overs and presented them in its balance sheet appropriately, recognising in its statement of activity income in the amount of LVL 600 million from recognition of the non-current assets which had not been recognised previously. As at 31 December 2006, the streets, bridges, and cross-overs of the Riga City Council were only partly stated in the balance sheet of the Riga City Council Transport Department and for this reason we expressed a qualified opinion on 27 April 2007.

11. Without further qualifying our opinion, we would like to draw your attention to the fact that in 2007 Riga Municipal Agency Rīgas gaisma measured and recognised all the external lighting equipment and systems of the Riga City and included them in its balance sheet in the amount of LVL 11 million, recognising in the financial statements for the year ended 31 December 2007 income in the amount of LVL 11 million from recognition of the non-current assets which had not been recognised previously.

12. In our opinion, the above mentioned condensed financial statements in all material aspects correspond to 2007 complete summary financial statements of the Riga City Council, on the basis of which 2007 condensed financial statements of the Riga City Council were prepared.

13. To obtain a more complete view of the financial position of the Riga City Council as at 31 December 2007, 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 2007 complete financial statements of the Riga City Council, on the basis of which 2007 condensed financial statements of the Riga City Council were prepared, and the respective auditors' report.

SIA Ernst & Young Baltic
Licence No. 17



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



Iveta Vimba
Latvian Sworn Auditor
Certificate No. 153
Board Member

Riga Municipality Financial Statements

(summary)

Riga Municipality Summary Balance Sheet	31.12.2006. KLV	31.12.2007. KLV
Assets:	837 143.9	1 712 984.5
Long-term assets	752 017.5	1 580 420.5
Intangible assets	4 170.6	5 217.4
Tangible fixed assets	543 019.5	1 302 512.2
Financial investments	204 827.4	272 690.9
Current assets	85 126.4	132 564.0
Inventory	25 848.1	33 730.2
Productive animals and draft animals	6.8	-
Accounts receivable	8 084.5	10 018.1
Prepaid expenses	1 638.9	5 053.0
Securities and short term investment in equity capital	6 698.1	11 660.7
Cash and bank	42 850.0	72 102.0
Liabilities:	837 143.9	1 712 984.5
Equity	671 623.9	1 466 482.4
Reserves	107 145.0	168 941.7
Retained budget surplus for the prior year	537 511.8	564 479.0
Budget surplus for the year	26 967.1	733 061.7
Accruals	-	13 440.5
Liabilities	165 519.9	233 061.6
Borrowings	96 738.4	108 838.8
Accounts payable	38 929.2	97 069.9
Taxes payable	2 519.6	3 250.3
Payables to affiliated enterprises, shareholders, and employees	7 400.2	11 379.1
Other liabilities	19 932.5	12 523.5
Contingent assets and liabilities:		
Contingent assets	10391.1	34 878.5
Leased assets	5 019.1	2 979.0
Privatization certificates received as compensation for privatized property	-	4 852.1
Bad debts	4 924.6	1 291.4
Other contingent assets	447.4	25 756.0
Contingent receivables	-	1 566.8
Dividends receivable and payments for utilization of shares	-	1 249.1
Fines receivable	-	151.1
Actions of detinue	-	7.8
Other contingent receivables	-	158.8
Contingent liabilities	179464	581 074.2
Outstanding prepayment invoices	-	0.2
Future rent payments	-	1 706.8
Future liabilities	150 017.1	559 212.2
Warrants issued	13 048.4	15 509.7
Other contingent liabilities	16 398.5	4 645.3

Riga Municipality Financial Statements

(summary)

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Income Statement (Basic budget)	2006	2007
Accruals basis	KLVL	KLVL
Total revenues	364 056.2	1 128 583.0
Total tax revenues	247 724.9	345 367.0
Personal income tax	213 794.7	300 215.4
Property taxes	30 620.2	40 504.2
Real estate tax on land	10 109.6	9 960.1
Real estate tax on buildings and structures	20 995.9	30 535.9
Other tax revenues	3 310.0	4 647.4
Total non-tax revenues	55 144.3	694 909.0
Government and municipality fees, transferred to municipal budget	590.4	177.0
Revenues from paid services provided by public institutions	27 641.1	94 750.2
Other non-tax revenues	26 912.8	599 981.8
Total tax and non-tax revenues	302 869.2	1 040 276.0
Payments from state basic budget	61 186.6	83 007.7
Earmarked subsidies	52 793.2	75 382.5
whereof from public institutions on capital expenditures	3 612.6	1 940.1
Payments from public institutions	8 393.4	7 625.2
Municipal budget transfers	-	5299.3
Total expenses	359 312.0	477 103.5
Total expenses by government function	327 760.0	477 103.5
General governmental agencies	63 007.0	130 907.4
Public order and security	6 595.9	10 256.1
Economic activity	-	78 807.9
Environment protection	-	2 933.5
Municipal territory and housing management	-	18 239.0
Health care	11 405.8	13 033.9
Leisure, culture, and religion	12 641.9	23 057.9
Education	126 594.2	155 567.4
Social security	23 804.6	44 300.4
Housing facilities and public utilities, environment protection	44 323.4	-
Transportation, communications	35031.3	-
Other economic activities and agencies	866	-
Other expenses	3489.9	-
Deposits to municipal cohesion fund	31 552.2	46 515.5
Budget surplus or deficit	4 744.2	651 479.5

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

Riga Municipality Financial Statements

(summary)

Income Statement (Special purpose budget)	2006	2007
Accruals basis	kLVL	kLVL
Total revenues	37 070.2	97 977.2
Riga Municipality Property Privatization Fund	9 500.1	20 369.0
Revenues from privatization of state and municipality property	7 591.2	19 430.5
Revenues from privatization of apartments and valuation of uninhabitable housing resources	1 908.9	938.5
State Road Fund	7 741.1	13 356.9
Motor vehicle duty and excise tax	7 246.1	12 487.1
Earmarked subsidies for regular bus traffic	495.0	869.8
Natural resources tax	313.7	359.9
Municipality revenues stated in the Law "On Natural Resources Tax"	313.7	359.9
Other revenue	19 515.3	63 891.4
Riga City Development Fund (revenues from lease of land, and other revenues)	4 022.5	4 443.3
Other special purpose budget revenues	15 492.8	59 448.1
Total expenses	10 042.6	16 958.8
General governmental agencies	3 013.0	7 215.3
Public order and security	16.3	-100.5
Economic activity	-	7 001.3
Environment protection	-	976.1
Municipal territory and housing management	-	266.0
Health care	78.8	194.9
Leisure, culture, and religion	559.5	345.4
Education	148.7	46.0
Social security	131.2	1 014.3
Housing facilities and public utilities, environment protection	2 774.7	-
Forestry and fishery	2790.1	-
Transportation, communications	530.2	-
Budget surplus or deficit	27 027.6	81 018.4

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

Riga Municipality Financial Statements

(summary)

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Income Statement (Basic budget) cash flow basis	2006 Actual kLVL	2007 Budget kLVL	2007 Actual kLVL
Total revenue	338 773.3	450 520.8	467 112.9
Total tax revenue	248 321.5	329 293.1	345 154.0
Personal income tax	213 980.3	290 974.6	300 249.0
Property taxes	31 031.2	33 918.5	40 257.6
Real estate tax on land	10 119.8	10 330.7	10 080.7
Real estate tax on buildings and structures	20 852.7	23 587.8	30 176.9
Other property taxes	58.7	-	-
Other tax revenue	3 310.0	4 400.0	4 647.4
Total non-tax revenue	31 131.2	32 871.2	38 951.2
Government and municipality fees, transferred to municipal budget	665.2	170.0	153.6
Revenue from paid services provided by public institutions	28 180.3	31 234.8	36 876.2
Other non-tax revenue	2 285.7	1 466.4	1 921.4
Total tax and non-tax revenue	279 452.7	362 164.3	384 105.2
Payments from the state budget	59 320.6	88 356.5	83 007.7
Earmarked subsidies	50 921.9	75 548.1	75 382.5
whereof from public institutions on capital expenditures	1 723.0	1 940.1	1 940.1
Payments from public institutions	8 398.7	12 808.4	7 625.2
Total expenses	319 625.2	484 500.7	454 706.8
* Total expenses by government function	288 073.0	484 500.7	454 706.8
General governmental agencies	29 835.9	92 444.1	88 987.7
Public order and security	6 543.4	10 616.2	10 562.5
Economic activity	-	93 168.2	84 066.1
Environment protection	-	2 899.6	2 138.7
Municipal territory and housing Management	-	41 750.9	37 541.1
Health care	11 047.6	14 626.9	13 233.5
Leisure, culture, and religion	13 299.4	23 276.3	22 020.8
Education	120 313.0	160 118.7	153 547.4
Social security	24 268.8	45 599.8	42 609.0
Housing facilities and public utilities, environment protection	50 109.0	-	-
Transportation, communications	28 649.1	-	-
Other economic activities and agencies	924.4	-	-
Other expenses	3 082.4	-	-
Deposits to municipal cohesion fund	31 552.2	46 515.5	46 515.5
Balance of resources, beginning of period	8 804.0	-	18 644.4
Balance of resources, end of period	18 644.4	-	39 503.7

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

Riga Municipality Financial Statements

(summary)

Income Statement (Special purpose budget)	2006	2007	2007
Cash flow basis	Actual	Budget	Actual
	kLVL	kLVL	kLVL
Total revenues	36 257.8	72 849.7	47 079.1
Riga City Municipality Property Privatization Fund	8 843.3	35 424.8	16 661.9
Revenues from privatization of state and municipal property	6 934.4	34 720.0	15 747.5
Revenues from privatization of apartments and valuation of uninhabitable housing resources	1 908.9	704.8	914.4
State Road Fund	7 741.1	13 067.4	13 356.9
Motor vehicle duty and excise tax	7 246.1	12 197.5	12 487.1
Earmarked subsidies for regular bus traffic	495.0	869.9	869.8
Other incoming state budget transfers			
Natural resources tax	313.7	320.0	359.9
Other revenue	19 359.8	24 037.5	16 700.4
Riga City Development Fund (revenues from lease of land, and other revenues)	4 604.2	2 670.3	4 488.1
Other special purpose budget revenues	14 755.6	21 367.2	12 212.3
Total expenses	27 131.0	61 810.7	38 924.4
* Expenses by government function			
General governmental agencies	6 018.0	13 012.5	6 250.2
Public order and security	30.7	322.0	206.8
Economic activity	-	24 287.9	17 749.0
Environment protection	-	1 164.4	1 044.9
Municipal territory and housing management	-	3 643.2	2 269.4
Health care	121.5	216.1	172.5
Leisure, culture, and religion	667.0	5 296.0	4 816.0
Education	3 996.6	11 418.7	4 871.0
Social security	136.9	2 449.9	1 544.6
Housing facilities and public utilities, environment protection	5340.4	-	-
Forestry and fishery	2908.8	-	-
Transportation, communications	7911.1	-	-
Balance of resources, beginning of period	5 534.5	-	14 661.3
Balance of resources, end of period	14 661.3	-	32 167.0

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

Riga Municipality Financial Statements

(summary)

Income Statement on donations and endowments	2006	2007	2007
Cash flow basis	Actual kLVL	Budget kLVL	Actual kLVL
Total revenue	305.6	1 011.0	832.4
Donations and endowments by legal entities and individuals	305.6	1 011.0	832.4
Donations and endowments to education	287.0	477.4	314.5
Donations and endowments to social aid	2.7	10.5	2.6
Other donations by legal entities and individuals	15.9	523.1	515.3
Total expenses	322.5	1 208.2	636.5
* Expenses by government function			
General governmental agencies	31.9	-	-
Public order and security	0.0	3.0	-
Economic activity	-	491.7	382.0
Municipal territory and housing management	-	28.5	14.6
Leisure, culture, and religion	4.0	6.6	2.2
Education	283.3	662.4	236.9
Social security	1.3	16.0	0.8
Housing facilities and public utilities, environment protection	2.0	-	-
Balance of resources, beginning of period	252.4	-	235.4
Balance of resources, end of period	235.4	-	431.3

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

Terms of Riga Municipality Consolidated Financial Statement preparation

General terms of financial statement preparation and accounting

Riga Municipality summary (consolidated) financial statement 2007 (hereinafter referred to as financial statement) has been prepared in line with the Cabinet of Ministers Regulations No.749 as of November 13, 2007 "Regulations on Preparation of Annual Reports of State and Municipal Budget Institutions". The summary (consolidated) financial statement 2007 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 in 2007, as well as the record of liabilities and expenses, and can be used to develop financial policy as well as assist in decision making process during the planning and execution 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.284-r "On Year 2007 Stocktaking within Riga Municipality" as of October 25, 2007 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.

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.

Items in assets and liabilities sides are evaluated separately. Only items that significantly influence readers of the annual report and decision-making are reflected, all other, less significant items, are combined and their detailed overview is reflected in the appendix to the annual report. All anticipated risk amounts and losses originated during the financial year or previous years have been taken into account, even if they have been discovered after the balance sheet date, but before the preparation of this annual report.

Accounting in the Municipality has been organized in several levels where accounting performed in the lower structural units is consolidated into the next level. The accounting has been organized based on the doubly-entry system and in accordance with respectively developed and approved chart of accounts. In accordance with Municipality's unified accounting policy, in 2007 a unified chart of accounts has been used to record transactions and resources in Municipality. The chart of accounts has been approved by the resolution No.442-r "On the Approval of new Riga Municipality unified chart of accounts" as of December 26, 2006 issued by the Riga City Council chairman.

Structural units and programs included in the summary financial report

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 Ministry of Finance of the Republic of Latvia. 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 2007 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 gaismā"
22. Riga Municipal agency "Rīgas dārzeņi 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 purpose 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
5. Riga City Municipality Property Privatization Fund (int.al. Property Department programs associated with financing of property registration, administration, and Riga Municipality property expropriation and privatization)
6. Riga Environmental Protection Fund
7. Donations and endowments for special purposes, (int.al. funds donated by foreign governments and individuals)
8. Municipality Property Privatization Fund (int.al. Property Department programs associated with financing of property registration, administration, and Riga Municipality property expropriation and privatization)
9. Riga City Council Property Department program associated with the administration of shares owned by Riga Municipality as well as legal

- administration of agreements on lease of land
10. 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)
 11. Riga City Public Services Regulator
 12. Riga Municipal Agency "Rīgas meži"
 13. Financing of Riga City Council Education, Youth, and Sports institutions and programs from donations and endowments
 14. Financing of Riga Districts' programs from donations and endowments
 15. Financing of Riga City Council Welfare department's programs from donations and endowments
 16. Financing of Riga City Council Environmental department's programs from donations and endowments
 17. Financing of Riga City Council Municipality Services programs from donations and endowments
 18. Financing of Riga Municipality Agency "Rīgas pieminekļu aģentūra" programs from donations and endowments.

Riga City Council's investment program, int. al. the 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.

Structural units and programs not included in the financial statements

Riga City Finance Department accounts for and has included in its reports a number of centralized programs described in the previous section. Apart from these programs, several other programs, types of revenue and financing, as well as assets and liabilities exist, which the Finance Department records into separate books. In 2007, there were 52 projects audited by Republic of Latvia sworn auditor.

Financing

In 2007, financing of earmarked programs administered by Riga Municipality departments, institutions, and agencies has been provided by accumulated resources in Municipality budget and loans as follows:

Resources for financing of expenses in basic budget programs

- Subsidy from other revenues:
 - int.al. - Municipality subsidy
 - Earmarked subsidy and subsidy from the state budget
- Paid services and other own revenues.

On the day of allocation (receipt) of subsidies, an institution recognizes revenues from received subsidies and increases its cash account balance. Subsidies, which an institution has encountered to cover expenses and have been recognized as revenue in the profit and loss statement of the respective financial year, are eliminated (consolidated) from the summary report by recognizing Municipality revenues and budgetary institutions' expenses.

At the end of financial year 2007, all surplus resources of Riga City basic budget unused by municipal institutions are returned to the Municipality basic budget account.

Resources for financing of expenses in special purpose budget programs

- Resources marked for special purposes
- Donations and endowments
- Donations and endowments by foreign governments.

In 2005, by means of an open tender, financing was attracted for construction of the South 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 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 interest rate of Riga City Council 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 duration of the model. By concluding contracts on the construction of the South Bridge, the Municipality has performed a purchase of construction services by purchasing (building) a specific asset: the bridge, where the contracting authority is the Riga City Council City Development Department and the Transport Department, whereas the contractor is JSC "Dienvidu tilts". All construction costs in the Riga City Council City Development Department and the Transport Department until the object's putting into operation, Riga Municipality accrues within the group of balance sheet items "Construction in progress" and simultaneously accounts for liabilities to the respective company within the group of balance sheet items "long-term liabilities to suppliers and contractors". Within the contingent liabilities, future liabilities for the South Bridge construction are accrued.

Revenues

In accordance with the tax legislation, budget revenues comprise tax payments, state 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 is 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 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. 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 type of revenue. Revenues from penalties and fines for late payments are recognized on the day of received payment. 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 of the respective payment.

Expenses

Based on Riga Municipality development planning documents (Long-term development strategy of Riga until year 2025, Riga development

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program 2006-2012), Riga Municipality budget resource allocations have been diverted to the formation of educated, skilled, and cultural society, development of educational and social areas, as well as improvement of the City infrastructure and the living conditions of its inhabitants.

Capital expenditures comprise: depreciation of fixed assets; write-downs of fixed assets and liquidation of fixed assets; disposal of fixed assets and their write-downs; expenses associated with gratuitous receipt of land, by rebooking its value to equity capital; expenses associated with renovation of fixed assets, author's supervision and building supervision.

Investment expenditures comprise financing provided in the municipal investment program 2007 to departments, institutions, agencies, and programs allocated to the following programs: real estate object reconstruction, planning, and construction; acquisition of technical machinery and equipment, as well as furniture; capital repairs and construction of infrastructure (water-supply, sewerage, illumination, prevention of emergency conditions, etc.) and street objects; capital repairs of hot water-supply systems; development of IT networks and acquisition of equipment; installation of video surveillance and security systems; recovery of environment, author's supervision and building supervision.

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 degree of computerization of Riga Municipality institutions, costs of software purchased within the framework of this process, as well as 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

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

When performing renewal, reconstruction, or upgrade of fixed assets extending the 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 fixed assets in their current condition, as well as those from repairs, are recognized as expenditures

during the period when they have arisen. If it is clearly verifiable that as the result of encountered expenses, future economic benefits will arise exceeding their initial yield, such expenses are capitalized.

If long-term investments are liquidated, expropriated or destroyed as a result of unlawful activities, such long-term investments are excluded from books, and expenses recognized at the book value of the long-term investment.

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 SLS. Differences in values resulting from revaluation are recorded in the equity capital as provisions.

The recognition of a 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 under contingent assets. Cost of lease is recognized in expenses according to an accruals basis, by recognizing costs in the period when they have 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.

The accounting for real estate (land, buildings and structures) is performed by the Riga City Property Department in accordance with the resolution No.925-r as of October 20, 1999 issued by the Riga City Council chairman.

Land

Riga Municipality balance sheet comprises land plots owned by the Riga City, which have been registered in the State Land Service (SLS) in the name of the Riga City. Based on the principle of prudence, balance sheet excludes land existing within Riga Municipality territory if the property rights in the name of Riga Municipality have not been registered in SLS. 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, cadastral values of the plots are reconsidered, and changes are recognized in the bookkeeping. Excluded from the books are land plots, which in accordance with the appropriate Riga City Council decisions have been expropriated while performing privatization or expropriation of the municipal property, or exchanged for other real estate objects, land plots under municipal dwelling houses, where 100% of all apartments have been privatized together with the land, land plots, which are expropriated by an order from the court, as well as those transferred to the state.

Land acquired by lease is not reflected in the balance sheet. Such land plots are registered in a special register under the contingent assets. 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. Depreciation of land is not accounted for.

Buildings and structures

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

and structures are accounted for in the Municipality balance sheet at their book value recorded in balance sheets of municipal institutions, structural units, enterprises or municipal enterprises at the moment of acquisition.

When performing registration of real estate in the Land Book on the name of the Riga City Council, new building cadastral surveys are ordered and prepared. Thus, changes in real estate book values are made in accordance with the new inventory or cadastral value simultaneously arranging the property structure. Real estate valuation is performed by the State Land Service staff, who approve the value of real estate reflected in the stock-taking acts.

Acquired buildings and structures are accounted for at their acquisition cost formed by the cash paid, its equivalents or other type of compensation, as well as all costs associated with this acquisition deal.

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 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.

Real estate objects registered in the Land Book on Riga City name, and in the possession of municipal commercial LLC based on various decisions of the Riga City Council institutions, and not participating in the provision of municipal functions, are valued in accordance with the principle of prudence at the lowest, zero value.

On the basis of Riga inhabitants' and legal entities' applications, real estate objects belonging to Riga administrative territory are regularly inspected. For a part of inspected property legal ownership status and building legitimacy cannot be identified. As a result of such inspections, information on real estate possibly owned by Riga City is collected, and these objects are included in the balance sheet. The process will be over, once the legal ownership of absolutely all real estate objects located in Riga administrative territory will be identified and such objects will be registered in the Land Book. Real estate, which has been expropriated, privatized, torn down, or transferred into the ownership of other legal entities or individuals, is excluded from the books.

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.

Equipment in gardens and parks

Equipment of gardens and parks in accordance with the specification: perennial plantations, buildings, structures, asphalt or concrete paths as well as buildings of light construction, fountains and other park equipment are accounted for in Riga Municipality agency "Rīgas dārzi un parki" and Environment Department. The depreciation for these items is calculated by applying annual depreciation rates ranging from 1% to 20%, based on the specification.

Biological and underground assets

Biological assets are forest stands owned by Riga Municipality to-be-liquidated municipal agency "Rīgas meža aģentūra", which in 2007 have been evaluated based on data provided by the Latvian State Forest Service on the full value of forest stands in accordance with the forest stock-taking data in 2006. Forest stand value changes have not been adjusted by timber cutting and natural growth effects during the financial year.

Accounting for streets, bridges, and crossovers

The accounting for streets, bridges, and crossovers is performed on

object basis, recording investment resources allocated to reconstructions and renovations on each respective infrastructure object (street, bridge, or crossover). Gradually, with an aim of arranging accounting for traffic infrastructure objects, the actual value of objects is identified within the framework of the existing financing. During 2007, revaluation of all streets, bridges, and crossovers was performed, thus identifying their real value in accordance with values identified by an independent valuator at the moment of the valuation. Currently, there are 1658 streets with the total surface area of 9 290 872 sqm, as well as 102 bridges and crossovers with the total surface area of 223 072 sqm in the ownership of Riga Municipality (possession of the Traffic Department). The total value of the abovementioned objects forms LVL 703 468 254.

Accounting for external illumination systems and equipment

External illumination systems and equipment are accounted for in Riga Municipality agency "Rīgas gaisma" balance sheet. Until year 2007, only part of this equipment was evaluated and recorded, but effective June, 2007 all equipment was evaluated by an independent valuator and their values were recorded in the balance sheet. Valuation has been performed for each element of the illumination system. A remaining utilization period for each recorded fixed asset has been identified in accordance with the specification.

Other fixed assets

Other fixed assets comprise data processing devices, vehicles, furniture, and other fixed assets. Fixed assets consisting of components, which can be used separately (for instance, processor unit, monitor, printer), are accounted for as separate fixed assets. Other fixed assets are accounted for at their acquisition cost, by subtracting the accumulated depreciation and decrease in the value, if any. Fixed assets' acquisition value is the cash paid, its equivalent or other type of compensation, including all costs incurred in association with the acquisition of the long-term investment. If other fixed assets are received without compensation, the respective fixed asset is evaluated by a commission, and an expert of the specific area, if necessary.

Formation of fixed assets, and costs of construction in progress

Construction in progress reflects costs of formation of fixed assets and costs of unfinished construction objects, and it is accounted for at the initial value. The initial value comprises construction costs and other direct costs. Depreciation is not calculated on construction in progress until the respective assets have not been finished and put into operation.

Depreciation

Depreciation is a systematic splitting of an asset's depreciable amount over its useful life.

In 2005, depreciation was calculated based on the following annual rates valid as of December 31, 2005 adopted by the Republic of Latvia Cabinet of Ministers:

	%
Data processing devices	35
Vehicles and other machinery and equipment	20
Buildings and structures	5

In 2006, depreciation was further calculated based on the following rates: Fixed assets purchased until December 31, 2005:

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

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Fixed assets purchased effective January 1, 2006:

	%
Buildings and Structures	0.67-10
Streets	15
Vehicles	20
Computers, communication, and office equipment	20
Furniture, office tools, and other fixed assets	10

In 2006, in accordance with the Republic of Latvia Cabinet of Ministers Regulations No.440, estimated remaining useful life of buildings and structures was reconsidered, and their respective depreciation rates were reconsidered, too. Thus, effective year 2006, annual depreciation rates ranging from 0.67% to 10% will be applied to buildings and structures. Depreciation will not be accounted for land, cultural and environmental monuments, library funds, cultural and art items, gemstones, precious metals and their articles, valuables, and other cultural heritage.

Financial fixed assets

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

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 contingent assets.

Riga Municipality equity shares in related and associated enterprises both as of December 31, 2007 have been evaluated using equity method and according to the principle of prudence in balance sheet assets evaluation.

Payments for the utilization of long-term financial investments are recorded into budget revenue in accordance with the respective rules and regulations. As the Municipality applies the equity method, payments for the utilization of long-term financial investments are booked as decrease in investments' value.

Loss of value

Loss of value evaluation concerns all asset 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 asset 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 loss in value exist on the revalued fixed asset, 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.

Lending to related enterprises

Lending to related enterprises comprises 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 financed 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 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. The above-mentioned balance sheet item is corrected in accordance with the expense capitalization or other activities.

Inventory

Inventory is a current asset of a budgetary institution intended to support its operations, and in the form 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 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.

When performing write-down of inventory, all inventory losses are recognized as costs in the period, when full or partial write-down of value has been made and losses have been encountered.

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.

The respective fixed assets intended for disposal or privatization are reflected under current assets at their book value at the moment of transfer.

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. At the moment of stock-taking reasons behind changes in value are evaluated, as well as reasons for keeping the short-wear articles and materials in stock are identified.

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.

Prepaid expenses

Payments recognized in the prepaid expenses account are included in expenses on accruals basis, by recognizing expenses in the respective year. Consequently, expenses are recognized when the Municipality has actually received the service. Upon receipt of a prepayment invoice, it is accounted for separately until the day of payment. Those are prepayments for press and postal charges, use of public transportation, transport insurance for the municipal police and other budgetary institutions, as well as payments for staff insurance, which is attributable to the next 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: share capital, provisions for the revaluation of fixed assets, reserves, retained budget surplus for the prior year and budget surplus for the year.

Equity includes those fixed assets, which are not depreciated (land). Changes in this item arise from accounting for new non-depreciable assets, as well as exclusion of respective non-depreciable assets from the balance sheet. Provision for revaluation of fixed assets is formed from revaluation of investments. Provision for revaluation of fixed assets comprises also other reserves, which are recognized when performing valuation of financial investments by the equity method and there are such changes in the equity of the commercial enterprise, which are not reflected in this enterprise profit and loss statement. Retained budget surplus for prior years and budget surplus for the year are accounted by type of budget.

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. Accruals for anticipated costs are liabilities, which refer to the activities during the previous period and are foreseeable or well-known, but whose amounts, date of origin or payment is not precisely known. If a budgetary institution has current liabilities, which, most probably, will have to be covered, accruals for anticipated liabilities are formed on the balance sheet date. When preparing financial statements, all anticipated risks and possible losses that have arisen during the financial year or the following years are taken into account. 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. If probable (future) liabilities exist (it is more probable that the liabilities will not be encountered than will be encountered), accruals for such liabilities are not formed. Instead, future liabilities are reflected under contingent liabilities and their description is shown in the appendix to the financial statement. On the day when the budgetary institution has concluded a futures agreement (it is probable that the terms of the agreement will be fulfilled), the anticipated payment amount is reflected as future liabilities under contingencies. When the deal has been concluded and liabilities for the execution of work have been included in the balance sheet, future liabilities are decreased.

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.

As a source of financing for its investment projects and projects co-financed by EU Structural Funds, Riga Municipality uses long-term loans from commercial banks, loans from international financial institutions, as well as loans from the State Treasury.

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 2007, Riga Municipality executed the following projects:

- refinancing of Riga Municipality long-term liabilities has been accomplished. While performing financial, economic, and legal analysis of Riga Municipality liabilities in 2006, four loans from the existing loans amounting to mLVL 57.1 were chosen for refinancing as their refinancing was not burdened by any additional conditions. The lending bank was chosen in an open tender in accordance with the requirements of the law "On Public Purchases". As a result, a loan agreement was signed for the amount of EUR 81 255 204 with the offered interest rate, which is equal to the sum of 12 month EURIBOR and 0.19% added interest rate. The existing interest rates ranged from 0.23% to 0.4%. This means that the refinancing of the existing liabilities do not create additional costs for the servicing of these debts in Riga Municipality budget. As a result of the above-mentioned loan refinancing, Riga Municipality existing loan structure was optimized and improved medium to long term financial liquidity.
- Attraction of financial resources was continued by concluding three new loan agreements:
 1. Loan (EUR 3 272 605, annual interest rate 4.75%) provided for the financing of ERDF project "Reconstruction of A.Deglava Street's section from A.Saharova Street to Lubanas Street, and reconstruction of intersection of A.Deglava Street and A.Saharova Street";
 2. Via an open tender for the financing of Municipality investment projects, a loan has been received in the amount of EUR 20 631 641 and interest rate equal to the sum of 12 month EURIBOR and added interest rate of 0.13%;
 3. Loan (EUR 2 418 882, annual interest rate 5.44%) provided for the financing of ERDF project "Construction of the East Arterial Road, section Gaujas Street – Meza Boulevard (stage 1)".

Loans received in 2007 will be utilized on financing of investment projects, int.al, projects co-financed by the European Union structural funds. These projects will contribute to the improvement of the technical base of Riga City educational and cultural institutions, development of traffic, city illumination, health and social infrastructure, as well as arrangement of the city environment.

- Municipality guarantee has been issued to municipal enterprises for execution of significant projects. Riga City Council has guaranteed the coverage of commitments for a loan to LLC "Rīgas pilsēt būvnieks" in the amount up to LVL 3 700 000, and the payback period of up to 20 years. The above-mentioned loan will be used to finance the final stage of construction of the social home in Riga, 24 Dzirciema Street. After the issue of a Municipality guarantee, Riga Municipality accounts for liabilities encountered as a result of a Municipality guarantee, as well as regularly prepares reports on the total guaranteed debt.

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Interest rate risk

Interest rate risk arises for those Municipality loans having fluctuating interest rate as the risk exists that loan interest payments might significantly increase in situations when the fluctuating interest rate increases. In order to decrease the interest rate risk, Riga Municipality already during previous years has signed five interest rate swap agreements. The interest rates of the concluded interest rate swap deals payable by Riga City Council range from 3.23% to 3.56%. In order to perform the interest rate risk management on Municipality loans, it is predefined that at least 25% of municipal loans need to have a fixed interest rate for a period of at least one year. As of the end of 2007, the weighted average interest rate term was 5.08 years and the proportion of fixed rates within the debt portfolio was 80% (including loans having fixed interest rate arising from the interest rate swap agreements), which corresponds to the range set by the strategy.

Currency exchange rate risk

The financial resources of Riga Municipality are subject to the currency exchange rate risk, mainly through payments for loans in foreign currencies, investments as well as because of the fact that Riga Municipality loans are in foreign currencies. During the financial year, Riga Municipality did not have significant payments in foreign currency apart from Euro. At the end of 2007, Riga Municipality loans in LVL and related currencies (LVL and EUR), which have a fixed exchange rate in LVL, constituted only 99%. 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. In parallel to the execution of Riga Municipality credit-management strategy for 2005-2007, a new Riga Municipality loan, guarantee and other liability management strategy for 2008-2012 was prepared and approved with Riga City Council resolution No.3275 as of January 22, 2008.

Financial derivatives

The financial derivatives that can be used by 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 if 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 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 on 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 on 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 revaluing 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 City Council binding regulations No.121 as of May 27, 2008

	(Ls)
Total revenues	602 110 040
Basic budget revenues	534 996 770
Tax revenues	395 562 597
Personal income tax	354 308 690
Real estate tax (on land)	13 437 584
Real estate tax (on buildings and structures)	23 216 323
Gambling tax	4 600 000
Non-tax revenues	1 400 000
Revenue from utilization of Municipality capital	25 000
Municipality and state fees	180 000
Penalties and fines	995 000
Other non-tax revenues	200 000
State budget transfers: earmarked subsidies and subsidies	103 555 355
whereof: realization of EU co-financed projects and events	14 000 000
Revenues of public authorities	34 478 818
Special purpose budget forms	67 113 270
Revenue from special purpose budget types	65 024 580
Revenue from donations and endowments	2 088 690
Total expenditures	641 675 164
Basic budget expenditures	547 284 669
Maintenance costs	450 987 253
Recurring expenses	314 137 540
Interest expenses	4 434 120
Subsidies, grants and social benefits	79 832 436
Deposits to municipality financial cohesion fund	52 583 157
Capital expenditures, int.al.:	96 297 416
Investment program	57 873 079
Special purpose budget expenses	94 390 495
Maintenance costs	31 742 916
Recurring expenses	26 618 767
Subsidies, earmarked subsidies and social benefits	5 124 149
Capital expenditures	62 647 579
Financial balance	-39 565 124
Basic budget	-12 287 899
Special purpose budget	-27 277 225
Financing	39 565 124
Basic budget	12 287 899
Borrowings	12 287 899
Special purpose budget	27 277 225
Change in budget resources	27 277 225
budget resources, beginning of year	32 598 262
budget resources, end of year	5 321 037

